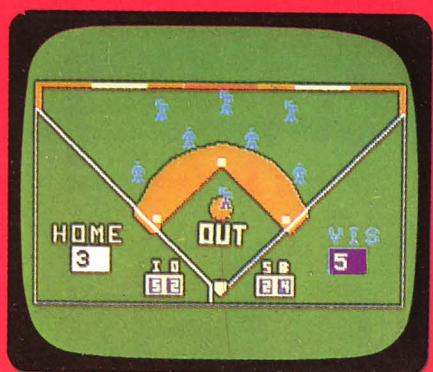


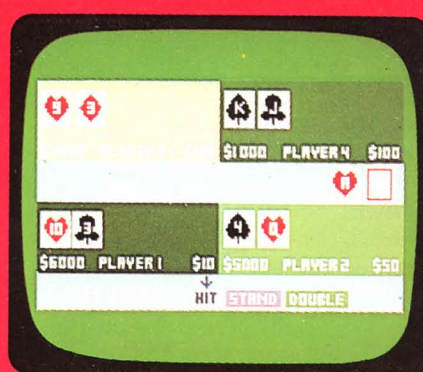
Chain Store Age

JUNE 1978

VIDEO GAMES

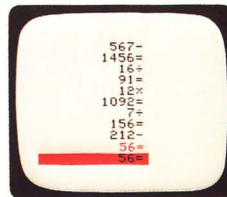
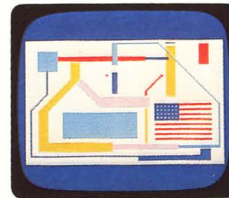
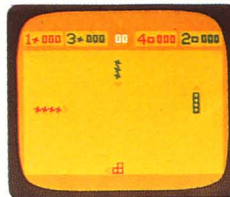


THE
ELECTRONIC
TRANSFORMATION
TO
HOME
COMPUTERS



THE NAME OF THE GAME

BASEBALL
HANDBALL
HOCKEY
TENNIS
GUNFIGHT
CHECKMATE
CALCULATOR
SCRIBBLING



Although it was really conceived during the 1960's, the video game industry did not evolve . . . it exploded. The first home game, Odyssey, was introduced in 1972. A simple black and white ball and paddle game, it turned TV sets into electronic playgrounds. Through the miracle of integrated circuits called "chips," today's home video games are more sophisticated than the games found in shopping centers, arcades and airports. Playing instructions flash on the TV screen to lead you through each step. The screen produces images of gunslinging cowboys, running baseball players, airplanes, racing cars and ships. Realistic sounds accompany the play. Players not only see the ball teams run on the field, but hear the crowds cheering too. On-screen digital counting is now built into better video games. And, more importantly, microprocessors now transform programmable video games into home teaching machines.

GAMES BECOME COMPUTERS

The potential of the home video game is mind-boggling. Already in the market is an inexpensive computer BASIC cassette that transforms a video game into a fully operational home computer. And, on stream are full-keyboard computer systems that make video games function as home or small business computers with as much versatility as the business computers of only a few years ago.

A NEW PRODUCT CATEGORY

As with hi-fi, video games/home computers started with the buffs and are filtering down to the masses. And like hi-fi, video games/home computers represent the nucleus of a new product category . . . rather than just another SKU in the toy or sporting goods department. At its inception, the video game was introduced and marketed through TV appliance dealers retailing at about \$120. Today's market spans price points from \$20

for the low end dedicated game to \$300 for the programmables with computer expandability.

Definitions

Dedicated Games = Usually a paddle game dedicated to variations involving the control of a ball or puck across the screen.

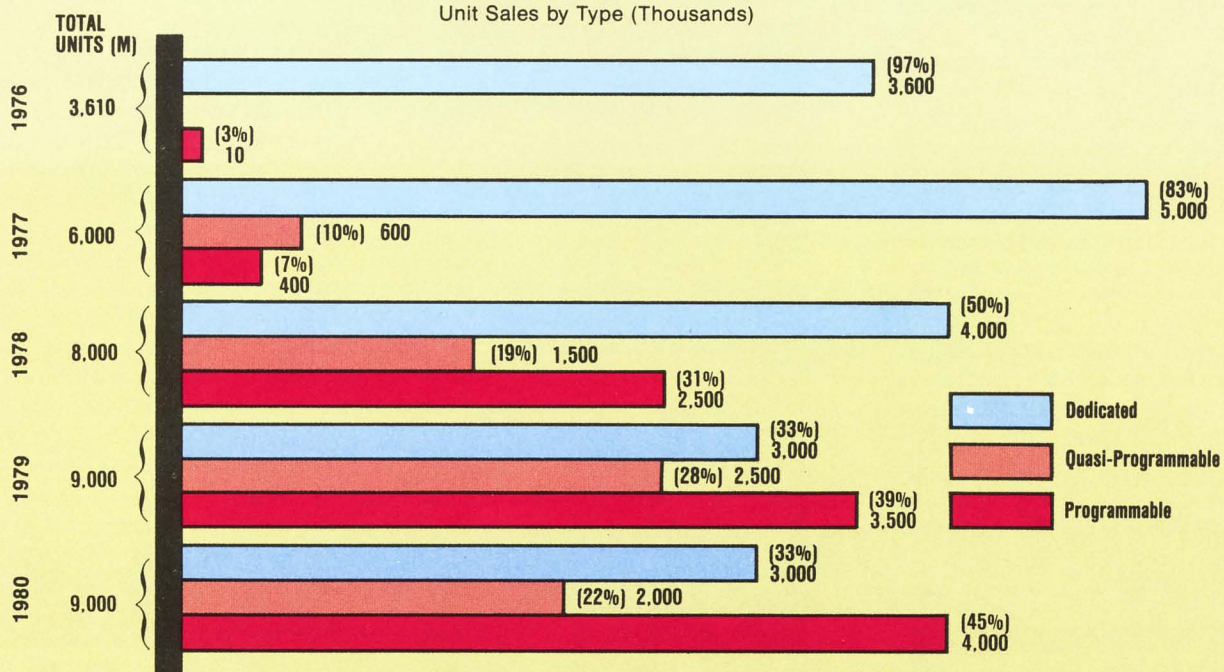
Programmables = Video game consoles that accept cassettes that are programmed for *different* games.

Although still in its infancy, the industry is projecting over \$700 million in retail sales of video games . . . which does not include aftermarket sales of cassettes for the programmable games. The many articles about games and home computers in consumer publications and newspapers have sparked consumer demand that project industry figures of 8 million units for 1978.

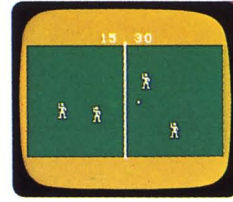
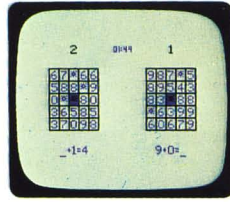


Estimated Video Game Industry Sales

Unit Sales by Type (Thousands)



EVERYBODY PLAYS



In an independent research study in Chicago, focus group interviews were conducted with respondents who owned or intended to purchase a home video game. Among these groups surfaced some interesting beliefs concerning the escalating popularity of the games as a form of home entertainment. It's believed that there are far too few in-home activities that can be enjoyed equally by both adults and children and that a home video game is a source of fun that an entire family can enjoy together.

The study also bore out that although children motivate most video game purchases initially, the challenge of programmable games keeps interest high for both adults and children. As expected, games requiring knowledge, rather than just ball and paddle skills, were most popular with adults, while teens and pre-teens tended to favor action/skill games. The interviews also indicated that electronic games have strong male appeal, especially with heads of household and pre-teens.

REASSURING CONSUMERS

Retail salesmen report that three of the most often asked consumer questions are:

1. Will a video game harm my TV screen?
2. Is the game difficult to install?
3. Will my family become bored with the game?

NO PHOSPHOR BURN

There is virtually no danger of phosphor burn on the TV screen

from video games, but as an added precaution one manufacturer has included an automatic shutoff that will turn the game circuit off if it is left unattended for more than 5 minutes.

EASY INSTALLATION

Installation of most programmable video games is as simple as installing an indoor TV antenna. For most TV sets, all that is required is a household screwdriver.

PROGRAMMABLES OVERCOME BOREDOM

While an early boredom factor is a potential detriment with dedicated units, the programmables offer the consumer an almost limitless variety of games. With one or more games per cassette, the programmable games keep renewing interest within the family. Some stores merchandising programmables maintain a list of customers waiting for their "cassette of the month."

DEMOS SELL BIG TICKETS

Dedicated games which represent the low end of the market are merchandised in self-service departments within general merchandise stores. However, customers demand demonstrations of the top-of-the-line, big ticket programmables. More purchasers are pre-sold before entering the store but require demonstration of a working display to understand fully the potential of a programmable video game and to be convinced that they are making a good buying decision.

Some general merchandisers see the new Advanced Consumer Electronics (ACE) departments as the key to big ticket video game sales. Others prefer to merchandise programmable games within their television departments . . . giving their experienced big ticket salesmen an opportunity to earn commission on a quick-selling product.

The popularity of home entertainment games and the home computers have given birth to a number of specialty shops. Some, like Computerland, The Byte Shop, and others, merchandise only small business computers, home computers and programmable video games.

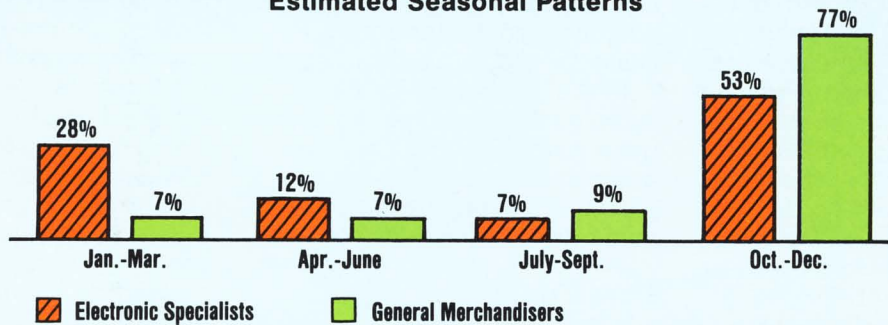
SEASONALITY

A recent Lebar-Friedman Research survey of both general merchandise retailers and electronics specialty dealers asked: "What do you think the seasonality sales pattern for video games will be in the future?"

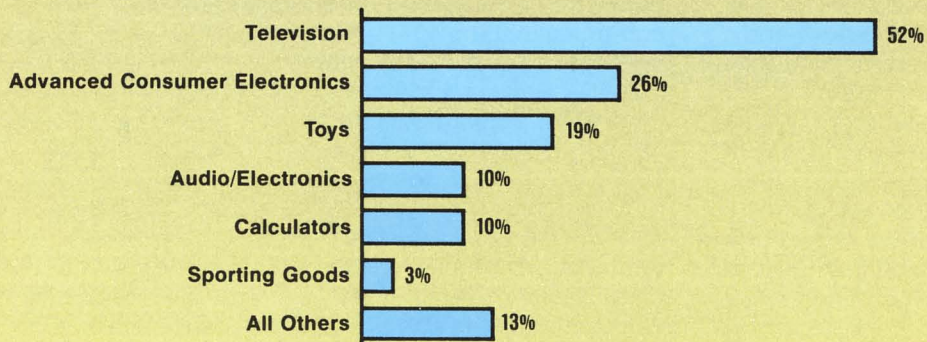
The results showed marked differences in the retailers' estimates of the importance of the Christmas selling season. While the general merchandiser saw the 4th quarter representing 77% of volume, the electronic specialists saw it representing just over half. By merchandising programmable games throughout the fall and winter months, the electronics specialists extend their selling season to 6 or even 9 months. Promoting cassettes through the first quarter is another way these dealers achieve continued volume after the peak sales season.



Estimated Seasonal Patterns



Departments In Which Video Games Are Sold

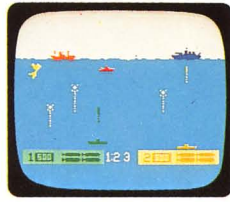
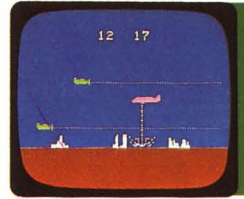


NOTE: Percentages may be more than 100% due to multiple answers.

The survey points out that 32% of the retailers prefer to merchandise video games in more than one department in the store. Fifty per cent of the retailers merchandise video games independently rather than co-mingled within other product categories. Sixty-one per cent of the general merchandisers surveyed now sell video games. An additional 9% plan to merchandise them in the future.

Source: Dealer Survey—Lebhar-Friedman Research

SCORING BIG



Programmable video games started to make an impact during Christmas 1976. By the fall of 1977 the die was cast. The consumer demand was there, but the chips weren't. A shortage of microprocessors made it impossible for video game manufacturers to keep the pipe lines as full as their dealers demanded. In early December retail shelves were bare. The pent-up demand was reflected again at the January Consumer Electronics Show (CES). Programmable video games were the darling of the consumer electronic industry. The Bally Professional Arcade™ received enthusiastic response from dealers, distributors and reps vying to merchandise these versatile programmable games.

No longer afraid that the video game/home computer was a fad, merchants recognized the long term profitabilities. Not only does the initial sale of the console command a substantial dollar profit, but the aftermarket, in the form of additional cassettes, will mean sustained repeat sales of \$20 to \$25 each. Most merchants have visions of game software being merchandised like phonograph records and tapes year round.

What is equally intriguing to many dealers is the potential of

the video game as a fully programmable home computer. Not only does the sale of the computer hardware excite the merchandiser, but also the sales of additional computer program cassettes that will be marketed.

To the consumer, the future video game cassettes, the computer hardware, and the computer's cassette programs all give justification to buy the video game now and add-on later.

ENTER BALLY

Bally Manufacturing Corporation entered the market with its exciting Bally Professional Arcade™, a video game/home computer in June 1977. While new in the consumer products industry, Bally is a major manufacturer of a complete line of flipper pinball machines, electronic games and, through its Midway Mfg. Co. subsidiary, coin-operated arcade and amusement games for sale and distribution throughout the world. Aladdin's Castle, Inc., another Bally subsidiary, operates 110 amusement arcades within enclosed shopping malls throughout the U.S. and Canada. This experience enables all of the concepts and engineering for Bally consumer products to be tested first and perfected

through their subsidiaries.

Games like "Gunfight™," "280 Zzzap™," "Dogdem™," and "Tornado Baseball™"—either built into the Bally Professional Arcade console or available as cassettes—were first featured as coin operated games in thousands of amusement centers.

The Bally Professional Arcade consists of a deluxe console (with 3 games and a calculator built-in) plus 4-player pistol-grip controls. The calculator actually "prints" on the home TV screen offering 5 functions, 10 separate memories and the ability to scroll figures up and down to check and correct entries. But that's only for openers. The computer capacity built into the Bally Brain™ makes it one of the most powerful and expandable units on the market.

Unique to the Bally Professional Arcade is the calculator keypad built into the console for programming and many other functions. In conjunction with the Bally BASIC cassette it becomes a fully operational ASCII keyboard for the programmable home computer.

The add-on capabilities of the Bally Professional Arcade as a teaching device and home computer eliminate obsolescence of dedicated video game products.



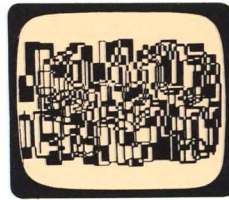
Video Game Features Ranked In Importance By The Dealer

	Extremely Desirable	Very Desirable	Somewhat Desirable	Not too Desirable	Not at All Desirable
Large Game Variety	39.5	46.5	7.0	4.7	—
Addition of New Cassettes	29.9	48.8	14.0	4.7	2.3
Program Your Own Games	23.3	51.2	20.9	2.3	—
Sound Effects	23.3	48.8	23.3	2.3	—
Expandable to Computer	14.0	27.9	23.3	11.6	14.0
Automatic Shut Off	14.0	14.0	37.2	27.9	4.7
Large Color Variation	11.6	34.9	41.9	7.0	—
On Screen Instructions and Scoring	9.3	44.2	30.2	14.0	—
Accommodates 4 Players	9.3	37.2	39.5	4.7	4.7

Source: Dealer Survey—Lebhar/Friedman Research

Table excludes "no responses"

THE HOME COMPUTER



A recent issue of Time magazine featured a special section about "The Computer Society." The headlines read "New micro-technology will transform society" and "The computer revolution may make us wiser, healthier and even happier." A cartoon strip spoofed the computers' ability to wake us, detail our appointments, report the time and the news, control the temperature of our shower, program the household appliances, balance our checking account, secure our home from theft, forecast the weather, prepare our meals, warn us that the car is running out of gas and give our children an education.

Under the heading "Living: Pushbutton Power." Time talked of the home computer being programmed to swing curtains apart, boost thermostat settings, open the back door to let the dog out, and start the engine before entering the car. The kitchen terminal will be programmed to prepare specific recipes . . . with proportional mix

of ingredients for the indicated number of servings.

Exaggeration? Fantasy? No! The home computer is here.

1978 industry projections are for the sale of up to 250,000 home computers. No longer is the marketing and merchandising of home computers restricted to the hobbyist outlets or small business computer dealers. Recognized as a home product, the home computer is being displayed and demonstrated where major appliances, television and home entertainment, or advanced consumer electronics are sold.

BALLY BASIC . . . HERE!

A forerunner to the Bally home computer is the Bally BASIC cassette for its video game. This is a self-teaching system for making your own computer video games, electronic music and video art. Bally BASIC transforms the Bally Professional Arcade into a computer as simply as inserting any of the other Bally Videcade™ cassettes. With the Bally BASIC overlay, the

keypad is transformed into a fully operational ASCII keyboard accessing 1800 character memory. The TV screen displays 27 characters per line with 11 lines; and with the accompanying instruction manual, Bally BASIC programming is accomplished without any previous knowledge of computer programming or typing skills.

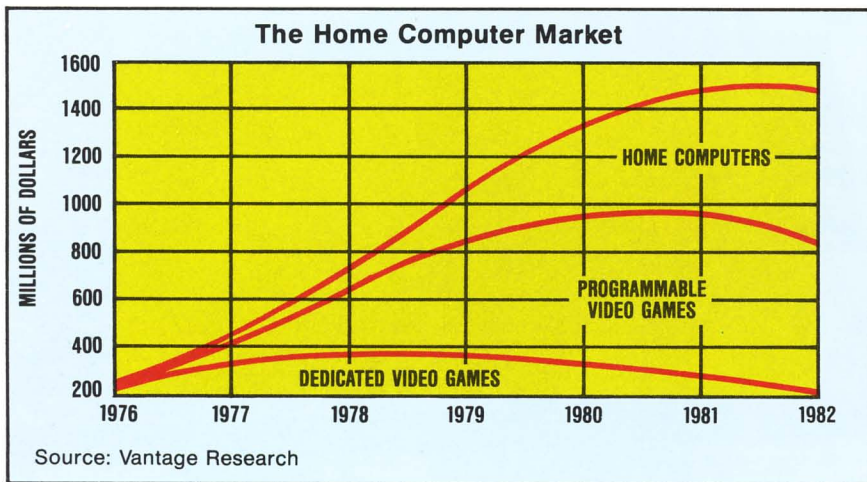
Limited only by imagination, even a novice can:

- Design computer video games for up to 4 players.
- Write challenging mathematical game programs.
- Make charts and graphs of important data.
- Compose musical programs utilizing a built-in synthesizer.
- Create video art with endless patterns, designs, and intricate shapes with motion, depth, and color combinations.

With the Bally Audio Interface accessory, the Bally BASIC programs created may be permanently stored for future use with an ordinary magnetic tape recorder.



THE NEXT MOVE



From both the consumer's and the retailer's point of view, the most saleable aspect of the Bally Professional Arcade is its programmability.

The expanding library of Bally Videocade™ cassettes offers the retailer a seemingly endless aftermarket.* The future availability of add-on hardware, converting the Bally video game to a home computer with its own software programs, also justifies the consumer decision to buy now. Eventually, the sale of software will equal that of the consoles. Projections indicate that future video game/computer cassettes will account for up to 50% of industry sales. It is estimated that the combined retail sales of hardware and software could

reach \$1 billion by 1980.

WHERE DO WE GO FROM HERE?

Future computer accessories will include high-speed printers, dual-digital tape decks, telephone modems, as well as floppy discs. Programs for phone numbers, income tax figures, savings account deposits, and inventories of stocks and bonds will appear at the press of a button.

The Bally Professional Arcade is engineered to accommodate all of these peripherals, providing assurance to consumers that it will not become obsolete.

With these devices, the "Computer Society" will become a reality in the not-too-distant future.

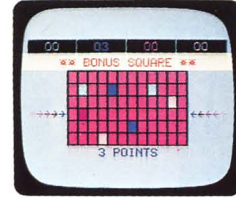
*Games built in: Gunfight™, Checkmate™, Scribbling™, and Calculator.

Cassettes now available: 280 Zzap™ and Dodgem™; Sea Wolf™ and Missile; Tornado Baseball™, Tennis, Handball and Hockey; Bingo Math™ and Speed Math™; Letter Match™, Spell 'N Score™, and Crosswords; Black Jack, Draw Poker, and Acey-Deucey; and Bally BASIC.

Others planned for 1978 include: Panzer Attack™ and Red Baron™; Clowns™ and Escape; Star Race; Football; Grand Prix and Demolition Derby; Maneuvers and Drag Race; Backgammon and Checkers; and Astrology.



RIDING HOME AWINNER



Bally's conservative approach to marketing its video entertainment/home computer system is tailored toward the distributor in the consumer electronics industry. The company's marketing objective is to plan for growth with a reliable instrument capable of accepting additional future hardware and software, offering the consumer a quality product and the distributor and dealer a fair profit.

Because consumer demonstration is necessary to sell the full capability of the Bally Professional Arcade, Bally offers retailers an attention-getting P.O.P. display. It is backlit and includes a pilfer-proof storage area for cassettes and accessories. The company has also carefully selected distributors with proven track records in selling, servicing and retail training. The company provides complete support programs for the distributors and their dealers, with sales representatives in the marketplace for continuous follow-through. Market-by-market advertising in 1978 will provide blitz exposure in TV, radio and print. In addition, extensive cooperative advertising materials and generous allowances will allow dealers to tie in their local market promotions.

Shouldn't *you* contact your Bally distributor today?

GLOSSARY OF TERMS

ASCII—Short for American Standard Code for Information Interchange, ASCII is the most widely recognized 8-bit code for representing alphanumeric characters of the English language. Pronounced "ask-ee."

BASIC—Stands for Beginners All Purpose Symbolic Instruction Code. BASIC is a widely used beginners high-level programming language.

BIT—The smallest unit of computer information. Several bits together make up a letter, number, or word.

BYTE—A group of adjacent bits. The most common size byte is 8 bits, although 4, 12 and 16 are also used.

HARDWARE—The equipment.

MICROPROCESSOR—A "computer on a chip" or an integrated circuit that can be programmed to perform different logic functions. Used increasingly for many

purposes, including arcade and home video games.

PERIPHERALS—Devices connected to the computer in order to provide added communication.

RAM (Random Access Memory)—An integrated circuit memory chip in which the stored data can electronically change while in operation. Used in conjunction with a microprocessor.

ROM (Read Only Memory)—An integrated circuit memory chip used when a program is to be repeated in the operation of the computer.

SEMICONDUCTOR (Chip)—A small 1/8 inch square of impregnated silicon that can perform complex electronic functions.

SOFTWARE—The programs. A list of operations for a computer written in its language.

TOKEN—A single key entry of a combination of letters, words, or phrases.

ACE Departments

Advanced Consumer Electronics (ACE) departments in department stores now merchandise product categories such as: sophisticated calculators, digital clocks & watches, phones, telephone devices,

video games and home computers. The recent trend is to move the ACE Department to the main floor as well as a location adjacent to the audio or home entertainment department.

This 16-page advertising supplement was sponsored and paid for by Bally Manufacturing Corp. With the exception of data attributed to Lebharr-Friedman Research, all facts and figures were supplied by Bally Manufacturing Corp. The retailer research, which was conducted by Lebharr-Friedman Research, was done at the request and under the direction of Bally Manufacturing Corp.



New from *Bally*

Galaxy Ranger!

Commercial-size home pinball!

Galactic Action!

Cosmic Thrills!



Slam-bang excitement that's taking the pinball-playing universe by storm. Action so swift it has even grannies thumping, bumping, and flipping. Bally and you will bring it home . . . to a home-pinball market growing explosively! Now Galaxy Ranger is here. Created by the industry's leader to be the brilliant supernova of home-pins.

Why it's destined for dominance:

- ★ Spectacular backglass and playfield graphics.
- ★ Fully electronic Space-Age action . . . arcade speed, bells and buzzers, flashing lights, and 8 great tunes.
- ★ Exclusive third flipper . . . creating unique extra-scoring opportunities.

Plus these outstanding Bally features:

- ★ Exclusive "Game Brain" mini-computer tallies and remembers scores for 1-4 players.
- ★ Diagnostic Check Switch tests every key function.
- ★ Electronic LED scoring readout with large numbers.
- ★ 22" x 42" commercial-size playfield.
- ★ Solid-state for easy, in-home repairs if needed.

Bally Fireball stays hot! The first full-size home pinball game, the Bally Fireball, is still skyrocketing in sales. Check our complete line. Bally, the galaxy's No. 1 in commercial amusement games, wants to bring big-home-pin profits home to you! Contact your Bally distributor or phone (312) 452-5200.

Bally brings the excitement home!

BALLY CONSUMER PRODUCTS DIVISION
10750 W. GRAND AVE.
FRANKLIN PARK, IL 60131

We're serious about fun and games.



At Bally, we're in the business of helping people have fun. Since we introduced our first wooden pinball game in 1931, we've become the world's leading producer of coin-operated amusement and gaming equipment. And along the way, we became the first U.S. manufacturer to use integrated electronics in our complete line of pinball games.

But Bally is helping people have fun in more ways than that. For the past few years, we've been entering new areas of growth and expansion. As an operator of 109 Aladdin's Castle arcade amusement centers. As a major manufacturer of home pinball machines and electronic TV games. And as the owner of a 9-acre tract at the intersection of Boardwalk and Park Place in Atlantic City, where we'll build a luxury hotel-resort-casino.

Of course, we're not only making fun for consumers. We're also bringing smiles to our stockholders. In 10 years, we've grown from sales of \$30 million to \$245 million in 1977 — up 18% over 1976. Our 1977 earnings of \$19 million — up 59% over 1976 levels — set a new record. Most importantly, our return on average shareholders' equity in 1977 was 21% . . . putting Bally in the top tier in this regard among all major U.S. corporations.

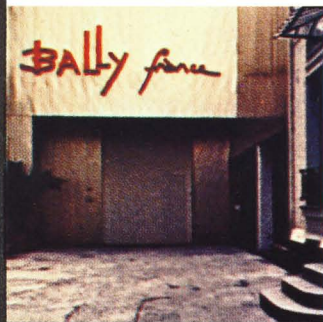
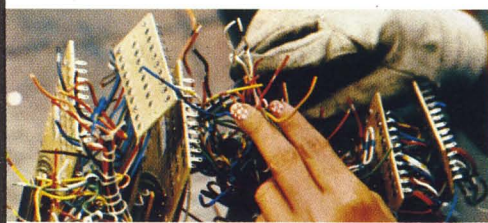
Our employees are happy, too. We now provide jobs for some 5,000 people at 19 plants and offices in the U.S. and overseas.

Our changing product mix includes electronic components that we manufacture and supply for other makers of commercial and consumer products, both in and outside the amusement industry. And that makes both our suppliers and our customers happy.

Through our diversification, expansion and growth — and achievement of record revenues and earnings — our management also has much to be pleased with.

At Bally, it's fun being serious about fun and games.

Manufacturing Corporation
2640 West Belmont Avenue
Chicago, Illinois 60618



Introducing Bally® BASIC



New, self-teaching Computer Programming Cassette for the Bally Professional Arcade.™

It gives your customers the fun of creating their own video games, art, music—instantly!

We previewed our Video Entertainment/Home Computer System at the January CES. But what you saw then was only a taste of what you'll experience today.

Because now Bally BASIC is here. It's an easy, extended version of the most common computer programming language (BASIC). But it offers much more—color, sound effects, music, and a whole library of imaginative programs for the family to enjoy. No programmable game or home computer currently on the market offers anything close.

Now your customers, with no more experience than it takes to run a cassette-player, can know the joy of interacting with a computer. Programming it. Watching and hearing it respond to commands. Actually *mastering* it—all in one fun-packed afternoon!

Bally BASIC is the first step in expanding the Bally Professional Arcade into a home computer. This expansion is achieved in ways that are unique.



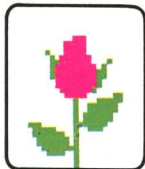
EXCLUSIVE #1. Only Bally BASIC offers a self-teaching course that lets the user create short programs the first few minutes.

The first lesson shows you how to operate the computer, and how to play dozens of games with the 30 exciting programs included. Other lessons teach you how to create your own video games, art, and music.



EXCLUSIVE #2. Only Bally BASIC lets its user program the computer without knowing how to type.

Anyone—even children—can use the Bally Professional Arcade's built-in keypad. It's actually faster and easier than typing.



EXCLUSIVE #3. Only Bally BASIC includes symbols and words giving complex commands that create games and art swiftly.

Your customer doesn't need to spend hours programming in order to enjoy its immense graphics and video games capability.



EXCLUSIVE #4. Only Bally BASIC includes a music synthesizer with 3-octave range.

Keypad numbers correspond to musical notes. So "Play by the Numbers" songbooks can be followed and beautiful electronic music produced. Or you can compose and play your own original tunes.



EXCLUSIVE #5. Only Bally BASIC utilizes the full electronic palette of 256 colors.

That's the full color range of your color TV set. Personal computers usually are limited to black & white, or up to 16 colors at most.

It's all-family fun with everything included. Bally BASIC Cassette. Keypad overlay of words, symbols, numbers, letters. Handsome vinyl storage case. And an easy-to-follow Computer Programming Course that uses words and pictures to make computer programming fun from the start.

Permanent Storage Capability

It's a readily expandable system, too. Bally will soon offer an audio interface that lets your customer connect his own personal tape player and gain permanent storage capability—of *all* games, art, and music he creates!

We took the time to build into the Bally Professional Arcade more options, ruggedness, power, and brains. Bally BASIC proves it. This is the one Video Entertainment/Home Computer System to sell.

Contact your Bally distributor now to get the whole tremendous story of the Bally Professional Arcade with new Bally BASIC. It's truly and uniquely... *Fun & Brains.™*

Bally®

Bally Consumer Products Division
10750 West Grand Avenue
Franklin Park, IL 60131 • (312) 452-5200