SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO 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.
(Exact 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

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 that 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 [ ]

The number of shares outstanding of the issuer's common stock is 25,067,826 (as of November 13, 2003).

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ITEMS IN FORM 10-Q

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 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.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

ASSETS

	December 31, 2002	September 30, 2003
	(*)	(unaudited)
Current assets		
Cash and cash equivalents	$ 68,412,826	$132,833,696
Marketable Securities	—	18,320,894
Accounts receivable, net of allowances for uncollectible accounts of $6,781,324 and $6,093,478, respectively	56,195,578	86,579,868
Inventory, net of reserves for potential product obsolescence of $4,782,021 and $5,591,465, respectively	38,009,747	43,510,656
Prepaid expenses and other current assets	6,410,278	10,981,469
Notes Receivable—Officers	1,113,000	—
Income taxes receivable	2,205,882	—
Deferred income taxes	4,445,658	4,445,658
Total current assets	176,792,969	296,672,241
Office furniture and equipment	5,932,385	6,539,485
Molds and tooling	31,068,888	33,336,228
Leasehold improvements	2,463,875	2,699,109
Total	39,465,148	42,574,822
Less accumulated depreciation and amortization	24,639,593	30,630,240
Property and equipment, net	14,825,555	11,944,582
Investment in joint venture	8,118,645	3,840,574
Goodwill, net	189,335,933	205,176,652
Trademarks, net	11,567,679	11,567,679
Intangibles and other, net	8,169,168	11,789,382
Total assets	$408,809,949	$540,991,110

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2002	September 30, 2003
Current liabilities		
Accounts payable and accrued expenses	$ 41,967,851	$ 58,304,219
Income taxes payable	5,624,532	8,780,842
Current portion of long term debt	17,805	18,720
Total current liabilities	47,610,188	67,103,781
Long term debt, net of current portion	59,683	98,039,020
Deferred income taxes	562,948	562,948
Total liabilities	48,232,819	165,705,749
Stockholders' equity		
Preferred shares, $.001 par value; 5,000,000 shares authorized; nil outstanding	—	—
Common stock, $.001 par value; 100,000,000 shares authorized; 24,472,884 and 24,178,523 shares issued, respectively	24,473	24,179
Additional paid-in capital	240,101,458	236,230,286
Retained earnings	120,451,199	139,189,669
Accumulated other comprehensive loss	—	(158,773)
Total stockholders' equity	360,577,130	375,285,361
Total liabilities and stockholders' equity	$408,809,949	$ 540,991,110

See accompanying notes to condensed consolidated financial statements.

(*) Derived from audited financial statements

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JAKKS PACIFIC, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2002 and 2003 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net sales	$102,639,835	$90,308,130	$241,526,804	$231,357,781
Cost of sales	60,827,541	54,082,386	138,053,056	139,783,714
Gross profit	41,812,294	36,225,744	103,473,748	91,574,067
Selling, general and administrative expenses	22,917,492	24,347,559	65,125,608	65,427,520
Acquisition shut-down and recall costs	—	(700,000)	8,121,497	2,000,000
Income from operations	18,894,802	12,578,185	30,226,643	24,146,547
Profit from joint venture	(611,774)	(937,219)	(2,580,639)	(1,303,700)
Interest, net	(437,098)	922,704	(970,039)	794,364
Income before provision for income taxes and minority interest	19,943,674	12,592,700	33,777,321	24,655,883
Provision for income taxes	5,384,792	3,022,248	9,119,877	5,917,413
Income before minority interest	14,558,882	9,570,452	24,657,444	18,738,470
Minority interest	604,483	—	715,145	—
Net income	$ 13,954,399	$ 9,570,452	$ 23,942,299	$ 18,738,470
Earnings per share — basic	$ 0.59	$ 0.40	$ 1.13	$ 0.77
Earnings per share — diluted	$ 0.58	$ 0.39	$ 1.09	$ 0.76

See accompanying notes to condensed consolidated financial statements.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2002 and 2003 (Unaudited)

	Nine Months Ended September 30,	
	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 23,942,299	$ 18,738,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,145,067	6,742,593
Earned Compensation from stock option grants	(1,873,650)	(393,381)
Investment in joint venture	4,520,989	4,278,071
Forgiveness of officer note receivable	285,000	—
Minority interest	715,145	—
Change in operating assets and liabilities		
Sale of marketable securities	37,119,071	—
Accounts receivable	(35,143,384)	(28,684,290)
Inventory	(5,815,590)	(1,764,593)
Prepaid expenses and other current assets	2,235,192	(4,543,099)
Accounts payable and accrued expenses	16,238,863	15,888,004
Income taxes payable	10,095,959	5,362,192
Deferred income taxes	(401,149)	—
Total adjustments	35,220,021	(3,114,503)
Net cash provided by operating activities	59,162,320	15,623,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for net assets acquired	(43,186,083)	(21,167,491)
Purchase of property and equipment	(3,810,133)	(3,042,406)
Other assets	928,982	(653,130)
Purchase of marketable securities	(583,282)	(18,320,894)
Repayment of Notes receivable from officers	599,000	1,113,000
Net cash used by investing activities	(46,051,516)	(42,070,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of common stock	59,990,219	—
Proceeds from stock options and warrants exercised	2,631,975	742,688
Repurchase and retirement of common shares	—	(4,220,773)
Repayment of long term debt	(11,370)	(19,748)
Net proceeds from issuance of convertible notes payable	—	94,365,657
Net cash provided by financing activities	62,610,824	90,867,824
Net increase in cash and cash equivalents	75,721,628	64,420,870
Cash and cash equivalents, beginning of period	25,036,203	68,412,826
Cash and cash equivalents, end of period	$100,757,831	$132,833,696
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 194,769	$ 2,922,357
Interest	$ 63,141	$ 18,589
Non cash investing and financing activity:		
In March 2002, the Company issued 646,384 shares of its common stock valued at approximately $12.1 million in connection with the acquisition of Toymax.		

See accompanying notes to condensed consolidated financial statements.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2003

Note 1 — Basis of presentation

The accompanying 2002 and 2003 unaudited interim condensed consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to prevent the information presented from being misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto included in our Form 10-K, which contains financial information for the three years in the period ended December 31, 2002.

The information provided in this report reflects all adjustments (consisting solely of normal recurring accruals) that are, in the opinion of management, necessary to present fairly the results of operations for this period. The results for this period are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Basic earnings per share has been computed using the weighted average number of common shares. Diluted earnings per share has been computed using the weighted average number of common shares and common share equivalents (which consist of warrants, options, and convertible debt to the extent they are dilutive).

Note 2 — Business Segments and Geographic Data

JAKKS Pacific is a worldwide producer and marketer of children’s toys and related products, principally engaged in the design, development, production and marketing of traditional toys, including boys action figures, vehicles and playsets, craft and activity products, writing instruments, compounds, girls toys, and infant and preschool toys. Our reportable segments are North America Toys, International and Other.

The North America Toys segment, which includes the United States and Canada, and the International toy segment, which includes sales to non-North American markets, include the design, development, production and marketing of children’s toys and related products. We also have an additional segment classified as Other, which sells various products to the specialty markets in the United States.

Segment performance is measured at the operating income level. All sales are made to external customers, and general corporate expenses have been attributed to the North America Toy segment, which is a dominant segment. Segment assets are comprised of all assets, net of applicable reserves and allowances.

Results are not necessarily those that would be achieved were each segment an unaffiliated business enterprise. Information by segment and a reconciliation to reported amounts for the three and nine months ended September 30, 2002 and 2003 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net Sales				
North America Toys	$ 84,798,070	$73,148,773	$206,701,182	$197,927,728
International	17,766,910	17,151,510	34,432,698	33,363,349
Other	74,855	7,847	392,924	66,704
	$102,639,835	$90,308,130	$241,526,804	$231,357,781

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Operating Income				
North America Toys	$15,610,340	$10,188,217	$25,643,083	$20,325,131
International	3,270,682	2,388,875	4,544,086	3,815,629
Other	13,780	1,093	39,474	5,787
	$18,894,802	$12,578,185	$30,226,643	$24,146,547

September 30,

	2002	2003
Assets		
North America Toys	$352,609,691	$438,197,932
International	73,878,858	102,746,168
Other	311,264	47,010
	$426,799,813	$540,991,110

The following tables present information about the Company by geographic area as of and for the three and nine months ended September 30, 2002 and 2003:

	September 30,	
	2002	2003
Long-lived Assets		
United States	$138,017,789	$182,580,227
Hong Kong	33,143,814	52,603,259
Europe	595,009	3,304,508
	$171,756,612	$238,487,994

	Three Months ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net Sales by Geographic Area				
United States	$ 81,998,508	$73,156,620	$201,843,274	$196,693,335
Europe	14,238,316	14,607,488	29,100,239	28,096,851
Canada	2,874,417	1,134,799	5,250,832	3,534,909
Hong Kong	170,950	659,711	242,007	841,529
Other	3,357,644	749,512	5,090,452	2,191,157
	$102,639,835	$90,308,130	$241,526,804	$231,357,781

Note 3 — Marketable Securities

As of September 30, 2003, marketable securities consist of available for sale securities where cost approximates market.

Note 4 — Inventories

Net inventories include the ex-factory cost of goods and in-bound freight and duty and are stated at the lower of cost (first-in, first-out) or market and consist of the following:

	December 31, 2002	September 30, 2003
Deposits and raw materials	$ 606,429	$ 2,672,753
Finished goods	37,403,318	40,837,903
	$38,009,747	$43,510,656

Note 5 — Convertible Senior Notes

Pursuant to the terms of a Purchase Agreement, dated June 9, 2003, we sold an aggregate of $98 million of 4.625% Convertible Senior Notes due June 15, 2023 and received net proceeds from the issuance of these convertible notes payable approximately $94.4 million. The holders of the notes may convert the notes into shares of our common stock at any time at an initial conversion price of $20.00 per share, subject to certain circumstances described in the notes. This is equivalent to a conversion rate of 50.0 shares per $1,000 principal amount of notes. We will pay cash interest on the notes at an annual rate of 4.625% of the principal amount at issuance, from the issue date to June 15, 2010, payable on June 15 and December 15 of each year, commencing on December 15, 2003. After June 15, 2010, we will not pay cash interest on the notes. At maturity, on June 15, 2023, we will redeem the notes at their accreted principal amount, which will be equal to $1,811.95 (181.195%) per $1,000 principal amount at issuance. The “accreted principal amount” of a note will be equal to the principal amount of the note at issuance plus accretion, beginning June 15, 2010, on the principal amount at issuance so that the yield to maturity of the note will remain at 4.625% per year (equal to the cash interest prior to June 15, 2010), calculated on a semi-annual bond equivalent basis using a 360-day year comprised of twelve 30-day months. The notes will mature on June 15, 2023.

We may redeem the notes at our option in whole or in part beginning on June 15, 2010, at 100% of their accreted principal amount plus accrued and unpaid interest (including contingent interest and additional amounts), if any, payable in cash. Holders of the notes may also require us to repurchase all or part of their notes on June 15, 2010, for cash, at a repurchase price of 100% of the principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any. Holders of the notes may also require us to repurchase all or part of their notes on June 15, 2013 and June 15, 2018 at a repurchase price of 100% of the accreted principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any.

Any repurchases at June 15, 2013 and June 15, 2018 may be paid in cash, in shares of common stock or a combination of cash and shares of common stock. If a fundamental change of the Company occurs (as defined in the notes), holders of the notes may require us to purchase all or part of their notes, for cash, at a repurchase price of 100% of the accreted principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any.

Note 6 — Credit Facility

In October 2001, we and all of our subsidiaries jointly and severally secured a syndicated line of credit totaling $50.0 million with a consortium of banks led by Bank of America, N.A. (“Line of Credit”). On June 3, 2003, we and the banks amended the loan agreements governing the Line of Credit (the “Loan Agreements”), pursuant to which amendment (i) the banks suspended certain of our covenants under the Loan Agreements, including those that prohibited us from consummating the Convertible Senior Notes offering (See Note 5) without the banks’ consent, and (ii) the banks’ obligations to extend credit under the Line of Credit were simultaneously suspended. The amendment contemplates that we and the banks will attempt to negotiate revised terms for the Line of Credit, to be reflected in a further amendment to the Loan Agreements, while waiving the requirement for obtaining consent for this offering. Neither we nor the banks, however, have any obligation to enter into such further amendment to the Loan Agreements. The amendment did not otherwise effect our right under the Loan Agreements to voluntarily reduce or terminate the Line of Credit. There have never been any outstanding borrowings under the Line of Credit since its inception.

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Note 7 — Earnings per share

The following table is a reconciliation of the weighted average shares used in the computation of basic and diluted earnings per share for the periods presented:

	Three Months Ended September 30,					
	2002			2003		
	INCOME	WEIGHTED AVERAGE SHARES	PER-SHARE	INCOME	WEIGHTED AVERAGE SHARES	PER-SHARE
Earnings per share — basic Income available to common stockholders	$13,954,399	23,585,722	$0.59	$9,570,452	24,176,824	$0.40
Effect of dilutive securities Options, warrants and convertible debt	—	472,877		—	451,895	
Earnings per share — diluted Income available to common stockholders plus assumed exercises	$13,954,399	24,058,599	$0.58	$9,570,452	24,628,719	$0.39

	Nine Months Ended September 30,					
	2002			2003		
	INCOME	WEIGHTED AVERAGE SHARES	PER-SHARE	INCOME	WEIGHTED AVERAGE SHARES	PER-SHARE
Earnings per share — basic Income available to common stockholders	$23,942,299	21,215,793	$ 1.13	$ 18,738,470	24,248,835	$ 0.77
Effect of dilutive securities Options, warrants and convertible debt	—	842,690		—	466,935	
Earnings per share — diluted Income available to common stockholders plus assumed exercises	$23,942,299	22,058,483	$ 1.09	$ 18,738,470	24,715,770	$ 0.76

JAKKS PACIFIC, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
September 30, 2003

Note 8 — Accumulated Other Comprehensive Loss

As of September 30, 2003, “Accumulated other comprehensive loss” consists of the foreign translation adjustment. For the three and nine month periods ended September 30, 2002 comprehensive income was the same as net income. For the three and nine month periods ended September 30, 2003, comprehensive income was $9,411,679 and $18,579,697, respectively.

Note 9 — Common stock and preferred stock

We have 105,000,000 authorized shares of stock consisting of 100,000,000 shares of $.001 par value common stock and 5,000,000 shares of $.001 par value preferred stock. In September 2002, our stockholders approved increases in our authorized shares from 25,000,000 of common stock and 1,000,000 of preferred stock.

Pursuant to an underwritten public offering, we sold 3,000,000 shares of our common stock in May 2002 and 525,000 shares of our common stock in June 2002 (to cover over-allotments by the underwriters), for total net proceeds of $59.3 million. We retired 1,493,600 shares of treasury stock for reissuance pursuant to this public offering.

In March 2002, we issued 646,384 shares of our common stock in connection with our acquisition of a controlling interest in Toymax International, Inc. (“Toymax”). In October 2002, the merger was completed and an additional 520,000 shares of common stock were issued.

In February 2003, our Board of Directors approved a buyback of up to $20 million of our Common Stock. As of September 30, 2003, we repurchased and retired 412,000 shares of our Common Stock for a total of approximately $4.2 million.

Note 10 — Acquisitions

We acquired the following entities to further enhance our existing product lines and to continue diversification into other seasonal business.

In March 2002, we purchased a controlling interest in Toymax International, Inc. In October 2002, we completed that acquisition by acquiring the remaining outstanding common shares in a merger transaction. The total purchase price of approximately $62.2 million consisted of 1,166,360 shares of the Company’s common stock, 598,697 options and approximately $41.0 million in cash and resulted in additional goodwill of $64.9 million. Our results of operations have included Toymax from March 12, 2002, however for the period March 12, 2002 through October 25, 2002 the minority interest’s share of Toymax’s earnings were excluded.

In November 2002, we purchased certain product lines, assets and assumed certain specific liabilities from Trendmasters, Inc. (“Trendmasters”). The total purchase price of approximately $27.7 million consisted of cash paid in the amount of $19.0 million and assumed liabilities of $8.7 million and resulted in goodwill of $26.2 million. Our results of operations have included Trendmasters from the date of acquisition.

On May 31, 2003, we purchased the product lines, related assets and assumed certain liabilities from P&M Products Inc. (“P&M”). The total purchase price of approximately $21.3 million consisted of cash paid in the amount of $20.7 million and liabilities of $0.6 million and resulted in goodwill of $14.9 million. Our results of operations have included P&M from the date of acquisition.

The following unaudited pro forma information represents our consolidated results of operations as if the acquisitions of Toymax, Trendmasters and P&M had occurred on January 1, 2002 and after giving effect to certain adjustments including the elimination of certain general and administrative expenses and other income and expense items not attributable to on-going operations, interest 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 Toymax, Trendmasters and P&M occurred on January 1, 2002 or future operating results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net Sales	$138,073,828	$90,308,130	$326,029,364	$241,686,781
Net income	$ 14,670,059	$ 9,570,452	$ 20,388,620	$ 16,912,921
Earnings per share — basic	$ .68	$ .40	$ .96	$ .72
Weighted average shares outstanding — basic	21,504,929	24,176,824	21,231,399	23,591,664
Earnings per share — diluted	$ .64	$ .39	$ .89	$ .70
Weighted average shares and equivalents outstanding — diluted	23,071,865	24,628,719	22,882,068	24,058,599

Note 11 — Notes Receivable From Officers

On March 27, 2003, the balance of the notes receivable from two of our officers totaling $1,113,000 plus accrued interest at interest rates of 6.5% per annum each, were paid in full.

Note 12 — Stock Option Plans

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 " Accounting for Stock-Based Compensation —Transition and Disclosure an Amendment of FASB Statement No. 123" (SFAS 148). SFAS 148 amends Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, SFAS 148 amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information.

At September 30, 2003 we have stock-based employee compensation plans and account for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. However, certain options had been repriced resulting in compensation adjustments, which have been reflected in net income. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123, to stock-based employee compensation.

In 2002 and 2003, 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 4%; dividend yield of 0%, with volatility of 87%; and expected lives of five years.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net income, as reported	$13,954,399	$9,570,452	$23,942,299	$18,738,470
Add (Deduct): Stock-based employee compensation expense (income) included in reported net income	(1,698,863)	(452,552)	(1,873,650)	(393,381)
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards net of related tax effects	—	(1,615)	(69,973)	(1,615)
Pro forma net income	$12,255,536	$9,116,285	$21,998,676	$18,343,474
Earnings per share:				
Basic — as reported	$ 0.59	$ 0.40	$ 1.13	$ 0.77
Basic — pro forma	$ 0.52	$ 0.38	$ 1.04	$ 0.76
Diluted — as reported	$ 0.58	$ 0.39	$ 1.09	$ 0.76
Diluted — pro forma	$ 0.51	$ 0.37	$ 1.00	$ 0.74

Note 13 — Recent Accounting Pronouncements

In June 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). The objective of SFAS No. 143 is to establish an accounting standard for the recognition and measurement of an asset retirement obligation on certain long-lived assets. The retirement obligation must be one that results from the acquisition, construction or normal operation of a long-lived asset. SFAS 143 was adopted effective January 1, 2003. The adoption of this statement did not have a material effect on the consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction" (SFAS 145). SFAS 145 eliminates extraordinary accounting treatment for reporting gains or losses on debt extinguishments, and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this SFAS was adopted effective January 1, 2003. The adoption of SFAS 145 did not have a material effect on its consolidated results of operations in accordance with APB 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions".

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146), which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity initiated after December 31, 2002. The standard requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 was adopted effective January 1, 2003 and did not have a material effect on the Company's financial position or results of operations.

In May 2003, the FASB issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS No. 150), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of this SFAS were adopted effective June 9, 2003. The adoption of SFAS 150 did not have a material effect on the Company's financial position or results of operations.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read together with our Condensed Consolidated Financial Statements and Notes thereto which appear elsewhere herein.

RECENT DEVELOPMENTS

On March 11, 2002, we purchased a controlling interest in Toymax. On October 25, 2002, we completed that acquisition by acquiring the remaining outstanding common shares. The total purchase price of approximately $62.2 million consisted of 1,166,360 shares of our common stock, 598,697 stock options and approximately $41.0 million in cash and resulted in additional goodwill of $64.9 million. Our results of operations have included Toymax from March 12, 2002, however for the period March 12, 2002 through October 25, 2002 the minority interest's share of Toymax's earnings were excluded.

On November 27, 2002, we purchased certain product lines, assets and assumed certain liabilities from Trendmasters. The total purchase price of approximately $27.7 million consisted of cash paid in the amount of $19.0 million and assumed liabilities of $8.7 million and resulted in goodwill of $26.2 million. Our results of operations have included Trendmasters from the date of acquisition.

On May 31, 2003, we purchased the product lines, related assets and assumed certain liabilities from P&M. The total purchase price of approximately $21.3 million consisted of cash paid in the amount of $20.7 million and liabilities of $0.6 million and resulted in goodwill of $14.9 million. Our results of operations have included P&M from the date of acquisition.

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RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.3	59.9	57.2	60.4
Gross profit	40.7	40.1	42.8	39.6
Selling, general and administrative expenses	22.3	27.0	26.9	28.3
Acquisition shut-down and recall costs	—	(0.8)	3.4	.9
Income from operations	18.4	13.9	12.5	10.4
Profit from joint venture	(0.6)	(1.0)	(1.1)	(0.6)
Interest, net	(0.4)	1.0	(0.4)	0.3
Income before income taxes and minority interest	19.4	13.9	14.0	10.7
Provision for income taxes	5.2	3.3	3.8	2.6
Income before minority interest	14.2	10.6	10.2	8.1
Minority interest	0.6	—	0.3	—
Net income	13.6%	10.6%	9.9%	8.1%

THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

Net Sales. Net sales were $90.3 million in 2003 compared to $102.6 million in 2002, representing a decrease of 12.0%. The decrease was mainly due to a reduction in sales of our karaoke machines and Equalizer radio control vehicle in 2003, both higher priced items, offset in part by new product introductions, including Dragon Ball and NASCAR action toys, TV games and ColorWorkshop craft products.

Gross Profit. Gross profit decreased $5.6 million, or 13.4%, to $36.2 million, or 40.1% of net sales, in 2003 from $41.8 million, or 40.7% of net sales, in 2002. The overall decrease in gross profit was attributable to the decrease in net sales and a slight decrease in gross profit margin. The decrease in gross profit margin of 0.6% of net sales was due to an increase in royalty expense as a percentage of net sales due to changes in the product mix resulting from the sale of more products with higher royalty rates which was partially offset by an increase in net sales of higher margin products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $24.3 million in 2003 and $22.9 million in 2002, constituting 27.0% and 22.3% of net sales, respectively. The overall increase of $1.4 million in such costs was primarily due to an increase in option compensation expense resulting from the price reset of options in 2000. We produced and aired television commercials in support of several of our products, including World Wrestling Entertainment and Dragon Ball Z action figures and Flying Colors products, in 2003 and World Wrestling Entertainment action figures and Flying Colors products in 2002. From time to time, we may increase our advertising efforts, if we deem it appropriate for particular products.

Acquisition Shut-down and Recall Costs. Income in 2003 relates to the recovery of recall costs from one of our factories. There was no such income in 2002.

The remaining component of the acquisition shut-down and recall costs is as follows:

	Accrued Balance June 30, 2003	Accrual	Actual	Accrued Balance September 30, 2003
Lease abandonment costs	$ 789.955	$ —	$ (228,372)	$ 561,583
Recall costs	2,349,624	(700,000)	(108,250)	1,541,374
Total	$ 3,139,579	$ (700,000)	$ (336,622)	$ 2,102,957

Profit from Joint Venture. Profit from joint venture increased by $0.3 million in 2003 due to higher unit sales of the 2003 game release compared to the game released in 2002.

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Interest, Net. Interest income increased due to higher average cash balances during 2003 than in 2002, but was offset by accrued interest expense of $1.1 million related to the convertible notes issued in June 2003.

Provision for Income Taxes. Provision for income taxes included Federal, state and foreign income taxes in 2002 and 2003, at effective tax rates of 27.0% in 2002 and 24.0% in 2003, benefiting from a flat 16.5% and 17.0% Hong Kong Corporation Tax on our income arising in, or derived from, Hong Kong for 2002 and 2003, respectively. As of September 30, 2003, we had deferred tax assets of approximately $4.4 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 believes it considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence.

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

Net Sales. Net sales were $231.4 million in 2003 compared to $241.5 million in 2002, representing a decrease of 4.2%. The contribution to net sales by our seasonal products, including Trendmasters, Go Fly a Kite, Funnoodle and sports toys, and new product introductions, including Dragon Ball and NASCAR action toys, TV games and ColorWorkshop craft products, were offset by a decrease in sales in our traditional products, and international sales, which included a reduction in sales of our karaoke machines and Equalizer radio control vehicle in 2003, both higher priced items.

Gross Profit. Gross profit decreased $11.9 million, or 11.5%, to $91.6 million, or 39.6% of net sales, in 2003 from $103.5 million, or 42.8% of net sales, in 2002. The overall decrease in gross profit was attributable to the decrease in net sales and a decrease in gross profit margin. The decrease in gross profit margin of 3.2% of net sales was due to higher sales of seasonal products with lower margins and an increase in royalty expense as a percentage of net sales due to changes in the product mix resulting from the sale of more products with higher royalty rates, though offset in part by a decrease in amortization expense of molds and tools used in the manufacture of our products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $65.4 million in 2003 and $65.1 million in 2002, constituting 28.3% and 26.9% of net sales, respectively. The overall increase of $0.3 million in such costs was primarily due to an increase in product development costs and option compensation expense resulting from the price reset of options in 2000, offset in part by a decrease in direct selling expenses. The increase as a percentage of net sales is primarily attributable to the fixed nature of certain expenses. We produced and aired television commercials in support of several of our products, including World Wrestling Entertainment and Dragon Ball Z action figures and Flying Colors products in 2003 and World Wrestling Entertainment action figures and Flying Colors products in 2002. From time to time, we may increase our advertising efforts, if we deem it appropriate for particular products.

Acquisition Shut-down and Recall Costs. Acquisition shut-down costs in 2002 relate to shut-down costs, including lease termination, fixed asset abandonment and other costs, of certain operations of Toymax and Kidz Biz. There were no such costs in 2003. Operations impacted by these shut-downs were sales, design, distribution, and administration. The integrations of Toymax and Kidz Biz were completed in 2002. In 2003, we accrued a net amount of $2.0 million for the recall of one of our products, compared to having accrued $1.5 million in 2002 for the recall of the same product.

The remaining component of the acquisition shut-down and recall costs is as follows:

	Accrued Balance December 31, 2002	Accrual	Actual	Accrued Balance September 30, 2003
Lease abandonment costs	$ 2,309,800	$ —	$ (1,748,217)	$ 561,583
Recall costs	—	2,000,000	(458,626)	1,541,374
Total	$ 2,309,800	$ 2,000,000	$ (2,206,843)	$ 2,102,957

Profit from Joint Venture. Profit from joint venture decreased by $1.3 million in 2003 due to lower unit sales of both new titles at normal and lower price points and existing titles, whereas in 2002 the joint venture released two new titles with higher unit sales at a higher price point.

Interest, Net. Interest income increased due to higher average cash balances during 2003 than in 2002, but was offset by accrued interest expense of $1.4 million related to the convertible notes issued in June 2003.

Provision for Income Taxes. Provision for income taxes included Federal, state and foreign income taxes in 2002 and 2003, at effective tax rates of 27.0% in 2002 and 24.0% in 2003, benefiting from a flat 16.5% and 17.0%. Hong Kong Corporation Tax on our income arising in, or derived from, Hong Kong for 2002 and 2003, respectively. As of September 30, 2003, we had deferred tax assets of approximately $4.4 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 believes it considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence.

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SEASONALITY AND BACKLOG

The retail toy industry is inherently seasonal. Generally, in the past, our sales have been highest during the third and fourth quarters, and collections for those sales have been highest during the succeeding fourth and first fiscal quarters. Sales of writing instrument products are likewise seasonal with sales highest during the second and third quarters, as are our Go Fly a Kite, Funnoodle and Storm outdoor products, which are largely sold in the first and second quarters. Our working capital needs have been highest during the third and fourth quarters.

While we have taken steps to level sales over the entire year, sales are expected to remain heavily influenced by the seasonality of our toy products. The result of these seasonal patterns is that operating results and demand for working capital may vary significantly by quarter. Orders placed with us for shipment are cancelable until the date of shipment. The combination of seasonal demand and the potential for order cancellation makes accurate forecasting of future sales difficult and causes us to believe that backlog may not be an accurate indicator of our future sales. Similarly, financial results for a particular quarter may not be indicative of results for the entire year.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued Statement No. 143, “Accounting for Asset Retirement Obligations” (SFAS No. 143). The objective of SFAS No. 143 is to establish an accounting standard for the recognition and measurement of an asset retirement obligation on certain long-lived assets. The retirement obligation must be one that results from the acquisition, construction or normal operation of a long-lived asset. SFAS 143 was adopted effective January 1, 2003. The adoption of this statement did not have a material effect on the consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, “Rescission of Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction” (SFAS 145). SFAS 145 eliminates extraordinary accounting treatment for reporting gains or losses on debt extinguishments, and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this SFAS was adopted effective January 1, 2003. The adoption of SFAS 145 did not have a material effect on its consolidated results of operations in accordance with APB 30, “Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”.

In June 2002, the FASB issued Statement No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS No. 146), which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity initiated after December 31, 2002. The standard requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 was adopted effective January 1, 2003 and did not have a material effect on the Company’s financial position or results of operations.

In May 2003, the FASB issued Statement No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (SFAS No. 150), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of this SFAS were adopted effective June 9, 2003. The adoption of SFAS 150 did not have a material effect on the Company’s financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, we had working capital of $229.6 million, as compared to $129.2 million as of December 31, 2002. This increase was primarily attributable to the receipt of the net proceeds from the sale of convertible notes payable, our operating results and the receipt of the preferred return from the joint venture with THQ, though offset in part by disbursements related to the repurchase of our common shares.

Operating activities provided net cash of $15.6 million in 2003, as compared to $59.2 million in 2002, which included $37.1 million provided from the sale of marketable securities. In 2003, net cash was provided primarily by net income and a non-cash charge consisting of depreciation and amortization, as well as an increase in the cash received from the preferred return from THQ joint venture and increases in accounts payable and accrued expenses and income taxes payable, which were offset in part by increases in accounts receivable, inventory and prepaid expenses and other current operating assets. In 2002, net cash was provided primarily by net income and non-cash charges, such as depreciation and amortization, earned compensation from stock option grants, loss on disposal of property and equipment, forgiveness of an officer note receivable and minority interest, as well as decreases in the preferred return from THQ joint venture, prepaid expenses and other current operating assets, the sale of marketable securities and increases in accounts payable and accrued expenses, income taxes payable, which were offset by an increase in accounts receivable and inventory and a decrease in deferred income taxes. As of September 30, 2003, we had cash and cash equivalents of $132.8 million.

Our investing activities used net cash of $42.1 million in 2003, as compared to $46.1 million in 2002, consisting primarily of the purchase of office furniture and equipment and molds and tooling used in the manufacture of our products, cash paid in excess of the fair value of the net assets acquired for P&M, and the purchase of marketable securities, partially offset by the repayment of notes receivable from officers. In 2002, our investing activities consisted primarily of cash paid for net assets acquired in the Toymax acquisition, the purchase of office furniture and equipment and molds and tooling used in the manufacture of our products and the purchase of marketable securities. 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 18% payable on net sales of such products. As of September 30, 2003, these agreements required future aggregate minimum guarantees of $22.6 million, exclusive of $3.1 million in advances already paid.

Our financing activities provided net cash of $90.9 million in 2003, consisting primarily of net proceeds from the sale of convertible notes and proceeds from the exercise of stock options and warrants, partially offset by the repurchase of our common stock. In 2002, financing activities provided net cash of $62.6 million, consisting of net proceeds from the sale of our common stock and the exercise of stock options and warrants, partially offset by the repayment of long term debt.

In March 2002, we purchased 8,100,065 shares of the common stock of Toymax primarily from four of its stockholders. The aggregate purchase price for these shares was approximately $24.3 million in cash and 646,384 shares of our common stock. Prior to that date, we had acquired 132,754 shares of Toymax common stock, so that, until the completion of the merger, we owned 8,232,819 shares of Toymax common stock, representing approximately 66.8% of the outstanding shares of Toymax common stock. The second phase of the acquisition was completed on October 2002, when we purchased the remaining approximately 4,100,000 outstanding shares of Toymax in a merger transaction. Consideration paid for each share of Toymax not owned was $3.00 per share in cash for a total amount of $12.4 million and approximately 520,000 shares of our common stock.

In February 2003, our Board of Directors approved a buyback of up to $20 million of our common stock. As of September 30, 2003, we repurchased and retired 412,000 shares of our common stock for a total of approximately $4.2 million.

On May 31, 2003, we purchased the product lines, related assets and assumed certain liabilities from P&M Products Inc. ("P&M"). The total purchase price of approximately $21.3 million consisted of cash paid in the amount of $20.7 million and liabilities of $0.6 million and resulted in goodwill of $14.9 million. Results of operations have included P&M from the date of acquisition.

Pursuant to the terms of a Purchase Agreement, dated June 9, 2003, we sold an aggregate of $98 million of 4.625% Convertible Senior Notes due June 15, 2023 and received net proceeds from the issuance of these convertible notes payable approximately $94.4 million. The holders of the notes may convert the notes into shares of our common stock at any time at an initial conversion price of $20.00 per share, subject to certain circumstances described in the notes. This is equivalent to a conversion rate of 50.0 shares per $1,000 principal amount of notes. We will pay cash interest on the notes at an annual rate of 4.625% of the principal amount at issuance, from the issue date to June 15, 2010, payable on June 15 and December 15 of each year, commencing on December 15, 2003. After June 15, 2010, we will not pay cash interest on the notes. At maturity, on June 15, 2023, we will redeem the notes at their accreted principal amount, which will be equal to $1,811.95 (181.195%) per $1,000 principal amount at issuance. The "accreted principal amount" of a note will be equal to the principal amount of the note at issuance plus accretion, beginning June 15, 2010, on the principal amount at issuance so that the yield to maturity of the note will remain at 4.625% per year (equal to the cash interest prior to June 15, 2010), calculated on a semi-annual bond equivalent basis using a 360-day year comprised of twelve 30-day months. The notes will mature on June 15, 2023.

We may redeem the notes at our option in whole or in part beginning on June 15, 2010, at 100% of their accreted principal amount plus accrued and unpaid interest (including contingent interest and additional amounts), if any, payable in cash. Holders of the notes may also require us to repurchase all or part of their notes on June 15, 2010, for cash, at a repurchase price of 100% of the principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any. Holders of the notes may also require us to repurchase all or part of their notes on June 15, 2013 and June 15, 2018 at a repurchase price of 100% of the accreted principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any. Any repurchases at June 15, 2013 and June 15, 2018 may be paid in cash, in shares of common stock or a combination of cash and shares of common stock. If a fundamental change of the Company occurs (as defined in the notes), holders of the notes may require us to purchase all or part of their notes, for cash, at a repurchase price of 100% of the accreted principal amount per note plus accrued and unpaid interest (including contingent interest and additional amounts), if any.

In October 2001, we and all of our subsidiaries jointly and severally secured a syndicated line of credit totaling $50.0 million with a consortium of banks led by Bank of America, N.A. ("Line of Credit"). On June 3, 2003, we and the banks amended the loan agreements governing the Line of Credit (the "Loan Agreements"), pursuant to which amendment (i) the banks suspended certain of our covenants under the Loan Agreements, including those that prohibited us from consummating the Convertible Senior Notes offering (see Note 5) without the banks' consent, and (ii) the banks' obligations to extend credit under the Line of Credit were simultaneously suspended. The amendment contemplates that we and the banks will attempt to negotiate revised terms for the Line of Credit, to be reflected in a further amendment to the Loan Agreements, while waiving the requirement for obtaining consent for this offering. Neither we nor the banks, however, have any obligation to enter into such further amendment to the Loan Agreements. The amendment did not otherwise effect our right under the Loan Agreements to voluntarily reduce or terminate the Line of Credit. There have never been any outstanding borrowings under the Line of Credit since its inception.

We believe that our cash flow from operations, cash and cash equivalents on hand 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 September 30, 2003, we have not used derivative instruments or engaged in hedging activities to minimize our market risk.

INTEREST RATE RISK

As of September 30, 2003, we did not have any outstanding balances on our Line of Credit. On June 9, 2003, we issued convertible notes payable of $98,000,000 with a fixed interest rate of 4.625% per annum. 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 and in the United Kingdom. Sales by these operations made on a FOB China or Hong Kong basis are denominated in U.S. dollars. However, purchases of inventory and Hong Kong operating expenses are typically denominated in Hong Kong dollars and domestic sales and operating expenses made in the United Kingdom are typically denominated in British Pounds, thereby creating exposure to changes in exchange rates. Changes in the British Pound or Hong Kong dollar/U.S. dollar exchange rates may positively or negatively affect our gross margins, operating income and retained earnings. The British Pound gave rise to the other comprehensive loss in the balance sheet. 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 these 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 or British Pound.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our chief executive officer and our chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15-d-14(c) as of a date within 90 days of the filing date of the quarterly report (the “Evaluation Date”) have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared.

(b) Changes in internal controls.

There were no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

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PART II. OTHER INFORMATION

ITEM 5. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

We mailed a Proxy Statement on or about July 30, 2003 to our stockholders of record as of July 8, 2003 in connection with our 2003 Annual Meeting of Stockholders, which was held on September 3, 2003 at the Sherwood Country Club, 320 West Stafford Road, Thousand Oaks, California, 91361. At the Meeting, the stockholders voted on two matters, both of which were approved.

The first matter was the election of the members of the Board of Directors. The six directors elected and the tabulation of the votes (both in person and by proxy) were as follows:

Nominees for Directors	For	Against	Withheld
Jack Friedman	13,177,246	-0-	6,966,745
Stephen Berman	13,177,547	-0-	6,966,444
David Blatte	18,061,570	-0-	2,082,421
Robert Glick	17,587,021	-0-	2,556,970
Michael Miller	17,587,175	-0-	2,556,816
Murray L. Skala	13,557,059	-0-	6,586,932

There were no broker held non-voted shares represented at the Meeting with respect to this matter.

The second matter upon which the shareholders voted was the proposal to ratify the appointment by the Board of Directors of PKF, Certified Public Accountants, A Professional Corporation, as independent certified public accountants for the Company for 2003. The tabulation of the votes (both in person and by proxy) was as follows:

For	Against	Abstentions
19,771,012	350,286	22,693

There were no broker held non-voted shares represented at the Meeting with respect to this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

NUMBER	DESCRIPTION
3.1.1	Restated Certificate of Incorporation of the Company(1)
3.1.2	Certificate of Amendment of Restated Certificate of Incorporation of the Company(2)
3.2.1	By-Laws of the Company(1)
3.2.2	Amendment to By-Laws of the Company(3)
4.1	Indenture, dated as of June 9, 2003, by and between the Registrant and Wells Fargo Bank, N.A.(4)
4.2	Form of 4.625% Convertible Senior Note(4)
4.3	Registration Rights Agreement, dated as of June 9, 2003, by and among the Registrant and Bear, Stearns & Co. Inc.(4)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer(5)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer(5)
32.1	Section 1350 Certification of Chief Executive Officer(5)
32.2	Section 1350 Certification of Chief Financial Officer(5)

(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.
(2) Filed previously as exhibit 4.1.2 of the Company’s Registration Statement on Form S-3 (Reg. No. 333-74717), filed on March 9, 1999, and incorporated herein by reference.
(3) Filed previously as an exhibit to the Company’s Registration Statement on Form SB-2 (Reg. No. 333-22583), effective May 1, 1997, and incorporated herein by reference.
(4) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, filed on August 14, 2003, and incorporated herein by reference.
(5) Filed herewith.

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K on July 22, 2003 relating to the Company's announcement of earnings for the second quarter of 2003.

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SIGNATURES

Pursuant to the requirements 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.

Registrant:

JAKKS PACIFIC, INC.

Date: November 14, 2003

By: /s/ Joel M. Bennett

Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

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Exhibit Index

NUMBER	DESCRIPTION
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(4) Filed previously as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, filed August 14, 2003, and incorporated herein by reference.
(5) Filed herewith.

Exhibit 31.1

CERTIFICATIONS

I, Jack Friedman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of JAKKS Pacific, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By: /s/ JACK FRIEDMAN

JACK FRIEDMAN
Chairman and Chief Executive Officer

Exhibit 31.2

I, Joel M. Bennett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of JAKKS Pacific, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

By: /s/ JOEL M. BENNETT

JOEL M. BENNETT
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of JAKKS Pacific, Inc. ("JAKKS"), hereby certifies that JAKKS' Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of JAKKS.

/s/ Jack Friedman   Dated: November 14, 2003

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Jack Friedman
Chairman and Chief Executive Officer
Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of JAKKS Pacific, Inc. ("JAKKS"), hereby certifies that JAKKS' Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of JAKKS.

/s/ Joel M. Bennett　　　　Dated: November 14, 2003

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Joel M. Bennett
Chief Financial Officer
Principal Financial Officer