



THE MARKET

Retail toy sales in the United States topped \$22.3 billion in 2006, according to the NPD Group, with 83 percent of moms reporting that time spent playing with classic toys brings the family closer together. Based in Malibu, California, JAKKS Pacific™ Inc. (NASDAQ: JAKK) is a leading U.S. toy and consumer products company that develops, markets, manufactures, and distributes a diverse portfolio of toys based on many of America's greatest brands. JAKKS™ acts as an unwavering ambassador to these powerhouse classic brands, including Care Bears®, Cabbage Patch Kids®, World Wrestling Entertainment®, and the rich portfolio of Disney, Nickelodeon, and Marvel characters, to name a few. JAKKS Pacific truly has *Something for Everyone!*

JAKKS' unique business strategy centers around classic toys, such as action figures, pretend play sets, soft plush, art activities, dolls, markers, kites, and pet toys, alongside toys with cutting-edge technology like JAKKS' XPV Xtreme Performance Vehicle® brand, and simple but unique



with innovation to make them especially appealing to today's kids.

JAKKS holds licenses for today's top entertainment, children's, and consumer brands, including American Kennel Club®, Arm & Hammer®, Black & Decker®, Shrek®, Spider-Man®, SpongeBob SquarePants®, Dora the Explorer®, Trolls®, Pac-Man®, and more, as well as many of their peers' brands, including MGA Entertainment's *Bratz*®, Hasbro's *Littlest Pet Shop*® and *My Little Pony*®, and Mattel's *Barbie*® for various product categories.

JAKKS distributes its diverse product portfolio of more than 3,000 different items to retailers across many channels both in the United States and in more than 60 countries around the world. The company's products are sold by mass retail giants, including Wal-Mart, Target, and Toys "R" Us, as well as leaders in many other types of distribution, including pet, drug, office, and club store chains; mom-and-pop toy stores; and online, clothing, novelty, automotive, convenience, department, and supermarket channels.

JAKKS actively seeks out new customers, new retail channels, and unique ways to expand shelf presence.

ACHIEVEMENTS

JAKKS Pacific is an award-winning company. In 2001, Stephen Berman, president and chief operating officer of JAKKS, received the Ernst & Young Entrepreneur of the Year award. In 2002, JAKKS Pacific was included on *Forbes* magazine's List of the Best

200 Small Companies in America for the third consecutive year, and was also named to *Fortune* magazine's annual list of the 100 Fastest-Growing Companies in America for the fourth year in a row.

In addition, JAKKS' retail partners have recognized the company as an outstanding vendor partner for multiple years. JAKKS was Wal-Mart's Vendor of the Year in 2004 and 2005. Target named JAKKS Partner of the Year in 2005 and 2006, and Toys "R" Us named JAKKS as their Vendor of the Year for the sixth time in 2006.

In 2006, *Variety* magazine recognized JAKKS' powerhouse licensing team with an Industry Excellence Award.

JAKKS' products are also the recent recipients of industry accolades such as consecutive inclusions in *Toy Wishes* family entertainment magazine's Hot Holiday Dozen, multiple nominations from the Toy Industry Association's Toy of the Year Awards, National Parenting Center's Seal of Approval, iParenting Media Outstanding Product Awards, Dr. Toy's 100 Best Children's Products, *Nick Jr. Family Magazine's* Best Toy, *FamilyFun* magazine's Toy of the Year, Canadian Toy Testing Council, Oppenheim Toy Portfolio's Gold Seal Award, and many more. White Bites oral care dog treats from JAKKS' pet division was honored with *Pet Business Magazine's* 2006 Industry Recognition Award.

HISTORY

In 1995, a small group of creative thinkers led by Jack Friedman and Stephen Berman decided to shake up the toy world with a new company called JAKKS Pacific. Their goal was to build a great company with staying power that promoted their



electronics like JAKKS' Plug It In & Play TV Games™ line. From JAKKS' Disney Princess™ dresses, tiaras, and "magical" interactive playsets, to Speed Stacks®, the official gear for the fast-paced game of sport stacking that has caught on with millions of kids in school gym classes nationwide, JAKKS' vast product lines are infused



vision of creating toys with innovation, classic play patterns, and just plain fun. They started with action figures based on wrestling, and before they knew it, a star in the toy world was born. JAKKS began acquiring known brands, including Child Guidance® preschool toys, Remco® construction trucks, Road Champs® die-cast vehicles, Flying Colors® activities, Pentech® writing instruments, Funnoodle® water toys, Go Fly A Kite® seasonal products, and more.



After 11 short years, JAKKS has grown from 10 employees to more than 700 worldwide. Today JAKKS Pacific is a top-five publicly traded toy company.

THE PRODUCT

Some of the drivers in the traditional toy area include WWE® action figures, Cabbage Patch Kids, and Doodle Bear® dolls. A few key product highlights for toys in 2007 include a whole line of XPV Xtreme Performance Vehicle® toys, radio-controlled vehicles that drive on the ground and fly in the air, and Hannah Montana™ and The Cheetah Girls® singing fashion dolls, dress-up,



and role-play toys. A kid-sized, real-working Pirates of the Caribbean™ ship; Pokémon® action figures with electronic features; and EyeClops™, a bionic eye that magnifies items up to 200 times what you can view on your TV screen, are also in the lineup.

RECENT DEVELOPMENTS

In February 2006, JAKKS acquired its CDI™ (Creative Designs International™) division, specializing in children's role-play toys, girls' lifestyle and dress-up items, and unique accessories based on popular entertainment licenses and top lifestyle brands. The licensed products are based on Disney Princess, Barbie, Black & Decker, and McDonald's, to name a few. In a short period of time, this partnership has proven to be fruitful and a substantial contribution to the overall organization.

In June 2006, JAKKS secured the Master Toy license for global pop culture phenomenon, Pokémon. JAKKS knows what it takes to make and keep an action figure line fresh in the market, and the company beat out all other competitors for the rights to bring the vast universe of Pokémon characters to kids today. Pokémon has all the makings of a thriving toy line because it is an evergreen brand with a core collector following as well as a new generation of fans.

JAKKS' JPI™ pet division expanded its portfolio with products that help maintain good oral hygiene for pets, including White Bites™ oral care dog treats and pet oral care products based on the top household consumer goods brand, Arm & Hammer. White Bites treats are specifically formulated to be safe and digestible for dogs.

JPI's roster also boasts top licensed brands such as the American Kennel Club, Cat Fanciers' Association, Meow Mix, Snoop Dogg, Disney, Bratz, and more.

The XPV Xtreme Performance Vehicle brand from JAKKS' Road Champs division topped gift lists during the 2006 holiday season. JAKKS created an entire arsenal of XPV™ products for 2007, including the XPV R.A.D.™, featuring a flying robot for the first time. The new line of XPV items will strive to raise the performance bar for remote control vehicles in the future.

JAKKS is launching Hannah Montana and The Cheetah Girls fashion dolls and play sets from JAKKS' Play Along® division. Role-play items based on the Disney tween pop stars from JAKKS' CDI™ division will reinforce the connection that young girls have with these pop stars.

PROMOTION

JAKKS' Child Guidance brand celebrates Barney's 20th birthday in 2007. In partnership with HIT Entertainment, the promotion kicks off with a 40-city *Barney Be-A-Star Birthday Bus Tour* and Sweepstakes. This national promotion will get kids to *Sing, Swing, Boogie and Bounce with Barney*, and win a chance to be in his next music video.



The year 2007 also marks the 25th anniversary of Care Bears, and JAKKS' Play Along division is adopting an entirely new look for the lovable bears based on the characters from the new Care Bears movie, *Oopsy Does It*. Play Along also created a limited-edition 25th Anniversary Care Bear to commemorate this milestone. JAKKS will align with Camp Ronald McDonald for Good Times, a resource for children suffering from cancer, in many different events throughout the year to celebrate the organization's silver anniversary and to debut Play Along's 25th Anniversary Care Bear.

BRAND VALUES

The JAKKS Cares Program seeks to bring happiness and make a positive difference in the lives of children around the world who need it the most. JAKKS achieves this through partnerships with special foundations and charitable organizations that have the ability to reach the greatest number of needy children. These organizations include Feed the Children, Toys for Tots, Gifts in Kind through the International Toy Bank, Camp Ronald McDonald for Good Times, Boys & Girls' Clubs of America, and many more.

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THINGS YOU DIDN'T KNOW ABOUT JAKKS PACIFIC INC.

- JAKKS' cofounder Jack Friedman's first company LNJ Toys made the first E.T. the Extra-Terrestrial movie toys in 1982.
- JAKKS donated more than \$10 million in toys and school supplies during 2005 and 2006 to children in need around the world.
- In 1996, JAKKS had sales of \$12 million. In 2006, JAKKS had sales of \$766 million.
- JAKKS has sold more than 50 million Plug It In & Play TV Games since creating the category in 2002.
- If you connected all the Funnoodle pool floats that JAKKS has ever made, they would circle the world.