

**BANDAI NEWS**  
**August 2000**

**Digimon and Gundam shoot to success overseas!**  
**Bandai's characters are smash hits abroad:**  
**Character merchandise is selling out as fast as we can supply it.**

"Digimon: Digital Monsters" and "Mobile Suit Gundam", the original characters of the Bandai Group, first gained popularity in Japan as anime (cartoon animations) in the form of TV series and movies, and subsequently became quickly and firmly established as best-selling character toys manufactured by Bandai. These characters have now traveled overseas and achieved smash-hit status outside their homeland. Bandai is also the merchandising licensee for the Power Rangers, firm favorites on the US toy market ever since their hugely successful launch in 1993. Next spring, Bandai plans a stateside merchandising launch for Ojamajo Doremi—another cartoon character for which our company is the merchandising licensee—underpinned by our new agreement with the American toy manufacturer Mattel Inc. This edition of BANDAI NEWS looks at the way Bandai is handling overseas merchandising for characters originating in Japan.

**Digimon Adventure merchandise is selling out as fast as we can supply it**  
**— The TV cartoon series consistently attracts top audience figures in the US**  
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Featuring characters based on Bandai's own portable liquid-crystal "Digital Monster" toys, the Japanese TV anime series "Digimon Adventure" follows the exploits of the young human hero and the eponymous digital monsters, set in a digital world. First broadcast in Japan in March 1999 on Fuji TV, this series went down a storm with Japanese youngsters.

Under the title "Digimon", the series made its stateside TV debut on Fox Kids Network in August 1999. It got off to a very good start, immediately gaining top audience figures for that network. Its ratings currently compete with those of Pokemon, and the ratings competition continues to run neck-and-neck.

Digimon character merchandise has been test-marketed in the US from November 1999 onwards, and full-scale marketing will begin this year. The 7,000 shops of retail chains carrying this merchandise include Wal-Mart, K-Mart, and Toys R Us, which has set up a permanent Digimon corner—invariably thronged with enthusiastic young customers—in each of its stores. The Digimon card game and action figures are proving very popular, and stocks are already running low in the case of the 5-inch Digivolving Figure (suggested retail price: US\$7.99) and the liquid-crystal Digivice toy (suggested retail price: US\$14.99). The Digimon

PlayStation game software is also selling well.

The age range of the children for whom Digimon merchandise is purchased in the US is much the same as in Japan. Most American fans of Digimon are in the 4-to-9-year-old age range, while the cards appeal to slightly older children aged from 7 to 12.

In the May sales rankings of top-selling toys promoted on TV published in the June issue of "Toy Book", the American toy industry's trade magazine, Digimon action figures were in 3rd place.

Ranking	Item	Previous month's ranking	Number of months in the chart
1	Poo-Chi	-	1
2	Trick Stick Finger Bikes	2	5
3	Digimon Action Figures	4	4
4	Supersoaker	-	1
5	Bop It Extreme	5	7
6	Wuv Luvs		
7	Power Rangers Action Figures	-	1
8	Hot Wheels		
9	Celebration Cake Barbie	-	1
10	Pokemon Action Figures	1	16
11	Dragonball Z Action Figures	7	7
12	Generation Girl	7	2

The TV animation series "Digimon Adventure 02", currently airing in Japan, will be launched in the States in August. The Digimon movies released in Japan in the spring and summer of this year are to be released this fall at 1,700 movie theaters throughout the US.

Incidentally, the number of corporate Digimon licensees in the US has now reached about 70. Bandai America Inc., Bandai's local subsidiary, predicted that its sales of Digimon merchandise for this term will be in the region of \$40 million (¥4 billion). But for now, the target has been set at \$100 million (¥10 billion).

In Europe, the "Digimon" TV series has already been launched in the UK, Spain, and Portugal, and is scheduled to appear soon in France, Italy, Germany, and the Scandinavian countries. It made its TV debut in Canada and in September 1999, was launched in Brazil in July 2000, and will be screened in Mexico, Argentina, Colombia, Chile, Ecuador, Panama, Peru and Venezuela from September 2000. In Asia, Digimon is now on TV in Hong Kong, Taiwan, the Philippines, Singapore, and Indonesia, and it will also reach South Korea this fall.

In each of these countries, Bandai is now marketing Digimon merchandise

using a strategy designed to repeat its American success. Rather than being a mere short-lived craze, we predict that the international "Digimon boom" will establish these characters as firm favorites destined to stick around for a long time to come. In line with this thinking, Bandai is implementing a long-term character-merchandising roll-out.

### **The long-loved characters of "Mobile Suit Gundam" have arrived in the US**

"Mobile Suit Gundam" was created by Japanese anime artist Yoshiyuki Tomino, and first broadcast in Japan in April 1979. Ever since then, the Bandai Group has enjoyed enormous success with its Gundam merchandise. Plastic model kits of the characters in their "mobile suits", along with a range of other character merchandise, proved so massively popular that the media dubbed the whole thing a "social phenomenon". Eight TV anime series, four movies, and four original anime series have been released so far. Meanwhile, the characters have become perennial favorites in Japan, where they have kept their old fans and made many new ones over the twenty years since they first appeared on the nation's TV screens.

"New Mobile Report Gundam Wing", first broadcast on TV in Japan in 1995 and 1996, made its highly-successful American TV debut in March this year on the Cartoon Network (a cable network covering about 60% of the US) under the title "Mobile Suit Gundam Wing". It got off to a very good start, attracting the network's highest-ever audience figures for programs aimed at 12-to-17-year-olds.

In October 1999, months before Gundam first hit the American air-waves, Bandai America Inc. started test-marketing the plastic model kits at 54 branches of Toys R Us in California, aiming to find out whether the American toy-buying public would react positively to the new toy concept of cartoon characters in plastic model kit form. Subsequent sales of Gundam merchandise at these stores, combined with sales through Toys R Us' Internet store, Toysrus.com, reached record-breaking levels, and in May 2000, two months after the Gundam TV series was launched, the sale of Gundam merchandise was extended to 200 outlets throughout the US. In July, this was ramped up to a total of 700 stores, and the plan is to extend the marketing channels to include Wal-Mart and selected distributors of hobby merchandise and anime merchandise by the end of the year.

This term's US sales of Gundam action figure model kits are expected to reach two million units. America's plastic model kit market is worth about \$200 million, which, considering the size of the population, is not very large when compared to Japan's. By launching the Gundam Model Kit series on the American market, Bandai is establishing the new concept of action figure model kits. American toy stores are also coming to recognize this new product category.

Gundam action figure model kits are aimed at a wide age-range, from six up to about 20, with the core age-range being the late teens. To widen the target age-range even further, the TV programs and movies have now been made available in the US on DVD and video, both of which have already chalked up promising initial sales. This July also saw the US market launch of Mobile Suit action figures aimed at younger children. Our sales targets are 100,000 units for the DVD, 400,000 units for the video, and one million units for the action figures.

In addition to the scheduled repeat of Mobile Suit Gundam Wing, the first series, Mobile Suit Gundam, is also due to be broadcast on American TV for the first time in 2001. To tie in with this, we plan to expand our line-up of character merchandise, and build up our sales. Meanwhile, we intend to extend our character merchandise licensing to include companies in other fields, such as apparel and stationery. Building on the success of Gundam merchandise in America, we are also launching a full-scale roll-out in Europe and Oceania.

### **How the Power Rangers blazed the overseas merchandising trail for Japanese cartoon characters**

The Power Rangers started out as a remake of a live-action program that has been broadcast in Japan since 1975. In the US the first Power Rangers program, which aired on the Fox network in 1993, was a remake of "Kyoryu Sentai Jyu Rangers."

The Power Rangers immediately became a smash hit in the US, breaking ratings records for children's programs. The series currently airing in the States is the 8th, a live-action remake of the live-action series titled "Kyu-Kyu Sentai Go-Go Five" in Japan, although the series title in the US is still "Power Rangers". Ever since it started, this series has consistently attracted large audiences, and the related merchandise has also maintained steady popularity, as attested by the Power Rangers' sustained ranking within the top three boys' character toys on the US market.

Bandai America Inc. began selling Power Rangers character toys in July 1993, through retail chains such as Toys R Us, Wal-Mart and K-Mart. The toys took the market by storm, and by Christmas of that year, the 8-inch Power Rangers action figures were widely sought-after and very hard to find. The new action figures of the morphing heroes launched the following year sold over 16 million units by themselves, rivaling their predecessors, the Cabbage Patch Dolls and the Ninja Turtles. Since then, annual US sales of Power Rangers merchandise have maintained an average of \$100 million (¥10 billion), and the Power Rangers TV series has become firmly established as a long-running favorite.

Following their stateside success, the Power Rangers went on to conquer Europe, South-East Asia, and Latin America. The programs are now broadcast all over the world on local TV stations. The character toys are also marketed in all the countries concerned, and have chalked up record-breaking sales in every case. As more of the Japanese live-action TV series are remade in live-action format in the future, new waves of Power Rangers will continue to reach the airwaves in other countries, and as long as they do, Bandai will be launching highly-popular new Power Rangers toys in Japan.

### **Bandai America Inc.'s current standing in the US toy market**

You may be wondering why character merchandise tying in with Digimon Adventure, Mobile Suit Gundam, the Power Rangers and other Japanese TV programs has been so successful in the US market. Bandai attributes this success to the following factors.

- **Influences on pop-culture in the US have changed**

The stateside success of Princess Mononoke and Pokemon has whetted the appetite of American children for Japanese anime. The Cartoon Network—the cable TV flagship of America's cartoon culture—even has a regular slot, known as the "Toonami Block", reserved exclusively for Japanese anime.

Another factor is the unprecedented globality of the world's media infrastructure: in effect, the broadcast media and the Internet have now formed a coherent global network allowing the same information to reach all parts of the world at the same time. This phenomenon was recently demonstrated by the Tamagotchi craze, which swept all corners of the globe simultaneously.

- **Bandai America gained valuable experience with the Power Rangers**

Until the arrival of the Power Rangers, eight years ago, it was almost unheard-of for Japanese character merchandise to catch on in the US. When marketing Power Rangers merchandise, Bandai America achieved success by linking the merchandise to the TV programs using the same unique approach employed by Bandai in Japan. In the process, the company gained valuable practical experience in marketing TV-tie-in character merchandise on the North American market.

Bandai America Inc., a local subsidiary of Bandai Co., Ltd., began its life in 1978 as Bandai's marketing company in the North American toy market. The meteoric success enjoyed by TV characters of Japanese origin — Power Rangers, Digimon and others — has pushed its sales ranking up to 5th position in the overall US toy market, surpassed only by Mattel, Hasbro, Lego and Little Tykes, in that

order.

Since then, the company's results have improved year by year. In the statistics for the American boys' character toy market for January through May 2000, Hasbro was in the lead position, with a 34% share, while Bandai America was in second place with 22%. Riding on the success of Digimon and Gundam, Bandai America aims to push its share of the boys' character toy market over the 30% mark and win market-leader status.

### **Bandai's roll-out plans for markets outside Japan**

The role of Bandai's **Global Business Division** is to spearhead our initiatives in overseas markets. In this section, we outline the Division's plans for merchandising roll-outs abroad.

#### **● Alliance with Mattel Inc.**

In July 1999, Bandai and Mattel agreed whereby the two companies will pool products, marketing networks and other management resources, in order to exploit our respective strengths to the full, and thereby expand our operations and increase our revenues on the global market. The main elements of the agreement are as follows.

#### **(1) Joint operations in Japan**

Bandai will market Mattel's products in Japan, under the Bandai brand name.

#### **(2) Joint operations in Latin America**

Mattel will market Bandai's products in Latin America, under the Bandai brand name.

#### **(3) Joint operations in the US**

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Joint operations in Latin America began in November 1999, with Mattel marketing Digimon, Power Rangers, Dragonball Z and other Bandai toys. Sales for this term were in the region of a billion yen.

Joint operations in the US will open with Mattel's marketing "Ojamajo Doremi" merchandise. "Ojamajo Doremi" is a TV cartoon following the heartwarming adventures of three trainee witches, Doremi, Hazuki and Aiko, along with their fully-fledged professional colleagues, against the setting of the Recycling Store Maho. First broadcast on Japanese TV in 1999, the cartoon is now in its second series. Its characters are still topping the popularity charts among Japanese girls, and sales of Bandai's Ojamajo Doremi merchandise have reached roughly

five billion yen. This merchandise will be launched on the North American market early next year.

When it comes to handling girls' character toys, Mattel is a past master: one of its flagship products is the Barbie doll, which has sold over a billion units since its launch in 1959. Considering the company's capabilities in terms of marketing and distributing girl's toys in the US, partnership with Mattel offers major benefits for the girl-oriented Ojamajo Doremi roll-out.

- **A character roll-out with a difference**

In the case of Digimon, Gundam, and the Power Rangers, the TV programs were launched first, helping to stimulate the popularity of the toys. In the case of Dinozone, however, things are going to happen the other way around, with the merchandise launched before the TV programs.

Dinozone is a toy that comes as a set comprising dinosaur action figures plus a cartoon video introducing the dinosaur's world using computer-generated backgrounds. It was launched in Japan in 1998 and has become popular chiefly with children aged three to eight years. Based on the Dinozone toy, Bandai America worked jointly with Sunrise Inc.—the member of the Bandai Group responsible for the planning and production of the original animation—to create "DinoZaurs", a TV cartoon combining 2-D and 3-D animation. This has not yet been released in Japan, but it is scheduled to be broadcast on Fox Kids Network in the US. Bandai's bold experiment will reverse the usual order of things by releasing the merchandise before the cartoon, and in the US before Japan.

- **Reconfiguring Bandai's marketing network in Asia**

As part of our marketing reorganization in Asia, Bandai joined forces with Dai-Won C&A Holdings to establish Bandai Korea in South Korea in March this year. Although the **Global Business Division** is currently our "control-tower", we are planning to relocate our Asian headquarters to Hong Kong in the near future, with a view to achieving a further increase in our marketing muscle in the Asian market.

- **Expanding our character merchandising in to the global market**

Besides toys, Bandai and the Bandai Group will also be rolling out new character merchandise in categories such as vending machines, candy toys and licensed apparel: we have plans to target the global market, carrying out an integrated roll-out of character merchandise spanning a wide range of categories.

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