
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(MARK ONE)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______________ TO _____________

COMMISSION FILE NUMBER 0-28104

JAKKS PACIFIC, INC.
(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	95-4527222 (I.R.S. EMPLOYER IDENTIFICATION NO.)
22619 PACIFIC COAST HIGHWAY MALIBU, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	90265 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 456-7799

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE EXCHANGE ACT:

NAME OF EACH EXCHANGE TITLE OF EACH CLASS ON WHICH REGISTERED
- NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE EXCHANGE ACT:

TITLE OF CLASS

COMMON STOCK, $.001 PAR VALUE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [ ]

The aggregate market value of the voting and non-voting common equity (the only such common equity being Common Stock, $.001 par value) held by non-affiliates of the registrant (computed by reference to the closing sale price of the Common Stock on October 4, 2001) is $254,549,475.

The number of shares outstanding of the registrant's Common Stock, $.001 par value (being the only class of its common stock) is 18,336,940 (as of October 4, 2001).

DOCUMENTS INCORPORATED BY REFERENCE

None.

JAKKS PACIFIC, INC.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

ITEMS IN FORM 10-K/A

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For example, statements included in this report regarding our financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. When we use words like "intend," "anticipate," "believe," "estimate," "plan" or "expect," we are making forward-looking statements. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, based on information available to us on the date hereof, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We have disclosed certain important factors that could cause our actual results to differ materially from our current expectations elsewhere in this report. You should understand that forward-looking statements made in this report are necessarily qualified by these factors. We are not undertaking to publicly update or revise any forward-looking statement if we obtain new information or upon the occurrence of future events or otherwise.

ITEM 1. BUSINESS

In this report, "JAKKS," the "Company," "we," "us" and "our" refer to JAKKS Pacific, Inc. and its subsidiaries.

COMPANY OVERVIEW

JAKKS is a Delaware corporation which was formed in January 1995 and began operations as of April 1, 1995. We are a multi-line, multi-brand toy company that designs, develops, produces and markets toys and related products. Our principal products are (1) action figures and accessories featuring licensed characters, principally from the World Wrestling Federation, (2) Flying Colors molded plastic activity sets, compounds playsets and lunch boxes, (3) Wheels division products, including Road Champs die-cast collectible and toy vehicles and Remco toy vehicles and role-play toys and accessories, (4) Pentech writing instruments and activity products, (5) Child Guidance infant and pre-school electronic toys, toy foam puzzle mats and blocks, activity sets and outdoor products and (6) fashion dolls and related accessories. We focus our business on evergreen branded products that are less subject to market fads or trends and feature well-known brand names and simpler, lower-priced toys and accessories.

We formed our joint venture with THQ in June 1998 to develop, manufacture and market, under an exclusive license with World Wrestling Federation Entertainment, video games based on World Wrestling Federation characters and themes. The joint venture's first products were released in November 1999.

We have been successful at acquiring and capitalizing on evergreen brands, which are well-recognized trademarks or corporate, trade or brand names, some with long product histories. We continually review the marketplace to identify and evaluate evergreen brands that, for various reasons, we believe have potential for significant growth. We seek to acquire or license these brands and revitalize them by intensifying the marketing effort to restore and enhance consumer recognition and retailer interest. We reinforce brands by linking them with other evergreen brands on our products, adding to the branded product lines new items that we expect to enjoy greater popularity, eliminating products with fading popularity, adding new features and improving the functionality of products in the line. We also try to improve point-of-sale brand visibility through better shelf positioning and more eye-catching product packaging.

We license much of the intellectual property we use in our business. We license the World Wrestling Federation trademark, as well as numerous other trademarks, corporate, trade and brand names and logos, from third parties, including Car and Driver, Schwinn, GT, Haro, Rod & Custom, Nickelodeon, Rugrats, Blue's Clues, Mickey Mouse, Barney, Teletubbies, Sesame Street, Looney Tunes and Toy Story 2. This enables us to use high-profile marks at a lower cost than that which we would incur if we purchased these marks or developed comparable marks on our own. By licensing marks, we have access to a far greater range of marks than those that would be available for purchase, and we maintain the flexibility to acquire newly-popular marks and to discontinue our use of marks whose popularity or value has faded. We also license technology produced by unaffiliated inventors and product developers to improve the design and functionality of our products. We believe that our experience in the toy industry, our flexibility and our recent success in developing and marketing products make us more attractive to toy inventors and developers.

Most of our current products are relatively simple and inexpensive toys. We believe that these products have proven to have enduring appeal and are less subject to general economic conditions, toy product fads and trends, changes in retail distribution channels and other factors. In addition, the simplicity of these products enables us to choose among a wider range of manufacturers and affords us greater flexibility in product design, pricing and marketing.

We sell our products through our in-house sales staff and independent sales representatives. Purchasers of our products include toy and mass-market retail chain stores, department stores, toy specialty stores and wholesalers. The Road Champs, Flying Colors and Pentech products are also sold to smaller hobby shops, specialty retailers and corporate accounts, among others. Our five largest customers are Target, Kmart, Toys 'R Us, Wal-Mart, and Kay Bee Toys, which accounted for approximately 63.2% of our net sales in 2000. No other customers accounted for more than 8% of our net sales in 2000. We also sell through e-commerce sites, including Toysrus.com.

INDUSTRY OVERVIEW

According to the Toy Manufacturers of America, Inc. (the TMA), the leading industry trade group, total manufacturers' shipments of toys, excluding video games, in the U.S., were approximately $16.4 billion in 2000. According to the TMA, the United States is the world's largest toy market, followed by Japan and Western Europe. Sales by U.S. toy manufacturers to non-U.S. customers totaled approximately $5.5 billion in 1998. We believe the two largest U.S. toy companies, Mattel and Hasbro, collectively hold a dominant share of the domestic non-video toy market. In addition, hundreds of smaller companies compete in the design and development of new toys, the procurement of character and product licenses, and the improvement and expansion of previously-introduced products and product lines. In the video game segment, manufacturers' shipments of video game software were approximately $3.1 billion in 2000.

Over the past few years, the toy industry has experienced substantial consolidation among both toy companies and toy retailers. We believe that the ongoing consolidation of toy companies provides us with increased growth opportunities due to retailers' desire not to be entirely dependent on a few dominant toy companies. Retailer concentration also enables us to ship products, manage account relationships and track retail sales more effectively with a smaller staff.

OUR GROWTH STRATEGY

- EXPAND CORE PRODUCTS

We manage our existing and new brands through strong product development initiatives, including introducing new products, modifying existing products and extending existing product lines. Our product designers strive to develop new products or product lines to offer added technological, aesthetic and functional improvements to our product lines. In 2000, we introduced wrestling action figures manufactured using real-scan technology, which results in higher quality and better likenesses of the characters. In addition, we introduced action figures with significantly more points of articulation, and expanded our electronic recognition play sets.

- ENTER NEW PRODUCT CATEGORIES

We will continue to use our extensive experience in the toy industry to evaluate toys and licenses in new product categories and to develop additional product lines. We have entered the video game market through our participation in a joint venture with THQ. The joint venture launched its line of World Wrestling Federation licensed video games in November 1999.

- CONTINUE TO PURSUE STRATEGIC ACQUISITIONS

Since our inception, we have successfully concluded and integrated six acquisitions. These include our Road Champs, Remco, Child Guidance, Berk, Flying Colors and Pentech products. We will continue focusing our acquisition strategy on businesses or brands which offer valuable trademarks or brands and have compatible product lines.

- ACQUIRE ADDITIONAL CHARACTER AND PRODUCT LICENSES

We have acquired the rights to use many familiar corporate, trade and brand names and logos from third parties that we use with our primary trademarks and brands. Currently, we have license agreements with World Wrestling Federation Entertainment, Nickelodeon, Disney, Warner Bros., Caterpillar, Peterson Publishing Co. and B.A.S.S. Masters, as well as with the licensors of the many popular licensed children's characters previously mentioned. We intend to continue to pursue new licenses from these entertainment and media companies and other licensors. We also intend to continue to purchase additional inventions and product concepts through our existing network of product developers.

- EXPAND INTERNATIONAL SALES

We believe that foreign markets, especially Europe, Australia, Canada and Latin America, offer us the opportunity for growth. We intend to expand our international sales by capitalizing on our experience and our relationships with foreign distributors and retailers.

- CAPITALIZE ON OUR OPERATING EFFICIENCIES

We believe that our current infrastructure and low-overhead operating methods can accommodate significant growth without a proportionate increase in our operating and administrative expenses, thereby increasing our operating margins.

PRODUCTS

WORLD WRESTLING FEDERATION ACTION FIGURES AND ACCESSORIES

We have an extensive toy license with World Wrestling Federation Entertainment pursuant to which we have the exclusive right, until December 31, 2009, to develop and market a full line of toy products based on the popular World Wrestling Federation professional wrestlers throughout the world. These wrestlers perform throughout the year at live events that attract large crowds, many of which are broadcast on free and cable television, including pay-per-view specials. We launched this product line in 1996 with various series of six-inch articulated action figures that have movable body parts and feature real-life action sounds from our patented bone-crunching mechanism that allows the figures' "bones" to crack when they are bent. The six-inch figures currently make up a substantial portion of the overall World Wrestling Federation line, which has since grown to include many other new products. Our strategy has been to release new figures and accessories frequently to keep the line fresh and to retain the interest of the consumers.

Following the launch of the action figures, we marketed wrestling ring play sets and microphones with action background sounds to enhance the play value of the action figures. Since then, we have continually added new products, including action figures of varying sizes, such as three-inch sets with wrestling rings, amplifying microphones, seven-inch collector's editions, large soft body figures and small bean-bag figures with electronic sound chips of the popular wrestlers' catch phrases and in-ring banter. Building on the popularity of World Wrestling Federation and its wrestlers, we have continued to develop the line with exciting and innovative technological and functional concepts to enhance the value of the line.

In 1999, we introduced a line of 12-inch interactive figures that has created a new category of toys in the industry. The line was launched with a figure based on a World Wrestling Federation World Champion, "Stone Cold Steve Austin." The figures in the line are capable of accepting daily downloads of sound bites from a World Wrestling Federation web site, to which we contribute content compatible with our toy products. Another technological innovation added in 1999 is the "Titan Tron," featuring sensor-based technology that enables this playset to recognize the character of specially-equipped wrestling figures in order to play the wrestler's unique theme music and display his picture with flashing lights. In 2000, the sensor-based technology was added to other products based on real elements of the live wrestling shows, like back stage, to further expand the play pattern of wrestling. Also in 2000, other technology was added to the figures giving them more realism with multiple sensored joints that when moved activate sound chips containing real sound bites of the wrestlers and real-scan technology was first used in the mold development process, which resulted in higher quality figures with better character likenesses. The various World Wrestling Federation products retail from $5.99 to $19.99.

FLYING COLORS ACTIVITY SETS, COMPOUND PLAYSETS AND LUNCH BOXES

Through our acquisition of Flying Colors Toys we entered into the toy activity category with plastic molded activity cases containing a broad range of activities, such as make and paint your own characters, jewelry making, art studios, posters, puzzles and other projects. These sets include all of the materials needed for each activity, including paints, markers, stampers and crayons. The cases, with molded and painted likenesses of popular characters, such as Nickelodeon's Rugrats and Blue's Clues, Powerpuff Girls, Looney Tunes, Hello Kitty and Scooby Doo, have immediate visual appeal. Using a related production technology, our lunch boxes complement this line with similarly-styled molded and painted likenesses featuring these and other popular characters. Through our acquisition of Pentech International in 2000, we expanded the other categories of products offered by Flying Colors, which now include stationery, back-to-school pens, pencils, markers and notebooks, party favors and compounds.

Our compounds represent a new area of emphasis for Flying Colors. Launched under the Blue's Clues license, this line has expanded from play clay in a bucket to an entire Blue's Clues playset featuring book molds, extrusion and other devices. We are continuing to expand the compound area and have introduced innovative compounds with and without licensed characters or marks. In early 2000, we expanded our offerings with the launch of Goooze, and followed it up late 2000 with our forming foam Zyrofoam, both under the Nickelodeon brand. These products come in assorted colors and in various uniquely shaped packages. In 2001, we added higher volume packages and assorted play and activity sets.

WHEELS DIVISION PRODUCTS

- Road Champs die-cast collectible and toy vehicles

The Road Champs product line consists of highly-detailed, die-cast replicas of new and classic cars, trucks, motorcycles, emergency vehicles and service vehicles, primarily in 1/43 scale (including police cars, fire trucks and ambulances), buses and aircraft (including propeller planes, jets and helicopters). As a part of the Road Champs acquisition in February 1997, we acquired the right to produce the Road Champs line of die-cast and collectible vehicle replicas, including various well-known vehicles from Ford, Chevrolet and Jeep, as well as the right to use familiar corporate names on the die-cast vehicles, such as Pepsi and Hershey. Later, we licensed the right to reproduce vehicles featured on the covers of automotive magazines, such as Rod & Custom and Car and Driver, and to market vehicles with the B.A.S.S. Masters logo and replicas of the World Wrestling Federation Attitude Racing NHRA Team. We believe that these licenses increase the perceived value of the products and enhance their marketability. Under the terms of these licenses (many of which include automatic annual extensions without affirmative action taken by either party), we pay the licensor a royalty based on our sales of each product bearing such licensed name. While we are not required to pay any royalty on some of the products, the royalties on a majority of the products range from 1% to 9% of sales. The Road Champs products are produced by unaffiliated foreign manufacturers. These products are sold individually, retailing from $2.99 to $7.99 each, and in playsets which retail from $9.99 to $24.99 each.

We have divided the markets of this product line into adult collectible and children's toy segments, recognizing the specific needs of these different consumers. Each collector product features a collector case in which to store and display the vehicle and a certificate of authenticity. We produce a limited number, generally not more than 10,000, of each distinctive product to enhance its collectibility. This line presently has numerous themes, including Anniversary Collection, Police, Then & Now, World War II Fighter Planes and Classics Scenes, with die-cast scenic accessories, such as 1950's soda machines or gas pumps. The toy segment is marketed by focusing on size and value with its slogan "Crankin' It Up." Our die-cast vehicles are 1/43 scale, which are larger than most other competing die-cast vehicles. The size appeals to collectors, since it enables us to show greater detail on the vehicles, and to children and their parents, who perceive a greater value in the larger size. The toys are packaged on two-pack blister cards, further highlighting the value. In addition, series were created to encourage children to collect our vehicles. Our toy vehicle line has been expanded to include 1/64 scale cars featuring new functionality that allows the consumer to adjust the vehicle's suspension for different terrain as well as track sets. These cars include new sports cars such as the 2000 Corvette, Ford GT 90 and Porsche 959.

- Extreme sports die-cast collectible and toy vehicles and action figures

In 1999, we launched our extreme sports category with a new line of die-cast bicycles called BXS. These BMX-style bicycles feature removable and interchangeable parts for complete customization by users as well as working cranks. To enhance collectibility, we created a patent-pending trickstick in several different styles which allows the user to perform signature moves like professional cyclists and to navigate stairs, half-pipes and ramps. Certain elements of the playsets contain pressure points that activate sound chips containing real BXS bike event sounds, such as crowd cheers, music riffs and announcers. We have licensed the Schwinn, GT and Haro brand names, among others, as well as the names of some of the top riders, such as Dave Mirra and Ryan Nyquist, for use in connection with this product line. In 2000, we added fully-articulated action figures of these and other free-style riders that "ride" their signature edition bikes. Bicycles are sold individually and in sets that include accessories.

Also in 2000, we expanded our extreme sports offerings with the introduction of our MXS line of motorcycles with riders featuring "click n grip" functionality which allows the user to release the rider from the motorcycle seat and perform the signature moves of the sport's top riders. Other additions included off-road vehicles, personal water craft, surfboards and skateboards, all sold individually and with play sets and accessories.

- Remco toy vehicles and role play

Our Remco toy line includes toy vehicles, role play and other toys. Our toy vehicle line is comprised of a large assortment of rugged die-cast and plastic vehicles. Marketed under a sub-brand called Tuff Ones, our toy vehicles range in size from 4 3/4 inch to big-wheeled 17 inch vehicles. We have revitalized them considerably by creating new packaging, redecorating the vehicles and adding highly-recognized licensed names, such as NASA, Pennzoil, U-Haul and Castrol, among others. The breadth of the line is extensive, with themes ranging from emergency, fire, farm and construction, to racing and jungle adventure.

We offer a variety of branded and non-branded role playsets in this new category under the Remco name. Themes include Caterpillar construction, B.A.S.S. Masters fishing, police, fire and NASA. Role play sets retail from $6.99 to $12.99 each. Additionally, capitalizing on the popularity of World Wrestling Federation, we introduced a World Wrestling Federation role play product which will give children the opportunity to dress like and imagine being their favorite wrestling superstars.

CHILD GUIDANCE

- Infant and pre-school toys

We acquired the Child Guidance trade name in 1997 to accelerate our entry into the infant/ pre-school toy category. This category has been recently dominated by higher-priced licensed products, which creates an opportunity for us to sell our lower price, high value line of pre-school toys. Our line of pre-school electronic toys features products that enhance sensory stimulation and learning through play, while offering value to the trade as well as to the consumer. Our products are designed for children ages two and under. We have combined the fun of music, lights, motion and sound with the early introduction of numbers, letters, shape and color recognition, all at a value price. The line consists of more than 50 products that are marketed in continually updated "try me" interactive packaging that allows the consumers to sample the product prior to purchase. We support the products with extensive advertising in popular magazines and other publications, focusing on parenting, women's and family publications, including Good Housekeeping. These products carry the Good Housekeeping Seal of Approval(R). In 2001, we introduced a line of musical toys in conjunction with Baby Genius, the marketer of a popular line of music-oriented CDs and home videos whose aim is to stimulate the development of young children through music. Distribution of the Child Guidance products include more upscale and specialty retailers. Child Guidance products are priced at retail from $2.99 to $14.99.

In addition to creating products internally, we often acquire products and concepts from numerous toy inventors with whom we have ongoing relationships. License agreements for products and concepts call for royalties ranging from 1% to 6% of net sales, and some may require minimum guarantees and advances. Both development of internally-created items and acquiring items are ongoing efforts. In either case, it may take as long as nine months for an item to reach the market. As part of an effort to keep the product line fresh and to extend the life of the item, we create new packaging, change sound chips and change product colors from time to time.

- Foam puzzle mats and playsets

The acquisition of Berk added the foam toy category to our business. We incorporated this new toy category into our Child Guidance product line, based on the demographics and target market for foam toy products. This new line further expands the breadth of our Child Guidance brand. The foam toy products include puzzle mats featuring licensed characters, such as Winnie the

Pooh, Blue's Clues, Barney, Teletubbies and Sesame Street, among others, as well as letters of the alphabet and numbers. The inter-locking puzzle pieces can also be used to build houses and other play areas. Other products include foam puzzles of the United States, foam vehicles and outdoor foam products. In 1999, we introduced three-dimension, mechanism and sound elements to this line.

FASHION DOLLS AND RELATED ACCESSORIES

We produce various proprietary and licensed fashion dolls and accessories for children between the ages of three and 10. The product lines include 11 1/2 inch fashion dolls customized with high-fashion designs that correspond with particular holidays, events or themes, such as Christmas, birthdays, Fairytale, Victorian Romance and Gibson Girl Romance and fashion dolls based on children's classic fairy tales and holidays. In 2000, we added to our doll line by producing additional dolls based on the fashion magazine Elle. These 15 1/2 inch dolls feature contemporary fashions.

Also in 2000, we launched our G.I.R.L. Force line of dolls with the release of 11 1/2 inch dolls based on the feature film, Charlie's Angels. These dolls feature our new patent-pending skeleton with more realistic features and movement. In 2001, we released a line of 11 1/2 inch dolls and accessories based on the feature film, Josie and the Pussycats.

Our in-house product developers originate the design and functionality of most of our fashion dolls. In many cases, they work with retailers and incorporate their input on doll characteristics, packaging and other design elements to create exclusive product lines for them.

WORLD WRESTLING FEDERATION VIDEO GAMES

In June 1998, we formed a joint venture with THQ, a developer, publisher and distributor of interactive entertainment software for the leading hardware game platforms in the home video game market. The joint venture entered into a license agreement with World Wrestling Federation Entertainment under which it acquired the exclusive worldwide right to publish World Wrestling Federation video games on all hardware platforms. The games are designed, developed, manufactured and marketed by the joint venture. We are entitled to receive a guaranteed preferred return at varying rates of net sales of the video games depending on the cumulative unit sales and platform of each particular game. THQ is entitled to receive the balance of the profits. The term of the license agreement expires on December 31, 2009, subject to a right of the joint venture to renew the license for an additional five years under various conditions.

The joint venture publishes titles for the Sony PlayStation and Nintendo 64 consoles, hand-held Game Boy and personal computers (PCs). The joint venture launched its first products, a video game for the Nintendo 64 platform and a video game for GameBoy Color, in November 1999. It will also publish titles for new hardware platforms, such as Microsoft Xbox and Sony PlayStation 2, when and as they are introduced to the market and have established a sufficiently installed base to support new software. These titles are marketed to our existing customers as well as to game, electronics and other specialty stores, such as Electronics Boutique and Best Buy. The home video game software market consists both of (1) cartridge-based and CD-ROM-based software for use solely on dedicated hardware systems, such as Sony PlayStation and Nintendo 64, and (2) software distributed on CD-ROMs for use on PCs. According to NPD Group, a leading independent toy industry research firm, Nintendo 64 and Sony PlayStation accounted for a substantial portion of the installed base of all hardware platforms and software sales in 2000.

Under non-exclusive licenses with Sony, Nintendo and Sega held by THQ, the joint venture arranges for the manufacture of the CD-ROMs and cartridges. No other licenses are required for the manufacture of the PC titles. Profit margins for cartridge products can vary based on the cost of the memory chip used for a particular title. As software has grown more complex, the trend in the software industry has been to utilize chips with greater capacity and thus greater cost. CD-ROMs have significantly lower per unit manufacturing costs than cartridge-based products. However, these savings may be offset by typically higher development costs for titles published on CD-ROMs; these higher costs result from increasing and enhancing content to take advantage of the greater storage capacity of CD-ROMs.

Wrestling video games have demonstrated consistent popularity, with three of our wrestling-theme video games each having sold in excess of 1 million units in 1999 and 2000, at retail prices ranging from approximately $42 to $60. We believe that the success of the World Wrestling Federation titles is dependent on the graphic look and feel of the software, the depth and variation of game play and the popularity of the World Wrestling Federation. We believe that as a franchise property, the World Wrestling Federation titles will have brand recognition and sustainable consumer appeal, which may allow the joint venture to use titles over an extended period of time through the release of sequels and extensions and to re-release such products at different price points in the future. In 2001, our PlayStation title SmackDown was re-released as a greatest hit. Also, as new hardware platforms are introduced, software for these platforms requires new standards of design and technology to fully exploit these platforms' capabilities and requires that software developers devote substantial resources to product design and development.

The joint venture uses external software developers to conceptualize and develop titles. These developers receive advances based on specific development milestones and royalties in excess of the advances based on a fixed amount per unit sold or on a percentage, typically ranging from 8% to 12%, of net sales. Upon completion of development, each title is extensively play-tested by us and THQ and sent to the manufacturer for its review and approval.

SALES, MARKETING AND DISTRIBUTION

We sell all of our products through our own in-house sales staff and independent sales representatives. Purchasers of our products include toy and mass-market retail chain stores, department stores, toy specialty stores and wholesalers. The Road Champs, Flying Colors and Pentech product lines are also sold to smaller hobby shops, specialty retailers and corporate accounts, among others. Our five largest customers are Target, Kmart, Toys R' Us, Wal-Mart, and Kay Bee Toys, which accounted for approximately 70.2% of our net sales in 1999 and 63.2% of our net sales in 2000. Except for purchase orders relating to products on order, we do not have written agreements with our customers. Instead, we generally sell products to our customers pursuant to letters of credit or, in some cases, on open account with payment terms typically varying from 30 to 90 days. From time to time, we allow our customers credits against future purchases from us in order to facilitate their retail markdown and sales of slow-moving inventory. We also sell through e-commerce sites, including Toysrus.com.

We contract the manufacture of most of our products to unaffiliated manufacturers located in China. We sell the finished products on a letter of credit basis or on open account to our customers, who take title to the goods in Hong Kong. These methods allow us to reduce certain operating costs and working capital requirements. A portion of our sales, primarily sales of our Road Champs, Flying Colors and Pentech products, originate in the United States, so we hold certain inventory in our warehouse and fulfillment facilities. In addition, we hold inventory of other products from time to time in support of promotions or other domestic programs with retailers. To date, substantially all of our sales have been to domestic customers. We intend to expand distribution of our products into foreign territories and, accordingly, we have (1) engaged representatives to oversee sales in certain territories, (2) engaged distributors in certain territories, and (3) established direct relationships with retailers in certain territories.

We establish reserves for sales allowances, including promotional allowances and allowances for anticipated defective product returns, at the time of shipment. The reserves are determined as a percentage of net sales based upon either historical experience or on estimates or programs agreed upon by our customers.

We obtain, directly, or through our sales representatives, orders for our products from our customers and arrange for the manufacture of these products as discussed below. Cancellations are generally made in writing, and we take appropriate steps to notify our manufacturers of these cancellations.

We maintain a full-time sales and marketing staff, many of whom make on-site visits to customers for the purpose of showing product and soliciting orders for products. We also retain a number of independent sales representatives to sell and promote our products, both domestically and internationally. Together with retailers, we sometimes test the consumer acceptance of new products in selected markets before committing resources to large-scale production.

We advertise our products in trade and consumer magazines and other publications, market our products at major and regional toy trade shows, conventions and exhibitions and carry on cooperative advertising with toy retailers and other customers. We produce and broadcast television commercials for our World Wrestling Federation action figure line as well as for some of our Flying Colors and Road Champs extreme sports products. We may also advertise some of our other products on television, if we expect that the resulting increase in our net sales will justify the relatively high cost of television advertising.

Outside of the United States, we currently sell our products primarily in Canada, Great Britain, Latin America, Australia, Japan and South Africa. Sales of our products abroad accounted for approximately $13.1 million, or 7.1% of our net sales, in 1999 and approximately $22.5 million, or 8.9% of our net sales, in 2000. We believe that foreign markets present an attractive opportunity, and we plan to intensify our marketing efforts and expand our distribution channels abroad.

PRODUCT DEVELOPMENT

Each of our product lines has an in-house manager responsible for product development, including identifying and evaluating inventor products and concepts and other opportunities to enhance or expand existing product lines or to enter new product categories. In addition, we create proprietary products, the principal source of products for our fashion doll line, and products to more fully exploit our concept and character licenses. While we do have the capability to create and develop products from inception to production, we generally use third parties to provide a substantial portion of the sculpting, sample making, illustration and package design required for our products in order to accommodate our increasing product innovations and introductions. Typically, the development process takes from three to nine months to culminate in production of the products for shipment to our customers.

We employ a staff of approximately 24 designers for our Flying Colors product lines. We generally acquire our other product concepts from unaffiliated third parties. If we accept and develop a third party's concept for new toys, we generally pay a royalty on the toys developed from this concept that are sold, and may, on an individual basis, guarantee a minimum royalty. Royalties payable to developers generally range from 1% to 6% of the wholesale sales price for each unit of a product sold by us. We believe that utilizing experienced third-party inventors gives us access to a wide range of development talent. We currently work with numerous toy inventors and designers for the development of new products and the enhancement of existing products. We believe that toy inventors and designers have come to appreciate our practice of acting quickly and decisively to acquire and market licensed products. In addition, we believe that our experience in the toy industry, our flexibility and our recent success in developing and marketing products make us more attractive to toy inventors and developers than some of our competitors.

Safety testing of our products is done at the manufacturers' facilities by an engineer employed by us or independent third-party contractors engaged by us, and is designed to meet safety regulations imposed by federal and state governmental authorities. We also monitor quality assurance procedures for our products for safety purposes.

MANUFACTURING AND SUPPLIES

Our products are currently produced by manufacturers which we choose on the basis of quality, reliability and price. Consistent with industry practice, the use of third-party manufacturers enables us to avoid incurring fixed manufacturing costs. All of the manufacturing services performed overseas for us are paid for either by letter of credit or on open account with the manufacturers. To date, we have not experienced any material delays in the delivery of our products; however, delivery schedules are subject to various factors beyond our control, and any delays in the future could adversely affect our sales. Currently, we have ongoing relationships with approximately 20 manufacturers. We believe that alternative sources of supply are available, although we cannot assure you that adequate supplies of manufactured products can be obtained.

Although we do not conduct the day-to-day manufacturing of our products, we participate in the design of the product prototype and production tooling and molds for our products and we seek to ensure quality control by actively reviewing the production process and testing the products produced by our manufacturers. We employ quality control inspectors who rotate among our manufacturers' factories to monitor production.

The principal raw materials used in the production and sale of our toy products are zinc alloy, plastics, plush, printed fabrics, paper products and electronic components, all of which are currently available at reasonable prices from a variety of sources. Although we do not manufacture our products, we own the molds and tooling used in the manufacturing process, and these are transferable among manufacturers if we choose to employ alternative manufacturers. Molds and tooling represents substantially all of our long-lived assets, and amounted to $3.4 million in 1998, $10.3 million in 1999 and $14.4 million in 2000. Substantially all of these assets are located in China.

TRADEMARKS AND COPYRIGHTS

Most of our products are produced and sold under trademarks owned by or licensed to us. We typically register our properties, and seek protection under the trademark, copyright and patent laws of the United States and other countries where our products are produced or sold. These intellectual property rights can be significant assets. Accordingly, while we believe we are sufficiently protected, the loss of some of these rights could have an adverse effect on our business, financial condition and results of operations.

COMPETITION

Competition in the toy industry is intense. Many of our competitors have greater financial resources, larger sales and marketing and product development departments, stronger name recognition and longer operating histories and benefit from greater economies of scale. These factors, among others, may enable our competitors to market their products at lower prices or on terms more advantageous to customers than those we could offer for our competitive products. Competition often extends to the procurement of entertainment and product licenses, as well as to the marketing and distribution of products and the obtaining of adequate shelf space. Competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition and results of operations. In each of our product lines we compete against one or both of the toy industry's two dominant companies, Mattel and Hasbro. In addition, we compete, in our action figures line, with the Toy-Biz division of Marvel Enterprises, in our Flying Colors and Pentech product categories, with Rose Art Industries, Hasbro (Play-doh) and Binney & Smith (Crayola), and, in our toy vehicle lines, with Racing Champions. We also compete with numerous smaller domestic and foreign toy manufacturers, importers and marketers in each of our product categories. We expect that the joint venture's principal competition in the video game market is Electronic Arts, which produces video games based on World Championship Wrestling characters, Activision and Acclaim Entertainment.

SEASONALITY AND BACKLOG

Sales of toy products are seasonal. In 2000, approximately 59.8% our net sales were made in the third and fourth quarters. Generally, the first quarter is the period of lowest shipments and sales in our business and the toy industry generally and therefore the least profitable due to various fixed costs. Seasonality factors may cause our operating results to fluctuate significantly from quarter to quarter. However, Pentech's writing instrument and activity products may be counter-seasonal to the toy industry seasonality due to the higher volume generally shipped for back-to-school beginning in the second quarter. Our results of operations may also fluctuate as a result of factors such as the timing of new products (and expenses incurred in connection therewith) introduced by us or our competitors, the advertising activities of our competitors, delivery schedules set by our customers and the emergence of new market entrants. We believe, however, that the low retail price product lines that we sell may be less subject to seasonal fluctuations than higher priced toy products.

We ship products in accordance with delivery schedules specified by our customers, which usually request delivery of their products within three to six months of the date of their orders. Because customer orders may be canceled at any time without penalty, our backlog may not accurately indicate sales for any future period.

GOVERNMENT AND INDUSTRY REGULATION

Our products are subject to the provisions of the Consumer Product Safety Act ("CPSA"), the Federal Hazardous Substances Act ("FHSA"), the Flammable Fabrics Act ("FFA") and the regulations promulgated thereunder. The CPSA and the FHSA enable the Consumer Product Safety Commission to exclude from the market consumer products that fail to comply with applicable product safety regulations or otherwise create a substantial risk of injury, and articles that contain excessive amounts of a banned hazardous substance. The FFA enables the Consumer Products Safety Commission to regulate and enforce flammability standards for fabrics used in consumer products. The Consumer Products Safety Commission may also require the repurchase by the manufacturer of articles. Similar laws exist in some states and cities and in various international markets. We maintain a quality control program designed to ensure compliance with all applicable laws. In addition, many of our Child Guidance products are sold under the Good Housekeeping

Seal of Approval(R). To qualify for this designation, our products are tested by Good Housekeeping to ensure compliance with its product safety and quality standards.

EMPLOYEES

As of October 4, 2001, we employed 198 persons, all of whom are full-time employees, including three executive officers. One hundred and fifty-three of our employees were located in the United States, while the remaining 45 were located in Hong Kong. We believe that we have good relationships with our employees. None of our employees is represented by a union.

ENVIRONMENTAL ISSUES

We are subject to legal and financial obligations under environmental, health and safety laws in the United States and in other jurisdictions where we operate. We are not currently aware of any material environmental liabilities associated with any of our operations.

ITEM 2. PROPERTIES

Our principal executive offices occupy approximately 17,000 square feet of space in Malibu, California under a lease expiring on February 28, 2008. We have a lease, expiring August 31, 2002, for approximately 9,000 square feet of additional office space in Malibu, California which contains our design offices. We lease office space of approximately 5,000 square feet in Dexter, Michigan where certain design operations of Flying Colors Toys are based. We lease showroom and office space of approximately 8,000 square feet at the International Toy Center in New York City. We also have leased office and showroom space of approximately 5,000 square feet in Hong Kong from which we oversee our China-based third-party manufacturing operations, 318,000 square feet of warehouse space in Industry, California and approximately 100,000 square feet of warehouse space in New Brunswick, New Jersey. We believe that our facilities in the United States and Hong Kong are adequate for our reasonably foreseeable future needs.

ITEM 3. LEGAL PROCEEDINGS

On or about March 26, 2001, Rose Art Industries, Inc. ("Rose Art") and Licensing International, Ltd. commenced an action against us in the United States District Court for the District of New Jersey in which they allege our willful infringement of a patent owned by Licensing International and licensed to Rose Art through our production and sale of our Zyrofoam modeling compound. The plaintiffs seek injunctive relief, monetary damages in a unspecified amount, together with interest thereon, and reasonable attorneys' fees. We believe that their claims are without merit and we intend vigorously to defend against their action. On or about April 30, 2001, we filed an answer to their complaint in which we assert various defenses and counterclaims, including among others that their patent is invalid and unenforceable and that, in any case, the manufacture, use and sale of our product does not infringe their patent. Accordingly, we request the court to dismiss the complaint, to declare our product non-infringing and the subject patent invalid and/or unenforceable, and to award us our litigation costs. In our answer, we also allege Rose Art's infringement of one of our patents and seek injunctive relief, monetary damages in an unspecified amount and reasonable attorneys' fees. The parties are currently engaged in discovery, and, at this early stage in these proceedings, we are unable to predict the likely outcome of the action or its impact on our business, financial condition or results of operations. We are a party to, and certain of our property is the subject of, various pending claims and legal proceedings that routinely arise in the ordinary course of our business, but we do not believe that any of these claims or proceedings will have a material effect on our business, financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2000 to a vote of our security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

Our common stock is traded on the Nasdaq National Market under the symbol "JAKK." The following table sets forth, for the periods indicated, the range of high and low sales prices for our common stock on the Nasdaq National Market.

PRICE RANGE OF COMMON STOCK

	HIGH	LOW
1999:		
First quarter	$13.67	$ 7.00
Second quarter	19.92	12.17
Third quarter	26.83	15.50
Fourth quarter	29.33	16.13
2000:		
First quarter	25.19	13.94
Second quarter	25.00	13.25
Third quarter	20.75	9.00
Fourth quarter	10.56	7.00
2001:		
First quarter	15.00	8.19
Second quarter	18.15	8.81
Third quarter	21.80	12.60
Fourth quarter (through October 4, 2001)	15.41	12.44

On October 4, 2001, the last sale price of our common stock reported on the Nasdaq National Market was $14.25 per share.

SECURITY HOLDERS

As of October 4, 2001, there were approximately 99 holders of record of our common stock.

DIVIDENDS

We have never paid any cash dividends on any of our common stock. We intend to retain our future earnings, if any, to finance the growth and development of our business, and, accordingly, we do not plan to pay any cash dividends on our common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

You should read the financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes (included in Item 8).

	YEAR ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net sales	$12,052	$41,945	$85,253	$183,685	$252,288
Cost of sales	7,231	25,875	52,000	107,602	149,881
Gross profit	4,821	16,070	33,253	76,083	102,407
Selling, general and administrative expenses	3,612	11,895	24,007	51,154	80,435
Acquisition shut-down and product recall costs	--	--	--	--	1,469
Income from operations	1,209	4,175	9,246	24,929	20,503
Profit from Joint Venture	--	--	--	(3,605)	(15,906)
Interest, net	(134)	418	423	(1,588)	(3,833)
Other (income) expense	--	328	591	(182)	(92)
Income before provision for income taxes	1,343	3,429	8,232	30,304	40,334
Provision for income taxes	163	643	1,857	8,334	11,697
Net income	$ 1,180	$ 2,786	$ 6,375	$ 21,970	$ 28,637
Basic earnings per share	$ 0.24	$ 0.40	$ 0.75	$ 1.55	$ 1.50
Weighted average shares outstanding	4,927	6,932	8,539	13,879	19,060
Diluted earnings per share	$ 0.22	$ 0.35	$ 0.59	$ 1.39	$ 1.41
Weighted average shares and equivalents outstanding	5,256	9,013	11,403	15,840	20,281

	AT DECEMBER 31,				
	1996	1997	1998	1999	2000
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 6,355	$ 2,536	$12,452	$ 57,546	$ 29,275
Working capital	7,824	3,368	13,736	113,170	86,897
Total assets	14,200	43,605	58,736	232,878	248,722
Long-term debt, net of current portion	--	6,000	5,940	9	1,000
Total stockholders' equity	11,746	25,959	37,754	187,501	204,530

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. You should read this section in conjunction with our consolidated financial statements and the related notes (included in Item 8).

OVERVIEW

JAKKS was founded to design, develop, produce and market children's toys and related products. We commenced business operations on July 1, 1995 when we assumed operating control over the toy business of Justin Products Limited (Justin) which consisted primarily of fashion dolls and accessories and electronic products for children.

One of our key strategies has been to grow through the acquisition or licensing of product lines, concepts and characters. In 1996, we expanded our product lines to include products based on licensed characters and properties, such as World Wrestling Federation action figures and accessories.

We acquired Road Champs in February 1997, and have included the results of operations of Road Champs from February 1, 1997, the effective date of the acquisition. We acquired the Child Guidance and Remco trademarks in October 1997, both of which contributed to operations nominally in 1997, but contributed more significantly to operations commencing in 1998. We acquired Berk in June 1999 and have included the results of operations of Berk since June 29, 1999. In October 1999, we acquired Flying Colors Toys. The Flying Colors product lines contributed to operations beginning in the fourth quarter of 1999. In July 2000, we acquired Pentech International whose products include writing instruments and activity items. The Pentech products contributed nominally to operations beginning in the second quarter of 2000.

Our products currently include (1) action figures and accessories featuring licensed characters, principally from the World Wrestling Federation, (2) Flying Colors molded plastic activity sets, compound playsets and lunch boxes, (3) Wheels division products, including Road Champs die-cast collectible and toy vehicles and Remco toy vehicles and role-play toys and accessories, (4) Pentech writing instruments and activity products, (5) Child Guidance infant and pre-school electronic toys, toy foam puzzle mats and blocks, activity sets and outdoor products and (6) fashion dolls and related accessories.

In June 1998, we formed a joint venture with THQ, a developer, publisher and distributor of interactive entertainment software, and the joint venture licensed the rights from World Wrestling Federation Entertainment to publish World Wrestling Federation electronic video games on all platforms. The first games produced under this license were released in November 1999. We are entitled to receive a guaranteed preferred return at varying rates of net sales of the video games depending on the cumulative unit sales and platform of each particular game. THQ is entitled to receive the balance of the profits. Distributions of the preferred return from the joint venture contributed significantly to our pre-tax income, representing 11.9% of pre-tax income in 1999 and 39.4% in 2000. The minimum preferred return to be distributed to us by the joint venture during the remaining term of the license agreement ending December 31, 2009 is $4.0 million per year. We expect our aggregate return over this period to be significantly in excess of this amount, although we cannot predict with certainty that expected levels of return will be achieved and, in any case, we anticipate substantial fluctuations in the amount of the preferred return distributed to us from year to year. The amount of our preferred return in any year will be subject to various factors, including the number of games released, life cycle of hardware platforms, market conditions and changes in consumer interests.

In general, we acquire products or product concepts from others or we engage unaffiliated third parties to develop our own products, thus minimizing operating costs. Royalties payable to our developers generally range from 1% to 6% of the wholesale price for each unit of a product sold by us. We expect that outside inventors will continue to be a source of new products in the future. We also generate internally new product concepts, for which we pay no royalties.

We contract the manufacture of most of our products to unaffiliated manufacturers located in China. We sell the finished products on a letter of credit basis or on open account to our customers, who take title to the goods in Hong Kong. These methods allow us to reduce certain operating costs and working capital requirements. A portion of our sales, primarily sales of our Road Champs, Flying Colors and Pentech products, originate in the United States, so we hold certain inventory in our warehouse and fulfillment facility. In addition, we hold inventory of other products from time to time in support of promotions or other domestic programs with retailers. To date, substantially all of our sales have been to domestic customers. We intend to expand distribution of our products into foreign territories and, accordingly, we have (1) engaged representatives to oversee sales in certain territories, (2) engaged distributors in certain territories, and (3) established direct relationships with retailers in certain territories.

We establish reserves for sales allowances, including promotional allowances and allowances for anticipated defective product returns, at the time of shipment. The reserves are determined as a percentage of net sales based upon either historical experience or on estimates or programs agreed upon by our customers.

Our cost of sales consists primarily of the cost of goods produced for us by unaffiliated third-party manufacturers, royalties earned by licensors on the sale of these goods and amortization of the tools, dies and molds owned by us that are used in the manufacturing process. Other costs include inbound freight and provisions for obsolescence. Significant factors affecting our cost of sales as a percentage of net sales include (1) the proportion of net sales generated by various products with disparate gross margins, (2) the proportion of net sales made domestically, which typically carry higher gross margins than sales made in Hong Kong, and (3) the effect of amortizing the fixed cost components of cost of sales, primarily amortization of tools, dies and molds, over varying levels of net sales.

Selling, general and administrative expenses include costs directly associated with the selling process, such as sales commissions, advertising and travel expenses, as well as general corporate expenses, goodwill and trademark amortization and product development. We have recorded goodwill of approximately $78.2 million and trademarks of approximately $13.9 million in connection with acquisitions made to date. Goodwill is being amortized over a 30-year period, while trademark acquisition costs are being amortized over periods ranging from 5 to 30 years.

RESULTS OF OPERATION

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of net sales.

	YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.0	61.7	61.0	58.6	59.4
Gross profit	40.0	38.3	39.0	41.4	40.6
Selling, general and administrative expenses	30.0	28.4	28.2	27.8	31.9
Acquisition shut-down and product recall costs	--	--	--	--	0.5
Income from operations	10.0	9.9	10.8	13.6	8.2
Profit from Joint Venture	--	--	--	(2.0)	(6.3)
Interest, net	(1.1)	1.0	0.4	(0.9)	(1.5)
Other (income) expense, net	--	0.7	0.7	--	--
Income before income taxes	11.1	8.2	9.7	16.5	16.0
Provision for income taxes	1.3	1.6	2.2	4.5	4.6
Net income	9.8%	6.6%	7.5%	12.0%	11.4%

YEARS ENDED DECEMBER 31, 2000 AND 1999

Net Sales. Net sales increased $68.6 million, or 37.3% to $252.3 million in 2000 from $183.7 million in 1999. The significant growth in net sales was due primarily to the continuing growth in our Wheels division, consisting primarily of our Road Champs die-cast toy and collectible vehicles with the launch of the lines of extreme sports products, including our BXS die-cast bicycles, fashion and holiday dolls, as well as the addition of Flying Colors products, which began contributing to operations beginning in the fourth quarter of 1999, and Pentech products, which began contributing to operations in August 2000, offset by a decrease in sales of our World Wrestling Federation wrestling products.

Gross Profit. Gross profit increased $26.3 million, or 34.6%, to $102.4 million in 2000, or 40.6% of net sales, from $76.1 million, or 41.4% of net sales, in 1999. The overall increase in gross profit was attributable to the significant increase in net sales. Gross profit margin decreased slightly mainly due to an increase in the amortization expense of molds and tools used in the manufacture of our products and royalty expense as a percentage of net sales due to changes in the product mix and the launch of a larger number of products in 2000.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $80.4 million in 2000 and $51.1 million in 1999, constituting 31.9% and 27.8% of net sales, respectively. The overall significant increase of $29.3 million in such costs was due to costs incurred in support of the Company's development, marketing and distribution of products under its recently acquired Flying Colors and Pentech brands. The overall dollar increase was due to the significant increase in net sales with its proportionate impact on variable selling costs such as freight and shipping related expenses, sales commissions, cooperative advertising and travel expenses, among others. We produced television commercials in support of several of our products, including World Wrestling Federation action figures, Flying Colors' Goooze and It's a Girl Thing in 1999 and 2000 and we increased our overall media buys in 2000. From time to time, we may

increase our advertising efforts, including the use of more expensive advertising media, such as television, if we deem it appropriate for particular products.

Acquisition Shut-down and Product Recall Costs. These expenses in 2000 consisted mainly of costs related to the lease termination of certain Flying Colors facilities and other related shut-down costs, and costs related to the recall of one of our products. No such expenses were incurred in 1999.

Profit from Joint Venture. Beginning in the fourth quarter of 1999, we began to earn our preferred return on the sale of World Wrestling Federation video games by our joint venture with THQ with the release of two games, whereas in 2000, four titles were released plus sales continued on 1999 releases. Distributions of the preferred return from the joint venture contributed significantly to our pre-tax income, representing 11.9% of pre-tax income in 1999 and 39.4% in 2000. The minimum preferred return to be distributed to us by the joint venture during the remaining term of the license agreement ending December 31, 2009 is $4.0 million per year. We expect our aggregate return over this period to be significantly in excess of this amount, although we cannot predict with certainty that expected levels of return will be achieved and, in any case, we anticipate substantial fluctuations in the amount of the preferred return distributed to us from year to year.

Interest, Net. We had significantly higher average cash balances during 2000 than in 1999 due to the net proceeds from the sale of our common stock in December 1999. In addition, we assumed certain interest-bearing obligations in 2000 in conjunction with the Pentech acquisition and we had convertible debentures outstanding in 1999.

Other (Income) Expense, Net. In 1999 and 2000, only nominal amounts of Other Income were recorded.

Provision for Income Taxes. Provision for income taxes included Federal, state and foreign income taxes in 1999 and 2000, at effective tax rates of 27.5% in 1999 and 29.0% in 2000, benefiting from a flat 16.5% Hong Kong Corporation Tax on our income arising in, or derived from, Hong Kong. As of December 31, 2000, we had deferred tax assets of approximately $0.4 million for which no allowance has been provided since, in the opinion of management, realization of the future benefit is probable. In making this determination, management considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence.

YEARS ENDED DECEMBER 31, 1999 AND 1998

Net Sales. Net sales increased $98.4 million, or 115.5%, to $183.7 million in 1999 from $85.3 million in 1998. The significant growth in net sales was due primarily to the continuing growth of the World Wrestling Federation action figure product line with its expanded product offerings and frequent character releases, as well as to increasing sales in our Wheels division, consisting primarily of our Road Champs die-cast toy and collectible vehicles, fashion and holiday dolls and Child Guidance pre-school toys and the addition of Berk products, which contributed nominally to operations beginning in the third quarter of 1999 and Flying Colors products, which contributed moderately to operations beginning in the fourth quarter of 1999.

Gross Profit. Gross profit increased $42.8 million, or 128.8%, to $76.1 million, or 41.4% of net sales, in 1999 from $33.3 million, or 39.0% of net sales, in 1998. The overall increase in gross profit was attributable to the significant increase in net sales. The increase in the gross profit margin of 2.4% of net sales was due in part to the changing product mix, which included products, such as World Wrestling Federation action figures and BXS die-cast bicycles, with higher margins than some of our other products, and the amortization expense of molds and tools used in the manufacture of our products, which decreased on a percentage basis due to the fixed nature of these costs. The higher margin resulting from lower product costs was offset in part by higher royalties.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $27.1 million, or 112.7%, to $51.1 million, or 27.8% of net sales, in 1999 from $24.0 million, or 28.2% of net sales, in 1998. Selling, general and administrative expenses decreased nominally as a percentage of net sales due in part to increases in advertising expenses and product development costs of our various products in 1999, which were offset in part by a decrease as a percentage of net sales due to the fixed nature of certain of these expenses in conjunction with the significant increase in net sales. The overall dollar increase of $27.1 million was due to the significant increase in net sales with their proportionate impact on variable selling costs, such as freight and shipping related expenses, sales commissions, cooperative advertising and travel expenses in addition to the costs added in connection with our acquisitions of Flying Colors and Berk in 1999. We produced television commercials in support of several of our products, including World Wrestling Federation action figures, in 1998 and 1999. We may increase our advertising efforts, including the use of more expensive advertising media, such as television, if we deem it appropriate for particular products.

Acquisition Shut-down and Product Recall Costs. No such expenses were incurred in 1999 or 1998.

Profit from Joint Venture. In 1999, we began to earn our preferred return on the sale of World Wrestling Federation video games by our joint venture with THQ. Distributions of the preferred return from the joint venture represented 11.9% of our pre-tax income. The minimum preferred return to be distributed to us by the joint venture is $4.0 million per year. We expect our aggregate return over the remaining term of the license agreement ending December 31, 2009 to be significantly in excess of this amount, although we cannot predict with certainty that expected levels of return will be achieved and, in any case, we anticipate substantial fluctuations in the amount of the preferred return distributed to us from year to year.

Interest, Net. We had significantly lower interest-bearing obligations in 1999 than in 1998 with the conversion of our convertible debentures in 1999. In addition, we had significantly higher average cash balances during 1999 than in 1998 due to the net proceeds from the sale of our common stock in May 1999 and in December 1999.

Other (Income) Expense, Net. In 1999, we recorded a nominal amount of Other Income, while in 1998, Other Expense resulted from the loss on the disposition of certain assets.

Provision for Income Taxes. Provision for income taxes included federal, state and foreign income taxes at effective tax rates of 27.3% and 22.6% in 1999 and 1998, respectively, benefiting from a flat 16.5% Hong Kong Corporation Tax on our income arising in, or derived from, Hong Kong. As of December 31, 1999, we had deferred tax assets of approximately $1,460,000 for which no allowance has been provided since, in the opinion of management, realization of the future benefit is probable. In making this determination, management considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence.

QUARTERLY FLUCTUATIONS AND SEASONALITY

We have experienced significant quarterly fluctuations in operating results and anticipate these fluctuations in the future. The operating results for any quarter are not necessarily indicative of results for any future period. Our first quarter is typically expected to be the least profitable as a result of lower net sales but substantially similar fixed operating expenses. This is consistent with the performance of many companies in the toy industry.

The following table presents our unaudited quarterly results for the years indicated. The seasonality of our business is reflected in this quarterly presentation.

	1998				1999	
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Net sales	$11,030	$16,131	$34,218	$23,873	$24,960	$35,981
As a % of full year	13.0%	18.9%	40.1%	28.0%	13.6%	19.6%
Gross profit	$ 4,350	$ 6,118	$13,242	$ 9,542	$10,764	$14,649
As a % of full year	13.1%	18.4%	39.8%	28.7%	14.2%	19.3%
As a % of net sales	39.4%	37.9%	38.7%	40.0%	43.1%	40.7%
Income (loss) from operations	$ 768	$ 1,427	$ 5,069	$ 1,983	$ 2,743	$ 4,225
As a % of full year	8.3%	15.4%	54.8%	21.5%	11.0%	17.0%
As a % of net sales	7.0%	8.8%	14.8%	8.3%	11.0%	11.7%
Income before income taxes	$ 610	$ 1,316	$ 4,648	$ 1,658	$ 2,743	$ 4,587
As a % of net sales	5.5%	8.2%	13.6%	6.9%	11.0%	12.7%
Net income	$ 462	$ 958	$ 3,434	$ 1,521	$ 2,005	$ 3,355
As a % of net sales	4.2%	5.9%	10.0%	6.4%	8.0%	9.3%
Diluted earnings per share	$ 0.05	$ 0.09	$ 0.30	$ 0.14	$ 0.17	$ 0.21
Weighted average shares and equivalents outstanding	10,740	11,679	11,808	11,756	12,624	15,732

	1999		2000			
	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Net sales	$60,236	$62,508	$50,782			

$50,578 $91,838 $59,090
As a % of full
year....... 32.8% 34.0%
20.1% 20.1% 36.4% 23.4%
Gross
profit...............
$24,759 $25,912 $20,104
$21,748 $37,672 $22,883
As a % of full
year....... 32.5% 34.0%
19.7% 21.2% 36.8% 22.3%
As a % of net
sales....... 41.1% 41.5%
39.6% 43.0% 41.0% 38.7%
Income (loss) from
operations................
$ 9,893 $ 8,068 $ 3,552 $
6,095 $11,201 $ (345) As
a % of full year.......
40.0% 32.0% 17.3% 29.8%
54.6% (1.7)% As a % of
net sales....... 16.4%
13.1% 7.0% 12.1% 12.2%
(0.6)% Income before
income
taxes.....................
$10,426 $12,548 $ 9,715 $
8,877 $13,615 $ 8,127 As
a % of net sales.......
17.3% 19.9% 19.1% 17.6%
14.8% 13.8% Net
income................. $
7,642 $ 8,968 $ 6,603 $
6,237 $ 9,769 $ 6,028 As
a % of net sales.......
12.7% 14.4% 13.0% 12.3%
10.6% 10.2% Diluted
earnings per
share.....................
$ 0.44 $ 0.49 $ 0.32 $
0.31 $ 0.48 $ 0.32
Weighted average shares
and equivalents
outstanding... 17,541
18,378 20,374 20,371
20,330 18,621

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2000, we had working capital of $86.9 million, as compared to $113.2 million as of December 31, 1999. This decrease was primarily attributable to the acquisition of Pentech International Inc. in July 2000 and the repurchase of our common stock throughout the year.

Operating activities provided net cash of $30.0 million in the year ended December 31, 2000 as compared to having used $30.4 million in 1999. Net cash was provided primarily by net income, non-cash charges, such as depreciation and amortization, and the sale of marketable securities, as well as the increase of accounts payable, income taxes payable, and deferred income taxes, which were offset in part by increases in profit from joint venture, accounts receivable, inventory, advance royalty payments, and prepaid expenses and other, and a decrease in accrued expenses, and reserve for sales returns and allowances. As of December 31, 2000, we had cash and cash equivalents of $29.3 million and marketable securities of $13.6 million.

Operating activities used net cash of $30.4 million in the year ended December 31, 1999 as compared to having provided $12.0 million in 1998. Net cash was provided primarily by net income and non-cash charges, such as depreciation, amortization and recognition of compensation expense for options, as well as an increase in accounts payable and accrued liabilities, which were offset in part by increases in accounts receivable and inventory and the purchase of marketable securities.

Our investing activities used net cash of $47.9 million in the year ended December 31, 2000, as compared to $46.6 million in 1999, consisting primarily of the purchase of molds and tooling used in the manufacture of our products in 2000 and 1999, and goodwill acquired in the acquisition

of Pentech, the repurchase of our common stock, and notes receivable from officers in 2000. As part of our strategy to develop and market new products, we have entered into various character and product licenses with royalties ranging from 1% to 12% payable on net sales of such products. As of December 31, 2000, these agreements required future aggregate minimum guarantees of $13.4 million, exclusive of $1.1 million in advances already paid.

Our investing activities used net cash of $46.6 million in the year ended December 31, 1999, as compared to $5.1 million in 1998, consisting primarily of the purchase of molds and tooling used in the manufacture of our products in 1999 and 1998 and goodwill acquired in the acquisitions of Flying Colors and Berk in 1999.

Our financing activities used net cash of $10.4 million in the year ended December 31, 2000, compared to having provided cash of $122.1 million in 1999. In 2000, we used cash primarily to repurchase 1,493,600 shares of our common stock for a total of $12.9 million, while cash was provided by the exercise of stock options and warrants and the assumption of debt related to the acquisition of Pentech in 2000. Net cash provided in 1999 consisted primarily of proceeds from the issuance of our common stock and proceeds from stock options and warrants exercised.

Our financing activities provided net cash of $122.1 million in the year ended December 31, 1999, consisting primarily of the issuance of our common stock in our public offerings in May and December 1999 and the exercises of options and warrants, partially offset by dividends paid to holders of our Series A Cumulative Convertible Preferred Stock. In 1998, financing activities provided net cash of $3.0 million, consisting primarily of the issuance of our Series A Cumulative Convertible Preferred Stock partially offset by the repayment of various notes and other debt issued in connection with our acquisitions in 1997.

In October 1997, we acquired the Child Guidance and Remco trademarks for approximately $13.4 million. Consideration paid at closing was $10.6 million in cash plus the issuance of a 10% note payable in the amount of $1.2 million, which was paid in five quarterly installments ended December 31, 1998. In addition, we incurred legal and accounting fees of approximately $203,000 and assumed liabilities of $1.4 million. The acquisition was funded in part by the issuance of shares of our 4% Redeemable Convertible Preferred Stock, which were converted into 939,998 shares of our common stock in March 1998.

In April 1998, we received $4.7 million in net proceeds from the sale of shares of our Series A Cumulative Convertible Preferred Stock to two investors in a private placement, which were converted into 837,987 shares of our common stock at a conversion price of $5.97 per share. The use of proceeds was for working capital and general corporate purposes.

In May 1999, we received $51.9 million in net proceeds from the sale of 3,999,844 shares of our common stock. We used substantially all of these proceeds to fund our acquisition of Flying Colors Toys. In December 1999, we received $65.9 million in net proceeds from the sale of 2,811,111 shares of our Common Stock. These proceeds, which we invested temporarily in marketable securities and cash equivalents, were applied to our product acquisition, development, working capital and general corporate needs.

In June 1999, we purchased all the outstanding capital stock of Berk for approximately $3.1 million. Berk is a leading producer of educational toy foam puzzle mats and blocks featuring popular licensed characters, including Mickey Mouse, Minnie Mouse, Winnie the Pooh, Blue's Clues, Barney, Teletubbies, Sesame Street, Looney Tunes and Toy Story 2 characters, and non-licensed activity sets and outdoor products.

On October 5, 1999, we completed the acquisition of the Flying Colors product line through the purchase of all the outstanding capital stock of Flying Colors Toys, a privately-held company based in Dexter, Michigan. At or shortly after the closing we paid approximately $34.7 million for the stock and paid off approximately $17.6 million of indebtedness. We also agreed to pay an earn-out of up to $4.5 million in each of the three twelve-month periods following the closing if gross profit of Flying Colors products achieve certain targeted levels during these periods. The maximum earn-out of $4.5 million was earned in the initial earn-out period ended September 30, 2000. One of Flying Colors Toys' senior executives and most of its creative design and product development staff have remained with Flying Colors Toys. Flying Colors Toys' principal products include molded plastic activity kits, compound playsets and lunch boxes featuring licensed characters, including Rugrats, Blue's Clues and Looney Tunes characters. The kits cover a broad range of products and activities, such as make and paint your own characters, jewelry making, art studios, posters, puzzles and other projects.

On July 28, 2000, we acquired all of the outstanding capital stock of Pentech for an aggregate purchase price of approximately $20.6 million, which was paid in cash on the closing of the transaction. In addition, we paid on the closing $10.0 million to pay down certain indebtedness of Pentech, assumed liabilities of approximately $25.5 million and incurred estimated legal and other acquisition costs of approximately $1.2 million. In December 1999, Pentech renewed a three-year $25,000,000 Revolving Credit Agreement with Bank America Business Credit, Inc. now known as Bank of America, N.A. (the "Credit Agreement"). Borrowings under the Credit Agreement are subject to limitations based upon eligible inventory and accounts receivable as defined in the Credit Agreement. Amounts borrowed under the Credit Agreement accrue interest, at Pentech's option, at either prime plus 0.5% or LIBOR plus 2.5%. As we reallocated Pentech's assets in the course of integrating its operations into our own, we depleted the borrowing base which would support borrowings under the Credit Agreement and, accordingly, we do not expect to be able to draw down any funds under the Credit Agreement. Pentech designs, produces and markets licensed pens, markers, pencils, and other writing instruments, craft and activity kits, and related stationery products.

We believe that our cash flows from operations, cash and cash equivalents on hand and marketable securities will be sufficient to meet our working capital and capital expenditure requirements and provide us with adequate liquidity to meet our anticipated operating needs for at least the next 12 months. Although operating activities are expected to provide cash, to the extent we grow significantly in the future, our operating and investing activities may use cash and, consequently, this growth may require us to obtain additional sources of financing. There can be no assurance that any necessary additional financing will be available to us on commercially reasonable terms, if at all.

EXCHANGE RATES

We sell all of our products in U.S. dollars and pay for all of our manufacturing costs in either U.S. or Hong Kong dollars. Operating expenses of the Hong Kong office are paid in Hong Kong dollars. The exchange rate of the Hong Kong dollar to the U.S. dollar has been fixed by the Hong Kong government since 1983 at HK$7.80 to US$1.00 and, accordingly, has not represented a currency exchange risk to the U.S. dollar. We cannot assure you that the exchange rate between the United States and Hong Kong currencies will continue to be fixed or that exchange rate fluctuations will not have a material adverse effect on our business, financial condition or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in United States and international borrowing rates and changes in foreign currency exchange rates. In addition, we are exposed to market risk in certain geographic areas that have experienced or remain vulnerable to an economic downturn, such as China. We purchase substantially all of our inventory from companies in China, and, therefore, we are subject to the risk that such suppliers will be unable to provide inventory at competitive prices. While we believe that, if such an event were to occur we would be able to find alternative sources of inventory at competitive prices, we cannot assure you that we would be able to do so. These exposures are directly related to our normal operating and funding activities. Historically and as of December 31, 2000, we have not used derivative instruments or engaged in hedging activities to minimize our market risk.

INTEREST RATE RISK

As of December 31, 2000, we do not have any outstanding balances on our credit facility, nor will we be able to draw on the facility prior to its termination or expiration, and we have only nominal interest-bearing obligations. Accordingly, we are not generally subject to any direct risk of loss arising from changes in interest rates.

FOREIGN CURRENCY RISK

We have wholly-owned subsidiaries in Hong Kong. Sales from these operations are denominated in U.S. dollars. However, purchases of inventory and operating expenses are typically denominated in Hong Kong dollars, thereby creating exposure to changes in exchange rates. Changes in the Hong Kong dollar/U.S. dollar exchange rate may positively or negatively affect our gross margins, operating income and retained earnings. The exchange rate of the Hong Kong dollar to the U.S. dollar has been fixed by the Hong Kong government since 1983 at HK$7.80 to US$1.00 and, accordingly, has not represented a currency exchange risk to the U.S. dollar. We do not believe that near-term changes in exchange rates, if any, will result in a material effect on our future earnings, fair values or cash flows, and therefore, we have chosen not to enter into foreign currency hedging transactions. We cannot assure you that this approach will be successful, especially in the event of a significant and sudden change in the value of the Hong Kong dollar.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

The Stockholders
JAKKS Pacific, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of JAKKS Pacific, Inc. and Subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows and the financial statement schedule for each of the three years in the period ended December 31, 2000. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of JAKKS Pacific, Inc. and Subsidiaries as of December 31, 1999 and 2000, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ PANNELL KERR FORSTER

PANNELL KERR FORSTER
Certified Public Accountants
A Professional Corporation

Los Angeles, California

February 16, 2001, except note 18
for which the date is March 26, 2001

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	1999	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 57,546,406	$ 29,275,424
Marketable securities	39,333,944	13,617,912
Accounts receivable, net of allowance for uncollectible accounts of $1,887,374 and $3,011,702 for 1999 and 2000, respectively	38,024,903	47,053,699
Inventory, net of reserves of $2,942,606 and $7,321,637 for 1999 and 2000, respectively	19,863,508	30,534,826
Prepaid expenses and other	1,617,692	5,655,480
Advanced royalty payments	1,137,238	2,495,027
Total current assets	157,523,691	128,632,368
PROPERTY AND EQUIPMENT		
Office furniture and equipment	1,233,068	3,779,585
Molds and tooling	15,283,211	23,929,329
Leasehold improvements	344,263	1,927,805
Total	16,860,542	29,636,719
Less accumulated depreciation and amortization	5,320,103	10,653,467
Property and equipment, net	11,540,439	18,983,252
Notes Receivable - Officers	--	2,450,000
Intangibles and deposits, net	1,502,147	2,203,679
Investment in joint venture	3,658,339	9,758,359
Goodwill, net	46,020,232	74,590,189
Trademarks, net	12,633,248	12,104,546
Total assets	$232,878,096	$248,722,393
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 9,962,655	$ 14,619,519
Accrued expenses	15,856,505	12,539,290
Reserve for sales returns and allowances	15,318,001	6,553,231
Current portion of long-term debt	4,967	400,000
Income taxes payable	3,211,926	7,623,355
Total current liabilities	44,354,054	41,735,395
Long-term debt, net of current portion	8,713	1,000,000
Deferred income taxes	1,013,834	1,456,817
Total liabilities	45,376,601	44,192,212
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value; 25,000,000 shares authorized; 19,272,692 and 19,485,582 shares issued, respectively	19,273	19,485
Additional paid-in capital	155,172,781	156,475,343
Treasury Stock, at cost, nil and 1,493,600 shares, respectively	--	(12,911,483)
Retained earnings	32,309,441	60,946,836
Total stockholders' equity	187,501,495	204,530,181

Total liabilities and stockholders' equity........	$232,878,096	$248,722,393
	============	============

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31,	1998	1999	2000
Net sales..................................	$85,252,563	$183,685,124	$252,287,943
Cost of sales.............................	52,000,135	107,601,639	149,880,804
Gross profit..............................	33,252,428	76,083,485	102,407,139
Selling, general and administrative expenses..............................	24,006,497	51,154,627	80,434,872
Acquisition shut-down and product recall costs..................................	--	--	1,468,798
Income from operations..................	9,245,931	24,928,858	20,503,469
Profit from Joint Venture...............	--	(3,604,487)	(15,905,860)
Interest, net...........................	422,553	(1,588,043)	(3,833,359)
Other (income) expense, net..............	590,948	(182,305)	(91,670)
Income before provision for income taxes..................................	8,232,430	30,303,693	40,334,358
Provision for income taxes...............	1,857,404	8,333,844	11,696,963
Net income...............................	$ 6,375,026	$ 21,969,849	$ 28,637,395
Basic earnings per share.................	$ 0.75	$ 1.55	$ 1.50
Diluted earnings per share...............	$ 0.59	$ 1.39	$ 1.41

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
DECEMBER 31, 1998, 1999 AND 2000

CONVERTIBLE PAR COMMON PREFERRED
VALUE ADDITIONAL SHARES SHARES PER
STOCK PAID-IN TREASURY RETAINED
OUTSTANDING OUTSTANDING SHARE AMOUNT
CAPITAL STOCK EARNINGS Balance,
December 31, 1997............
7,413,141 3,525 $0.001 $ 7,417 $
21,690,590 $ -- $ 4,402,636
Conversion of preferred
stock.......... -- (3,525) 0.001 (4)
4 -- Issuance of common stock from
conversion of preferred
stock......... 1,409,997 -- 0.001
1,410 (1,410) -- Issuance of 7%
convertible preferred stock for
cash...................... -- 1,000
0.001 1 4,731,151 -- Exercise of
options................... 215,925 -
- 0.001 216 647,176 -- Earned
compensation from grant of
options.............................
-- -- -- -- -- -- Cancellation of
options, unearned
compensation........................
-- -- -- -- (25,988) -- Net
income............................ -
- -- -- -- -- 6,375,026 ---------- --
---- ------ ------- ----------- ----
-------- ----------- Balance,
December 31, 1998............
9,039,063 1,000 0.001 9,040
27,041,523 -- 10,777,662 Conversion
of preferred stock.......... --
(1,000) 0.001 (1) 1 -- Issuance of
common stock from conversion of
preferred stock......... 837,987 --
0.001 838 (838) -- Issuance of common
stock for cash...... 6,810,955 --
0.001 6,811 117,785,304 -- Issuance
of common stock from conversion of
convertible
debentures..........................
1,565,218 -- 0.001 1,565 5,598,685 --
Dividends
paid....................... -- -- -
- -- -- (438,070) Exercise of options
and
warrants............................
1,019,469 -- 0.001 1,020 4,748,106 --
Earned compensation from grant of
options.............................
-- -- -- -- -- -- Net
income............................ -
- -- -- -- -- 21,969,849 ---------- -
----- ------ ------- ----------- ---
--------- ----------- Balance,
December 31, 1999............
19,272,692 -- 0.001 19,273
155,172,781 -- 32,309,441 Exercise of
options and warrants....... 212,890
0.001 212 1,171,031 Earned
compensation for fully vested stock
options....................... -- -
- -- -- 131,531 -- -- Repurchase of
common stock............ (1,493,600)
-- -- -- -- (12,911,483) -- Net
income............................ -
- -- -- -- -- -- 28,637,395 ---------
- ------ ------ ------- -----------
----------- ----------- Balance,
December 31, 2000............
17,991,982 -- $0.001 $19,485
$156,475,343 $(12,911,483)
$60,946,836 ========== ====== ======

======= ============ ============
===========
UNEARNED COMPENSATION TOTAL FROM
GRANT STOCKHOLDERS' OF OPTIONS EQUITY
Balance, December 31,
1997............. $(141,937) $
25,958,706 Conversion of preferred
stock.......... -- -- Issuance of
common stock from conversion of
preferred stock......... -- --
Issuance of 7% convertible preferred
stock for
cash........................ --
4,731,152 Exercise of
options.................... --
647,392 Earned compensation from
grant of
options..............................
41,677 41,677 Cancellation of
options, unearned
compensation.........................
25,988 -- Net
income............................ -
- 6,375,026 --------- ------------
Balance, December 31,
1998............. (74,272) 37,753,953
Conversion of preferred
stock.......... -- -- Issuance of
common stock from conversion of
preferred stock......... -- --
Issuance of common stock for
cash...... -- 117,792,115 Issuance of
common stock from conversion of
convertible
debentures...........................
-- 5,600,250 Dividends
paid........................ --
(438,070) Exercise of options and
warrants.............................
-- 4,749,126 Earned compensation from
grant of
options..............................
74,272 74,272 Net
income............................ -
- 21,969,849 --------- ------------
Balance, December 31,
1999............. -- 187,501,495
Exercise of options and
warrants....... 1,171,243 Earned
compensation for fully vested stock
options........................ --
131,531 Repurchase of common
stock............. -- (12,911,483)
Net
income............................ -
- 28,637,395 --------- ------------
Balance, December 31,
2000............. $ -- $204,530,181
========= ============

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	1998	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 6,375,026	$ 21,969,849	$ 28,637,395
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation and amortization	2,986,137	4,571,374	9,272,917
Earned compensation from stock option grants	41,677	74,272	131,531
Profit from joint venture	--	(3,604,487)	(6,100,020)
Loss on disposal of property and equipment	719,331	12,081	--
Sale (purchase) of marketable securities	--	(39,333,944)	25,716,032
Changes in operating assets and liabilities			
Accounts receivable	(3,191,197)	(26,098,178)	(9,028,796)
Inventory	(970,691)	(16,944,567)	(10,671,318)
Advance royalty payments	(54,939)	(829,696)	(1,357,789)
Prepaid expenses and other	412,313	(586,337)	(4,037,788)
Accounts payable	(561,340)	6,257,539	4,656,864
Accrued expenses	1,904,465	11,484,794	(3,317,215)
Income taxes payable	815,149	1,793,163	4,411,429
Reserve for sales returns and allowances	3,480,696	9,976,484	(8,764,770)
Deferred income taxes	57,809	869,129	442,983
Total adjustments	5,639,410	(52,358,373)	1,354,060
Net cash provided (used) by operating activities	12,014,436	(30,388,524)	29,991,455
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and equipment	(3,875,852)	(10,397,828)	(13,787,805)
Due from officers	15,112	--	--
Other assets	(197,928)	(763,249)	(1,134,864)
Trademarks	(12,252)	--	--
Investment in joint venture	(1,044,708)	990,856	--
Cash paid in excess of cost over toy business assets acquired (goodwill)	--	(36,446,401)	(30,535,848)
Notes Receivable -- Officers	--	--	(2,450,000)
Net cash used by investing activities	(5,115,628)	(46,616,622)	(47,908,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	--	117,792,115	--
Repurchase of common shares	--	--	(12,911,483)
Proceeds from sale of convertible preferred stock	4,731,152	--	--
Conversion of convertible debentures	--	(17,500)	--

Proceeds

from debt............................. --
13,680 -- Proceeds from stock options and
warrants
exercised..................................
647,392 4,749,126 1,171,243 Dividends
paid................................. --
(438,070) -- Repayments of
debt............................ (2,361,076)
-- (13,680) Acquired
debt.................................. -- --
1,400,000 ------------ ------------ ----------
-- Net cash provided (used) by financing
activities..........................
3,017,468 122,099,351 (10,353,920) -----------
- ------------ ------------ Net increase
(decrease) in cash and cash
equivalents..................................
9,916,276 45,094,205 (28,270,982) Cash and
cash equivalents, beginning of year.....
2,535,925 12,452,201 57,546,406 ------------ -
----------- ------------ Cash and cash
equivalents, end of year........... $
12,452,201 $ 57,546,406 $ 29,275,424
============ ============ ============ Cash
paid during the period for:
Interest.......................................
$ 647,404 $ 176,688 $ 189,630 ============
============ ============ Income
taxes.................................. $
1,042,255 $ 4,742,351 $ 8,600,895 ============
============ ============

See note 15 for additional supplemental information to consolidated statements of cash flows.

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1--PRINCIPAL INDUSTRY

JAKKS Pacific, Inc. (the Company), a Delaware corporation, is engaged in the development, production and marketing of toys and related products, some of which are based on highly-recognized entertainment properties and character licenses. The Company commenced its primary business operations in July 1995 through the purchase of substantially all of the assets of a Hong Kong toy company. The Company markets its product lines domestically and internationally.

The Company was incorporated under the laws of the State of Delaware in January 1995.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries. In consolidation, all significant inter-company balances and transactions are eliminated.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid assets, having an original maturity of less than three months, to be cash equivalents. The Company maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual future results could differ from those estimates.

REVENUE RECOGNITION

Revenue is recognized upon the shipment of goods to customers. Provisions for estimated defective products, markdowns and other allowances are made at the time of sale.

COMPREHENSIVE INCOME

In March 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. This standard requires that an enterprise classify items of other comprehensive income by their nature in a financial statement and display the accumulated balances of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The adoption of this statement did not have any impact on the Company's results of operations, financial position, or cash flows.

INVENTORY

Inventory, which includes the ex-factory cost of goods and in-bound freight, is valued at the lower of cost (first-in, first-out) or market and consists of the following:

	DECEMBER 31, 1999	DECEMBER 31, 2000
Deposits	$ 27,768	$ 2,829,575
Raw materials	--	846,436
Finished goods	19,835,740	26,858,815
	$19,863,508	$30,534,826

MARKETABLE SECURITIES

In 1999 the Company adopted SFAS No. 115 (Accounting for Certain Investments in Debt Securities). The marketable securities have been categorized as trading and as a result are stated at fair value, with unrealized holding gains and losses included in earnings. At December 31, 1999 and 2000, such gains and losses were not material.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's cash and cash equivalents, accounts receivable and notes payable represent financial instruments. The carrying value of these financial instruments is a reasonable approximation of fair value.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are being depreciated using the straight-line method over their estimated useful lives as follows:

Personal computers................	5 years
Office equipment..................	5 years
Furniture and fixtures............	5 - 7 years
Molds and tooling.................	2 - 4 years
Leasehold improvements............	Shorter of length of lease or 10 years

ADVERTISING

Production costs of commercials and programming are charged to operations in the year during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the year incurred. Advertising expense for the years ended December 31, 1998, 1999 and 2000, was approximately $3,903,000, $7,038,000, and $14,416,000 respectively.

INCOME TAXES

The Company does not file a consolidated return with its foreign subsidiaries. The Company files Federal and state returns and its foreign subsidiaries each file Hong Kong returns. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized as deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

TRANSLATION OF FOREIGN CURRENCIES

Monetary assets and liabilities denominational in Hong Kong dollars are translated into United States dollars at the rate of exchange ruling at the balance sheet date. Transactions during the period are translated at the rates ruling at the dates of the transactions.

Profits and losses resulting from the above translation policy are recognized in the consolidated statements of operations.

BUSINESS SEGMENTS

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement requires public business enterprises to report financial and descriptive information about reportable segments. This statement also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company has a dominant segment and operates in one reportable segment: the development, production and marketing of toys and related products, which include our Pentech writing instrument and activity products. The Company has other segments which sell to the specialty market in the U.S. and to non-U.S. markets. These other segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

RECLASSIFICATIONS

Certain reclassifications have been made to the 1999 consolidated financial statements to conform to the current year presentation.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess purchase price paid over the fair market value of the assets of acquired toy companies. Goodwill is being amortized over 30 years on a straight-line basis. Accumulated amortization at December 31, 1999 and 2000 totaled $1,381,585 and $3,569,811, respectively.

The carrying value of goodwill is based on management's current assessment of recoverability. Management evaluates recoverability using both objective and subjective factors. Objective factors include management's best estimates of projected future earnings and cash flows and analysis of recent sales and earnings trends. Subjective factors include competitive analysis and the Company's strategic focus.

Intangible assets other than goodwill consist of product technology rights and trademarks. Intangible assets are amortized on a straight-line basis, over five to thirty years, the estimated economic lives of the related assets. Accumulated amortization as of December 31, 1999 and 2000 was $1,528,893 and $2,490,926, respectively.

STOCK SPLIT

The Board of Directors approved a common stock dividend of 1/2 share for each share of common stock outstanding to effect a three-for-two stock split of the Company's common stock, which was paid on November 4, 1999. All common stock and common stock equivalent shares and per share amounts have been adjusted retroactively to give effect to the split.

EARNINGS PER SHARE

In February 1997, the FASB issued SFAS No. 128, "Earnings per Share." This statement establishes simplified standards for computing and presenting earnings per share (EPS). It requires dual presentation of basic and diluted EPS on the face of the income statement for entities with complex capital structures and disclosures of the calculation of each EPS amount.

1998 ----------------------------
--------- WEIGHTED AVERAGE INCOME
SHARES PER SHARE Basic EPS Income
available to common
stockholders........ $ 6,375,026
8,538,901 $0.75 ===== Effect of
dilutive securities Options and
warrants...........................
-- 326,847 9% convertible
debentures......................
372,732 1,565,219 4% convertible
preferred stock................. -
- 340,878 7% convertible preferred
stock................. -- 630,792
----------- ---------- Diluted EPS
Income available to common
stockholders plus assumed
exercises and
conversions............ $
6,747,758 11,402,637 $0.59
=========== ========== =====

1999 ------------------------------------
- WEIGHTED AVERAGE INCOME SHARES PER SHARE
Basic EPS Net
income.....................................
$21,969,849 Preferred dividends
declared/paid.............. (438,070) ----
------- Income available to common
stockholders........ 21,531,779 13,879,304
$1.55 ===== Effect of dilutive securities
Options and
warrants........................... --
1,088,179 9% convertible
debentures..................... 116,867
466,556 7% convertible preferred
stock................. 437,500 405,640 ---
-------- ---------- Diluted EPS Income
available to common stockholders plus
assumed exercises and
conversions............ $22,086,146
15,839,679 $1.39 =========== ==========
=====

2000 ------------------------------
------- WEIGHTED AVERAGE INCOME
SHARES PER SHARE Basic EPS Income
available to common
stockholders........ $28,637,395
19,059,544 $1.50 ===== Effect of
dilutive securities Options and
warrants..........................
-- 1,221,931 ----------- ----------
Diluted EPS Income available to
common stockholders plus assumed
exercises...........................
$28,637,395 20,281,475 $1.41
=========== ========== =====

NOTE 3--ACQUISITIONS AND JOINT VENTURE

In June 1998, the Company formed a joint venture with a company that develops, publishes and distributes interactive entertainment software for the leading hardware game platforms in the home video game market. The joint venture has entered into a license agreement under which it acquired the exclusive worldwide right to publish video games on all hardware platforms. The joint venture agreement provides for the Company to receive preferred returns, subject to an annual minimum of $4,000,000, at varying rates of the joint venture's net sales depending on the cumulative unit sales and platform of each particular game. The joint venture's income will be allocated at 100% to the Company to the extent any preferred return is distributed, accrued or distributable for such fiscal year. Losses shall be allocated in accordance with membership interests for so long as the Company has a positive capital account and thereafter shall be allocated solely to the other partner. During 2000 the Company earned $15,905,860 in profit from the joint venture.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

In June 1999, the Company purchased all of the outstanding shares of Berk Corporation, for $3,269,450, consideration paid at closing was in cash. Professional fees totaling $112,768 were incurred as part of the acquisition costs.

The assets acquired and liabilities assumed from Berk Corporation were as follows:

Cash	$ 478,972
Accounts receivable	869,050
Inventory	549,720
Prepaids and deposits	73,367
Property and equipment	31,186
Goodwill	4,365,208
Liabilities assumed	(3,098,053)
	$ 3,269,450

In October 1999, the Company acquired all of the stock of Flying Colors Toys, Inc. for $52,879,182. Consideration paid at closing was in cash. Professional fees totaling $310,667 were incurred as part of the acquisition costs. Contingent consideration includes an earn-out in an amount of up to $4,500,000 in each of the three 12-month periods following the closing, if gross profits of Flying Colors Toys branded products achieve certain prescribed levels in each of such periods. The maximum earn-out of $4,500,000 was earned by the sellers in the initial earn-out period ended September 30, 2000. Of the $4,500,000, the amount of $464,938 was deemed to be compensation and has been expensed in 2000. The remaining balance of $4,035,062 has been recorded as goodwill and is being amortized over the remaining life of the related goodwill.

The assets acquired and liabilities assumed from Flying Colors Toys, Inc. were as follows:

Cash	$ 23,534
Accounts receivable, net of reserve of $686,222	12,816,573
Inventory, net of reserve of $2,774,017	11,052,983
Prepaid expenses	194,840
Property and equipment	1,943,025
Deferred income taxes	1,460,000
Non-compete agreement	1,000,000
Goodwill	32,081,192
Liabilities assumed	(7,692,965)
Net assets acquired	$52,879,182

On July 28, 2000, the Company acquired all of the outstanding capital stock of Pentech International for an aggregate purchase price of approximately $20.6 million, which was paid in cash on the closing of the transaction. In addition, the Company paid on the closing $10.0 million to pay down certain indebtedness of Pentech, assumed liabilities of approximately $25.5 million and incurred estimated legal and other acquisition costs of approximately $1.2 million. In December 1999, Pentech renewed a three-year $25,000,000 Revolving Credit Agreement with Bank

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

America Business Credit, Inc. now known as Bank of America, N.A. (the "Credit Agreement"). Borrowings under the Credit Agreement are subject to limitations based upon eligible inventory and accounts receivable as defined in the Credit Agreement. Amounts borrowed under the Credit Agreement accrue interest, at Pentech's option, at either prime plus 0.5% or LIBOR plus 2.5%. Pentech designs, produces and markets licensed pens, markers, pencils, and other writing instruments, craft and activity kits, and related stationery products.

The following unaudited pro forma information represents the Company's consolidated results of operations as if the acquisitions of Berk, Flying Colors and Pentech had occurred on January 1, 1999 and after giving effect to certain adjustments including the elimination of other income and expense items not attributable to on-going operations, interest and depreciation expense, and related tax effects. Such pro forma information does not purport to be indicative of operating results that would have been reported had the acquisitions of Berk, Flying Colors and Pentech occurred on January 1, 1999 or future operating results.

	YEAR ENDED DECEMBER 31,	
	1999	2000
Net Sales................................	$278,745,264	$291,578,787
Net income...............................	$ 22,196,794	$ 24,390,573
Basic earnings per share.................	$ 1.60	$ 1.28
Weighted average shares outstanding......	13,879,304	19,059,544
Diluted earnings per share...............	$ 1.40	$ 1.20
Weighted average shares and equivalents outstanding...........................	15,839,679	20,281,475

NOTE 4--CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to concentration of credit risk are cash equivalents, marketable securities and trade receivables. Cash equivalents consist principally of short-term money market funds. These instruments are short-term in nature and bear minimal risk. To date, the Company has not experienced losses on these instruments.

The Company performs on-going credit evaluations of its customers' financial condition, but does not require collateral to support customer receivables. Most goods are sold on irrevocable letter of credit basis.

Included in the Company's consolidated balance sheets at December 31, 1999 and 2000 are its operating net assets, most of which are located in facilities in Hong Kong and China and which totaled approximately $14,510,000, and $40,014,000 for 1999 and 2000, respectively.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

NOTE 5--ACCRUED EXPENSES

Accrued expenses consist of the following:

	1999	2000
Bonuses..................................	$ 2,747,710	$ 2,230,563
Trademarks acquisition reserve...........	177,245	177,245
Royalties and sales commissions..........	6,667,598	3,713,634
Hong Kong subsidiaries accruals..........	3,436,335	3,886,757
Other....................................	2,827,617	2,531,091
	$15,856,505	$12,539,290

NOTE 6--RELATED PARTY TRANSACTIONS

A director of the Company is a partner in the law firm that acts as counsel to the Company. The Company incurred legal fees and expenses to the law firm in the amount of approximately $510,000 in 1998, $1,037,000 in 1999 and $975,000 in 2000.

As of December 31, 2000, there were two notes receivable from officers totaling $2,200,000 issued at interest rates of 6.5% each, with interest payable on each April 28 and October 28 of each year, and principal payable at a maturity date of April 28, 2003. Additionally, there is a third note receivable from an officer for $250,000 issued at an interest rate of 7.0%, with interest and principal payable at a maturity date of May 12, 2002.

NOTE 7--LONG-TERM DEBT

Long-term debt consists of the following:

	1999	2000
Note Payable due in twenty-six quarterly payments with the final payment due April 1, 2004, with interest at 7% per annum..	$ --	$1,400,000
Loan Payable, due in sixty monthly payments with the final payment due December 29, 2002, with interest at 6.9% per annum..	13,680	--
	13,680	1,400,000
Less current portion of long-term debt.....................	4,967	400,000
Long-term debt, net of current portion.....................	$ 8,713	$1,000,000

The following is a schedule of payments for the note payable:

2001....................................	$ 400,000
2002....................................	400,000
2003....................................	400,000
2004....................................	200,000
	$1,400,000

NOTE 8--INCOME TAXES

The provision differs from the expense that would result from applying Federal statutory rates to income before taxes because of the inclusion of a provision for state income taxes and the income of the Company's foreign subsidiaries is taxed at a rate of 16.5% applicable in Hong Kong. In addition, the provision includes deferred income taxes resulting from adjustments in the amount of temporary differences. Temporary differences arise primarily from differences in timing in the deduction of state income taxes and the use of the straight-line method of depreciation for financial reporting purposes and accelerated methods of depreciation for tax purposes.

The Company does not file a consolidated return with its foreign subsidiaries. The Company files Federal and state returns and its foreign subsidiaries file Hong Kong returns. Income taxes reflected in the accompanying consolidated statements of operations are comprised of the following:

	1998	1999	2000
Federal	$ 715,000	$4,280,650	$ 4,979,188
State and local	210,000	1,350,000	1,112,798
Hong Kong	874,595	1,834,065	5,161,994
	1,799,595	7,464,715	11,253,980
Deferred	57,809	869,129	442,983
	$1,857,404	$8,333,844	$11,696,963

As of December 31, 1999, the Company has utilized all net operating loss carry-forwards.

	1999	2000
Deferred tax assets resulting from deductible temporary differences from loss carry-forwards, noncurrent	$ 1,460,000	$ 351,761
Deferred tax liabilities resulting from taxable temporary differences, noncurrent	(2,473,834)	(1,808,578)
	$(1,013,834)	$(1,456,817)

The Company's management concluded that a deferred tax asset valuation allowance as of December 31, 1998 and 1999 was not necessary.

A reconciliation of the statutory United States Federal income tax rate to the Company's effective income tax rate is as follows:

	1998	1999	2000
Statutory income tax rate	35%	35%	40%
State and local income taxes, net of Federal income tax effect	1	4	3
Effect of temporary differences and Hong Kong's lower tax rate	(22)	(28)	(30)
Effect of net operating loss carry-forwards	(11)	--	--
Income taxes on foreign earnings at rates other than the United States Statutory rate not subject to United States income taxes	19	16	16
	22%	27%	29%

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

The components of income before provision for income taxes are as follows:

	1998	1999	2000
Domestic............................	$3,681,456	$13,105,423	$ 8,480,038
Foreign.............................	4,550,974	17,198,270	31,854,320
	$8,232,430	$30,303,693	$40,334,358

NOTE 9--LEASES

The Company leases office, warehouse and showroom facilities and certain equipment under operating leases. The following is a schedule of minimum annual lease payments. Rent expense for the years ended December 31, 1998, 1999 and 2000 totaled $550,360, $737,340, and $769,070, respectively.

2001..........................	$ 2,460,629
2002..........................	2,538,829
2003..........................	2,379,842
2004..........................	2,438,535
2005..........................	2,468,139
Thereafter....................	3,064,773
	$15,350,747

NOTE 10--COMMON STOCK AND PREFERRED STOCK

The Company has 26,000,000 authorized shares of stock consisting of 25,000,000 shares of $.001 par value common stock and 1,000,000 shares of $.001 par value preferred stock.

During 2000, the Company issued 212,890 shares of common stock on exercise of options and warrants for a total of $1,171,243. The Company repurchased 1,493,600 shares of common stock for a total of $12,911,483. In addition, as of December 31, 2000, 256,355 shares were reserved for issuance upon exercise of outstanding warrants granted in connection with the Company's initial public offering, follow-on public offering, private placement of convertible debentures and certain license agreements, at exercise prices ranging from $4.50 to $6.67 per share.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

Warrant activity is summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, December 31, 1997	540,000	$ 5.52
Issued	412,500	6.67
Exercised	--	--
Canceled	--	--
Outstanding, December 31, 1998	952,500	6.02
Exercised	(434,368)	5.16
Canceled	(225,000)	6.67
Outstanding, December 31, 1999	293,132	5.92
Exercised	(36,777)	5.79
Canceled	--	--
Outstanding, December 31, 2000	256,355	$ 5.94

During 1999, 6,810,955 shares of the Company's stock were issued in two separate offerings for a total of $117,792,115. Additionally, the Company issued 1,019,469 shares of common stock on exercise of options and warrants for a total of $4,749,126.

In 1999, the Company issued 1,565,218 shares of common stock upon conversion of convertible debentures totaling $5,600,250.

On April 1, 1998, the Company sold 1,000 shares of its Series A 7% cumulative convertible preferred stock to two investors for $4,731,152, net of issuance costs. In 1999, the holders of these shares converted such shares into 837,987 shares of common stock. Preferred stockholders received cumulative cash dividends of $437,500 in 1999.

During 1998, 215,925 shares of the Company's common stock were issued on exercise of options and warrants for a total of $647,392.

During 1997, in a private placement, the Company issued 3,525 shares of its 4% redeemable convertible preferred stock at a purchase price of $2,000 per share. In March 1998, all of the 3,525 shares of such issue were converted into an aggregate of 1,409,997 shares of the Company's common stock based on a conversion price of $5.00 per share.

NOTE 11--COMMITMENTS

The Company has entered into various license agreements whereby the Company may use certain characters and properties in conjunction with its products. Such license agreements call for royalties to be paid at 1% to 12% of net sales with minimum guarantees and advance payments. Additionally, under one such license, the Company has committed to spend 12.5% of related net sales, not to exceed $1,000,000, on advertising per year.

Future annual minimum royalty guarantees as of December 31, 2000 are as follows:

2001	$ 3,673,002
2002	3,003,877
2003	1,122,500
2004	955,000
2005	925,000
Thereafter	3,700,000
	$13,379,379

NOTE 12--STOCK OPTION PLAN

Under its Third Amended and Restated 1995 Stock Option Plan (the Plan), the Company has reserved 3,275,000 shares of its common stock for issuance upon exercise of options granted under the Plan. In 2000, stockholders approved an increase of 650,000 shares in the number of shares available for grant. Under the Plan, employees (including officers), non-employee directors and independent consultants may be granted options to purchase shares of common stock. Prior to the adoption of the Plan in 1995, options for 414,750 shares were granted at an exercise price of $1.33 per share. The Company recorded deferred compensation costs and a related increase in paid-in capital of $212,905 for the difference between the grant price and the deemed fair market value of the common stock of $1.85 per share at the date of grant. Such compensation costs were recognized on a straight-line basis over the four-year vesting period of the options. In 1998, 1999 and 2000, the fair value of each employee option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: risk-free rate of interest of 6%; dividend yield of 0%; and expected lives of five years.

As of December 31, 2000, 558,775 shares were available for future grant. Additional shares may become available to the extent that options presently outstanding under the Plan terminate or expire unexercised.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000

Stock option activity pursuant to the Plan is summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, December 31, 1997	795,750	$ 6.08
Granted	726,750	5.59
Exercised	(47,700)	5.45
Canceled	(109,500)	5.85
Outstanding, December 31, 1998	1,365,300	5.86
Granted	1,198,125	16.07
Exercised	(374,608)	5.20
Canceled	(50,499)	5.50
Outstanding, December 31, 1999	2,138,318	11.70
Granted	2,036,497	10.49
Exercised	(91,177)	6.88
Canceled	(1,880,898)	15.82
Outstanding, December 31, 2000	2,202,740	$ 7.15

Stock option activity outside of the Plan is summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, December 31, 1997	513,562	$2.71
Granted	--	--
Exercised	(151,350)	2.62
Canceled	(50,625)	1.33
Outstanding, December 31, 1998	311,587	2.98
Granted	--	--
Exercised	(210,525)	2.64
Canceled	--	--
Outstanding, December 31, 1999	101,062	3.69
Granted	--	--
Exercised	(84,936)	3.96
Canceled	--	--
Outstanding, December 31, 2000	16,126	$2.24

The weighted average fair value of options granted to employees in 1998, 1999 and 2000 was $4.10, $9.12 and $7.23 per share, respectively.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000:

	OUTSTANDING			EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE OPTION LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
$1.33 - $26.00	2,218,866	4.3 years	$7.15	906,185	$6.47

Had the compensation cost for the Company's Plan been determined on a basis consistent with SFAS No. 123, the Company's net income and earnings per share (EPS) for 1998, 1999 and 2000 would approximate the pro forma amounts below, which are not indicative of future amounts:

	YEARS ENDED DECEMBER 31,					
	1998		1999		2000	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
SFAS No. 123 charge, net of tax	$ --	$ 551,541	$ --	$1,178,025	$ --	$ 1,806,108
Net income	6,375,026	5,823,485	21,969,849	20,791,824	28,637,395	26,831,287
Basic EPS	0.75	0.68	1.55	1.47	1.50	1.41
Diluted EPS	$ 0.59	$ 0.55	$ 1.39	$ 1.32	$ 1.41	$ 1.32

NOTE 13 -- PROFIT SHARING PLAN

Effective January 1, 1997, the Company adopted a 401(k) profit sharing plan and trust (Plan). The Plan is for the exclusive benefit of eligible employees and beneficiaries. Under the Plan, employees may elect to defer a portion of their compensation and have those amounts contributed to the Plan on their behalf. Contributions made to the Plan will be held and invested by the Plan's trustee. The Company acts as the Plan's administrator. The Plan year begins on January 1st and ends on December 31st. Employees may be eligible to participate in the Plan after they have completed three months of service. The Company makes matching contributions equal to 50% of the amount of salary deferral up to a maximum of 10% of compensation. The Company may also make discretionary contributions to the Plan each year. Participants may defer up to 15% of their compensation each year. However, deferrals in any taxable year may not exceed a dollar limit which is set by law. The limit for 2000 was $10,500. Participants are immediately 100% vested in their salary reduction amounts contributed to the Plan. Vesting of the Company contributions made to the Plan is based on years of service, as follows:

CUMULATIVE YEARS OF SERVICE	PERCENT VESTED
1	20%
2	40
3	60
4	

	80
5...............................	100

The Company has the right to amend or terminate the Plan at any time. Upon termination of the Plan, all amounts credited to participants accounts will become 100% vested.

As of December 31, 2000, the Plan has not been "qualified" under the provisions of the Internal Revenue Code, and for the year then ended, the Company contributed $212,212 in matching contributions to the Plan.

NOTE 14--MAJOR CUSTOMERS AND INTERNATIONAL SALES

Net sales to major customers were as follows:

1998		1999		2000	
AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
$23,604,000	27.7%	$ 45,270,000	24.6%	$ 43,505,000	17.2%
11,103,000	13.0	27,684,000	15.1	36,321,000	14.4
10,944,000	12.8	22,739,000	12.4	30,481,000	12.1
9,951,000	11.7	17,938,000	9.8	27,338,000	10.8
3,717,000	4.4	15,229,000	8.3	21,875,000	8.7
$59,319,000	69.6%	$128,860,000	70.2%	$159,520,000	63.2%

Net sales to international customers totaled approximately $6,309,000, $13,056,000 and $22,495,000 in 1998, 1999 and 2000, respectively.

NOTE 15--SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

In 1999, the holders of the Company's 9% convertible debentures converted all $6,000,000 principal amount of the debentures into 1,565,218 shares of the Company's common stock. Additionally, all 1,000 outstanding shares of 7% cumulative convertible preferred stock with a total stockholders' equity value of $4,731,152 were converted into an aggregate of 837,987 shares of the Company's common stock.

In 1998, the 3,525 shares of 4% redeemable convertible preferred stock with a total stockholders' equity value of $6,818,350 were converted into an aggregate of 1,409,997 shares of the Company's common stock.

NOTE 16--SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for the years 1999 and 2000 are summarized below:

	1999				2000			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Net sales	$24,960	$35,981	$60,236	$62,508	$50,782	$50,578	$91,838	$59,090
Gross profit	$10,764	$14,649	$24,759	$25,912	$20,104	$21,748	$37,672	$22,883
Income (loss) from operations	$ 2,743	$ 4,225	$ 9,893	$ 8,068	$ 3,552	$ 6,095	$11,201	$ (345)
Income before income taxes	$ 2,743	$ 4,587	$10,426	$12,548	$ 9,715	$ 8,877	$13,615	$ 8,127
Net income	2,005	$ 3,355	$ 7,642	$ 8,968	$ 6,603	$ 6,237	$ 9,769	$ 6,028
Basic earnings per share	$ 0.18	$ 0.35	$ 0.48	$ 0.53	$ 0.34	$ 0.32	$ 0.50	$ 0.33
Weighted average shares outstanding	9,171	13,243	16,037	16,952	19,290	19,379	19,389	18,178
Diluted earnings per share	$ 0.17	$ 0.21	$ 0.44	$ 0.49	$ 0.32	$ 0.31	$ 0.48	$ 0.32
Weighted average shares and equivalents outstanding	12,624	15,732	17,541	18,378	20,374	20,371	20,330	18,621

NOTE 17--RECENT ACCOUNTING PRONOUNCEMENTS

In July 2000, the EITF reached a consensus on EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs" ("Issue 00-10"). Specifically, Issue 00-10 addresses in a sale transaction for goods, how the seller should classify amounts billed and incurred for shipping and handling in the income statement, and the composition or types of costs that would be required to be classified as costs of sales. The EITF concluded that all shipping and handling billings to a customer in a sale transaction represent the fees earned for the goods provided and, accordingly, amounts billed related to shipping and handling should be classified as revenue. The consensus does not address how costs incurred by the seller for shipping and handling should be classified. The adoption of this consensus will not impact the Company's financial position or results of operations as the Company already records all charges for outbound shipping and handling as revenue. All outbound shipping costs are classified as costs of sales. All other fulfillment costs incurred for handling by the Company are classified within marketing and sales expenses.

NOTE 18--LITIGATION

On or about March 26, 2001, Rose Art Industries, Inc. and Licensing International, Ltd. commenced an action against the Company in the United States District Court for the District of New Jersey in which they allege the Company's willful infringement of a patent owned by Licensing International and licensed to Rose Art through the Company's production and sale of Zyrofoam modeling compound. The plaintiffs seek injunctive relief, monetary damages in a unspecified amount, together with interest thereon, and reasonable attorneys' fees. The Company has not yet answered the plaintiff's first amended complaint but believes that their claims are without merit and intends vigorously to defend against their action. At this early state in these proceedings, the Company is unable to predict the likely outcome of the action or its impact on its business, financial condition or results of operations. The Company is a party to, and certain property is the subject of, various pending claims and legal proceedings that routinely arise in the ordinary course of business, but the Company does not believe that any of these claims or proceedings will have a material effect on its business, financial condition or results of operations.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000

Allowances are deducted from the assets to which they apply, except for sales returns and allowances.

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
Year ended December 31, 1998:					
Allowance for:					
Uncollectible accounts............	$ 51,153	$ 82,833	$ --	$ --	$ 133,986
Reserve for potential product obsolescence........	129,695	334,438	--	--	464,133
Reserve for sales returns and allowances..........	1,860,821	6,525,867	--	3,045,171	5,341,517
	-----------	-----------	-----------	-----------	-----------
	$ 2,041,669	$ 6,943,138	$ --	$ 3,045,171	$ 5,939,636
	===========	===========	===========	===========	===========
Year ended December 31, 1999:					
Allowance for:					
Uncollectible accounts............	$ 133,986	$ 1,287,208	$ 686,222	$ 220,042	$ 1,887,374
Reserve for potential product obsolescence........	464,133	2,775,340	--	296,867	2,942,606
Reserve for sales returns and allowances..........	5,341,517	17,036,875	334,464	$ 7,394,855	15,318,001
	-----------	-----------	-----------	-----------	-----------
	$ 5,939,636	$21,099,423	$ 1,020,686	$ 7,911,764	$20,147,981
	===========	===========	===========	===========	===========
Year ended December 31, 2000:					
Allowance for:					
Uncollectible					

accounts............	$ 1,887,374	$ 2,270,611	$ 2,773,744(a)	$ 3,920,027	$ 3,011,702
Reserve for potential product obsolescence........	2,942,606	1,318,730	4,095,771(b)	1,035,470	7,321,637
Reserve for sales returns and allowances..........	15,318,001	17,296,039	1,360,000(c)	27,420,809	6,553,231
	$20,147,981	$20,885,380	$ 8,229,515	$32,376,306	$16,886,570

(a) Obligations assumed in conjunction with the acquisitions of Flying Colors Toys and Pentech International.

(b) Fair market value adjustment for inventory acquired in connection with the acquisition of Pentech International.

(c) Obligation assumed in conjunction with the acquisition of Pentech International.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers are as follows:

NAME	AGE	POSITIONS WITH THE COMPANY
Jack Friedman	62	Chairman and Chief Executive Officer
Stephen G. Berman	36	Chief Operating Officer, President, Secretary and Director
Joel M. Bennett	39	Executive Vice President and Chief Financial Officer
Michael L. Bianco, Jr.	44	Executive Vice President
David C. Blatte	37	Director
Robert E. Glick	55	Director
Michael G. Miller	53	Director
Murray L. Skala	55	Director

Jack Friedman has been our Chairman and Chief Executive Officer since co-founding JAKKS with Mr. Berman in January 1995. Until December 31, 1998, he was also our President. From January 1989 until January 1995, Mr. Friedman was Chief Executive Officer, President and a director of THQ. From 1970 to 1989, Mr. Friedman was President and Chief Operating Officer of LJN Toys, Ltd., a toy and software company. After LJN was acquired by MCA/Universal, Inc. in 1986, Mr. Friedman continued as President until his departure in late 1988.

Stephen G. Berman has been our Chief Operating Officer and Secretary and one of our directors since co-founding JAKKS with Mr. Friedman in January 1995. Since January 1, 1999, he has also served as our President. From our inception until December 31, 1998, Mr. Berman was also our Executive Vice President. From

October 1991 to August 1995, Mr. Berman was a Vice President and Managing Director of THQ International, Inc., a subsidiary of THQ. From 1988 to 1991, he was President and an owner of Balanced Approach, Inc., a distributor of personal fitness products and services.

Joel M. Bennett joined us in September 1995 as Chief Financial Officer and was given the additional title of Executive Vice President in May 2000. From August 1993 to September 1995, he served in several financial management capacities at Time Warner Entertainment Company, L.P., including as Controller of Warner Brothers Consumer Products Worldwide Merchandising and Interactive Entertainment. From June 1991 to August 1993, Mr. Bennett was Vice President and Chief Financial Officer of TTI Technologies, Inc., a direct-mail computer hardware and software distribution company. From 1986 to June 1991, Mr. Bennett held various financial management positions at The Walt Disney Company, including Senior Manager of Finance for its international television syndication and production division. Mr. Bennett holds a Master of Business Administration degree and is a Certified Public Accountant.

Michael L. Bianco, Jr. has been an Executive Vice President since July 2001. Until then, he had served as a Senior Vice President of our Flying Colors division since joining us in October

1999, when we acquired Flying Colors Toys, where he had been President and a principal shareholder since July 1996. From 1994 to 1996, Mr. Bianco served as Executive Vice President of Rose Art Industries, Inc., a manufacturer of craft and activity products, and from 1976 to 1993, he served in various capacities, including Vice President of Merchandising, at toy retailer Kay Bee Toys.

David C. Blatte has been one of our directors since January 2001. From January 1993 to May 2000, Mr. Blatte was a Senior Vice President in the specialty retail group of the investment banking division of Donaldson, Lufkin and Jenrette Securities Corporation. Since May 2000, Mr. Blatte has been a principal in Catterton Partners, a private equity fund. Mr. Blatte is a director of Case Logic, Inc., a privately-held consumer products company.

Robert E. Glick has been one of our directors since October 1996. For more than 20 years, Mr. Glick has been an officer, director and principal stockholder in a number of privately-held companies which manufacture and market women's apparel.

Michael G. Miller has been one of our directors since February 1996. From 1979 until May 1998, Mr. Miller was President and a director of several privately-held affiliated companies, including a list brokerage and list management consulting firm, a database management consulting firm, and a direct mail graphic and creative design firm. Mr. Miller's interests in such companies were sold in May 1998. Since 1991, he has been President of an advertising company.

Murray L. Skala has been one of our directors since October 1995. Since 1976, Mr. Skala has been a partner of the law firm Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP, our general counsel. Mr. Skala is a director of Traffix, Inc., a publicly-held company in the business of telecommunications services and entertainment.

Our directors hold office until the next annual meeting of stockholders and until their successors are elected and qualified.

COMMITTEES OF THE BOARD OF DIRECTORS

We have an Audit Committee, a Compensation Committee and a Stock Option Committee. The Board does not have a Nominating Committee and performs the functions of a Nominating Committee itself.

Audit Committee. The primary functions of the Audit Committee are to select or to recommend to our Board the selection of outside auditors; to monitor our relationships with our outside auditors and their interaction with our management in order to ensure their independence and objectivity; to review, and to assess the scope and quality of, our outside auditor's services, including the audit of our annual financial statements; to review our financial management and accounting procedures; and to review our financial statements with our management and outside auditors. Messrs. Blatte, Glick and Miller are the current members of the Audit Committee.

Compensation Committee. The functions of the Compensation Committee are to make recommendations to the Board regarding compensation of management employees and to administer plans and programs relating to employee benefits, incentives and compensation, other than our Third Amended and Restated 1995 Stock Option Plan (the "Option Plan"). Messrs. Friedman, Miller and Skala are the current members of the Compensation Committee.

Stock Option Committee. The function of the Stock Option Committee is to determine the recipients of and the size of awards granted under the Option Plan. Messrs. Glick and Miller, both of whom are non-employee directors, are the current members of the Stock Option Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

To the best of our knowledge, all Forms 3, 4 or 5 required to be filed pursuant to Section 16(a) of the Exchange Act during or with respect to the fiscal year ended December 31, 2000 were filed on a timely basis, except that Forms 4 reporting the increase in the number of shares of our common stock beneficially owned by Messrs. Friedman, Berman, Glick, Miller, Skala and Bennett as a result of the 3-for-2 stock split which became effective on November 4, 1999 were not filed until January 7, 2000; amended Forms 4 reporting the grant of options to Messrs. Glick, Miller and Skala (correcting earlier filed Forms 4 to reflect the 3-for-2 stock split) were filed on February 15, 2000; and Forms 4 reporting the changes in beneficial ownership of our common stock by Messrs. Friedman, Berman, Glick, Miller, Skala and Bennett effected by option repricing in December 2000 and, as to Mr. Friedman, two charitable gifts of 10,000 and 500 shares, respectively, in December 2000 were not filed until January 16, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation we paid for our fiscal years ended December 31, 1998, 1999 and 2000 to our Chief Executive Officer and to each of our other executive officers whose compensation exceeded $100,000 on an annual basis (collectively, the "Named Officers").

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARDS ($)	OPTIONS (#)
Jack Friedman........................	2000	771,000	1,613,401	--	--	207,254(1)
Chairman and Chief	1999	521,000	1,750,000	--	--	232,500
Executive Officer	1998	446,000	550,000	--	--	187,500
Stephen G. Berman...................	2000	746,000	1,613,401	--	--	346,024(2)
Chief Operating Officer,	1999	496,000	1,750,000	--	--	394,500
President and Secretary	1998	421,000	550,000	--	--	187,500
Joel M. Bennett.....................	2000	225,000	140,000	--	--	211,700(3)
Executive Vice President and	1999	155,000	130,000	--	--	42,500
Chief Financial Officer	1998	135,000	45,000	--	--	--

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(1) Includes options to purchase 182,254 shares issued in replacement of options to purchase 257,500 shares pursuant to a reset in the price of those options.

(2) Includes options to purchase 321,024 shares issued in replacement of options to purchase 419,500 shares pursuant to a reset in the price of those options.

(3) Includes options to purchase 110,874 shares issued in replacement of options to purchase 143,326 shares pursuant to a reset in the price of those options.

- Employment Agreements

On July 1, 1999, we entered into 10-year employment agreements with Jack Friedman and Stephen G. Berman, respectively, pursuant to which Mr. Friedman serves as our Chairman and Chief Executive Officer and Mr. Berman serves as our President and Chief Operating Officer.

Mr. Friedman's annual base salary in 2001 is $821,000 and Mr. Berman's is $796,000. Their annual base salaries are subject to annual increases in an amount, not less than $25,000, determined by our Board of Directors. Each of them is also entitled to receive an annual bonus equal to 4% of our pre-tax income, but not more than $2,000,000, if our pre-tax earnings are at least $2,000,000. On May 8, 2000, we entered into an employment agreement with Joel M. Bennett pursuant to which Mr. Bennett serves as our Executive Vice President and Chief Financial Officer during a four-year term from January 1, 2000 to December 31, 2003. Mr. Bennett's annual base salary in 2001 is $247,500. His annual base salary is subject to annual increases in an amount determined by our Board of Directors. He is also entitled to receive an annual bonus equal to the product of his base salary and the percentage year-over-year increase in our pre-tax income, but not less than $75,000 nor more than his base salary. If we terminate Mr. Friedman's, Mr. Berman's, or Mr. Bennett's employment other than "for cause" or if he resigns because of our material breach of the employment agreement or because we cause a material change in his employment, we are required to make a lump-sum severance payment in an amount equal to his base salary and bonus during the balance of the term of the employment agreement, based on his then applicable annual base salary and bonus. In the event of the termination of his employment under certain circumstances after a "Change of Control" (as defined in the employment agreement), we are required to make to him a one-time payment of an amount equal to 2.99 times his "base amount" determined in accordance with the applicable provisions of the Internal Revenue Code.

- Third Amended and Restated 1995 Stock Option Plan

Our Third Amended and Restated 1995 Stock Option Plan (the "Option Plan") was originally adopted and approved by the stockholders and directors in July 1998 and amended in August 1999. Options to purchase, in the aggregate, up to 3,275,000 shares of our common stock may be granted under the Option Plan. The Option Plan allows us to grant options that are intended to qualify as incentive stock options ("Incentive Stock Options") within the meaning of Section 422 of the Internal Revenue Code or as options that are not intended to meet the requirements of such section ("Nonstatutory Stock Options"). Under the Option Plan, Incentive Stock Options may only be granted to our employees (including officers), while Nonstatutory Stock Options may be granted to employees (including officers), non-employee directors, consultants or advisors.

The Option Plan is administered by the Stock Option Committee, whose members are non-employee directors chosen by our Board. Subject to the restrictions prescribed in the Option Plan, this committee has discretionary authority to select the persons to whom, the number of shares for which, the times and the exercise price at which options will be granted.

Options granted to an employee expire immediately upon the termination of employment voluntarily by such employee or for cause. Employee options may be exercised up to one year after the termination of employment due to death or disability, or up to three months after termination for any other reason.

Upon the occurrence of a merger, consolidation or other reorganization, or a sale of all or substantially all of the assets, of JAKKS, or a transaction giving any person the right to elect a majority of our Board, as a result of which a distribution of cash, securities or other property is to be made to our stockholders, the options held by any consultant or any person who shall have been an employee for at least one year will vest and become immediately exercisable by such holder, even if such options would not otherwise then be exercisable under any applicable vesting schedule or other condition to the exercise thereof.

Incentive Stock Options must have an exercise price greater than or equal to the fair market value of the shares underlying the option on the date of grant (or, if granted to a holder of 10% or more of our common stock, an exercise price of at least 110% of the underlying shares' fair market value on the date of grant). The maximum exercise period of Incentive Stock Options is 10 years from the date of grant (or five years in the case of a holder of 10% or more of our common stock). The aggregate fair market value (determined at the date the option is granted) of shares with respect to which Incentive Stock Options are exercisable for the first time by the holder of the option during any calendar year may not exceed $100,000. If that amount exceeds $100,000, our Board or the Stock Option Committee may designate those shares that will be treated as Nonstatutory Stock Options.

The Option Plan provides for the inclusion in any grant of options to one of our employees of a provision requiring the optionee, for a period of one year after the optionee's employment is terminated, not to disclose certain of our confidential information and, under certain circumstances, not to compete with us or be employed by an individual or entity that competes with us.

As of October 4, 2001, options to purchase 807,834 shares of our common stock under the Option Plan have been exercised, and options to purchase 2,401,135 shares of our common stock under the Option Plan remain outstanding. All the shares issuable upon exercise of outstanding options granted under the Option Plan are currently registered under the Securities Act.

The following table sets forth certain information regarding options granted to the Named Officers in 2000.

OPTION/SAR GRANTS IN LAST FISCAL YEAR
INDIVIDUAL GRANTS

POTENTIAL
REALIZABLE
VALUE NUMBER OF
% OF TOTAL AT
ASSUMED ANNUAL
RATES
SECURITIES
OPTIONS/SARS OF
STOCK
APPRECIATION
FOR UNDERLYING
GRANTED TO
EXERCISE OPTION
TERM
OPTIONS/SARS
EMPLOYEES IN OR
BASE PRICE ----

------- NAME
GRANTED (#)
FISCAL YEAR(1)
($/SHARE)
EXPIRATION DATE
5%($) 10%($) --
-- ------------

----------- ---
--------- Jack
Friedman........
55,308 2.9%
7.875 8/11/05
148,225 336,273
107,991 5.6%
7.875 9/13/05
289,416 656,585
18,955 1.0%
7.875 6/22/06
50,799 115,246
25,000(2) 1.3%
15.25 6/22/06
129,650 294,250
Stephen G.
Berman....

138,770 7.2%
7.875 2/8/05
371,904 843,722
55,308 2.9%
7.875 8/11/05
148,225 336,273
107,991 5.6%
7.875 9/13/05
289,416 656,585
18,955 1.0%
7.875 6/22/06
50,799 115,246
25,000(2) 1.3%
15.25 6/22/06
129,650 294,250
Joel M.
Bennett......
25,698 1.3%
7.875 2/8/05
68,871 156,244
8,858 0.5%
7.875 12/29/05
23,739 53,857
3,531 0.2%
7.875 5/07/06
9,463 21,468
72,787 3.8%
7.875 6/22/06
195,069 442,545
4,826(2) 0.3%
17.00 5/7/06
27,894 63,317
96,000(2) 5.0%
15.25 6/22/06
497,856
1,129,920

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(1) Options to purchase a total of 1,917,559 shares of our common stock were granted to our employees, including the Named Officers, during 2000, which includes options to purchase 1,202,983 shares that reprice previously granted options.

(2) Replaced pursuant to price reset.

The following table sets forth certain information regarding options exercised and exercisable during 2000, and the value of options held as of December 31, 2000 by the Named Officers:

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR END(2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Jack Friedman..................	--	--	336,996	220,258	888,429	440,951
Stephen G. Berman..............	--	--	232,826	338,212	659,565	618,081
Joel M. Bennett................	29,311	394,585	25,185	105,690	58,983	132,113

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(1) The difference between (x) the product of the number of exercised options and the average sale price per share of the common stock sold on the exercise dates and (y) the aggregate exercise price of such options.

(2) The difference between (x) the product of the number of unexercised options and $9.125 (the closing sale price of the common stock on December 31, 2000) and (y) the aggregate exercise price of such options.

- Compensation of Directors

Directors currently receive an annual cash stipend in the amount of $10,000 for serving on the Board, and are reimbursed for reasonable expenses incurred in attending meetings. In addition, our Option Plan provides for each newly elected non-employee director to receive at the commencement of his term an option to purchase 37,500 shares of our common stock at their then current fair market value, and for grants to our non-employee directors on January 1 and July 1 of each year of an option to purchase 7,500 shares of our common stock at their then current fair market value. Options granted to a non-employee director expire upon the termination of the director's services for cause, but may be exercised at any time during a one-year period after such person ceases to serve as a director for any other reason.

- Compensation Committee Interlocks and Insider Participation

Mr. Jack Friedman, our Chairman and Chief Executive Officer, is the only member of our Compensation Committee who is or formerly was an officer or employee of JAKKS or any of its subsidiaries. Our Board believes that Mr. Friedman's assessment of the performance and contribution of our other employees and his views on the appropriate manner and level of compensation for their services are essential to the Compensation Committee's ability to evaluate and make determinations with respect to compensation matters. However, Mr. Friedman does not participate in any deliberations or determinations by the Compensation Committee or our Board with respect to his own compensation.

None of our executive officers has served as a director or member of a compensation committee (or other board committee performing equivalent functions) of any other entity, one of whose executive officers served as a director or a member of our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of October 4, 2001 with respect to the beneficial ownership of our common stock by (1) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock, (2) each of our directors, (3) each Named Officer, and (4) all our directors and executive officers as a group.

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF OUTSTANDING SHARES
Scudder Kemper Investments, Inc. (1).......................	1,288,650(2)	7.0
Jack Friedman...	774,002(3)(4)	4.4
Stephen G. Berman...	278,478(3)(5)	1.5
Joel M. Bennett...	27,250(3)	*
Michael L. Bianco, Jr.....................................	100,866(3)(6)	*
David C. Blatte...	37,500(3)(7)	*
Robert E. Glick...	49,019(3)(8)	*
Michael G. Miller...	39,644(3)(9)	*
Murray L. Skala...	91,018(3)(10)	*
All directors and executive officers as a group (7 persons)..	1,236,164(11)	6.4

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* Less than 1% of our outstanding shares.

(1) The address of Scudder Kemper Investments, Inc. is 345 Park Avenue, New York, New York 10154. All the information presented in this Item with respect to this beneficial owner was extracted solely from its Schedule 13G filed on February 14, 2001.

(2) Exercises sole dispositive power over all such shares, exercises sole voting power over 1,122,150 shares and shared voting power over 15,300 shares.

(3) Exercises sole voting power and sole investment power with respect to such shares.

(4) Includes 23,247 shares held in trusts for the benefit of children of Mr. Friedman. Also includes 426,833 shares which Mr. Friedman may purchase upon the exercise of certain stock options.

(5) Represents shares which Mr. Berman may purchase upon the exercise of certain stock options.

(6) Includes 1,466 shares which Mr. Bianco may purchase upon the exercise of certain stock options.

(7) Represents shares which Mr. Blatte may purchase upon the exercise of certain stock options.

(8) Represents shares which Mr. Glick may purchase upon the exercise of certain stock options.

(9) Represents shares which Mr. Miller may purchase upon the exercise of certain stock options.

(10) Includes 67,771 shares which Mr. Skala may purchase upon the exercise of

certain stock options and 23,247 shares held by Mr. Skala as trustee under trusts for the benefit of children of Mr. Friedman.

(11) Includes 23,247 shares held in trusts for the benefit of children of Mr. Friedman and an aggregate of 861,745 shares which the directors and executive officers may purchase upon the exercise of certain stock options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

One of our directors, Murray L. Skala, is a partner in the law firm of Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP, which has performed, and is expected to continue to perform, legal services for us. In 2000, we incurred approximately $975,000 for legal fees and reimbursable expenses payable to that firm.

In April 2000, we loaned $1,500,000 to each of Jack Friedman and Stephen G. Berman. The entire principal amount of each loan is due on April 28, 2003 and, until repaid, interest thereon is payable semi-annually at the rate of 6.5% per annum. Mr. Berman's indebtedness to us under his loan is secured by a deed of trust on certain real property. As of October 4, 2001, the outstanding principal balances of Mr. Friedman's and Mr. Berman's loans were $975,000 and $999,000, respectively. In May 2000, we loaned $250,000 to Joel M. Bennett. The entire principal amount of his loan, together with interest accrued thereon at the rate of 7.0% per annum, is due on May 12, 2002, except that, if he continues to be employed by us through such date, we will forgive all of his indebtedness to us under his loan. As of October 4, 2001, accrued interest to date on Mr. Bennett's loan was $24,548. All three loans were made to assist our executive officers in meeting certain personal financial obligations.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements (included in Item 8):

- Independent Auditors' Report
- Consolidated Balance Sheets as of December 31, 1999 and 2000
- Consolidated Statements of Operations for the years ended December 31, 1998, 1999 and 2000
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1999 and 2000
- Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000
- Notes to Consolidated Financial Statements

(2) Financial Statement Schedules (included in Item 8)

- Schedule II -- Valuation and Qualifying Accounts

(3) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company (1)
3.1.1	Certificate of Designation of 4% Redeemable Convertible Preferred Stock of the Company (6)

EXHIBIT NUMBER DESCRIPTION
------- -----------
3.1.2 Certificate of Designation and Preferences of Series A Cumulative Convertible Preferred Stock of the Company (7)
3.1.3 Certificate of Elimination of All Shares of 4% Redeemable Convertible Preferred Stock of the Company (7)
3.1.4 Certificate of Amendment of Restated Certificate of Incorporation of the Company (11)
3.2 By-Laws of the Company (1)
3.2.1 Amendment to By-Laws of the Company (2)
10.1 Third Amended and Restated 1995 Stock Option Plan (9)(*)
10.1A 1999 Amendment to Third Amended and Restated 1995 Stock Option Plan (15)(*)
10.1B 2000 Amendment to Third Amended and Restated 1995 Stock Option Plan (18)(*)
10.2 Employment Agreement between the Company and Jack Friedman dated January 1, 1998 (8)(*)
10.2.1

Amendment, dated January 1, 1999, to Employment Agreement between the Company and Jack Friedman (12)(*) 10.3 Employment Agreement between the Company and Stephen G. Berman dated January 1, 1998 (8)(*) 10.3.1 Amendment, dated January 1, 1999, to Employment Agreement between the Company and Stephen G. Berman (12) (*) 10.4 Employment Agreement between the Company and Jack Friedman dated as of July 1, 1999 (16)(*) 10.4.1 Amendment, dated as of February 7, 2000, to Employment Agreement between the Company and Jack Friedman (17) 10.5 Employment Agreement between the Company and Stephen G. Berman dated as of July 1, 1999 (16) (*) 10.5.1 Amendment, dated as of February 7, 2000, to Employment Agreement between the Company and Stephen G. Berman (17) 10.7.1 Office Lease dated June 18, 1997 between the Company and Malibu Vista Partners (8) (P) 10.7.2 Supplemental

Lease dated August 10, 1998 between Malibu Vista Partners and the Company (10) 10.7.3 Third Amendment dated January 25, 1999 to Lease between the Company and Malibu Vista Partners (12) 10.8 Office Lease dated March 27, 1998 between the Company and Hundal of Union L.P. (8)(P) 10.9 Lease of the Company's showroom at the Toy Center South, 200 Fifth Avenue, New York, New York (1) 10.10 Lease of the Company's showroom at the Toy Center North, 1107 Broadway, New York, New York (3) 10.11 Tenancy Agreement dated March 14, 1998 between the Company and Astoria Investment Company, Ltd. (8)(P) 10.11A Office Lease dated September 24, 1998 between Astoria Investment Company Limited and Road Champs Ltd. (10) 10.11B Lease Agreement dated June 2, 1999 between Astoria Investment Company Limited and Road Champs Limited (13)

EXHIBIT NUMBER	DESCRIPTION
10.12	License Agreement with Titan Sports, Inc. dated October 24, 1995 (1)
10.12.1	Amendment to License Agreement with Titan Sports, Inc. dated April 22, 1996 (4)
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EXHIBIT NUMBER	DESCRIPTION
10.56	First Amendment to Lease dated April 19, 2000 between 1101 CR NB, L.L.C. and Pentech International Inc. (33)
10.57	Second Amendment effective May 1, 2000 to Stock Purchase Agreement dated as of September 22, 1999 among the Company, Flying Colors Toys, Inc. and the former shareholders thereof (34)
10.58	Lease dated as of November 21, 2000 between Grand Avenue Venture, LLC and JP Ferrero Parkway, Inc. (36)
21	Subsidiaries of the Company (37)
23	Consent of Pannell Kerr Forster, Certified Public Accountants, A Professional Corporation, Los Angeles, California (38)

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(1) Filed previously as an exhibit to the Company's Registration Statement on Form SB-2 (Reg. No. 333-2048-LA), effective May 1, 1996, and incorporated herein by reference.

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by reference.

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(9) Filed previously as Appendix A to the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders, filed June 23, 1998, and incorporated herein by reference.

(10) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1998, filed November 16, 1998, and incorporated herein by reference.

(11) Filed previously as exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-74717), filed March 19, 1999, and incorporated herein by reference.

(12) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, filed April 22, 1999, and incorporated herein by reference.

(13) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, filed August 9, 1999, and incorporated herein by reference.

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(15) Filed previously as an exhibit to the Company's Registration Statement on Form S-8 (Reg. No. 333-90055), filed November 1, 1999, and incorporated herein by reference.

(16) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, filed November 3, 1999, and incorporated herein by reference.

(17) Filed previously as an exhibit to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999, filed March 30, 2000, and incorporated herein by reference.

(18) Filed previously as exhibit 4.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-40392), filed June 29, 2000, and incorporated herein by reference.

(19) Incorporated by reference to exhibit 2.1 of the Company's Current Report on Form 8-K, filed August 11, 2000.

(20) Incorporated by reference to exhibit 2.2 of the Company's Current Report on Form 8-K, filed August 11, 2000.

(21) Incorporated by reference to exhibit 2.3 of the Company's Current Report on Form 8-K, filed August 11, 2000.

(22) Incorporated by reference to exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(23) Incorporated by reference to exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(24) Incorporated by reference to exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(25) Incorporated by reference to exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(26) Incorporated by reference to exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(27) Incorporated by reference to exhibit 10.7 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1996.

(28) Incorporated by reference to exhibit 10.5 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1998.

(29) Incorporated by reference to exhibit 10.6 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1999.

(30) Incorporated by reference to exhibit 10.4 of the Company's Current Report on Form 8-K, filed August 11, 2000.

(31) Incorporated by reference to exhibit 10.10 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1993.

(32) Incorporated by reference to exhibit 10.7 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1995.

(33) Incorporated by reference to exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(34) Incorporated by reference to exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(35)Incorporated by reference to exhibit 10.18A of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000, filed April 2, 2001.

(36)Incorporated by reference to exhibit 10.58 of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000, filed April 2, 2001.

(37)Incorporated by reference to exhibit 21 of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000, filed April 2, 2001.

(38) Filed herewith.

(P) Filed in paper format pursuant to a hardship exemption under Regulation 232.202 of Regulation S-T.

(*) Management contract or compensatory plan, contract or arrangement.

(b) Reports on Form 8-K

A Current Report on Form 8-K relating to the Company's acquisition of Pentech International was filed on August 11, 2000 and an amendment thereto on Form 8-K/A was filed on October 11, 2000, which amendment included financial statements of Pentech International for its fiscal year ended September 30, 1999 and its three and nine month periods ended June 30, 2000 and pro forma financial information relating to the Company's acquisition of Pentech International.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: October 5, 2001 JAKKS PACIFIC, INC.

By: /s/ JACK FRIEDMAN
Jack Friedman
Chairman and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE TITLE DATE --------- ----- ---- /s/ JACK FRIEDMAN Chairman of the Board October 5, 2001 ----- ---------- ---------- ---------- ---------- -------- of Directors and Jack Friedman Chief Executive Officer (Principal Executive Officer) /s/ JOEL M. BENNETT Chief Financial Officer October 5, 2001 ----- ---------- ---------- ---------- ---------- -------- (Principal Financial Officer Joel M. Bennett and Principal Accounting Officer) /s/ STEPHEN G. BERMAN Director October 5, 2001 ----- ---------- ---------- ---------- ----------

----
Stephen G.
Berman /s/
DAVID C.
BLATTE
Director
October 5,
2001 -----

David C.
Blatte /s/
ROBERT
GLICK
Director
October 5,
2001 -----

Robert
Glick /s/
MICHAEL G.
MILLER
Director
October 5,
2001 -----

Michael G.
Miller /s/
MURRAY L.
SKALA
Director
October 5,
2001 -----

Murray L.
Skala

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company (1)
3.1.1	Certificate of Designation of 4% Redeemable Convertible Preferred Stock of the Company (6)
3.1.2	Certificate of Designation and Preferences of Series A Cumulative Convertible Preferred Stock of the Company (7)
3.1.3	Certificate of Elimination of All Shares of 4% Redeemable Convertible Preferred Stock of the Company (7)
3.1.4	Certificate of Amendment of Restated Certificate of Incorporation of the Company (11)
3.2	By-Laws of the Company (1)
3.2.1	Amendment to By-Laws of the Company (2)
10.1	Third Amended and Restated 1995 Stock Option Plan (9)(*)
10.1A	1999 Amendment to Third Amended and Restated 1995 Stock Option Plan (15)(*)

10.1B 2000 Amendment to Third Amended and Restated 1995 Stock Option Plan (18)(*) 10.2 Employment Agreement between the Company and Jack Friedman dated January 1, 1998 (8)(*) 10.2.1 Amendment, dated January 1, 1999, to Employment Agreement between the Company and Jack Friedman (12)(*) 10.3 Employment Agreement between the Company and Stephen G. Berman dated January 1, 1998 (8)(*) 10.3.1 Amendment, dated January 1, 1999, to Employment Agreement between the Company and Stephen G. Berman (12) (*) 10.4 Employment Agreement between the Company and Jack Friedman dated as of July 1, 1999 (16)(*) 10.4.1 Amendment, dated as of February 7, 2000, to Employment Agreement between the Company and Jack Friedman (17) 10.5 Employment Agreement between the Company and Stephen G. Berman dated as of July 1, 1999 (16) (*) 10.5.1 Amendment, dated as of

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EXHIBIT NUMBER	DESCRIPTION
10.11	Tenancy Agreement dated March 14, 1998 between the Company and Astoria Investment Company, Ltd. (8)(P)
10.11A	Office Lease dated September 24, 1998 between Astoria Investment Company Limited and Road Champs Ltd. (10)
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(28) Incorporated by reference to exhibit 10.5 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1998.

(29) Incorporated by reference to exhibit 10.6 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1999.

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(31) Incorporated by reference to exhibit 10.10 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1993.

(32) Incorporated by reference to exhibit 10.7 of the Annual Report on Form 10-K of Pentech International Inc. for its fiscal year ended September 30, 1995.

(33) Incorporated by reference to exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

(34) Incorporated by reference to exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000.

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(38) Filed herewith.

(P) Filed in paper format pursuant to a hardship exemption under Regulation 232.202 of Regulation S-T.

(*) Management contract or compensatory plan, contract or arrangement.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated February 16, 2001, except note 18 for which the date is March 26, 2001, on the consolidated financial statements of JAKKS Pacific, Inc. in this Form 10-K/A into the previously filed Registration Statements of JAKKS Pacific, Inc. on Form S-3 (File No. 333-48865) and Form S-8 (Nos. 333-68313, 333-52205, 333-90055, 333-40392 and 333-65324).

/s/ PANNELL KERR FORSTER

Pannell Kerr Forster
Certified Public Accountants
A Professional Corporation

Los Angeles, California
October 5, 2001