
**Success for Power Rangers, Digimon, Gundam
FY 2001 Overseas Business 40.6 Billion Yen, up 120%**

Aiming to Take the Overseas Sales Ratio to 50% by Developing
Global Characters and Expanding Products

Bandai Global Character Merchandizing 2nd Stage

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The *Power Rangers*, *Gundam* and *Digimon* have been the driving force of Bandai Group's overseas expansion for many years. Now Bandai has set for itself the major task of increasing overseas business area sales to 50% of total sales for the Group.

We are launching new products in our overseas markets including vending-machine toys in Europe and a new line of products for the popular girl's character *Hello Kitty* in a United States market trial. Bandai is making use of the expertise built through ten years of success with the *Power Rangers* to assure our international expansion.

***Power Rangers* are American Heroes**

"Power Rangers Wild Force" 10th in Series

The *Power Rangers* series (known as the Super Sentai Series in Japan) began in 1975 in Japan. Toei's live-action *Super Sentai Series* opened with "*Himitsu Sentai Gorenjā*" in that year, and "*Kyōryū Sentai Jūrenjā*", the 16th in the series was remade and aired in the United States as "*Mighty Morphin Power Rangers*" starting



Action figures for first US show "Mighty Morphin Power Rangers"

©1993 Saban

September 1993 on the Fox Channel Network. Throughout the production you can see the ingenuity that went into adapting the series to the culture, including the multi-ethnicity of the five heroes. The program was a hit from the very first, drawing top audience share among all child-oriented programming. Popularity ran so high that crowds jammed the highway to get to a *Power Ranger* event at Universal Studios in Los Angeles and stormed the sales counters for toys as soon as they opened.

"*Power Rangers Wild Force*" is now being broadcast in the United States, a remake of "*Hyakujū Sentai Gaorenjā*" that ran in Japan from last year through the beginning of this year. In the American version there are some adaptations in situation such as having one of the heroes emerge from the jungle and come into the city.

The distinctive hallmark of the series is in maintaining the vitality of the original concept of the Japanese production while adapting the show to precisely fit the American market. Year after year we have achieved ever-increasing audience share through this kind of creative ingenuity in video production and program quality upgrade.

“*Wild Force*”, the tenth US production, garnered a phenomenal 6.21% share of boys age 6 thru 10 in its very first show. The characters of the *Power Ranger* series are true American heroes to the children of the country, and their roots are growing ever deeper in the land.

Hit Toys Maintain Sales Growth of Over 120%

Our character toys have been sold in the United States since 1993 at major retailers like Toys R Us, Wal-Mart and K-Mart, distributed by our US sales company, Bandai America Inc. These toys were wildly popular as soon as they came on the market, surpassing the sale records of hit products such as the Cabbage Patch Kids and Ninja Turtles. In the years since then sales in the United States alone have averaged about USD 100 million annually.

The top two, and four of the top five, hottest selling action figure toys in the United States for January-February 2002 are Bandai products:

Top Selling US Action Figure Toys Jan-Feb 2002 (TRSTS Industry Review)

Rank	Product	
1	Power Rangers Wild Force 5”	Bandai America
2	Power Rangers Vehicle w/Figure	Bandai America
3	Transformers Deluxe Asst	Hasbro
4	Power Rangers Deluxe Animal Megazord	Bandai America
5	Power Rangers Wild Deluxe Zord 6.5”	Bandai America



The success of Bandai products which are always in the top 3 in boy’s character toys proves the long-lived and deep-rooted popularity of the series’ characters.

In the United States, when live-action children’s programming was rare and Japanese characters even more so, the phenomenal and long-lived success of the *Power Rangers* is noteworthy. “*Wild Force*” related product sales, for example, are growing at an average 120 to 130% year-on-year.

Action figure for “Power Rangers Wild Force”
successful from the start ©2002 Saban

Sales in Japan last year of products for the *Hyakujû Sentai Gaorenjâ* program rose 170%, and strong performance can be anticipated in the United States this year as well.

US Market Merchandizing Expertise with Power Rangers

Bandai has accumulated a wealth of expertise in character merchandizing with *Power Rangers* for the US market over ten years of development and marketing of products in conjunction with character exposure in TV programs and other media. For example while the Japan market is centered on the transforming giant robot toy, the US market prefers action figures, so that we increased the number of action figures in the product line as well as modifying them to American tastes with more muscle definition than Japanese marketed figures and other adaptations as part of our unique product development methodology. Currently 70% of the *Power Ranger* products being sold in the American and European markets are those specifically designed for the overseas market.

The usual practice in the US market is to launch sales of the product before television broadcast has started. This means toys for the *Ninpû Sentai Harikenjâ* program scheduled for broadcast starting February of next year should be released to the market in November or December of this year, so that product development for the overseas market is happening at the same time as product development for the domestic market where the program is being aired now. In adapting to this shortening of the standard merchandizing time lag between Japan and the United States, Bandai Group has built a flexible, quick-response product development and manufacturing organization, with all our companies domestic and overseas having the world market in view, that simply cannot be matched by any of our competitors.

We have made the most of the success of the *Power Rangers* in marketing the *Digimon* and *Gundam* series that followed in the United States. The *Power Rangers* not only led Bandai products and Japan's characters into the American market, but also played the significant role of laying down the road for the future.

Power Ranger Product Sales Performance

Power Ranger action figure series (5", 8"): 6,750,000 units shipped to US Jan-Dec 2001

Power Ranger robots 470,000 units shipped to US Jan-Dec 2001

Immortal *Gundam* Loved Across the Generations

The Bandai Group original character *Gundam* has been a major hit in Japan since the television series first aired in 1979. A wide variety of *Gundam* products, and in particular the model kits for the mobile suit that is featured in the program, have become almost a cultural trend in their extraordinary popularity.

Over twenty years of new television series and theatrical films *Gundam* has captured and held the hearts of fans old and new, growing into today's long-lived character. Then *Gundam* arrived in the United States, and is now as much a popular phenomenon there as in Japan.

The *Mobile Suit Gundam* series, Sunrise Inc. production created by Yoshiyuki Tomino, debuted as an animated television program in Japan in April 1979. The unique *Gundam* world and superlative mechanical design immediately gained tremendous interest. That popularity was no passing fad, but has endured and grown through the next eight TV animation series, eight theatrical films and four original animation series, to span the generations from child to adult.

The plastic model kits for building the robot mobile suit featured in the series are so popular in Japan they even have a nickname: "*Gunpla* (abbreviation for Gundam Plastic Model)". The very first model kit *1/144 Scale Gundam* went on sale in July 1980. We continue to introduce new, proprietary technology such as the snap-fit and multiple color production processes that eliminate the need for gluing and painting, and make it possible for everyone to enjoy assembling the model. More than 430 different model kits have been offered in Japan alone, and over 320 million units have been sold worldwide.

"Mobile Fighter G Gundam" to Follow "Mobile Suit Gundam" in the US

Gundam arrived in the United States in March 2000 when "*Mobile Suit Gundam Wing*", which had aired in Japan under the title "*Shin kidô senki Gandam W*" from 1995 to 1996, began broadcast on Cartoon Network, a cable network with 60% coverage of the country. From the very start the show gained number one share of its target audience in the 12 to 17 year old age range proving that the appeal of *Gundam* knows no borders.

Last July the long-awaited first production in the series "*Mobile Suit Gundam*" began broadcast on Cartoon Network. Audience share in the first week was an average 2.4% (boys 6 to 11), a strong start over the 1.96% during the first week of "*Mobile Suit Gundam*

Wing" a year before.

This year, the third for the series in the US market, "*Mobile Fighter G Gundam*" will be aired. This is the *Gundam* 15th anniversary production broadcast in Japan 1994 to 1995 as "Kidô butôden G Gundam", set in a completely new and different world of the future, where *Gundam* fighters representing every country and nation engage each other in combat. The show reached a whole new level of popularity, appealing to younger children in addition to the already established base of *Gundam* fans. Now in the process of being dubbed, toys and model kits for program characters have been selling well since release this spring in advance of the broadcast start, and sales are expected to grow when the show begins to air.

Gundam Broadens the US Model Kit Market



Action figure for "Mobile Fighter G
Gundam" © Sotsu Agency, Sunrise

In October 1999, in advance of the series' debut broadcast, test marketing of plastic model kits was conducted by Bandai America at 54 Toys R Us locations in California in order to determine if American children would be attracted by model kits for *anime* characters. Distribution was expanded to approximately 1,000 retail outlets, including Wal-Mart, in May 2000 just after the series went on the air. Including model kits, series-related products such as action figures, DVD software and video games are now on sale at over 7,000 locations.

While the *Gundam* model kit is only one among many model kits available in Japan, the US market at about USD 200 million wholesale is not that big when adjusted for population size. With the introduction of the *Gundam* model kit, however, a market is forming around the new concept of action figure model kits, and they are gaining recognition as a new product category.

Bandai had the top sales in plastic model kits for 2001, as follows:

Top Selling Plastic Model Kits for 2001 (TRSTS Industry Review)

Rank	Product	
1	Gundam Wing Model Kits	Bandai America
2	Gundam Wing Kit Level 3 Asst	Bandai America
3	Gundam Wing Model Kit Asst	Bandai America
4	1/24 Silver Series Asst	Testor
5	Gundam Wing Kit Level 4 Asst	Bandai America

With the introduction of other new products such as game software for PlayStation 2, we achieved sales of 7.1 billion yen in America alone.

Gundam Product Sales Performance

Gundam action figure model kits: 3,110,000 units shipped to US Jan.-Dec. 2001

US-style Marketing Event with Nationwide Tour



GUNDAM INVATSION TOUR 2001” Promotional Trailer “

Bandai America is also making use of unique US marketing methods to increase product dispersion, such as the promotional Gundam Invasion Tour that began in March 2001. The tour traveled to 26 cities and 50 retail outlets throughout North America,

using a large-scale tractor-trailer loaded with *Gundam* products and

functioning as an event space for promotional video on the history of *Gundam*, model building demonstrations, hands-on video game previews and more. This event gave participants a chance to experience the unique world of *Gundam*, and was met with a warm welcome from children at every stop. Other ingenious marketing tools included awarding badges for package barcodes that vary by the level of difficulty for assembling the model kit.

Gundam Events in Korea



Gundam World 2001 held in Korea

To children in Korea the name *Gundam* is synonymous with 'robot'. In August of last year the *Gundam World 2001* event was held at the COEX exhibition center in Seoul. In addition to screening of a digest of the series production in a theater accommodating 1,000 people, events included demonstrating the scale and appeal of the mobile suit using an actual size RX-78 panel, Bandai model exhibitions, model assembly demonstrations and game

events, all of which introduced participants to the fascinating world of *Gundam*. More than 15,000 people attended over the two-day event – despite the fact that the show was not being broadcast in Korea. *Gundam* will at last debut in Korea with “Mobile Suit *Gundam Wing*” this May, and is certain to be met with even greater popularity.

Elsewhere, the *Gundam* series has already begun TV broadcast in England (January 2001), Australia (July 2001), Italy (September 2001) and France (February 2002). Bandai Group will be continuing to strengthen deployment of the series in the future.

Popular *Digimon* Enters 4th Year

The animated *Digimon* series is built on characters first used in Bandai hand-held LCD toys from June 1997. The story is set in a digital world, presenting on-going adventures of the young heroes and assorted digital monsters. *Digimon* has aired in Japan on Fuji Television Network since March 1999.



Digimon action figure © Akiyoshi Hongo, Toei Animation

Broadcast in the United States of “Digimon” began in August 1999, on Fox Kids Network. From the very first episode it captured top share of all Fox Kids programming and was off to an extremely strong start as number two (after “Pokemon”) boy’s animated program on all networks. The rivalry with “Pokemon” has continued ever since, with the shows constantly trading places at the top. The fourth production of the *Digimon* series will be released this summer.

Bandai America started test marketing of *Digimon* character toys in November 1999, and full-scale release in 2000. The toys are now available at more than 7,000 retail outlets throughout the country, including Toys R Us, Wal-Mart and K-Mart, making America’s children smile. The *Digimon* target age group is 4 to 10 years old, substantially broader than the 4 to 6 year-old core group for *Power Rangers*.

The number of characters available as action figures in the US is overwhelmingly more than in Japan. Figure collections are more popular in America, and action figures other than the main characters sell for the sake of the collection. Other *Digimon* products are popular as well, including a CD-ROM that allows children to ‘battle’ with their friend’s digital monsters, a product targeted to the US where home computers are widespread.

Towards New Major Characters

Hello Kitty Catches American Girl's Affection Too

At Bandai we are actively developing and cultivating new major characters to join *Power Rangers*, *Gundam* and *Digimon*. Until now we have focused on the boy's character market in the United States but last year we began marketing *Hello Kitty* toys in a joint promotion of this new girl's character from Japan with Sanrio Co. Ltd., a venture that is showing a good start.

On sale now are over 10 different Hello Kitty Dream World playsets, each with a doll, an original product line developed especially for the American market. Plans are underway to expand this series even more in the future.



Hello Kitty products, popular with girls in the U.S.
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The Strawberry Shortcake revival

The popularity of the lovable, long-lived *Strawberry Shortcake* character extends over two generations since it first became a hit in America in the 1980's, and today is even a hot topic on the web in Japan. Video sales will be launched in the United States at the end of this year. Bandai America is releasing *Strawberry Shortcake* toys this fall, in time for the Christmas shopping season. Bandai America is planning to develop the character to join *Hello Kitty* in its girl's character line-up,

Primo Puel a Big Hit in Korea

Another Japanese-born toy other than our big three characters that is proving to be a success is Bandai's original talking doll, *Primo Puel*, which has been on sale in Korea since the end of last year. A new favorite with Korean girls, selling 100,000 units since it came on the market, *Odekake Primo Erukopuel* is the result of dubbing into Korean without losing any of *Primo Puel*'s characteristic vocabulary and phrasing, the kind of finish that only a talking toy can boast. The doll has become a tremendous hit, especially popular with elementary and middle school girls. A linked product for internet-based short stories about the character is being developed just for Korea, which has a high rate of home computer ownership.

Product Diversity in the International Market

Toy Vending Machines launched in Europe



Vending Machine for Europe Market

Bandai's products now out in the international market include toys, trading cards and game software, but are only a few of the product categories we sell in Japan. The key to increasing Bandai Group sales volumes in the future is diversification of products into categories such as vending machine toys, clothing, candy-toys and lifestyle goods.

As a first step in new product line deployment Bandai France launched test marketing of euro coin operated toy vending machines in France, Italy and Luxemburg in June. The trial offers *Digimon* and *Gundam* figurines for one or two euros apiece, and placement of 3,000 machines is planned for this year.

The key in the toy vending machine business is the steady supply of ever-new products.

In the future Bandai France will be marketing not only the three major Bandai characters, but also obtaining rights to characters popular locally to strengthen the vending machine prize line-up. Euro coin operated machines will be deployed in approximately 10 countries throughout Europe.

Test Marketing New Product Category in the US This Year

As part of diversifying into products other than toys in the international market, Bandai has been sending seasoned employees in every line of our business from Japan to group companies in America and Europe, and launching aggressive market surveys and test marketing focusing on the United States. In particular, Bandai America has established the Bandai Creation Division for new development of product lines other than toys and games, and has begun tapping into distribution routes and developing new products designed for America. Sample candy toys were provided to the National Confectioners Association Candy Expo held in June, and will be test marketed within the year. Trial marketing is also planned for toy vending machines and clothing as well.

Joint Operations with Mattel Have the World in View

Bandai and the world's number one toy company Mattel entered into an alliance in October 1999 to make the most of their management resources, products and marketing, and

maximize global reach and revenues. In Japan Bandai will market and sell Mattel products under the Bandai brand, and in Latin America Mattel will market and sell Bandai products under both Mattel and Bandai brand names.

Another innovative departure is the launch late last year of global marketing, centering on Europe and America, of Bandai-developed Robowheels toys that transform from vehicles to robots by Mattel as a new type of Hot Wheels brand mini-car. Mattel will also begin distribution of Bandai's *Gundam* products this summer in Mexico and the Central and South American market. The alliance of the two companies promises both significant growth across the globe.

World Market Characters: Expanding Overseas Business to 50%

Top Selling Action Figures for 2001 (TRSTS Industry Review)

Rank	Product	
1	JPIII Deluxe Re-AK Asst	Hasbro
2	Gundam Mobile Suit 4.5"	Bandai America
3	Power Rangers Deluxe Battlized 5" Asst	Bandai America
4	Digimon 1.5"	Bandai America

Bandai is top ranking in annual sales, proof that American children know and love our products deeply. The Bandai Group is composed of enterprises such as Sunrise Inc., Bandai Visual Co., Ltd. and Ashi Production Co., Ltd. that own original content and represent vast potential for growth in the development of content-linked product lines.

“Currently Bandai overseas business includes boys character toys, models, game software and video software, but this is only a small portion of our domestic business areas. Our task in the future is to expand our business sector overseas to the same breadth as in Japan, into a comprehensive line up including clothing, candy toys, vending machine toys and lifestyle goods. For example Bandai America has created a new division and is moving forward with preparations for expanding into new business. At the same time they are aggressively cultivating the market for *Power Rangers*, *Digimon* and *Gundam*, the three major Bandai characters that have already earned unshakable popularity in the US.

“With the contribution of those three major characters, the Bandai Group overseas sales ratio grew significantly in 2001 to 17.8% (40.6 billion yen) of total sales, from 15.6% (33.9 billion yen) in 2000. In 2002, the last year of our medium-term plan, we anticipated that to grow even higher, to 19.1% (45.0 billion yen). In the future we are targeting a 50-50 balance for our domestic and international net sales.”

Takeo Takasu, President and COO

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