



Public & Investor Relations, Corporate & Marketing Communications

FOR: 4Kids Entertainment, Inc.

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## **4Kids Entertainment Reports Second Quarter Results**

**NEW YORK, August 9, 2004 – 4Kids Entertainment, Inc. (NYSE: KDE)** today announced net revenues for the second quarter ended June 30, 2004 of \$22.1 million compared to \$23.4 million in the same period last year. Net income for the quarter was \$2.0 million, or \$0.14 per diluted share, compared to net income of \$3.6 million or \$0.26 per diluted share, in the year-earlier period. The diluted weighted average common shares outstanding for the three months ended June 30, 2004 were 14,493,824 shares compared with 13,987,627 shares for the prior year.

For the six months ended June 30, 2004, net revenues totaled \$44.6 million compared with \$44.3 million in the same period last year. Net income for the six-month period was \$5.2 million, or \$0.36 per diluted share, compared with net income of \$6.6 million, or \$0.47 per diluted share, in the same period a year ago.

"Although the Company's second quarter results were lower than in 2003, the Company remains on track for a strong financial performance for the second half of 2004," said Al Kahn, Chairman and Chief Executive Officer.

"The Company's second quarter results were impacted by less favorable margins on revenue. Licensing revenues were lower in the 2<sup>nd</sup> quarter of 2004 due to reduced shipments of Yu-Gi-Oh! cards in the second quarter of 2004 as compared to particularly strong shipments of Yu-Gi-Oh! cards in the second quarter of 2003" said Kahn. "The Yu-Gi-Oh! property, however, remains popular as reflected by strong television ratings and sales of merchandise. We expect Yu-Gi-Oh! revenue to build into the second half of 2004 spurred by the momentum provided by the Warner Bros. release of the first Yu-Gi-Oh! feature film on August 13, 2004. The film will be opening on more than 2,500 screens nationwide and will also debut in major markets internationally during the third and fourth quarters," said Kahn.

"Teenage Mutant Ninja Turtles<sup>TM</sup> is also performing well at retail and new merchandise will be introduced in advance of the holiday season. Pokemon continues its resurgence in merchandise licensing and we expect it to have an increased presence at retail for the 2004 holiday season," Kahn commented.

The Company will also start receiving revenue from new properties and initiatives in the second half of 2004. Winx Club<sup>TM</sup>, 4Kids' first property targeting the girls market, debuted on FoxBox<sup>TM</sup> on June 19, 2004; Winx Club<sup>TM</sup> licensed merchandise from Mattel and the new Cabbage Patch Kids doll line from Play Along began shipping to retail in the third quarter. The Company's first Game

Boy® Advance Video<sup>TM</sup> titles Sonic X, Yu-Gi-Oh! and Teenage Mutant Ninja Turtles, began shipping during the last two months.

"We will be introducing exciting, new properties on the FoxBox in the fall of 2004, including "One Piece", "MewMew Power" and "F-Zero". The Company's diversified portfolio of properties and the planned roll-out in the second half of 2004 of new licensed merchandise for many of our brands makes us optimistic about our prospects for the remainder of the year," concluded Kahn.

The Company also announced today that it has entered into a licensing agreement with Mattel providing for the license of certain Company technology to Mattel and for the distribution by Mattel of certain content produced by the Company on the new Mattel portable video player expected to be released in the fall of 2004.

**About 4Kids Entertainment:** Headquartered in New York City with international offices in London, 4Kids Entertainment, Inc. (NYSE: KDE) is a global provider of children's entertainment and merchandise licensing. 4Kids, through its wholly owned subsidiaries, provides domestic and international merchandise licensing; product development; television, film, music and home video production and distribution; media buying and planning; and Web site development. For further information, please visit the company's Web site at <a href="www.4KidsEntertainment.com">www.4KidsEntertainment.com</a>.

The information contained in this press release, other than historical information, consists of forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements may involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors beyond the Company's control, including general economic conditions, consumer spending levels, competition from toy companies, motion picture studios and other licensing companies, the uncertainty of public response to the Company's properties and other factors could cause actual results to differ materially from the Company's expectations.

This release and prior releases are available on the Company's Worldwide Web site at www.4KidsEntertainment.com

Tables follow:

## 4KIDS ENTERTAINMENT, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

## JUNE 30, 2004 AND DECEMBER 31, 2003 (In thousands of dollars, except share data)

Cash and cash equivalents	ASSETS	<u>2004</u>	2003
Investments   28,899   24,443     Total cash and investments   117,340   119,579     Accounts receivable - net   Prepaid Fox broadcast fee, net of accumulated amortization of \$47,152 and \$36,447 in 2004 and 2003, respectively   17,573   8,688     Prepaid income taxes   2,035   1,690     Prepaid expenses and other current assets   2,035   1,690     Deferred income taxes   475	CURRENT ASSETS:		
Total cash and investments			
Accounts receivable - net Prepaid Fox broadcast fee, net of accumulated amortization of \$47,152 and \$36,447 in 2004 and 2003, respectively 17,573 8,686 Prepaid income taxes 2,486 2,670 Prepaid expenses and other current assets 2,032 1,690 Deferred income taxes 162,917 169,770 Total current assets 162,917 169,770 PROPERTY AND EQUIPMENT - NET 3,215 3,350 OTHER ASSETS: Accounts receivable - noncurrent, net Investment in equity securities 726 1726 1872 1883 1883 1883 1883 1893 1893,410 1893,280 LIABILITIES AND STOCKHOLDERS' EQUITY  CURRENT LIABILITIES: Due to licensors Media payable Accounts payable and accrued expenses Media payable Deferred income taxes 103,309 1883 1833 1884 1714 2,178 Accounts payable and accrued expenses 13,309 1884 1794 1897 1898 1899 1898 1898 1899 1898 18995 18	Investments		24,443
Prepaid Fox broadcast fee, net of accumulated amortization of \$47,152 and \$36,447 in 2004 and 2003, respectively   17,573   8,688   Prepaid income taxes   2,486   2,670   Prepaid expenses and other current assets   2,032   1,690   Deferred income taxes   162,917   169,770   Total current assets   1726   726   726   726   726   726   727	Total cash and investments	117,340	119,579
of \$47,152 and \$36,447 in 2004 and 2003, respectively         17,573         8,688           Prepaid income taxes         2,486         2,670           Prepaid expenses and other current assets         2,032         1,690           Deferred income taxes         475         —           Total current assets         162,917         169,770           PROPERTY AND EQUIPMENT - NET         3,215         3,350           OTHER ASSETS:         Accounts receivable - noncurrent, net in equity securities         4,266         2,662           Film and television costs - net observed income taxes - noncurrent         9,193         8,183           Deferred income taxes - noncurrent         3,370         2,575           Other assets - net         9,193         6,014           TOTAL ASSETS         \$193,410         \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY         \$193,410         \$193,280           CURRENT LIABILITIES:         \$11,641         2,178           Due to licensors         \$11,641         2,178           Media payable         714         2,178           Accounts payable and accrued expenses         13,309         9,706           Deferred revenue         7,638         8,070           Deferred income taxes         -		23,011	37,143
Prepaid income taxes         2.486         2.670           Prepaid expenses and other current assets         2,032         1,690           Deferred income taxes         475         —           Total current assets         162,917         169,770           PROPERTY AND EQUIPMENT - NET         3,215         3,350           OTHER ASSETS:         4,266         2,662           Accounts receivable - noncurrent, net         4,266         7,66           Investment in equity securities         726         726           Film and television costs - net         9,193         8,183           Deferred income taxes - noncurrent         3,370         2,575           Other assets - net         9,723         6,014           TOTAL ASSETS         \$193,410         \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY         CURRENT LIABILITIES:         S           Due to licensors         \$11,641         \$11,835           Media payable         714         2,178           Accounts payable and accrued expenses         13,309         9.706           Deferred revenue         7,638         8,070           Deferred income taxes         —         52           Total current liabilities         33,302         31,841		17 572	0 600
Prepaid expenses and other current assets         2,032 475 — —           Deferred income taxes         475 — —           Total current assets         162,917 169,770           PROPERTY AND EQUIPMENT - NET         3,215 3,350           OTHER ASSETS:         3,225 726         726 726           Accounts receivable - noncurrent, net Investment in equity securities         726 726         726 726           Film and television costs - net Subserved in equity securities         9,193 8,183 8,183 9,2575         2,575 0ther assets - noncurrent         3,370 2,575 0ther assets - net         9,723 6,014           FOTAL ASSETS         \$193,410 \$193,280         \$193,410 \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY         CURRENT LIABILITIES         \$11,641 \$11,835 Media payable         \$11,641 \$11,835 Media payable         \$11,641 \$11,835 Media payable         \$13,309 9,706 Media payable         \$1,640 \$1,835 Media payable         \$1,641 \$11,835 Media payable			
Deferred income taxes			
PROPERTY AND EQUIPMENT - NET  OTHER ASSETS:  Accounts receivable - noncurrent, net Investment in equity securities Film and television costs - net Poterred income taxes - noncurrent Other assets - net Ot	* *		
OTHER ASSETS:           Accounts receivable - noncurrent, net         4.266         2.662           Investment in equity securities         726         726           Film and television costs - net         9,193         8,183           Deferred income taxes - noncurrent         3,370         2,575           Other assets - net         9,723         6,014           FOTAL ASSETS         \$193,410         \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY         \$11,641         \$11,835           Media payable         714         2,178           Accounts payable and accrued expenses         13,309         9,706           Deferred revenue         7,638         8,070           Deferred income taxes         -         52           Total current liabilities         33,302         31,841           DEFERRED RENT         987         952           Total liabilities         34,289         32,793           COMMITMENTS AND CONTINGENCIES         50         -           STOCKHOLDERS' EQUITY         Preferred stock, \$.01 par value - authorized, \$.000,000 shares; none issued         -         -           COmmon stock, \$.01 par value - authorized, usual substanting 13,679,143 and 13,965,343 shares; outstanding 13,679,143 and 13,963,343 shares; outstanding 13,679,143 and	Total current assets	162,917	169,770
Accounts receivable - noncurrent, net Investment in equity securities 726 726 726 726 726 726 726 726 726 726	PROPERTY AND EQUIPMENT - NET	3,215	3,350
Investment in equity securities   726   726   726   726   726   726   726   726   726   726   726   726   726   726   726   726   726   726   727	OTHER ASSETS:		
Film and television costs - net         9,193         8,183           Deferred income taxes - noncurrent         3,370         2,575           Other assets - net         9,723         6,014           FOTAL ASSETS         \$193,410         \$193,280           CURRENT LIABILITIES:           Due to licensors         \$11,641         \$11,835           Media payable         714         2,178           Accounts payable and accrued expenses         13,309         9,706           Deferred revenue         7,638         8,070           Deferred income taxes         —         52           Total current liabilities         33,302         31,841           DEFERRED RENT         987         952           Total liabilities         34,289         32,793           COMMITMENTS AND CONTINGENCIES           STOCKHOLDERS' EQUITY           Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued         —         —           Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and         13,965,343 shares in 2004 and 2003, respectively         41         140           Accumulated other comprehensive income         791         693			2,662
Deferred income taxes - noncurrent Other assets - net         3,370 9,723 6,014           POTAL ASSETS         \$193,410         \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY         CURRENT LIABILITIES:			726
Other assets – net         9,723         6,014           TOTAL ASSETS         \$193,410         \$193,280           LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES:           Due to licensors         \$11,641         \$11,835           Media payable and accrued expenses         13,309         9,706           Deferred revenue         7,638         8,070           Deferred income taxes         —         52           Total current liabilities         33,302         31,841           DEFERRED RENT         987         952           Total liabilities         34,289         32,793           COMMITMENTS AND CONTINGENCIES           STOCKHOLDERS' EQUITY           Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued         —         —           Common stock, \$.01 par value - authorized, 40,000,000 shares; sisued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively         141         140           Additional paid-in capital         55,118         52,798           Accumulated other comprehensive income         791         693           Retained earnings         112,066         106,856           Less- cost of 400,000 treasury shares			8,183
Sign			2,575
CURRENT LIABILITIES	Other assets – net	9,723	6,014
Due to licensors   \$11,641   \$11,835   Media payable   714   2,178   Accounts payable and accrued expenses   13,309   9,706   Deferred revenue   7,638   8,070   Deferred income taxes   - 52   Total current liabilities   33,302   31,841   DEFERRED RENT   987   952   Total liabilities   34,289   32,793   COMMITMENTS AND CONTINGENCIES   STOCKHOLDERS' EQUITY   Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued   - Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively   141   140   Additional paid-in capital   55,118   52,798   Accumulated other comprehensive income   791   693   Retained earnings   112,066   106,8856   168,116   160,487   Less- cost of 400,000 treasury shares   8,995   - 159,121   160,487	FOTAL ASSETS	\$193,410	\$193,280
Due to licensors         \$11,641         \$11,835           Media payable         714         2,178           Accounts payable and accrued expenses         13,309         9,706           Deferred revenue         7,638         8,070           Deferred income taxes         —         52           Total current liabilities         33,302         31,841           DEFERRED RENT         987         952           Total liabilities         34,289         32,793           COMMITMENTS AND CONTINGENCIES         STOCKHOLDERS' EQUITY           Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued         —         —           Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively         141         140           Additional paid-in capital         55,118         52,798           Accumulated other comprehensive income         791         693           Retained earnings         112,066         106,856           Less- cost of 400,000 treasury shares         8,995         —           Less- cost of 400,000 treasury shares         159,121         160,487	LIABILITIES AND STOCKHOLDERS' EQUITY		
Media payable       714       2,178         Accounts payable and accrued expenses       13,309       9,706         Deferred revenue       7,638       8,070         Deferred income taxes       —       52         Total current liabilities       33,302       31,841         DEFERRED RENT       987       952         Total liabilities       34,289       32,793         COMMITMENTS AND CONTINGENCIES       STOCKHOLDERS' EQUITY         Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued       —       —         Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively       141       140         Additional paid-in capital       55,118       52,798         Accumulated other comprehensive income       791       693         Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       8,995       —         Less- cost of 400,000 treasury shares       159,121       160,487		ф11 <i>С</i> 41	¢11 025
Accounts payable and accrued expenses  Deferred revenue			
Deferred revenue			
Deferred income taxes			
Total current liabilities   33,302   31,841     DEFERRED RENT   987   952     Total liabilities   34,289   32,793     COMMITMENTS AND CONTINGENCIES			
Total liabilities 34,289 32,793  COMMITMENTS AND CONTINGENCIES  STOCKHOLDERS' EQUITY  Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued — — — Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively 141 140 Additional paid-in capital 55,118 52,798 Accumulated other comprehensive income 791 693 Retained earnings 112,066 106,856  Less- cost of 400,000 treasury shares 8,995 — 159,121 160,487		33,302	31,841
Total liabilities 34,289 32,793  COMMITMENTS AND CONTINGENCIES  STOCKHOLDERS' EQUITY  Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued — — — Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively 141 140 Additional paid-in capital 55,118 52,798 Accumulated other comprehensive income 791 693 Retained earnings 112,066 106,856  Less- cost of 400,000 treasury shares 8,995 — 159,121 160,487	DEFERRED RENT	987	952
STOCKHOLDERS' EQUITY   Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued   Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively   Additional paid-in capital   S5,118   52,798   Accumulated other comprehensive income   791   693   Retained earnings   112,066   106,856   168,116   160,487   Less- cost of 400,000 treasury shares   8,995   — 159,121   160,487   1			
STOCKHOLDERS' EQUITY         Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued       —       —         Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively       141       140         Additional paid-in capital       55,118       52,798         Accumulated other comprehensive income       791       693         Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       8,995       —         Less- cost of 400,000 treasury shares       159,121       160,487			
Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued       —       —         Common stock, \$.01 par value - authorized, 40,000,000 shares; issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively       141       140         Additional paid-in capital       55,118       52,798         Accumulated other comprehensive income       791       693         Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       8,995       —         159,121       160,487			
issued, 14,079,143 and 13,965,343 shares; outstanding 13,679,143 and 13,965,343 shares in 2004 and 2003, respectively  Additional paid-in capital  Accumulated other comprehensive income  Retained earnings  168,116  160,487  Less- cost of 400,000 treasury shares  159,121  160,487	Preferred stock, \$.01 par value - authorized, 3,000,000 shares; none issued	_	_
Additional paid-in capital       55,118       52,798         Accumulated other comprehensive income       791       693         Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       8,995       —         159,121       160,487			
Accumulated other comprehensive income       791       693         Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       168,116       160,487         —       159,121       160,487	13,965,343 shares in 2004 and 2003, respectively	141	140
Retained earnings       112,066       106,856         Less- cost of 400,000 treasury shares       168,116       160,487         159,121       160,487			52,798
Less- cost of 400,000 treasury shares  168,116			
Less- cost of 400,000 treasury shares       8,995       —         159,121       160,487	Retained earnings	112,066	106,856
159,121 160,487	X		160,487
<del></del>	Less- cost of 400,000 treasury shares		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$193,410 \$193,280			
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$193,410</u>	\$193,280

## 4KIDS ENTERTAINMENT, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) THREE AND SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(In thousands of dollars, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
NET REVENUES	<u>\$22,097</u>	\$23,369	<u>\$44,564</u>	<u>\$44,347</u>
COSTS AND EXPENSES:				
Selling, general and administrative	8,424	8,174	16,938	15,417
Production service costs	3,038	1,989	5,001	3,982
Amortization of television and film costs and Fox broadcast fee	<u>7,555</u>	<u>7,388</u>	<u>14,549</u>	14,504
Total costs and expenses	<u>19,017</u>	<u>17,551</u>	<u>36,488</u>	33,903
INCOME FROM OPERATIONS	3,080	5,818	8,076	10,444
INTEREST INCOME	<u>293</u>	<u>259</u>	<u>578</u>	<u>583</u>
INCOME BEFORE INCOME TAXES	3,373	6,077	8,654	11,027
INCOME TAXES	1,330	<u>2,432</u>	3,444	<u>4,412</u>
NET INCOME	<u>\$2,043</u>	\$3,645	\$5,210	<u>\$6,615</u>
PER SHARE AMOUNTS:				
Basic earnings per common share	<u>\$0.15</u>	<u>\$0.28</u>	<u>\$0.38</u>	<u>\$0.50</u>
Diluted earnings per common share	<u>\$0.14</u>	<u>\$0.26</u>	<u>\$0.36</u>	<u>\$0.47</u>
Weighted average common shares outstanding - basic	13,794,353	13,139,981	13,880,984	13,137,450
Weighted average common shares outstanding - diluted	14,493,824	13,987,627	14,608,084	13,943,629