SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2004 Commission file number 1-6682

HASBRO, INC.
(Exact Name of Registrant, As Specified in its Charter)

Rhode Island
(State of Incorporation)

05-0155090
(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02862
(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697
(Registrant's Phone Number, Including Area Code)

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 or No __

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X or No

The number of shares of Common Stock, par value $.50 per share, outstanding as of October 22, 2004 was 177,016,516.

PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)
(Unaudited)

	Sept. 26, 2004	Sept. 28, 2003	Dec. 28, 2003
Assets			

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Current assets			
Cash and cash equivalents	$ 305,089	155,357	520,747
Accounts receivable, less allowance for doubtful accounts of $40,500, $54,200 and $39,200	697,430	879,669	607,556
Inventories:			
Finished products	295,447	266,713	155,180
Work in process	14,153	7,762	5,144
Raw materials	7,520	14,936	8,655
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Total inventories	317,120	289,411	168,979
Deferred income taxes	110,437	114,021	119,664
Prepaid expenses	147,985	108,683	92,317
	--------------	--------------	--------------
Total current assets	1,578,061	1,547,141	1,509,263
Property, plant and equipment, net	195,208	206,756	199,854
	--------------	--------------	--------------
Other assets			
Goodwill	473,271	462,088	463,680
Other intangibles, less accumulated amortization of $482,500, $412,200 and $435,000	664,452	734,232	710,639
Other	211,246	298,277	279,940
	--------------	--------------	--------------
Total other assets	1,348,969	1,494,597	1,454,259
	--------------	--------------	--------------
Total assets	$ 3,122,238	3,248,494	3,163,376
	========	========	========

(continued)

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)

(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	Sept. 26, 2004	Sept. 28, 2003	Dec. 28, 2003
	---------	---------	---------
Current liabilities			
Short-term borrowings	$ 16,356	104,576	23,354
Current installments of long-term debt	1,356	1,219	1,333
Accounts payable	188,831	169,352	158,969
Accrued liabilities	635,465	698,559	746,399
	--------------	--------------	--------------
Total current liabilities	842,008	973,706	930,055
Long-term debt, excluding current installments	632,411	856,934	686,871
Deferred liabilities	146,169	146,463	141,210
	--------------	--------------	--------------
Total liabilities	1,620,588	1,977,103	1,758,136
	--------------	--------------	--------------
Shareholders' equity			
Preference stock of $2.50 par value			
Authorized 5,000,000 shares; none issued	-	-	-

Common stock of $.50 par value.			
Authorized 600,000,000 shares; issued 209,694,630	104,847	104,847	104,847
Additional paid-in capital	383,849	409,787	397,878
Deferred compensation	(248)	(771)	(679)
Retained earnings	1,649,930	1,496,388	1,567,693
Accumulated other comprehensive earnings	20,785	(5,917)	30,484
Treasury stock, at cost; 32,720,445 shares at September 26, 2004, 35,702,707 at September 28, 2003 and 34,195,301 at December 28, 2003	(657,513)	(732,943)	(694,983)
Total shareholders' equity	1,501,650	1,271,391	1,405,240
Total liabilities and shareholders' equity	$ 3,122,238	3,248,494	3,163,376

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Net revenues	$ 947,312	971,071	1,937,992	2,014,308
Cost of sales	423,458	419,869	817,531	822,913
Gross profit	523,854	551,202	1,120,461	1,191,395
Expenses				
Amortization	16,888	19,319	47,881	53,907
Royalties	65,087	82,535	131,747	169,005
Research and product development	39,257	38,811	108,636	102,416
Advertising	129,403	105,039	243,751	225,903
Selling, distribution and administration	151,179	168,505	429,005	458,824
Total expenses	401,814	414,209	961,020	1,010,055
Operating profit	122,040	136,993	159,441	181,340
Nonoperating (income) expense				
Interest expense	8,257	12,570	24,488	39,566
Other (income) expense, net	(5,513)	6,299	(15,606)	6,381
Total nonoperating (income) expense	2,744	18,869	8,882	45,947
Earnings before income taxes and cumulative effect of accounting change	119,296	118,124	150,559	135,393
Income taxes	30,609	32,309	36,501	36,972
Earnings before cumulative effect				

of accounting change	88,687	85,815	114,058	98,421
Cumulative effect of accounting change, net of tax	-	(17,351)	-	(17,351)
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Net earnings	$ 88,687	68,464	114,058	81,070
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(continued)

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (continued)
(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Per common share				
Earnings before cumulative effect of accounting change				
Basic	$ .50	.49	.65	.57
	=======	=======	=======	========
Diluted	$ .45	.48	.54	.55
	=======	=======	=======	========
Cumulative effect of accounting change, net of tax				
Basic and diluted	$ -	(.10)	-	(.10)
	=======	=======	=======	========
Net earnings				
Basic	$ .50	.39	.65	.47
	=======	=======	=======	========
Diluted	$ .45	.38	.54	.45
	=======	=======	=======	========
Cash dividends declared	$ .06	.03	.18	.09
	=======	=======	=======	========

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Nine Months Ended September 26, 2004 and September 28, 2003
(Thousands of Dollars)
(Unaudited)

	2004	2003
Cash flows from operating activities	-------	-------
Net earnings	$ 114,058	81,070
Adjustments to reconcile net earnings to net cash utilized by operating activities:		
Cumulative effect of accounting change, net of tax	-	17,351

Depreciation and amortization of plant and equipment	55,138	55,627
Other amortization	47,881	53,907
Loss on early extinguishment of debt	1,072	-
Change in fair value of liabilities potentially settleable in common stock	(15,370)	1,540
Deferred income taxes	22,969	21,187
Compensation earned under restricted stock programs	164	79
Change in operating assets and liabilities (other than cash and cash equivalents):		
Increase in accounts receivable	(78,432)	(309,382)
Increase in inventories	(146,373)	(91,298)
Increase in prepaid expenses and other current assets	(6,298)	(19,772)
Decrease in accounts payable and accrued liabilities	(79,728)	(1,282)
Other	(8,820)	15,546
Net cash utilized by operating activities	(93,739)	(175,427)
Cash flows from investing activities		
Additions to property, plant and equipment	(55,265)	(42,872)
Investments and acquisitions, net of cash acquired	(9,824)	-
Other	5,138	(3,029)
Net cash utilized by investing activities	(59,951)	(45,901)
Cash flows from financing activities		
Repurchases of and repayments of borrowings with original maturities of more than three months	(50,385)	(200,288)
Net (repayments) proceeds of other short-term borrowings	(6,803)	82,765
Purchase of common stock and other equity securities	-	(3,378)
Stock option transactions	21,249	13,792
Dividends paid	(26,467)	(15,607)
Net cash utilized by financing activities	(62,406)	(122,716)
Effect of exchange rate changes on cash	438	4,029
Decrease in cash and cash equivalents	(215,658)	(340,015)
Cash and cash equivalents at beginning of year	520,747	495,372
Cash and cash equivalents at end of period	$ 305,089	155,357

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Nine Months Ended September 26, 2004 and September 28, 2003

(Thousands of Dollars)
(Unaudited)

	2004	2003
Supplemental information		
Cash paid during the period for:		
Interest	$ 29,255	50,534
Income taxes	$ 30,623	18,847

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings

(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Net earnings	$ 88,687	68,464	114,058	81,070
Other comprehensive earnings (loss)	3,839	4,311	(9,699)	40,897
Total comprehensive earnings	$ 92,526	72,775	104,359	121,967

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(1) In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of September 26, 2004 and September 28, 2003, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The quarterly and year to date periods ended September 26, 2004 and September 28, 2003 are 13-week and 39-week periods, respectively.

The results of operations for the nine months ended September 26, 2004 are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited financial statements for the year ended December 28, 2003 in its annual report on Form 10-K, which includes all such information and disclosures, and, accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements for the fiscal year ended December 28, 2003.

(2) Earnings per share data for the fiscal quarters and nine months ended September 26, 2004 and September 28, 2003 were computed as follows:

	2004	2003

Quarter	Basic	Diluted	Basic	Diluted
Earnings before cumulative effect of accounting change	$ 88,687	88,687	85,815	85,815
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(5,150)	-	1,540
Adjusted earnings before cumulative effect of accounting change	$ 88,687	83,537	85,815	87,355
Average shares outstanding	176,885	176,885	173,833	173,833
Effect of dilutive securities:				
Liabilities potentially settleable in common stock	-	5,918	-	5,873
Options and warrants	-	1,730	-	2,289
Equivalent shares	176,885	184,533	173,833	181,995
Earnings per share before cumulative effect of accounting change	$ .50	.45	.49	.48

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

	2004		2003	
Nine Months	Basic	Diluted	Basic	Diluted
Earnings before cumulative effect of accounting change	$ 114,058	114,058	98,421	98,421
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(15,370)	-	-
Adjusted earnings before cumulative effect of accounting change	$ 114,058	98,688	98,421	98,421
Average shares outstanding	176,348	176,348	173,359	173,359
Effect of dilutive securities:				
Liabilities potentially settleable in common stock	-	5,548	-	-
Options and warrants	-	2,488	-	5,210
Equivalent shares	176,348	184,384	173,359	178,569
Earnings per share before cumulative				

(Thousands of Dollars and Shares Except Per Share Data)

effect of accounting change	$ .65	.54	.57	.55
	=======	=======	=======	=======

Certain warrants containing a put feature that may be settled in cash or common stock are required to be accounted for as a liability at fair value. The Company is required to assess if these warrants, which are classified as a liability, have a more dilutive impact on earnings per share when treated as an equity contract. For the third quarter and nine months ended September 26, 2004, and the quarter ended September 28, 2003, the warrants had a more dilutive impact on earnings per share assuming they were treated as an equity contract. Accordingly, the numerator includes an adjustment to earnings for the (income) expense included therein related to the fair market value adjustment and the denominator includes an adjustment for the shares issuable as of September 26, 2004 and the quarter ended September 28, 2003.

Options and warrants to acquire shares totaling 10,292 at September 26, 2004 and 6,171 at September 28, 2003, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. The Company also has convertible debt under which potentially issuable shares were not included as the contingency features were not met. If the contingent conversion features are met, the impact of conversion of the debentures would result in an additional 11,574 shares being included in the calculation of diluted earnings per share, to the extent those shares would be dilutive. See Note 7.

(3) Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the consolidated statements of operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. Had compensation expense been recorded under the fair value method as set forth in the provisions of Statement of Financial Accounting Standards No. 123 for stock options awarded, the impact on the Company's net earnings and net earnings per share for the fiscal quarters and nine months ended September 26, 2004 and September 28, 2003 would have been:

	Quarter Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Reported net earnings	$ 88,687	68,464	114,058	81,070
Add:				
Stock-based employee compensation expense included in reported net earnings, net of related tax effects	(4)	63	118	63
Deduct:				
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,683)	(3,372)	(10,223)	(9,667)
Pro forma net earnings	$ 85,000	65,155	103,953	71,466
Reported net earnings per share				
Basic	$ .50	.39	.65	.47
Diluted	$ .45	.38	.54	.45
Pro forma net earnings per share				
Basic	$ .48	.38	.59	.41
Diluted	$ .43	.37	.48	.40

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HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(4) Other comprehensive earnings (loss) for the quarters and nine months ended September 26, 2004 and September 28, 2003 consist of the following:

	Quarter Ended		Nine Months Ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Foreign currency translation adjustments	$ 5,632	3,413	(3,941)	38,213
Changes in value of available-for-sale securities, net of tax	(2,473)	(1,367)	(9,859)	4,769
Losses on cash flow hedging activities, net of tax	(933)	(377)	(1,067)	(7,634)
Reclassifications to earnings, net of tax	1,613	2,642	5,168	5,549
	$ 3,839	4,311	(9,699)	40,897

Reclassification adjustments from other comprehensive earnings to net earnings of $1,613 and $5,168 for the quarter and nine months ended September 26, 2004, and $2,642 and $5,549 for the quarter and nine months ended September 28, 2003 represent net losses on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in cost of sales. The losses on cash flow hedging derivatives for the quarter and nine months ended September 26, 2004 include losses on cash flows reclassified to earnings as the result of hedge ineffectiveness of $13 and $157 for the respective periods. The losses on cash flow hedging derivatives for the quarter and nine months ended September 28, 2003 include losses on cash flows reclassified to earnings as the result of hedge ineffectiveness of $402 and $401 for the respective periods. The Company expects the remaining deferred losses on derivative hedging instruments at September 26, 2004 of $5,673 in accumulated other comprehensive earnings to be reclassified to earnings within the next twelve months.

(5) The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarters and nine months ended September 26, 2004 and September 28, 2003 are as follows:

	Quarter ended			
	Pension		Postretirement	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Service cost	$ 2,154	2,066	151	132
Interest cost	3,655	3,507	571	572
Expected return on assets	(3,619)	(3,088)	-	-
Net amortization and deferrals	672	765	134	162
Net periodic benefit cost	$ 2,862	3,250	856	866

Nine Months Ended

	Pension		Postretirement	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Service cost	$ 6,474	6,198	453	396
Interest cost	10,973	10,521	1,713	1,714
Expected return on assets	(10,867)	(9,264)	-	-
Net amortization and deferrals	2,062	2,295	402	486
Net periodic benefit cost	$ 8,642	9,750	2,568	2,596

In April 2004, the Company made a cash contribution to its pension plans of approximately $12,400. The Company does not expect to make any further contributions in 2004.

On December 8, 2003, Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act), which expanded Medicare to include coverage for prescription drugs. The Company sponsors retiree medical programs for certain of its locations and the Company expects that this legislation will eventually reduce the Company's costs for some of these programs. In May 2004, the FASB issued FASB Staff Position FAS 106-2 (FSP 106-2), which is applicable to the Company in the third quarter of 2004. The Company has determined that the enactment of the Act was not a significant event under FSP 106-2 and, accordingly, the effects of the Act will be incorporated into the next measurement of plan assets and obligations on September 30, 2004 and reflected in the Company's December 26, 2004 statement of financial position.

(6) Hasbro is a worldwide leader in children's and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. The Company's main reportable segments are U.S. Toys, Games, and International. The Company has one other segment, Operations, which meets the quantitative thresholds for reportable segments.

In the United States, the U.S. Toys segment includes the design, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, preschool toys and infant products, creative play products, electronic interactive products, children's consumer electronics, electronic learning aids, and toy-related specialty products. The Games segment includes the development, manufacturing, marketing and selling of traditional board games and puzzles, handheld electronic games, and trading card and role-playing games. Within the International segment, the Company develops, manufactures, markets and sells both toy and certain game products in non-U.S. markets. The Operations segment sources finished product for the majority of the Company's segments. The Company also has other segments that primarily license out certain toy and game properties and a retail segment, which operated retail stores in 2003. The Company announced the closure of these stores in December 2003. These other segments do not meet th e quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustment to actual foreign exchange rates included in corporate and eliminations.

The accounting policies of the segments are the same as those referenced in Note 1.

Results shown for the quarter and nine months are not necessarily representative of those which may be expected for the full year 2004, nor were those of the comparable 2003 periods representative of those actually experienced for the full year 2003. Similarly, such results are not necessarily representative of those which would be achieved were each segment an unaffiliated business enterprise.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(Thousands of Dollars and Shares Except Per Share Data)

Information by segment and a reconciliation to reported amounts for the quarter and nine months ended September 26, 2004 and September 28, 2003 are as follows.

	Quarter ended			
	September 26, 2004		September 28, 2003	
Net revenues	External	Affiliate	External	Affiliate
U.S. Toys	$ 369,703	958	377,251	2,733
Games	236,501	9,514	250,201	9,146
International	331,554	173	328,110	37,208
Operations (a)	1,100	352,902	774	298,473
Other segments	8,454	-	14,735	-
Corporate and eliminations	-	(363,547)	-	(347,560)
	$ 947,312	-	971,071	-

	Nine Months ended			
	September 26, 2004		September 28, 2003	
Net revenues	External	Affiliate	External	Affiliate
U.S. Toys	$ 689,254	2,506	739,114	5,166
Games	525,701	23,094	511,024	23,253
International	691,480	878	707,342	85,809
Operations (a)	2,095	632,927	1,478	565,167
Other segments	29,462	-	55,350	-
Corporate and eliminations	-	(659,405)	-	(679,395)
	$ 1,937,992	-	2,014,308	-

	Quarter ended		Nine Months ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Operating profit (loss)				
U.S. Toys	$ 20,848	45,835	14,892	64,107
Games	46,418	58,310	94,713	101,682
International	48,766	38,537	41,490	27,769
Operations (a)	10,611	10,274	11,987	9,118
Other segments	1,616	(1,736)	5,101	(2,048)
Corporate and eliminations	(6,219)	(14,227)	(8,742)	(19,288)
	$ 122,040	136,993	159,441	181,340

Sept. 26, Sept. 28,

(Thousands of Dollars and Shares Except Per Share Data)

Total assets	2004	2003
U.S. Toys	$ 969,238	1,029,257
Games	1,573,472	1,403,462
International (b)	1,429,562	1,354,999
Operations	545,773	611,593
Other segments	171,217	92,951
Corporate and eliminations	(1,567,024)	(1,243,768)
	$ 3,122,238	3,248,494

(a) The Operations segment derives substantially all of its revenues and operating results from intersegment activities.

(b) Included in the International assets at September 26, 2004 is an increase to goodwill of $9,390 related to the Company's acquisition of the remaining unowned interest in its Latin America operations in the first quarter of 2004.

The following table presents consolidated net revenues by class of principal products for the quarters and nine-month periods ended September 26, 2004 and September 28, 2003.

	Quarter ended		Nine Months ended	
	Sept. 26, 2004	Sept. 28, 2003	Sept. 26, 2004	Sept. 28, 2003
Boys' toys	$ 184,700	294,900	440,300	673,000
Games and puzzles	358,100	357,900	777,400	730,100
Preschool toys	87,800	67,100	172,600	137,800
Creative play	54,300	67,800	116,100	130,500
Electronic toys	178,900	103,200	244,100	163,700
Girls' toys	53,800	35,100	103,200	59,900
Other	29,712	45,071	84,292	119,308
Net revenues	$ 947,312	971,071	1,937,992	2,014,308

(7) In April 2003, the Financial Accounting Standards Board ("FASB") announced that it would mandate the fair value method of accounting for all stock-based awards. The FASB issued an Exposure Draft of a proposed statement on March 31, 2004, which is subject to a comment period. If enacted, the change in accounting is not expected to be effective for the Company until sometime during fiscal 2005. Until a final statement is issued, the Company cannot estimate the effect that this change in accounting would have on its consolidated statement of operations.

At its meeting on September 30, 2004, the Emerging Issues Task Force (EITF) reached a final consensus that the dilutive effect of contingent convertible debt instruments must be included in dilutive earnings per share regardless of whether the triggering contingency has been satisfied. This consensus, EITF Issue 04-8, requires application on a retroactive basis and restatement of prior period earnings per share. The final consensus, subject to approval by the FASB, is expected to be effective for periods ending after December 15, 2004. Had this consensus been in effect at September 26, 2004 and September 28, 2003, diluted earnings per share before cumulative effect of accounting change would have been $0.43 and $0.46 for the respective quarters and $0.52 and $0.53 for the respective nine months then ended.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

- ---------------------------------

The Company earns revenue and generates cash through the sale of a variety of toy and game products both within the United States and in international markets. Most of the Company's products are either internally developed or licensed from outside inventors. In addition to products based on its own brands and products licensed from outside vendors, the Company also offers internally developed products tied to licensed entertainment properties.

The Company's principal business strategies focus on:

- Growing its core brands,
- Developing new and innovative toy and game products, and
- Increasing operating margins by optimizing efficiencies within the Company.

Management views the Company's principal product opportunities as falling into three general categories: core brands, innovative new products and licensed entertainment-based products. Although the Company intends to continue to offer products based on licensed entertainment properties, in the past three years the Company has actively sought to reduce its reliance on products based on theatrical properties and to achieve more consistent performance by focusing greater resources on the development and growth of its core brands and on developing innovative products.

The Company's core brands represent Company-owned or Company-controlled brands, such as G.I. JOE, TRANSFORMERS, MY LITTLE PONY, MONOPOLY, MAGIC: THE GATHERING, PLAY-DOH, PLAYSKOOL and TONKA, which the Company views as presenting potential to be successful over the long-term. By focusing on core brands, the Company is working to build a more consistent revenue stream and basis for future growth. However, the volatility of consumer preferences and the high level of competition in the toy and game industry make it difficult to maintain the long-term success of existing product lines and to consistently introduce successful new products.

In addition to its focus on core brands, the Company's strategy also involves trying to meet ever-changing consumer preferences by identifying and offering innovative products based on market opportunities. In 2003, innovative products such as BEYBLADE, FURREAL FRIENDS, and VIDEONOW contributed significantly to the Company's success. In the third quarter of 2004, the Company introduced several new innovative products including VIDEONOW COLOR, LAZER TAG, and TV MISSION: PAINTBALL. The Company believes its strategy of focusing on the development of its core brands and continuing to identify opportunistic new products will prevent the Company from being dependent on the success of any one product line.

While the Company's strategy focuses on growing its core brands and the development of innovative, new products, the Company continues to evaluate and enter into strategic arrangements to license entertainment-based properties when the Company believes it is economically beneficial.

The Company is offering products based on DREAMWORKS' SHREK II, which was released in May 2004. Other major movie-based properties in 2004 will include products based on DISNEY/PIXARS' THE INCREDIBLES and LUCASFILM'S STAR WARS. Although gross profits from theatrical entertainment-based products are generally higher, this increased gross margin is offset by royalty expenses incurred on these sales, as well as amortization expense of property rights paid to the licensor of such properties.

In recent years, the Company has also focused on reducing its fixed costs and increasing its operating margins through a number of business efficiency initiatives. Two major initiatives in late 2003 were the cessation of manufacturing at the Company's Valencia, Spain facility and the announced closure of the remaining retail stores operated under the Wizards of the Coast and Game Keeper names, both of which occurred in the fourth quarter of 2003. The Company continues to review its operations in order to determine areas where greater efficiency can be achieved.

The Company's strategy for the near-term also focuses on the reduction of long-term debt. The goal of management is to reduce the Company's debt-to-capitalization ratio, defined as total debt, both short-term and long-term, as a percentage of total equity plus total debt, to 25-30%. The Company has repurchased or repaid approximately $215,900 in principal amount of long-term debt during the twelve months ended September 26, 2004. At September 26, 2004, the Company's debt-to-capitalization ratio was approximately 30%, which compared to approximately 43% at September

28, 2003. It is the Company's intent to continue to assess the desirability of using available cash from operations to reduce its outstanding long-term debt to maintain this target ratio, as market conditions and the Company's committed revolving credit agreement and other sources of financing allow.
2003 was a year of ongoing consolidation in the toy and game industry, with further store closings and the bankruptcy of two notable toy and game retailers. This consolidation, and associated retail uncertainty, has continued in the first nine months of 2004. As a result, the Company's customer base continues to become more concentrated. While the consolidation of customers may provide certain benefits to the Company, such as potentially more efficient product distribution and other decreased costs of sales and distribution, this consolidation also creates additional risks to the Company's business associated with a major customer having financial difficulties or reducing its business with the Company. In addition, customer concentration may decrease the prices the Company is able to obtain for some of its products. The Company believes that its strategy of offering strong brands and innovative products, which provide value to both consumers and the Company's customers, will help protect the Company from an y negative impact resulting from an environment of increasing retail consolidation.

RESULTS OF OPERATIONS
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Net earnings for the quarter and nine months ended September 26, 2004 were $88,687 and $114,058, respectively, compared with net earnings of $68,464 and $81,070 for the respective periods of 2003. Basic earnings per share for the quarter and nine months ended September 26, 2004 were $0.50 and $0.65 compared with basic earnings per share of $0.39 and $0.47 for the respective periods in 2003. Diluted earnings per share for the quarter and nine months ended September 26, 2004 were $0.45 and $0.54, respectively, compared with diluted earnings per share of $0.38 and $0.45 for the respective periods in 2003.

In accordance with U.S. generally accepted accounting principles, diluted earnings per share for the quarter and year to date periods in 2004 have been adjusted to exclude the favorable impact of the fair value adjustment of certain warrants totaling $5,150 and $15,370, respectively, and includes the dilutive impact of shares issuable under this agreement. A similar adjustment was made to the diluted earnings per share for the 2003 third quarter in the amount of $1,540.

Net earnings and basic and diluted earnings per share for the quarter and nine months ended September 28, 2003, include a cumulative effect of an accounting change of $(17,351) or $(0.10) per share relating to the adoption of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity", ("SFAS 150").

Consolidated net revenues for the quarter ended September 26, 2004 decreased 2% to $947,312 compared with $971,071 for the quarter ended September 28, 2003. For the nine months ended September 26, 2004, consolidated net revenues were $1,937,992 compared to $2,014,308 for the nine months ended September 28, 2003, a decrease of 4%. Operating profit for the quarter ended September 26, 2004 was $122,040 compared to $136,993 in the third quarter of 2003. Operating profit for the 2004 nine-month period was $159,441 compared to an operating profit of $181,340 for the nine-month period of 2003. Most of the Company's revenues and operating earnings are derived from its three principal segments: U.S. Toys, Games and International.

U.S. TOYS
U.S. Toys segment net revenues for the quarter ended September 26, 2004 decreased 2% to $369,703 from $377,251 for the quarter ended September 28, 2003. Net revenues for the nine months ended September 26, 2004 decreased 7% to $689,254 from $739,114 for the nine months ended September 28, 2003. The decrease for both the quarter and nine-month period was primarily due to lower sales of BEYBLADE, and to a lesser extent, decreased sales of TRANSFORMERS, GI JOE, PLAYSKOOL, and ZOIDS products. These decreases were partially offset by increased sales of VIDEONOW products, increased shipments of MY LITTLE PONY products, which were reintroduced in the third quarter of 2003, and revenues from the new product launch of BOOBAH.

The U.S. Toys segment operating profit decreased to $20,848 for the quarter ended September 26, 2004 from $45,835 for the quarter ended September 28, 2003. Operating profit for the nine months ended September 26, 2004, decreased to $14,892 from $64,107 for the nine months ended September 28, 2003. This decrease in operating profit for both the quarter and nine month period primarily related to decreased gross profit as a result of the lower net revenues as well as a change in product mix, including the decline in sales of BEYBLADE products which carry a higher gross margin and increased sales of VIDEONOW hardware, which carry a lower gross margin. To a lesser extent, the decrease relates to an increase in advertising expense, which is consistent with the Company's strategy to continue to focus on product promotions as a means to increase and sustain awareness of its core brands, as well as to introduce new products.

The decrease in operating profit was partially offset by decreased royalties, driven by lower sales of BEYBLADE products, as well as lower selling, distribution, and administration expenses as a result of the Company's cost reduction initiatives. Operating profit in the 2003 nine-month period was negatively impacted by a charge of approximately $7,000 related to exiting certain unprofitable product lines.

GAMES
Games segment net revenues decreased by 5% to $236,501 for the quarter ended September 26, 2004 from $250,201 for the quarter ended September 28, 2003. Net revenues for the nine months ended September 26, 2004 increased 3% to $525,701 from $511,024 for the nine months ended September 28, 2003. For the quarter, the decrease primarily related to decreased revenues from trading card games, including MAGIC: THE GATHERING products. These decreases were partially offset by increased sales of TRIVIAL PURSUIT products, including the new product release of TRIVIAL PURSUIT - THE 1990'S, as well as TRIVIAL PURSUIT POP CULTURE DVD game, which was introduced in the fourth quarter of 2003. For the nine month period ended September 26, 2004, the increase primarily related to the introduction of DUEL MASTERS trading card games in the first quarter of 2004. This increase was partially offset by decreased revenues from other trading card games, including MAGIC: THE GATHERING. Sales of MAGIC: THE GATHERING have decreased in 2004 due to the fact that there are three releases in 2004 compared to four releases in 2003. Net revenues in the 2004 quarter and nine month periods were also positively impacted by increased sales in the electronic and pre-school categories.

Games segment operating profit decreased to $46,418 for the quarter ended September 26, 2004 from $58,310 for the quarter ended September 28, 2003. Operating profit for the nine months ended September 26, 2004 decreased to $94,713 from $101,682 for the nine months ended September 28, 2003. For the nine-month period, decreased operating profit related to increased advertising expense as a result of the Company's ongoing initiative to raise awareness of its core brands, as well as increased product development expense. Those increased expenses were partially offset by the increased revenues. For the quarter, decreased operating profit primarily related to the decrease in revenues.

INTERNATIONAL
International segment net revenues increased by 1% to $331,554 for the quarter ended September 26, 2004 from $328,110 for the quarter ended September 28, 2003. Net revenues for the nine months ended September 26, 2004 decreased 2% to $691,480 from $707,342 for the nine months ended September 28, 2003. For the quarter and nine months ended September 26, 2004, International segment net revenues were positively impacted by currency translation of approximately $17,400 and $46,200, respectively, as the result of the weaker U.S. dollar. Excluding the favorable impact of foreign exchange, International net revenues decreased 4% and 9% in local currency for the quarter and nine months ended September 26, 2004, respectively. The decrease in local currency revenue for the quarter and nine-month period was primarily the result of decreased sales of BEYBLADE products, partially offset by increased revenues from MY LITTLE PONY products, which were introduced in the third quarter of 2003, and higher sales of FURREAL FRIENDS, DUEL MASTERS, and VIDEONOW products. To a lesser extent, 2004 third quarter and nine month revenues were also positively impacted by increased sales of PLAYSKOOL products and TRIVIAL PURSUIT products including TRIVIAL PURSUIT 20TH ANNIVERSARY EDITION.

The International segment operating profit for the quarter ended September 26, 2004 increased to $48,766 from $38,537 for the quarter ended September 28, 2003. Operating profit for the nine months ended September 26, 2004 increased to $41,490 from $27,769 for the nine months ended September 28, 2003. Although revenues were positively impacted by the weaker U.S. dollar, as noted above, operating expenses were also impacted, with a resulting net unfavorable translation impact to International operating profit of approximately $1,100 for the nine months ended September 26, 2004, and a net favorable translation impact to operating profit of approximately $1,900 for the third quarter.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

(Thousands of Dollars Except Per Share Data)

Absent the impact of foreign exchange rates, the improvement in operating profit was primarily due to lower royalty expenses. For the quarter, operating profits were positively impacted by an increase in gross profit as a result of increased revenues and the Company's cost reduction initiatives, including the cessation of manufacturing at the

Company's Valencia, Spain facility.

GROSS PROFIT
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The Company's gross profit margin decreased to 55.3% for the quarter ended September 26, 2004 from 56.8% for the quarter ended September 28, 2003 while gross margin for the nine months ended September 26, 2004 decreased to 57.8% from 59.1% in the comparable period of 2003. The decrease was due to changes in product mix, primarily decreased sales of BEYBLADE products, which carry a higher gross margin. There were significant shipments of VIDEONOW hardware during the third quarter of 2004, which carries a relatively low gross margin compared to the software. The Company expects to ship significant quantities of VIDEONOW software in the fourth quarter of 2004, which carries a relatively high gross margin. However, the Company expects full year gross margin to be consistent with the prior year. The Company aggressively monitors its levels of inventory, attempting to avoid unnecessary expenditures of cash and potential charges related to obsolescence. The Company's failure to accurately predict and respond to co nsumer demand could result in overproduction of less popular items, which could result in higher obsolescence costs, causing a reduction in gross profit. Rising commodity prices could also have a negative impact on the Company's gross profit margin in the fourth quarter of 2004.

EXPENSES
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For the quarter and nine-month period, amortization expense decreased in dollars but remained relatively consistent as a percentage of net revenues. Amortization expense of $16,888, or 1.8% of net revenues in the third quarter of 2004, compared with $19,319, or 2.0% of net revenues in the third quarter of 2003. For the nine months ended September 26, 2004, amortization expense was $47,881, or 2.5% of net revenues compared with $53,907, or 2.7% of net revenues for the nine months ended September 28, 2003. A portion of amortization expense relates to licensing rights and is based on expected sales of products related to those licensing rights. The decrease in amortization expense in 2004 primarily relates to decreased sales of these licensed products in the first nine months of 2004.

Royalty expense for the quarter ended September 26, 2004 decreased to $65,087, or 6.9% of net revenues from $82,535, or 8.5% of net revenues in the third quarter of 2003. Royalty expense for the nine months ended September 26, 2004 decreased to $131,747, or 6.8% of net revenues from $169,005, or 8.4% of net revenues for the nine months ended September 28, 2003. This decrease is primarily due to the lower sales of BEYBLADE products.

Research and product development expenses for the quarter ended September 26, 2004 increased in dollars but remained relatively consistent as a percentage of net revenues. Research and product development expense of $39,257, or 4.1% of net revenues in the third quarter of 2004, compared with $38,811 or 4.0% of net revenues for the quarter ended September 28, 2003. These expenses increased to $108,636 or 5.6% of net revenues for the nine months ended September 26, 2004 from $102,416 or 5.1% of net revenues for the nine months ended September 28, 2003.

Investment in research and product development costs is an important component to the Company's strategy to grow core brands and to create new and innovative toy and game products. The Company expects full year research and product development expenses to increase slightly as a percentage of revenue in 2004 compared to 2003 levels.

For the quarter ended September 26, 2004, advertising expense increased to $129,403 or 13.7% of net revenues from $105,039, or 10.8% of net revenues for the quarter in 2003. For the nine months ended September 26, 2004, advertising expense increased to $243,751, or 12.6% of net revenues from $225,903, or 11.2% of net revenues for the nine months ended September 28, 2003. The increase is consistent with the Company's strategy to continue to focus on advertising as a means to increase and sustain awareness of its core brands, as well as to introduce new products. In the third quarter of 2004, the Company introduced several new innovative products including VIDEONOW COLOR and LAZER TAG. The Company expects advertising expense in 2004 to continue to be higher in dollars and as a percentage of net revenues than 2003 levels, as it continues to follow its strategy of focusing on core brands and offering new, innovative products.

For the quarter ended September 26, 2004, the Company's selling, distribution and administration expenses decreased to $151,179, or 16.0% of net revenues from $168,505, or 17.4% of net revenues in 2003. For the nine months ended September 26, 2004, these expenses decreased to $429,005, or 22.1% of net revenues from $458,824, or 22.8% of net revenues in 2003. The decreases reflect lower expenses resulting from the Company's cost reduction initiatives, which were partially offset by higher international expenses in translated U.S. dollars as the result of the weaker U.S. dollar.

NONOPERATING (INCOME) EXPENSE
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Interest expense for the third quarter of 2004 was $8,257 compared with $12,570 in the third quarter of 2003. For the

nine months ended September 26, 2004, interest expense decreased to $24,488 from $39,566 in 2003. For the quarter and nine months ended September 26, 2004, approximately 74% and 71%, respectively, of the decrease in interest expense is attributable to lower levels of short-term and long-term debt in 2004 than in the comparable 2003 periods. This mainly reflects the Company's strategy to reduce its long-term debt. The Company has repurchased and repaid approximately $215,900 in principal amount of long-term debt during the twelve months ended September 26, 2004. The remaining 26% and 29% decreases in interest expense from the quarter and nine months ended September 26, 2004, respectively, are due to lower effective interest rates, primarily the result of interest rate swap agreements that reduce the amount of the Company's debt subject to fixed interest rates.

Other income, net, of $5,513 for the third quarter of 2004 compares to other expense, net of $6,299 for the quarter ended September 28, 2003. For the nine-month periods, other income, net was $15,606 in 2004 compared to other expense, net of $6,381 in 2003. Other income for the third quarter and nine months ended September 26, 2004 includes non-cash income of $5,150 and $15,370, respectively, compared to a charge to earnings of $1,540 for both periods in 2003, related to the change in the fair value of certain warrants required to be classified as a liability. These warrants are required to be adjusted to their fair value each quarter through earnings. The fair value of these warrants is primarily affected by the Company's stock price, but is also affected by the Company's stock price volatility and dividends, as well as risk-free interest rates.

Assuming the Company's stock volatility and dividend payments, as well as risk-free interest rates remain constant, the fair value of the warrants would increase and the Company would recognize a charge to earnings as the price of the Company's stock increases. If the price of the Company's stock decreases and the Company's stock volatility, dividend payments, and the risk-free interest rates remain constant, the fair value of the warrants will decrease and the Company will recognize income. Based on a hypothetical increase in the Company's stock price to $20.00 per share at September 26, 2004 from its actual price of $18.22 a share on that date, the Company would have recognized non-cash income of approximately $10,200 rather than actual non-cash income recorded of $15,370 for the 2004 nine-month period, to reflect the change in the fair value of the warrants from their fair value of $138,650 at December 28, 2003.

INCOME TAXES

Income tax expense as a percentage of pretax earnings in the third quarter of 2004 was 25.7%, and for the nine months was 24.2%, compared to 27.4% and 27.3% in the comparable periods of 2003. Absent the effect of the adjustment of certain warrants to their fair value, which has no tax effect, the 2004 effective tax rates for the third quarter and nine months would have been 26.8% and 27.0%, respectively, compared to 27.0% for the comparable periods in 2003. The decrease in the 2004 third quarter rate, from the 28% used for the first two quarters of 2004, is primarily due to a shift of expected operating profits to jurisdictions with lower tax rates. The income tax rate for the full year 2003 was 28.3% and, excluding the effect of the adjustment of the above warrants to their fair value, would have been 26.8%.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

On June 30, 2003, the first day of the third quarter of fiscal 2003, the Company adopted Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity", ("SFAS 150"). SFAS 150 required the Company to reclassify certain warrants recorded as equity to a liability, and adjust the warrants to their fair value through earnings as of that date. On the date of adoption, the Company reclassified $107,669 from equity, where the warrants had previously been recorded, to current liabilities. A cumulative effect of accounting change of $17,351 was recorded to adjust the amount of this liability to its fair value on the adoption date. There is no tax benefit associated with this charge.

OTHER INFORMATION

Typically, due to the seasonal nature of its business, the Company expects the second half of the year and within that half, the fourth quarter, to be more significant to its overall business for the full year. The Company expects that this concentration will continue, particularly as more of its business shifts to larger customers with order patterns concentrated in the second half of the year. The concentration of sales in the second half of the year and, specifically, the fourth quarter increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. The trend of larger retailers has been to maintain lower inventories throughout the year and purchase a greater percentage of product within or close to the fourth quarter holiday consumer selling season, which includes Christmas.

Quick response inventory management practices now being used result in more orders being placed for immediate delivery and fewer orders being placed well in advance of shipment. Consequently, unshipped orders on any date in a given year are not necessarily indicative of future sales. In addition, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. At September 26, 2004 and September 28, 2003, the Company's unshipped orders were approximately $491,000 and $542,000, respectively.

Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the consolidated statement of operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. In March 2004, the Financial Accounting Standards Board ("FASB") issued an Exposure Draft of a proposed statement, subject to a comment period, which would mandate the fair value method of accounting for all stock-based awards. If enacted, the change in accounting is not expected to be effective for the Company until sometime during fiscal 2005. Until the statement is finalized, the Company cannot estimate the effect that this change in accounting would have on its consolidated statement of operations .

At its meeting on September 30, 2004, the Emerging Issues Task Force (EITF) reached a final consensus that the dilutive effect of contingent convertible debt instruments must be included in dilutive earnings per share regardless of whether the triggering contingency has been satisfied. This consensus, EITF Issue 04-8, requires application on a retroactive basis and restatement of prior period earnings per share. The final consensus, subject to approval by the FASB, is expected to be effective for periods ending after December 15, 2004. Had this consensus been in effect at September 26, 2004 and September 28, 2003, diluted earnings per share would have been $0.43 and $0.46 for the respective quarters and $0.52 and $0.53 for the respective nine months then ended.

The American Jobs Creation Act of 2004 (the "Act") was signed into law on October 22, 2004. The Company is studying the various provisions of the Act, including an incentive to reinvest international earnings into the United States. The Act contains many potentially inter-related provisions that impact Hasbro worldwide. The Company is in the process of evaluating these provisions to determine their potential impact.

LIQUIDITY AND CAPITAL RESOURCES
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Hasbro has historically generated a significant amount of cash from normal operations. The Company funds its operations and liquidity needs primarily through cash flows from operations, as well as utilizing, when needed, borrowings under its credit facilities. The seasonality of the Company's business results in the interim cash flow statements not being representative of that which may be expected for the full year. Historically, the majority of the Company's cash collections occur late in the fourth quarter and early in the first quarter of the subsequent year. As receivables are collected, the proceeds are used to repay outstanding short-term debt. During 2004, the Company expects to continue to fund its working capital needs primarily through operations and, when needed, through its revolving credit facility and receivables securitization program.

In December 2003, the Company entered into a three-year receivables securitization program whereby undivided interests in up to $250,000 of eligible domestic trade accounts receivable may be sold, on a revolving basis, to bank conduits. In accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", receivable interests securitized are accounted for as a sale and removed from the consolidated balance sheet. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through the securitization program and committed lines of credit, are adequate to meet its needs for the remainder of 2004 and 2005.

However, unforeseen circumstances in the toy or game industry, such as softness in the retail environment or unanticipated changes in consumer preferences could result in a significant decline in revenues and operating results of the Company, which could result in the Company being in non-compliance with its financial covenants and unable to use funding from its receivables securitization program. Non-compliance with its financial covenants could result in the Company being unable to utilize borrowings under its revolving credit facility, other bank lines and the securitization program, a circumstance most likely to occur when operating shortfalls would most require supplementary borrowings to enable the Company to continue to fund its operations. In addition, a significant deterioration in the business of a major U.S. customer could result in a decrease in eligible accounts receivable, which would prevent the Company from being able to fully utilize its receivables securitization program. The Company has been and expects to be in compliance with its borrowing and securitization financial covenants during 2004.

Because of this seasonality in cash flow, management believes that on an interim basis, rather than discussing only its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories as well. Also, as several of the major categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter, again due to the seasonality of its business, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior year-end.

Cash flows utilized by operating activities were $93,739 for the nine months ended September 26, 2004 compared to $175,427 for the nine months ended September 28, 2003. The decrease in cash flow utilized by operating activities is primarily the result of the utilization of the accounts receivable securitization facility. Accounts receivable were $697,430 at September 26, 2004 compared to $879,669 at September 28, 2003. The decrease in accounts receivable was principally due to the Company's securitization program, as well as increased collections and lower revenues, partly offset by increases resulting from higher translation of international balances due to the currency impact of the weaker U.S. dollar.

Prepaid expenses were $147,985 at September 26, 2004 compared to $108,683 at September 28, 2003. The increase resulted from higher prepaid advertising and prepaid royalties. Prepaid advertising increased as a result of increased advertising to be placed in the fourth quarter of 2004 to promote the Company's new products. Prepaid royalties increased as a result of a reclassification of royalty advances from long-term assets in anticipation of the release of the next STAR WARS film in the second quarter of 2005.

Inventories increased to $317,120 at September 26, 2004 from $289,411 at September 28, 2003, reflecting a shift in the mix of the Company's retail customers. In 2004, more of the Company's business has shifted to larger non toy and game specific retailers who concentrate more of their toy and game purchases in the fourth quarter.

Accounts payable and accrued expenses decreased to $824,296 at September 26, 2004 from $867,911 at September 28, 2003. This decrease is due to decreased accrued royalties reflecting the lower level of royalty expense, as well as decreased bonus and management incentive accruals.

Collectively, property, plant and equipment and other assets decreased $157,176 from the comparable period in the prior year. The decrease is partially due to amortization of intangibles. In addition, the decrease is also due to the reclassification of royalty advances to prepaid expenses in anticipation of the release of the next STAR WARS film, as mentioned above. These decreases were partially offset by an increase in goodwill of $9,390 relating to the Company's purchase of the remaining unowned interest in its Latin America operations in the first quarter of 2004. The Company paid cash of $9,824 relating to this transaction, which is included in cash utilized by investing activities. Long-term deferred tax assets also decreased partially as a result of utilization of loss carryforwards.

During the nine months ended September 26, 2004, the Company repurchased an aggregate of $48,613 in principal amount of long-term debt, comprised of $17,605 in principal amount of 6.60% Debentures due 2028, $10,908 in principal amount of 6.15% Notes due 2008, and $20,100 in principal amount of 5.60% Notes due 2005. Net borrowings (short-term borrowings, current installments of long-term debt, and long-term debt, less cash and cash equivalents) decreased to $345,034 at September 26, 2004 from $807,372 at September 28, 2003. This reflects an increase in cash of $149,732 as the result of improved earnings and utilization of the accounts receivable securitization facility, as mentioned above. The decrease in net borrowings was also the result of the repurchase and repayment of approximately $215,900 in principal amount of long-term debt during the last twelve months, and a reduction in short-term borrowings. It is the Company's intent to continue to assess the desirability of using available cash from opera tions and other sources of financing to reduce its outstanding long-term debt, as market conditions and the Company's committed revolving credit agreement allow.

The Company currently has an unsecured revolving credit facility of $350,000, maturing in March 2007. The credit facility reduces by $50,000 effective March 31, 2005, and by a further $50,000 effective November 30, 2005. If the Company fails to maintain certain financial ratios or if the credit rating of the Company drops below BB at Fitch Ratings or Standard & Poor's, or Ba3 at Moody's, borrowings under the amended and restated facility would be secured by substantially all domestic inventory as well as certain intangible assets. At September 26, 2004, the Company was rated BBB- by Fitch Ratings and Standard & Poor's, and Baa3 by Moody's. The Company is not required to maintain compensating balances under the agreement. The agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments. The Co mpany was in compliance with all restrictive covenants as of and for the nine months ended September 26, 2004. The Company had approximately $2,000 in borrowings outstanding under its committed revolving credit facility at September 26, 2004.

The Company also has other uncommitted lines from various banks, of which approximately $14,400 was outstanding at September 26, 2004. Amounts available and unused under the committed line at September 26, 2004 were approximately $339,800. The Company believes that funds provided by operations and amounts available for borrowing from time to time under these lines of credit are adequate to meet its operating needs in the remainder of 2004 and 2005.

In December 2003, the Company entered into a three-year receivables securitization program. Under this program, the Company sells on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC ("HRF"). HRF is consolidated with the Company for financial reporting purposes. The securitization program then allows HRF to sell, on a revolving basis, an undivided interest of up to $250,000 in the eligible receivables it holds to certain bank conduits. The program provides the Company with a cost-effective source of liquidity. Based on the amount of eligible accounts receivable as of September 26, 2004, the Company had availability under this program to sell approximately $128,300, all of which was utilized.

The Company had letters of credit of approximately $25,600 and purchase commitments of $180,600 outstanding at September 26, 2004. Other contractual obligations and commercial commitments, as detailed in the Company's annual report on Form 10-K for the year ended December 28, 2003, did not materially change outside of payments made in the normal course of business and the repurchase of $48,613 in principal amount of long-term debt outstanding.

The Company currently has $250,000 outstanding in principal amount of contingent convertible debentures due 2021. If the closing price of the Company's stock exceeds $23.76 for at least 20 trading days, within the 30 consecutive trading day period ending on the last trading day of the calendar quarter, the holders have the right to convert the notes to shares of the Company's common stock at the initial conversion price of $21.60 in the next calendar quarter. This contingent conversion feature was not met in the first nine months of 2004. The Company believes that cash from operations, the securitization facility, and if necessary the committed line of credit, will allow the Company to meet these and its other obligations. It is the Company's current strategy to reduce its long-term debt through repurchases when it is considered economically beneficial and permitted under the Company's amended and restated revolving credit agreement.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES
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The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, inventory valuation, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments and pensions.

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. Revenue from product sales is recognized upon passing of title to the customer, generally at the time of shipment. Revenue from product sales, less related sales allowances, is added to royalty revenue and reflected as net revenues in the consolidated statements of operations. The Company routinely commits to promotional sales allowance programs with customers. These allowances primarily relate to fixed programs, which the customer earns based on purchases of Company products during the year. Discounts are recorded as a reduction of related revenue at the time of sale. While many of the allowances are based on fixed amounts, certain of the allowances, such as the returns allowance, are based on market data, historical trends and information from customers and are therefore subject to estimation.

Inventory is valued at the lower of cost or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company underproducing popular items or overproducing less popular items. Management estimates are monitored on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or market standard.

Goodwill and other intangible assets deemed to have indefinite lives are tested for impairment at least annually. If an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim test at that time. The impairment test begins by allocating goodwill and intangible assets to applicable reporting units. Goodwill is then tested using a two step process that begins with an estimation of the fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows.

The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. Intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value, which is also calculated using an income approach. The Company's annual impairment test will be performed in the fourth quarter of 2004. At September 26, 2004, the Company has goodwill and intangible assets with indefinite lives of $549,009 recorded on the balance sheet.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of the value of these intangible assets is measured by a comparison of the assets' carrying value to the estimated future undiscounted cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment would be measured by the amount by which the carrying value of the asset exceeds its fair value based on estimated future discounted cash flows. The estimation of future cash flows requires significant judgments and estimates with respect to future revenues related to the respective asset and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in this assessment and result in an impairment charge. The estimation of discounted cash flows a lso requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge.

Intangible assets covered under this policy were $588,714 at September 26, 2004. During the first nine months of 2004, there were no impairment charges related to these intangible assets.

The recoverability of royalty advances and contractual obligations with respect to minimum guaranteed royalties is assessed by comparing the remaining minimum guaranty to the estimated future sales forecasts and related cash flow projections to be derived from the related product. If sales forecasts and related cash flows from the particular product do not support the recoverability of the remaining minimum guaranty or, if the Company decides to discontinue a product line with royalty advances or commitments, a charge to royalty expense to write-off the remaining minimum guaranty is required. The preparation of revenue forecasts and related cash flows for these products requires judgments and estimates. Actual revenues and related cash flows or changes in the assessment of anticipated revenues and cash flows related to these products could result in a change to the assessment of recoverability of remaining minimum guaranteed royalties. At September 26, 2004, the Company had $186,888 of prepaid royaltie s, $89,896 of which are included in prepaid expenses and other current assets and $96,992 which are included in other assets.

The Company, except for certain International subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits using estimates for expected return on assets, expected compensation increases, and applicable discount rates. These estimates are established for the upcoming year at the Company's measurement date of September 30. The Company estimates expected return on assets using a weighted average rate based on historical market data for the investment classes of assets held by the plan, the allocation of plan assets among those investment classes, and the current economic environment. Based on this information, the Company's estimate of expected return on plan assets in 2004 and 2003 was 8.75%. A decrease in the estimate used for expected return on plan assets would increase pension expense, while an increase in this estimate would decrease pension expense. A decrease of 1% in the estimate of expecte d return on plan assets would increase pension expense by approximately $1,600. Expected compensation increases are estimated using a combination of historical compensation increases with expected compensation increases in the

Company's long-term business forecasts. Based on this analysis, the Company's estimate of expected long-term compensation increases was 4.0% in 2004 and 2003. Increases in estimated compensation increases would increase pension expense while decreases would decrease pension expense. Discount rates are selected based upon rates of return on high quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The Company considers Moody's long-term Aa Corporate Bond yield at the measurement date as an appropriate guide in setting this rate. At September 30, 2003, the Company's measurement date for its pension assets and liabilities, the Moody's long-term Corporate Bond yield was 5.9%, and the Company selected a dis count rate of 6%. A decrease in the discount rate would result in greater pension expense, while an increase in the discount rate would decrease pension expense. A decrease of 1% in the Company's discount rate would increase pension expense and the projected benefit obligation by approximately $3,700 and $33,000, respectively. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", actual results that differ from the actuarial assumptions are accumulated and, if in excess of a certain corridor, amortized over future periods and, therefore generally affect recognized expense and the recorded obligation in future periods. Assets in the plan are valued on the basis of their fair market value on the measurement date.

FINANCIAL RISK MANAGEMENT
- --

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty currencies. Results of operations may be affected primarily by changes in the value of the U.S. dollar, Hong Kong dollar, Euro, British pound, Canadian dollar and Mexican peso and, to a lesser extent, currencies in Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its estimated foreign currency transactions using forward foreign exchange contracts, and purchased foreign currency options.

The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. From time to time, affiliates of the Company may make or receive intercompany loans in currencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts. The Company does not speculate in, and, other than set forth above, the Company does not hedge foreign currency exposures. The Company reflects all derivatives at their fair value as an asset or liability on the balance sheet.

The Company is a party to interest rate swap agreements in order to adjust the amount of total debt that is subject to fixed interest rates. At September 26, 2004, these swaps had notional amounts of $150,000. These agreements are designated and effective as hedges of the change in the fair value of the associated debt. Changes in fair value of these contracts are wholly offset in earnings by changes in the fair value of long-term debt. At September 26, 2004, these contracts had a fair value of $6,293, which is recorded in other assets, with a corresponding fair value adjustment to increase long-term debt.

FORWARD-LOOKING STATEMENTS AND
FACTORS THAT MAY AFFECT FUTURE RESULTS
- --

This Quarterly Report on Form 10-Q contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, concerning management's expectations, goals, objectives, and similar matters. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "look forward," "may," "planned," "potential," "should," "will," and "would" or any variations of words with similar meanings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties.

The Company's actual results or experience may differ materially from those expected or anticipated in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to:

- the Company's ability to manufacture, source and ship new and continuing products in a timely manner and customers' and consumers' acceptance of those products at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of products;
- economic and public health conditions, including factors which impact the strength of the retail market and retail demand or the Company's ability to manufacture and deliver products, higher fuel and commodity prices, higher transportation costs, currency fluctuations, government regulation and other conditions in the various markets in which the Company operates throughout the world;
- the concentration of the Company's customers;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday season, which is the period in which the Company derives a substantial portion of its revenues;
- the inventory policies of retailers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product;
- transportation delays which impact the Company's ability to deliver products to its customers in a timely manner;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China or affecting the movement of people and products into and out of China;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues or bad debt exposure;
- the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the risk that the market appeal of the Company's licensed products will be less than expected or that the sales revenue generated by those products will be insufficient to cover the minimum guaranteed royalties;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and abroad;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;

- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment, that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;

- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's consolidation programs, or reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations or to product liability suits relating to products it manufactures and distributes;
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

The Company undertakes no obligation to revise the forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect events or circumstances occurring after the date of the filing of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is included in Part I Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 26, 2004. Based on the eva luation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended September 26, 2004, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

On December 6, 1999, the Board of Directors authorized a common share repurchase program for up to $500 million in common stock. No repurchases were made under this program during the third quarter of 2004. At September 26, 2004, $204.5 million remained under this authorization.

No share repurchases were made by the Company during the third quarter of 2004.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

3.1 Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.2

Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.3 Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

3.4 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

3.5 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.6 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)

4.1 Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)

4.2 Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)

4.3 Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)

4.4 Third Amended and Restated Revolving Credit Agreement dated as of November 14, 2003 by and among the Company, the Banks thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended December 28, 2003, File No. 1-6682.)

Item 6. Exhibits and Reports on Form 8-K. (continued)

(a) Exhibits. (continued)

4.5 Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated as of June 16, 1999.)

4.6 First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-6682.)

10.1 Form of Fair Market Value Stock Option Agreement under the 2003 Stock Incentive Performance Plan

10.2 Form of Premium-Priced Stock Option Agreement under the 2003 Stock Incentive Performance Plan

11.1 Computation of Earnings Per Common Share - Nine Months Ended September 26, 2004 and September 28, 2003.

11.2 Computation of Earnings Per Common Share - Quarters Ended September 26, 2004 and September 28, 2003.

Ended September 26, 2004 and September 28, 2003.

12 Computation of Ratio of Earnings to Fixed Charges -
Nine Months and Quarter Ended September 26, 2004.

31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

32.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

(b) Reports on Form 8-K

A Current Report on Form 8-K, dated July 16, 2004, was filed to announce the Company's results for the second quarter ended June 27, 2004. Consolidated statements of earnings (without notes) for the quarters ended June 27, 2004 and June 29, 2003, consolidated balance sheets as of said dates, major segment results, and reconciliations of EBITDA tables for the said periods were also filed.

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.

HASBRO, INC.
- ---------------------
(Registrant)

Date: October 29, 2004

By: /s/ David D. R. Hargreaves

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Exhibit Index

Exhibit No.	Exhibits
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EXHIBIT 11.1

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Nine Months Ended September 26, 2004 and September 28, 2003
(Thousands of Dollars and Shares Except Per Share Data)

	2004		2003	
	Basic	Diluted	Basic	Diluted
Earnings before cumulative effect of accounting change	$ 114,058	114,058	98,421	98,421
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(15,370)	-	-
Adjusted earnings before cumulative effect of accounting change	$114,058	98,688	98,421	98,421
Weighted average number of shares outstanding:				
Outstanding at beginning of period	175,479	175,479	172,805	172,805
Exercise of stock options and warrants:				
Actual exercise of options	869	869	554	554
Assumed exercise of options and warrants	-	2,488	-	5,210
Liabilities potentially settleable in common stock	-	5,548	-	-
Total	176,348	184,384	173,359	178,569
Per common share:				
Earnings before cumulative effect of accounting change	$ 0.65	0.54	0.57	0.55

EXHIBIT 11.2

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Quarter Ended September 26, 2004 and September 28, 2003
(Thousands of Dollars and Shares Except Per Share Data)

	2004		2003	
	Basic	Diluted	Basic	Diluted
Earnings before cumulative effect of accounting change	$ 88,687	88,687	85,815	85,815
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(5,150)	-	1,540
Adjusted earnings before cumulative effect of accounting change	$ 88,687	83,537	85,815	87,355
Weighted average number of shares outstanding:				
Outstanding at beginning of period	176,772	176,772	173,666	173,666
Exercise of stock options and warrants:				
Actual exercise of options	113	113	167	167
Assumed exercise of options and warrants	-	1,730	-	2,289
Liabilities potentially settleable in: common stock	-	5,918	-	5,873
Total	176,885	184,533	173,833	181,995
Per common share:				
Earnings before cumulative effect of accounting change	$ 0.50	0.45	0.49	0.48

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Nine Months and Quarter Ended September 26, 2004

(Thousands of Dollars)

	Nine Months	Quarter
Earnings available for fixed charges:		
Net earnings	$ 114,058	88,687
Add:		
Fixed charges	33,097	10,848
Income taxes	36,501	30,609
Total	$ 183,656	130,144
Fixed charges:		
Interest on long-term debt	$ 21,293	6,995
Other interest charges	2,678	1,290
Amortization of debt expense	785	240
Rental expense representative of interest factor	8,341	2,323
Total	$ 33,097	10,848
Ratio of earnings to fixed charges	5.549	11.997

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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 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 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 report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 officers 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: October 29, 2004

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief
Executive Officer

Exhibit 31.2

CERTIFICATION

I, David D.R. Hargreaves, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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 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 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 report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 officers 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: October 29, 2004

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Senior Vice President and Chief
Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2004, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Alfred J. Verrecchia
Alfred J. Verrecchia
President and Chief Executive Officer of Hasbro, Inc.

Dated: October 29, 2004

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2004, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D.R. Hargreaves
David D.R. Hargreaves
Senior Vice President and Chief Financial Officer
of Hasbro, Inc.

Dated: October 29, 2004

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 10.1

HASBRO, INC.
2003 STOCK INCENTIVE PERFORMANCE PLAN
STOCK OPTION AGREEMENT FOR EMPLOYEES

AGREEMENT, made effective as of __________, by and between HASBRO, INC., a Rhode Island corporation (the "Company") and _____________, an individual residing at ____________ ("Optionee").

WHEREAS, Optionee is an employee (including an officer or director of the Company who is also an employee) of the Company or of a direct or indirect subsidiary of the Company and is eligible to participate in the Company's 2003 Stock Incentive Performance Plan, as amended (the "Plan"), and

WHEREAS, the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") acting in accordance with the provisions of the Plan granted to Optionee a non-qualified stock option to purchase ___________ shares of Common Stock of the Company, par value $.50 per share (the "Common Stock"), at a price determined by said Committee to be not less than the fair market value of such Common Stock on the date of said grant, subject to and upon the terms and conditions set forth in the Plan and as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto agree as follows:

W I T N E S S E T H:

1. The Company confirms the grant by the Committee to the Optionee on __________, pursuant to the Plan, a copy of which is annexed hereto as Appendix A and the provisions of which are incorporated herein as if set forth in full, of a stock option to purchase all or any part of the number of shares of Common Stock (the "Shares"), described in Paragraph 2 below (the "Option"), subject to and upon the terms and conditions set forth in
the Plan and the additional terms and conditions hereinafter set forth. The Option is evidenced by this Agreement. In the event of any inconsistency between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. Terms used herein and not otherwise defined shall have the meaning set forth in the Plan.

2. This Agreement relates to an Option to purchase ______ shares at an exercise price of $_________ per share (the "Exercise Price Per Share"). (Hereinafter, the term "Exercise Price" shall mean the Exercise Price Per Share multiplied by the number of shares being exercised.) Subject to the provisions of the Plan and of this Agreement, the Optionee shall be entitled to exercise the Option on a cumulative basis until the day preceding the tenth anniversary of the date of the grant in accordance with the following schedule:

Period	Cumulative Percent of Option Exercisable

In determining the number of shares exercisable in accordance with the above table, fractional shares shall be disregarded.

3. In the event that Optionee wishes to purchase any of the shares then purchasable under the Option as provided in Paragraph 2 hereof, Optionee shall deliver or shall transmit by registered or certified mail or facsimile to the Secretary of the Company (the "Secretary") or to the Secretary's designee, at the Company's then principal office, a written notice, substantially in the form attached hereto as Appendix B, as the same may be amended from time to time by the Committee, signed by Optionee, together with a check payable to

Hasbro, Inc., (or accompanied by wire transfer to such account of the Company as the Company may designate) in United States dollars, in the aggregate amount of the Exercise Price, or shares of Common Stock held by the Optionee for at least six (6) months (duly endorsed to the Company or accompanied by an executed stock power, in each case with signatures guaranteed by a bank or broker) having a Fair Market Value (as defined in the Plan) equal to the Exercise Price, or a combination of such shares having a Fair Market Value less than the Exercise Price and a check in United States dollars for the balance of the Exercise Price, all as more fully described in said Appendix B.

In addition, unless an Optionee shall have made advance alternative arrangements satisfactory to the Secretary, or his designee, each Optionee shall deliver to the Secretary or his designee together with the written notice of exercise and payment of the Exercise

Price as aforesaid, a check payable to Hasbro, Inc., or a wire transfer to such account of the Company as the Company may designate, in United States dollars, in the amount of any withholding required by law for any and all federal, state, local or foreign taxes payable as a result of such exercise. Each Optionee shall consult with the Secretary of the Company or his designee in advance of exercise so as to determine the amount of withholding taxes due. An Optionee may also elect to satisfy any withholding taxes payable as a result of such exercise (the "Taxes"), in whole or in part, either (i) by having the Company withhold from the shares of Common Stock to be issued upon exercise of the Option or (ii) delivering to the Company shares of Common Stock already owned by the Optionee and held by the Optionee for at least six (6) months (represented by stock certificates duly endorsed to the Company or accompanied by an executed stock power in each case with signatures guaranteed by a bank or broker), in each case in an amount whose Fair Market Value on the date of exercise is either equal to the Taxes or less than the Taxes, provided that a check payable to Hasbro, Inc., or a wire transfer to such account of the Company as the Company may designate, in United States dollars for the balance of the Taxes is also delivered to the Secretary, or his designee, at the time of exercise, all as more fully described in said Appendix B. As soon as practicable after receipt of the Taxes, the Company shall deliver or cause to be delivered to Optionee a certificate or certificates for the shares in respect of which the Option was so exercised (less any shares deducted to pay Taxes in accordance with Optionee's election).

4. (a) If an Optionee who is an employee of the Company or of a direct or indirect subsidiary of the Company retires at his Normal Retirement Date (as defined below), or an Optionee with at least one year of Credited Service of the Company suffers a permanent physical or mental disability (as defined below) or dies, in each case without the Optionee having fully exercised any Option granted to him, then he, the executor, administrator or trustee of his estate, or his legal representative, as the case may be, shall have the right to exercise any Option under the Plan, for a period of not more than one (1) year after such retirement, such disability, or in the case of death, the appointment and qualification of such executor, administrator or trustee, except that in no case other than death may such Option be exercised later than the day preceding the tenth anniversary of the date of the grant of such Option. In each such case, the Option will be exercisable with respect to all or any part of the num ber of shares to which the Option relates, whether or not said Option was fully exercisable in accordance with the schedule set forth in Section 2 of this Agreement as of the date of such retirement, disability or death. Thereafter, such Option, to the extent not so exercised during such one-year period, shall be deemed to have expired regardless of the expiration date otherwise specified in Section 2 hereof.

(b) If an Optionee who is an employee of the Company or of a direct or indirect subsidiary of the Company retires at an Early Retirement Date (as defined below), without the Optionee having fully exercised any Option granted to him, the Optionee shall have the right to exercise the unexercised portion of any Option theretofore granted, but only to the extent said Option was then exercisable in accordance with the schedule set forth in Section 2 of this Agreement, for a period of not more than three (3) months after the date of early retirement, unless the Committee shall extend the time for exercise of the Option (but in no event shall the exercise period extend beyond the day preceding the tenth anniversary of the date of grant of the Option) or shall approve an increase in the number of shares exercisable upon or following early retirement, notwithstanding the schedule set forth in Section 2 hereof, or any combination of the foregoing. Optionee understands that among the fact ors to be considered by the Committee in making its decision hereunder is whether or not Optionee has executed a "covenant not to compete," in a form approved by the Board or the Committee, relating to the period subsequent to Optionee's early retirement. Thereafter, the Option, to the extent not exercised during such three-month period or such longer period as may have been approved by the Committee, shall be deemed to have expired, regardless of the expiration date otherwise specified in Section 2 hereof.

(c) If an Optionee ceases to be employed by the Company or by a direct or indirect subsidiary of the Company for any reason other than the reasons set forth in subsections (a) and (b) of this Section 4, he shall have the right to exercise the unexercised portion of any Option theretofore granted to Optionee, but only to the extent said Option was then exercisable in accordance with the schedule set forth in Section 2 of this Agreement as of the date of termination, for a period of not more than three (3) months after any such termination, but not, in any event, later than the day preceding the tenth anniversary date of the grant of such Option. Thereafter, such Option, to the extent not so exercised during such three-month period, shall be deemed to have expired, regardless of the expiration date otherwise specified in Section 2 hereof.

For purposes of subsections (a) and (b) above:

* "Credited Service" shall mean: the period of an Optionee's employment considered in determining whether the Optionee is eligible to receive benefits upon termination of employment.

* "Early Retirement Date" shall mean: the day on which an Optionee who has attained age fifty-five (55), but has not reached age sixty-five (65), with ten (l0) or more years of Credited Service, retires. An Optionee is eligible for early retirement on the first day of the calendar month coincidental with or immediately following the attainment of age fifty-five (55) and the completion of ten (l0) years of Credited Service, and "early retirement" shall mean retirement by an eligible Optionee at the Early Retirement Date.

* "Normal Retirement Date" shall mean: the day on which an Optionee who has attained age sixty-five (65) with five (5) or more years of Credited Service, retires. An Optionee is eligible for normal retirement on the first day of the calendar month coincident with or immediately following the Optionee's attainment of age sixty-five (65) and completion of five (5) or more years of Credited Service, and "normal retirement" shall mean the retirement by an eligible Optionee at the Normal Retirement Date.

* "permanent physical or mental disability" shall mean: an Optionee's inability to perform his or her job or any position which the Optionee can reasonably perform with his or her background and training by reason of any medically

determinable physical or mental impairment which can be expected to result in death or to be of long, continued and indefinite duration.

5. Optionee hereby represents and agrees that, unless the shares to be acquired upon any exercise of the Option may, at the time of such acquisition, be lawfully resold in accordance with a then currently effective registration statement or post-effective amendment to a registration statement under the Securities Act of 1933 as amended (the "Act"): (a) Optionee will acquire such shares for investment and not with a view to the distribution or public offering of all or any portion thereof, or any interest therein; (b) Optionee will make no sale or other disposition of such shares unless and until (i) the Company shall have received an opinion of legal counsel acceptable to it, which opinion is satisfactory to the Company's legal counsel in form and substance, that such sale or other disposition may be made without registration under the then applicable provisions of the Act and the rules and regulations of the Securities and Exchange Commission thereunder, or (ii) such shares shall t hereafter be included in a then currently effective registration statement or post-effective amendment to a registration statement under the Act; and (c) the certificate or certificates delivered to evidence such shares shall bear an appropriate legend summarizing the foregoing representations and agreements. If so requested by the Company at the time of any exercise of the Option, the Optionee shall execute and deliver to the Company a written instrument confirming the foregoing representations and agreements, and acknowledging that Optionee understands the full implications under the Act and the various rules, regulations and published statements thereunder of a representation that the shares are being acquired for "investment," including, without limitation, the fact that there can be no assurance that Optionee will be able to transfer such shares in the future or that any such proposed transfer may be limited to specific numbers of shares or to specific time periods and may involve expense, delay, and t he filing of certain information with the Securities and Exchange Commission, together with such other terms or conditions as shall be requisite in the judgment of the Company to comply with the applicable provisions of the Act.

6. The adjustment provisions set forth in Section 8 of the Plan shall apply to this Option.

7. This Option shall not be transferable by the Optionee, in whole or in part, except in accordance with Section 7 of the Plan, and shall be exercisable only as hereinbefore provided. Any purported assignment, transfer, pledge, hypothecation or other disposition of the Option or any interest therein contrary to the provisions of the Plan, and the levy of any execution to, or the attachment or similar process upon, the Option or any interest therein, shall be null and void and without effect.

8. Subject to the applicable provisions of the Plan, and particularly to Section 7 of the Plan, this Agreement shall be binding upon and shall inure to the benefit of Optionee, Optionee's successors and permitted assigns, and the Company and its successors and assigns.

9. This Agreement shall be construed and enforced in accordance with the internal laws of the State of Rhode Island and Providence Plantations and applicable Federal law.

IN WITNESS WHEREOF, the Company and the Optionee have duly executed this Agreement effective as of the day and year first above written.

ATTEST:	HASBRO, INC.
By:______________________	By:______________________
Barry Nagler Senior Vice President General Counsel and Secretary	Alfred J. Verrecchia President and Chief Executive Officer
	By:________________________
	Optionee

Exhibit 10.2

HASBRO, INC.
2003 STOCK INCENTIVE PERFORMANCE PLAN
STOCK OPTION AGREEMENT FOR PREMIUM-PRICED GRANT TO EMPLOYEES

AGREEMENT, made effective as of_____________, by and between HASBRO, INC., a Rhode Island corporation (the "Company") and ____________, an individual residing at ________________ ("Optionee").

WHEREAS, Optionee is an employee (including an officer or director of the Company who is also an employee) of the Company or of a direct or indirect subsidiary of the Company and is eligible to participate in the Company's 2003 Stock Incentive Performance Plan, as amended (the "Plan"), and

WHEREAS, the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") acting in accordance with the provisions of the Plan granted to Optionee a non-qualified stock option to purchase) ________ shares of Common Stock of the Company, par value $.50 per share (the "Common Stock"), at a price determined by said Committee to be not less than ten percent (10%) above the fair market value of such Common Stock on the date of said grant, subject to and upon the terms and conditions set forth in the Plan and as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto agree as follows:

W I T N E S S E T H:

1. The Company confirms the grant by the Committee to the Optionee on _______, pursuant to the Plan, a copy of which is annexed hereto as Appendix A and the provisions of which are incorporated herein as if set forth in full, of a stock option to purchase all or any part of the number of shares of Common Stock (the "Shares") described in Section 2 below (the "Option"), subject to and upon the terms and conditions set forth in the Plan and the additional terms and conditions hereinafter set forth. The Option is evidenced by this Agreement.

In addition to the foregoing the parties agree that, except as is otherwise specifically set forth in Section 4(c) of this Agreement, upon any exercise of the Option the shares of Common Stock acquired by the Optionee will be restricted and the Optionee will execute, in connection with any such exercise, a Restricted Stock Agreement and Joint Escrow Instructions, substantially in the form attached hereto as Appendix B, setting out the terms of such restrictions, along with any other documents or agreements which the Company reasonably requires to effectuate the intent of this Agreement, the Restricted Stock Agreement and the Joint Escrow Instructions. In the event of any inconsistency between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. Terms used herein and not otherwise defined shall have the meaning set forth in the Plan.

2. This Agreement relates to an Option to purchase _______ shares of Common Stock, which will be subject to the restrictions set forth in the Restricted Stock Agreement, at an exercise price of $___________ per share (the "Exercise Price Per Share"). (Hereinafter, the term "Exercise Price" shall mean the Exercise Price Per Share multiplied by the number of shares being exercised.) Subject to the provisions of the Plan and of this Agreement, the Optionee shall be entitled to exercise the Option on a cumulative basis until the day preceding the seventh anniversary of the date of the grant in accordance with the following schedule:

Period	Cumulative Percent of Option Exercisable

In determining the number of shares exercisable in accordance with the above table, fractional shares shall be disregarded.

3. In the event that Optionee wishes to purchase any of the shares then purchasable under the Option as provided in Section 2 hereof, Optionee shall deliver or shall transmit by registered or certified mail or facsimile to the Secretary of the Company (the "Secretary") or to the Secretary's designee, at the Company's then principal office, a written notice, substantially in the form attached hereto as Appendix C, as the same may be amended from time to time by the Committee, signed by Optionee, together with a check payable to Hasbro, Inc. (or accompanied by wire transfer to such account of the Company as the Company may designate), in United States dollars, in the aggregate amount of the Exercise Price, or shares of Common Stock held by the Optionee for at least six (6) months (duly endorsed to the Company or accompanied by an executed stock power, in each case with signatures guaranteed by a bank or broker) having a Fair Market Value (as defined in the Plan) equal to the Exercise Pr ice, or a combination of such shares having a Fair Market Value less than the Exercise Price and a check in United States dollars for the balance of the Exercise Price, all as more fully described in said Appendix C.

In addition, unless an Optionee shall have made advance alternative arrangements satisfactory to the Secretary or his designee, each Optionee shall deliver to the Secretary or his designee, together with the written notice of exercise and payment of the exercise price as aforesaid, a check payable to Hasbro, Inc., or a wire transfer to such account of the Company as the Company may designate, in United States dollars, in the amount of any withholding required by law for any and all federal, state, local or foreign taxes payable as a result of such exercise. Each Optionee shall consult with the Secretary of the Company or his designee in advance of exercise so as to determine the amount of withholding taxes due. An Optionee may also elect to satisfy any withholding taxes payable as a result of such exercise (the "Taxes"), in whole or in part, either by (i) having the Company withhold from the shares of Common Stock to be issued upon exercise of the Option or (ii) delivering to t he Company shares of Common Stock already owned by the Optionee and held by the Optionee for at least six (6) months (represented by a stock certificates duly endorsed to the Company or accompanied by an executed stock power in each case with signatures guaranteed by a bank or broker), in each case in an amount whose Fair Market Value on the date of exercise is either equal to the Taxes or less than the Taxes, provided that a check payable to Hasbro, Inc., or a wire transfer to such account of the Company as the Company may designate, in United States dollars for the balance of the Taxes is also delivered to the Secretary, or his designee, at the time of exercise, all as more fully described in said Appendix C. As soon as practicable after receipt of such notice, the Exercise Price and the Taxes, the Company shall deliver to the Escrow Agent (as defined in the Joint Escrow Instructions) a certificate or certificates for the shares, including the restrictive legend set forth in the Restricted Stock Agreement , in respect of which the Option was so exercised (less any shares deducted to pay Taxes in accordance with Optionee's election).

4. (a) If an Optionee who is an employee of the Company or of a direct or indirect subsidiary of the Company retires at his Normal Retirement Date (as defined below), or an Optionee with at least one year of Credited Service with the Company suffers a permanent physical or mental disability (as defined below) or dies, in each case without the Optionee having fully exercised any Option granted to him, then he, the executor, administrator or trustee of his estate, or his legal representative, as the case may be, shall have the right to exercise any Option under the Plan, for a period of not more than three (3) years after such retirement, such disability, or in the case of death, the appointment and qualification of such executor, administrator or trustee, except that in no case other than death may such Option be exercised later than the day preceding the seventh anniversary of the date of the grant of such Option. In each such case, the Option will be exercisable with respect to all o r any part of the number of shares to which the Option relates, whether or not said Option was fully exercisable in accordance with the schedule set forth in Section 2 of this Agreement as of the date of such retirement, disability or death. Thereafter, such Option, to the extent not so exercised during such three-year period, shall be deemed to have expired regardless of the expiration date otherwise specified in Section 2 hereof.

(b) If an Optionee ceases to be employed by the Company or by a direct or indirect subsidiary of the Company for any reason other than the reasons set forth in subsection (a) of this Section 4, he shall have the right to exercise the unexercised portion of any Option theretofore granted to Optionee, but only to the extent said Option was then exercisable in accordance with the schedule set forth in Section 2 of this Agreement as of the date of termination, for a period of not more than six (6) months after any such termination, but not, in any event, later than the day preceding the seventh anniversary date of the grant of such Option. Thereafter, such Option, to the extent not so exercised during such six-month period, shall be deemed to have expired, regardless of the expiration date otherwise specified in Section 2 hereof.

(c) Notwithstanding that upon any other exercise of the Option the Optionee will acquire restricted shares in the manner described above, solely in the case of an exercise of the Option, following the Optionee's Date of Termination, pursuant to either of Sections 4(a) or 4(b) above, then in such case the shares acquired upon exercise will not be restricted, will be deemed to be immediately vested, and the Optionee will not be required to execute a Restricted Stock Agreement and Joint Escrow Instructions with respect to such shares. Upon an exercise of the Option following the Optionee's Date of Termination covered by this Section 4(c), as soon as practicable after receipt of such exercise notice, the Exercise Price and the Taxes, the Company shall deliver to the Optionee, or his executor, administrator, trustee or legal representative, a certificate or certificates for the shares in respect of which the Option was so exercised (less any shares deducted to pay Taxes).

- For purposes of this Agreement:

> * "Credited Service" shall mean: the period of an Optionee's employment considered in determining whether the Optionee is eligible to receive benefits upon termination of employment.
>
> * "Normal Retirement Date" shall mean: the day on which an Optionee who has attained age sixty-five (65) with five (5) or more years of Credited Service, retires. An Optionee is eligible for normal retirement on the first day of the calendar month coincident with or immediately following the Optionee's attainment of age sixty-five (65) and completion of five (5) or more years of Credited Service, and "normal retirement" shall mean the retirement by an eligible Optionee at the Normal Retirement Date.
>
> * "permanent physical or mental disability" shall mean: an Optionee's inability to perform his or her job or any position which the Optionee can reasonably perform with his or her background and training by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long, continued and indefinite duration.

5. Optionee hereby represents and agrees that, following vesting of the shares acquired upon any exercise of the Option, unless the shares may be lawfully resold in accordance with a then currently effective registration statement or post-effective amendment to a registration statement under the Securities Act of 1933, as amended (the "Act"): (a) Optionee will acquire such shares for investment and not with a view to the distribution or public offering of all or any portion thereof, or any interest therein; (b) Optionee will make no sale or other disposition of such shares unless and until (i) the Company shall have received an opinion of legal counsel acceptable to it, which opinion is satisfactory to the Company's legal counsel in form and substance, that such sale or

other disposition may be made without registration under the then applicable provisions of the Act and the rules and regulations of the Securities and Exchange Commission thereunder, or (ii) such shares shall thereafte r be included in a then currently effective registration statement or post-effective amendment to a registration statement under the Act; and (c) the certificate or certificates delivered to evidence such shares shall bear an appropriate legend summarizing the foregoing representations and agreements. If so requested by the Company at the time of any exercise of the Option, the Optionee shall execute and deliver to the Company a written instrument confirming the foregoing representations and agreements, and acknowledging that Optionee understands the full implications under the Act and the various rules, regulations and published statements thereunder of a representation that the shares are being acquired for "investment," including, without limitation, the fact that there can be no assurance that Optionee will be able to transfer such shares in the future or that any such proposed transfer may be limited to specific numbers of shares or to specific time periods and may involve expense, delay, and the filin g of certain information with the Securities and Exchange Commission, together with such other terms or conditions as shall be requisite in the judgment of the Company to comply with the applicable provisions of the Act.

6. The adjustment provisions set forth in Section 8 of the Plan shall apply to this Option.

7. This Option shall not be transferable by the Optionee, in whole or in part, except in accordance with Section 7 of the Plan, and shall be exercisable only as hereinbefore provided. Any purported assignment, transfer, pledge, hypothecation or other disposition of the Option or any interest therein contrary to the provisions of the Plan, and the levy of any execution to, or the attachment or similar process upon, the Option or any interest therein, shall be null and void and without effect.

8. Subject to the applicable provisions of the Plan, and particularly to Section 7 of the Plan, this Agreement shall be binding upon and shall inure to the benefit of Optionee, Optionee's successors and permitted assigns, and the Company and its successors and assigns.

9. This Agreement shall be construed and enforced in accordance with the internal laws of the State of Rhode Island and Providence Plantations and applicable Federal law.

IN WITNESS WHEREOF, the Company and the Optionee have duly executed this Agreement effective as of the day and year first above written.

ATTEST:	HASBRO, INC.
By:_____________________	By:_____________________
Barry Nagler Senior Vice President General Counsel and Secretary	Alfred J. Verrecchia President and Chief Executive Officer
	By:________________________
	Optionee

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into effective as of the Exercise Date by and between the Participant and Hasbro, Inc. (the "Company").

WITNESSETH THAT:

WHEREAS, the Company maintains the 2003 Stock Incentive Performance Plan (the "Plan"), a copy of which is annexed hereto as Exhibit A and the provisions of which are incorporated herein as if set forth in full, and the Participant was previously granted an option on ________ by the Compensation and Stock Option Committee of the Board of Directors of the Company (the "Committee"), which administers the Plan, to purchase shares of restricted stock under the Plan (the "Option");

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Participant, as follows:

1. Terms of Award. The following terms used in this Agreement shall have the meanings set forth in this Section 1:

A. The "Participant" is:_.

B. The "Exercise Date" is: , being the day on which the Participant exercised the part of the Option applicable to the shares of Restricted Stock subject to this Agreement.

C. The "Restricted Period" is the period beginning on the Exercise Date and ending on [two years from the Exercise Date].

D. The number of shares of "Restricted Stock" covered by this Agreement is shares. Shares of "Restricted Stock" are shares of the Company's common stock, par value $.50 per share ("Common Stock") acquired upon exercise of the Option and subject to the terms of this Agreement and the Plan.

Other terms used in this Agreement are defined pursuant to Section 8 or elsewhere in this Agreement.

2. Acquisition of Restricted Stock. The Participant acquired the number of shares of Restricted Stock set forth in Section 1(D) above through an exercise of the Option on the Exercise Date.

3. Dividends and Voting Rights. The Participant shall be entitled to receive any dividends paid with respect to shares of Restricted Stock that become payable during the Restricted Period; provided, however, that no dividends shall be payable to or for the benefit of the Participant with respect to record dates occurring prior to the Exercise Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock. The Participant shall be entitled to vote the shares of Restricted Stock during the Restricted Period to the same extent as would have been applicable to the Participant if the Participant was then vested in the shares; provided, however, that the Participant shall not be entitled to vote the shares with respect to record dates for such voting rights arising prior to the Exercise Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock.

4. Escrow of Shares of Restricted Stock; Restrictive Legends. Each certificate issued in respect of shares of Restricted Stock subject to this Agreement shall be registered in the name of the Participant and shall be deposited in escrow in accordance with this Section 4. The Participant shall, upon the execution of this Agreement, execute Joint Escrow Instructions in the form attached to this agreement as Exhibit B. The Joint Escrow Instructions shall be delivered to the Secretary of the Company, as escrow agent thereunder. The Participant shall deliver to such escrow agent a stock transfer form duly endorsed in blank and hereby instructs the Company to deliver to such escrow agent, on behalf of the Participant, the certificate(s) evidencing the shares of Restricted Stock subject to this Agreement. Such materials shall be held by such escrow agent pursuant to the terms of the Joint Escrow Instructions.

All certificates representing shares of Restricted Stock shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

> "THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS, INCLUDING THE FORFEITURE PROVISIONS AND RESTRICTIONS AGAINST TRANSFER (THE "RESTRICTIONS"), CONTAINED IN THE HASBRO, INC. 2003 STOCK INCENTIVE PERFORMANCE PLAN AND A RESTRICTED STOCK AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND HASBRO, INC. ANY ATTEMPT TO TRANSFER OR DISPOSE OF THESE SHARES IN CONTRAVENTION OF THE RESTRICTIONS, INCLUDING BY WAY OF SALE, ASSIGNMENT, TRANSFER, PLEDGE, HYPOTHECATION OR OTHERWISE, SHALL BE NULL AND VOID AND WITHOUT EFFECT."

5. Transfer and Forfeiture of Shares. If (i) the Participant's Date of Termination (as defined below) does not occur during the Restricted Period, (ii) the vesting of the Restricted Stock is not accelerated by the Committee prior to the end of the Restricted Period, and (iii) the Participant has not forfeited the shares of Restricted Stock prior to the end of the Restricted Period, then, in such case at the end of the Restricted Period the Participant shall become vested in the shares of Restricted Stock, and shall own the shares free of all restrictions otherwise imposed by this Agreement.

The Participant shall become vested in the shares of Restricted Stock, and become owner of the shares free of all restrictions otherwise imposed by this Agreement, prior to the end of the Restricted Period, as follows:

A. The Participant shall become vested in the shares of Restricted Stock as of the Participant's Date of Termination provided the Participant has not forfeited the shares of Restricted Stock prior to such Date of Termination;

B. The Participant shall become vested in the shares of Restricted Stock as of the date of a Change in Control, provided the Change in Control occurs prior to the end of the Restricted Period, the Participant's Date of Termination does not occur before the Change in Control, and the Participant has not forfeited the shares prior to the Change in Control; and

C. The Committee has the sole and absolute discretion, but absolutely no obligation in any situation, to accelerate the vesting of the Restricted Stock and the Participant may become vested in the shares of Restricted Stock on a date prior to the end of the Restricted Period selected by the Committee if, but only if, the Committee decides to accelerate such vesting.

Shares of Restricted Stock, including any interest therein, may not be Transferred (as defined below) until the expiration of the Restricted Period or, if earlier, until the Participant is vested in the shares.

If the Participant attempts to Transfer (as defined below) any of the shares of Restricted Stock prior to the vesting of such shares of Restricted Stock the Participant shall forfeit all shares of Restricted Stock, and any interest therein, to the Company. Upon such a forfeiture the Participant shall not receive any reimbursement or other compensation or payment, whether with respect to the exercise price previously paid to the Company to acquire the shares of Restricted Stock subject to this Agreement, or for any other reason, related to such forfeiture of the Restricted Stock.

6. Prohibition against Transfer During Restricted Period. During the Restricted Period or until the earlier vesting of the shares, the Participant will not offer, sell, contract to sell, assign, pledge, grant any option to purchase, make any short sale or otherwise transfer, dispose of or encumber any shares of Restricted Stock or any interest therein, or any options or warrants to purchase any shares of Restricted Stock or any interest therein, or any securities convertible into, exchangeable for or that represent the right to receive shares of Restricted Stock or any interest therein (such actions being collectively referred to as "Transfers" of shares of Restricted Stock).

The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any of the shares of Restricted Stock or any interest therein, even if such shares would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the shares of Restricted Stock or with respect to any security that includes, relates to, or derives any significant part of its value from such shares of Restricted Stock.

7. Income Taxes. The Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the Restricted Stock (or, if the Participant makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), in connection with such receipt of Restricted Stock), an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Stock. Such payment shall be made in the form of cash, shares of Common Stock already owned and not subject to any restrictions against such transfer or otherwise issuable upon the lapse of restrictions, or in a combination of such methods. The Participant shall promptly notify the Company of any election made pursuant to Section 83(b) of the Code.

8. Definitions. For purposes of this Agreement, the terms used in this Agreement shall be subject to the following:

A. Change in Control. The term "Change in Control" shall have the meaning ascribed to it in the Plan.

B. Date of Termination. The Participant's "Date of Termination" shall be the first day occurring on or after the Exercise Date on which the Participant is not employed by the Company or any entity directly or indirectly controlled by the Company (a "Subsidiary"), regardless of the reason for the termination of employment; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Subsidiary approved by the Participant's employer. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Subsidiary (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by t he Participant being discharged by the employer.

C. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

9. Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business and the Participant and the successors and permitted assigns of the Participant, including but not limited to, the estate of the Participant and the executor, administrator or trustee of such estate, the guardian or legal representative of the Participant.

10. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

11. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan.

12. Amendment. This Agreement may be amended by written Agreement of the Participant and the Company, without the consent of any other person.

13. Entire Agreement. This Agreement, the Option agreement, the Joint Escrow Instructions and the Plan contain the entire agreement and understanding of the parties hereto with respect of the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereof.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law and any court determining the unenforceability of any provisions shall have the power to reduce the scope or duration of such provision to render such provision enforceable.

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IN WITNESS WHEREOF, the Participant has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all effective as of the Exercise Date.

HASBRO, INC.

By:_____________________

Alfred J. Verrecchia
President and Chief Executive Officer

By:_______________________

Participant

Exhibit B
Hasbro, Inc.
Joint Escrow Instructions

[Insert Date]

Barry Nagler, Secretary
Hasbro, Inc.
1011 Newport Avenue
Pawtucket, RI 02862

Dear Sir:

As Escrow Agent for Hasbro, Inc., a Rhode Island corporation (the "Company"), and the undersigned person ("Participant"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Agreement (the "Agreement") of even date herewith, to which a copy of these Joint Escrow Instructions is attached, in accordance with the following instructions (Terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement):

1. Appointment. The Participant irrevocably authorizes the Company to deposit with you any certificate(s) evidencing shares of Restricted Stock (the "Shares") to be held by you hereunder and any additions and substitutions to said Shares. The Participant does hereby irrevocably constitute and appoint you as his or her attorney-in-fact and agent for the term of this escrow to complete any documents necessary to comply with the terms hereof. Subject to the provisions of this paragraph 1 and the terms of the Agreement, Participant shall exercise all rights and privileges of a shareholder of the Company while the Shares are held by you.

2. Release of Shares.

(a) Upon receipt from the Company of written notice of a forfeiture of the Shares pursuant to Section 5 of the Agreement, the Participant and the Company hereby irrevocably authorize and direct you (i) to fill in and date the stock transfer form or forms necessary for the transfer of the Shares to the Company and (ii) deliver same, together with the certificate or certificates evidencing the Shares, to the Company.

(b) Upon receipt from the Company of written notice of either (i) the Participant's Date of Termination prior to a forfeiture of the Shares, (ii) a Change in Control prior to the Participant's Date of Termination, the expiration of the Restricted Period and a forfeiture of the Shares, or (iii) the expiration or earlier termination of the Restricted Period in accordance with the terms of the Agreement, the Participant and the Company hereby irrevocably authorize and direct you to deliver the certificates or certificates evidencing the Shares, together with the stock transfer form or forms signed by the Participant in blank, to the Company's transfer agent and to make arrangements with the Company's transfer agent to have such Shares delivered to the Participant free of the restrictions imposed by the Agreement.

3. Duties of Escrow Agent.

(a) Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

(b) You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as

Escrow Agent or as attorney-in-fact of Participant while acting in good faith and in the exercise of your own good judgment, and any act done or omitted by you pursuant to the advice of your own or the Company's attorneys shall be conclusive evidence of such good faith.

(c) You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree of any court, you shall not be liable to any of the parties hereto or to any other person, by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

(d) You shall not be liable in any respect on account of the identity, authority or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

(e) You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder and may rely upon the advice of such counsel.

(f) Your rights and responsibilities as Escrow Agent hereunder shall terminate if (i) you cease to be Secretary of the Company or (ii) you resign by written notice to each party. In the event of a termination under clause (i), your successor as Secretary shall become Escrow Agent hereunder; in the event of a termination under clause (ii), the Company shall appoint a successor Escrow Agent hereunder.

(g) If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

(h) It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

(i) These Joint Escrow Instructions set forth your sole duties with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into these Joint Escrow Instructions against you.

(j) The Company shall indemnify you and hold you harmless against any and all damages, losses, liabilities, costs, and expenses, including attorneys' fees and disbursements, for anything done or omitted to be done by you as Escrow Agent in connection with this Agreement or the performance of your duties hereunder, except such as shall result from your gross negligence or willful misconduct.

4. <u>Notice</u>. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY:	Hasbro, Inc. 1011 Newport Avenue Pawtucket, RI 02861 Attn: General Counsel
PARTICIPANT:	Notices to Participant shall be sent to the address set forth below Participant's signature below.
ESCROW AGENT:	Barry Nagler, Secretary Hasbro, Inc. 1011 Newport Avenue Pawtucket, RI 02862

5. Miscellaneous.

(a) By signing these Joint Escrow Instructions, the Escrow Agent becomes a party hereto only for the purpose of said Joint Escrow Instructions, and does not become a party to the Agreement.

(b) This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Very truly yours,
HASBRO, INC.

By: ________________________________
Alfred J. Verrecchia,
President and Chief Executive Officer

PARTICIPANT

By: ________________________________
Participant

ESCROW AGENT:

____

Barry Nagler, Senior Vice President,

General Counsel and Secretary