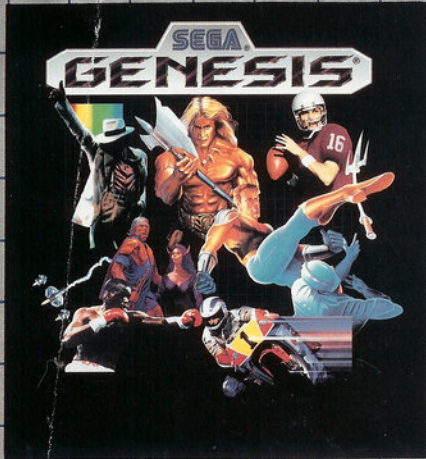


SEGA FOR THE 90's

The New
Generation

A New Generation of Technology



A New Generation of Games

A New Generation of Value





Sega Enterprises continues to be industry world leader

Sega Enterprises, Ltd., founded in 1951, is a world leader in the high-technology arcade game business and home video game market. The company was incorporated in 1960 and is publicly traded on the Japanese Stock Exchange.



*Hayao Nakayama
Representative Director,
President and
Chief Executive Officer*

arcade equipment; the operation of arcade amusement centers; and the design, production and sale of home electronics and entertainment products, including home video game hardware and software, electronic games, personal computer software and toys. Projected sales for fiscal 1990 are \$600 million with net profit of \$33 million.

Arcade Business

Sega's arcade machine business can be divided into two main activities: the development, manufacture and sale of arcade machines; and the operation of arcade amusement centers.

A procession of internationally successful products, including *Hang-On*, *Out Run* and *Afterburner*, created a flourishing market for its games in recent years.

Sega takes pride in its skills in designing and managing arcade amusement centers and in its innovative use of

new technologies.

Home Electronics and Entertainment Business

Sega's home electronics and entertainment business began in 1984 with the introduction of its first home video game system. Sega has subsequently diversified into electronic toys and educational products.

Because popular arcade machine game software can be adapted to home video games, Sega's leadership in the arcade machine and arcade amusement center industries has contributed to the success of its home electronics and entertainment business.

In 1989, Sega of America's Consumer Products Division successfully launched Genesis, a 16-bit home video game system in the United States that represents a quantum leap forward in the reproduction of arcade graphic and sound quality in the home. Furthermore, Sega is expanding its 8-bit and 16-bit game software libraries through recently concluded third-party licensing agreements with many of the world's top game/software companies. This move will supplement the company's own software development and provide Sega hardware enthusiasts with an even wider game selection.

Sega strengthened its European sales network in fiscal 1989 by commissioning Virgin Group Plc as its distributor

in the United Kingdom, France and the Federal Republic of Germany. This relationship will strengthen Sega's position at the forefront of the industry during an expected surge in home video game sales in the European market in 1990.

Sega is now firmly established in the

three key markets of North America, Japan and Europe.

Research and Development

Research and development is of prime importance to all of Sega's business areas, where product life cycles are

relatively short, and success is largely determined by the ability to release hit products quickly and regularly. Sega's

450 - strong R & D team makes up more than one-quarter of the company's 1,700 employees.

At corporate headquarters, over 50 percent of the staff is involved in R&D. Their record of innovation and achievement over the past several years is unmatched in the industry and is the primary reason for Sega's rapid growth.



Research and Development is of prime importance to all of Sega's business areas.



*David Rosen
Founder and
Co-Chairman of
the Board*

A New Generation of Technology

Genesis Arcade Power Stick



Genesis Control Pad



Genesis Power Base Converter



*Genesis
Main
System*



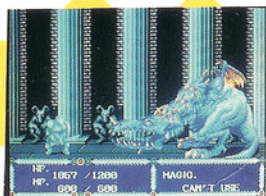
A New Generation of Value

Sega Master System II



SEGA®

A New Generation of Games



Vermilion



Pat Riley Basketball



Super Monaco GP



Joe Montana Football



Moonwalker



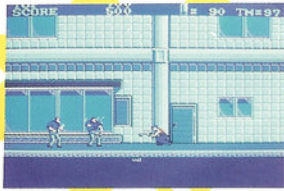
James Buster Douglas Knockout Boxing

Other Genesis Titles

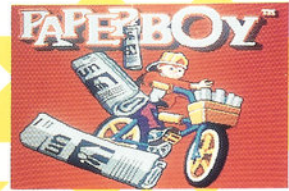
- Super Thunder Blade
- Tommy Lasorda Baseball
- Arnold Palmer Golf
- Revenge of Shinobi
- Sergeant Slaughter Wrestle War
- Space Harrier II
- Ghouls 'N Ghosts
- Super Hang-On
- Afterburner II
- Columns
- Thunder Force II
- Soccer
- Forgotten Worlds
- Cyberball
- Dick Tracy
- Altered Beast
- Rambo III
- Mystic Defender
- Ghostbusters
- Mickey Mouse
- Last Battle
- Truxton
- Herzog Zwei
- E-Swat
- Strider

SEGA®

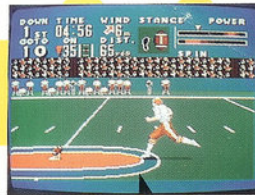
A New Generation of Games



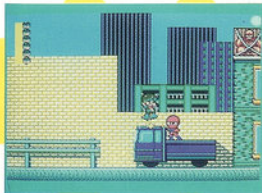
E-Swat



Paper Boy

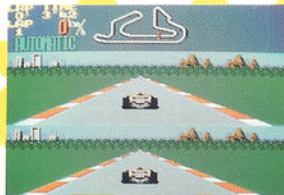


Joe Montana Football

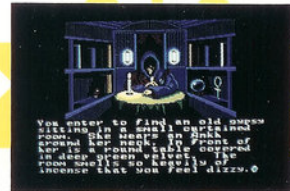


Shinobi II

SEGA Master System II



Super Monaco GP



Ultima IV

Other Sega Master System II Titles

- Reggie Jackson Baseball
- Alex Kidd-Miracle World
- Alex Kidd-High Tech World
- Alex Kidd-Shinobi World
- Pat Riley Basketball
- California Games
- Phantasy Star
- Wonder Boy III
- Rambo II
- James Buster Douglas Boxing
- Slap Shot Hockey
- Fantasy Zone
- Impossible Mission
- Rambo III
- Aerial Assault
- Choplifter
- Ghostbusters
- Mickey Mouse
- Wanted
- Columns
- Ace of Aces
- ALF
- Black Belt
- Psycho Fox
- IM 2
- Enduro Racer
- Altered Beast
- Shinobi
- Golden Axe
- Sub Attack
- Outrun
- Vigilante
- Double Dragon
- Dead Angle
- Ghouls 'N Ghosts
- Moonwalker
- Winter Games
- Gauntlet
- Dick Tracy

SEGA®

Sega pulls out big guns for 90's marketing, merchandising and manpower thrust

The New Generation of Sega has a powerful arsenal of new television commercials that take an aggressive stance in the category. The "Genesis Does... What Nintendo't" advertising campaign will kick-off mid-year and gain momentum through the peak Fall 1990 selling period by emphasizing the proprietary game properties of Lasorda, Palmer, Riley, Montana, Spider-Man, Michael Jackson and James Buster Douglas. Sega claims Genesis' superiority to Nintendo simply because *you can't play these games on Nintendo.*

These powerful TV commercials will be supported by a multi-media advertising attack including radio, newspaper and movie theater advertising, as well as in-store merchandising. A combined thrust of heavy levels of national and major market advertising will provide increased Genesis

enthusiasm magazines.

Added to this powerful advertising campaign will be innovative promotions at retail as well as powerful tie-ins with major national marketers in order to increase product awareness

to form any configuration of product presentation, segmented to provide end-cap situations or utilized for whatever the retailer's space necessitates. Video monitors for continuous loop software sell presentations acting

as on-going advertising commercials are also encouraged to further create consumer product awareness at retail.

Now that's a merchandising program which covers it all—and all "in-store" for retailers in Sega's new generation of

promotional merchandising support.

A New Generation of People

But, product and promotion can't be effective without the staffing of a highly trained group of professionals to execute product development within the marketplace. Sega has made a commitment to excellence in this area also. With over 100 employees now on staff, Sega has developed a Consumer Service Department which enables the company to answer the multitude of calls coming into the company every day from consumers. Questions about product availability, helpful hints on playing games or product warranty and repair questions can all be handled by the Consumer Service Department's "Game Pros."

Add to that the highly-trained staff in the field, as well as that within office headquarters, and you'll find that Sega has put together the perfect formula for professional performance through its people.



Sega of America has put together the perfect formula for professional performance through its people.

and sales. Kraft, Geo, Burger King, to name a few, will combine forces with Sega in providing a powerful "one, two punch" in the retail promotional area.

But promotional support doesn't stop there—wait until you see what Sega has "in-store" for this Fall. The company has developed a major merchandising program to reach the consumer with a final sales pitch at point-of-purchase.

Using a one-size-fits-all philosophy, Sega has put together a flexible and versatile merchandising program to satisfy all retail customers—from key national accounts to the "Mom and Pops." Each package includes Sega logo headers, software promotional paks, window posters, counter cards, hanging banners, take-one catalogs and catalog dispensers. Sega has also developed modular four-foot product display sections, which can be merged

brand awareness and high visibility throughout the year paving the way for this "system of the 90's."

Also, a sustaining national advertising campaign will be scheduled to support the reintroduction of the 8-bit Master System II back into the marketplace this Fall through national TV advertising complimented by national magazine print ads in the video

The New Generation of Sega has a powerful arsenal of TV commercials, advertising campaigns and promotional support.

SEGA®

New Visions magazine offers 'New Generation of Fun'

Sega's total commitment to The New Generation has spawned a new magazine, *Visions*, as part of a "New Generation of Fun."

The new publication premiered in June 1990, full of unique and exciting features and activities to thrill any Sega enthusiast.

The magazine has been created to keep Sega's user base updated as to the new software releases and new products available to them. The publication will also keep Sega's user base abreast of the new, dominant direction Sega is taking. It will also include those all-important, helpful hints such as how to score higher in the games!

Just some of the engrossing features that will be appearing in issues of the *Visions* magazine include:

- Information on Sega Time-Out Family Amusement Centers
- Sega warranty information
- Readers polls, including favorite games, game ratings, etc.
- A high score section where subscribers can become Sega Top Guns by sending in a picture showing the screen with their best scores
- 16-bit titles featured with strategy tips
- 8-bit titles featured with strategy tips

As an added feature, each issue of *Visions* will include a cartoon titled "Meet Niles Nemo," a character whose Sega story and adventures will be told through visual presentations.

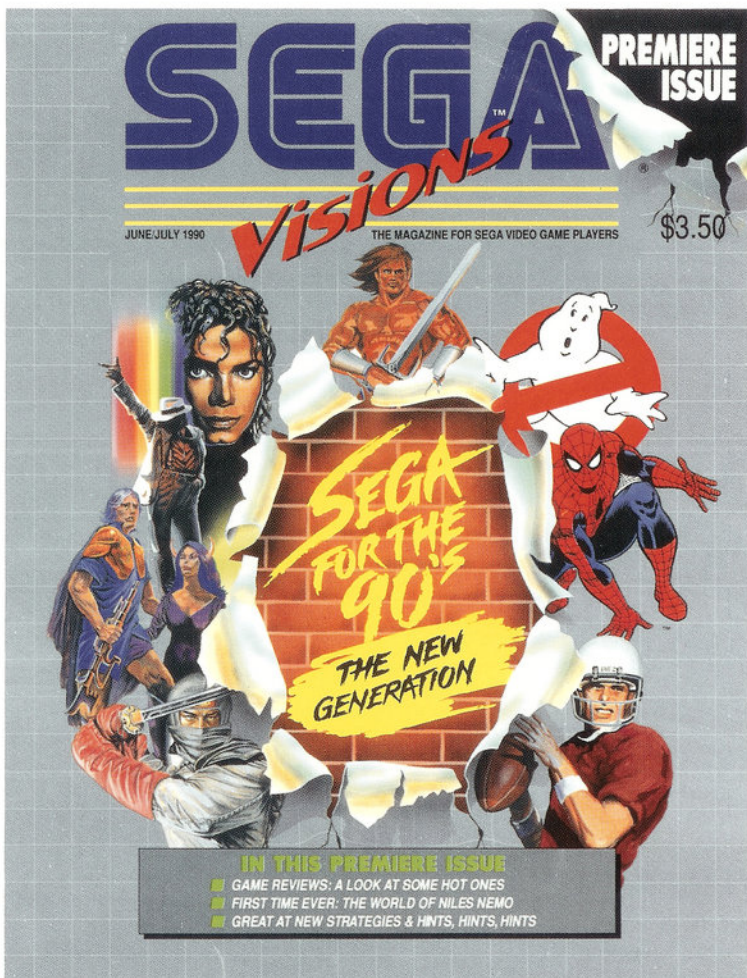
Visions will be distributed to some 400,000 subscribers, primarily in the 12-to-24-year-old age group. Initially, subscribers will come from Sega's warranty card list. The list

will then be embellished through promotions such as pack-in pieces in Sega's hardware and software products; information carried in video game enthusiasts consumer magazines; promotion in the magazine, itself; catalogs; and more.

The publication will be published

on a quarterly basis and will be issued in the months of April, June, September and December.

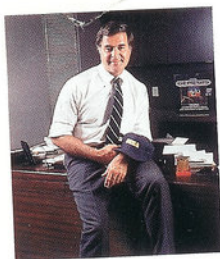
A special Sega Club will begin appearing in the December issue of *Visions* offering members special benefits and other exciting things from Sega.



Sega's new magazine, *Visions*, will be offering Sega enthusiasts a wide variety of activities, tips and information four times a year. Added features of the publication include a cartoon and a Sega Club.



Michael V. Katz
President
Consumer Products Division



Dear Friends and Valued Customers:

We would like to take this opportunity to express our sincere appreciation for your enthusiastic support in making the recent Genesis introduction one of the biggest and most successful new product introductions in toy and game history. In fact, with your help, Sega shipped over one hundred million dollars (\$100,000,000) of 16-bit product in just under six months. Thank you from all of us.

The Genesis introduction is just the beginning. We feel that Sega has the product, the marketing and the know-how to be the new generation product line for the 90's. We are committed to making Genesis the Number One video game brand, with its state-of-the-art graphics, animation, game play, sound, and wonderful character and personality licenses like Joe Montana, James "Buster" Douglas, Michael Jackson and Dick Tracy. We will continually offer the consumer games and features they can't find on any other video game system. We are also repositioning the Sega Master System with a new look, new games and a new low price point aimed at your cost conscious customers. This will allow you to offer the best 8-bit system, now at the best possible prices.

Our 1990 program incorporates a level of advertising, promotional and merchandising support greatly surpassing anything Sega has offered before. This is all designed with the recognition that retailer promotional and in-store support are critical to product success. You have our support 100%.

Last, I would like to point out that Sega is positioned as a company, perhaps better than many, to take advantage of opportunities in the 90's. We make arcade video game machines, we make home video game systems and software, we make computer software, we own chains of retail arcades and we make toys.

Sega is a vertically integrated, six hundred million dollar (\$600,000,000), very profitable public company...positioned to grow in the 90's to a major position in the U.S. toy and game market.

We appreciate your continuing support! You can count on ours!

Sincerely,

Michael V. Katz
President