TOYS R US INC
Form S-1/A
June 30, 2011
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As filed with the Securities and Exchange Commission on June 30, 2011

Registration No. 333-167172

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TOYS R US, INC.

(Exact name of registrant as specified in its charter)

Delaware	**5945**	**22-3260693**

(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

One Geoffrey Way

Wayne, New Jersey 07470

(973) 617-3500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

David J. Schwartz, Esq.

Executive Vice President and General Counsel

Toys R Us, Inc.

One Geoffrey Way

Wayne, New Jersey 07470

(973) 617-3500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Common Stock, par value $0.001 per share	$800,000,000	$57,040

(1) Includes shares of common stock that the underwriters have an option to purchase. See Underwriting.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) Previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated June 30, 2011.

Shares

TOYS R US, INC.

Common Stock

This is an initial public offering of the common stock of Toys R Us, Inc.

Since July 2005 and prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Toys R Us, Inc. intends to list the common stock on the New York Stock Exchange under the symbol TOYS.

See Risk Factors beginning on page 14 of this prospectus to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from us at the initial offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2011.

Joint Book-Running Managers

Goldman, Sachs & Co. **J.P. Morgan** **BofA Merrill Lynch** **Credit Suisse**

Deutsche Bank Securities **Citi** **Wells Fargo Securities**

Co-Managers

Needham & Company, LLC **Mizuho Securities**

BMO Capital Markets **SMBC Nikko**

Prospectus dated , 2011.

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front cover, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed since that date.

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Through and including , 2011 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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PROSPECTUS SUMMARY

This summary highlights significant aspects of our business and this offering, but it is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the section entitled Risk Factors and the historical financial and other data and related notes, before making an investment decision. Unless otherwise indicated, all information contained in this prospectus concerning the toys and juvenile product industry in general, including information regarding our leading position and market share within our industry, is based on management s estimates using internal data, data from industry trade groups, consumer record and marketing studies and other externally obtained data. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements as a result of certain factors, including those set forth in Risk Factors and Forward Looking Statements. As used herein, references to the Company, we, us, our, and, where applicable, Toys R Us are to Toys R Us, Inc., the issuer of the common stock, a Delaware corporation, and its subsidiaries.

We use a 52-53 week fiscal year ending on the Saturday nearest to January 31. Unless otherwise stated, in this prospectus, references to fiscal 2010 refer to the fiscal year ended January 29, 2011 (consisting of 52 weeks); references to fiscal 2009 refer to the fiscal year ended January 30, 2010 (consisting of 52 weeks); and references to fiscal 2008 refer to the fiscal year ended January 31, 2009 (consisting of 52 weeks).

We refer to Adjusted EBITDA in this prospectus summary and elsewhere in this prospectus. For the definition of Adjusted EBITDA, an explanation of why we present it and a description of the limitations of this non-GAAP measure, as well as a reconciliation to net earnings, see Summary Historical Financial and Other Data.

Our Company

We are the leading global specialty retailer of toys and juvenile products as measured by net sales. For over 50 years, Toys R Us has been recognized as the toy and baby authority. In the U.S., in fiscal 2009, approximately 70% of households with kids under 12 shopped at our Toys R Us stores, and 84% of first time mothers shopped at our Babies R Us stores according to a survey by Leo J. Shapiro & Associates, LLC. We believe we offer the most comprehensive year-round selection of toys and juvenile products, including a broad assortment of private label and exclusive merchandise unique to our stores.

As of April 30, 2011, we operated 1,396 stores and licensed an additional 223 stores. These stores, which are primarily big box stores, are located in 34 countries and jurisdictions around the world under the Toys R Us, Babies R Us and FAO Schwarz banners. In addition, we operate Toys R Us Express stores (Express stores), smaller format stores primarily open on a short-term basis during the holiday season, 24 of which have been included in our overall store count as of April 30, 2011. We also own and operate websites including Toysrus.com, Babiesrus.com, eToys.com, FAO.com and babyuniverse.com, as well as other Internet sites we operate in our international markets. For fiscal 2010, we generated net sales of $13.9 billion, net earnings of $168 million and Adjusted EBITDA of $1.1 billion.

We operate in an attractive industry that has proven to be resilient due to the demand for toys and juvenile (including baby) products, driven by the desire of families to spend on their children and by population growth.

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Our History

Our Company was founded in Washington D.C. in 1948 when Charles Lazarus opened a baby furniture store, Children s Bargain Town. The Toys R Us name made its debut in 1957. In 1978, we completed an initial public offering of our common stock. When Charles Lazarus retired as our Chief Executive Officer in 1994, the Company operated or licensed over 1,000 stores in 17 countries and jurisdictions. In 1996, we established the Babies R Us brand, further solidifying our reputation as a leading consumer destination for children and their families.

On July 21, 2005, we were acquired by an investment group led by entities advised by or affiliated with Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co. L.P. and Vornado Realty Trust. We refer to this collective ownership group as our Sponsors . Upon the completion of this acquisition, we became a private company.

Progress Since Our 2005 Acquisition

Strengthening our management team was our top priority following the 2005 acquisition. The rebuilding effort began with the hiring of Gerald L. Storch, our Chairman and Chief Executive Officer, who joined the Company in February 2006 from Target Corporation, where he had most recently been Vice Chairman. He assembled the Company s leadership team, recruiting seasoned executives with significant retail experience.

Our new management team has made significant improvements to the business, producing strong results to date and laying the foundation for continued improvement. Over the past six years, we achieved the following:

- ***Streamlined the organizational structure of the Company.*** We harnessed the collective strength of the Toys R Us and Babies R Us brands by combining their respective corporate, merchandising and field operation functions.

- ***Developed and launched our juvenile integration strategy.*** We designed and implemented new integrated store formats that combine the Toys R Us and Babies R Us brands and merchandise offerings under one roof, providing a one stop shopping environment for our guests. These formats are side-by-side stores and R Superstores. Side-by-side stores are a combination of Toys R Us and Babies R Us stores. Our R Superstores are conceptually similar to side-by-side stores, except that they are larger in size. Either format may be the result of a conversion or relocation and, in certain cases, may be accompanied by the closure of one or more existing stores. In addition, side-by-side stores and R Superstores may also be constructed in a new location and market. As of April 30, 2011, 19% of our operated stores were integrated into our side-by-side or R Superstore store format.

Our integrated format concepts have become powerful vehicles for remodeling and updating our existing store base, generating significant improvements in store-level net sales and profitability. For example, in the first 12 months after conversion, without any increase in square footage, the aggregate store sales for our 64 domestic and 60 international side-by-side stores converted during fiscal years 2006, 2007, 2008 and 2009, increased on a weighted average basis (based on net sales) by 20% and 14%, respectively, as compared to the 12 month period prior to commencement of construction for the conversion. The aggregate store sales increases described above are reduced by our estimate of net sales that were transferred from existing stores (generally Babies R Us standalone stores) in the vicinity to the newly converted stores.

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Improved the shopping experience for our guests. We developed and implemented store standards focused on store cleanliness, store signage and customer service, and we enhanced our merchandise selection. In the U.S., from 2005 to 2010, Toys R Us and Babies R Us guest service scores increased by 11% and 8%, respectively.

Focused on optimizing our store portfolio. As of April 30, 2011, we have opened 145 Company operated stores, closed 118 Company operated stores and converted or relocated 235 Company operated stores to our side by side or R Superstore store format since the end of fiscal 2005. In addition, the number of licensed stores increased from 173 to 223 during the same time period. In fiscal 2010, 97% of our operated stores were store-level EBITDA positive.

Grew our on-line business. In 2006, we began selling through our Toysrus.com and Babiesrus.com websites. Through our business initiatives and acquisitions, we have expanded our on-line business from $486 million in net sales in fiscal 2005 to $782 million in net sales in fiscal 2010.

These initiatives, along with other operating improvements, have delivered strong financial results, with Adjusted EBITDA growing by approximately 53% from fiscal 2005 to fiscal 2010.

Our Competitive Strengths

We believe that the following key competitive strengths differentiate our business:

We are the leading specialty retailer of toys and juvenile products. We have brand names that are highly recognized around the world and strong relationships with our guests and vendors. We also believe our focus on quality of products, service and safety is a competitive strength.

Highly recognized brand names. In the U.S., Toys R Us and Babies R Us maintain a 98% and 86% brand awareness, respectively, among adults over 18-years-old according to a market study conducted by Marketing Evaluations, Inc. in 2009.

Long-lasting relationships with our guests. Our product assortment allows us to capture new parents as customers during pregnancy, helping them prepare for the arrival of their newborn, and then as new parents and consumers of our toy products. We continue to build on these relationships as these children mature and eventually become parents themselves. Additionally, our loyalty programs, including baby registry, birthday club and Rewards R Us programs, all offer on-line functionality which deepens our relationship with our guests and complements the in-store experience.

Strong relationships with vendors. Given our market leadership position, we have been able to develop strategic partnerships with many of our vendors and provide them with a year-round platform for their brand and testing of products.

Broad and deep product assortment. Our broad and deep product assortment, which we believe offers our guests the most comprehensive year-round selection of toys and juvenile products, enables us to command a reputation as the shopping destination for toys and juvenile (including baby) products.

We have a global footprint and multi-channel distribution capabilities. We have a global presence and reach children and their families in 34 countries and jurisdictions around the world.

Global footprint. We are one of the few hardline specialty retailers with a global footprint, based on a review of other hardline specialty retailers, with 38% of our consolidated net sales and 39% of our total operating earnings, excluding unallocated corporate selling, general &

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administrative expenses, generated outside the U.S. in fiscal 2010. We believe that operating as a global and geographically diverse company enhances our ability to identify trends, test new products and the stability of our business by exposing us to growth opportunities in different markets and across a broad customer base.

Multiple retail store formats. We operate a variety of store formats, which enable us to reach our customers in many different ways. Our big box formats include standalone Toys R Us stores, standalone Babies R Us stores and integrated formats which combine our Toys R Us and Babies R Us merchandise offerings under one roof. In addition to these formats, we operate smaller, temporary holiday Express locations in malls, outlets and strip centers. During the fiscal 2010 holiday season, we operated 656 Express stores. As of April 30, 2011, we operated 95 Express stores, including 24 stores with a cumulative lease term of at least two years which have been included in our Domestic segment store count.

Differentiated real estate strategy with attractive underlying portfolio. We own stores on land we own and on properties we long-term ground lease located in eight countries, representing approximately 45% of our entire store base as of April 30, 2011. The significant ownership level of our real estate, as well as the ongoing effective management of our leases, provides substantial flexibility to execute our juvenile integration strategy in a capital-efficient manner.

Leading on-line position. We also sell merchandise through our Internet sites Toysrus.com and Babiesrus.com, as well as our newly acquired eToys.com, FAO.com and babyuniverse.com Internet sites. During the majority of the 2010 holiday season, the Toysrus.com website was in the top 20 retail shopping and classified websites in the U.S. based on traffic as measured by Experian Hitwise. For fiscals 2010, 2009 and 2008, our e-commerce business generated net sales of approximately $782 million, $602 million and $578 million, respectively.

We have significant experience in managing the seasonal nature of our business. From warehousing and distribution, to hiring and training a seasonal workforce and promotional planning, we have invested in the technology and infrastructure to handle the increased demand during the holiday season in a cost effective manner.

We have an experienced management team with a proven track record. Our senior management team has an average of approximately 20 years of retail experience across a broad range of disciplines in the specialty retail industry, including merchandising, finance and real estate.

Our Growth Strategy

We intend to strengthen our position in the marketplace, increase revenues and grow profits primarily through the following initiatives:

Continue juvenile integration strategy across the existing store base. Converting or relocating our standalone Toys R Us stores into our side-by-side and our R Superstore formats has generated significant improvements in our comparable store net sales and store-level profitability. We believe, based on our review of the markets where our non-integrated stores are located, we have the potential to convert or relocate another 60% to 70% of our big box stores globally into our side-by-side and R Superstore formats over the next decade. We expect to convert or relocate 67 stores to our side-by-side or R Superstore formats in fiscal 2011 (of which seven have been converted and/or relocated as of April 30, 2011) for an estimated cost of approximately $144 million.

Expand our on-line presence and leverage multi-channel capabilities. We plan to further expand and leverage our e-commerce business, which includes the continued integration of our Internet capabilities with our stores, and the expansion of in-store pick-up of on-line orders. We are introducing websites in countries where we have physical stores but lack a web presence, as well as entering new international markets where we do not have any physical stores. In addition to our existing online presence in Australia, Canada, Japan and the United Kingdom, in fiscal 2010, we introduced websites in Austria, France and Germany, expanding our global reach. In the near future, we plan on further extending our online presence by rolling out websites in the Netherlands, Portugal, Spain and Switzerland.

Expand our store base. We believe we have the potential to increase our retail square footage, net of closures, in excess of 15% over the next several years, through our new store growth and relocations of existing stores to R Superstores primarily in our existing markets. In addition, we believe that opportunities may exist to expand into countries where we do not currently operate stores. We also expect to continue our strategy for operating temporary holiday Express locations in the future, the amount of which will depend on market opportunities.

Execute strategies to expand our operating profit margin. We will continue to focus on expanding our gross margins primarily through optimizing pricing, increasing our private label penetration and increasing our use of direct sourcing. We will also continue to optimize our cost structure and enhance efficiencies throughout the organization to manage our selling, general and administrative expenditures.

Improve sales productivity in our base business. In addition to our juvenile integration strategy, we intend to continue to improve space utilization, in-stock positions and store standards, flex our toys and juvenile (including baby) products categories seasonally and optimize store hours.

Risk Factors

Investing in our common stock involves substantial risk, and our ability to successfully operate our business is subject to numerous competitive risks and challenges, including those that are generally associated with operating in the retail industry. Any of the factors set forth under Risk Factors may limit our ability to successfully execute our business strategy or may adversely affect our revenues and overall profitability. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under Risk Factors in deciding whether to invest in our common stock. Among these important risks and challenges are the following:

Competitive risks and challenges related to our business:

- our business is highly seasonal and our financial performance depends on the results of the fourth quarter of each fiscal year;

- our industry is highly competitive and competitive conditions may adversely affect our revenues and overall profitability and we may be vulnerable to the special competitive pressures from the growing e-commerce activity in the market, both as they may impact our own e-commerce business, and as they may impact the operating results and investment values of our existing physical stores;

- our revenues may decline due to general economic weakness or a reduction in consumer spending on toys and juvenile (including baby) products;

- our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms;

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- we depend on key vendors and our vendors failure to supply quality merchandise in a timely manner may damage our reputation and harm our business;
- we may not successfully implement our plans to continue our juvenile integration strategy, expand our store-base, expand our on-line presence, improve our sales productivity and operating profit margin, broaden our product offerings or expand our sales channels;
- we may not successfully gauge trends and changing consumer preferences;
- our results of operations are subject to risks arising from the international scope of our operations including fluctuations in foreign currency exchange rates;
- product safety issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs;

Risks related to our indebtedness:

- our substantial debt makes us especially vulnerable to adverse trends in general economic and industry conditions;
- our debt agreements contain restrictions that limit our flexibility in operating our business;

Risks related to our common stock:

- the Sponsors currently own, and will continue to own after the offering, shares sufficient to control our operations and, as a result, your ability to influence the outcome of key transactions may be limited; and
- as a controlled company within the meaning of the New York Stock Exchange rules, we will qualify for and intend to rely on exemptions from certain corporate governance requirements and will not have the same protections afforded to shareholders of companies that are subject to such requirements.

Our principal executive offices are located at One Geoffrey Way, Wayne, New Jersey 07470, and our telephone number is (973) 617-3500. Our website address is www.toysrusinc.com. The information on our website is not part of this prospectus.

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The Offering

Common stock offered by Toys R Us, Inc..	shares
Common stock to be outstanding after this offering	shares (shares if the underwriters exercise their option in full)
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $ million, assuming the shares are offered at $ per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus We intend to use the anticipated net proceeds primarily to repay certain of our existing indebtedness and also for general corporate purposes
Underwriters option	We have granted the underwriters a 30-day option to purchase up to additional shares of our common stock at the initial offering price
Dividend policy	We have no current plans to pay dividends on our common stock in the foreseeable future
Advisory Agreement fees	Upon the completion of this offering, pursuant to and in connection with the terms of the advisory agreement, we will pay total fees of approximately $98 million to affiliates of the Sponsors and terminate the agreement (which amount will include a transaction fee equal to 1%, or approximately $8 million, of the estimated gross proceeds from this offering, a termination fee equal to approximately $87 million and certain contingent fees equal to approximately $3 million). See Certain Relationships and Related Party Transactions Advisory Agreement
Risk Factors	You should carefully read and consider the information set forth under Risk Factors beginning on page 14 of this prospectus and all other information set forth in this prospectus before investing in our common stock
Proposed NYSE ticker symbol	TOYS

Unless we indicate otherwise or the context requires, all information in this prospectus:

- assumes (1) no exercise of the underwriters option to purchase additional shares of our common stock and (2) an initial public offering price of $ per share, the midpoint of the estimated initial public offering range indicated on the cover of this prospectus.

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gives effect to the -for-one stock split of our common stock, which will occur prior to the consummation of this offering.

does not reflect (on a pre-split basis) (1) 3,352,116 shares of our common stock issuable upon the exercise of 3,352,116 outstanding stock options under our Management Equity Plan (the Management Equity Plan) held by our officers and employees at a weighted average exercise price of $26.85 per share as of April, 30, 2011, 2,653,422 of which options were then exercisable; and (2) 3,750,000 shares of our common stock reserved for future grants under our Toys R Us, Inc. 2010 Incentive Plan adopted in fiscal 2010 (the 2010 Incentive Plan), of which 989,976 underlie awards made after April 30, 2011 under such plan.

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Summary Historical Financial and Other Data

Set forth below is summary historical consolidated financial and other data of Toys R Us, Inc. at the dates and for the periods indicated. We derived the summary historical statement of operations and statement of cash flows data for the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009, and balance sheet data as of January 29, 2011 and January 30, 2010 from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical statement of operations and statement of cash flows data for the fiscal years ended February 2, 2008 and February 3, 2007 and the balance sheet data as of January 31, 2009, February 2, 2008 and February 3, 2007 presented in this table from our consolidated financial statements not included in this prospectus.

We derived the summary condensed consolidated financial data for the thirteen-week periods ended April 30, 2011 and May 1, 2010 from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. Our unaudited condensed consolidated interim financial statements were prepared on a basis consistent with our audited consolidated financial statements. In management s opinion, the unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal recurring accruals, necessary for the fair presentation of those statements.

Our historical results are not necessarily indicative of future operating results and our interim results for the thirteen weeks ended April 30, 2011 are not projections for the results to be expected for fiscal year ended January 28, 2012. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, Selected Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements, condensed consolidated financial statements and the related notes included elsewhere in this prospectus.

(In millions, except number of stores and share data)	Fiscal Years Ended(1)					13 Weeks Ended	
	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	April 30, 2011	May 1, 2010
Statement of Operations Data:							
Net sales	$ 13,864	$ 13,568	$ 13,724	$ 13,794	$ 13,050	$ 2,636	$ 2,608
Cost of sales	8,939	8,790	8,976	8,987	8,638	1,658	1,663
Gross margin	4,925	4,778	4,748	4,807	4,412	978	945
Selling, general and administrative expenses(2)	3,942(3)	3,730	3,856	3,801(7)	3,506(7)	897	858
Depreciation and amortization	388	376	399	394	409	98	94
Other income, net(4)	(51)	(112)(5)	(128)(6)	(84)	(152)	(10)	(12)
Total operating expenses	4,279	3,994	4,127	4,111	3,763	985	940
Operating earnings (loss)	646	784	621	696	649	(7)	5
Interest expense	(521)	(447)	(419)	(503)	(537)	(128)	(125)
Interest income	7	7	16	27	31	2	1
Earnings (loss) before income taxes	132	344	218	220	143	(133)	(119)
Income tax (benefit) expense	(35)	40	7	65	35	(66)	(63)
Net earnings (loss)	167	304	211	155	108	(67)	(56)
Less: Net (loss) earnings attributable to noncontrolling interest	(1)	(8)	(7)	2	(1)		(1)
	$ 168	$ 312	$ 218	$ 153	$ 109	$ (67)	$ (55)

Net earnings (loss) attributable to Toys R Us, Inc.	

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(In millions, except number of stores and share data)	Fiscal Years Ended(1) January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	13 Weeks Ended April 30, 2011	May 1, 2010
Share Data:							
Earnings per common share attributable to Toys R Us, Inc.(8):							
Basic	$	$	$	$	$	$	$
Diluted	$	$	$	$	$	$	$
Weighted average shares used in computing per share amounts(8):							
Basic earnings per common share							
Diluted earnings per common share							
Statement of Cash Flows:							
Net cash provided by (used in)							
Operating activities	$ 220	$ 1,014	$ 525	$ 527	$ 411	$ (564)	$ (723)
Investing activities	(281)	(37)	(259)	(416)	(107)	(51)	(29)
Financing activities	(53)	(626)	(223)	(152)	(566)	74	158
Balance Sheet Data (end of period):							
Working capital	$ 534	$ 619	$ 617	$ 685	$ 347	$ 1,161	$ 629
Property and equipment, net	4,061	4,084	4,187	4,385	4,333	4,085	3,992
Total assets	8,832	8,577	8,411	8,952	8,295	8,779	8,252
Long-term debt(9)	4,718	5,034	5,447	5,824	5,722	5,360	4,986
Total stockholders equity (deficit)	343	117	(152)	(235)	(540)	339	38
Other Financial and Operating Data:							
Number of stores Domestic (at period end)(10)	868	849	846	845	837	873	848
Number of stores International operated (at period end)(10)	524	514	504	504	488	523	514
Total operated stores (at period end)(10)	1,392	1,363	1,350	1,349	1,325	1,396	1,362
Number of stores International Licensed (at period end)	220	203	209	211	190	223	203
Adjusted EBITDA(11)	$ 1,118	$ 1,141	$ 998	$ 1,106	$ 994	$ 107	$ 125
Capital expenditures	$ 325	$ 192	$ 395	$ 326	$ 285	$ 58	$ 40

(1) Our fiscal year ends on the Saturday nearest to January 31 of each calendar year. With the exception of fiscal 2006, which included 53 weeks, all fiscal years presented are based on a 52 week period.

(2) Includes the impact of restructuring and other charges. See Note 10 to our consolidated financial statements entitled Restructuring and Other Charges for further information.

(3) Includes a pre-tax reserve of $23 million for certain legal matters and a $16 million pre-tax non-cash cumulative correction of prior period straight-line lease accounting. Includes a $6 million pre-tax incremental compensation expense related to the repurchase obligations of awards by the Company upon termination. Includes $6 million in pre-tax state and city property transfer taxes recognized in fiscal 2010 related to the merger transaction in fiscal 2005.

(4) Includes $20 million, $20 million, $78 million, $17 million and $15 million of pre-tax gift card breakage income in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. Also includes $11 million of pre-tax gift

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card dormancy income in fiscal 2006. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

Includes $5 million and $4 million of pre-tax gift card breakage income for the thirteen weeks ended April 30, 2011 and May 1, 2010, respectively.

Includes the pre-tax impact of net gains on sales of properties of $10 million, $6 million, $5 million, $33 million and $110 million in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. See Note 5 to our consolidated financial statements entitled Property and Equipment for further details.

Includes the pre-tax impact of net gains on sales of properties of $2 million for the thirteen weeks ended April 30, 2011.

Includes pre-tax impairment losses on long-lived assets of $11 million, $7 million, $33 million, $13 million and $5 million in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

Includes pre-tax impairment losses on long-lived assets of $1 million and $1 million for the thirteen weeks ended April 30, 2011 and May 1, 2010, respectively.

(5) Includes a $51 million pre-tax gain related to the litigation settlement with Amazon.com (Amazon). See Note 15 to our consolidated financial statements entitled Litigation and Legal Proceedings for further details.

(6) Includes a $39 million pre-tax gain related to the substantial liquidation of the operations of TRU (HK) Limited, our wholly-owned subsidiary. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

(7) Includes a contract termination payment of $19 million related to the pre-tax settlement between Toys-Japan and McDonald s Holding Company (Japan), Ltd. (McDonald s Japan) in fiscal 2008. A $5 million pre-tax reserve had previously been established in fiscal 2007.

(8) All share and per share amounts reflect a -for-one stock split of our common stock, which will occur prior to the consummation of this offering.

(9) Excludes current portion of long-term debt. See Note 2 to our consolidated financial statements and condensed consolidated financial statements entitled Long-Term Debt for further information.

(10) During the fiscal 2010 holiday season, we operated 656 Express store locations (consisting of 615 Express stores in our Domestic segment and 41 Express stores in our International segment). As of April 30, 2011, we operated 95 Express stores, including 24 stores with a cumulative lease term of at least two years which have been included in our Domestic segment store count.

(11) Adjusted EBITDA is defined as EBITDA (earnings (loss) before net interest income (expense), income tax (benefit) expense, depreciation and amortization), as further adjusted to exclude the effects of certain income and expense items that management believes make it more difficult to assess the Company s actual operating performance. Although the nature of many of these income and expense items is recurring, we have historically excluded such impact from internal performance assessments. We believe that excluding items such as sponsors management and advisory fees, asset impairment charges, restructuring charges, impact of litigation, non-controlling interest, gain on sale of properties, gift card breakage accounting change and the other charges specified below, helps investors compare our operating performance with our results in prior periods. We believe it is appropriate to exclude these items as they are not related to ongoing operating performance and, therefore, limit comparability between periods and between us and similar companies.

We believe Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Investors of the Company regularly request Adjusted EBITDA as a supplemental analytical measure to, and in conjunction with, the Company s GAAP financial data. We understand that these investors use Adjusted EBITDA, among other things, to assess our period-to-period operating performance and to gain insight into the manner in which management analyzes operating performance.

In addition, we believe that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA and Adjusted EBITDA generally

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eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. We use these non-GAAP financial measures for planning and forecasting and measuring results against the forecast and in certain cases we use similar measures for bonus targets for certain of our employees. Using several measures to evaluate the business allows us and investors to assess our relative performance against our competitors.

Although we believe that Adjusted EBITDA can make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies, even in the same industry, may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance. The Company does not, and investors should not, place undue reliance on EBITDA or Adjusted EBITDA as measures of operating performance.

Reconciliation of Net earnings (loss) attributable to Toys R Us, Inc. to EBITDA and Adjusted EBITDA is as follows:

	Fiscal Years Ended					13 Weeks Ended	
(In millions)	**January 29, 2011**	**January 30, 2010**	**January 31, 2009**	**February 2, 2008**	**February 3, 2007**	**April 30, 2011**	**May 1, 2010**
Net earnings (loss) attributable to Toys R Us, Inc.	$ 168	$ 312	$ 218	$ 153	$ 109	$ (67)	$ (55)
Add:							
Income tax (benefit) expense	(35)	40	7	65	35	(66)	(63)
Interest expense, net	514	440	403	476	506	126	124
Depreciation and amortization	388	376	399	394	409	98	94
EBITDA	1,035	1,168	1,027	1,088	1,059	91	100
Adjustments:							
Litigation expense(a)	23					1	17
Sponsors management and advisory fees(b)	20	15	18	18	20	5	5
Prior period lease accounting(c)	16						
Impairment on long-lived assets(d)	11	7	33	13	5	1	1
Compensation expense(e)	6					2	
Transfer taxes(f)	6						
Restructuring(g)	3	5	8	2	9	1	1
Gain on sale of properties(h)	(10)	(6)	(5)	(33)	(110)	(2)	
Net (loss) earnings attributable to noncontrolling interest(i)	(1)	(8)	(7)	2	(1)		(1)
Gain on settlement of litigation(j)		(51)					
McDonald s Japan contract termination(k)			14	5			
Gift card breakage accounting change(l)			(59)				
Gain on liquidation of TRU (HK) Limited(m)			(39)				
Certain legal and accounting transaction costs						3	
Japan and Australia property damage write-offs(n)						3	
Severance(o)	4	5	3	11	12		2
Store closure costs(o)	5	6	5			2	
Adjusted EBITDA	$ 1,118	$ 1,141	$ 998	$ 1,106	$ 994	$ 107	$ 125

(a) Represents litigation expenses recorded for certain legal matters.

(b)

Represents the fees paid to the Sponsors in accordance with the advisory agreement. The advisory fee paid to the Sponsors increased 5% per year during the ten-year term of the agreement with the exception of fiscal 2009. The agreement will be terminated in connection with this offering. See Certain Relationships and Related Party Transactions.

(c) Represents a non-cash cumulative correction of prior period straight-line lease accounting.

(d) Asset impairments primarily due to the identification of underperforming stores and the relocation of certain stores.

(e) Represents the incremental compensation expense related to repurchase of awards by the company upon termination.

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(f) Represents state and city property transfer taxes recognized in fiscal 2010 related to the merger transaction in fiscal 2005.

(g) Restructuring and other charges consist primarily of costs incurred from the Company s 2003 and 2005 restructuring initiatives. The additional charges are primarily due to changes in management s estimates for events such as lease terminations, assignments and sublease income adjustments.

(h) During fiscals 2010 and 2009, we sold idle properties which resulted in gains of approximately $10 million and $6 million, respectively. During fiscal 2008, we sold property resulting in a gain of $14 million. At the time of the sale, we leased back a portion of the property. Due to the leaseback, we recognized $4 million of the gain and deferred the remaining $10 million. During fiscal 2007, we sold an idle distribution center and properties, which resulted in gains of approximately $23 million. In addition, we consummated a lease termination agreement resulting in a gain of $10 million.

During fiscal 2006, we sold 38 properties, resulting in a gain of $91 million. In addition, during fiscal 2006 we sold our interest in and assets related to a leased property, resulting in a gain of $21 million.

During the thirteen weeks ended April 30, 2011, we sold idle properties which resulted in gains of $2 million.

(i) Excludes noncontrolling interest in Toys R Us Japan.

(j) Represents a $51 million gain recorded in Other income, net related to the litigation settlement with Amazon in fiscal 2009.

(k) In fiscal 2008, a settlement was reached in which Toys Japan and McDonald s Japan agreed to the termination of the service agreement and the payment by Toys Japan of $19 million to McDonald s Japan. The Company had previously established a reserve of $5 million in fiscal 2007.

(l) During fiscal 2008, the Company changed its method for recording gift card breakage income to recognize breakage income and derecognize the gift card liability for unredeemed gift cards in proportion to actual redemptions of gift cards. As a result, the adjustment recorded in fiscal 2008 resulted in an additional $59 million of gift card breakage income.

(m) In fiscal 2008, the operations of TRU (HK) Limited, our wholly-owned subsidiary, were substantially liquidated. As a result, we recognized a $39 million gain.

(n) Represents the write-off of damaged assets in connection with a store fire in Australia, and from the earthquake and resulting tsunami that hit the Northeast coast of Japan.

(o) Commencing in fiscal 2011, we have revised our definition of Adjusted EBITDA to add back certain severance and store closure costs and have therefore revised our prior years Adjusted EBITDA calculations to add back such expenses.

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RISK FACTORS

An investment in our common stock involves substantial risk. You should carefully consider the following risks as well as the other information included in this prospectus, including Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes, before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, the trading price of the common stock could decline and you may lose all or part of your investment in our company.

Risks Relating to Our Business

Our business is highly seasonal, and our financial performance depends on the results of the fourth quarter of each fiscal year and, as a result, our operating results could be materially adversely affected if we achieve less than satisfactory sales prior to or during the holiday season.

Our business is highly seasonal. During fiscals 2010, 2009 and 2008 approximately 43%, 43% and 40%, respectively, of our total Net sales were generated in the fourth quarter. It is typically the case that we incur net losses in each of the first three quarters of the year, with a substantial portion of our cash flows from operations being generated in the fourth quarter. As a result, we depend significantly upon the fourth quarter holiday selling season. If we achieve less than satisfactory sales, operating earnings or cash flows from operating activities during the fourth quarter, we may not be able to compensate sufficiently for the lower sales, operating earnings or cash flows from operating activities during the first three quarters of the fiscal year. Our results in any given period may be affected by dates on which important holidays fall and the shopping patterns relating to those holidays. Additionally, the concentrated nature of our seasonal sales means that the Company s operating results could be materially adversely affected by natural disasters and labor strikes, work stoppages, terrorist acts or disruptive global political events, prior to or during the holiday season, as described below.

Our industry is highly competitive and competitive conditions may adversely affect our revenues and overall profitability.

The retail industry is highly and increasingly competitive and our results of operations are sensitive to, and may be adversely affected by, competitive pricing, promotional pressures, additional competitor store openings and other factors. As a specialty retailer that primarily focuses on toys and juvenile products, we compete with discount and mass merchandisers such as Wal-Mart and Target, electronics retailers, national and regional specialty chains, as well as local retailers in the geographic areas we serve. We also compete with national and local discount stores, department stores, supermarkets and warehouse clubs, as well as Internet and catalog businesses. We may be vulnerable to the special competitive pressures from the growing e-commerce activity in the market, both as they may impact our own e-commerce business, and as they may impact the operating results and investment values of our existing physical stores. Competition is principally based on product variety, quality, availability, price, convenience or store location, advertising and promotion, customer support and service. We believe that some of our competitors in the toys market and juvenile products market, as well as in the other markets in which we compete, have a larger market share than our market share. In addition, some of our competitors have greater financial resources, lower merchandise acquisition costs and lower operating expenses than we do.

Much of the merchandise we sell is also available from various retailers at competitive prices. Discount and mass merchandisers use aggressive pricing policies and enlarged toy-selling areas during the holiday season to increase sales and build traffic for other store departments. Our business is vulnerable to shifts in demand and pricing, as well as consumer preferences. Competition in the video game market has increased in recent years as mass merchandisers have expanded their offerings in this market, and as alternative sales channels (such as the Internet) have grown in importance.

The baby registry market is highly competitive, with competition based on convenience, quality and selection of merchandise offerings and functionality. Our baby registry primarily competes with the baby registries of mass merchandisers and other specialty format and regional retailers. Some of our competitors have been aggressively advertising and marketing their baby registries through national television and magazine campaigns. Within the past few years, the number of multiple registries and on-line registries has steadily increased. These trends present consumers with more choices for their baby registry needs, and as a result, increase competition for our baby registry.

If we fail to compete successfully, we could face lower sales and may decide or be compelled to offer greater discounts to our customers, which could result in decreased profitability.

Our sales may be adversely affected by changes in economic factors and changes in consumer spending patterns.

Many economic and other factors outside our control, including consumer confidence, consumer spending levels, employment levels, consumer debt levels, inflation and deflation, as well as the availability of consumer credit, affect consumer spending habits. A significant deterioration in the global financial markets and economic environment, recessions or an uncertain economic outlook adversely affects consumer spending habits and results in lower levels of economic activity. The domestic and international political situation, including the economic health of various political jurisdictions, also affects economic conditions and consumer confidence. Any of these events and factors could cause consumers to curtail spending and could have a negative impact on our financial performance and position in future fiscal periods.

Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms. If our lenders are unable to fund borrowings under their credit commitments or we are unable to borrow, it could have a significant negative effect on our business.

We have significant liquidity and capital requirements. Among other things, the seasonality of our businesses requires us to purchase merchandise well in advance of the fourth quarter holiday selling season. We depend on our ability to generate cash flows from operating activities, as well as on borrowings under our revolving credit facilities and our credit lines, to finance the carrying costs of this inventory and to pay for capital expenditures and operating expenses. As of April 30, 2011, we had outstanding borrowings of $100 million under the Toys R Us Japan, Ltd. (Toys Japan) unsecured credit lines and no outstanding borrowings under the $1.85 billion secured revolving credit facility (ABL Facility) and the European and Australian asset-based revolving credit facility (the New European ABL). For fiscal 2010, peak borrowings under our various credit lines were $793 million as we purchased merchandise for the fourth quarter holiday selling season. If our lenders are unable to fund borrowings under their credit commitments or we are unable to borrow, it could have a significant negative effect on our business. In addition, any adverse change to our credit ratings could negatively impact our ability to refinance our debt on satisfactory terms and could have the effect of increasing our financing costs. While we believe we currently have adequate sources of funds to provide for our ongoing operations and capital requirements for the next 12 months, any inability on our part to have future access to financing, when needed, would have a negative effect on our business.

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A loss of, or reduction in, trade credit from our vendors could reduce our liquidity, increase our working capital needs and/or limit our ability to purchase products.

Trade credit from our vendors is an important source of financing for the acquisition of the inventory we sell in our stores. Accordingly, the loss of, or reduction in, trade credit could have a significant adverse impact on our inventory levels and operating cash flow and negatively impact our liquidity. Our vendors may seek credit insurance to protect against non-payment of amounts due to them. If credit insurance is not available to vendors at reasonable terms or at all, vendors may demand accelerated payment of amounts due to them or require advance payments or letters of credit before goods are shipped to us. Any adverse changes in our trade credit for these or other reasons could increase the costs to us of financing our inventory or negatively impact our ability to deliver products to our customers, which could in turn negatively affect our financial performance.

We may not retain or attract customers if we fail to successfully implement our strategic initiatives, which could result in lower sales and a failure to realize the benefit of the expenditures incurred for these initiatives.

We continue to implement a series of customer-oriented strategic programs designed to differentiate and strengthen our core merchandise content and service levels and to expand and enhance our merchandise offerings. We seek to improve the effectiveness of our marketing and advertising programs for our R Us stores and on-line business. The success of these and other initiatives will depend on various factors, including the implementation of our growth strategy, the appeal of our store formats, our ability to offer new products to customers, our financial condition, our ability to respond to changing consumer preferences and competitive and economic conditions. We continuously endeavor to minimize our operating expenses, without adversely affecting the profitability of the business. If we fail to implement successfully some or all of our strategic initiatives, we may be unable to retain or attract customers, which could result in lower sales and a failure to realize the benefit of the expenditures incurred for these initiatives.

If we cannot implement our juvenile integration strategy or open new stores, our future growth will be adversely affected.

Our growth is dependent on both increases in sales in existing stores and the ability to successfully implement our juvenile integration strategy and open profitable new stores. Increases in sales in existing stores are dependent on factors such as competition, merchandise selection, store operations and other factors discussed in these Risk Factors. Our ability to successfully implement our juvenile integration strategy in a timely and cost effective manner or open new stores and expand into additional market areas depends in part on the following factors, which are in part beyond our control:

- the availability of attractive store locations and the ability to accurately assess the demographic or retail environment and customer demand at a given location;
- the ability to negotiate favorable lease terms and obtain the necessary permits and zoning approvals;
- the absence of occupancy delays;
- the ability to construct, furnish and supply a store in a timely and cost effective manner;
- the ability to hire and train new personnel, especially store managers, in a cost effective manner;
- costs of integration, which may be higher than anticipated;
- general economic conditions; and

the availability of sufficient funds for the expansion.

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Delays or failures in successfully implementing our juvenile integration strategy and opening new stores, or achieving lower than expected sales in integrated or new stores, or drawing a greater than expected proportion of sales in integrated or new stores from existing stores, could materially adversely affect our growth and/or profitability. In addition, we may not be able to anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for integrating, opening new stores or relocating stores or expanding profitably.

Some of our new stores may be located in areas where we have little or no meaningful experience. Those markets may have different market conditions, consumer preferences and discretionary spending patterns than our existing markets, which may cause our new stores to be less successful than stores in our existing markets. Other new stores may be located in areas where we have existing stores. Although we have experience in these markets, increasing the number of locations may result in unanticipated over-saturation of markets and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

Our sales may be adversely affected if we fail to respond to changes in consumer preferences in a timely manner.

Our financial performance depends on our ability to identify, originate and define product trends, as well as to anticipate, gauge and react to changing consumer preferences in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Our business fluctuates according to changes in consumer preferences dictated in part by fashion trends, perceived value and season. These fluctuations affect the merchandise in stock since purchase orders are written well in advance of the holiday season and, at times, before fashion trends and high-demand brands are evidenced by consumer purchases. If we overestimate the market for our products, we may be faced with significant excess inventories, which could result in increased expenses and reduced margins associated with having to liquidate obsolete inventory at lower prices. Conversely, if we underestimate the market for our products, we will miss opportunities for increased sales and profits, which would place us at a competitive disadvantage.

Sales of video games and video game systems tend to be cyclical, which may result in fluctuations in our results of operations, and may be adversely affected if products are sold through alternative channels.

Sales of video games and video game systems, which have accounted for 9%, 11% and 14% of our annual net sales for fiscals 2010, 2009 and 2008, respectively, have been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game systems, sales of these systems and related software and accessories generally increase due to initial demand, while sales of older systems and related products generally decrease. Moreover, competition within the video game market has increased in recent years and, due to the large size of this product category, fluctuations in this market could have a material adverse impact on our sales and profits trends. Additionally, if video game system manufacturers fail to develop new hardware systems, or if new video products are sold in channels other than traditional retail stores, including through direct online distribution to customers, our sales of video game products could decline, which would negatively impact our financial performance.

The success and expansion of our on-line business depends on our ability to provide quality service to our Internet customers and if we are not able to provide such services, our future growth will be adversely affected.

Our Internet operations are subject to a number of risks and uncertainties which are beyond our control, including the following:

- changes in consumer willingness to purchase goods via the Internet;

- increases in software filters that may inhibit our ability to market our products through e-mail messages to our customers and increases in consumer privacy concerns relating to the Internet;

- changes in technology;

- changes in applicable federal and state regulation, such as the Federal Trade Commission Act, the Children s Online Privacy Act, the Fair Credit Reporting Act and the Gramm-Leach-Bliley Act and similar types of international laws;

- breaches of Internet security;

- failure of our Internet service providers to perform their services properly and in a timely and efficient manner;

- failures in our Internet infrastructure or the failure of systems or third parties, such as telephone or electric power service, resulting in website downtime or other problems;

- failure by us to process on-line customer orders properly and on time, which may negatively impact future on-line and in-store purchases by such customers; and

- failure by our service provider to provide warehousing and fulfillment services, which may negatively impact future on-line and in-store purchases by customers.

If we are not able to provide satisfactory service to our Internet customers, our future growth will be adversely affected. Further, we may be vulnerable to the special competitive pressures from the growing e-commerce activity in our market, both as they may impact our own e-commerce business, and as they may impact the operating results and investment values of our existing physical stores.

We depend on key vendors to supply the merchandise that we sell to our customers and our vendors failure to supply quality merchandise in a timely manner may damage our reputation and brands and harm our business.

Our performance depends, in part, on our ability to purchase our merchandise in sufficient quantities at competitive prices. We purchase our merchandise from numerous international and domestic manufacturers and importers. We have no contractual assurances of continued supply, pricing or access to new products, and any vendor could change the terms upon which they sell to us or discontinue selling to us at any time. We may not be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. Better than expected sales demand may also lead to customer backorders and lower in-stock positions of our merchandise.

As of the end of fiscal 2010, we had approximately 3,500 active vendor relationships through which we procure the merchandise that we offer to our guests. For fiscal 2010, our top 20 vendors worldwide, based on our purchase volume in U.S. dollars, represented approximately 40% of the total products we purchased. An inability to acquire suitable merchandise on acceptable terms or the loss of one or more key vendors could have a negative effect on our business and operating results and could cause us to miss products that we feel are important to our assortment. We may not be able to develop relationships with new vendors, and products from alternative sources, if any, may be of a lesser quality and/or more expensive than those from existing vendors.

In addition, our vendors are subject to various risks, including raw material costs, inflation, labor disputes, union organizing activities, financial liquidity, product merchantability, inclement weather, natural disasters and general economic and political conditions that could limit our vendors ability to provide us with quality merchandise on a timely basis and at prices and payment terms that are commercially acceptable. For these or other reasons, one or more of our vendors might not adhere to our quality control standards, and we might not identify the deficiency before merchandise ships to our stores or customers. In addition, our vendors may have difficulty adjusting to our changing demands and growing business. Our vendors failure to manufacture or import quality merchandise in a timely and effective manner could damage our reputation and brands, and could lead to an increase in

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customer litigation against us and an attendant increase in our routine and non-routine litigation costs. Further, any merchandise that does not meet our quality standards could become subject to a recall, which could damage our reputation and brands and harm our business.

If our vendors fail to provide promotional support consistent with past levels, our sales, earnings and cash flow could be adversely affected.

Our vendors typically provide us with promotional support for the sale of their products in our store and on our website. We also receive allowances for volume-related purchases. As part of this support, we receive allowances, payments and credits from the vendors which reduces our cost of goods sold, supports the promotion and merchandising of the products we sell and drives sales at our stores and on our website. We cannot assure you that vendors will continue to provide this support consistent with past levels. If our vendors fail to do so, our sales, earnings and cash flow could be adversely affected.

The decrease of birth rates in countries where we operate could negatively affect our business.

Most of our end-customers are newborns and children and, as a result, our revenues are dependent on the birth rates in countries where we operate. In recent years, many countries have experienced a sharp drop in birth rates as their population ages and education and income levels increase. A continued and significant decline in the number of newborns and children in these countries could have a material adverse effect on our operating results.

If current store locations become unattractive, and attractive new locations are not available for a reasonable price, our ability to implement our growth strategy will be adversely affected.

The success of any store depends in substantial part on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns change. Neighborhood or economic conditions where stores are located could decline in the future, resulting in potentially reduced sales in these locations. If we cannot obtain desirable locations at reasonable prices, our ability to implement our growth strategy will be adversely affected.

We have substantial obligations under long-term leases that could adversely affect our financial condition and prevent us from fulfilling our obligations.

As of April 30, 2011, we leased 1,028 of our properties from third parties pursuant to long-term space and ground leases. Total rent expense, net of sublease income, was $570 million, $519 million and $503 million for fiscals 2010, 2009 and 2008, respectively, and is expected to be approximately $566 million for fiscal 2011. Many of our leases provide for scheduled increases in rent. The substantial obligations under our leases could further exacerbate the risks described below under Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industries, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our various debt instruments and/or our other obligations.

If we are unable to renew or replace our current store leases or if we are unable to enter into leases for additional stores on favorable terms, or if one or more of our current leases are terminated prior to expiration of their stated term and we cannot find suitable alternate locations, our growth and profitability could be negatively impacted.

We currently have ground leasehold interests in approximately 18% and store leasehold interests in approximately 55% of our domestic and international store locations. Most of our current leases provide for our unilateral option to renew for several additional rental periods at specific rental rates. Our ability to re-negotiate favorable terms on an expiring lease or to negotiate favorable terms for a suitable alternate location, and our ability to negotiate favorable lease terms for additional store locations could depend on conditions in the real estate market, competition for desirable properties and our relationships with current and prospective landlords or may depend on other factors that are not within our control. Any or all of these factors and conditions could negatively impact our growth and profitability.

Our business, financial condition and results of operations are subject to risks arising from the international scope of our operations which could negatively impact our financial condition and results of operations.

We conduct a significant portion of our business outside the United States. For the thirteen weeks ended April 30, 2011 and for fiscals 2010 and 2009, approximately 38%, 38% and 39% of our Net sales, respectively, were generated outside the U.S. In addition, as of January 29, 2011 and January 30, 2010, approximately 37% and 36% of our long-lived assets, respectively, were located outside of the United States. All of our foreign operations are subject to risks inherent in conducting business abroad, including the challenges of different economic conditions in each of the countries, possible nationalization or expropriation, price and currency exchange controls, fluctuations in the relative values of currencies as described below, political instability and restrictive governmental actions.

Our business is subject to fluctuations in foreign currency exchange rates and such fluctuations may have a material adverse effect on our business, financial condition and results of operations.

Exchange rate fluctuations may affect the translated value of our earnings and cash flow associated with our international operations, as well as the translation of net asset or liability positions that are denominated in foreign currencies. In countries outside of the United States where we operate stores, we generate revenues and incur operating expenses and selling, general and administrative expenses denominated in local currencies. In many countries where we do not operate stores, our licensees pay royalties in U.S. dollars. However, as the royalties are calculated based on local currency sales, our revenues are still impacted by fluctuations in exchange rates. In fiscal years 2010, 2009 and 2008, 38%, 39% and 38% of our Net sales, respectively, were completed in a currency other than the U.S. dollar, the majority of which were denominated in euros, yen, canadian dollars and pounds. In fiscal 2010, our reported operating earnings would have decreased or increased $37 million if all foreign currencies uniformly weakened or strengthened by 10% relative to the U.S. dollar.

We enter into foreign exchange agreements from time to time with financial institutions to reduce our exposure to fluctuations in currency exchange rates referred to as hedging activities. However, these hedging activities may not eliminate foreign currency risk entirely and involve costs and risks of their own. Although we hedge some exposures to changes in foreign currency exchange rates arising in the ordinary course of business, foreign currency fluctuations may have a material adverse effect on our business, financial condition and results of operations.

Our results may be adversely affected by fluctuations in raw material and energy costs.

Our results may be affected by the prices of the components and raw materials used in the manufacture of our toys and juvenile products. These prices may fluctuate based on a number of factors beyond our control, including: oil prices, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and government regulation. In addition, energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and overall costs to purchase products from our vendors.

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We may not be able to adjust the prices of our products, especially in the short-term, to recover these cost increases in raw materials and energy. A continual rise in raw material and energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our financial condition and results of operations.

A significant disruption to our distribution network or to the timely receipt of inventory could adversely impact sales or increase our transportation costs, which would decrease our profits.

We rely on our ability to replenish depleted inventory in our stores through deliveries to our distribution centers from vendors and then from the distribution centers or direct ship vendors to our stores by various means of transportation, including shipments by sea, rail, air and truck. Unexpected delays in those deliveries or increases in transportation costs (including from increased fuel costs) could significantly decrease our ability to make sales and earn profits. In addition, labor shortages or labor disagreements in the transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of deliveries could negatively affect our business.

Product safety issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.

The products we sell in our stores are subject to regulation by the federal Consumer Product Safety Commission and similar state and international regulatory authorities. As a result, such products have been and could be in the future subject to recalls and other remedial actions. Product safety concerns may require us to voluntarily remove selected products from our stores. Such recalls and voluntary removal of products can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs, which could have a material adverse effect on our financial condition.

Our business exposes us to personal injury and product liability claims which could result in adverse publicity and harm to our brands and our results of operations.

We are from time to time subject to claims due to the injury of an individual in our stores or on our property. In addition, we have in the past been subject to product liability claims for the products that we sell. Subject to certain exceptions, our purchase orders generally require the manufacturer to indemnify us against any product liability claims; however, if the manufacturer does not have insurance or becomes insolvent, there is a risk we would not be indemnified. Any personal injury or product liability claim made against us, whether or not it has merit, could be time consuming and costly to defend, resulting in adverse publicity, or damage to our reputation, and have an adverse effect on our results of operations.

Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved could expose us to monetary damages or limit our ability to operate our business.

We are involved in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, shareholders, government agencies or others. The results of such litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and divert significant resources. If any of these legal proceedings were to be determined adversely to us, there could be a material adverse effect on our business, financial condition and results of operations.

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We are subject to certain regulatory and legal requirements. If we fail to comply with regulatory or legal requirements, our business and financial results may be adversely affected.

We are subject to numerous regulatory and legal requirements. Our policies, procedures and internal controls are designed to comply with all applicable laws and regulations, including those imposed by the Federal Trade Commission, the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission. In addition, our business activities require us to comply with complex regulatory and legal issues on a local, national and worldwide basis (including, in some cases, more stringent local labor law or regulations). Failure to comply with such laws and regulations could adversely affect our operations and financial results, involve significant expense and divert management s attention and resources from other matters, which in turn could harm our business.

Our business operations could be disrupted if our information technology systems fail to perform adequately or we are unable to protect the integrity and security of our customers information.

We depend largely upon our information technology systems in the conduct of all aspects of our operations. If our information technology systems fail to perform as anticipated, we could experience difficulties in virtually any area of our operations, including but not limited to replenishing inventories or in delivering our products to store locations in response to consumer demands. Any of these or other systems-related problems could, in turn, adversely affect our sales and profitability.

Additionally, a compromise of our security systems (or a design flaw in our system environment) could result in unauthorized access to certain personal information about our customers (including credit card information) which could adversely affect our reputation with our customers and others, as well as our operations, and could result in litigation against us or the imposition of penalties. In addition, a security breach could require that we expend significant additional resources related to our information security systems.

Natural disasters, inclement weather, pandemic outbreaks, terrorist acts or disruptive global political events could cause permanent or temporary distribution center or store closures, impair our ability to purchase, receive or replenish inventory, or decrease customer traffic, all of which could result in lost sales and otherwise adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, fires, floods, earthquakes, tornados and volcano eruptions, or inclement weather such as frequent or unusually heavy snow, ice or rain storms, or extended periods of unseasonable temperatures, or the occurrence of pandemic outbreaks, labor strikes, work stoppages, terrorist acts or disruptive global political events, such as civil unrest in countries in which our suppliers are located, or similar disruptions could adversely affect our operations and financial performance. To the extent these events impact one or more of our key vendors or result in the closure of one or more of our distribution centers or a significant number of stores, our operations and financial performance could be materially adversely affected through an inability to make deliveries to our stores and through lost sales. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, delays in opening new stores, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas vendor, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores, the temporary reduction in the availability of products in our stores and disruption to our information systems. These events also can have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage.

On March 11, 2011, an earthquake hit the Northeast coast of Japan, causing significant damage to the surrounding region. Our organization and assets in Japan were not materially damaged by the

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earthquake and resulting tsunami and no stores were closed for a significant period of time. However, the implications of these events and the resulting damage to the nation s infrastructure, consumer confidence and overall economy remain unclear.

Our results of operations could suffer if we lose key management or are unable to attract and retain experienced senior management for our business.

Our future success depends to a significant degree on the skills, experience and efforts of our senior management team. The loss of services of any of these individuals, or the inability by us to attract and retain qualified individuals for key management positions, could harm our business and financial performance.

Because of our extensive international operations, we could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The United States Foreign Corrupt Practices Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. Despite our training and compliance program, we cannot assure you that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our financial condition, results of operations and cash flows.

International events could delay or prevent the delivery of products to our stores, which could negatively affect our sales and profitability.

A significant portion of products we sell are manufactured outside of the United States, primarily in Asia. As a result, any event causing a disruption of imports, including labor strikes, work stoppages, boycotts, safety issues on materials, the imposition of trade restrictions in the form of tariffs, embargoes or export controls, anti-dumping duties, port security or other events that could slow port activities, could increase the cost and reduce the supply of products available to us. In addition, port-labor issues, rail congestion and trucking shortages can have an impact on all direct importers. Although we attempt to anticipate and manage such situations, both our sales and profitability could be adversely impacted by any such developments in the future. These and other international events could negatively affect our sales and profitability.

We may experience fluctuations in our tax obligations and effective tax rate, which could materially and adversely affect our results of operations.

We are subject to taxes in the United States and numerous international jurisdictions. We record tax expense based on current tax payments and our estimates of future tax payments, which include reserves for estimates of probable settlements of international and domestic tax audits. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year there could be ongoing variability in our quarterly tax rates as taxable events occur and exposures are re-evaluated. Further, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings by taxing jurisdiction or by changes to existing accounting rules or regulations. Fluctuations in our tax obligations and effective tax rate could materially and adversely affect our results of operations.

Changes to accounting rules or regulations may adversely affect our results of operations.

Changes to existing accounting rules or regulations may impact our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For instance, the SEC is currently considering whether issuers in the United States should be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) instead of accounting principles generally accepted in the United States (GAAP). IFRS is a comprehensive set of accounting standards promulgated by the International Accounting Standards Board (IASB). Additionally, the Financial Accounting Standards Board (FASB) is considering various changes to GAAP, some of which may be significant, as part of a joint effort with the IASB to converge accounting standards. For instance, the FASB and IASB have issued an exposure draft that would require us to record lease obligations on our balance sheet and make other changes to our financial statements. These and other future changes to accounting rules or regulations may materially adversely affect our results of operations and financial position.

Our total assets include goodwill and substantial amounts of property and equipment. Changes to estimates or projections related to such assets, or operating results that are lower than our current estimates at certain store locations, may cause us to incur impairment charges that could adversely affect our results of operations.

Our total assets include substantial amounts of property, equipment and goodwill. We make certain estimates and projections in connection with impairment analyses for these assets, in accordance with FASB Accounting Standards Codification (ASC) Topic 360, Property, Plant and Equipment (ASC 360), and ASC Topic 350, Intangibles Goodwill and Other (ASC 350). We also review the carrying value of these assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable in accordance with ASC 360 or ASC 350. We will record an impairment loss when the carrying value of the underlying asset, asset group or reporting unit exceeds its fair value. These calculations require us to make a number of estimates and projections of future results. If these estimates or projections change, we may be required to record additional impairment charges on certain of these assets. If these impairment charges are significant, our results of operations would be adversely affected.

We may from time to time pursue acquisitions, which could have an adverse impact on our business, as could the integration of the businesses following acquisition.

We may from time to time acquire complementary companies or businesses. Acquisitions may result in unanticipated costs, delays or other operational or financial problems related to integrating the acquired company and business with our Company, which may result in the diversion of our capital and our management s attention from other business issues and opportunities. We may not be able to successfully integrate operations that we acquire, including their personnel, technology, financial systems, distribution and general business operations and procedures. We cannot assure you that any acquisition we make will be successful and our operating results may be adversely impacted by the integration of a new business and its financial results.

Risks Related to Our Substantial Indebtedness

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industries, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our various debt instruments.

We are highly leveraged. As of April 30, 2011, our total indebtedness was $5.4 billion. After giving effect to the June 24, 2011 redemption of our 7.625% notes due 2011 and related refinancings, approximately $3.4 billion of our indebtedness was secured and approximately $1.6 billion of our indebtedness matures before the end of fiscal 2013. Our substantial indebtedness could have significant consequences, including, among others, the following:

- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flows from operating activities to be dedicated to the payment of principal and interest on our indebtedness, and as a result, reducing our ability to use our cash flows to fund our operations and capital expenditures, capitalize on future business opportunities, expand our business and execute our strategy;
- increasing the difficulty for us to make scheduled payments on our outstanding debt, as our business may not be able to generate sufficient cash flows from operating activities to meet our debt service obligations;
- exposing us to the risk of increased interest expense due to changes in borrowing spreads and short-term interest rates;
- causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general, corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and reacting to competitive pressure, placing us at a competitive disadvantage compared to our competitors who are less leveraged.

We may be able to incur additional indebtedness in the future, including under our current revolving credit agreements, subject to the restrictions contained in our debt instruments. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

We may not be able to generate sufficient cash to service all of our indebtedness and may not be able to refinance our indebtedness on favorable terms. If we are unable to do so, we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, our lenders financial stability, which are subject to prevailing global economic and market conditions and to certain financial, business and other factors beyond our control. Even if we were able to refinance or obtain additional financing, the costs of new indebtedness could be substantially higher than the costs of our existing indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations or we are unable to refinance our indebtedness, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions, or the proceeds from the dispositions may not be adequate to meet any debt service obligations then due. If we were unable to repay amounts when due, the lenders could proceed against the collateral granted to them to secure that indebtedness.

Our debt agreements contain covenants that limit our flexibility in operating our business.

Toys R Us, Inc. is a holding company and conducts its operations through its subsidiaries, certain of which have incurred their own indebtedness. As specified in certain of our subsidiaries debt

agreements, there are restrictions on our ability to obtain funds from our subsidiaries through dividends, loans or advances. The agreements governing our indebtedness contain various covenants that limit our ability to engage in specified types of transactions, and may adversely affect our ability to operate our business. Among other things, these covenants limit our and our subsidiaries ability to:

- incur certain additional indebtedness;
- transfer money between the parent company and our various subsidiaries;
- pay dividends on, repurchase or make distributions with respect to our or our subsidiaries capital stock or make other restricted payments;
- issue stock of subsidiaries;
- make certain investments, loans or advances;
- transfer and sell certain assets;
- create or permit liens on assets;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- amend certain documents.

A breach of any of these covenants could result in default under one or more of our debt agreements, which could prompt the lenders to declare all amounts outstanding under the debt agreements to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. If the lenders under the debt agreements accelerate the repayment of borrowings, we may not have sufficient assets and funds to repay the borrowings under our debt agreements.

Risks Related to this Offering and Ownership of Our Common Stock

An active, liquid trading market for our common stock may not develop.

After our 2005 acquisition and prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on the New York Stock Exchange or otherwise or how active and liquid that market may become. If an active and liquid trading market does not develop, you may have difficulty selling any of our common stock that you purchase. The initial public offering price for the shares will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. The market price of our common stock may decline below the initial offering price, and you may not be able to sell your shares of our common stock at or above the price you paid in this offering, or at all.

You will incur immediate and substantial dilution in the net tangible book value of the shares you purchase in this offering.

Prior investors have paid substantially less per share of our common stock than the price in this offering. The initial public offering price of our common stock is substantially higher than the net tangible book value per share of outstanding common stock prior to completion of the offering. Based on our net tangible book value as of April 30, 2011 and upon the issuance and sale of shares of common stock by us at an assumed initial public offering price of $ per share (the midpoint of the estimated initial public offering price range indicated on the cover of this prospectus), if you purchase our common stock in this offering, you will pay more for your shares than the amounts paid by our existing shareholders for their shares and you will suffer immediate dilution of approximately $ per share in net tangible book value after giving effect to the sale of shares of our common stock in this offering assuming an initial public offering price of $ per share, less the underwriting discounts and commissions and the estimated offering expenses payable by us, and without taking into account any other changes in such net tangible book value after April 30, 2011. We also have a large number of outstanding stock options to purchase common stock with exercise prices that are below the estimated initial public offering price of our common stock. To the extent that these options are exercised, you will experience further dilution. See Dilution.

Our stock price may change significantly following the offering, and you could lose all or part of your investment as a result.

We and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price due to a number of factors such as those listed in Risks Relating to Our Business and the following, most of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- increases in prices of raw materials for our products, fuel or our goods;
- future sales of our common stock; and
- general domestic and international economic conditions.

Furthermore, the stock market recently has experienced extreme volatility that in some cases has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

Our operating results may fluctuate in future periods which could cause the market price of our common stock to be volatile or to decline.

Our operating results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and sales and profits for any future period may decrease. Our operating results may fall below our expectations or the expectations of investors or industry analysts in one or more future periods. Any such shortfall could results in a significant decline in the price of our common stock.

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If we or our existing investors sell additional shares of our common stock after this offering, the market price of our common stock could decline.

The market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market after this offering, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. After the completion of this offering, we will have shares of common stock outstanding (if the underwriters exercise their option to purchase additional shares in full). This number includes shares being sold in this offering, which may be resold immediately in the public market.

We, our directors and officers and the Sponsors have agreed not to offer, sell, dispose of or hedge, directly or indirectly, any common stock without the prior written consent of the representatives of the Underwriters for a period of 180 days from the date of this prospectus, subject to certain exceptions and automatic extension in certain circumstances. In addition, pursuant to the Registration Rights Agreement, we have granted certain shareholders the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act of 1933, as amended (the Securities Act) covering resales of our common stock held by them or to piggyback on a registration statement in certain circumstances. This right will not be exercisable during the 180 day restricted period described above. These shares will represent approximately % of our common stock after this offering or % if the underwriters exercise their option to purchase additional shares in full. These shares may also be sold pursuant to Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. As restrictions on resale end or if these stockholders exercise their registration rights, the market price of our common stock could decline if the holders of restricted shares sell them or are perceived by the market as intending to sell them. See Certain Relationships and Related Party Transactions Registration Rights Agreement and Shares Eligible for Future Sales and Underwriting.

As of April 30, 2011, 364,699 of our shares of common stock are held by our employees and are subject to restrictions on transfer, 3,352,116 shares were issuable upon the exercise of outstanding stock options under our Management Equity Plan and 3,750,000 shares were authorized for issuance under our 2010 Incentive Plan 989,976 of which underlie awards made after April 30, 2011 under such plan. Shares and options granted under the Management Equity Plan and the 2010 Incentive Plan may be subject to transfer, exercise or vesting conditions. Subject to any applicable transfer, exercise or vesting restrictions of the shares issued under the Management Equity Plan and the 2010 Incentive Plan, the shares sold in this offering, the shares held by our employees and the shares issued under the Management Equity Plan and the 2010 Incentive Plan will be freely tradable without restriction or further registration under the Securities Act by persons other than our affiliates within the meaning of Rule 144 under the Securities Act. Sales of a substantial number of shares of our common stock could cause the market price of our common stock to decline.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our credit facilities and the indentures governing the notes (each as described in Description of Indebtedness). As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Some provisions of Delaware law and our governing documents could discourage a takeover that shareholders may consider favorable.

In addition to the Sponsors ownership of a controlling percentage of our common stock, Delaware law and provisions contained in our certificate of incorporation and bylaws as we expect them to be in effect upon completion of this offering could make it difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. For example, our certificate of incorporation authorizes our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued preferred stock, without any vote or action by our shareholders. As a result, our Board of Directors could authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock or with other terms that could impede the completion of a merger, tender offer or other takeover attempt. In addition, our Board of Directors will be divided into three classes, with approximately one-third of our directors elected each year. In addition, our stockholders will not be entitled to the right to cumulate votes in the election of directors and, from and after the date on which the Sponsors beneficially own less than a majority in voting power, will not be entitled to act by written consent. Stockholders must also provide timely notice for any stockholder proposals and director nominations. In addition, a vote of % or more of all of our outstanding shares then entitled to vote is required to amend certain sections of our certificate of incorporation and for stockholders to amend our bylaws. In addition, as described under Description of Capital Stock Delaware Anti-Takeover Statutes elsewhere in this prospectus, we are subject to certain provisions of Delaware law that may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and, in particular, unsolicited transactions, that some or all of our shareholders might consider to be desirable. As a result, efforts by our shareholders to change the direction or management of our company may be unsuccessful.

The Sponsors will continue to have significant influence over us after this offering, including control over decisions that require the approval of shareholders, which could limit your ability to influence the outcome of key transactions, including deterring a change of control.

We are controlled, and after this offering is completed will continue to be controlled, by the Sponsors. The Sponsors will have an indirect interest in approximately % of our common stock (or % if the underwriters exercise their option to purchase additional shares in full) after the completion of this offering. In addition, the Sponsors will have the right to designate a majority of the seats on our Board of Directors. As a result, the Sponsors will have control over our decisions to enter into any corporate transaction (and the terms thereof) and the ability to prevent any change in the composition of our Board of Directors and any transaction that requires stockholder approval regardless of whether others believe that such change or transaction is in our best interests. So long as the Sponsors continue to have an indirect interest in a majority of our outstanding common stock, they will have the ability to control the vote in any election of directors, amend our certificate of incorporation or bylaws or take other actions requiring the vote of our stockholders. In addition, pursuant to an amended and restated Stockholder Agreement with the Sponsors and certain other investors which will be effective upon the consummation of this offering, the Sponsors have a consent right over certain significant corporate actions and have certain rights to appoint directors to our board and its committees. See Certain Relationships and Related Party Transactions Amended and Restated Stockholders Agreement.

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The Sponsors are also in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Sponsors may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as the Sponsors, or other funds controlled by or associated with the Sponsors, continue to indirectly own a significant amount of our outstanding common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive shareholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

We are a controlled company within the meaning of the New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to shareholders of companies that are subject to such requirements.

After completion of this offering, the Sponsors will continue to control a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the New York Stock Exchange corporate governance standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the Board of Directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors, and our executive committee and compensation committee will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. In addition, we will not have a separate nominating/corporate governance committee. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

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FORWARD-LOOKING STATEMENTS

This prospectus may contain forward looking statements which reflect our current views with respect to, among other things, our operations and financial performance. All statements herein or therein that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. We generally identify these statements by words or phrases, such as anticipate, estimate, plan, project, expect, believe, intend, foresee, forecast, will, may, outlook or the negative version of these words or other similar words or phrases. These sta discuss, among other things, our strategy, store openings, integration and remodeling, the development, implementation and integration of our Internet business, future financial or operational performance, projected sales or earnings per share for certain periods, comparable store net sales from one period to another, cost savings, results of store closings and restructurings, outcome or impact of pending or threatened litigation, domestic or international developments, nature, amount and allocation of future capital expenditures, growth initiatives, inventory levels, cost of goods, selection and type of merchandise, marketing positions, implementation of safety standards, future financings and other goals and targets and statements of the assumptions underlying or relating to any such statements.

These statements are subject to risks, uncertainties, and other factors, including, among others, the seasonality of our business, competition in the retail industry, economic factors and consumer spending patterns, the availability of adequate financing, access to trade credit, changes in consumer preferences, our dependence on key vendors for our merchandise, political and other developments associated with our international operations, costs of goods that we sell, labor costs, transportation costs, domestic and international events affecting the delivery of toys and other products to our stores, product safety issues including product recalls, the existence of adverse litigation, changes in laws that impact our business, our substantial level of indebtedness and related debt-service obligations, restrictions imposed by covenants in our debt agreements and other risks, uncertainties and factors set forth under Risk Factors herein. In addition, we typically earn a disproportionate part of our annual operating earnings in the fourth quarter as a result of seasonal buying patterns and these buying patterns are difficult to forecast with certainty. These factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in this report. We believe that all forward-looking statements are based on reasonable assumptions when made; however, we caution that it is impossible to predict actual results or outcomes or the effects of risks, uncertainties or other factors on anticipated results or outcomes and that, accordingly, one should not place undue reliance on these statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update these statements in light of subsequent events or developments unless required by SEC rules and regulations. Actual results may differ materially from anticipated results or outcomes discussed in any forward-looking statement.

INDUSTRY, RANKING AND MARKET DATA

Information included in this prospectus about the toy and juvenile products industry and ranking and brand awareness, including our general expectations concerning this industry, the size of certain markets and our position and the position of our competitors within these markets, are based on estimates prepared using data from various sources and on assumptions made by us. While we believe our internal estimates and industry data are reliable and generally indicative of the toy and juvenile products industry and market, neither such data nor these estimates have been verified by any independent source. Our estimates, in particular as they relate to our general expectations concerning this industry and market, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption Risk Factors in this prospectus. Due to the lack of information from third party sources that consistently define the markets in which we operate, in providing industry and market information, the Company has made certain assumptions that it believes are reasonable but may not be consistently applied by others in the industry.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering of shares of our common stock after deducting underwriter discounts and commissions and estimated expenses payable by us, will be approximately $ million (or $ million if the underwriters exercise their option to purchase additional shares in full). This estimate assumes an initial public offering price of $ per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus.

We intend to use the anticipated net proceeds primarily to repay certain of our existing indebtedness and also for general corporate purposes.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. In the event of any such increase in net proceeds to us, we would apply such additional net proceeds to further reduce our indebtedness and for general corporate purposes.

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DIVIDEND POLICY

During fiscal years 2010, 2009 and 2008, no dividends were paid out to shareholders. We do not currently anticipate paying any cash dividends on our common stock for the foreseeable future and instead may retain earnings, if any, for future operations and expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our and our subsidiaries ability to pay dividends is limited by covenants in agreements related to our indebtedness. See Description of Indebtedness for restrictions on our ability to pay dividends.

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CAPITALIZATION

The following table sets forth our capitalization as of April 30, 2011:

on an actual basis; and

on an as adjusted basis to give effect to (1) the issuance of common stock in this offering and the application of proceeds from the offering as described in Use of Proceeds as if each had occurred on April 30, 2011, (2) the -for-one stock-split of our common stock, which will occur prior to the consummation of this offering and (3) the payment from other cash resources available to the Company of approximately $98 million in fees under our advisory agreement with the Sponsors. See Certain Relationships and Related Party Transactions Advisory Agreement.

You should read this table in conjunction with Use of Proceeds, Selected Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Indebtedness and our financial statements and notes thereto, included elsewhere in this prospectus.

	April 30, 2011	
(amounts in millions, except share-amounts)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 496	
Long-term debt:		
Revolving credit facilities(1)	$ 100	
Notes and credit facilities	5,157	
Finance obligations associated with capital projects and capital lease obligations	171	
Total long-term debt(2)	5,428	
Stockholders Equity:		
Common stock; $0.001 par value, shares authorized 55,000,000, shares issued and outstanding 48,962,839 actual and as adjusted		
Treasury stock	(8)	
Additional paid-in capital	31	
Retained earnings	213	
Accumulated other comprehensive income	103	
Toys R Us, Inc. stockholders equity(3)	339	
Noncontrolling interest		
Total equity	339	
Total capitalization	$ 5,767	**$**

(1) At April 30, 2011, we had no outstanding borrowings under our secured revolving credit facility, a total of $80 million of outstanding letters of credit and had excess availability of $1.136 billion. In addition, at April 30, 2011, we had no outstanding borrowings under the New European ABL, and had availability of $143 million. At April 30, 2011, under our Toys Japan unsecured credit lines we had no outstanding borrowings under Tranche 1 and outstanding borrowings of $100 million under Tranche 2. At April 30, 2011, we had remaining availability of $184 million and $23 million under Tranche 1, and Tranche 2, respectively. For fiscal 2010, peak borrowings under our revolving credit facilities and credit lines amounted to $793 million.

(2) Total long-term debt includes the current portion of our long-term debt.

(3) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would (decrease) increase our total long-term obligations and would increase (decrease) equity by $ and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. To the extent we raise more

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proceeds in this offering, we may repay additional indebtedness. To the extent we raise less proceeds in this offering, we may reduce the amount of indebtedness that will be repaid.

The table set forth above is based on the number of shares of our common stock outstanding as of April 30, 2011. This table does not reflect:

- 3,352,116 shares of our common stock issuable upon the exercise of outstanding stock options under our Management Equity Plan at a weighted average exercise price of $26.85 per share as of April 30, 2011, 2,653,422 of which were then exercisable;
- 3,750,000 shares of our common stock reserved for future grants under our 2010 Incentive Plan 989,976 of which underlie awards made after April 30, 2011 under such plan; and
- shares of common stock subject to the Underwriters overallotment option.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of common stock is substantially in excess of the net tangible book value per share of our common stock attributable to the existing shareholders for our presently outstanding shares of common stock. We calculate net tangible book value per share of our common stock by dividing the net tangible book value (total consolidated tangible assets less total consolidated liabilities) by the number of outstanding shares of our common stock.

Our net tangible book value as of April 30, 2011 was a deficit of $53 million, or $ per share of our common stock, based on shares of our common stock outstanding immediately prior to the closing of this offering. Net tangible book value represents the amount of total tangible assets less total liabilities. Dilution is determined by subtracting net tangible book value per share of our common stock from the assumed initial public offering price per share of our common stock.

After giving effect to (1) the sale of shares of our common stock in this offering assuming an initial public offering price of $ per share, less the underwriting discounts and commissions and the estimated offering expenses payable by us, (2) the payment from other cash resources available to us of approximately $98 million in total fees under our advisory agreement with the Sponsors (as described in Certain Relationships and Related Party Transactions Advisory Agreement) and without taking into account any other changes in such net tangible book value after April 30, 2011, our pro forma as adjusted net tangible book value at April 30, 2011 would have been $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share of our common stock to the existing shareholders and an immediate dilution in net tangible book value of $ per share of our common stock, or % of the estimated offering price of $, to investors purchasing shares of our common stock in this offering. The following table illustrates such per share of our common stock dilution (in millions, except per share data):

Assumed initial public offering price per share		$
Actual net tangible book value (deficit) per share as of April 30, 2011	(53)	
Decrease in pro forma net tangible book value per share attributable to the advisory agreement fees discussed above		
Pro forma net tangible book value (deficit) per share before the change attributable to new investors		
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value (deficit) per share after this offering		
Dilution per share to new investors		$

If the underwriters exercise their option to purchase additional shares in full, the adjusted net tangible book value per share of our common stock after giving effect to the offering would be $ per share of our common stock. This represents an increase in adjusted net tangible book value of $ per share of our common stock to existing stockholders and dilution in adjusted net tangible book value of $ per share of our common stock to new investors.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share of our common stock would increase (decrease) our net tangible book value after giving to the offering by $ million, or by $ per share of our common stock, assuming no change to the number of shares of our common stock offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated expenses payable by us.

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The following table summarizes, on a pro forma basis as of April 30, 2011, the total number of shares of our common stock purchased from us, the total cash consideration paid to us and the average price per share of our common stock paid by (i) our existing stockholders, (ii) shares issuable upon exercise of options and (iii) the new investors purchasing shares of our common stock in this offering.

	Shares of our Common Stock purchased		Total Consideration	Average	
	Number (in millions)	Percent	Amount (in millions)	Price Percent	Per Share of our Common Stock
Existing Stockholders		%	$	%	$
Shares issuable upon exercise of options			$	%	$
		%			
New investors		%	$	%	$
Total		%	$	%	$

If the underwriters were to fully exercise the underwriters option to purchase additional shares of our common stock from us, the percentage of shares of our common stock held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of shares of our common stock held by new investors would be %.

The table above does not reflect shares underlying awards under our 2010 Incentive Plan made after April 30, 2011. To the extent that we grant options or other equity awards to our employees or directors in the future, and those options or other equity awards are exercised or become vested or other issuances of shares of our common stock are made, there will be further dilution to new investors.

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Selected Historical Financial and Other Data

The following table sets forth selected consolidated financial and other data of Toys R Us, Inc. as of the dates and for the periods indicated. We derived the selected historical statement of operations data and statement of cash flows for the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009, and selected historical balance sheet data as of January 29, 2011 and January 30, 2010, from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the selected historical statement of operations data and statement of cash flows for the fiscal years ended February 2, 2008 and February 3, 2007 and selected historical balance sheet data as of January 31, 2009, February 2, 2008 and February 3, 2007 presented in this table from our consolidated financial statements not included in this prospectus.

We derived the selected condensed consolidated financial data for the thirteen-week periods ended April 30, 2011 and May 1, 2010 from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. Our unaudited condensed consolidated interim financial statements were prepared on a basis consistent with our audited consolidated financial statements. In management s opinion, the unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal recurring accruals, necessary for the fair presentation of those statements.

Our historical results are not necessarily indicative of future operating results and our interim results for the thirteen weeks ended April 30, 2011 are not projections for the results to be expected for fiscal year ended January 28, 2012. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, Prospectus Summary Summary Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, condensed consolidated financial statements and the related notes included elsewhere in this prospectus.

(In millions, except number of stores and share data)	Fiscal Years Ended(1)					13 Weeks Ended	
	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	April 30, 2011	May 1, 2010
Statement of Operations Data:							
Net sales	$ 13,864	$ 13,568	$ 13,724	$ 13,794	$ 13,050	$ 2,636	$ 2,608
Cost of sales	8,939	8,790	8,976	8,987	8,638	1,658	1,663
Gross margin	4,925	4,778	4,748	4,807	4,412	978	945
Selling, general and administrative expenses(2)	3,942(3)	3,730	3,856	3,801(7)	3,506(7)	897	858
Depreciation and amortization	388	376	399	394	409	98	94
Other income, net(4)	(51)	(112)(5)	(128)(6)	(84)	(152)	(10)	(12)
Total operating expenses	4,279	3,994	4,127	4,111	3,763	985	940
Operating earnings (loss)	646	784	621	696	649	(7)	5
Interest expense	(521)	(447)	(419)	(503)	(537)	(128)	(125)
Interest income	7	7	16	27	31	2	1
Earnings (loss) before income taxes	132	344	218	220	143	(133)	(119)
Income tax (benefit) expense	(35)	40	7	65	35	(66)	(63)
Net earnings (loss)	167	304	211	155	108	(67)	(56)
Less: Net (loss) earnings attributable to noncontrolling interest	(1)	(8)	(7)	2	(1)		(1)
Net earnings (loss) attributable to Toys R Us, Inc.	$ 168	$ 312	$ 218	$ 153	$ 109	$ (67)	$ (55)

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(In millions, except number of stores and share data)	Fiscal Years Ended(1) January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	13 Weeks Ended April 30, 2011	May 1, 2010
Share Data:							
Earnings per common share attributable to Toys R Us, Inc.(8):							
Basic	$	$	$	$	$	$	$
Diluted	$	$	$	$	$	$	$
Weighted average shares used in computing per share amounts(8):							
Basic earnings per common share							
Diluted earnings per common share							
Statement of Cash Flows:							
Net cash provided by (used in)							
Operating activities	$ 220	$ 1,014	$ 525	$ 527	$ 411	$ (564)	$ (723)
Investing activities	(281)	(37)	(259)	(416)	(107)	(51)	(29)
Financing activities	(53)	(626)	(223)	(152)	(566)	74	158
Balance Sheet Data (end of period):							
Working capital	$ 534	$ 619	$ 617	$ 685	$ 347	$ 1,161	$ 629
Property and equipment, net	4,061	4,084	4,187	4,385	4,333	4,085	3,992
Total assets	8,832	8,577	8,411	8,952	8,295	8,779	8,252
Long-term debt(9)	4,718	5,034	5,447	5,824	5,722	5,360	4,986
Total stockholders equity (deficit)	343	117	(152)	(235)	(540)	339	38
Other Financial and Operating Data:							
Number of stores Domestic (at period end)(10)	868	849	846	845	837	873	848
Number of stores International operated (at period end)(10)	524	514	504	504	488	523	514
Total operated stores (at period end)(10)	1,392	1,363	1,350	1,349	1,325	1,396	1,362
Number of stores International Licensed (at period end)	220	203	209	211	190	223	203
Capital expenditures	$ 325	$ 192	$ 395	$ 326	$ 285	$ 58	$ 40

(1) Our fiscal year ends on the Saturday nearest to January 31 of each calendar year. With the exception of fiscal 2006, which included 53 weeks, all fiscal years presented are based on a 52 week period.

(2) Includes the impact of restructuring and other charges. See Note 10 to our consolidated financial statements entitled Restructuring and Other Charges for further information.

(3) Includes a pre-tax reserve of $23 million for certain legal matters and a $16 million pre-tax non-cash cumulative correction of prior period straight-line lease accounting. Includes a $6 million pre-tax incremental compensation expense related to the repurchase obligations of awards by the

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Company upon termination. Includes $6 million in pre-tax state and city property transfer taxes recognized in fiscal 2010 related to the merger transaction in fiscal 2005.

(4) Includes $20 million, $20 million, $78 million, $17 million and $15 million of pre-tax gift card breakage income in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. Also includes $11 million of pre-tax gift card dormancy income in fiscal 2006. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

Includes $5 million and $4 million of pre-tax gift card breakage income for the thirteen weeks ended April 30, 2011 and May 1, 2010, respectively.

Includes the pre-tax impact of net gains on sales of properties of $10 million, $6 million, $5 million, $33 million and $110 million in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. See Note 5 to our consolidated financial statements entitled Property and Equipment for further details.

Includes the pre-tax impact of net gains on sales of properties of $2 million for the thirteen weeks ended April 30, 2011.

Includes pre-tax impairment losses on long-lived assets of $11 million, $7 million, $33 million, $13 million and $5 million in fiscals 2010, 2009, 2008, 2007 and 2006, respectively. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

Includes pre-tax impairment losses on long-lived assets of $1 million and $1 million for the thirteen weeks ended April 30, 2011 and May 1, 2010, respectively.

(5) Includes a $51 million pre-tax gain related to the litigation settlement with Amazon. See Note 15 to our consolidated financial statements entitled Litigation and Legal Proceedings for further details.

(6) Includes a $39 million pre-tax gain related to the substantial liquidation of the operations of TRU (HK) Limited, our wholly-owned subsidiary. See Note 1 to our consolidated financial statements entitled Summary of Significant Accounting Policies for further details.

(7) Includes a contract termination payment of $19 million related to the pre-tax settlement between Toys-Japan and McDonald s Holding Company (Japan), Ltd. (McDonald s Japan) in fiscal 2008. A $5 million pre-tax reserve had previously been established in fiscal 2007.

(8) All share and per share amounts reflect a -for-one stock split of our common stock, which will occur prior to the consummation of this offering.

(9) Excludes current portion of long-term debt. See Note 2 to our consolidated financial statements and condensed consolidated financial statements entitled Long-Term Debt for further information.

(10) During the fiscal 2010 holiday season, we operated 656 Express store locations (consisting of 615 Express stores in our Domestic segment and 41 Express stores in our International segment). As of April 30, 2011, we operated 95 Express stores, including 24 stores with a cumulative lease term of at least two years which have been included in our Domestic segment store count.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

You should read the following Management s Discussion and Analysis of our Financial Condition and Results of Operations (MD&A) with Selected Historical Financial and Other Data and the audited historical financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited, to those described in the Risk Factors section of this prospectus. Actual results may differ materially from those contained in any forward-looking statements. You should read Forward-Looking Statements and Risk Factors.

Our MD&A includes the following sections:

Executive Overview provides an overview of our business.

Results of Operations provides an analysis of our financial performance and of our consolidated and segment results of operations for the thirteen weeks ended April 30, 2011 compared to the thirteen weeks ended May 1, 2010 and for fiscal 2010 compared to fiscal 2009 and fiscal 2009 compared to fiscal 2008.

Liquidity and Capital Resources provides an overview of our financing, capital expenditures, cash flows and contractual obligations.

Critical Accounting Policies provides a discussion of our accounting policies that require critical judgment, assumptions and estimates.

Recently Adopted Accounting Pronouncements provides a brief description of significant accounting standards which were adopted during the thirteen weeks ended April 30, 2011 and fiscal 2010. See Note 21 to our consolidated financial statements and See Note 12 to our condensed consolidated financial statements included elsewhere in this prospectus entitled Recent Accounting Pronouncements for accounting standards which we have not yet been required to implement and may be applicable to our future operations.

Executive Overview

Our Business

We are the leading global specialty retailer of toys and juvenile products as measured by net sales. For over 50 years, Toys R Us has been recognized as the toy and baby authority. We sell a variety of products in the core toy, entertainment, juvenile, learning and seasonal categories through our retail locations and the Internet. Our brand names are highly recognized in North America, Europe and Asia, and our expertise in the specialty toy and juvenile retail space, our broad range of product offerings, our substantial scale and geographic footprint and our strong vendor relationships account for our market-leading position and distinguish us from the competition. In the U.S., in fiscal 2009, approximately 70% of households with kids under 12 shopped at our Toys R Us stores and 84% of first time mothers shopped at our Babies R Us stores according to a survey by Leo J. Shapiro & Associates, LLC. We believe we offer the most comprehensive year-round selection of toys and juvenile products, including a broad assortment of private label and exclusive merchandise unique to our stores.

As of April 30, 2011, we operated 1,396 stores and licensed an additional 223 stores. These stores, which are primarily big-box stores, are located in 34 countries and jurisdictions around the world under the Toys R Us, Babies R Us and FAO Schwarz banners. In addition, we operate Express stores, smaller format stores primarily open on a short-term basis during the holiday season. During the fiscal 2010 holiday season, we operated 656 Express stores. As of April 30, 2011, we operated 95 Express stores, 24 of which have been included in our overall store count as they each have a cumulative lease

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term of at least two years. We also own and operate websites including Toysrus.com, Babiesrus.com, eToys.com, FAO.com and babyuniverse.com, as well as other Internet sites we operate in our international markets. For fiscal 2010, we generated net sales of $13.9 billion, net earnings of $168 million and Adjusted EBITDA of $1.1 billion.

As of April 30, 2011, we operated all of the R Us branded retail stores in the United States and Puerto Rico and approximately 70% of the 746 R Us branded retail stores internationally. The balance of the R Us branded retail stores outside the United States are operated by licensees. License fees did not have a material impact on our Net sales. During fiscal 2009, the Company acquired certain business assets of FAO Schwarz, and began selling merchandise through our FAO Schwarz retail store in New York City. We also own and operate websites, including Toysrus.com, Babiesrus.com, eToys.com, FAO.com and babyuniverse.com, as well as other Internet sites we operate in our international markets. In addition to our existing online presence in Australia, Canada, Japan and the United Kingdom, in fiscal 2010, we introduced websites in Austria, France and Germany, expanding our global reach. In the near future, we plan on further extending our online presence by rolling out websites in the Netherlands, Portugal, Spain and Switzerland. We believe our global e-commerce platform provides the on-going potential to enter new international markets where we do not have any physical stores. For fiscals 2010, 2009 and 2008, our e-commerce business generated net sales of approximately $782 million, $602 million and $578 million, respectively.

We have developed a juvenile integration strategy which includes new store formats with an integrated one-stop shopping environment for our guests by combining the Toys R Us and Babies R Us merchandise offerings under one roof. We call these formats side-by-side or SBS , and Superstores or SSBS , depending on the store size. SBS stores are a combination of Toys R Us stores and Babies R Us stores. Our SSBS stores are conceptually similar to SBS stores, except that they are larger in size. Either format may be the result of a conversion or relocation and, in certain cases, may be accompanied by the closure of one or more existing stores. In addition, SBS stores and SSBS stores may also be constructed in a new location and market.

The integration of juvenile merchandise (including baby products) with toy and entertainment offerings has allowed us to create a one-stop shopping experience for our guests, and enabled us to obtain the sales and operating benefits associated with combining product lines under one roof. Our product assortment allows us to capture new parents as customers during pregnancy, helping them prepare for the arrival of their newborn. We then become a resource for infant products such as baby formula, diapers and solid foods, as well as baby clothing and learning aids. We believe this opportunity to establish first contact with new parents enables us to develop long-lasting customer relationships with them as their children grow and they transition to becoming consumers of our toy products. We continue to build on these relationships as these children mature and eventually become parents themselves. Additionally, juvenile merchandise such as baby formula, diapers and infant clothing provide us with a mitigant to the inherent seasonality in the toy business.

In connection with our juvenile integration strategy, we continue to increase the number of SBS and SSBS stores both domestically and internationally. Through the end of fiscal 2010, we converted 202 existing stores into SBS store format and three existing stores into SSBS store format. In addition, during the same period, we have opened 51 SBS and SSBS stores (28 of which were relocations of existing stores). We expect that our integrated store formats will continue to be a significant driver of our revenue and profit growth going forward. In fiscal 2011, including stores opened, converted or relocated to date, we plan to open 11 new SSBS stores (nine of which are relocations of existing stores), open seven new SBS stores and convert or relocate an additional 58 stores to the SBS stores format, all within our existing markets. As a result, we expect capital expenditures incurred in connection with store conversion projects and relocations to increase in fiscal 2011. In addition, we

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expect Selling, General and Administrative Expenses (SG&A) to increase due to additional expenses in connection with our conversions and relocations, expansion of online business, costs associated with additional labor for our Babies R Us stores and the opening of the sourcing office in China in fiscal 2010. See Capital Expenditures below for further details on budgeted capital expenditure for fiscal 2011. Further, in fiscal 2011, SG&A expenses will increase due to the termination of the advisory agreement with the Sponsors and the payment of related fees (as described in Certain Relationships and Related Party Transactions Advisory Agreement).

In addition to our SBS and SSBS store formats, we continue to enhance our juvenile integration strategy with our Babies R Us Express (BRU Express) and Juvenile Expansion formats which devote additional square footage to our juvenile products within our traditional Toys R Us stores. Since implementing this integrated store format we have augmented 86 existing Toys R Us stores with these layouts as of April 30, 2011.

Our extensive experience in retail site selection has resulted in a portfolio of stores that includes attractive locations in many of our chosen markets. Markets for new stores and formats are selected on the basis of proximity to other R Us branded stores, demographic factors, population growth potential, competitive environment, availability of real estate and cost. Once a potential market is identified, we select a suitable location based upon several criteria, including size of the property, access to major commercial thoroughfares, proximity of other strong anchor stores or other destination superstores, visibility and parking capacity.

As of April 30, 2011, we operated 1,396 retail stores and licensed an additional 223 retail stores worldwide in the following formats:

Format	Description	Number of Stores	Approximate Store Size (sq. ft.)
	Operated Stores		
Traditional Toys R Us stores	The majority of square footage is devoted to traditional toy categories, with approximately 7,000 square feet devoted to boutique areas for juvenile (including baby) products (BRU Express and Juvenile Expansion formats devote approximately an additional 4,000 square feet and 1,000 square feet, respectively, for juvenile - including baby - products).	836	30,000 to 50,000
Traditional Babies R Us stores	Predominantly juvenile (including baby) products, with approximately 4,000 to 5,000 square feet devoted to traditional toy products.	269	30,000 to 45,000
Side-by-Side (SBS) stores	Devote approximately 20,000 to 30,000 square feet to traditional toy products and approximately 10,000 to 20,000 square feet to juvenile (including baby) products.	232	30,000 to 50,000
R Superstores (SSBS)	Combine a traditional domestic toy store of approximately 30,000 to 40,000 square feet with a domestic juvenile (including baby) store of approximately 25,000 to 30,000 square feet.	32	55,000 to 70,000
Express stores	Smaller format stores each with a cumulative lease term of at least two years.	24	2,000 to 7,000
Flagship stores (all in New York City)	The Toys R Us store in Times Square, the FAO Schwarz store on 5th Avenue near Central Park, and the Babies R Us store in Union Square.	3	55,000 to 100,000
Total operated stores		1,396	
	Licensed Stores		
R Us branded retail stores	Retail stores ranging in various sizes.	223	
Total operated and licensed stores		1,619	

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In addition to these stores, during the fiscal 2010 holiday season, we operated an additional 637 temporary Express store locations located in high traffic areas. These locations typically range in size from approximately 2,000 to 7,000 square feet, each has a cumulative lease term of less than two years and is not included in our overall store count. As of April 30, 2011, we operated 95 Express stores, including 24 stores which are included in the table above.

Our Business Segments

Our business has two reportable segments: Domestic and International. The following is a brief description of our segments as of April 30, 2011:

Domestic Our Domestic segment sells a variety of products in the core toy, entertainment, juvenile (including baby), learning and seasonal categories through 873 stores that operate in 49 states in the United States and Puerto Rico and through the Internet. Domestic Net sales are derived from 454 traditional toy stores (including 79 BRU Express and Juvenile Expansion formats), 251 juvenile stores, 109 SBS stores, 32 SSBS stores, 24 permanent Express stores and our 3 flagship stores in New York City. Additionally, we generate Net sales through our temporary Express store locations. On average, our stores offer approximately 11,000 active items year-round. Based on sales, we are the largest specialty retailer of toys in the United States and Puerto Rico. Domestic Net sales were $8.6 billion for fiscal 2010 and $1.6 billion for the thirteen weeks ended April 30, 2011, which accounts for 62% of our consolidated Net sales for each period.

International Our International segment sells a variety of products in the core toy, entertainment, juvenile (including baby), learning and seasonal categories through 523 owned and 223 licensed stores in 33 countries and jurisdictions and through the Internet. In addition to fees received from licensed stores, International Net sales are derived from 382 traditional toy stores (including seven BRU Express formats) as well as 123 SBS stores and 18 juvenile stores. Additionally, we generate Net sales through our temporary Express store locations. Our operated stores are in Australia, Austria, Canada, France, Germany, Japan, Portugal, Spain, Switzerland and the United Kingdom. On average, our stores offer approximately 9,000 active items year-round. International Net sales were $5.3 billion for fiscal 2010 and $1.0 billion for the thirteen weeks ended April 30, 2011, which accounts for 38% of our consolidated Net sales for each period.

In order to properly judge our business performance, it is necessary to be aware of the following challenges and risks:

Seasonality Our business is highly seasonal with sales and earnings highest in the fourth quarter. During fiscals 2010, 2009 and 2008, approximately 43%, 43% and 40%, respectively, of the Net sales from our worldwide business and a substantial portion of our cash flows from operations were generated in the fourth quarter. Our results of operations depend significantly upon the fourth quarter holiday selling season.

Spending patterns and product migration Many economic and other factors outside our control, including consumer confidence, consumer spending levels, employment levels, consumer debt levels and inflation, as well as the availability of consumer credit, affect consumer spending habits.

Increased competition Our businesses operate in a highly competitive retail market. We compete on the basis of breadth of merchandise assortment product variety, quality, safety, availability, price, advertising and promotion, convenience or store location and customer service. We face strong competition from discount and mass merchandisers, national and regional chains and department stores, local retailers in the market areas we serve and Internet and catalog businesses. Price competition in our retailing business continued to be intense during the 2010 fourth quarter holiday season.

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Video games and video game systems Video games and video game systems represent a significant portion of our entertainment category. Video games and video game systems have accounted for 9%, 11% and 14% of our annual Net sales for fiscals 2010, 2009 and 2008, respectively. Due to the intensified competition as well as the maturation of this category, sales of video games and video game systems will periodically experience volatility that may impact our financial performance. Our entertainment category, which includes video games and video game systems, had a gross margin rate between approximately 16% and 17% in our Domestic segment for the past three fiscal years.

On March 11, 2011, an earthquake hit the Northeast coast of Japan, causing significant damage to the surrounding region. Our organization and assets in Japan were not materially damaged by the earthquake and resulting tsunami and no stores were closed for a significant period of time. However, the implications of these events and the resulting damage to the nation s infrastructure, consumer confidence and overall economy remain unclear.

As of June 10, 2011, all of our Japanese stores are open and operating. During the first quarter of fiscal 2011, we have not experienced a significant change in operating results and do not foresee a significant change in our Toys Japan business throughout the remainder of fiscal 2011 as a result of the earthquake and resulting tsunami. We determined that the Toys Japan reporting unit did not incur a triggering event for interim goodwill impairment testing as of the end of the first quarter of fiscal 2011.

Results of Operations

Financial Performance for the Thirteen Weeks Ended April 30, 2011

As discussed in more detail in this MD&A, the following financial data presents an overview of our financial performance for the thirteen weeks ended April 30, 2011 compared to the thirteen weeks ended May 1, 2010:

	13 Weeks Ended	
($ In millions)	**April 30, 2011**	**May 1, 2010**
Net sales	**$ 2,636**	$ 2,608
Gross margin as a percentage of Net sales	**37.1%**	36.2%
Selling, general and administrative expenses as a percentage of Net sales	**34.0%**	32.9%
Net loss attributable to Toys R Us, Inc.	**$ (67)**	$ (55)

Net sales for the thirteen weeks ended April 30, 2011 increased by $28 million compared to the same period last year primarily due to the impact of foreign currency translation which increased Net sales by approximately $70 million. Excluding the impact of foreign currency translation, the decrease in Net sales for the thirteen weeks ended April 30, 2011 was primarily due to a decrease in comparable store net sales. The decrease in comparable store net sales was primarily driven by a decrease in the number of transactions, partially offset by an increase in net sales from our Internet operations and locations that were recently converted or relocated to our SBS and SSBS store formats. Additionally offsetting the decrease in Net sales was an increase in net sales from new locations, which includes Express stores.

Gross margin, as a percentage of Net sales, for the thirteen weeks ended April 30, 2011 was primarily impacted by improvements in sales mix and margin rate improvements in certain categories.

SG&A, as a percentage of Net sales, for the thirteen weeks ended April 30, 2011 increased compared to the same period last year primarily as a result of an increase in expenses associated with

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payroll, rent, advertising and credit card processing fees. Partially offsetting these increases was a decrease in litigation settlement expenses for certain legal matters. Foreign currency translation increased SG&A by approximately $24 million for the thirteen weeks ended April 30, 2011.

Net loss attributable to Toys R Us, Inc. for the thirteen weeks ended April 30, 2011 increased primarily as a result of an increase in SG&A and Depreciation and amortization, partially offset by an increase in Gross margin compared to the same period last year.

Comparable Store Net Sales

In computing comparable store net sales, we include stores that have been open for at least 56 weeks (1 year and 4 weeks) from their soft opening date. A soft opening is typically two weeks prior to the grand opening. Express stores with a cumulative lease term of at least two years and that have been open for at least 56 weeks from their soft opening date are also included in our comparable store net sales computation.

Comparable stores include the following:

- stores that have been remodeled (including conversions) while remaining open;
- stores that have been relocated and/or expanded to new buildings within the same trade area, in which the new store opens at about the same time as the old store closes;
- stores that have expanded within their current locations; and
- sales from our Internet businesses.

By measuring the year-over-year sales of merchandise in the stores that have been open for a full comparable 56 weeks or more, we can better gauge how the core store base is performing since it excludes the impact of store openings and closings.

Various factors affect comparable store net sales, including the number of and timing of stores we open, close, convert, relocate or expand, the number of transactions, the average transaction amount, the general retail sales environment, current local and global economic conditions, consumer preferences and buying trends, changes in sales mix among distribution channels, our ability to efficiently source and distribute products, changes in our merchandise mix, competition, the timing of the release of new merchandise and our promotional events, the success of marketing programs and the cannibalization of existing store net sales by new stores. Among other things, weather conditions can affect comparable store net sales because inclement weather may discourage travel or require temporary store closures, thereby reducing customer traffic. These factors have caused our comparable store net sales to fluctuate significantly in the past on a monthly, quarterly, and annual basis and, as a result, we expect that comparable store net sales will continue to fluctuate in the future.

The following table discloses the change in our comparable store net sales for the thirteen weeks ended April 30, 2011 and May 1, 2010:

	13 Weeks Ended	
	April 30, 2011 vs. 2010	**May 1, 2010 vs. 2009**
Domestic	**(2.1)%**	1.9%
International	**(1.9)%**	(1.4)%

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Percentage of Net Sales by Product Category

	13 Weeks Ended	
Domestic:	**April 30, 2011**	**May 1, 2010**
Core Toy	**10.7%**	10.0%
Entertainment	**9.3%**	10.1%
Juvenile	**50.7%**	51.0%
Learning	**14.6%**	13.4%
Seasonal	**13.2%**	14.4%
Other(1)	**1.5%**	1.1%
Total	**100%**	100%

(1) Consists primarily of shipping and other non-product related revenues.

	13 Weeks Ended	
International:	**April 30, 2011**	**May 1, 2010**
Core Toy	**18.0%**	17.9%
Entertainment	**11.0%**	11.9%
Juvenile	**28.4%**	28.5%
Learning	**22.4%**	21.9%
Seasonal	**19.3%**	18.9%
Other(1)	**0.9%**	0.9%
Total	**100%**	100%

(1) Consists primarily of license fees from unaffiliated third parties and other non-product related revenues.

Store Count by Segment

	April 30, 2011	**May 1, 2010**	**Change**
Domestic(1)(3)	**873**	848	25
International Operated(2)	**523**	514	9
International Licensed	**223**	203	20
Total(3)	**1,619**	1,565	54

(1) Store count as of April 30, 2011 includes 109 SBS stores, 32 SSBS stores, 14 BRU Express stores and 65 Juvenile Expansions. Store count as of May 1, 2010 included 64 SBS stores, 26 SSBS stores, 13 BRU Express stores and 64 Juvenile Expansions.

(2) Store count as of April 30, 2011 includes 123 SBS stores and seven BRU Express stores. Store count as of May 1, 2010 included 84 SBS stores and two BRU Express stores.

(3) Express stores with a cumulative lease term of at least two years are included in our overall store count, while the remaining locations are excluded. As of April 30, 2011, there were 79 Domestic and 16 International Express stores open, 24 of which have been included in our overall store count within our Domestic segment. As of May 1, 2010, there were 29 Domestic Express stores open and one International Express store open. None of the Express stores were included in our overall store count as of May 1, 2010.

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Thirteen Weeks Ended April 30, 2011 Compared to Thirteen Weeks Ended May 1, 2010

Net Loss Attributable to Toys R Us, Inc.

(In millions)	April 30, 2011	13 Weeks Ended May 1, 2010	Change
Net loss attributable to Toys R Us, Inc.	**$ (67)**	$ (55)	$ (12)

Net loss attributable to Toys R Us, Inc. increased by $12 million to $67 million for the thirteen weeks ended April 30, 2011, compared to $55 million for the same period last year. The increase in Net loss attributable to Toys R Us, Inc. was primarily due to an increase in SG&A of $39 million predominantly related to an increase in expenses associated with payroll, rent, advertising and credit card processing fees, partially offset by a decrease in litigation settlement expenses for certain legal matters. Additionally contributing to the loss was an increase in Depreciation and amortization of $4 million. Partially offsetting these amounts was an increase in Gross margin of $33 million primarily due to improvements in sales mix and margin rate improvements in certain categories.

Net Sales

	13 Weeks Ended				Percentage of Net Sales	
($ In millions)	April 30, 2011	May 1, 2010	$ Change	% Change	April 30, 2011	May 1, 2010
Domestic	**$ 1,643**	$ 1,671	$ (28)	(1.7)%	**62.3%**	64.1%
International	**993**	937	56	6.0%	**37.7%**	35.9%
Total Net sales	**$ 2,636**	$ 2,608	$ 28	1.1%	**100.0%**	100.0%

Net sales increased by $28 million or 1.1%, to $2,636 million for the thirteen weeks ended April 30, 2011, compared to $2,608 million for the same period last year. Net sales for the thirteen weeks ended April 30, 2011 included the impact of foreign currency translation which increased Net sales by approximately $70 million.

Excluding the impact of foreign currency translation, the decrease in Net sales for the thirteen weeks ended April 30, 2011 was primarily due to a decrease in comparable store net sales. The decrease in comparable store net sales was primarily driven by a decrease in the number of transactions, partially offset by an increase in net sales from our Internet operations and locations that were recently converted or relocated to our SBS and SSBS store formats. Additionally offsetting the decrease in Net sales was an increase in net sales from new locations, which includes Express stores.

Domestic

Net sales for the Domestic segment decreased by $28 million or 1.7%, to $1,643 million for the thirteen weeks ended April 30, 2011, compared to $1,671 million for the same period last year. The decrease in Net sales was primarily a result of a decrease in comparable store net sales of 2.1%, partially offset by an increase in net sales from new locations.

The decrease in comparable store net sales resulted primarily from decreases in our seasonal and juvenile categories. The decrease in our seasonal category was primarily due to decreased sales of outdoor products as a result of cooler weather. The decrease in our juvenile category was primarily due to decreased sales of commodities. Partially offsetting these decreases was an increase in our learning and core toy categories. The increase in our learning category was primarily due to increased sales of construction toys and electronic educational products. The increase in our core toy category was primarily due to increased sales of action figures and dolls.

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International

Net sales for the International segment increased by $56 million or 6.0%, to $993 million for the thirteen weeks ended April 30, 2011, compared to $937 million for the same period last year. Excluding a $70 million increase in Net sales due to foreign currency translation, International Net sales decreased primarily as a result of a decrease in comparable store net sales of 1.9%. Partially offsetting the decrease was an increase in net sales from new locations.

The decrease in comparable store net sales resulted primarily from decreases in our entertainment and juvenile categories. The decrease in our entertainment category was driven by fewer releases of new video game software and accessories. The decrease in our juvenile category was primarily due to a decline in sales of wooden furniture and baby gear. Partially offsetting these decreases was an increase in our core toy category primarily as a result of strong sales of action figures.

Cost of Sales and Gross Margin

We record the costs associated with operating our distribution networks as a part of SG&A, including those costs that primarily relate to transporting merchandise from distribution centers to stores. Therefore, our consolidated Gross margin may not be comparable to the gross margins of other retailers that include similar costs in their cost of sales.

The following are reflected in Cost of sales :

- the cost of merchandise acquired from vendors;
- freight in;
- provision for excess and obsolete inventory;
- shipping costs to consumers;
- provision for inventory shortages; and
- credits and allowances from our merchandise vendors.

	13 Weeks Ended					
				Percentage of Net Sales		
($ In millions)	April 30, 2011	May 1, 2010	$ Change	April 30, 2011	May 1, 2010	Change
Domestic	**$ 600**	$ 600	$	**36.5%**	35.9%	0.6%
International	**378**	345	33	**38.1%**	36.8%	1.3%
Total Gross Margin	**$ 978**	$ 945	$ 33	**37.1%**	36.2%	0.9%

Gross margin increased by $33 million to $978 million for the thirteen weeks ended April 30, 2011, compared to $945 million for the same period last year. Foreign currency translation accounted for approximately $26 million of the increase in Gross margin. Gross margin, as a percentage of Net sales, increased by 0.9 percentage points for the thirteen weeks ended April 30, 2011 compared to the same period last year. Gross margin, as a percentage of Net sales, was primarily impacted by improvements in sales mix and margin rate improvements in certain categories.

Domestic

Gross margin for the thirteen weeks ended April 30, 2011 was $600 million, consistent with the same period last year. Gross margin, as a percentage of Net sales, for the thirteen weeks ended April 30, 2011 increased by 0.6 percentage points compared to the same period last year.

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The increase in Gross margin, as a percentage of Net sales, resulted primarily from improvements in margin rates within the juvenile category and sales mix away from lower margin products, predominantly in the entertainment category.

International

Gross margin increased by $33 million to $378 million for the thirteen weeks ended April 30, 2011, compared to $345 million for the same period last year. Foreign currency translation accounted for approximately $26 million of the increase in Gross margin. Gross margin, as a percentage of Net sales, for the thirteen weeks ended April 30, 2011 increased by 1.3 percentage points compared to the same period last year.

The increase in Gross margin, as a percentage of Net sales, resulted primarily from improvements in sales mix towards sales of higher margin learning and seasonal products.

Selling, General and Administrative Expenses

The following are the types of costs included in SG&A:

- store payroll and related payroll benefits;
- rent and other store operating expenses;
- advertising and promotional expenses;
- costs associated with operating our distribution network, including costs related to transporting merchandise from distribution centers to stores;
- restructuring charges; and
- other corporate-related expenses.

	13 Weeks Ended					
				Percentage of Net Sales		
($ In millions)	**April 30, 2011**	**May 1, 2010**	**$ Change**	**April 30, 2011**	**May 1, 2010**	**Change**
Toys R Us Consolidated	**$897**	$858	$39	**34.0%**	32.9%	1.1%

SG&A increased by $39 million to $897 million for the thirteen weeks ended April 30, 2011, compared to $858 million for the same period last year. Foreign currency translation accounted for approximately $24 million of the increase in SG&A. As a percentage of Net sales, SG&A increased by 1.1 percentage points.

Excluding the impact of foreign currency translation, the increase in SG&A was primarily due to an increase in payroll expenses of $13 million primarily related to additional store support and corporate employees as well as other compensation expenses. Additionally, rent expense increased by $5 million associated with new locations, advertising and promotional expenses increased by $5 million and we incurred an additional $4 million of expenses associated with credit card processing fees primarily due to an increase in rates from the banks. These increases were partially offset by a decrease in litigation settlement expenses for certain legal matters of approximately $17 million recorded in the first quarter of fiscal 2010.

Depreciation and Amortization

	13 Weeks Ended		
(In millions)	April 30, 2011	May 1, 2010	Change
Toys R Us Consolidated	**$ 98**	$ 94	$ 4

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Depreciation and amortization increased by $4 million to $98 million for the thirteen weeks ended April 30, 2011, compared to $94 million for the same period last year. The increase was primarily due to the addition of new and relocated locations to our SBS and SSBS formats as well as improvements and enhancements in our information technology systems. Additionally, foreign currency translation increased depreciation and amortization by approximately $2 million.

Other Income, Net

Other income, net includes the following:

- gift card breakage income;
- credit card program income;
- net gains on sales of properties;
- impairment on long-lived assets;
- foreign exchange gains and losses; and
- other operating income and expenses.

	13 Weeks Ended		
(In millions)	**April 30, 2011**	**May 1, 2010**	**Change**
Toys R Us Consolidated	**$ 10**	$ 12	$ (2)

Other income, net decreased by $2 million to $10 million for the thirteen weeks ended April 30, 2011, compared to $12 million for the same period last year. The decrease was primarily due to a decrease of $3 million in credit card program income.

Interest Expense

	13 Weeks Ended		
(In millions)	**April 30, 2011**	**May 1, 2010**	**Change**
Toys R Us Consolidated	**$ 128**	$ 125	$ 3

Interest expense increased by $3 million to $128 million for the thirteen weeks ended April 30, 2011, compared to $125 million for the same period last year. The increase was primarily due to $10 million in charges related to our derivative instruments, which was primarily driven by the change in fair value of instruments that do not qualify for hedge accounting. These charges were partially offset by a decrease of $6 million related to lower effective interest rates primarily due to expiration of certain interest rate swaps in fiscal 2010.

Interest Income

	13 Weeks Ended		
(In millions)	**April 30, 2011**	**May 1, 2010**	**Change**
Toys R Us Consolidated	**$ 2**	$ 1	$ 1

Interest income for the thirteen weeks ended April 30, 2011 increased by $1 million compared to the same period last year.

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Income Tax Benefit

The following table summarizes our income tax benefit and effective tax rates for the thirteen weeks ended April 30, 2011 and May 1, 2010:

	13 Weeks Ended	
($ In millions)	April 30, 2011	May 1, 2010
Loss before income taxes	**$ (133)**	$ (119)
Income tax benefit	**66**	63
Effective tax rate	**(49.6)%**	(52.9)%

The effective tax rates for the thirteen weeks ended April 30, 2011 and May 1, 2010 were based on our forecasted annualized effective tax rates, adjusted for discrete items that occurred within the periods presented. Our forecasted annualized effective tax rate is 47.3% for the thirteen weeks ended April 30, 2011 compared to 44.6% for the same period last year. The difference between our forecasted annualized effective tax rates was primarily due to the increase in taxable permanent adjustments and a change in the mix of earnings between jurisdictions.

For the thirteen weeks ended April 30, 2011, our effective tax rate was impacted by a tax benefit of $2 million related to changes to our liability for uncertain tax positions. For the thirteen weeks ended May 1, 2010, our effective tax rate was impacted by tax benefits of $4 million related to state income taxes, $3 million related to adjustments to deferred taxes, $2 million related to adjustments to current taxes payable and $2 million related to changes to our liability for uncertain tax positions. These tax benefits were partially offset by a tax expense of $2 million related to an increase in our valuation allowance.

Our expectation of our full year effective tax rate for fiscal 2011 (which includes our forecasted annualized effective tax rate, adjusted for full year discrete items) has not materially changed from our initial expectation disclosed in our audited consolidated financial statements included elsewhere in this prospectus.

See Fiscal 2010 compared to Fiscal 2009 Income Tax (Benefit) Expense.

Financial Performance for Fiscals 2010, 2009 and 2008

As discussed in more detail in this MD&A, the following financial data presents an overview of our financial performance for fiscals 2010, 2009 and 2008:

	Fiscal Years Ended		
($ In millions)	January 29, 2011	January 30, 2010	January 31, 2009
Net sales	**$ 13,864**	$ 13,568	$ 13,724
Gross margin as a percentage of Net sales	**35.5%**	35.2%	34.6%
Selling, general and administrative expenses as a percentage of Net sales	**28.4%**	27.5%	28.1%
Net earnings attributable to Toys R Us, Inc.	**$ 168**	$ 312	$ 218

Net sales for fiscal 2010 increased by $296 million primarily due to net sales from new locations, which includes Express stores, as well as increased comparable store net sales at our Domestic segment. The Domestic segment comparable store net sales increase was largely driven by an increase in the number of transactions, net sales from our Internet operations and locations that were recently converted or relocated to our SBS and SSBS store formats. Partially offsetting these increases were decreased comparable store net sales at our International segment primarily driven by lower average transaction amounts and a decrease in the number of transactions. Foreign currency translation increased Net sales by approximately $93 million for fiscal 2010.

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Gross margin, as a percentage of Net sales, was primarily impacted by improvements in sales mix away from lower margin products such as video game systems.

SG&A, as a percentage of Net sales, for fiscal 2010 increased primarily as a result of an increase in store-level costs largely associated with new locations (including Express stores). Additionally, advertising and promotional expenses increased at our Domestic segment and we incurred additional expenses associated with the fulfillment of increased online sales. In addition, in fiscal 2010, the Company recorded litigation settlement expenses for certain legal matters and a non-cash cumulative correction of prior period straight-line lease accounting. Foreign currency translation increased SG&A by approximately $30 million for fiscal 2010.

Net earnings attributable to Toys R Us, Inc. for fiscal 2010 decreased primarily as a result of an increase in SG&A and Interest expense, as well as a decrease in Other income, net. Partially offsetting these amounts was an increase in Gross margin and a favorable impact from income taxes.

Comparable Store Net Sales

The following table discloses the change in our comparable store net sales for the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009 (for a description of how comparable store net sales are measured, see Financial Performance for the Thirteen Weeks Ended April 30, 2011 Comparable Store Net Sales):

		Fiscal Years Ended	
	January 29, 2011	**January 30, 2010**	**January 31, 2009**
Domestic	**1.7%**	(3.0)%	(0.1)%
International	**(3.1)%**	(2.8)%	(3.4)%

Percentage of Net Sales by Product Category

		Fiscal Years Ended	
	January 29, 2011	**January 30, 2010**	**January 31, 2009**
Domestic:			
Core Toy	**15.4%**	14.8%	14.1%
Entertainment	**14.0%**	15.5%	17.3%
Juvenile	**36.9%**	37.2%	37.9%
Learning	**20.3%**	19.6%	17.6%
Seasonal	**12.2%**	11.7%	11.7%
Other(1)	**1.2%**	1.2%	1.4%
Total	**100%**	100%	100%

(1) Consists primarily of shipping and other non-product related revenues.

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	January 29, 2011	Fiscal Years Ended January 30, 2010	January 31, 2009
International:			
Core Toy	**21.3%**	20.3%	19.3%
Entertainment	**13.4%**	15.6%	19.1%
Juvenile	**21.7%**	20.7%	20.3%
Learning	**26.9%**	27.0%	25.5%
Seasonal	**15.9%**	15.7%	15.1%
Other (1)	**0.8%**	0.7%	0.7%
Total	**100%**	100%	100%

(1) Consists primarily of license fees from unaffiliated third parties and other non-product related revenues

Store Count by Segment

	January 29, 2011	Fiscal 2010 Opened	Fiscal 2010 Closed	January 30, 2010	Fiscal 2009 Opened	Fiscal 2009 Closed	January 31, 2009
Domestic(1)	**868**	**21**	**(2)(5)**	**849**	**6**	**(3)**	**846**
International Operated(2)	**524**	**12**	**(2)**	**514**	**10**		**504**
Total(3)(4)	**1,392**	**33**	**(4)**	**1,363**	**16**	**(3)**	**1,350**

(1) Store count as of January 29, 2011 includes 107 SBS stores, 32 SSBS stores, 14 BRU Express stores and 65 Juvenile Expansions. Store count as of January 30, 2010 included 64 SBS stores, 26 SSBS stores, 13 BRU Express stores and 64 Juvenile Expansions. Store count as of January 31, 2009 included 53 SBS stores, 19 SSBS stores, 12 BRU Express and 63 Juvenile Expansions.

(2) Store count as of January 29, 2011 includes 117 SBS stores and seven BRU Express stores. Store count as of January 30, 2010 includes 77 SBS stores and two BRU Express stores. Store count as of January 31, 2009 includes 66 SBS stores and two BRU Express stores.

(3) Express stores with a cumulative lease term of at least two years are included in our overall store count, while remaining locations are excluded. As of January 29, 2011, there were 79 Domestic and 16 International Express stores open, 19 of which have been included in our overall store count within our Domestic segment. As of January 30, 2010, there were 29 Domestic Express stores open and 1 International Express store open, none of which have been included in our overall store count. As of January 31, 2009, there were no Express stores open.

(4) Excluded from our overall store count are the 220, 203 and 209 International licensed stores for fiscals 2010, 2009 and 2008, respectively.

(5) The two store closings domestically represent relocations with multiple store closings.

Fiscal 2010 Compared to Fiscal 2009

Net Earnings Attributable to Toys R Us, Inc.

(In millions)	Fiscal 2010	Fiscal 2009	Change
Net earnings attributable to Toys R Us, Inc.	**$ 168**	$ 312	$ (144)

Net earnings attributable to Toys R Us, Inc. decreased by $144 million to $168 million in fiscal 2010, compared to $312 million in fiscal 2009. The decrease in Net earnings attributable to Toys R Us, Inc. was primarily due to an increase in SG&A of $212 million predominantly related to store-level costs largely associated with new locations (including Express stores), as well as an increase in

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advertising and promotional expenses and expenses associated with the fulfillment of increased online sales. Additionally contributing to the increase in SG&A were litigation settlement expenses for certain legal matters and a non-cash cumulative correction of prior period straight-line lease accounting. Further contributing to the decrease in Net earnings was an increase in Interest expense of $74 million resulting primarily from higher effective interest rates, as well as a decrease in Other income, net of $61 million primarily due to a prior year gain of $51 million from a litigation settlement with Amazon. Partially offsetting these amounts was an increase in Gross margin of $147 million primarily due to higher Net sales and an increase in margin rate. In addition, we had a favorable impact from income taxes of $75 million.

Net Sales

					Percentage of Total Net Sales	
($ In millions)	**Fiscal 2010**	**Fiscal 2009**	**$ Change**	**% Change**	**Fiscal 2010**	**Fiscal 2009**
Domestic	**$ 8,621**	$ 8,317	$ 304	3.7%	**62.2%**	61.3%
International	**5,243**	5,251	(8)	(0.2)%	**37.8%**	38.7%
Total Net sales	**$ 13,864**	$ 13,568	$ 296	2.2%	**100.0%**	100.0%

Net sales increased by $296 million or 2.2%, to $13,864 million in fiscal 2010, compared to $13,568 million in fiscal 2009. Net sales for fiscal 2010 included the impact of foreign currency translation which increased Net sales by approximately $93 million.

Excluding the impact of foreign currency translation, the increase in Net sales for fiscal 2010 was primarily due to net sales from new locations, which includes Express stores, as well as increased comparable store net sales at our Domestic segment. The Domestic segment comparable store net sales increase was largely driven by an increase in the number of transactions, net sales from our Internet operations and locations that were recently converted or relocated to our SBS and SSBS store formats. Partially offsetting these increases were decreased comparable store net sales at our International segment primarily driven by lower average transaction amounts and a decrease in the number of transactions.

Domestic

Net sales for the Domestic segment increased by $304 million or 3.7%, to $8,621 million in fiscal 2010, compared to $8,317 million in fiscal 2009. The increase in Net sales was primarily a result of an increase in net sales from new locations, which includes Express stores, as well as an increase in comparable store net sales of 1.7%.

The increase in comparable store net sales resulted primarily from an increase in our juvenile (including baby), learning and core toy categories. The increase in our juvenile category was primarily due to increased sales of commodities and infant care products. The increase in our learning category was primarily due to increased sales of educational products and construction toys. The increase in our core toy category was primarily due to increased sales of dolls and collectibles. Partially offsetting these increases was a decrease in our entertainment category which was driven by fewer releases of new video game systems and software.

International

Net sales for the International segment decreased by $8 million or 0.2%, to $5,243 million in fiscal 2010, compared to $5,251 million in fiscal 2009. Excluding a $93 million increase in Net sales due to foreign currency translation, International Net sales decreased primarily as a result of a decrease in comparable store net sales of 3.1%. Partially offsetting the decrease was an increase in net sales from new locations.

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The decrease in comparable store net sales resulted primarily from decreases in our entertainment and seasonal categories. The decrease in our entertainment category was driven by fewer releases of new video game systems and software. The decrease in our seasonal category was primarily due to a decline in sales of outdoor products. Partially offsetting these decreases was an increase in our core toy category primarily as a result of strong sales of collectibles.

Cost of Sales and Gross Margin

				Percentage of Net Sales		
	Fiscal	**Fiscal**		**Fiscal**	**Fiscal**	
($ In millions)	**2010**	**2009**	**$ Change**	**2010**	**2009**	**Change**
Domestic	**$ 3,004**	$ 2,893	$ 111	**34.8%**	34.8%	%
International	**1,921**	1,885	36	**36.6%**	35.9%	0.7%
Total Gross margin	**$ 4,925**	$ 4,778	$ 147	**35.5%**	35.2%	0.3%

Gross margin increased by $147 million to $4,925 million in fiscal 2010, compared to $4,778 million in fiscal 2009. Foreign currency translation accounted for approximately $27 million of the increase in Gross margin. Gross margin, as a percentage of Net sales, increased by 0.3 percentage points in fiscal 2010 compared to fiscal 2009. Gross margin, as a percentage of Net sales, was primarily impacted by improvements in sales mix away from lower margin products.

Domestic

Gross margin increased by $111 million to $3,004 million in fiscal 2010, compared to $2,893 million in fiscal 2009. Gross margin, as a percentage of Net sales, remained unchanged in fiscal 2010 compared to fiscal 2009.

Gross margin, as a percentage of Net sales, was primarily impacted by improvements in sales mix away from lower margin products such as video game systems, as well as increased sales of higher margin learning and core toy products. These increases were offset by increased sales of products on promotion.

International

Gross margin increased by $36 million to $1,921 million in fiscal 2010, compared to $1,885 million in fiscal 2009. Foreign currency translation accounted for approximately $27 million of the increase in Gross margin. Gross margin, as a percentage of Net sales, increased by 0.7 percentage points in fiscal 2010 compared to fiscal 2009.

The increase in Gross margin, as a percentage of Net sales, resulted primarily from improvements in sales mix away from lower margin products such as video game systems.

Selling, General and Administrative Expenses

				Percentage of Net Sales		
	Fiscal	**Fiscal**		**Fiscal**	**Fiscal**	
($ In millions)	**2010**	**2009**	**$ Change**	**2010**	**2009**	**Change**
Toys R Us Consolidated	**$ 3,942**	$ 3,730	$ 212	**28.4%**	27.5%	0.9%

SG&A increased by $212 million to $3,942 million in fiscal 2010 compared to $3,730 million in fiscal 2009. Foreign currency translation accounted for approximately $30 million of the increase. As a percentage of Net sales, SG&A increased by 0.9 percentage points.

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Excluding the impact of foreign currency translation, the increase in SG&A was primarily due to increases in payroll expenses of $55 million, rent expense of $25 million and pre-opening costs of $18 million largely associated with new locations. The impact associated with new locations primarily relates to the Company s expanded fiscal 2010 Express store presence. Additionally, advertising and promotional expenses increased by $20 million at our Domestic segment due primarily to an increase in promotional activity as compared to the same period last year, and we incurred an additional $14 million of expenses primarily associated with the fulfillment of increased online sales.

In addition, the Company recorded litigation settlement expenses for certain legal matters of approximately $23 million and a $16 million non-cash cumulative correction of prior period straight-line lease accounting.

Depreciation and Amortization

(In millions)	Fiscal 2010	Fiscal 2009	Change
Toys R Us Consolidated	**$ 388**	$ 376	$ 12

Depreciation and amortization increased by $12 million to $388 million in fiscal 2010 compared to $376 million in fiscal 2009. The increase primarily resulted from the addition of new and recently converted or relocated stores to our SBS and SSBS formats and increased accelerated depreciation related to store closures as a result of relocations in fiscal 2010. Additionally, foreign currency translation accounted for approximately $3 million of the increase.

Other Income, Net

(In millions)	Fiscal 2010	Fiscal 2009	Change
Toys R Us Consolidated	**$ 51**	$ 112	$ (61)

Other income, net decreased by $61 million to $51 million in fiscal 2010 compared to $112 million in fiscal 2009. The decrease was primarily the result of a $51 million gain from a litigation settlement with Amazon in fiscal 2009 and a decrease of $12 million in credit card program income compared to the last fiscal year.

Refer to Note 1 to the consolidated financial statements included in this prospectus entitled SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for further details.

Interest Expense

(In millions)	Fiscal 2010	Fiscal 2009	Change
Toys R Us Consolidated	**$ 521**	$ 447	$ 74

Interest expense increased by $74 million to $521 million in fiscal 2010 compared to $447 million in fiscal 2009. This was largely due to an increase of $81 million predominantly related to higher effective interest rates on our debt due principally to prior year refinancings. Additionally contributing to the increase were deferred financing charges of $16 million primarily due to the write-off of deferred financing costs as a result of the current year refinancings. These increases were partially offset by a reduction of $23 million in charges related to the change in fair value of our derivative instruments.

Interest Income

(In millions)	Fiscal 2010	Fiscal 2009	Change
Toys R Us Consolidated	**$ 7**	$ 7	$

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Interest income remained consistent at $7 million for fiscal 2010, compared to the same period last year.

Income Tax (Benefit) Expense

($ In millions)	Fiscal 2010	Fiscal 2009	Change
Toys R Us Consolidated	**$ (35)**	$ 40	$ (75)
Consolidated effective tax rate	**(26.5)%**	11.6%	(38.1)%

The net decrease in income tax expense of $75 million in fiscal 2010 compared to fiscal 2009 was principally due to the decrease in pre-tax earnings (multiplied by the statutory tax rate). Our income tax benefit in fiscal 2010 was also favorably impacted by certain non-routine, discrete items, including benefits associated with a decrease in our valuation allowance due to tax planning strategies identified and developed in the fourth quarter of fiscal 2010, as well as the improved operating performance of one of our foreign subsidiaries, each of which will allow for the use of certain tax loss carryforwards and other tax attributes. Also contributing to the benefit to a lesser extent was a reduction in the liability for unrecognized tax benefits due to the resolution of ongoing tax examinations in various jurisdictions, receiving a favorable ruling from a taxing authority and making protective elections. The resulting beneficial change in our income tax (benefit) expense was offset by other non-routine, discrete items that provided a benefit in fiscal 2009 that are not present in fiscal 2010, including the fiscal 2009 benefits associated with a change in tax classification of certain foreign entities, as well as, and to a lesser extent, the fiscal 2009 benefit for the reversal of deferred tax liabilities associated with the undistributed earnings of two of our subsidiaries as it is management s intention to permanently reinvest those earnings.

The U.S. Federal statutory tax rate is 35%. The dollar value of the tax benefit associated with non-routine, discrete items was relatively consistent in fiscals 2010 and 2009, which, due to the decrease in pre-tax earnings in fiscal 2010, resulted in a larger percentage benefit to the fiscal 2010 Consolidated effective tax rate. As such, the change in our Consolidated effective tax rate was principally driven by the decrease in pre-tax earnings in fiscal 2010 versus fiscal 2009. Refer to Note 11 to the consolidated financial statements entitled INCOME TAXES included elsewhere in this prospectus for further details, including (but not limited to) a reconciliation of the effective tax rate to the U.S. Federal statutory tax rate of 35%, information related to the change in our valuation allowance, as well as information related to unrecognized tax benefits.

For fiscal 2011, we estimate that our effective tax rate will be approximately 25%, which includes benefits from certain projected non-routine, discrete items, including items related to our foreign operations and unrecognized tax benefits. As these projected non-routine, discrete items may not provide a benefit in periods after fiscal 2011, we estimate that our effective tax rate will be approximately 38% in fiscal 2012 and future periods. There are many factors beyond our control that affect our tax rate, including changes in tax laws, and therefore the actual tax rates may vary from these estimates and such variations may be material (see also Risk Factors We may experience fluctuations in our tax obligations and effective tax rate, which could materially and adversely affect our results of operations).

Fiscal 2009 Compared to Fiscal 2008

Net Earnings Attributable to Toys R Us, Inc.

(In millions)	Fiscal 2009	Fiscal 2008	Change
Net earnings attributable to Toys R Us, Inc.	**$ 312**	$ 218	$ 94

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We generated Net earnings attributable to Toys R Us, Inc. of $312 million in fiscal 2009 compared to $218 million in fiscal 2008. The increase in Net earnings attributable to Toys R Us, Inc. was primarily due to a reduction in SG&A of $126 million resulting primarily from initiatives to reduce our operating expenses, an increase in Gross margin of $30 million due to improvements in sales mix away from lower margin products and a decrease in Depreciation and amortization of $23 million. This increase in Net earnings attributable to Toys R Us, Inc. was partially offset by an increase in net interest expense of $37 million, an increase in Income tax expense of $33 million and a decrease in Other income, net of $16 million. Each of these changes includes the effect of foreign currency translation, which accounted for approximately $28 million of the increase in Net earnings attributable to Toys R Us, Inc.

Net Sales

($ In millions)	Fiscal 2009	Fiscal 2008	$ Change	% Change	Percentage of Total Net Sales Fiscal 2009	Fiscal 2008
Domestic	**$ 8,317**	$ 8,480	$ (163)	(1.9)%	**61.3%**	61.8%
International	**5,251**	5,244	7	0.1%	**38.7%**	38.2%
Total Net sales	**$ 13,568**	$ 13,724	$ (156)	(1.1)%	**100.0%**	100.0%

Net sales decreased by $156 million, or 1.1%, to $13,568 million in fiscal 2009, compared with $13,724 million in fiscal 2008. Net sales for fiscal 2009 included the impact of foreign currency translation that increased Net sales by approximately $83 million.

Excluding the impact of foreign currency translation, the decrease in Net sales for fiscal 2009 was primarily due to decreased comparable store net sales across both our segments. Comparable store net sales were primarily impacted by the overall slowdown in the global economy, a lower average transaction amount at both of our segments and a decrease in the number of transactions at our International segment. Partially offsetting this decrease was an increase in comparable store net sales attributable to stores in our SBS and SSBS store formats.

Domestic

Net sales for the Domestic segment decreased by $163 million, or 1.9%, to $8,317 million in fiscal 2009, compared with $8,480 million in fiscal 2008. The decrease in Net sales was primarily a result of a decrease in comparable store net sales of 3.0%.

The decrease in comparable store net sales resulted primarily from a decrease in our entertainment, juvenile (including baby) and seasonal categories, which were all affected by the overall slowdown in the economy. The decrease in our entertainment category was driven by a slowdown in demand for certain video game systems and related accessories as well as fewer new software releases. The juvenile category decreased primarily as a result of the phasing out of certain size apparel offerings, along with declines in sales of baby gear, furniture and bedding. Sales of seasonal products, such as outdoor play equipment, decreased primarily due to cooler weather. These decreases were partially offset by increases in our learning and core toy categories. The learning category increased as a result of strong sales of construction toys, while increased sales in the core toy category were primarily driven by an increase in sales of collectibles and dolls.

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International

Net sales for the International segment increased by $7 million, or 0.1%, to $5,251 million in fiscal 2009, compared with $5,244 million in fiscal 2008. Excluding an $83 million increase in Net sales due to foreign currency translation, there was a decrease in Net sales at our International segment which was primarily a result of a decrease in comparable store net sales of 2.8%.

The decrease in comparable store net sales resulted primarily from a decrease in our entertainment and juvenile (including baby) categories, which were both affected by the slowdown in the global economy. The entertainment category decreases were primarily attributable to a slowdown in demand for certain video game systems and related accessories as well as fewer new software releases. The juvenile category decreased primarily from declines in sales of nursery equipment and apparel. These decreases were partially offset by increases in our learning and core toy categories. The increase in the learning category was primarily a result of strong sales of educational products and construction toys. The increase in the core toy category was primarily attributable to increased sales of action figures.

Cost of Sales and Gross Margin

				Percentage of Net sales		
($ In millions)	**Fiscal 2009**	**Fiscal 2008**	**$ Change**	**Fiscal 2009**	**Fiscal 2008**	**Change**
Domestic	**$ 2,893**	$ 2,910	$ (17)	**34.8%**	34.3%	0.5%
International	**1,885**	1,838	47	**35.9%**	35.0%	0.9%
Total Gross margin	**$ 4,778**	$ 4,748	$ 30	**35.2%**	34.6%	0.6%

Gross margin increased by $30 million to $4,778 million in fiscal 2009, compared with $4,748 million in fiscal 2008. Gross margin, as a percentage of Net sales, for fiscal 2009 increased by 0.6 percentage points. Foreign currency translation accounted for approximately $15 million of the increase in Gross margin. The increase in Gross margin, as a percentage of Net sales, was primarily the result of improvements in sales mix away from lower margin products.

Domestic

Gross margin decreased by $17 million to $2,893 million in fiscal 2009, compared with $2,910 million in fiscal 2008. Gross margin, as a percentage of Net sales, for fiscal 2009 increased by 0.5 percentage points.

The increase in Gross margin, as a percentage of Net sales, resulted primarily from improvements in sales mix away from lower margin products such as video game systems, and overall improvements in margin on full price sales and promotional sales in the learning and core toy categories. These increases were partially offset by increased sales of lower margin commodities within the juvenile category.

International

Gross margin increased by $47 million to $1,885 million in fiscal 2009, compared with $1,838 million in fiscal 2008. Foreign currency translation accounted for approximately $15 million of the increase. Gross margin, as a percentage of Net sales, for fiscal 2009 increased by 0.9 percentage points.

The increase in Gross margin, as a percentage of Net sales, resulted primarily from improvements in sales mix toward sales of higher margin learning and core toy products as well as decreased sales of lower margin video game systems compared to fiscal 2008.

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Selling, General and Administrative Expenses

($ In millions)	Fiscal 2009	Fiscal 2008	$ Change	Percentage of Net sales Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 3,730**	$ 3,856	$ (126)	**27.5%**	28.1%	(0.6)%

SG&A decreased $126 million to $3,730 million in fiscal 2009 compared to $3,856 million in fiscal 2008. Foreign currency translation accounted for approximately $5 million of the decrease. As a percentage of Net sales, SG&A decreased by 0.6 percentage points.

Excluding the impact of foreign currency translation, the decrease in SG&A was primarily from strong initiatives to reduce overall operating expenses, which includes decreases of $29 million in advertising and promotional expenses, $23 million in travel and transportation costs, $17 million in store labor and other compensation expenses and $17 million in professional fees at our Domestic and International segments.

Additionally, SG&A decreased at our International segment due to the contract termination fee paid by the Company related to the settlement between Toys Japan and McDonald s Japan, which increased SG&A by $14 million in fiscal 2008. The remainder of the decrease resulted from a $7 million decrease in signage expense, a $6 million decrease in hiring and retention costs, a $4 million decrease in security costs and nominal reductions in general operating expenses.

Depreciation and Amortization

(In millions)	Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 376**	$ 399	$ (23)

Depreciation and amortization decreased by $23 million to $376 million in fiscal 2009 compared to $399 million in fiscal 2008. The decrease was primarily due to a decrease of $11 million in accelerated depreciation related to store relocations and disposals in fiscal 2008, a decrease of $8 million related to assets which became fully amortized during the first half of fiscal 2009, as well as the addition of fewer new Company operated stores due to the curtailment of capital spending during fiscal 2009. Additionally, foreign currency translation accounted for approximately $1 million of the decrease.

Other Income, Net

(In millions)	Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 112**	$ 128	$ (16)

Other income, net decreased by $16 million to $112 million in fiscal 2009 compared to $128 million in fiscal 2008. The decrease was primarily due to the recognition of an additional $59 million of gift card breakage income in fiscal 2008 resulting from the change in estimate effected by a change in accounting principle, and a $39 million gain recognized in fiscal 2008 on the liquidation of our Hong Kong subsidiary representing a cumulative translation adjustment. These decreases were partially offset by a $51 million litigation settlement with Amazon in fiscal 2009, a decrease in impairment losses on long-lived assets of $26 million, and a $4 million decrease in foreign currency translation gains compared to the same period last year.

See Note 1 to our consolidated financial statements included elsewhere in this prospectus entitled SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for further details.

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Interest Expense

(In millions)	Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 447**	$ 419	$ 28

Interest expense increased by $28 million for fiscal 2009 compared to fiscal 2008. The increase was largely due to an increase of $20 million primarily as a result of the write-off of fees related to the repayment of our $1,267 million unsecured credit agreement and our $800 million secured real estate loans. In addition, there was an increase of $5 million related primarily to higher effective interest rates, partially offset by a reduction in average debt balances.

Interest Income

(In millions)	Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 7**	$ 16	$ (9)

Interest income decreased by $9 million for fiscal 2009 compared to fiscal 2008 primarily due to lower effective interest rates in fiscal 2009.

Income Tax Expense

($ In millions)	Fiscal 2009	Fiscal 2008	Change
Toys R Us Consolidated	**$ 40**	$ 7	$ 33
Consolidated effective tax rate	**11.6%**	3.2%	8.4%

The net increase in income tax expense of $33 million in fiscal 2009 compared to fiscal 2008 was principally due to the increase in pre-tax earnings. Other increases due to a change in the mix of pre-tax earnings, an increase in permanent items, and a net increase in valuation allowances and liabilities for unrecognized tax benefits, were offset by a benefit for the reversal of deferred tax liabilities associated with the undistributed earnings of two of our subsidiaries as it is management s intention to permanently reinvest those earnings, as well as benefits associated with a change in the tax classification of certain foreign entities. See Note 11 to our consolidated financial statements included elsewhere in this prospectus entitled INCOME TAXES for further details.

Liquidity and Capital Resources

As of April 30, 2011, we were in compliance with all of our covenants related to our outstanding debt. At April 30, 2011, under our $1.85 billion secured revolving credit facility (ABL Facility), we had no outstanding borrowings, a total of $80 million of outstanding letters of credit and excess availability of $1,136 million. This amount is also subject to the minimum excess availability covenant, which was $125 million at April 30, 2011, with remaining availability of $1,011 million in excess of the covenant. Availability is determined pursuant to a borrowing base, consisting of specified percentages of eligible inventory and eligible credit card receivables and certain real estate less any applicable availability reserves. See Note 2 to our consolidated financial statements entitled Long-Term Debt included elsewhere in this prospectus for further details regarding the borrowing base calculation.

Toys Japan currently has a credit agreement with a syndicate of financial institutions, which established two unsecured loan commitment lines of credit (Tranche 1 and Tranche 2). Tranche 1 is available in amounts of up to ¥14.9 billion ($184 million at April 30, 2011), expiring on June 30, 2013. At April 30, 2011, we had no borrowings outstanding under Tranche 1, with $184 million of remaining

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availability. On March 18, 2011, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. As a result, Tranche 2 is now available in amounts of up to ¥10 billion ($123 million at April 30, 2011), expiring on June 29, 2012. At April 30, 2011, we had outstanding long-term borrowings of $100 million under Tranche 2, with $23 million of remaining availability.

The Toys Japan agreements contain covenants, including, among other things, covenants that require Toys Japan to maintain a certain level of net assets and profitability during the agreement terms. The agreement also restricts Toys-Japan from paying dividends or making loans to affiliates without lender consent.

Additionally, certain of our foreign subsidiaries are parties to an amended and restated European and Australian asset-backed revolving credit facility (the New European ABL) and provides for a five-year £128 million senior secured asset-based revolving credit facility which expires on March 8, 2016. On April 29, 2011, we partially exercised the accordion feature which increased availability to include additional lender commitments. This increased the size of the facility from £128 million to £138 million ($231 million at April 30, 2011). At April 30, 2011, we had no outstanding borrowings and $143 million of availability under the New European ABL. Borrowings under the New European ABL are secured by and subject to, among other things, the terms of a borrowing base derived from the value of eligible inventory and/or eligible accounts receivable of certain of Toys R Us Europe, LLC s (Toys Europe) and Toys R Us Australia Holdings, LLC s (Toys Australia) subsidiaries. The New European ABL contains covenants that, among other things, restrict the ability of Toys Europe and Toys Australia and their respective subsidiaries to incur certain additional indebtedness, create or permit liens on assets, repurchase or pay dividends or make certain other restricted payments on capital stock, make acquisitions and investments or engage in mergers or consolidations.

We are dependent on the borrowings provided by the lenders to support our working capital needs and capital expenditures. As of April 30, 2011, we have funds available to finance our operations under our ABL Facility through August 2015, our New European ABL through March 2016 and our Toys Japan unsecured credit lines with a Tranche maturing June 2012 and a Tranche maturing June 2013. If our cash flow and capital resources do not provide the necessary liquidity, it could have a significant negative effect on our results of operations.

In general (other than borrowings under our revolving credit facilities), our primary source of cash is cash flow from operations. The primary source of cash flows is from sales to customers, substantially

all of which are made with credit and debit cards (which convert to cash within a few days) or cash. As described above, changes in consumer confidence, consumer spending levels, employment levels, consumer debt level and inflation, as well as the availability of consumer credit could affect our cash flow from operations. See Risk Factors entitled Our sales may be adversely affected by changes in economic factors and changes in consumer spending patterns and Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms. If our lenders are unable to fund borrowings under their credit commitments or we are unable to borrow, it could have a significant negative effect on our business.

In general, our primary uses of cash are providing for working capital purposes, which principally represent the purchase of inventory, servicing debt, remodeling existing stores (including conversions), financing construction of new stores and paying expenses, such as payroll costs, to operate our stores. Our working capital needs follow a seasonal pattern, peaking in the third quarter of the year when inventory is purchased for the fourth quarter holiday selling season. For fiscal 2010, peak borrowings under our revolving credit facilities and credit lines amounted to $793 million. Our largest source of operating cash flows is cash collections from our customers. We have been able to meet our cash needs principally by using cash on hand, cash flows from operations and borrowings under our revolving credit facilities and credit lines.

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Although we believe that cash generated from operations, along with our existing cash, revolving credit facilities and credit lines will be sufficient to fund our expected cash flow requirements and planned capital expenditures for at least the next 12 months, any worldwide financial market disruption could have a negative impact on our available resources in the future. We believe that we have the ability to repay or refinance our current outstanding borrowings maturing within the next 12 months. Our minimum projected obligations for fiscal 2011 and beyond are set forth below under Contractual Obligations.

Capital Expenditures

Thirteen Weeks Ended April 30, 2011 and Thirteen Weeks Ended May 1, 2010

A component of our long-term strategy is our capital expenditure program. Our capital expenditures are primarily for conversions of existing stores, financing construction of new stores and remodeling existing stores, as well as improving and enhancing our information technology systems and are funded primarily through cash provided by operating activities, as well as available cash. For fiscal 2011, we have budgeted approximately $400 million for capital expenditures, with a continued emphasis on our toys and juvenile integration strategy.

The following table discloses our capital expenditures for the thirteen weeks ended April 30, 2011 and May 1, 2010:

	13 Weeks Ended	
(In millions)	**April 30, 2011**	**May 1, 2010**
New stores(1)	**$ 19**	$ 2
Conversion projects(2)	**12**	16
Information technology	**12**	10
Distribution centers	**12**	5
Other store-related projects(3)	**3**	7
Total capital expenditures	**$ 58**	$ 40

(1) Primarily includes SSBS and SBS relocations as well as single format stores (including Express stores).
(2) Primarily includes SBS conversions as well as other remodels pursuant to our juvenile integration strategy.
(3) Includes other store-related projects (other than conversion projects) such as store updates.

Fiscal Year 2010, Fiscal Year 2009 and Fiscal Year 2008

Throughout fiscal 2009, we curtailed our capital spending due to the prevailing economic environment. For fiscal 2010, we increased our capital spending to grow our business through a continued focus on our integrated strategy, recognizing the synergies between our toy and juvenile categories. Capital expenditures are funded primarily through cash provided by operating activities, as well as available cash.

The following table presents our capital expenditures for each of the past three fiscal years:

(In millions)	**Fiscal 2010**	**Fiscal 2009**	**Fiscal 2008**
Conversion projects(1)	**$ 117**	$ 35	$ 118
New stores(2)	**65**	39	98
Information technology	**62**	45	72
Other store-related projects(3)	**51**	46	86
Distribution centers	**30**	27	21
Total capital expenditures	**$ 325**	$ 192	$ 395

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(1) Primarily includes SBS conversions as well as other remodels pursuant to our juvenile integration strategy.
(2) Primarily includes SSBS and SBS relocations as well as single format stores (including Express stores).
(3) Includes other store-related projects (other than conversion projects) such as store updates.

In fiscal 2011, we expect to spend approximately $ million on SBS conversion projects and other remodeling efforts, and approximately $ million on other store-related projects, and $ million on opening new stores including relocations to SSBS. The SBS conversion projects in fiscal 2011 for our side-by-side stores in the U.S. are budgeted on average at $ million; our conversion projects in fiscal 2011 for our side-by-side stores internationally are budgeted on average at approximately $ million; and new stores are budgeted on average at approximately $ million, approximately $ million, and approximately $ million for domestic SBS stores, international SBS stores and R Superstores, respectively.

Cash Flows for the Thirteen Weeks Ended April 30, 2011 and the Thirteen Weeks Ended May 1, 2010

	13 Weeks Ended		
(In millions)	**April 30, 2011**	**May 1, 2010**	**$ Change**
Net cash used in operating activities	**$ (564)**	$ (723)	$ 159
Net cash used in investing activities	**(51)**	(29)	(22)
Net cash provided by financing activities	**74**	158	(84)
Effect of exchange rate changes on cash and cash equivalents	**24**	(13)	37
Net decrease during period in cash and cash equivalents	**$ (517)**	$ (607)	$ 90

Cash Flows Used In Operating Activities

During the thirteen weeks ended April 30, 2011, net cash used in operating activities was $564 million compared to $723 million for the thirteen weeks ended May 1, 2010. The decrease in net cash used in operating activities was primarily the result of a decrease in purchases of merchandise inventories related to the early replenishment of inventory in fiscal 2010 for fiscal 2011 at our existing locations as well as new stores and a decrease in payments on accounts payable due to the timing of vendor payments. These decreases were partially offset by a cash settlement payment made in the current year as a result of a litigation settlement.

Cash Flows Used In Investing Activities

During the thirteen weeks ended April 30, 2011, net cash used in investing activities was $51 million compared to $29 million for the thirteen weeks ended May 1, 2010. The increase in net cash used in investing activities was primarily due to an increase in capital expenditures of $18 million.

Cash Flows Provided By Financing Activities

During the thirteen weeks ended April 30, 2011, net cash provided by financing activities was $74 million compared to $158 million for the thirteen weeks ended May 1, 2010. The decrease in net cash provided by financing activities was primarily due to a $91 million increase in net debt repayments, partially offset by $10 million paid for the purchase of additional shares of Toys Japan in the prior year period.

Cash Flows for Fiscal Year 2010, Fiscal Year 2009 and Fiscal Year 2008

(In millions)	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net cash provided by operating activities	**$ 220**	$ 1,014	$ 525
Net cash used in investing activities	**(281)**	(37)	(259)
Net cash used in financing activities	**(53)**	(626)	(223)
Effect of exchange rate changes on cash and cash equivalents	**1**	(8)	(11)
Net (decrease) increase during period in cash and cash equivalents	**$ (113)**	$ 343	$ 32

Cash Flows Provided by Operating Activities

Net cash provided by operating activities for fiscal 2010 was $220 million, a decrease of $794 million compared to fiscal 2009. The decrease in net cash provided by operating activities was primarily the result of an increase in payments on accounts payable due to the timing of vendor payments at year-end, an increase in purchases of merchandise inventories primarily for fiscal 2010 and related to the early replenishment of inventory for fiscal 2011 at our existing locations as well as new stores, an increase in interest payments as compared to the prior year and a cash settlement received in the prior year as a result of a litigation settlement.

Net cash provided by operating activities for fiscal 2009 was $1,014 million, an increase of $489 million compared to fiscal 2008. The increase in net cash provided by operating activities was primarily the result of decreased payments on accounts payable due to the timing of vendor payments at year-end, a reduction in SG&A primarily attributable to initiatives to reduce overall operating expenses and decreased payments for income taxes.

Cash Flows Used in Investing Activities

Net cash used in investing activities for fiscal 2010 was $281 million, an increase of $244 million compared to fiscal 2009. The increase in net cash used in investing activities was primarily due to an increase in capital expenditures of $133 million and a decrease of $122 million attributed to the change in restricted cash primarily due to the refinancings in fiscal 2009. These increases were partially offset by $14 million paid to acquire e-commerce websites and other business assets in the prior year.

Net cash used in investing activities for fiscal 2009 was $37 million, a decrease of $222 million compared to fiscal 2008. The decrease in net cash used in investing activities was primarily due to a decrease of $214 million in restricted cash primarily as a result of the repayment of our $1,267 million unsecured credit agreement and our $800 million secured real estate loans, and a reduction in capital expenditures of $203 million due to the curtailment of capital spending as a result of the slowdown in the economy. These changes were partially offset by a decrease of $167 million from the sale of short-term investments in fiscal 2008.

Cash Flows Used in Financing Activities

Net cash used in financing activities was $53 million for fiscal 2010, a decrease of $573 million compared to fiscal 2009. The decrease in net cash used in financing activities was primarily due to a $491 million decrease in debt repayments, a decrease of $47 million related to purchases of Toys-Japan common stock and a decrease of $37 million in debt issuance costs.

For the description of changes to our debt structure, please see Debt below, as well as Note 2 to the consolidated financial statements included elsewhere in this prospectus entitled Long-Term Debt for more information.

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Net cash used in financing activities was $626 million for fiscal 2009, an increase of $403 million compared to fiscal 2008. The increase in net cash used in financing activities was primarily due to the repayment of our $1,267 million unsecured credit agreement, the repayment of $800 million of our secured real estate loans, an increase of $104 million in debt issuance costs and an increase of $32 million related to purchases of Toys Japan common stock. These increases were partially offset by the proceeds of $925 million received from the offering of the Notes, the proceeds of $715 million received from the offering of the Propco II Notes and the reduced repayments on our Toys Japan credit lines of $147 million as compared to the prior year.

Debt

Our credit facilities, loan agreements and indentures contain customary covenants, including, among other things, covenants that restrict our ability to incur certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, and place restrictions on the ability of certain of our subsidiaries to provide funds to us through dividends, loans or advances. The amount of net assets that were subject to these restrictions was approximately $778 million as of April 30, 2011. For example, the agreements governing the secured revolving credit facility, the Secured Term Loan and the indenture governing the 7.375% senior secured notes due 2016, each contain covenants restricting the ability of Toys-Delaware and its subsidiaries to pay dividends or make other distributions subject to specified exceptions including payment of dividends to Toys R Us, Inc. for purposes of paying certain taxes, interest payments and operating expenses incurred in the ordinary course of business. In addition, the TRU Propco I Notes and TRU Propco II Secured Notes each contain restrictions on the ability of TRU Propco I and TRU Propco II, respectively, to pay dividends or make any distributions subject to specified exceptions including distributions of free cash flow to us after an offer to purchase notes for cash is made and declined by noteholders.

Certain of our agreements also contain various and customary events of default with respect to the loans and notes, including, without limitation, the failure to pay interest or principal when the same is due under the agreements, cross default provisions, the failure of representations and warranties contained in the agreements to be true and certain insolvency events. If an event of default occurs and is continuing, the principal amounts outstanding thereunder, together with all accrued unpaid interest and other amounts owed thereunder, may be declared immediately due and payable by the lenders. Were such an event to occur, we would be forced to seek new financing that may not be on as favorable terms as our current facilities or be available at all. As of April 30, 2011, we had total indebtedness of $5.4 billion, of which $2.9 billion was secured indebtedness. We have three revolving credit facilities, including our ABL Facility, our New European ABL and our Toys Japan unsecured credit lines. As of April 30, 2011, we had outstanding borrowings of $100 million under the Toys Japan unsecured credit lines and no outstanding borrowings on the ABL Facility and the New European ABL. Our ability to refinance our indebtedness on favorable terms, or at all, is directly affected by the current global economic and financial conditions and other economic factors that may be outside our control. In addition, our ability to incur secured indebtedness (which may enable us to achieve better pricing than the incurrence of unsecured indebtedness) depends in part on the covenants in our credit facilities and indentures and the value of our assets, which depends, in turn, on the strength of our cash flows, results of operations, economic and market conditions and other factors. We are currently in compliance with our covenants relating to our debt. See Note 2 to our consolidated financial statements and condensed consolidated financial statements entitled LONG-TERM DEBT included elsewhere in this prospectus for more information regarding our debt covenants.

During the thirteen weeks ended April 30, 2011, we made the following significant changes to our debt structure:

On February 28, 2011, Toys-Japan entered into a bank loan with a financial institution totaling ¥1.0 billion ($12 million at April 30, 2011). The loan will mature on February 25, 2016 and bears an interest rate of 1.85% per annum.

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On March 8, 2011, certain of our foreign subsidiaries amended and restated the credit agreement for the European and Australian asset-based revolving credit facility (New European ABL) in order to extend the maturity date of the facility and amend certain other provisions. The New European ABL facility as amended provides for a five-year £128 million asset-based senior secured revolving credit facility which will expire on March 8, 2016. Additionally, on April 29, 2011, we partially exercised the accordion feature which increased availability to include additional lender commitments. This increased the size of the facility from £128 million to £138 million ($231 million at April 30, 2011). Loans under the New European ABL bear interest at a rate of London Interbank Offered Rate (LIBOR)/the Euro Interbank Offered Rate (EURIBOR) plus a margin of 2.50% through the second quarter of fiscal 2011 and thereafter 2.25%, 2.50% or 2.75% depending on historical excess availability.

On March 18, 2011, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. As a result, Tranche 2 is now available in amounts of up to ¥10.0 billion ($123 million at April 30, 2011), expiring on June 29, 2012, and bears an interest rate of Tokyo Interbank Offered Rate plus 0.80% per annum.

During fiscal 2010, we made the following significant changes to our debt structure:

On February 26, 2010, Toys Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. Additionally, on March 29, 2010, Toys Japan modified Tranche 2 to include an additional lender.

On July 8, 2010, Toys R Us Property Company I, LLC (TRU Propco I) completed a registered exchange offer with respect to the 10.75% Senior Notes due fiscal 2017 (TRU Propco I Notes).

On August 10, 2010, Toys-Delaware, a direct wholly-owned subsidiary, and certain of its subsidiaries amended and restated the credit agreement for its ABL Facility in order to extend the maturity date of the facility and amend certain other provisions. The ABL Facility as amended provides for $1.85 billion of revolving commitments maturing on August 10, 2015, which could increase by $650 million, subject to certain conditions.

On August 24, 2010, Toys-Delaware completed the offering of the $350 million of Toys-Delaware Secured Notes. Additionally, concurrent with the offering of the Toys-Delaware Secured Notes, Toys-Delaware amended and restated its secured term loan facility to extend the maturity date of this loan facility and amend certain other provisions (as amended and restated, the New Secured Term Loan). The New Secured Term Loan is in an aggregate principal amount of $700 million. The Toys-Delaware Secured Notes were issued at par, while the New Secured Term Loan was issued at a discount of $11 million which resulted in the receipt of gross proceeds of approximately $1,039 million. The gross proceeds were used to repay our outstanding loan balance of $800 million under the secured term loan facility and $181 million under the unsecured credit facility. In addition, the gross proceeds were used to pay transaction fees of approximately $24 million, including fees payable to the Sponsors pursuant to their advisory agreement and prepayment penalty fees of $2 million under the unsecured credit facility. In connection with the offering and the New Secured Term Loan, Toys-Delaware also retained $28 million of cash for general corporate purposes. See Note 2 to the consolidated financial statements entitled LONG-TERM DEBT for further details.

On September 30, 2010, Toys Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 1. As a result beginning on March 30, 2011, Tranche 1 became available in amounts of up to ¥14.9 billion ($182 million at January 29, 2011), expiring on June 30, 2013.

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On September 30, 2010, Toys Japan entered into an agreement with a syndicate of financial institutions to refinance three Toys Japan bank loans, which matured on January 17, 2011. Under the new agreement beginning on January 17, 2011, the loan for ¥11.5 billion ($140 million at January 29, 2011) will mature on January 29, 2016.

On November 16, 2010, Toys R Us Property Company II, LLC (TRU Propco II) completed a registered exchange offer with respect to the 8.50% Senior Secured Notes (Propco II Notes).

We and our subsidiaries, as well as our Sponsors or their affiliates, may from time to time acquire debt or debt securities issued by us or our subsidiaries in open market transactions, tender offers, privately negotiated transactions or otherwise. Any such transactions, and the amounts involved, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. See Note 17 to our consolidated financial statements and see Note 8 to our condensed consolidated financial statements included elsewhere in this prospectus entitled RELATED PARTY TRANSACTIONS.

Subsequent Events

On May 25, 2011, Toys-Delaware and certain of its subsidiaries entered into an Incremental Joinder Agreement (the Joinder Agreement) to the New Secured Term Loan. The Joinder Agreement added a new tranche of term loans in an aggregate principal amount of $400 million (the Incremental Term Loan and together with the New Secured Term Loan, the Secured Term Loan), which increased the size of the Secured Term Loan to an aggregate principal amount of $1.1 billion. The Incremental Term Loan was issued at a discount of $4 million which resulted in gross proceeds of $396 million. The gross proceeds were used to pay transaction fees of approximately $7 million, including fees payable to the Sponsors pursuant to their advisory agreement, which will be deferred and expensed over the life of the instrument. The net proceeds from the Incremental Term Loan along with borrowings from our ABL Facility were used to provide funds to redeem the 7.625% notes due fiscal 2011 (the 2011 Notes), including accrued interest, premiums and expenses, on June 24, 2011.

Contractual Obligations

Our contractual obligations consist mainly of payments related to Long-term debt and related interest, operating leases related to real estate used in the operation of our business and product purchase obligations. The following table summarizes our contractual obligations associated with our Long-term debt and other obligations as of January 29, 2011:

	Payments Due By Period				
(In millions)	**Fiscal 2011**	**Fiscals 2012 & 2013**	**Fiscals 2014 & 2015**	**Fiscals 2016 and thereafter**	**Total**
Operating leases(1)	$ 586	$ 1,055	$ 849	$ 1,685	$ 4,175
Less: sub-leases to third parties	20	29	18	15	82
Net operating lease obligations	566	1,026	831	1,670	4,093
Capital lease obligations	36	56	44	99	235
Long-term debt(2)	550	1,390	99	3,072	5,111
Interest payments(3)(4)	395	655	562	428	2,040
Purchase obligations(5)	1,306				1,306
Other(6)	122	149	71	36	378
Total contractual obligations(7)	$ 2,975	$ 3,276	$ 1,607	$ 5,305	$ 13,163

(1) Excluded from the minimum rental commitments displayed above is approximately $2.0 billion related to options to extend ground lease terms that are reasonably assured of being exercised, the balance of which is predominantly related to fiscals 2016 and thereafter.

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(2) Excludes finance obligations associated with capital projects and capital lease obligations, which are included in Capital lease obligations .
(3) In an effort to manage interest rate exposures, we periodically enter into interest rate swaps and interest rate caps.
(4) Interest payments for our ABL Facility, New European ABL and our Toys-Japan unsecured credit lines were estimated based on the average borrowings under each of the facilities in fiscal 2010.
(5) Purchase obligations consist primarily of open purchase orders for merchandise as well as an agreement to purchase fixed or minimum quantities of goods that are not included in our consolidated balance sheet as of January 29, 2011.
(6) Includes pension obligations, risk management liabilities, and other general obligations and contractual commitments.
(7) The above table does not reflect liabilities for uncertain tax positions of $38 million, which includes $9 million of current liabilities. The amount and timing of payments with respect to these items are subject to a number of uncertainties such that we are unable to make sufficiently reliable estimates of the timing and amount of future payments.

Subsequent to the end of the first quarter of fiscal 2011, there was a significant change in our contractual obligations and commitments related to Long-term debt and related interest as a result of the Joinder Agreement entered on May 25, 2011 and the redemption of the 2011 Notes on June 24, 2011. Specifically, we will experience an increase of approximately $114 million in long-term debt under our ABL Facility maturing in 2015 and an increase of $400 million in long-term debt under our Incremental Term Loan maturing in 2018 and increased interest expense from 2011 through 2018 and a corresponding decrease of $500 million in long-term debt maturing in 2011.

Obligations under our operating leases and capital leases in the above table do not include contingent rent payments, payments for maintenance and insurance, or real estate taxes. The following table presents these amounts which were recorded in SG&A in our consolidated statement of operations for fiscals 2010, 2009 and 2008:

(In millions)	**Fiscal 2010**	**Fiscal 2009**	**Fiscal 2008**
Real estate taxes	**$ 70**	$ 67	$ 62
Maintenance and insurance	**60**	62	55
Contingent rent	**12**	10	9
Total	**$ 142**	$ 139	$ 126

Off-balance Sheet Arrangements

We have an off-balance sheet arrangement as a result of the February 2006 credit agreement between Toys R Us Properties (UK) Limited (Toys U.K. Properties) and Vanwall Finance PLC (Vanwall), a special purpose entity established with the limited purpose of issuing notes, and entering into the credit agreement with Toys Properties. On February 9, 2006, Vanwall issued $620 million of multiple classes of commercial mortgage backed floating rate notes (the Floating Rate Notes) to third party investors, which are publicly traded on the Irish Stock Exchange Limited. The proceeds from the Floating Rate Notes issued by Vanwall were used to fund the Senior Loan to Toys U.K. Properties. On July 14, 2010, we acquired from an unaffiliated party $17 million of face value debt securities of Vanwall for approximately $9 million. Pursuant to the credit agreement, Vanwall is required to maintain an interest rate swap which effectively fixes the variable LIBOR rate at 4.56%, the same as the fixed interest less the applicable credit spread paid by Toys U.K. Properties to Vanwall. The fair value of this interest rate swap at January 29, 2011 and January 30, 2010 was a liability of approximately $34 million and $40 million, respectively. In accordance with Accounting Standards Update (ASU) 2009-17, Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17) effective January 31, 2010, we reassessed our loan from Vanwall and concluded that we were not the primary beneficiary of the variable interest entity (VIE). The Company has not identified any subsequent changes to Vanwall s governing documents or contractual arrangements that would change the characteristics or adequacy of the entity s equity investment at risk in accordance with ASC 810. See Note 2 to our consolidated financial statement included elsewhere in this prospectus entitled LONG-TERM DEBT for further details.

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Effects of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

Critical Accounting Policies

Our consolidated financial statements and condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and during the applicable periods. We base these estimates on historical experience and on other factors that we believe are reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions and could have a material impact on our consolidated financial statements and condensed consolidated financial statements.

We believe the following are our most critical accounting policies that include significant judgments and estimates used in the preparation of our consolidated financial statements and condensed consolidated financial statements. We consider an accounting policy to be critical if it requires assumptions to be made that were uncertain at the time they were made, and if changes in these assumptions could have a material impact on our consolidated financial condition or results of operations.

Merchandise Inventories

We value our merchandise inventories at the lower of cost or market, as determined by the weighted average cost method. Cost of sales under the weighted average cost method represents the weighted average cost of the individual items sold. Cost of sales under the weighted average cost method is also affected by adjustments to reflect current market conditions, merchandise allowances from vendors, expected inventory shortages and estimated losses from obsolete and slow-moving inventory.

Merchandise inventories and related reserves are reviewed on an interim basis and adjusted, as appropriate, to reflect management s current estimates. These estimates are derived using available data, our historical experience, estimated inventory turnover and current purchase forecasts. Various types of negotiated allowances received from our vendors are generally treated as adjustments to the purchase price of our Merchandise inventories. We adjust our estimates for vendor allowances and our provision for expected inventory shortage to actual amounts at the completion of our physical inventory counts and finalization of all vendor allowance agreements. In addition, we perform an inventory-aging analysis for identifying obsolete and slow-moving inventory. We establish a reserve to reduce the cost of our inventory to its estimated net realizable value based on certain loss indicators which include aged inventory and excess supply on hand, as well as specific identification methods.

Our estimates may be impacted by changes in certain underlying assumptions and may not be indicative of future activity. For example, factors such as slower inventory turnover due to changes in competitors tactics, consumer preferences, consumer spending and inclement weather could cause excess inventory requiring greater than estimated markdowns to entice consumer purchases. Such factors could also cause sales shortfalls resulting in reduced purchases from vendors and an associated reduction in vendor allowances. Based on our inventory aging analysis for identifying obsolete and slow-moving inventory, a 10% change in our reserve would have impacted pre-tax earnings by approximately $4 million for fiscal 2010.

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Long-lived Asset Impairment

We evaluate the carrying value of all long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, in accordance with ASC Topic 360, Property, Plant and Equipment. When evaluating operating stores for impairment, our asset group is at an individual store level, as that is the lowest level for which cash flows are identifiable. Cash flows for individual operating stores include an allocation of applicable overhead. We will record an impairment loss when the carrying value of the underlying asset group exceeds its estimated fair value.

In determining whether long-lived assets are recoverable, our estimate of undiscounted future cash flows over the estimated life or lease term of a store is based upon our experience, historical operations of the store, an estimate of future store profitability and economic conditions. The future estimates of store profitability require estimating such factors as sales growth, inflation and the overall economic conditions. Since we forecast our future undiscounted cash flows for up to 25 years, our estimates are subject to variability as future results can be difficult to predict. If a long-lived asset is found to be non-recoverable, we record an impairment charge equal to the difference between the asset s carrying value and fair value. We estimate the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach.

In fiscal 2010, we recorded $11 million of impairment charges related to non-recoverable long-lived assets. These impairments were primarily due to the identification of underperforming stores, the relocation of certain stores and a decrease in real estate market values. In the future, we plan to relocate additional stores which may result in additional asset impairments.

Goodwill Impairment

Goodwill is evaluated for impairment annually or whenever we identify certain triggering events or circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Events or circumstances that might indicate an interim evaluation is warranted include, among other things, unexpected adverse business conditions, economic factors, unanticipated competitive activities, loss of key personnel and acts by governments and courts.

In accordance with ASC Topic 350, Intangibles Goodwill and Other, we test for goodwill impairment by comparing the fair values and carrying values of our reporting units as of the first day of the fourth quarter of each fiscal year, or October 31, 2010 for fiscal 2010. Our Domestic reporting unit had $361 million of goodwill at January 29, 2011. Our Toys Japan reporting unit (included in our International segment) had $23 million of goodwill at January 29, 2011.

We estimate the fair values of our reporting units by blending results from the market multiples approach and the income approach. These valuation approaches consider a number of factors that include, but are not limited to, expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in our industry, and require us to make certain assumptions and estimates regarding industry economic factors and future profitability of our business. It is our policy to conduct impairment testing based on our most current business plans, projected future revenues and cash flows, which reflect changes we anticipate in the economy and the industry. The cash flows are based on five-year financial forecasts developed internally by management and are discounted to a present value using discount rates that properly account for the risk and nature of the respective reporting unit s cash flows and the rates of return market participants would require to invest their capital in our reporting units. If the carrying value exceeds the fair value, we would then calculate the implied fair value of our reporting unit goodwill as compared to its carrying value to determine the appropriate impairment charge. Although we believe our assumptions are reasonable, actual results may vary significantly and may expose us to material impairment charges in the future. Our methodology for determining fair values remained consistent for the periods presented.

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At October 31, 2010, we determined that none of the goodwill associated with our reporting units were impaired. The estimated fair values of each of our reporting units substantially exceeded their carrying values at the date of testing. We applied a hypothetical 10% decrease to the fair values of each reporting unit, which at October 31, 2010, would not have triggered additional impairment testing and analysis.

Self-Insured Liabilities

We self-insure a substantial portion of our workers compensation, general liability, auto liability, property, medical, prescription drug and dental insurance risks, in addition to maintaining third party insurance coverage. We estimate our provisions for losses related to self-insured risks using actuarial techniques and estimates for incurred but not reported claims. We record the liability for workers compensation on a discounted basis. We also maintain insurance coverage to limit the exposure related to certain risks. The assumptions underlying the ultimate costs of existing claim losses can vary, which can affect the liability recorded for such claims.

Although we feel our reserves are adequate to cover our estimated liabilities, changes in the underlying assumptions and future economic conditions could have a considerable effect upon future claim costs, which could have a material impact on our consolidated financial statements. Our reserve for self-insurance was $89 million as of January 29, 2011. A 10% change in the value of our self-insured liabilities would have impacted pre-tax earnings by approximately $9 million for the fiscal year ended January 29, 2011.

Revenue Recognition

We recognize revenue in accordance with ASC Topic 605, Revenue Recognition. Revenue related to merchandise sales, which is approximately 99.4% of total revenues, is generally recognized for retail sales at the point of sale in the store and when the customer receives the merchandise shipped from our websites. Discounts provided to customers are accounted for as a reduction of sales. We record a reserve for estimated product returns in each reporting period based on historical return experience and changes in customer demand. Actual returns may differ from historical product return patterns, which could impact our financial results in future periods.

Gift Cards and Breakage

We sell gift cards to customers in our retail stores, through our websites and through third parties and, in certain cases, provide gift cards for returned merchandise and in connection with promotions. We recognize income from gift card sales when the customer redeems the gift card, as well as an estimated amount of unredeemed liabilities (breakage). Gift card breakage is recognized proportionately, based on management estimates and assumptions of redemption patterns, the useful life of the gift card and an estimated breakage rate of unredeemed liabilities. Our estimated gift card breakage represents the remaining unused portion of the gift card liability for which the likelihood of redemption is remote and for which we have determined that we do not have a legal obligation to remit the value to the relevant jurisdictions. Income related to customer gift card redemption is included in Net sales, whereas income related to gift card breakage is recorded in Other income, net in the consolidated statements of operations.

During fiscal 2010, we recognized $20 million of net gift card breakage income. A change of 10% in the estimated gift card breakage rate would have impacted our pre-tax earnings by approximately $2 million for the fiscal year ended January 29, 2011.

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Income Taxes

We account for income taxes in accordance with ASC Topic 740, Income Taxes (ASC 740). Our provision for income taxes and effective tax rates are calculated by legal entity and jurisdiction and are based on a number of factors, including our income tax planning strategies, differences between tax laws and accounting rules, statutory tax rates and credits, uncertain tax positions, and valuation allowances. We use significant judgment and estimates in evaluating our tax positions. Our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings by taxing jurisdiction.

Tax law and accounting rules often differ as to the timing and treatment of certain items of income and expense. As a result, the tax rate reflected in our tax return (our current or cash tax rate) is different from the tax rate reflected in our consolidated financial statements. Some of the differences are permanent, while other differences are temporary as they will reverse over time. We record deferred tax assets and liabilities for any temporary differences between the assets and liabilities in our consolidated financial statements and their respective tax bases. We establish valuation allowances when we believe it is more likely than not that our deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax loss and other carryforwards due to changes in ownership, historic information, projections of future sources of taxable income, including future reversals of taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards, and tax planning strategies. For example, we would establish a valuation allowance for the tax benefit associated with a tax loss carryforward in a tax jurisdiction if we did not expect to generate sufficient taxable income of the appropriate character to utilize the tax loss carryforward prior to its expiration. Changes in future taxable income, tax liabilities and our tax planning strategies may impact our effective tax rate, valuation allowances and the associated carrying value of our deferred tax assets and liabilities.

At any one time our tax returns for numerous tax years are subject to examination by U.S. Federal, state and foreign taxing jurisdictions. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement attributes for income tax positions taken or expected to be taken on a tax return. Under ASC 740, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position will not be recognized in the financial statements unless it is more-likely-than-not to be sustained. We adjust these tax liabilities, as well as the related interest and penalties, based on the latest facts and circumstances, including recently enacted tax law changes, published rulings, court cases, and outcomes of tax audits. While we do not expect material changes, it is possible that our actual tax liability will differ from our established tax liabilities for unrecognized tax benefits, and our effective tax rate may be materially impacted. While it is often difficult to predict the final outcome of, the timing of, or the tax treatment of any particular tax position or deduction, we believe that our tax balances reflect the more-likely-than-not outcome of known tax contingencies.

Stock-Based Compensation

The fair value of the common stock shares utilized in valuing stock-based payment awards was determined by the Executive Committee based on management s recommendations. We engage an independent valuation specialist to assist management and the Executive Committee in determining the fair value of our common stock for these purposes. Management and the Executive Committee rely on the valuations provided by the independent valuation specialist as well as their review of the Company s historical financial results, business milestones, financial forecast and business outlook as

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of each award date. The same Company data is reviewed by management, on a periodic basis, to monitor the performance metrics associated with certain stock-based payment awards as the achievement of established thresholds directly impact the amount of target shares ultimately earned. For further details of issued performance shares or units, refer to the Long-Term Incentives The 2010 Incentive Plan under Compensation Discussion and Analysis.

The fair value of common stock shares is based on total enterprise value ranges and the total equity value ranges estimated on a non-marketable and minority basis utilizing both the income approach and the market approach guidelines. A range of the two methods was utilized to determine the fair value of the ordinary shares. The income approach is a valuation technique that provides an estimation of the fair value of a business based upon the cash flows that it can be expected to generate over time. The market approach is a valuation technique that provides an estimation of fair value based on market prices of publicly traded companies and the relationship to financial results. The income and market approaches are given equal weight when developing our fair value range.

The income approach utilized begins with an estimation of the annual cash flows that a business is expected to generate over a discrete projection period. The estimated cash flows for each of the years in the period are then converted to their present value equivalent using a discount rate considered appropriate given the risk of achieving the projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the terminal value of the business at the end of the projection period to arrive at an estimate of fair value. Such an approach necessarily relies on estimations of future cash flows that are inherently uncertain, as well as a determination of an appropriate discount rate in order to derive present value equivalents of both the projected cash flows and the terminal value of the business at the end of the period. The use of different estimations of future cash flows or a different discount rate could result in a different indication of fair value.

The market approach utilizes in part a comparison to publicly traded companies deemed to be in similar lines of business. Such companies were then analyzed to determine which were most comparable based on various factors, including industry similarity, financial risk, company size, geographic diversification, growth opportunities, similarity of reaction to macroeconomic factors, profitability, financial data availability and active trading volume. Seven companies were included as comparable companies in the market comparable approach. Alternate determinations of which publicly traded entities constituted comparable companies could result in a different indication of fair value.

We believe the equity value for the Company increased significantly from October 2009 to September 2010 and April 2011, the latest values of common stock used in connection with the issuance of stock-based awards for the reasons described below.

Leverage ratio: We are highly leveraged which makes our equity value more volatile, especially relative to similar public companies. Modest increases in total enterprise value lead to significant increases in equity value due to our leverage.

Improved operational metrics of above budget expectations in fiscal 2009: Despite challenging economic conditions, through the fourth quarter of 2009, we continued to enjoy strong operational metrics, particularly with respect to Adjusted EBITDA. Our focus on breadth of product assortment, a commitment to quality products and expert service in fiscal 2009, continued to deliver better than expected results during the holiday season. During our prime selling season, 91 pop-up stores contributed to our results. Revenues increased by 7.3% in the fourth quarter for fiscal 2009 year over fiscal 2008. Fiscal 2010 continued to deliver improved operating results as compared to fiscal 2008.

Projected cash flow: Our projected annual cash flows over the next five years (used as part of discounted cash flow method under the market approach) subsequent to October 2009 increased in light of our fourth quarter financial performance in fiscal 2009 as well as the impact of cost-saving initiatives that reduced overall operating expenses during fiscal year 2009.

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Adjusted EBITDA valuation: The valuation under the income approach uses Adjusted EBITDA as the primary driver of enterprise value. Our Adjusted EBITDA improved significantly from October 2009.

Decreased discount rate: Changes in the capital markets led to a lower estimated cost of capital and therefore a lower discount rate which was applied in the discounted cash flow analysis.

Increased Multiples: Our valuation increased as a result of increases in the stock market where shares of similar companies with publicly traded equity traded at higher multiples to net income and other metrics.

Substantially improved marketability and liquidity of our common stock: We used a marketability discount as the current stockholders have limited liquidity options for their shares. The successful completion of this offering would substantially eliminate such marketability discounts and result in an associated increase in our valuation and the value of our stock. In addition, our equity value after the offering may reflect a smaller minority discount than the discount applied in the valuation for the stock based awards.

Recently Adopted Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU 2010-29). The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplementary pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. Effective January 30, 2011, the Company has adopted ASU 2010-29. The adoption of ASU 2010-29 did not have an impact on our Condensed Consolidated Financial Statements.

In December 2010, the FASB issued ASU No. 2010-28, Intangibles Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28). For reporting units with zero or negative carrying amounts, this ASU requires that an entity perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Effective January 30, 2011, the Company has adopted ASU 2010-28. The adoption of ASU 2010-28 did not have an impact on our Condensed Consolidated Financial Statements.

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11). ASU 2010-11 clarifies the only form of embedded credit derivative that is exempt from embedded derivative bifurcation requirements is one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amendments in this ASU are effective at the beginning of a reporting entity s first fiscal quarter beginning after June 15, 2010. Effective August 1, 2010, the Company has adopted ASU 2010-11. The adoption of ASU 2010-11 did not have an impact on our Consolidated Financial Statements.

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In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-06). This ASU provides amendments that will require more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2 and 3. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. Effective for the fiscal 2010 Form 10-K, the Company has adopted ASU 2010-06. Other than the enhanced disclosures, the adoption of ASU 2010-06 did not have a material impact on our consolidated financial statements.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17). Effective January 31, 2010, the Company adopted ASU 2009-17, which requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. In addition, the required changes provide guidance on shared power and joint venture relationships, remove the scope exemption for qualified special purpose entities, revise the definition of a variable interest entity, and require additional disclosures.

In accordance with ASU 2009-17, we reassessed our lending vehicles, including our loan from Vanwall Finance PLC and concluded that we were not the primary beneficiary of that VIE. Accordingly, the adoption of this standard did not have an impact on our consolidated financial statements.

See Note 21 to our consolidated financial statements and See Note 12 to our condensed consolidated financial statements included elsewhere in this prospectus entitled RECENT ACCOUNTING PRONOUNCEMENTS for a discussion of accounting standards which we have not yet been required to implement and may be applicable to our future operations, and their impact on our consolidated financial statements and condensed consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from potential changes in interest rates and foreign currency exchange rates. We regularly evaluate our exposure to these risks and take measures to mitigate these risks on our consolidated financial results. We enter into derivative financial instruments to economically manage our market risks related to interest rate and foreign currency exchange. We do not participate in speculative derivative trading. The analysis below presents our sensitivity to selected hypothetical, instantaneous changes in market interest rates and foreign currency exchange rates as of January 29, 2011.

Foreign Exchange Exposure

Our foreign currency exposure is primarily concentrated in the United Kingdom, Continental Europe, Canada, Australia and Japan. We believe the countries in which we own assets and operate stores are politically stable. We face currency translation exposures related to translating the results of our worldwide operations into U.S. dollars because of exchange rate fluctuations during the reporting period.

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We face foreign currency exchange transaction exposures related to short-term, cross-currency intercompany loans and merchandise purchases:

We enter into short-term, cross-currency intercompany loans with our foreign subsidiaries. This exposure is economically hedged through the use of foreign currency exchange forward contracts. Our exposure to foreign currency risk related to exchange forward contracts on our short-term, cross-currency intercompany loans has not materially changed from fiscal 2009 to fiscal 2010. As a result, a 10% change in foreign currency exchange rates against the U.S. dollar would not have an impact on our pre-tax earnings related to our short-term, cross-currency intercompany loans.

In addition, our foreign subsidiaries make U.S. dollar denominated merchandise purchases through the normal course of business. From time to time, we enter into foreign exchange forward contracts under our merchandise import program. As of January 29, 2011, a 10% change in foreign currency exchange rates against the U.S. dollar would impact our earnings by $17 million, related to these contracts.

The above sensitivity analysis on our foreign currency exchange transaction exposures related to our short-term, cross-currency intercompany loans assumes our mix of foreign currency-denominated debt instruments and derivatives and all other variables will remain constant in future periods. These assumptions are made in order to facilitate the analysis and are not necessarily indicative of our future intentions.

Changes in foreign exchange rates affect interest expense recorded in relation to our foreign currency-denominated derivative instruments and debt instruments. As of January 29, 2011 and January 30, 2010, we estimate that a 10% hypothetical change in foreign exchange rates would impact our pre-tax earnings due to the effect of foreign currency translation on interest expense related to our foreign currency-denominated derivative instruments and debt instruments by $7 million and $9 million, respectively.

See Risk Factors Our business is subject to fluctuations in foreign currency exchange.

Interest Rate Exposure

We have a variety of fixed and variable rate debt instruments and are exposed to market risks resulting from interest rate fluctuations. In an effort to manage interest rate exposures, we periodically enter into interest rate swaps and interest rate caps. A change in interest rates on variable rate debt impacts our pre-tax earnings, whereas a change in interest rates on fixed rate debt impacts the fair value of debt. A portion of our interest rate contracts are designated for hedge accounting as cash flow and fair value hedges. For designated cash flow hedges, the effective portion of the changes in the fair value of derivatives are recorded in other comprehensive income (loss) and subsequently recorded in the consolidated statements of operations at the time the hedged item affects earnings. For designated fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk is recorded in interest expense in the Consolidated Statements of Operations.

The following table illustrates the estimated sensitivity of a 1% change in interest rates to our future pre-tax earnings on our derivative instruments and variable rate debt instruments at January 29, 2011:

(In millions)	**Impact of 1% Increase**	**Impact of 1% Decrease**
Interest rate swaps/caps(1)	$ 12	$ (8)
Variable rate debt	(12)	12
Total pre-tax income exposure to interest rate risk	$	$ 4

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(1) The difference of $4 million related to a 1% hypothetical change in interest rates is due to the changes in fair value of our interest rate caps that do not qualify for hedge accounting. Therefore, a hypothetical change in interest rates may not result in a uniform impact.

The above sensitivity analysis assumes our mix of financial instruments and all other variables will remain constant in future periods. These assumptions are made in order to facilitate the analysis and are not necessarily indicative of our future intentions. As of January 30, 2010, we estimated that a 1% hypothetical increase or decrease in interest rates could potentially have caused either a $20 million increase or a $16 million decrease on our pre-tax earnings, respectively. The difference in our exposure to interest rate risk in fiscal 2010 from fiscal 2009 is primarily due to the December 2010 expiration of the $1.3 billion interest rate swap that we entered into in fiscal 2008 and due to the $350 million interest rate swap that we entered into during December 2010, which is designated as a fair value hedge. See our consolidated financial statements for further discussion of our debt in Note 2 to our consolidated financial statements included elsewhere in this prospectus entitled Long-Term Debt and our derivative instruments in Note 3 to our consolidated financial statements included elsewhere in this prospectus entitled Derivative Instruments and Hedging Activities. At this time, we do not anticipate material changes to our interest rate risk exposure or to our risk management policies. We believe that we could mitigate potential losses on pre-tax earnings through our risk management objectives, if material changes occur in future periods.

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BUSINESS

Our Business

Our Company

We are the leading global specialty retailer of toys and juvenile products as measured by net sales. For over 50 years, Toys R Us has been recognized as the toy and baby authority. We sell a variety of products in the core toy, entertainment, juvenile, learning and seasonal categories through our retail locations and the Internet. Our brand names are highly recognized in North America, Europe and Asia, and our expertise in the specialty toy and juvenile retail space, our broad range of product offerings, our substantial scale and geographic footprint and our strong vendor relationships account for our market-leading position and distinguish us from the competition. In the U.S., in fiscal 2009, approximately 70% of households with kids under 12 shopped at our Toys R Us stores, and 84% of first time mothers shopped at our Babies R Us stores according to a survey by Leo J. Shapiro & Associates, LLC. We believe we offer the most comprehensive year-round selection of toys and juvenile products, including a broad assortment of private label and exclusive merchandise unique to our stores.

As of April 30, 2011, we operated 1,396 stores and licensed an additional 223 stores. These stores, which are primarily big box stores, are located in 34 countries and jurisdictions around the world under the Toys R Us, Babies R Us and FAO Schwarz banners. In addition, we operate Toys R Us Express stores (Express stores), smaller format stores primarily open on a short-term basis during the holiday season. These locations typically range in size from approximately 2,000 to 7,000 square feet, and provide our customers with greater convenience and accessibility during the holiday selling season. During our prime selling season in fiscal 2010, we operated 656 Express stores globally in shopping malls, outlet malls and other shopping centers. As of April 30, 2011, there were 95 Express stores open, 24 of which have been included in our April 30, 2011 overall store count. We expect to continue our strategy for operating temporary holiday Express locations in the future, the amount of which will depend on market opportunities. We also own and operate websites including Toysrus.com, Babiesrus.com, eToys.com, FAO.com and babyuniverse.com, as well as other Internet sites we operate in our international markets. For fiscal 2010, we generated net sales of $13.9 billion, net earnings of $168 million and Adjusted EBITDA of $1.1 billion.

Our History

Our Company was founded in Washington D.C. in 1948 when Charles Lazarus opened a baby furniture store, Children s Bargain Town. The Toys R Us name made its debut in 1957. In 1978, we completed an initial public offering of our common stock. When Charles Lazarus retired as our Chief Executive Officer in 1994, the Company operated or licensed over 1,000 stores in 17 countries and jurisdictions. In 1996, we established the Babies R Us brand, further solidifying our reputation as a leading consumer destination for children and their families.

On July 21, 2005, we were acquired by an investment group led by entities advised by or affiliated with Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co. L.P. and Vornado Realty Trust. We refer to this collective ownership group as our Sponsors. Upon the completion of this acquisition, we became a private company.

Progress Since Our 2005 Acquisition

Strengthening our management team was our top priority following the 2005 acquisition. The rebuilding effort began with the hiring of Gerald L. Storch, our Chairman and Chief Executive Officer, who joined the Company in February 2006 from Target Corporation, where he had most recently been

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Vice Chairman. He assembled the Company s leadership team, recruiting seasoned executives with significant retail experience.

Our new management team has made significant improvements to the business, producing strong results to date and laying the foundation for continued improvement. Over the past six years, we achieved the following:

Streamlined the organizational structure of the Company. We harnessed the collective strength of the Toys R Us and Babies R Us brands by combining their respective corporate, merchandising and field operation functions.

Developed and launched our juvenile integration strategy. We designed and implemented new integrated store formats that combine the Toys R Us and Babies R Us brands and merchandise offerings under one roof, providing a one stop shopping environment for our guests. As of April 30, 2011, 19% of our operated stores were integrated into our side-by-side or R Superstore format. Our side-by-side store and R Superstore integrated format concepts have become powerful vehicles for remodeling and updating our existing store base, generating significant improvements in store-level net sales and profitability. For example, in the first 12 months after conversion, without any increase in square footage, the aggregate store sales for our 64 domestic and 60 international side-by-side stores converted during fiscal years 2006, 2007, 2008 and 2009, increased on a weighted average basis (based on net sales) by 20% and 14%, respectively, as compared to the 12 month period prior to commencement of construction for the conversion. The aggregate store sales increases described above are reduced by our estimate of net sales that were transferred from existing stores (generally Babies R Us standalone stores) in the vicinity to the newly converted stores. For more information on our juvenile integration strategy, see Our Stores .

Improved the shopping experience for our guests. We developed and implemented store standards focused on store cleanliness, store signage and customer service, and we enhanced our merchandise selection. We integrated our on-line business with our retail stores and instituted processes related to customer satisfaction measurement and tracking and improved in-stock levels and processes. In addition, we developed better labor scheduling, more disciplined processes relating to tracking store performance and operating metrics, and implemented a disciplined pricing strategy. In the U.S., from 2005 to 2010, Toys R Us and Babies R Us guest service scores increased by 11% and 8%, respectively.

Improved marketing strategies to reach our guests. We created processes to determine the effectiveness of our marketing initiatives and improved our marketing strategies based on these analyses. We reinvigorated existing marketing programs, including our Big Book promotional catalog, which we distribute during the holiday selling season and consider to be our most significant piece of advertising. In addition, we launched new loyalty programs and modernized our baby and gift registries to create a stronger bond with our customers. In fiscal 2010, approximately 55% of our net sales were to customers who are members of our loyalty programs. For more information on our marketing strategy, see Marketing .

Focused on optimizing our store portfolio. Since the 2005 acquisition, we designed and implemented more sophisticated processes for site selection of new stores and prioritization and ranking of opportunities for new stores, remodels and relocations. As of April 30, 2011, we have opened 145 Company operated stores, closed 118 Company operated stores and converted or relocated 235 Company operated stores to our side by side or R Superstore store format since the end of fiscal 2005. In addition, the number of licensed stores increased from 173 to 223 during the same time period. In fiscal 2010, 97% of our operated stores were store-level EBITDA positive.

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Grew our on-line business. In 2006, we separated our on-line business from Amazon and launched our separate Toysrus.com and Babiesrus.com websites. In 2009, we acquired several URLs including eToys.com, babyuniverse.com, FAO.com and toys.com, that further increased our presence on the Internet. Through these business initiatives and acquisitions, we have expanded our on-line business from $486 million in net sales in fiscal 2005 to $782 million in net sales in fiscal 2010.

These initiatives, along with other operating improvements, have delivered strong financial results, with Adjusted EBITDA growing by approximately 53% from fiscal 2005 to fiscal 2010.

Our Competitive Strengths

We are the leading specialty retailer of toys and juvenile products

We have brand names that are highly recognized around the world and strong relationships with our guests and vendors. We also believe our focus on quality of products, service and safety is a competitive strength.

Highly recognized brand names

In the U.S., Toys R Us and Babies R Us maintain a 98% and 86% brand awareness, respectively, among adults over 18-years-old according to a market study conducted by Marketing Evaluations, Inc. in 2009.

Long-lasting relationships with our guests

Our product assortment allows us to capture new parents as customers during pregnancy, helping them prepare for the arrival of their newborn. We then become a resource for infant products such as baby formula, diapers and solid foods, as well as baby clothing and learning aids. We believe this opportunity to establish first contact with new parents enables us to develop long-lasting customer relationships with them as their children grow and they transition to becoming consumers of our toy products. We continue to build on these relationships as these children mature and eventually become parents themselves. Additionally, our loyalty programs, including baby registry, birthday club and Rewards R Us programs, all offer on-line functionality which deepens our relationship with our guests and complements the in-store experience.

Strong relationships with vendors

As of the end of fiscal 2010, we had approximately 3,500 active vendor relationships. Given our market leadership position, we have been able to develop strategic partnerships with many of these vendors. We provide vendors with a year-round platform for their brand and let them use our stores to test their products. We use our New York City flagship stores, notably our Toys R Us Times Square store, our FAO Schwarz 5th Avenue store and our Babies R Us Union Square store, as venues to introduce new products. In return, we obtain greater access to products in demand, support for advertising and marketing efforts and exclusive access to merchandise.

Broad and deep product assortment

We believe we offer our guests the most comprehensive year-round selection of toys and juvenile (including baby) products. Our merchandise breadth which ranges from action figures to Zhu-Zhu Pets , and from cribs to car seats enables us to command a reputation as the shopping destination for toys and juvenile (including baby) products.

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We have a global footprint and multi-channel distribution capabilities

Global footprint

We are one of the few hardline specialty retailers with a global footprint, based on a review of other hardline specialty retailers, with 38% of our consolidated net sales and 39% of our total operating earnings, excluding unallocated corporate SG&A, generated outside the U.S. in fiscal 2010. As of April 30, 2011, we operated 1,396 stores and licensed an additional 223 stores in 34 countries and jurisdictions throughout North America, Europe, Asia, the Middle East, Australia and Africa.

Our international presence enhances our ability to identify trends in diverse markets and introduce newness and novelty in all our markets. Our global presence allows us to test new products in select markets before rolling them out more broadly. We believe that operating as a global and geographically diverse company enhances the stability of our business by exposing us to growth opportunities in different markets and across a broad customer base.

Multiple retail store formats

We operate a variety of store formats, which enable us to reach our customers in many different ways. Our big box formats include standalone Toys R Us stores, standalone Babies R Us stores and integrated formats which combine our Toys R Us and Babies R Us merchandise offerings under one roof. In addition to these formats, we operate smaller, temporary holiday Express locations in malls, outlets and strip centers. During the fiscal 2010 holiday season, we operated 656 Express stores. As of April 30, 2011, we operated 95 Express stores, including 24 stores with a cumulative lease term of at least two years which have been included in our Domestic segment store count.

Differentiated real estate strategy with attractive underlying portfolio

We own stores on land we own and on properties we long-term ground lease located in eight countries, representing approximately 45% of our entire store base as of April 30, 2011. We believe these properties are desirable assets located in key areas, in generally proven retail corridors along major thoroughfares with good access, ample parking, frontage and visibility. Additionally, the significant ownership level of our real estate, as well as the ongoing effective management of our leases, provides substantial flexibility to execute our juvenile integration strategy in a capital-efficient manner.

Leading on-line position

We have a leading on-line position based on the 2010 edition of the Internet Retailer Top 500 Guide. We also sell merchandise through our Internet sites Toysrus.com and Babiesrus.com, as well as our newly acquired eToys.com, FAO.com and babyuniverse.com Internet sites. During the majority of the 2010 holiday season, the Toysrus.com website was in the top 20 retail shopping and classified websites in the U.S. based on traffic as measured by Experian Hitwise. For fiscals 2010, 2009 and 2008, our e-commerce business generated net sales of approximately $782 million, $602 million and $578 million, respectively.

We have significant experience in managing the seasonal nature of our business

Over the past 60 years, we have developed substantial expertise in managing the increased demand during the holiday season. From warehousing and distribution, to hiring and training a seasonal workforce and promotional planning, we have invested in the technology and infrastructure to handle the seasonal surge in a cost effective manner.

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We have an experienced management team with a proven track record

Our senior management team has an average of approximately 20 years of retail experience across a broad range of disciplines in the specialty retail industry, including merchandising, finance and real estate.

Our Growth Strategy

Continue juvenile integration strategy across the existing store base

Converting or relocating our standalone Toys R Us stores into our side-by-side and our R Superstore formats has generated significant improvements in our comparable store net sales and store-level profitability.

We believe, based on our review of the markets where our non-integrated stores are located, we have the potential to convert or relocate another 60% to 70% of our big box stores globally into our side-by-side and R Superstore formats over the next decade. We expect to convert or relocate 67 stores to our side-by-side or R Superstore formats in fiscal 2011 (of which seven have been converted and/or relocated as of April 30, 2011) for an estimated cost of approximately $144 million. As such, we expect our juvenile integration strategy to continue to be a significant driver of our revenue and profit growth going forward.

Expand our on-line presence and leverage multi-channel capabilities

We believe our recent acquisitions of eToys.com, Toys.com, babyuniverse.com and FAO.com, combined with our Toysrus.com and Babiesrus.com sites, will drive growth of our on-line business. We are introducing websites in countries where we have physical stores but lack a web presence, as well as entering new international markets where we do not have any physical stores. We plan to further expand and leverage our e-commerce business, which includes the continued integration of our Internet capabilities with our stores. In a limited number of stores in the United States and all stores in the United Kingdom, our websites allow guests to determine if an item is in-stock at a particular store and we offer in-store pick-up of on-line orders. We expect to expand these capabilities to all stores in the United States and select foreign markets in the near future. We also allow customers to return items purchased on-line at our stores. In addition to our existing online presence in Australia, Canada, Japan and the United Kingdom, in fiscal 2010, we introduced websites in Austria, France and Germany, expanding our global reach. In the near future, we plan on further extending our online presence by rolling out websites in the Netherlands, Portugal, Spain and Switzerland.

Expand our store base

We believe we have the potential to increase our retail square footage, net of closures, in excess of 15% over the next several years, through our new store growth and relocations of existing stores to R Superstores primarily in our existing markets. In addition, we believe that opportunities may exist to expand into countries where we do not currently operate stores. We also expect to continue our strategy for operating temporary holiday Express locations in the future, the amount of which will depend on market opportunities.

Execute strategies to expand our operating profit margin

We will continue to focus on expanding our gross margins primarily through optimizing pricing, increasing our private label penetration and increasing our use of direct sourcing. We will also continue to optimize our cost structure and enhance efficiencies throughout the organization to manage our selling, general and administrative expenditures.

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Improve sales productivity in our base business

We believe our juvenile integration strategy described above will be an important driver of our store productivity. We also intend to continue to improve space utilization, in-stock positions and store standards, flex our toys and juvenile (including baby) products categories seasonally and optimize store hours to accommodate our guests lifestyles to increase our sales in our existing stores.

Competitive Risks and Challenges

Our ability to successfully operate our business is subject to numerous competitive risks and challenges, including those that are generally associated with operating in the retail industry. Any of the factors set forth above under Risk Factors may limit our ability to successfully execute our business strategy or may adversely affect our revenues and overall profitability. Among these important competitive risks and challenges are the following:

- our business is highly seasonal and our financial performance depends on the results of the fourth quarter of each fiscal year;
- our industry is highly competitive and competitive conditions may adversely affect our revenues and overall profitability and we may be vulnerable to the special competitive pressures from the growing e-commerce activity in the market, both as they may impact our own e-commerce business, and as they may impact the operating results and investment values of our existing physical stores;
- our revenues may decline due to general economic weakness or a reduction in consumer spending on toys and juvenile (including baby) products;
- our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms;
- we depend on key vendors and our vendors failure to supply quality merchandise in a timely manner may damage our reputation and harm our business;
- we may not successfully implement our plans to continue our juvenile integration strategy, expand our store-base, expand our on-line presence, improve our sales productivity and operating profit margin, broaden our product offerings or expand our sales channels;
- we may not successfully gauge trends and changing consumer preferences;
- our results of operations are subject to risks arising from the international scope of our operations including fluctuations in foreign currency exchange rates; and
- product safety issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.

Our Stores

In the U.S., we sell a variety of products in the core toy, entertainment, juvenile (including baby), learning and seasonal categories through 868 stores that operate in 49 states and Puerto Rico and through the Internet as of January 29, 2011. Domestic Net sales were derived from 455 traditional toy stores (including 79 BRU Express and Juvenile Expansion formats), 252 juvenile stores, 107 SBS stores, 32 SSBS stores, 19 permanent Express stores and our 3 flagship stores in New York City. Additionally, we generate Net sales through our temporary Express store locations. Based on sales, we are the largest specialty retailer of toys in the United States and Puerto Rico. Domestic Net sales were $8.6 billion for fiscal 2010 which accounts for 62% of our consolidated Net sales.

Internationally, we operate 524 of the 744 R Us branded retail stores. The balance of the R Us branded retail stores outside the United States are operated by licensees. The fees from these

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licensees did not have a material impact on our Net sales. We sell a variety of products in the core toy, entertainment, juvenile (including baby), learning and seasonal categories through these stores that operate in 33 countries and jurisdictions and through the Internet. In addition to fees received from licensed stores, International Net sales were derived from 389 traditional toy stores (including seven BRU Express formats), 117 SBS stores and 18 juvenile stores. Additionally, we generate Net sales through our temporary Express store locations. Our operated stores are in Australia, Austria, Canada, France, Germany, Japan, Portugal, Spain, Switzerland and the United Kingdom. International Net sales were $5.3 billion for fiscal 2010 which accounts for 38% of our consolidated Net sales.

We have developed a juvenile integration strategy which includes new store formats with an integrated one-stop shopping environment for our guests by combining the Toys R Us and Babies R Us merchandise offerings under one roof. We call these formats side-by-side or SBS and R Superstore or SSBS depending on the store size. SBS stores are a combination of Toys R Us stores and Babies R Us stores. Our SSBS stores are conceptually similar to SBS stores, except that they are larger in size. Either format may be the result of a conversion or relocation and, in certain cases, may be accompanied by the closure of one or more existing stores. In addition, SBS stores and SSBS stores may also be constructed in a new location and market.

The integration of juvenile merchandise (including baby products) with toy and entertainment offerings has allowed us to create a one-stop shopping experience for our guests, and enabled us to obtain the sales and operating benefits associated with combining product lines under one roof. Our product assortment allows us to capture new parents as customers during pregnancy, helping them prepare for the arrival of their newborn. We then become a resource for infant products such as baby formula, diapers and solid foods, as well as baby clothing and learning aids. We believe this opportunity to establish first contact with new parents enables us to develop long-lasting customer relationships with them as their children grow and they transition to becoming consumers of our toy products. We continue to build on these relationships as these children mature and eventually become parents themselves. Additionally, juvenile merchandise such as baby formula, diapers and infant clothing provide us with a mitigant to the inherent seasonality in the toy business.

In connection with our juvenile integration strategy, we continue to increase the number of SBS and SSBS stores both domestically and internationally. Through the end of fiscal 2010, we converted 202 existing stores into SBS store format and three existing stores into SSBS store format. In addition, during the same period, we have opened 51 SBS and SSBS stores (28 of which were relocations of existing stores). Through April 30, 2011, we have converted and/or relocated an additional seven SBS stores and opened one SBS store. We expect that our integrated store formats will continue to be a significant driver of our revenue and profit growth going forward.

In addition to our SBS and SSBS store formats, we continue to enhance our juvenile integration strategy with our BRU Express and Juvenile Expansion formats which devote additional square footage to our juvenile products within our traditional Toys R Us stores. Since implementing this integrated store format, we have augmented 86 existing Toys R Us stores with these layouts as of April 30, 2011.

Our extensive experience in retail site selection has resulted in a portfolio of stores that includes attractive locations in many of our chosen markets. Markets for new stores and formats are selected on the basis of proximity to other R Us branded stores, demographic factors, population growth potential, competitive environment, availability of real estate and cost. Once a potential market is identified, we select a suitable location based upon several criteria, including size of the property, access to major commercial thoroughfares, proximity of other strong anchor stores or other destination superstores, visibility and parking capacity.

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As of April 30, 2011, we operated 1,396 retail stores and licensed an additional 223 retail stores worldwide in the following formats:

Format	Description	Number of Stores	Approximate Store Size (sq. ft.)
	Operated Stores		
Traditional Toys R Us stores	The majority of square footage is devoted to traditional toy categories, with approximately 7,000 square feet devoted to boutique areas for juvenile (including baby) products (BRU Express and Juvenile Expansion formats devote approximately an additional 4,000 square feet and 1,000 square feet, respectively, for juvenile including baby - products).	836	30,000 to 50,000
Traditional Babies R Us stores	Predominantly juvenile (including baby) products, with approximately 4,000 to 5,000 square feet devoted to traditional toy products.	269	30,000 to 45,000
Side-by-Side (SBS) stores	Devote approximately 20,000 to 30,000 square feet to traditional toy products and approximately 10,000 to 20,000 square feet to juvenile (including baby) products.	232	30,000 to 50,000
R Superstores (SSBS)	Combine a traditional domestic toy store of approximately 30,000 to 40,000 square feet with a domestic juvenile (including baby) store of approximately 25,000 to 30,000 square feet.	32	55,000 to 70,000
Express stores	Smaller format stores each with a cumulative lease term of at least two years.	24	2,000 to 7,000
Flagship stores (all in New York City)	The Toys R Us store in Times Square, the FAO Schwarz store on 5th Avenue near Central Park, and the Babies R Us store in Union Square.	3	55,000 to 100,000
Total operated stores		1,396	
	Licensed Stores		
R Us branded retail stores	Retail stores ranging in various sizes.	223	
Total operated and licensed stores		1,619	

In addition to these stores, during the fiscal 2010 holiday season, we operated an additional 637 temporary Express store locations located in high traffic areas. These locations typically range in size from approximately 2,000 to 7,000 square feet, each has a cumulative lease term of less than two years and is not included in our overall store count. As of April 30, 2011, we operated 95 Express stores, including 24 stores which are included in the table above.

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Geographic Distribution of Domestic Stores

The following table sets forth the location of our Domestic stores as of April 30, 2011:

Location	Number of Stores
Alabama	9
Alaska	1
Arizona	15
Arkansas	5
California	109
Colorado	11
Connecticut	14
Delaware	3
Florida	59
Georgia	28
Hawaii	2
Idaho	3
Illinois	39
Indiana	17
Iowa	7
Kansas	6
Kentucky	10
Louisiana	10
Maine	3
Maryland	19
Massachusetts	21
Michigan	32
Minnesota	11
Mississippi	5
Missouri	16
Montana	1
Nebraska	4
Nevada	10
New Hampshire	7
New Jersey	44
New Mexico	3
New York	64
North Carolina	21
North Dakota	1
Ohio	37
Oklahoma	7
Oregon	8
Pennsylvania	46
Rhode Island	2
South Carolina	10
South Dakota	2
Tennessee	17
Texas	60
Utah	8

Vermont	1
Virginia	27
Washington	15
West Virginia	4
Wisconsin	11
Puerto Rico	8
Total(1)	873

(1) This includes 24 Express stores that each have a cumulative lease term of at least two years and excludes the remaining 55 temporary Express store locations which remained open as of April 30, 2011. At the peak of this initiative in fiscal 2010, there were 615 Express stores open Domestically.

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Geographic Distribution of International Stores

The following table sets forth the location of our International operated stores as of April 30, 2011:

Location	Number of Stores Operated
Australia	35
Austria	14
Canada	70
France	43
Germany	58
Japan	166
Portugal	8
Spain	46
Switzerland	7
United Kingdom	76
Total(1)	523

(1) This excludes the 16 temporary Express store locations which remained open as of April 30, 2011. At the peak of this initiative in fiscal 2010, there were 41 Express stores open Internationally.

The following table sets forth the location of our International licensed stores as of April 30, 2011:

Location	Number of Stores Licensed	Location	Number of Stores Licensed
Bahrain	1	Oman	1
China	21	Philippines	12
Denmark	15	Qatar	1
Egypt	4	Saudi Arabia	11
Finland	4	Singapore	6
Hong Kong	12	South Africa	25
Iceland	3	South Korea	11
Israel	22	Sweden	16
Kuwait	1	Taiwan	18
Macau	1	Thailand	7
Malaysia	18	United Arab Emirates	5
Norway	8		
		Total	223

Financial information about our segments and our operations in different geographical areas for the thirteen weeks ended April 30, 2011 and May 1, 2010 and for the last three fiscal years are set forth in Note 12 to the consolidated financial statements and Note 6 to the condensed consolidated financial statements entitled Segments.

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Product Selection and Merchandise

Our product offerings are:

Category	Description	FY2010 % of net sales
Core Toy	Boys and girls toys, such as dolls and doll accessories, action figures, role play toys and vehicles, games, plush toys and puzzles.	17.6%
Entertainment	Video game systems and software, electronics, computer software, DVDs and other related products.	13.8%
Juvenile	Focused on serving newborns and children up to four years of age. Offer a broad array of products, such as baby gear, infant care products, apparel, commodities, furniture, bedding, room décor and infant toys.	31.2%
Learning	Educational electronics and developmental toys, such as our Imaginarium products in the United States and World of Imagination products at our International locations, and pre-school merchandise which includes learning products, activities and toys.	22.8%
Seasonal	Toys and other products geared toward holidays (including Christmas, Hanukkah, Three Kings, Carnival, Easter, Golden Week and Halloween) and summer activities, as well as bikes, sporting goods, play sets and other outdoor products.	13.6%
Other	Consists primarily of shipping and other non-product related revenues.	1.0%
Total		100.0%

We offer a wide selection of popular national toy and juvenile brands including many products that are exclusively offered at, or launched at, our stores. Over the past few years, we have worked with key resources to obtain exclusive products and expand our private label brands enabling us to earn higher margins and offer products that our customers will not find elsewhere. We offer a broad selection of private label merchandise under names such as BABIES R US, KOALA BABY, IMAGINARIUM, AVIGO, FAST LANE, YOU & ME, JUST LIKE HOME and FAO SCHWARZ in our stores. We believe these private label brands provide a platform on which we can expand our product offerings in the future and will further differentiate our products and allow us to enhance profitability. In fiscal 2010, we opened a sourcing office in China to work with our vendors and expand our private label product offerings.

Marketing

We believe that we have achieved our leading market position largely as a result of building highly recognized brand names, strong loyalty programs and delivering superior service to our customers. We use a variety of broad-based and targeted marketing and advertising strategies to reach consumers. These strategies include mass marketing programs such as direct mail, e-mail marketing, targeted magazine advertisements, catalogs/rotos and other inserts in national or local newspapers, national television and radio broadcasts, targeted door-to-door distribution, direct mailings to loyalty program members and in-store marketing. Our most significant single piece of advertising is the Big Book promotional catalog release, which is distributed through direct mail, newspapers and in-stores during the fourth quarter holiday selling season.

Our direct marketing program for the specialty juvenile market includes mailings to expecting mothers and new parents. In addition, we offer unique benefits such as loyalty programs to our customers, including the Rewards R Us program, which provides customers with a variety of exclusive one-time and ongoing benefits, and Geoffrey s Birthday Club, which provides members with exciting birthday surprises.

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Our comprehensive baby registry offered in our stores and on the Internet allows an expectant parent to list desired products and enables gift-givers to tailor purchases to the expectant parent s specific needs and wishes. Our baby registry also facilitates our direct marketing and customer relationship initiatives.

The merchandising and marketing teams work closely to present the products in an engaging and innovative manner and we are focused on enhancing our in-store signage, which is carefully coordinated so that it is consistent with the current television, radio and print advertisements. We regularly change our banners and in-store promotions, which are advertised throughout the year, to attract consumers to visit the stores, to generate strong customer frequency and to increase average sales per customer. Our websites are used to support and supplement the promotion of products in R Us branded stores.

Customer Service

Compared with multi-line mass merchandisers, we believe we are able to provide superior service to our customers through our highly trained sales force. We train our store associates extensively to deepen their product knowledge and enhance their targeted selling skills in order to improve customer service in our stores. We are continually working to improve the allocation of products within our stores and reduce waiting times at checkout counters. For the added convenience of our customers, we offer a layaway program and in select stores we provide a home delivery program.

In addition to our baby registry, we offer a variety of helpful publications and innovative programs and services for the expectant parent, including frequent in-store product demonstrations.

Corporate Citizenship

In addition to providing quality goods and services, we believe great brands are built by adopting responsible business practices. We believe commercial success and good corporate citizenship are closely linked. Our efforts to be responsible corporate citizens are manifested in the following ways:

Safety Focus

We have taken a leadership position on safety. We believe that we have put in place industry-leading product safety standards that meet or exceed U.S. federally mandated and/or global regulatory requirements in the countries in which we operate. In addition, through our dedicated safety micro site, safety boards in stores, e-mail blasts and partnerships with noted safety experts and organizations, we provide resources that are used by parents, grandparents and childcare providers to ensure they have the most up-to-date information on product safety and recalls.

Corporate Philanthropy and Community Service

We are proud to have a long tradition at Toys R Us of supporting numerous children s charities. Toys R Us Children s Fund Inc., a non-profit organization, and Toys R Us, Inc. have contributed millions of dollars to charities that help keep children safe and help them in times of need. We actively support charities such as the Marine Toys For Tots Foundation, Autism Speaks and Save the Children, among others. Each year the Company also produces a special toy selection guide for differently-abled children. The Company encourages its employees to become active in charitable endeavors by matching contributions they make to charities of their choice. The Company also manages the Geoffrey Fund, Inc., a non-profit organization. The Geoffrey Fund s sole purpose is to provide assistance to employees affected by natural and personal disasters and relies on donations from employees and funds from the Company to carry out its mission.

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In addition, in April, 2010, the Reputation Institute has ranked us #36 in the U.S., among its list of Most Reputable Companies in the United States, with a score of 75.36. The Reputation Institute considers companies with scores between 70 and 79 to have strong/robust reputations.

Our Vendors

We procure the merchandise that we offer to our customers from a wide variety of domestic and international vendors. As of the end of fiscal 2010, we had approximately 3,500 active vendor relationships. For fiscal 2010, our top 20 vendors worldwide, based on our purchase volume in U.S. dollars, represented approximately 40% of the total products we purchased. In fiscal 2010, we opened a sourcing office in China to work with our vendors and expand our private label product offering.

Given our market leadership position, we have been able to develop strategic partnerships with many of our vendors. We provide vendors with a year-round platform for their brand and let them use our stores to test their products, giving vendors a meaningful opportunity to display new merchandise and reach consumers throughout the year. We use our New York City flagship stores (our Toys R Us Times Square store, our FAO Schwarz 5th Avenue store and our Babies R Us Union Square store) as venues to introduce new products. In addition, we are able to provide our vendors with a wide variety of data on global sales trends and marketing guidance and support, as well as early feedback on their product development initiatives through the depth and longevity of our experienced merchandising team. In return, we obtain greater access to products in demand, support for advertising and marketing efforts and exclusive access to merchandise.

Distribution

We operate 18 distribution centers including 9 that support our Domestic retail stores and 9 that support our International retail stores (excluding licensed operations). These distribution centers employ warehouse management systems and material handling equipment that help to minimize overall inventory levels and distribution costs. We believe the flexibility afforded by our warehouse/distribution system and by our operation of the fleet of trucks used to distribute merchandise provide us with operating efficiencies and the ability to maintain a superior in-stock inventory position at our stores. We continuously seek to improve our supply chain management, optimize our inventory assortment and upgrade our automated replenishment system to improve inventory turnover.

To support delivery of products sold through our websites, we have a multi-year agreement with Exel, Inc., a leading North American contract logistics provider, who provides warehousing and fulfillment services for our Internet operations in the United States. We utilize various third party providers who furnish similar services in our international markets.

Market and Competition

We are the leading global specialty retailer of toys and juvenile products as measured by net sales. As a specialty retailer, we are able to focus solely on the toys and juvenile products market. We operate in an attractive industry that has proven to be resilient due to the demand for toys and juvenile (including baby) products, driven by the desire of families to spend on their children and by population growth.

In these markets, we compete with mass merchandisers, such as Wal-Mart, Target and Kmart; consumer electronics retailers, such as Best Buy and GameStop; Internet and catalog businesses, such as Amazon.com (Amazon); national and regional specialty, department and discount store chains; as well as local retailers in the geographic areas we serve. Our baby registry competes with baby registries of mass merchandisers, other specialty retail formats and regional retailers.

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In the International toy and electronics markets, we compete with mass merchandisers, discounters and specialty retailers such as Argos, Auchan, Bic Camera, Carrefour, El Corte Ingles, King Jouet, Mothercare, Spielmax, Wal-Mart, Yamada Dinky, Yodobashi, and Zellers. The mass merchandisers and discounters aggressively price items in the traditional toy and electronic product categories with larger dedicated selling space during the holiday season in order to build traffic for other store departments.

We believe the principal competitive factors in the specialty toy, juvenile (including baby) and video game products markets are product variety, quality, safety, availability, price, advertising and promotion, convenience or store location and customer support and service. We believe we are able to effectively compete by providing a broader range of merchandise, maintaining in-stock positions, as well as convenient locations, superior customer service and competitive pricing.

Seasonality

Our global business is highly seasonal with sales and earnings highest in the fourth quarter due to the fourth quarter holiday selling season. During fiscals 2010, 2009 and 2008, approximately 43%, 43% and 40%, respectively, of our total Net sales were generated in the fourth quarter. It is typically the case that we incur net losses in each of the first three quarters of the year, with a substantial portion of our cash flows from operations being generated in the fourth quarter. We seek to continuously improve our ability to manage the numerous demands of a highly seasonal business, from the areas of product sourcing and distribution, to the challenges of delivering high sales volumes and excellent customer service during peak business periods. Over the past 60 years, we have developed substantial experience and expertise in managing the increased demand during the holiday season which we believe favorably differentiates us from our competition. See also Our Competitive Strengths .

License Agreements

We have license agreements with unaffiliated third party operators located outside the United States. The agreements are largely structured with royalty income paid as a percentage of sales for the use of our trademarks, trade name and branding. While this business format remains a small piece of our overall International business operations, we continue to look for opportunities for market expansion. Our preferred approach is to open stores in our successful Company operated format, but we may choose partnerships or licensed arrangements where we believe business climate and risks may dictate.

Employees

As of April 30, 2011, we employed approximately 65,000 full-time and part-time individuals worldwide, with approximately 43,000 in the United States and 22,000 internationally. These numbers do not include the individuals employed by licensees of our stores. Due to the seasonality of our business, we employed approximately 123,000 full-time and part-time employees during the fiscal 2010 holiday season. We consider the relationships with our employees to be positive. We believe that the benefits offered to our employees are competitive in relation to those offered by other companies in the retail sector.

Trademarks and Licensing

TOYS R ®US, BABIES R® US, IMAGINARIUM®, GEOFFREY®, KOALA BABY®, ANIMAL ALLEY®, FAST LANE®, DREAM DAZZLERS® , ESPECIALLY FOR BABY®, YOU AND ME®, the reverse R monogram logo and the Geoffrey character logo, as well as variations of our family of R Us marks, either have been registered, or have trademark applications pending, with the

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United States Patent and Trademark Office and with the trademark registries of many other countries. These trademarks are material to our business operations. We believe that our rights to these properties are adequately protected. In addition, we own the U.S. trademarks (along with certain trademark rights in other countries) associated with eToys.com, babyuniverse.com and KB Toys. We also own the exclusive right and license to use the FAO SCHWARZ trademarks.

Properties

The following summarizes our worldwide operating stores and distribution centers as of April 30, 2011 (excluding licensed operations in our International segment):

	Owned	Ground Leased(1)	Leased(2)	Total
Stores:				
Domestic	296	230	347	873
International	78	26	419	523
	374	256	766	1,396
Distribution Centers:				
Domestic	7		2	9
International	5		4	9
	12		6	18
Total Operating Stores and Distribution Centers	**386**	**256**	**772**	**1,414**

(1) Owned buildings on leased land.

(2) This includes 24 Express stores within our Domestic segment that each have a cumulative lease term of at least two years and excludes the remaining 71 temporary Express store locations which remained open as of April 30, 2011. At the peak of this initiative in fiscal 2010, there were 615 Domestic and 41 International Express stores open.

As described above, a significant part of our properties are ground leased (i.e. properties where we own the building but we do not retain fee ownership in the underlying land) or space leased (i.e. we lease a store from a property owner). We lease properties from unrelated third parties, pursuant to leases that vary as to their terms, rental provisions and expiration dates. Substantially all of our leases are considered triple-net leases, which require us to pay all costs and expenses arising in connection with the ownership, operation, leasing, use, maintenance and repair of these properties. These costs include real estate taxes and assessments, utility charges, license and permit fees and insurance premiums, among other things. Virtually all of our leases include options that allow us to renew or extend the lease term beyond the initial lease period, subject to terms and conditions. In addition, many of our leases include early termination options, which we may exercise under specified conditions, including, upon damage, destruction or condemnation of a specified percentage of the value or land area of the property. A portion of our leased stores have contingent rentals, where the lease payments depend on factors that are not measurable at the inception of the lease, such as future sales volume. Contingent rent expense was $12 million, $10 million and $9 million for fiscals 2010, 2009 and 2008, respectively.

We own our headquarters, comprising approximately 585,000 square feet of space, in Wayne, New Jersey.

As of April 30, 2011, we maintained 117 former stores that are no longer part of our operations. Approximately half of these surplus facilities are owned and the remaining locations are leased. We have tenants in more than half of these facilities, and we continue to market those facilities without tenants for disposition or leasing opportunities. The net costs associated with these facilities are reflected in our consolidated financial statements, but the number of surplus facilities is not included above.

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Portions of our debt are secured by direct and indirect interests in certain of our properties. See Note 2 to the consolidated financial statements and the condensed consolidated financial statements entitled LONG-TERM DEBT for further details.

We believe that our current operating stores and distribution centers are adequate to support our business operations.

Legal Proceedings

On July 15, 2009, the United States District Court for the Eastern District of Pennsylvania (the District Court) granted the class plaintiffs motion for class certification in a consumer class action commenced in January 2006, which was consolidated with an action brought by two Internet retailers that was commenced in December 2005. Both actions allege that Babies R Us agreed with certain baby product manufacturers (collectively, with the Company, the Defendants) to impose, maintain and/or enforce minimum price agreements in violation of antitrust laws. In addition, in December 2009, a third Internet retailer filed a similar action and another consumer class action was commenced making similar allegations involving most of the same Defendants. In January 2011, the parties in the consumer class actions referenced above entered into a settlement agreement, which has been preliminarily approved by the District Court. As part of the settlement, in March 2011 the Company made a payment of approximately $17 million towards the overall settlement. In addition, in January 2011, the plaintiffs, the Company and certain other Defendants in the Internet retailer actions referenced above entered into a settlement agreement pursuant to which the Company made a payment of approximately $5 million towards the overall settlement. In addition, on or about November 23, 2010, the Company entered into a Stipulation with the Federal Trade Commission (FTC) ending the FTC s investigation related to the Company s compliance with a 1998 FTC Final Order and settling all claims in full. Pursuant to the settlement, in May 2011, the Company paid approximately $1 million as a civil penalty.

In addition to the litigation discussed above, we are, and in the future, may be involved in various other lawsuits, claims and proceedings incident to the ordinary course of business. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our consolidated financial statements and our condensed consolidated financial statements taken as a whole.

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MANAGEMENT

Set forth below are the names, ages as of the date of this prospectus and positions with our company of the persons who will serve as our directors and executive officers upon the consummation of this offering.

Executive Officers

The following persons were our Executive Officers as of June 24, 2011, having been elected to their respective offices by our Board of Directors:

Name	Age(1)	Position with the Registrant
Gerald L. Storch	54	Chairman of the Board; Chief Executive Officer
F. Clay Creasey, Jr.	62	Executive Vice President Chief Financial Officer
Neil B. Friedman	63	Executive Vice President President, Toys R Us, U.S.
Antonio Urcelay	59	President Europe
Monika M. Merz	62	President and Chief Executive Officer of Toys R Us Japan, Ltd. (Toys Japan)
Daniel Caspersen	58	Executive Vice President Human Resources
Deborah M. Derby	47	Executive Vice President Chief Administrative Officer
David J. Schwartz	43	Executive Vice President General Counsel & Corporate Secretary

(1) As of June 24, 2011.

The following is a brief description of the business experience of each of our Executive Officers:

Mr. Storch has been our Chairman of the Board and Chief Executive Officer since February 2006. Mr. Storch was Vice Chairman of Target Corporation (Target) from 2001 to 2005 and held various other positions at Target from 1993 (then Dayton-Hudson) to 2001. Prior to joining Target, Mr. Storch was a Principal of McKinsey & Company where he served from 1982 to 1993.

Mr. Creasey has served as our Executive Vice President Chief Financial Officer since May 2006. From July 2005 to April 2006, Mr. Creasey served as Chief Financial Officer of Zoom Systems, an automated retailer. Prior to that, Mr. Creasey served in various roles at Mervyn s, a subsidiary of Target, from 1992 to 2005, most recently as Senior Vice President, Finance and Chief Financial Officer from 2000 to 2005.

Mr. Friedman has served as our Executive Vice President President, Toys R Us, U.S. since April 2011. From October 2005 to March 2011, Mr. Friedman served as President, Mattel Brands at Mattel, Inc. From March 1999 to October 2005, Mr. Friedman was President, Fisher-Price Brands. From August 1995 to March 1999, Mr. Friedman was President, Tyco Preschool. Prior to that, Mr. Friedman was President of MCA/Universal Merchandising, Senior Vice President-Sales, Marketing and Design of Just Toys, Vice President and General Manager of Baby Care for Gerber Products, Executive Vice President and Chief Operating of Lionel Leisure, Inc., and President of Aviva/Hasbro.

Mr. Urcelay has served as our President Europe since July 2010. Mr. Urcelay served as our President of Continental Europe (Germany, Switzerland, Austria, France, Spain and Portugal) from August 2004 to July 2010. From August 2003 through August 2004, Mr. Urcelay was President of Southern Europe (France, Spain and Portugal). Mr. Urcelay served as the Managing Director of Toys R Us Iberia, S.A. from October 1996 until August 2003.

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Ms. Merz has served as the President and Chief Executive Officer of Toys Japan since November 2007. From January 2000 until November 2007, Ms. Merz served as the President of Toys R Us Canada, Ltd. (Toys Canada). Prior to that, from October 1996 until January 2000, Ms. Merz served as Vice President and General Merchandise Manager for Toys Canada.

Mr. Caspersen has served as our Executive Vice President Human Resources since May 2006. From September 2004 until April 2006, Mr. Caspersen served as Vice President Stores Human Resources of Target. Prior to that, from September 2001 to September 2004, Mr. Caspersen was Vice President Headquarters Human Resources at Target.

Ms. Derby has served as our Executive Vice President Chief Administrative Officer since February 2009. From May 2006 to February 2009, Ms. Derby served as Executive Vice President President Babies R Us. From September 2005 until May 2006, Ms. Derby served as our Executive Vice President Human Resources, Legal and Corporate Communications and Secretary. From May 2003 until September 2005, Ms. Derby served as our Executive Vice President Human Resources. From November 2002 to May 2003, Ms. Derby served as our Senior Vice President, Associate Relations and Organizational Effectiveness. From January 2002 to November 2002, Ms. Derby was our Vice President, Associate Relations. From June 2000 (when she first joined the Company) to January 2002, Ms. Derby was our Vice President Human Resources, Babies R Us.

Mr. Schwartz has served as our Executive Vice President General Counsel since October 2009 and has served as Corporate Secretary since April 2006. From September 2003 until October 2009, Mr. Schwartz served as Senior Vice President General Counsel. From January 2002 until September 2003, Mr. Schwartz served as our Vice President Deputy General Counsel, and has served as Assistant Corporate Secretary from that time until April 2006. From February 2001 to January 2002, Mr. Schwartz served as our Vice President Corporate Counsel and Assistant Corporate Secretary. Mr. Schwartz is a Director of Toys Japan.

Directors

The following persons were members of our Board of Directors (the Board) as of June 24, 2011. Each elected director will hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal from office by our stockholders.

Name	**Age(1)**	**Position with the Registrant**
Gerald L. Storch(2)	54	Chairman of the Board; Chief Executive Officer
Joshua Bekenstein	52	Director
Michael M. Calbert	48	Director
Michael D. Fascitelli	54	Director
Matthew S. Levin	45	Director
Wendy Silverstein	50	Director
Nathaniel H. Taylor	34	Director
Michael Ward	47	Director

(1) As of June 24, 2011.

(2) See Executive Officers above, for Mr. Storch s biography.

Mr. Bekenstein has been our director since September 2005. Mr. Bekenstein is a Managing Director of Bain Capital, LLC, which he helped found in 1984. Mr. Bekenstein serves as a member of the Boards of Directors of Bombardier Recreational Products Inc., Bright Horizons Family Solutions, Burlington Coat Factory, Dollarama Capital Corporation, Michaels Stores, and Waters Corporation.

Mr. Calbert has been our director since July 2005. He is an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates and for the past ten years has been directly involved with several portfolio companies. Mr. Calbert heads the Retail industry team and is currently on the board of

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directors of Dollar General, Inc., U.S. Foodservice and Pets at Home. He joined Randall s Food Markets as the Chief Financial Officer in 1994, ultimately taking the company private through investment funds advised by Kohlberg Kravis Roberts & Co. L.P. in June 1997. He left Randall s Food Markets after the company was sold in September 1999 and joined Kohlberg Kravis Roberts & Co. L.P. Mr. Calbert started his professional career as a consultant with Arthur Andersen Worldwide, where his primary focus was on the retail/consumer industry.

Mr. Fascitelli has been our director since July 2005. Mr. Fascitelli is the Chief Executive Officer of Vornado Realty Trust (Vornado) since May 2009 and has been President and a Trustee of Vornado since December 1996. Mr. Fascitelli has also been President of Alexanders, Inc. since August 2000 and a director since December 1996. Mr. Fascitelli was on the Board of Directors of GMH Communities Trust (a real estate investment trust) from August 2005 until June 2008.

Mr. Levin has been our director since July 2005. Mr. Levin joined Bain Capital in 1992, where he has been a Managing Director since 2000. Prior to joining Bain Capital, he was a consultant at Bain & Company where he consulted in the consumer products and manufacturing industries. Mr. Levin serves as a board member of Bombardier Recreational Products Inc., Dollarama Capital Corporation, Edcon Holdings Pty Ltd., Guitar Center, Inc., Lilliput Kidswear Ltd., Michaels Stores, Inc. and Unisource Worldwide Inc.

Ms. Silverstein has been our director since September 2005. Ms. Silverstein has been Executive Vice President and Co-Head of Acquisitions and Capital Markets of Vornado Realty Trust since November 2010. Ms. Silverstein served as Executive Vice President Capital Markets of Vornado Realty Trust from 1998 to October 2010.

Mr. Taylor has been our director since January 2011. Mr. Taylor has served as a Director at Kohlberg Kravis Roberts & Co. L.P. since December 2008. From November 2005 to December 2008, Mr. Taylor served as a Principal at Kohlberg Kravis Roberts & Co. L.P.

Mr. Ward has been our director since September 2007. Mr. Ward joined Bain Capital in January 2003 and has been a Managing Director since 2004. He has worked closely with several portfolio companies including Houghton Mifflin, Burger King, Warner Music Group, and Toys R Us. He is on the Board of Directors of Sensata Technologies, Inc. and The Weather Channel. He also serves on the Board of Directors of the Boston Public Library Foundation and the MBA Advisory Board at the Amos Tuck School of Business Administration. Previously, Mr. Ward was the President and Chief Operating Officer of Digitas.

In electing Mr. Storch to the Board, the Board considered his significant experience and expertise in the retail industry gained over his more than 20 years of experience working in the retail industry, including in his various roles at Target Corporation over a 12-year period where his responsibilities included overall strategy, supply chain, the Target.com business, technology services, financial services, guest relationship management and market research, the Six Sigma program, and mergers and acquisitions. In addition, the Board considered the intimate knowledge of the Company s business and operations Mr. Storch would bring to the Board as the Chief Executive Officer of the Company.

Other than Mr. Storch, each of the Directors was elected to the Board pursuant to the stockholders agreement dated July 21, 2005 by and among the Company, the Sponsors and a private investor (the Stockholders Agreement). Pursuant to such agreement, Messrs. Bekenstein, Levin and Ward were appointed to the Board as a consequence of their respective relationships with Bain Capital Partners, LLC; Messrs. Calbert and Taylor were appointed to the Board as a consequence of their respective relationships with Kohlberg Kravis Roberts & Co. L.P.; and Mr. Fascitelli and Ms. Silverstein were appointed to the Board as a consequence of their respective relationships with Vornado Realty Trust.

Pursuant to an amended and restated Stockholder Agreement with the Sponsors and certain other investors which will be effective upon the consummation of this offering, the Sponsors will have certain rights to appoint directors to our board and its committees. See Certain Relationships and Related Party Transactions Amended and Restated Stockholders Agreement. Following the completion of this offering, we expect that our Board of Directors will be comprised of two directors from each of our three Sponsors, Mr. Storch and up to three independent directors.

Further, our certificate of incorporation will be amended to divide our Board of Directors into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

Controlled Company Exception

After completion of this offering, the Sponsors will continue to control a majority of our outstanding common stock and voting power. As a result, (1) under the terms of the Stockholders Agreement, each of the Sponsors is entitled to nominate three members of the Board of Directors and (2) we are a controlled company within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain New York Stock Exchange corporate governance standards, including:

- the requirement that a majority of the Board of Directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors or a nominating/corporate governance committee and our compensation committee will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Committees of the Board of Directors

Audit Committee. Our Board of Directors has a separately designated audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the Exchange Act). Our Audit Committee is currently composed of Wendy Silverstein, Nathaniel H. Taylor and Michael Ward. Upon completion of this offering, the current Audit Committee members will resign and we intend to appoint to our Audit Committee. Our Board of Directors has determined that each nominee is financially literate and will determine which members will qualify as an audit committee financial expert within the meaning of the regulations adopted by the Securities and

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Exchange Commission. All of our Audit Committee nominees qualify as independent directors under the corporate governance standards of the New York Stock Exchange and the independence requirements of Rule 10A-3 of the Exchange Act.

The purpose of the Audit Committee will be to assist our Board of Directors in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent auditors qualifications and independence, (4) the performance of our internal audit function and (5) the performance of our independent auditors.

Our Audit Committee will be responsible for, among other things:

- reviewing and discussing the annual audited and quarterly unaudited financial statements with management and the independent auditors,
- reviewing and discussing earnings press releases and the financial information and earnings guidance provided to analysts and rating agencies with management and independent auditors,
- reviewing and discussing with management and the independent auditors any major issues arising as to the adequacy of our internal controls, any actions taken in light of material control deficiencies and the adequacy of disclosures about changes in our internal control over financial reporting,
- selecting the independent auditors,
- pre-approving all auditing services and non-audit services other than prohibited non-audit services to be provided by the independent auditors,
- reviewing at least annually, the qualifications, performance and independence of independent auditors,
- obtaining and reviewing a report of the independent auditor describing the auditing firm s internal quality-control procedures and any material issues raised by its most recent review of internal quality controls,
- reviewing the integrity of our financial reporting process, both internal and external,
- reviewing with the independent auditor any difficulties the independent auditors encountered during the course of the audit work, including any restrictions in the scope of activities or access to requested information or any significant disagreements with management and management s responses to such matters,
- reviewing and discussing with the independent auditors the internal audit responsibilities, budget and staffing and any significant reports to the management prepared by the internal audit department,
- periodically reviewing and discussing with our counsel any legal matters that could have a significant impact on financial statements,

reviewing and discussing guidelines and policies with respect to risk assessment and risk management with management and the independent auditors,

setting policies regarding the hiring of current and former employees of the independent auditors,

establishing procedures for receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing and the confidential, anonymous submission of employee concerns regarding questionable accounting and auditing matters,

reviewing, approving or ratifying all transactions between the Company and any related person unless otherwise approved or ratified pursuant to the related person transaction policy,

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- preparing the report required by the SEC to be included in our proxy statement,
- providing information to our Board that may assist the Board in fulfilling its responsibility to oversee the integrity of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the independent auditor s performance and independence and the performance of the Company s internal audit group,
- reviewing and evaluating, at least annually, the performance of the Audit Committee and reviewing and reassessing the Audit Committee charter.

Prior to the completion of this offering, our Board of Directors will update its written charter for the Audit Committee, which will be available on our website, to ensure it meets all of the requirements under the corporate governance standards of the New York Stock Exchange.

Executive Committee. The Executive Committee of the Board of Directors (the Executive Committee) is currently composed of Messrs. Calbert, Fascitelli and Levin. Upon completion of this offering, we intend to appoint Mr. Storch to the Executive Committee. The Board of Directors has authorized the Executive Committee to execute all powers and authority of the Board of Directors, subject to limitations imposed by applicable law. Upon completion of this offering, the Executive Committee will no longer have the authority to function as the Compensation Committee.

Compensation Committee. Currently, the function of the Compensation Committee is performed by the Executive Committee. Upon completion of this offering, we will have a separately designated Compensation Committee and we intend to appoint Messrs. Calbert, Fascitelli and Levin as members of the Compensation Committee. Our Board of Directors has affirmatively determined that each of such newly-appointed nominees meets the definition of independent director for purposes of the New York Stock Exchange rules, the definition of outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the definition of non-employee director for purposes of Section 16 of the Exchange Act. Our Compensation Committee will be responsible for, among other things:

- establishing and reviewing the overall compensation philosophy,
- reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers,
- determining and approving compensation arrangements of our officers and directors,
- administration of overall incentive and equity-based compensation plans,
- overseeing the preparation of Compensation Discussion and Analysis (CD&A) and reviewing, discussing and determining with management whether to recommend to the Board of Directors to include the CD&A in the annual proxy statement or annual report on Form 10-K (in addition to preparing a report on executive officer compensation),
- reviewing and evaluating, at least annually, the performance of the Compensation Committee and periodically reviewing and reassessing the Compensation Committee charter.

The Compensation Committee will adopt a written charter, which will be available on our website.

Communications with the Board of Directors

Stockholders, employees and other interested parties may communicate with any of our directors by writing to such director(s) c/o General Counsel and Corporate Secretary, Toys R Us, Inc., One Geoffrey Way, Wayne, NJ 07470, Attention: Board of Directors. All communications from stockholders, employees and other interested parties addressed in that manner will be forwarded to the appropriate director.

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Executive Compensation

We refer to the persons included in the Summary Compensation Table below as our named executive officers. References to 2010, 2009, and 2008 mean, respectively, our fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009.

Compensation Discussion and Analysis

The following Executive Compensation discussion and analysis discusses our compensation policies and decisions regarding our named executive officers and describes the material elements of compensation for our named executive officers. Our named executive officers are:

- Chairman of the Board and Chief Executive Officer, Gerald L. Storch;
- Executive Vice President Chief Financial Officer, F. Clay Creasey, Jr.;
- Executive Vice President Chief Administrative Officer, Deborah M. Derby;
- President and Chief Executive Officer of Toys Japan, Monika M. Merz;
- President of Europe Antonio Urcelay; and
- Former Executive Vice President Chief Operating Officer, Claire Babrowski.

Role of Our Board of Directors in Compensation Decisions

Our Board of Directors acting through the Executive Committee pursuant to delegated authority has historically been ultimately responsible for approving both our compensation program and the specific compensation paid to each of our named executive officers. The Executive Committee, which is currently comprised of one designee from each of the three Sponsors, has discharged this responsibility pursuant to a charter approved by the Board, as further described below. Following the completion of this offering, we will have a separately designated compensation committee to whom this responsibility will be delegated.

Objective of Our Executive Compensation Program

The overall objective of our executive compensation program is to provide compensation opportunities that will allow us to attract and retain executive officers of a caliber and level of experience necessary to effectively manage our global business and motivate such executive officers to increase the value of our Company. We believe that, in order to achieve that objective, our program must:

- provide each executive officer with compensation opportunities that are competitive with the compensation opportunities available to executives in comparable positions at companies with whom we compete for talent;
- tie a significant portion of each executive officer s compensation to our financial performance and his or her individual performance; and

- align the interests of our executive officers with those of our equity holders.

Elements of Our Executive Compensation Program

Our executive compensation program consists of the following integrated components:

- base salary;
- annual incentive awards;

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- long-term incentives;
- perquisites;
- other benefits; and
- benefits upon termination without cause or change of control.

Mix of Total Compensation

No formula or specific weightings or relationships are used with regard to the allocation of the various pay elements within the total compensation program. Cash compensation includes base salary and annual incentive awards which, for top executive officers, are targeted to approach or exceed base salaries to emphasize performance-based compensation. Perquisites and other types of non-cash benefits are used on a limited basis and represent only a small portion of total compensation for our executive officers. Stock compensation includes long-term incentives, which provide a long-term capital appreciation element to our executive compensation program. The bulk of deferred compensation is provided through our TRU Partnership Employees Savings and Profit Sharing Plan (the Savings Plan) and Supplemental Executive Retirement Plan (the SERP) for the U.S. officers. For Ms. Merz, the bulk of her deferred compensation is provided through the Toys Canada Deferred Profit Sharing Plan (Deferred Profit Sharing Plan). For Mr. Urcelay, the bulk of his deferred compensation is provided through certain annuity products from MAPFRE Vida (the MAPFRE Policies).

Initial Determination of Compensation

Historically, prior to hiring a new executive officer to fill a vacant position, we typically described the responsibilities of the position and the skills and level of experience required for the position to one or more national executive search firms. The search firms provided guidance on the compensation ranges that they believed would be necessary in order for us to recruit the desired candidates based on their understanding of the individual candidates compensation expectations and their experience and market knowledge. In addition, the Sponsors provided guidance on the compensation ranges that they believed would be reasonable in light of their practices with respect to similarly situated executive officers at other companies in their investment portfolios. By using the guidance provided by the search firms and our Sponsors, we determined target compensation ranges for the positions we were seeking to fill, taking into account the individual candidate s particular skills and levels of experience and compensation expectations. In specific circumstances, when making an offer to a potential new executive officer, we also considered other factors such as the amount of unvested compensation that the executive officer had with his or her former employer. We believe this process has enabled us to attract superior individuals for key positions by providing for reasonable and competitive compensation. Each of our named executive officer s initial base salary, annual incentive award target and, in some instances, long-term incentives was determined through this process.

Base Salary

Base salary provides fixed compensation and is designed to reward core competence in the executive officer s role relative to his or her skills, experience and contribution to the Company.

The Executive Committee reviews the base salary of each of our executive officers annually as part of the Company s performance review process described below, as well as upon a promotion or other change in job responsibility. On an annual basis, the Executive Committee determines the range, if any, for merit-based increases for eligible employees of the Company (including our executive officers) based upon the recommendation of the Company s human resources department, after taking into account a variety of factors, including the Company s internal financial projections, the general economy and the Sponsors practices at companies in its investment portfolios. In formulating a proposed range of merit-based increases, the Company s human resources department considers a number of different factors, including the Company s budget for the year, internal financial projections and historical practice, and also reviews a number of broad-based third party surveys to gain a general background understanding of the current compensation practices and trends and a sense of the reasonableness of the proposed range.

Merit-based increases to the base salary of an executive officer are based on the Executive Committee s assessment that the executive officer performed at or above his or her established goals. Increases in base salary due to a promotion or change in job responsibilities are based on the Executive Committee s assessment of the responsibilities and importance of the executive officer s new position compared to the executive officer s prior position.

At the beginning of each fiscal year, each of our executive officers is required to establish his or her personal business goals for the year, using some or all of the following five criteria:

Financial focuses on financial metrics that we believe are good indicators of whether the Company and our business segments are achieving their annual and long-term business objectives;

Operational Efficiency focuses on operational efficiencies and cost reduction, such as supply chain optimization and reducing selling, general and administrative expenses;

Working Together focuses on people individually and as a team, such as the hiring, development and retention of employees, compensation initiatives, team building, conflict resolution, communication and succession planning activities;

Delight the Guest focuses on operational execution, such as improving customer satisfaction and testing new business initiatives and new product lines; and

Build for the Future focuses on growing our business, such as implementing new business strategies, accelerating new store rollouts and developing financial strategies.

We believe that these five criteria, when considered together, provide an appropriate method of measuring our executive officers personal performance.

At the beginning of each fiscal year, Mr. Storch, our Chairman and CEO, reviews and approves the goals developed by each of our executive officers, other than himself, and the Executive Committee reviews and approves Mr. Storch s goals. At the end of each fiscal year, Mr. Storch reviews the individual performance of each executive officer against his or her personal goals. Mr. Storch also prepares a self-evaluation of his own performance. He then presents his conclusions and recommendations with respect to base salary adjustments to the Executive Committee. The Executive Committee considers these conclusions and recommendations when determining any adjustments to our executive officers base salaries.

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The following table sets forth the personal business goals of our named executive officers for fiscal 2010:

Name	Personal Business Goals
Mr. Storch	Drive R Us customer-focused vision; Continue building global collaboration; Sustain and nurture relationships with key outside constituents; and Continue focus on the prudent management of expenses and capital spending.
Mr. Creasey	Support the various international initiatives to minimize expense and maximize achievement of operational benefits; Continue to develop and execute plans for addressing debt maturities; and Improve the Company s strategy for credit card offerings, gift cards and loyalty program.
Ms. Derby	Continue to maintain and enhance the FAO brand presence; Continue to build and strengthen the Canadian business including taking advantage of shared services with the U.S. business; and Execute new store openings and remodels.
Ms. Merz	Increase product differentiation through increased launches and exclusive products; Enhance and continue to develop merchandising team; and Continue to monitor expenses and drive efficiencies.
Mr. Urcelay	Continue to develop a strong management team across Continental Europe; Continue to develop and implement the business strategy in Europe; and Achieve profit goals with reduced expenses.
Ms. Babrowski	Prepare business plans for certain international markets; Oversee e-commerce development; and Drive cost planning conversion.

In fiscal 2010 and based upon performance during fiscal 2009, the following named executive officers received an increase in salary effective as of March 28, 2010: Mr. Storch received an increase in salary of $50,000 from $1,100,000 to $1,150,000, Mr. Creasey received an increase in salary of $30,000 from $515,000 to $545,000, Ms. Derby received an increase in salary of $20,000 from $650,000 to $670,000, Ms. Merz received an increase in salary of $48,630 from $486,300 to $534,930 (based on the average annual conversion rate in fiscal 2010 of 1 CDN = $0.9726), Mr. Urcelay received an increase in salary of $26,452 from $632,748 to $659,200 (based on the average annual conversion rate in fiscal 2010 of 1 EURO = $1.3184), and Ms. Babrowski received an increase in salary of $10,000 from $725,000 to $735,000. Ms. Babrowski s employment with the Company was terminated, effective May 1, 2010.

In March 2011, the Executive Committee increased the annual base salaries of our named executive officers based upon Mr. Storch s review of the executive officers performance against each other executive officer s personal goals and Mr. Storch s self-evaluation of his performance against his personal goals. Accordingly, as a result of these increases, our named executive officers annual base salaries effective as of March 27, 2011 are: Mr. Storch $1,200,000; Mr. Creasey $565,000; Ms. Derby $690,000; Ms. Merz $559,245; and Mr. Urcelay $705,344. In addition, in March 2011, the personal business goals of our named executive officers for fiscal 2011 were approved by Mr. Storch and the

Executive Committee. Consistent with prior years, these goals are based upon some or all of the five criteria described above.

Annual Incentive Awards

Annual incentive awards are an important part of the overall compensation we pay our executive officers. Unlike base salary, which is fixed, the annual incentive awards are paid only if specified performance levels are achieved during the year. We believe that annual incentive awards encourage our executive officers to focus on specific short-term business and financial goals of the Company. Our executive officers receive annual cash incentive awards under the Toys R Us, Inc. Management Incentive Plan (the Management Incentive Plan).

Under the Management Incentive Plan, each executive officer has an annual incentive target payout expressed as a percentage of his or her base salary. The target bonus payouts as a percentage of base salary for our named executive officers were established in their employment agreements and may be subsequently adjusted based upon performance and/or a promotion in responsibility. Our named executive officers 2010 annual incentive award target payouts, expressed as a percentage of base salary, are as follows: 200% for Mr. Storch; 110% for Ms. Derby; and 100% for Messrs. Creasey and Urcelay and Ms. Merz. Effective in fiscal year 2011, Mr. Urcelay s annual incentive award target has increased to 110% due to an increase in his job responsibility. The 2010 annual incentive award target payout for Ms. Babrowski, our former Chief Operating Officer, was 110%.

Each executive officer s annual incentive target payout is weighted 70% on the Company s financial performance (Financial Component) and 30% on the executive officer s personal performance (Personal Component). We believe that weighting the executive officers annual incentive awards in this way aligns the interests of our executive officers with the interests of our equity holders by motivating the executive officers to increase the shareholder value of the Company as a whole, while also rewarding each of the executive officers for his or her individual performance.

The Financial Component is based on a combination of the Adjusted Compensation EBITDA results for the Company as a whole and for one or more segments or business units of the Company. We calculate Adjusted Compensation EBITDA for this purpose, as earnings before interest, income taxes, depreciation and amortization, further adjusted for the effects of specified period charges and gains or losses, including, among others, changes in foreign currency, noncontrolling interest, gains or losses on liquidations of subsidiaries or sales of properties, asset impairments and accounting changes. More detail about the calculation of Adjusted Compensation EBITDA is set forth in the narrative after the Summary Compensation Table . We believe that focusing the Financial Component solely on Adjusted Compensation EBITDA closely aligns the executive officers interests with those of our equity holders. The Adjusted Compensation EBITDA targets for the Company as a whole and each segment or business unit are established by the Executive Committee when it establishes our business plan as part of our annual financial planning process, during which we assess the future operating environment and build projections of anticipated results.

The specific combination of Adjusted Compensation EBITDA measures that make up the Financial Component for a particular named executive officer relates to his or her primary job responsibilities. For example, the Financial Component for a corporate officer, including Messrs. Storch and Creasey and Mss. Derby and Babrowski, is generally based 50% on consolidated Adjusted Compensation EBITDA and 50% on Adjusted Compensation EBITDAs of the Domestic segment and International segment, weighted two-thirds for the Domestic segment and one-third for the International segment. However, if an executive officer has primary responsibility for one business unit, the Financial Component of his or her annual bonus is based 25% on consolidated Adjusted Compensation EBITDA and 75% on Adjusted Compensation EBITDA for that particular business unit (except for (i) Mr. Urcelay, whose Financial Component in fiscal 2010 was based 25% on consolidated Adjusted Compensation EBITDA and 25% on the Adjusted Compensation EBITDA for each of Iberia, France

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and Central Europe and (ii) Ms. Merz, whose Financial Component in fiscal 2010 was based 100% on the Adjusted Compensation EBITDA for Japan). We believe that these Financial Component weightings motivate our executive officers to work to improve the Company with appropriate emphasis on business unit results as the executive s job responsibilities merit.

The Executive Committee sets the threshold, target and maximum payout levels for the Financial Component of the Management Incentive Plan. Achievement at the respective levels would result in a payout at, above or below the target level (that is, 70% (the portion based on the Financial Component) of the executive officer s annual incentive target payout in fiscal 2010). If the applicable Adjusted Compensation EBITDA performance is less than the minimum threshold of the particular Adjusted Compensation EBITDA target, no amount will be earned with respect to that portion of the Financial Component of the Management Incentive Plan. If Adjusted Compensation EBITDA performance is greater than 100% of any particular Adjusted Compensation EBITDA target, the executive officer s total payout with respect to that portion of the Financial Component of the Management Incentive Plan will be greater than target (that is, 70% of his or her annual incentive target payout) and is capped at 300% of that portion of the Financial Component target (which means 210% of his or her annual incentive target payout). Straight interpolation determines the bonus payout for performance which falls between the threshold and target or between the target and maximum.

The Personal Component of the annual incentive under the Management Incentive Plan is based on each executive officer s individual performance measured against his or her personal business goals (as further described in the Base Salary section above), as assessed as part of the Company s performance review process described under Base Salary above. The Executive Committee sets the threshold and maximum payout levels for the Personal Component of the Management Incentive Plan. The Executive Committee first determines an average payout percentage of the Personal Component of the annual incentive target for all eligible employees at the Company (including our executive officers) and then determines the actual payout of the Personal Component portion of each executive officer s annual incentive target, after considering the conclusions and recommendations provided by Mr. Storch with respect to executive officers other than himself. An executive officer s payout with respect to the Personal Component of the Management Incentive Plan (that is, 30% of his or her annual incentive target payout) is capped at 200% (which means 60% of his or her annual incentive target payout). The Executive Committee also considers how the payouts to the executive officers will affect the payouts for all eligible employees because percentage payouts to employees (including our executive officers) must equal the average payout percentage determined by the Executive Committee.

Notwithstanding the formulas described above for the Management Incentive Plan, the Executive Committee has the discretion to adjust the Personal Component and/or Financial Component payouts for all participants (which includes our executive officers) of the Management Incentive Plan.

The Adjusted Compensation EBITDA targets for fiscal 2010 were: $1,214,900,000 for the Company as a whole; $940,400,000 for our Domestic segment; $512,800,000 for our International segment; $48,698,000 for Central Europe; $57,338,000 for France; $68,178,000 for Iberia and $109,096,000 for Japan (in each case using the budgeted conversion rate of 1 EURO = 1.3863 USD and 1 JPY = 0.0111 USD).

In fiscal 2010, the actual consolidated Adjusted Compensation EBITDA results for the Company as a whole were equal to our Adjusted EBITDA plus a $1 million adjustment primarily related to hedging foreign merchandise purchase orders and the difference between the previous year s period-end rates and the actual translation impact on our results of operations. In fiscal 2010, the actual consolidated Adjusted Compensation EBITDA results were $854,900,000 for our Domestic segment; and $481,400,000 for our International segment. The following businesses of our International segment

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had the following Adjusted Compensation EBITDA results: $61,033,000 for Central Europe, $60,437,000 for France, $65,866,000 for Iberia and $116,104,000 for Japan. For more information on calculation of our Adjusted EBITDA, see Prospectus Summary Summary Historical Financial and Other Data .

In addition, the Executive Committee determined 100% as the average payout percentage of the Personal Component of the annual incentive target for all eligible employees at the Company and approved the following percentages as the payout percentage with respect to the Personal Component for each of the named executive officers: approximately 159% for Mr. Storch; 150% for Mr. Creasey; 100% for Ms. Derby; 200% for Ms. Merz and 175% for Mr. Urcelay. These individual percentages were determined in light of the average payout percentage for all eligible employees at the Company and the recommendations provided by Mr. Storch, as described above. The Company did not pay Ms. Babrowski any annual incentive award based upon the fiscal 2010 results.

The following table illustrates the calculation of each named executive officer s annual incentive payouts for fiscal 2010 in light of the performance results and decisions discussed above.

Name	Total Target Payout	Financial Component of Target Payout	Actual Payout under the Financial Component	Personal Component of Target Payout	Actual Payout under the Personal Component	Total Actual Payout under the Management Incentive Plan for Fiscal 2010
Mr. Storch	$ 2,300,000	$ 1,610,000	$ 322,536	$ 690,000	$ 1,100,000	$ 1,422,536
Mr. Creasey	545,000	381,500	76,427	163,500	245,250	321,677
Ms. Derby	737,000	515,900	103,352	221,100	221,100	324,452
Ms. Merz	534,930	374,451	484,914	160,479	320,958	805,872
Mr. Urcelay	659,200	461,440	494,398	197,760	346,080	840,478
Ms. Babrowski	808,500	565,950		242,550		

The Grants of Plan-Based Awards in Fiscal 2010 table below shows the threshold, target and maximum Management Incentive Plan awards that each of our named executive officers was eligible to receive in fiscal 2010. The actual payouts under the Management Incentive Plan awards actually earned by our named executive officers in fiscal 2010 are shown above and in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below. Ms. Babrowski s employment terminated on May 1, 2010 and she did not receive an annual incentive payment.

Long-Term Incentives

We believe that providing long-term incentives as a component of compensation helps us to attract and retain our executive officers. These incentives also align the financial rewards paid to our executive officers with the Company s long-term performance, thereby encouraging our executive officers to focus on the Company s long-term goals. Since the 2005 acquisition, the Executive Committee has offered long-term incentives under the Management Equity Plan. Commencing in fiscal 2011, we expect to issue all future equity award pursuant to the Toys R Us, Inc. 2010 Incentive Plan (the 2010 Incentive Plan), as further described below. For a description of awards made in 2011 under the 2010 Incentive Plan, see The 2010 Incentive Plan and Equity Awards After Fiscal Year 2010.

Management Equity Plan

Under the Management Equity Plan, executive officers were eligible to purchase (or in some instances to receive without payment) restricted shares of our common stock, par value $.001 per share and to receive stock options to purchase such common stock. Under the plan, a total of 3,889,000 shares of common stock were reserved for issuance.

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Restricted shares of common stock could be purchased at a price equal to the fair market value of the common stock. When the shares of common stock were purchased for fair market value, they were fully vested upon purchase and restricted in that the common stock is subject to certain transfer restrictions, as well as, in some cases, a put right exercisable in certain circumstances by the holder and a call right exercisable by us (and, if not exercised by us, by the Sponsors in the event the holder is no longer employed by us or any of our subsidiaries). Each participant has the right to require us to repurchase all of his or her restricted shares or shares issued or issuable pursuant to stock options in the event of a termination of employment due to death or disability. In addition, each participant has the right to require us to repurchase a portion of his or her restricted shares or unexercised options if his or her employment is terminated due to retirement subject to the limitations provided in the Management Equity Plan. These put rights under the Management Equity Plan will expire upon an initial public offering of our equity securities or a change in control of the Company. In addition, we have the right to repurchase all restricted shares or shares issued or issuable upon exercise of stock options from any participant who was no longer employed by us or any of its subsidiaries for any reason, at the fair market value thereof or, in certain cases, the lower of the fair market value and the original value. This right will similarly expire upon the completion of an initial public offering of our equity securities or a change in control of the Company.

The shares of common stock that were granted without consideration generally have a vesting period designed to encourage retention of the executive officer. Stock options granted under the Management Equity Plan have an exercise price equal to the fair market value of the underlying common stock on the grant date. Unless special vesting conditions were approved in an individual case, stock options granted under the Management Equity Plan prior to June 2009 vested under one of the following scenarios: (i) over five years based on continued service (service-based options) or (ii) after five years if certain performance criteria has been achieved and after eight years if the performance criteria has not been achieved (performance-based options). Generally, all stock options issued under the Management Equity Plan are personal to the participant and are not transferable, other than by will or pursuant to applicable laws of descent and distribution. Participants under the Management Equity Plan are generally subject to certain restrictive covenants, including confidentiality, non-competition and non-solicitation covenants, during their employment and for a specified period of time after termination of employment. The service-based stock options were designed to encourage retention, while the performance-based stock options combine retention with reward for achieving designated levels of return on investment for our equity holders. In June 2009, the Management Equity Plan was amended in order to remove the performance-based requirements and have all of the options to purchase our common stock (including those granted prior to June 2009) vest upon continued service of five years.

Commencing in February 2011, participants in the Management Equity Plan have the right to elect to be bound by the terms and conditions of Amendment No. 3 to the Management Equity Plan. This amendment, among other things, reduces the retirement criteria from age 62 with 10 years of service to age 60 with 10 years of service, accelerates vesting of all options upon death, disability or retirement and makes the non-competition period apply in the case of resignation for any reason and applies the non-competition period for the greater of one year and any severance period for termination without Cause. All of the named executive officers have agreed to be bound by Amendment No. 3.

In the event of a corporate transaction, such as a stock split, reorganization, merger, consolidation or other change in common stock, the Board, in its discretion, will make such changes in the number and type of shares covered by outstanding awards to prevent dilution or enlargement of the rights of participants under the Management Equity Plan.

The Board at any time may suspend or terminate the Management Equity Plan and make such additions or amendments as it deems advisable under the Management Equity Plan, provided that the Board may not change any terms of an award agreement in a manner adverse to a participant without

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the prior written approval of such participant. More detail about stock options held by our named executive officers (including the vesting provisions related to these grants) are shown in the tables that follow this discussion, including the Outstanding Equity Awards at 2010 Fiscal Year-End table.

Our executive officers who were employed at the time of the 2005 acquisition (including Mss. Derby and Merz and Mr. Urcelay) were offered the opportunity at that time to invest in the Company along with the Sponsors, by either making a cash investment to purchase restricted shares of common stock under the Management Equity Plan or rolling over previously existing options into the Management Equity Plan. Our executive officers, who were hired after the 2005 acquisition, were provided the option of making a cash investment to purchase restricted shares of common stock. The equity ownership of our named executive officers is set forth in the Beneficial Ownership table in Principal Shareholders.

During fiscal 2010, no named executive officer was granted an equity award pursuant to the Management Equity Plan. For more information on our practice for granting equity awards, see the section below entitled Equity Grant Practices.

The 2010 Incentive Plan

In fiscal 2010, our Board adopted the Toys R Us, Inc. 2010 Incentive Plan. The purpose of the 2010 Incentive Plan is to promote our success, and enhance our value, by providing us with the flexibility to motivate, attract, and retain the services of our employees, officers, directors, and consultants and linking the interests of such persons to those of our stockholders through the granting of incentive awards from time to time to such persons and by providing them with an incentive for outstanding performance.

The 2010 Incentive Plan is an omnibus plan that provides for the granting of stock options, stock appreciation rights, restricted stock, restricted and deferred stock units, performance awards, dividend equivalents and other stock or stock based awards. The 2010 Incentive Plan provides that the total number of shares of our Common Stock that may be issued under the 2010 Incentive Plan is 3,750,000 and the maximum number of such shares of our Common Stock for which incentive stock options may be granted is 500,000. Shares of common stock covered by awards that are terminated, cancelled, forfeited or settled in cash, lapse without the payment of consideration, or are otherwise withheld, repurchased or not issued, may be granted again under the 2010 Incentive Plan. Generally, an unexercised or restricted award will not be transferable or assignable by a participant other than to the Company or an affiliate or by will or by the laws of descent and distribution.

In the event of a corporate transaction, such as a stock dividend, stock split, spin-off, rights offering, reorganization, recapitalization, merger, or large nonrecurring cash dividend, the Board, in its discretion, will make changes to the 2010 Incentive Plan and awards, which may include adjusting the number and kind of shares subject to outstanding awards or adjusting the exercise price of outstanding awards, to prevent dilution or enlargement of the rights of participants immediately resulting from such corporate transaction.

The Board at any time may terminate the 2010 Incentive Plan and make such amendments as it deems advisable under the 2010 Incentive Plan, provided that certain amendments are subject to stockholder approval and the Board may not change any terms of an award agreement in a manner adverse to a participant without the prior written approval of such participant. More detail about stock options held by our named executive officers (including the vesting provisions related to these grants) are shown in the tables that follow this discussion, including the Outstanding Equity Awards at 2010 Fiscal Year-End table.

In connection with designing the 2010 Incentive Plan, our management retained the services of Hewitt Associates to provide us insight as to what is common in the market including eligibility, types of

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awards, performance criteria, award sizes and vesting schedules. We reviewed the prevalent practice based upon a peer group consisting of the following 15 retailers: Belk, Best Buy, Big Lots, The Bon-Ton Stores, Dollar General, The Gap, JC Penney Company, Lowe s Companies, Macy s, Nordstrom, OfficeMax, Sears, Staples, Target and True Value Company. Our management retained the services of Meridian Consultants to review the final proposed plan for market competitiveness, appropriate terms and best practices.

On a going forward basis, we intend for our compensation strategy for our named executive officers to include annual grants under the 2010 Incentive Plan. It is anticipated that named executive officers will receive annual grants composed of both stock options (Options) and performance shares or units (the Performance Equity).

On May 26, 2011, our Board approved grants of Options and Performance Equity to our executive officers, including our named executive officers, under the 2010 Incentive Plan. The named executive officers will receive two-thirds (2/3) of their grant in Options and one-third (1/3) of their grant in Performance Equity. The performance metrics for the vesting of Performance Equity is based fifty percent (50%) on our consolidated Adjusted Compensation EBITDA performance results and fifty percent (50%) on our total return on invested capital (ROIC) results, each over a three year period, which are performance metrics that we plan on focusing on over the next few years.

For the Performance Equity, we must meet certain thresholds for the performance metrics discussed above, before any shares are earned. The percentage of target shares earned based on our achievement of such thresholds is as follows:

Minimum	25% of target shares earned
Target	100% of target shares earned
Maximum (or greater)	200% of target shares earned

The aggregate value of the Stock Options and Performance Equity granted as a percentage of salary is based upon the awards issued by the peer group above. It is anticipated that we will make grants at or near the median of the peer group, subject to our Board s discretion.

The Performance Equity will vest based on the achievement of the performance metrics described above, if the executive officer continues to be employed by us on the third anniversary of the date of grant. We currently believe that a three (3) year measurement period is in our best interests as it encourages the Company s performance over a longer time period while not being so long as to be too difficult to set realistic goals for our executive officers.

The Options will vest 50% on the second anniversary of the grant, another 25% on the third anniversary of the grant, and the final 25% on the fourth anniversary of the grant. We currently believe that a four year vesting period is consistent with the peer group data and it provides us with the necessary retention incentive while at the same time providing our executive officers with the ability to vest in a portion of the Options during the four year vesting period, which we believe will properly motivate our executive officers.

Pursuant to the management stockholders addendum incorporated into the award agreements under to 2010 Incentive Plan, each participant has the right to require us to repurchase all of his or her restricted shares or shares issued or issuable pursuant to stock options in the event of a termination of employment due to death or disability. In addition, each participant has the right to require us to repurchase a portion of his or her restricted shares or unexercised options if his or her employment is terminated due to retirement subject to the limitations provided in the awards. These put rights will expire upon an initial public offering of our equity securities or a change in control of the Company. In addition, we have the right to repurchase all restricted shares or shares issued or issuable upon exercise of stock options from any participant who was no longer employed by us or any of its subsidiaries for any reason, at the fair market value thereof or, in certain cases, the lower of the fair market value and the original value. This right will similarly expire upon the completion of an initial public offering of our equity securities or a change in control of the Company.

Perquisites

We provide our executive officers with perquisites that we believe are reasonable and consistent with the perquisites that would be available to them at other potential employers. We provide each of our executive officers with a car allowance or company-leased car; financial planning, accounting and tax preparation services; legal services; an annual executive physical; and reimbursement of relocation expenses. In addition to these perquisites, pursuant to her employment agreement, Ms. Derby is entitled to tax gross-up payments if and to the extent that a change in control of the Company causes her to incur an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). In addition, in connection with Ms. Merz s assignment in Japan, she has been granted additional perquisites as described in footnote 7 of the Summary Compensation Table . We believe that providing Ms. Merz with these additional perquisites in connection with her overseas relocation was necessary in order to facilitate a smooth transition and allow her to focus on her new business assignment. Perquisites are valued at aggregate incremental cost to the Company.

For more information regarding perquisites for our executive officers, see the Summary Compensation Table . For information on the incremental costs of these perquisites, see the footnotes to the Summary Compensation Table.

Other Benefits

Other benefits for our executive officers include retirement benefits and health and insurance benefits. Retirement benefits play an important role within our overall executive compensation program by facilitating retention and encouraging our employees to accumulate assets for retirement. Based upon annual surveys sponsored by the Retail Benefits Group in which we have participated, we believe that our retirement program, including the amount of benefits, is comparable to those offered by other companies in the retail industry and, as a result, is needed to ensure that our executive compensation program remains competitive.

We maintain the Savings Plan in which our U.S. named executive officers who have at least one year of employment with the Company are eligible to participate, along with a substantial majority of our employees. The Savings Plan is a traditional 401(k) plan, under which the Company matches 100% up to the first 4% of each plan participant s (including our executive officers) earnings up to the Internal Revenue Code limit for each respective year in which the executive officer participates in the Savings Plan.

We also maintain the SERP for U.S. officers of the Company, including executive officers, who have one year of employment with the Company. Participants are generally 100% vested in their SERP accounts after completing five years of employment with the Company. The SERP provides supplemental retirement benefits that restore benefits to individuals whose retirement benefits are affected by the Internal Revenue Code limit on the maximum amount of compensation that may be taken into account under the Savings Plan. We intend the SERP to constitute an unfunded deferred compensation plan that is a top-hat plan under the Employee Retirement Income Security Act of 1974. We believe the SERP gives our executive officers parity in terms of retirement benefits with our other employees whose benefits are not subject to these limitations. In addition, the SERP supports the financial security component of compensation by providing a level of retirement benefits that is based on the actual level of compensation earned by our named executive officers during their employment rather than only a portion of such compensation.

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Until July 2010, we offered an executive life insurance coverage benefit to certain of our officers. This benefit, however, was in the process of being phased out and Ms. Derby was the only current named executive officer entitled to this benefit. This plan has been a closed population, with no new members, since March 2005. This plan entitles executive officers beneficiaries or estates to receive an amount equal to five times their annual salary and target annual cash incentive as of May 2006, net of any principal amounts paid by the Company (i.e., a Split Dollar Plan). This plan expired in July 2010.

Ms. Merz participates in the Deferred Profit Sharing Plan. The Company contributes 8% of her earnings each year, and she is fully vested since participants are fully vested after 2 years. Ms. Merz is eligible to, but does not currently, participate in the Toys Canada Registered Retirement Savings Plan (RRSP), a defined contribution plan available to all employees, in which she can contribute between two percent and ten percent of her earnings annually and the Company will match 50% of such contribution up to two percent of her earnings. Pursuant to his employment agreement, Mr. Urcelay is entitled to receive annual contributions equal to 15% of his base salary (the Contribution Amount). The Contribution Amount is utilized to purchase certain additional annuity products under the MAPFRE Policies, which provide certain payments to Mr. Urcelay upon maturity of each policy and prior to maturity, in the event of Mr. Urcelay s disability or death.

Benefits Upon Termination or Change of Control

Pursuant to their employment agreements, our executive officers are entitled to benefits upon termination or change of control. We believe these benefits play an important role in attracting and retaining high caliber executive officers and permit our executive officers to focus on their responsibilities for the Company without distractions caused by uncertainties in the context of an actual or threatened change of control. We also believe these benefits play an important role in protecting the Company s highly competitive business by restricting our executive officers from working for a competitor during the severance period. These benefits and restrictions are described in more detail below under Potential Payments Upon Termination or Change in Control.

Tax and Accounting Considerations

In making decisions about executive compensation, we take into account certain tax and accounting considerations. For example, we consider Section 409A of the Internal Revenue Code regarding non-qualified deferred compensation and Section 280G of the Internal Revenue Code with regard to change-in-control provisions. In making decisions about executive compensation, we also consider how various elements of compensation will affect our financial reporting. For example, we consider the impact of FASB Accounting Standards Codification (ASC) Topic 718, Compensation Stock Compensation (ASC 718), which requires us to recognize the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Considerations Associated with Regulatory Requirements

After the consummation of this offering, Section 162(m) of the Internal Revenue Code would limit the deductibility of the annual compensation of our named executive officers (other than our chief financial officer) to $1,000,000 per individual to the extent that such compensation is not performance-based (as defined in Section 162(m)). We intend to rely on transitional relief that is available under Section 162(m) of the Internal Revenue Code that exempts compensation plans adopted prior to a company s initial public offering from the deductible limit under that Section. This transitional relief for our compensation plans will be available to us until the date of our annual meeting that occurs after the third calendar year following the year of our initial public offering, unless prior to that date, we materially modify the plan or use up the shares or compensation that is subject to that transitional relief earlier (at which point, the transitional relief will expire). We will continue to consider the implications of Section 162(m) and the limits of deductibility of compensation in excess of $1,000,000, as we design our compensation programs going forward.

Equity Ownership Guidelines

We do not have formal equity ownership guidelines, although we have historically strongly encouraged our executive officers to invest in the Company through the Management Equity Plan. We believe equity ownership aligns our executive officers interests with our equity holders interests. The equity ownership of our named executive officers is set forth in the Beneficial Ownership Table in Principal Shareholders .

Following the completion of this offering, we plan to adopt an executive stock ownership policy which will require our executives to accumulate and retain specified levels of ownership of our stock until termination of employment, so as to further align the interests of our executives with the interests of our equity holders.

Equity Grant Practices

Historically we generally only issued equity under the Management Equity Plan twice a year to eligible new hires and eligible promoted individuals, although we have issued equity at other times. Each grant date coincided with a re-valuation of the stock price. Eligible individuals were able to purchase common stock and/or be granted stock options during a limited investment window following the re-valuation of the stock price and the approval of the grant by the Executive Committee. The number of options granted to these individuals were generally determined by a fixed multiple of the amount of their investment in restricted stock divided by the stock price, although the Board has granted options to persons who did not invest in the common stock at that time. The multiple was based on the experience of the Sponsors in similar transactions. Commencing in fiscal 2011, we expect to issue any future equity awards pursuant to the 2010 Incentive Plan.

Employment Arrangements with Mr. Friedman

On April 4, 2011, the Company entered into an agreement (the Agreement) to hire Neil B. Friedman as Executive Vice President President, Toys R Us, U.S. of the Company, beginning April 4, 2011. Mr. Friedman s initial employment term with the Company under the Agreement ends on the first anniversary of his hire date of April 4, 2011. The Agreement provides for automatic one-year renewals following the initial term, unless either party provides the other party with written notice of non-renewal at least sixty days prior to the next renewal date. The Agreement provides for a base salary of $1,000,000 per year (which may be increased at the Board s discretion) plus participation in the Company s welfare benefit plans and retirement plans on the same basis as those benefits are generally made available to other senior executives of the Company. Mr. Friedman is also eligible to earn an annual bonus award of up to 110% of his base salary (which amount may be increased at the Board s discretion in accordance with the Company s incentive plan in the event the Company s performance exceeds certain performance targets established by the Board) (the Annual Bonus), which bonus is payable upon achievement of certain performance targets established by the Board and pursuant to the terms of the Company s incentive plan. The Agreement provides that Mr. Friedman s bonus for the 2011 fiscal year will be pro rated based upon the number of days he is employed during the fiscal year. Mr. Friedman will be eligible to participate in the Toys R Us, Inc. 2010 Incentive Plan.

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Summary Compensation Table

The following table summarizes the compensation awarded to, earned by or paid to the named executive officers for fiscals 2010, 2009 and 2008.

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Gerald L. Storch,	2010	$ 1,142,307	$	$	$	$ 1,422,536	$	$ 198,708(1)	**$ 2,763,551**
Chairman of the	2009	1,100,000				3,503,887		112,709	**4,716,596**
	2008	1,084,615				1,278,265		187,363	**2,550,243**
Board and Chief									
Executive Officer									
F. Clay Creasey, Jr.,	2010	540,384				321,677		72,886(2)	**934,947**
EVP Chief	2009	515,000				820,228		62,081	**1,397,309**
Financial Officer	2008	512,692				299,230		83,928	**895,850**
Deborah M. Derby,(3)	2010	666,923				324,452		93,464(4)	**1,084,839**
EVP Chief	2009	650,000				1,031,513		60,443	**1,741,956**
Administrative Officer									
Monika M. Merz,(5)	2010	526,513				805,872		1,461,727(6)	**2,794,112**
President and Chief									
Executive Officer of									
Toys Japan									
Antonio Urcelay,(7)	2010	654,679				840,478		229,966(8)	**1,725,123**
President of	2009	673,110				1,090,850		236,235	**2,000,195**
Europe	2008	695,458				539,665		294,249	**1,529,372**
Claire Babrowski,(9)	2010	182,212						1,011,591(10)	**1,193,803**
EVP Chief	2009	725,000				971,096		88,081	**1,784,177**
Operating Officer	2008	721,154				403,559		119,463	**1,244,176**

(1) Includes $175,894 of Company contribution to the SERP, $11,040 for a leased car, $9,500 for financial planning services, $1,200 for an executive physical, $696 for life insurance premiums and $378 for long-term disability premiums.
(2) Includes $44,532 of Company contribution to the SERP, $25,603 for a leased car, $1,677 of Company matching contribution to the Savings Plan, $696 for life insurance premiums and $378 for long-term disability premiums.
(3) Ms. Derby was not a Named Executive Officer in 2008.
(4) Includes $58,076 of Company contribution to the SERP, $18,104 for a leased car, $9,862 of Company matching contribution to the Savings Plan, $4,898 for financial planning services, $1,450 for an executive physical, $696 for life insurance premiums and $378 for long-term disability premiums.
(5) Ms. Merz is compensated in Canadian Dollars. Her 2010 compensation has been converted to U.S. dollars using a rate equal to the average monthly rate for fiscal 2010 of 1.0000 CAD = 0.9726 USD. Ms. Merz was not a named executive officer in fiscals 2009 or 2008.
(6) Includes $448,697 for host country income tax payments for local benefits, $286,907 for Japanese estimated national income tax for 2010, $176,680 for a Cost of Living Allowance (COLA), $174,017 for tax equalization, $153,120 for housing, $51,652 for tax preparations, $43,962 Company contributions to the

Deferred Profit Sharing Plan, $35,327 for home leave for Ms. Merz and her spouse, $28,851 for furniture rental, $19,452 for a car allowance, $18,333 for premiums for ex-patriate health care coverage for Ms. Merz and her spouse, $9,668 for utilities, $8,335 for language lessons for Ms. Merz and her spouse, $6,171 for club fees for the American Club and $555 for Executive Wellness (benefit expenses not covered by the health plan).

(7) Mr. Urcelay is compensated in Euros. His fiscal 2010 compensation has been converted to U.S. dollars using a rate equal to the average monthly rate for fiscal 2010 of 1.0000 Euros = 1.3184 USD. His fiscal 2009 compensation has been converted to U.S. dollars using a rate equal to the average monthly rate for fiscal 2009 of 1.0000 Euros = 1.4025 USD. His fiscal 2008 compensation has been converted to U.S. dollars using a rate equal to the average monthly rate for fiscal 2008 of 1.0000 Euros = 1.4594 USD.

(8) Includes $171,044 for the purchase of annuity products under the MAPFRE Policies, $32,127 for a leased car, $14,989 for executive life insurance premiums, $11,007 for executive medical premiums and $799 for financial planning services.

(9) Ms. Babrowski s employment with the Company terminated effective May 1, 2010.

(10) Includes $998,374 for severance, $7,569 of Company matching contribution to the Savings Plan, $5,400 for car allowance, $161 for life insurance premiums and $87 for long-term disability premiums.

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Grants of Plan-Based Awards in Fiscal 2010

Name	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards(1) Threshold(2)	Target	Maximum(3)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Storch	$	$ 2,300,000	$ 6,210,000	$	$	$			$	$
Creasey		545,000	1,471,500							
Derby		737,000	1,989,900							
Merz		534,930	1,444,311							
Urcelay		659,200	1,779,840							
Babrowski(4)		808,500	2,182,950							

(1) These amounts reflect estimated possible payouts under our annual incentive awards granted for fiscal 2010. Our Executive Committee approved the threshold, target and maximum payment amounts for fiscal 2010 on July 12, 2010. Each named executive officer s target payout was the following percentage of his or her base salary: 200% for Mr. Storch, 110% for Mss. Babrowski and Derby, and 100% for Messrs. Creasey and Urcelay and for Ms. Merz. The target payout is weighted 70% on the Financial Component and 30% on the Personal Component. For more information, see the Compensation Discussion and Analysis Elements of Our Executive Compensation Program Annual Incentive Awards section set forth above.

(2) The Threshold amount shown is 0% of the Target amount, which is comprised of the Financial Component and the Personal Component. The Financial Component pays out beginning at just above 0% of the Target amount if the threshold payout level is met. If the Threshold payout level is not met, no Financial Component will be paid. If 80% of the Target payout level is not met, the Personal Component will not be paid.

(3) The maximum, which refers to the maximum payout possible under the Management Incentive Plan, for fiscal 2010 was 300% of the Financial Component target and 200% of the Personal Component target. For a further description of these awards, see the Compensation Discussion and Analysis Elements of Our Executive Compensation Program Annual Incentive Awards section set forth above.

(4) Ms. Babrowski s employment with the Company terminated effective May 1, 2010.

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Outstanding Equity Awards at 2010 Fiscal Year-End

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares Units or Other Rights That Have Not Vested
Storch	2/7/2006(1)	598,131	149,533		$ 26.75	2/7/2016				
Creasey	8/6/2007(1)	73,705	49,136		32.00	8/6/2017				
Derby	7/21/2005(1)	122,841			26.75	7/21/2015				
Merz	7/21/2005(1)	50,466			26.75	7/21/2015				
	4/1/2003(2)	8,000			8.25	4/1/2013				
	4/1/2004(2)	4,000			16.74	4/1/2014				
Urcelay	7/21/2005(1)	122,841			26.75	7/21/2015				
	4/1/2003(2)	25,000			8.25	4/1/2013				
Babrowski(3)										

(1) These options time vest 40% on the second anniversary of the grant date, 20% on the third anniversary of the grant date, 20% on the fourth anniversary of the grant date and 20% on the fifth anniversary of the grant date. The vesting of these options may accelerate under certain circumstances as further described in Potential Payments upon Termination or Change-in-Control.

(2) In connection with the 2005 acquisition, holders of vested stock options (Pre-Merger Options) to purchase equity in the Company were permitted to exchange these Pre-Merger Options for a like value of fully vested stock options (Rollover Options) to purchase shares of Common Stock under the Management Equity Plan. The stock options listed in these rows are Rollover Options, which are fully vested.

(3) In connection with Ms. Babrowski s termination of employment and pursuant to the terms and conditions of the Management Equity Plan, on May 14, 2010, the Company repurchased all vested equity owned awards by Ms.Babrowski at fair value. All of her unvested options on the date of termination were forfeited.

Option Exercises and Stock Vested for Fiscal 2010

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercises	Value Realized on Exercises	Number of Shares Acquired on Vesting	Value Realized on Vesting
Storch		$		$
Creasey				
Derby				
Merz				
Urcelay(1)	12,383	563,055		
Babrowski(2)	41,075	739,350		

(1) Mr. Urcelay exercised 12,383 Rollover Options on October 15, 2010. These Rollover Options had a grant price of $15.53 and were due to expire on October 16, 2010. The gain for Mr. Urcelay was $563,055. He exercised via a cashless exercise, whereby shares were withheld to cover the cost of the exercise and the taxes. Mr.Urcelay received a net amount of 6,164 shares.

(2) Ms. Babrowski exercised 41,075 stock options on May 14, 2010. These stock options had a grant price of $32.00. The gain for Ms. Babrowski was $739,350. She exercised via a cashless exercise and received a gross cash amount of $739,350.

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Nonqualified Deferred Compensation for Fiscal 2010

Name	Executive Contributions in Last FY	Registrant Contributions in Last FY(1)(2)	Aggregate Earnings at Last FY(3)	Aggregate Withdrawals / Distributions	Aggregate Balance at Last FYE(4)
Storch	$	$ 175,894	$ 9,472	$	$ 707,346
Creasey		44,532	3,719		168,891
Derby		58,076	3,805		272,510
Merz(5)		33,044		33,044	
Urcelay(6)		171,044	35,679		857,221
Babrowski(7)					

(1) We make an annual contribution to the SERP for each U.S. executive officer who is employed on the last day of the SERP plan year. The amount of the contribution is equal to 4% of that portion of the executive officer s total compensation in excess of the dollar limits under Internal Revenue Code Section 401(a)(17). Generally, total compensation means compensation as reported on Form W-2 with the Internal Revenue Service or such other definition as is utilized under the Savings Plan. However, total compensation includes amounts paid pursuant to our Management Incentive Plan but does not include sign-on bonuses, retention bonuses, project completion bonuses or other types of success bonuses. The Executive Committee may at its discretion also credit additional notional contributions if the Company had an exceptional year. Each U.S. executive s SERP account will be credited or debited with Declared Interest, which will be based upon hypothetical investments selected by the executive officer pursuant to procedures established by the administrative committee that administers the SERP. The Administrator of the SERP determines the number of investment options available under the SERP and such investment options are comprised of a subset of the investment options available under the Savings Plan. Participants in the SERP have the right to change their hypothetical investment selections on a daily basis. The contributions made by the Company vest five years after the executive officer s first day of employment with the Company. All SERP distributions are paid in lump sums upon termination of the participant s employment with the Company.

(2) All contributions that we made for each executive officer during fiscal 2010 were included in the All Other Compensation column of the Summary Compensation Table above.

(3) Earnings on nonqualified deferred compensation were not required to be reported in the Summary Compensation Table.

(4) Of the aggregate balance amount set forth in this column, $499,023, $115,924 and $75,585 were previously reported in the Summary Compensation table for Messrs. Storch and Creasey and Ms. Derby, respectively, for prior fiscal years. $355,099 was previously reported in the Summary Compensation Table for contributions to the Spain Savings Plan and the MAPFRE policies for Mr. Urcelay for prior fiscal years.

(5) Pursuant to the terms of her employment, Ms. Merz is entitled to receive from the Company a contribution amount equal to 8% of her pay, which was equal to $43,962 for fiscal 2010. Under Canadian law, the Company can only contribute $10,918 to the Deferred Profit Sharing Plan. The balance of the Company contribution, $33,044, is paid to Ms. Merz in a lump sum cash payment.

(6) These amounts reflect the annuity products purchased for the benefit of Mr. Urcelay under the MAPFRE Polices.

(7) Ms. Babrowski forfeited her balance when her employment was terminated on May 1, 2010.

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Potential Payments Upon Termination or Change in Control

Employment Agreements

We maintain employment agreements with each of our named executive officers, except for Ms. Babrowski, whose employment agreement was terminated on May 1, 2010. In addition, on April 4, 2011 we entered into an employment agreement with Mr. Friedman, Executive Vice President President Toys R Us, U.S. These agreements provide certain benefits upon termination of employment or change of control and certain restrictive covenants, as described below.

For Messrs. Storch and Creasey:

Termination for Cause, Resignation Without Good Reason. If one of the above named executives employment is terminated for cause or he resigns without good reason (as such terms are defined in each of their employment agreements), the executive will receive:

- any base salary earned, but unpaid as of the date of his termination;
- any employee benefits that he may be entitled to under the Company s employee benefit plans; and
- any annual incentive award for the immediately preceding fiscal year that is earned but unpaid as of the date of his termination.

Termination Due to Death or Disability. If one of the above named executives dies, or if we terminate his employment due to disability, he (or his estate) will receive:

- any base salary earned, but unpaid as of the date of his termination;
- any employee benefits that he may be entitled to under the Company s employee benefit plans;
- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of his termination; and
- a pro-rata portion of his annual incentive award for the current fiscal year earned through the date of termination, based on the Company s actual results as opposed to his target annual incentive award.

Termination Without Cause or Resignation for Good Reason. If one of the above named executives employment is terminated without cause or he resigns for good reason, he will receive:

- any base salary earned, but unpaid as of the date of his termination;
- any employee benefits that he may be entitled to under the Company s employee benefit plans;
- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of his termination;

a pro-rata portion of his annual incentive award earned through the date of termination, based on the Company s actual results as opposed to his target annual incentive award;

an amount equal to two times the sum of (x) his then-current base salary and (y) his target annual bonus amount payable in twenty four (24) monthly installments, except such amount will be payable in a lump sum if the executive s termination of employment occurs six months prior to or two years after a change in control (as defined in the 2010 Incentive Plan); and

continuation of medical, dental and life insurance benefits, with the executive paying a portion of such costs as if his employment had not terminated, until the earlier to occur of (i) the end of the twenty four (24) month period commencing on the date of termination of employment (the Severance Period) or (ii) the date on which the executive commences to be eligible for coverage under substantially comparable medical, dental and life insurance benefit plans from any subsequent employer.

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Restrictive Covenants. During the term of their employment and during the Severance Period, each of Messrs. Storch and Creasey has agreed not to:

- engage in any business that directly or indirectly is a Competitive Business (as defined in each of their employment agreements);
- enter the employ of, or render any services to, any person who or which engages in a Competitive Business;
- acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly;
- interfere with, or attempt to interfere with, business relationships between the Company or any of its affiliates and customers, clients, suppliers, partners, members or investors of the Company or its affiliates;
- solicit to leave the employment of, or encourage any employee of the Company or its affiliates to leave the employment of, the Company or its affiliates;
- hire any such employee who was employed by the Company or its affiliates as of the date of his termination of employment with the Company or who left the employment of the Company or its affiliates coincident with, or within one year prior to, the termination of his employment with the Company; and
- solicit to leave the employment of, or encourage to cease to work with, as applicable, the Company or its affiliates or any consultant, supplier or service provider under contract with the Company or its affiliates.

In addition, during the term of his employment and anytime thereafter, each of the above named executive officers has agreed not to use for his benefit or disclose any of the Company s confidential information.

For Ms. Derby:

Termination for Cause or Resignation Without Good Reason. If Ms. Derby s employment is *terminated* for cause or she resigns without good reason (as such terms are defined in her employment agreement), she will receive:

- any base salary earned, but unpaid as of the date of her termination; and
- any employee benefits that she may be entitled to under the Company s employee benefit plans.

Termination Due to Death or Disability. If Ms. Derby dies, or if we terminate her employment due to disability, she (or her estate) will receive:

- any base salary earned, but unpaid as of the date of her termination;
- any employee benefits that she may be entitled to under the Company s employee benefit plans;

any accrued, but unused vacation time for the year in which the date of her termination occurs, pro-rated for the number of days in such fiscal year preceding the date of her termination;

any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of her termination; and

a pro-rata portion of her targeted (as opposed to it being based on actual results) annual incentive award through the date of termination.

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Termination Due to Retirement. If Ms. Derby retires, she will receive:

- any base salary earned, but unpaid as of the date of her termination;
- any employee benefits that she may be entitled to under the Company s employee benefit plans;
- any accrued, but unused vacation time for the year in which the date of her termination occurs, pro-rated for the number of days in such fiscal year preceding the date of her termination;
- any annual incentive award for the immediately preceding fiscal year, that is earned, but unpaid as of the date of her termination; and
- continuation of medical and dental benefits, with Ms. Derby paying a portion of such costs pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended, until the earlier to occur of (i) her reaching the age of 65 or (ii) the date on which she becomes employed by a subsequent employer that offers medical benefits to her.

Termination Without Cause or Resignation for Good Reason. If Ms. Derby is terminated without cause or resigns for good reason, she will receive:

- any base salary earned, but unpaid as of the date of her termination;
- the targeted amount of her annual incentive award for the year in which her date of termination occurs, pro-rated for the number of completed months in such fiscal year preceding the date of her termination;
- any accrued, but unused vacation time for the year in which the date of her termination occurs, pro-rated for the number of days in such fiscal year preceding the date of her termination;
- any actual earned annual incentive awards for any completed fiscal year not previously paid;
- continued eligibility to participate in the Savings Plan and the SERP for two years following the date of termination of her employment and she shall be fully vested as of the date of termination in any account balance and all other benefits under such plans;
- two times the sum of (i) her annual base salary and (ii) her targeted annual incentive award for the year in which the date of her termination occurs, payable in equal installments for 24 months in accordance with normal payroll periods;
- continuation of medical and dental benefits, with Ms. Derby paying a portion of such costs equal to the portion paid by active employees for the first twenty-four months after the date of her termination and then she will pay a portion of such costs pursuant to Section 4980B of the Internal Revenue, until the earlier to occur of (i) her reaching the age of 65 and (ii) the date on which she becomes employed by a subsequent employer that offers medical benefits to her;

- continuation of her Company leased automobile for two years; and

- continuation of financial planning services for two years.

Termination Due to Change in Control or Resignation for Good Reason after Change in Control. If Ms. Derby is terminated due to a change in control or she resigns for good reason due to a change in control, then she will receive:

- any base salary earned, but unpaid as of the date of her termination;

- the targeted amount of her annual incentive award for the year in which the date of her termination occurs, pro-rated for the number of completed months in such fiscal year preceding the date of her termination;

- any accrued, but unused vacation time for the year in which the date of her termination occurs, pro-rated for the number of days in such fiscal year preceding the date of her termination;

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- any actual earned annual incentive awards for any completed fiscal year not previously paid;
- continued eligibility to participate in the Savings Plan and SERP for two years and she shall be fully vested as of the date of her termination in any account balance and any other benefits under such plans;
- an amount equal to (a) two times her annual base salary and (b) two times her targeted annual incentive award for the year in which the date of her termination occurs;
- all unvested options and equity based awards shall vest immediately on the later of the date of her termination or the date of the change in control event and all such options may be exercised until the earlier of (i) the thirty-month anniversary of the date of her termination or (ii) the original expiration date of such options; subject to the vesting provisions of the Management Equity Plan which govern the vesting of any equity awards issued under the Management Equity Plan;
- continuation of medical and dental benefits, with Ms. Derby paying a portion of such costs equal to the portion paid by active employees for the first twenty-four months after the date of her termination and then she will pay a portion of such costs pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended, until the earlier to occur of (i) her reaching the age of 65 and (ii) the date on which the she becomes employed by a subsequent employer that offers medical benefits to her;
- continuation of her Company leased automobile for two years following the date of termination of her employment; and
- continuation of financial planning services for two years following the date of termination of employment.

Restrictive Covenants. During the term of her employment and for a period of two years thereafter, Ms. Derby has agreed not to:

- directly or indirectly seek or obtain a Competitive Position (as defined in her employment agreement) in the Restricted Territory (as defined in her employment agreement) with a Competitor (as defined in her employment agreement); and
- directly or indirectly on her own behalf or as a principal or representative of any person or otherwise solicit or induce any Protected Employee (as defined in her employment agreement) to terminate his or her employment relationship with the Company or to enter into employment with any other person.

In addition, during the term of her employment and anytime thereafter, Ms. Derby has agreed not to use for her benefit or disclose any of the Company s confidential information.

For Ms. Merz

Termination for Cause, Resignation Without Good Reason (including Retirement). If Ms. Merz s employment is terminated for cause or she resigns without good reason (as such terms are defined in each of their employment agreements), the executive will receive:

- any base salary earned, but unpaid as of the date of her termination; and
- any employee benefits that she may be entitled to under Toys R Us Canada Ltd. s employee benefit plans.

Termination Due to Disability. If we terminate her employment due to disability, she will receive such amounts, if any, then required to be paid pursuant to the common laws of Canada.

Termination Due to Death. If Ms. Merz s employment is terminated due to her death, her estate will receive:

any base salary earned, but unpaid as of the date of her termination;

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- any employee benefits that she may be entitled to under the Toys R Us Canada Ltd. s employee benefit plans; and

- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of her termination.

Termination Without Cause or Resignation for Good Reason. If Ms. Merz s employment is terminated without cause or she resigns for good reason, she will receive:

- any base salary earned, but unpaid as of the date of her termination;

- any employee benefits that she may be entitled to under the Company s employee benefit plans;

- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of her termination;

- a pro-rata portion of her annual incentive award earned through the date of termination, based on the Company s actual results as opposed to her target annual incentive award; and

- an amount equal to the sum of (x) one times the actual annual incentive award she received for the fiscal year immediately preceding the year of the termination of her employment, plus (y) the product of two times her current base salary for the fiscal year in which her employment was terminated, payable in equal installments for 24 months in accordance with normal payroll periods.

Termination due to Reassignment of Position. If Ms. Merz is reassigned to a new position, which is an Equivalent Position (as defined in her employment agreement) and she rejects or refuses the assignment for the Equivalent Position, she will receive:

- any base salary earned, but unpaid as of the date of her termination;

- any employee benefits that she may be entitled to under the Company s employee benefit plans;

- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of her termination;

- a pro-rata portion of her annual incentive award earned through the date of termination, based on the Company s actual results as opposed to her target annual incentive award; and

- eligibility to receive a long-term bonus of $1,500,000 on or about April 2011 based upon the Company s actual results.

Expiration of Employment Term. Upon expiration of the employment agreement, she will receive:

- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of her termination;

- a pro-rata portion of her annual incentive award earned through the date of termination, based on the Company s actual results as opposed to her target annual incentive award; and

- eligibility to receive a long-term bonus of $1,500,000 on or about April 2011 based upon the Company s actual results.

In addition to the above payments, Ms. Merz shall be entitled to the following payment in the event that she is not offered an Equivalent Position during the term of her employment or within six (6) months after the expiration of her employment:

- an amount equal to the sum of (x) one times the actual annual incentive award she received for the fiscal year immediately preceding the year of the termination of her employment, plus (y) the product of two times her current base salary for the fiscal year in which her employment was terminated.

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Restrictive Covenants. During the term of her employment and during the two (2) years thereafter, Ms. Merz has agreed not to:

- engage either directly or indirectly in a Restricted Business (as defined in her employment agreement);
- enter the employ of, or render any services to, any person who or which engages in a Restricted Business;
- acquire a financial interest in, or otherwise become actively involved with, any Restricted Business, directly or indirectly;
- interfere with, or attempt to interfere with, business relationships between the Company or any of its affiliates and customers, clients, suppliers, partners, members or investors of the Company or its affiliates;
- solicit to leave the employment of, or encourage any employee of the Company or its affiliates to leave the employment of, the Company or its affiliates;
- hire any such employee who was employed by the Company or its affiliates as of the date of her termination of employment with the Company or who left the employment of the Company or its affiliates coincident with, or within one year prior to, the termination of her employment with the Company; and
- solicit to leave the employment of, or encourage to cease to work with, as applicable, the Company or its affiliates or any consultant, supplier or service provider under contract with the Company or its affiliates.

For Mr. Urcelay:

Termination Without Cause or Due to Relocation. If Mr. Urcelay s employment is terminated for reasons other than cause or if he resigns due to a requirement to relocate outside of the Madrid, Spain area, he will receive:

- eighteen months base salary;
- actual achieved annual incentive award up to a maximum of his target annual incentive award for the eighteen month period after his termination, based on the Company s actual results, as opposed to his target annual incentive award;
- continuation of car benefit for eighteen months, excluding gas, maintenance and other usage-related expenses;
- continuation of health benefits for eighteen months;
- continuation of the use of his Company provided laptop computer and cell phone for eighteen months, except that he will be responsible for the costs of all telephone calls;

any stock options and restricted stock will continue vesting for ninety days after the date of termination, subject to the vesting provision of the Management Equity Plan, but once the ninety day period has elapsed any unvested stock options will be automatically cancelled;

up to thirty days following the expiration of the eighteen-month period after his termination date, he may exercise any vested stock options; subject to the vesting provisions of the Management Equity Plan; and

continuation of Company contributions to his defined contribution plan and provision of tax advice for eighteen months.

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Termination Due to Change in Control or Resignation Due to Relocation or Change in Position after Change in Control. If Mr. Urcelay is terminated due to a change in control (as defined in his employment agreement), resigns due to a requirement to relocate outside of the Madrid, Spain area due to a change in control, or resigns due to his removal as President of Europe and is not offered another professional position in the Company in the Madrid, Spain area with equivalent target compensation, he will receive eighteen months gross pay, which is determined by (i) dividing the last twelve months salary and target annual incentive award by twelve and (ii) multiplying the result by eighteen.

Restrictive Covenants. Mr. Urcelay s benefits described above are subject to his promise that for a period of eighteen months following the termination of his employment, he will not:

- carry out any other business, similar or equal to the Company or which otherwise competes with the business of the Company directly or indirectly, individually or as an employee, consultant, or in any other capacity, unless the competitive business represents less than ten percent of the whole business turnover;
- call upon, communicate with, attempt to communicate with or solicit business from any client or customer of the Company or any person responsible for referring business to the Company, or any competitor of the Company, or for his own interest if he should become a competitor of the Company; and
- take any action to assist any successor employer or entity in employment solicitation or recruiting any employee who had worked for the Company during the immediate six months prior to his termination.

For Mr. Friedman:

Termination for Cause, Resignation Without Good Reason. If Mr. Friedman s employment is terminated for cause or he resigns without good reason (as such terms are defined in each of their employment agreements), the executive will receive:

- any base salary earned, but unpaid as of the date of his termination;
- any employee benefits that he may be entitled to under the Company s employee benefit plans; and
- any annual incentive award for the immediately preceding fiscal year that is earned but unpaid as of the date of his termination.

Termination Due to Death or Disability. If Mr. Friedman dies, or if we terminate his employment due to disability, he (or his estate) will receive:

- any base salary earned, but unpaid as of the date of his termination;
- any employee benefits that he may be entitled to under the Company s employee benefit plans;
- any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of his termination; and
- a pro-rata portion of his annual incentive award for the current fiscal year earned through the date of termination, based on the Company s actual results as opposed to his target annual incentive award.

Termination Without Cause or Resignation for Good Reason. If Mr. Friedman s employment is terminated without cause or he resigns for good reason, he will receive:

any base salary earned, but unpaid as of the date of his termination;

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any employee benefits that he may be entitled to under the Company s employee benefit plans;

any annual incentive award for the immediately preceding fiscal year that is earned, but unpaid as of the date of his termination;

a pro-rata portion of his annual incentive award earned through the date of termination, based on the Company s actual results as opposed to his target annual incentive award;

an amount equal to two times the sum of (x) his then-current base salary and (y) his target annual bonus amount payable in twenty four (24) monthly installments, except such amount will be payable in a lump sum if Mr. Friedman s termination of employment occurs 6 months prior to or two years after a change in control (as defined in the 2010 Incentive Plan); and

continuation of medical, dental and life insurance benefits, with the executive paying a portion of such costs as if his employment had not terminated, until the earlier to occur of (i) the end of the twenty four (24) month period commencing on the date of termination of employment (the Severance Period) or (ii) the date on which he commences to be eligible for coverage under substantially comparable medical, dental and life insurance benefit plans from any subsequent employer.

Restrictive Covenants. During the term of Mr. Friedman s employment and during the Severance Period, Mr. Friedman has agreed not to:

engage in any business that directly or indirectly is a Competitive Business (as defined in his employment agreement);

enter the employ of, or render any services to, any person who or which engages in a Competitive Business;

acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly;

interfere with, or attempt to interfere with, business relationships between the Company or any of its affiliates and customers, clients, suppliers, partners, members or investors of the Company or its affiliates;

solicit to leave the employment of, or encourage any employee of the Company or its affiliates to leave the employment of, the Company or its affiliates;

hire any such employee who was employed by the Company or its affiliates as of the date of his termination of employment with the Company or who left the employment of the Company or its affiliates coincident with, or within one year prior to, the termination of his employment with the Company; and

solicit to leave the employment of, or encourage to cease to work with, as applicable, the Company or its affiliates or any consultant, supplier or service provider under contract with the Company or its affiliates.

In addition, during the term of his employment and anytime thereafter, Mr. Friedman has agreed not to use for his benefit or disclose any of the Company s confidential information.

For Ms. Babrowski:

Prior to Ms. Babrowski s termination on May 1, 2010, we maintained an employment agreement with her with similar terms and restrictive covenants to the agreements described above for Messrs. Storch and Creasey. The termination of her employment with us was treated as a termination without cause pursuant to her employment agreement. Pursuant to her employment agreement, Ms. Babrowski is entitled to receive the following severance payments: (i) the sum of 18 months base salary equal to $1,102,500, plus a payment amount of $971,096 which is equal to her 2009 annual incentive award compensation; all paid in accordance with Company s payroll procedures, (ii) Ms. Babrowski did not receive a 2010 annual incentive award and (iii) health insurance during the 18-month period. In addition, pursuant to the terms of the employment agreement, Ms. Babrowski is subject to a non-compete covenant during the above period. On May 14, 2010, the Company repurchased all of Ms. Babrowski s equity in the Company, including stock options, for a total of approximately $1,364,350.

Management Equity Plan

The Management Equity Plan governs the vesting and exercise of stock options and restricted stock (issued under the Management Equity Plan) upon termination of employment.

Under the Management Equity Plan, if an executive officer ceases to be employed by the Company or any of its subsidiaries for any reason, then the portion of such executive officer s stock options that have not fully vested as of such executive officer s date of termination of employment (the Termination Date) shall expire at such time.

The portion of an executive officer s stock options that have fully vested as of such executive officer s Termination Date shall expire (i) 30 days after such executive officer s Termination Date if the executive officer is terminated without Cause (as defined in the Management Equity Plan) or if the executive officer resigns for any reason (including retirement), (ii) 90 days after such executive officer s Termination Date if the executive officer is terminated due to disability, (iii) 180 days after such executive officer s Termination Date if the executive officer is terminated due to death, and (iv) immediately upon termination if such executive officer is terminated with Cause (as defined in the Management Equity Plan). In addition, pursuant to the Management Equity Plan the unvested portion of options will accelerate and become vested upon a change in control as defined in the Management Equity Plan.

In the event that an executive officer ceases to be employed by the Company or any of its subsidiaries for any reason, all common stock held by such executive officer (including vested options to purchase shares of common stock) may be subject to purchase by the Company and the Sponsors, solely at their option, unless such executive officer s Award Agreement gives the executive officer the right to force the Company to purchase his or her common stock. Please see the Summary of Payments and Benefits Upon Termination or Change in Control tables below for more information.

The 2010 Incentive Plan

The 2010 Incentive Plan and the award agreements thereunder govern the vesting and exercise of stock options, restricted stock and restricted stock units (issued under the 2010 Incentive Plan) upon termination of employment.

Under the 2010 Incentive Plan and the award agreements thereunder, if an executive officer ceases to be employed by the Company or any of its subsidiaries for any reason (other than death, disability or retirement (as such terms are defined in the 2010 Incentive Plan)), then the portion of such executive officer s stock options, restricted stock and restricted stock units that have not fully vested as of such executive officer s date of termination of employment (the Termination Date) shall expire at such time. In the event an executive officer ceases to be employed by the Company or any of its subsidiaries by reason of death, disability or retirement, then (i) all outstanding stock options will become fully vested; (ii) all time-based vesting restrictions will lapse and be deemed fully satisfied as on the Termination Date; and (iii) all the payout opportunities attainable under outstanding performance-based awards will be deemed to have been earned by the executive officer as of the Termination Date, and the amount to be paid to the executive officer, if any, will be based on the actual level of achievement of all relevant performance goals against target and will be measured as of the end of the performance period in which such termination occurred and such amount will be a pro rata payout based upon the length of time within the performance period that had elapsed prior to the Termination Date over the performance period.

Under the 2010 Incentive Plan and the award agreements thereunder, the portion of an executive officer s stock options that have fully vested as of such executive officer s Termination Date shall expire (i) one year after such executive officer s Termination Date if the executive officer is terminated due to death, disability or retirement; (ii) 90 days after such executive officer s Termination Date if the executive officer is terminated by the Company without cause or by the executive officer for good reason (as defined in the 2010 Incentive Plan); (iii) 30 days after such executive officer s Termination Date if the executive officer is terminated by the executive officer without good reason; and (iv) immediately upon termination if such executive officer is terminated with cause.

Upon the occurrence of a change in control (as defined in the 2010 Incentive Plan), (i) awards for outstanding stock options will become fully exercisable, (ii) all other outstanding awards will no longer be subject to time-based vesting restrictions, and (iii) awards subject to performance-vesting conditions will be deemed to have fully earned a pro-rata payout of the target payout based upon the length of time within the performance period that had elapsed prior to the change in control over the performance period.

Pursuant to the management stockholders addendum incorporated into the award agreements, in the event that an executive officer ceases to be employed by the Company or any of its subsidiaries for any reason, all common stock held by such executive officer (including vested options to purchase shares of common stock) may be subject to purchase by the Company and the Sponsors, solely at their option, unless such executive officer s award agreement gives the executive officer the right to force the Company to purchase his or her common stock. Please see the Long-Term Incentives The 2010 Incentive Plan and Potential Payments Upon Termination or Change in Control The 2010 Incentive Plan for more information.

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Summary of Payments and Benefits Upon Termination or Change in Control

The following tables summarize the estimated value of the termination payments and benefits that each of our named executive officers would receive if there was a change in control and/or his or her employment was terminated on January 29, 2011 under the various circumstances described in the tables.

Gerald L. Storch

Type of Payment	Termination for Cause or Resignation Without Good Reason	Termination Without Cause or Resignation For Good Reason	Retirement	Death	Long-Term Disability	Change in Control	Termination Without Cause or Resignation for Good Reason in Connection with a Change of Control
Severance	$	$ 6,900,000	$	$	$	$	$ 6,900,000
Fiscal 2010 Annual Bonus	1,422,536	1,422,536	1,422,536	1,422,536	1,422,536		1,422,536
Fiscal 2006 Stock Option Grant(1)			5,121,505	5,121,505	5,121,505	5,121,505	5,121,505
SERP Balance			707,346	707,346	707,346		
Benefit Continuation(2)		12,660					12,660
TOTAL	**$ 1,422,536**	**$ 8,335,196**	**$ 7,251,387**	**$ 7,251,387**	**$ 7,251,387**	**$ 5,121,505**	**$ 13,456,701**

(1) Pursuant to the Management Equity Plan, the unvested portion of options will accelerate and become vested upon retirement, death, disability or a change in control. In calculating the amount set forth in the table, we utilized a per share value of $61.00, which was the fair value of our shares of Common Stock as of September 14, 2010. As we are a privately held company, the value of shares of Common Stock is only available when a valuation is performed.

(2) Represents estimated Company costs based on fiscal 2011 projections for medical, dental and life insurance coverage for the duration of the Severance Period.

Pursuant to the Management Equity Plan, if the Company terminates Mr. Storch s employment for Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Storch s shares of Common Stock at the lesser of (i) the value on the date of issuance and (ii) the fair value. If Mr. Storch resigns with or without Good Reason (as defined in his employment agreement) or if the Company terminates Mr. Storch s employment without Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Storch s shares of Common Stock at fair value. If Mr. Storch retires, dies or becomes disabled, the Company may purchase, or Mr. Storch may require the Company to purchase, Mr. Storch s shares of Common Stock at fair value. These repurchase rights also apply to the shares of Common Stock underlying each vested stock option.

Upon any termination, Mr. Storch has the right to withdraw his Savings Plan balance, which, as of January 29, 2011, was $0.

All U.S. benefit eligible employees receive, at no cost to the individual, the following life insurance benefit and long-term disability coverage: (i) a life insurance benefit in an amount equal to the individual s base salary plus annual incentive award target, up to a maximum of $1,000,000 and (ii) long-term disability coverage in an amount per month equal to 60% of the individual s monthly base salary, up to a maximum of $10,000 per month. The long-term disability benefit is payable beginning 26 weeks after the onset of the disability and is payable for the duration of the disability up to age 65.

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F. Clay Creasey Jr.

Type of Payment	Termination for Cause or Resignation Without Good Reason	Termination Without Cause or Resignation For Good Reason	Retirement	Death	Long-Term Disability	Change in Control	Termination Without Cause or Resignation for Good Reason in Connection with a Change of Control
Severance	$	$ 2,180,000	$	$	$	$	$ 2,180,000
Fiscal 2010 Annual Bonus	321,677	321,677	321,677	321,677	321,677		321,677
Fiscal 2007 Stock Option Grant(1)			1,424,944	1,424,944	1,424,944	1,424,944	1,424,944
SERP Balance			168,891	168,891	168,891		
Benefit Continuation(2)		7,952					7,952
TOTAL	**$ 321,677**	**$ 2,509,629**	**$ 1,915,512**	**$ 1,915,512**	**$ 1,915,512**	**$ 1,424,944**	**$ 3,934,573**

(1) Pursuant to the Management Equity Plan, the unvested portion of options will accelerate and become vested upon retirement, death, disability or a change in control. In calculating the amount set forth in the table, we utilized a per share value of $61.00, which was the fair value of our shares of Common Stock as of September 14, 2010. As we are a privately held company, the value of shares of Common Stock is only available when a valuation is performed.

(2) Represents estimated Company costs based on fiscal 2011 projections for medical, dental and life insurance coverage for the duration of the Severance Period.

Pursuant to the Management Equity Plan, if the Company terminates Mr. Creasey s employment for Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Creasey s shares of Common Stock at the lesser of (i) the value on the date of issuance and (ii) the fair value. If Mr. Creasey resigns with or without Good Reason (as defined in his employment agreement) or if the Company terminates Mr. Creasey s employment without Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Creasey s shares of Common Stock at fair value. If Mr. Creasey retires, dies or becomes disabled, the Company and the Sponsors may purchase, solely at their option, Mr. Creasey s shares of Common Stock at fair value. These repurchase rights also apply to the shares of Common Stock underlying each vested stock option.

Upon any termination, Mr. Creasey has the right to withdraw his Savings Plan balance, which, as of January 29, 2011, was $127,939.

All U.S. benefit eligible employees receive, at no cost to the individual, the following life insurance benefit and long-term disability coverage: (i) a life insurance benefit in an amount equal to the individual s base salary plus annual incentive award target, up to a maximum of $1,000,000 and (ii) long-term disability coverage in an amount per month equal to 60% of the individual s monthly base salary, up to a maximum of $10,000 per month. The long-term disability benefit is payable beginning 26 weeks after the onset of the disability and is payable for the duration of the disability up to age 65.

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Deborah M. Derby

Type of Payment	Termination for Cause or Resignation Without Good Reason	Termination Without Cause or Resignation For Good Reason	Retirement	Death	Long-Term Disability	Change in Control	Termination Without Cause or Resignation for Good Reason in Connection with a Change of Control
Severance	$	$ 2,814,000	$	$	$	$	$ 2,814,000
Fiscal 2010 Annual Bonus		324,452	324,452	324,452	324,452		324,452
Fiscal 2005 Stock Option Grant(1)							
Benefit Continuation		127,948(2)	164,309(3)				127,948
Leased Automobile Continuation(4)		36,208					36,208
Financial Planning Services Continuation(5)		40,000					40,000
TOTAL	**$**	**$ 3,342,608**	**$ 488,761**	**$ 324,452**	**$ 324,452**	**$**	**$ 3,342,608**

(1) Pursuant to the Management Equity Plan, the unvested portion of options will accelerate and become vested upon retirement, death, disability or a change in control. Ms. Derby s options are 100% vested, so she would not recognize any additional value.

(2) Represents estimated Company costs based on fiscal 2011 projections for medical, dental and life insurance coverage, Company matching contribution to the Savings Plan and Company contribution to the SERP for the duration of the Severance Period.

(3) Represents the estimated Company cost for Ms. Derby to continue medical and dental coverage until age 65.

(4) Represents two years worth of leased automobile benefit, based upon 2010 actual cost.

(5) Represents the maximum amount Ms. Derby would be entitled to receive in financial planning services (two years at $20,000 per year).

Pursuant to the Management Equity Plan, if the Company terminates Ms. Derby s employment for Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Ms. Derby s common stock at the lesser of (i) the value on the date of issuance and (ii) the fair value. If Ms. Derby resigns with or without Good Reason (as defined in her employment agreement) or if the Company terminates Ms. Derby s employment without Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Ms. Derby s shares of Common Stock at fair value. If Ms. Derby retires, dies or becomes disabled, the Company may purchase, or Ms. Derby may require the Company to purchase, Ms. Derby s shares of Common Stock at fair value. These repurchase rights also apply to the shares of Common Stock underlying each vested stock option.

Upon any termination, Ms. Derby has the right to withdraw her Savings Plan balance, which, as of January 29, 2011, was $319,123. In addition, upon any termination other than for cause, as defined in the SERP, the Company will pay Ms. Derby the outstanding balance in her SERP account, which, as of January 29, 2011, was $272,510.

All U.S. benefit eligible employees receive, at no cost to the individual, the following life insurance benefit and long-term disability coverage: (i) a life insurance benefit in an amount equal to the individual s base salary plus annual incentive award target, up to a maximum of $1,000,000 and (ii) long-term disability coverage in an amount per month equal to 60% of the individual s monthly base salary, up to a maximum of $10,000 per month. The long-term disability benefit is payable beginning 26 weeks after the onset of the disability and is payable for the duration of the disability up to age 65.

Monika M. Merz(1)

Type of Payment	Termination for Cause or Resignation Without Good Reason	Termination Without Cause or Resignation For Good Reason	Termination due to Reassignment of Position(3)	Expiration of Employment Term(3)	Retirement	Death	Long-Term Disability	Change in Control	Termination Without Cause or Resignation for Good Reason in Connection with a Change of Control
Severance	$	$ 1,310,583	$	$ 1,310,583	$	$	$	$	$ 1,310,583
Fiscal 2010 Annual Bonus		805,872	805,872	805,872		805,872			805,872
Fiscal 2005 Stock Option Grant(2)									
TOTAL	**$**	**$ 2,116,455**	**$ 805,872**	**$ 2,116,455**	**$**	**$ 805,872**	**$**	**$**	**$ 2,116,455**

(1) All amounts calculated in Canadian dollars have been converted to U.S. dollars using the rate of 1.0000 CAD = 0.9726 U.S. dollars.

(2) Pursuant to the Management Equity Plan, the unvested portion of options will accelerate and become vested upon retirement, death, disability or a change in control. Ms. Merz s options are 100% vested, so she would not recognize any additional value.

(3) Ms. Merz would not be entitled to the $1,500,000 long-term bonus as the performance criteria was not achieved.

Antonio Urcelay(1)

Type of Payment	Termination for Cause or Resignation Without Good Reason	Termination Without Cause or Resignation Due to Relocation	Retirement	Death	Long-Term Disability	Change in Control	Termination or Specified Resignation Due to a Change of Control
Severance(2)	$	$ 1,977,600	$	$	$	$	$ 1,977,600
Fiscal 2010 Annual Bonus		840,478					840,478
Fiscal 2005 Stock Option Grant(3)							
Executive Retirement Plan Balance(4)			857,221	857,221	857,221		
Executive Life Insurance(5)				3,296,000	3,296,000		
Company Car(6)		48,190					
Use of Company Provided Laptop and Cell Phone(6)		100					
Tax Advice(6)		1,198					
Company Contributions to Defined Contribution Plan(6)		256,566					
Benefit Continuation(6)		16,511					
TOTAL	**$**	**$ 3,140,643**	**$ 857,221**	**$ 4,153,221**	**$ 4,153,221**	**$**	**$ 2,818,078**

(1) All amounts calculated in Euros have been converted to U.S. dollars using the rate of 1.0000 Euro = 1.3184 U.S. dollars.

(2) Represents the maximum amount of severance that Mr. Urcelay may receive.

(3) Pursuant to the Management Equity Plan, the unvested portion of options will accelerate and become vested upon retirement, death, disability or a change in control. Mr. Urcelay s options are 100% vested, so he would not recognize any additional value.

(4)

This amount represents his benefit entitlement under the MAPFRE Policies. For more information on his balance, see the Nonqualified Deferred Compensation table above.

(5) All benefit eligible employees in Spain receive, at no cost to the individual, a life insurance benefit. Mr. Urcelay s benefit amount is equal to five times his base salary.

(6) Represents estimated Company costs of various benefits and perquisites based on fiscal 2010 actual amounts for the duration of the Severance Period.

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Pursuant to the Management Equity Plan, if the Company terminates Mr. Urcelay s employment for Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Urcelay s shares of Common Stock at the lesser of (i) the value on the date of issuance and (ii) the fair value. If Mr. Urcelay resigns with or without Good Reason (as defined in his employment agreement) or if the Company terminates Mr. Urcelay s employment without Cause (as defined in the Management Equity Plan), the Company and the Sponsors may purchase, solely at their option, Mr. Urcelay s shares of Common Stock at fair value. If Mr. Urcelay retires, dies or becomes disabled, the Company may purchase, or Mr. Urcelay may require the Company to purchase, Mr. Urcelay s shares of Common Stock at fair value. These repurchase rights also apply to the shares of Common Stock underlying each vested stock option.

Equity Awards after Fiscal Year 2010

On May 26, 2011, our Board approved grants of Options and Performance Equity to our executive officers under the 2010 Incentive Plan. The Options have an exercise price of $60.00. The awards to our named executive officers and Mr. Friedman were as follows:

	Number of Performance-Based Restricted Stock Shares	Number of Performance-Based Restricted Stock Units	Number of Stock Options
Gerald Storch	25,000		150,000
F. Clay Creasey, Jr.	4,444		26,667
Deborah Derby	4,444		26,667
Neil Friedman	11,111		66,667
Monika Merz		5,556	33,333
Antonio Urcelay		6,944	41,667

Director Compensation

We currently do not pay our directors any compensation for serving on our Board of Directors.

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PRINCIPAL SHAREHOLDERS

The following table shows the amount of our common stock beneficially owned as of June 20, 2011, and as adjusted to reflect the shares of our common stock offered hereby (or , if the underwriters exercise their option to purchase additional shares in full), by (i) each person who is known by us to own beneficially more than 5% of such interests, (ii) each member of the board of directors, (iii) identified future members of the board of directors, (iv) each of the named executive officers, and (v) all current members of the board of directors and the executive officers, as a group. A person is a beneficial owner of a security if that person has or shares voting or investment power over the security or if that person has the right to acquire beneficial ownership within 60 days. Unless otherwise noted, these persons, to our knowledge, have sole voting and investment power over the shares listed. Percentage computations are based on 49,182,720 shares of our common stock outstanding as of June 20, 2011 and shares of common stock outstanding after this offering (or shares if the underwriters exercise their option to purchase additional shares in full).

			Common Stock Beneficially Owned After this Offering			
	Common Stock Beneficially Owned Prior to this Offering		Assuming the Underwriters Option is not Exercised		Assuming the Underwriters Option is Exercised in Full	
Name of Beneficial Owner	Number(1)	%(2)	Number(1)	%(2)	Number(1)	%(2)
Affiliates of Bain Capital Investors, LLC(3)	16,012,464	32.56%				
Toybox Holdings, LLC(4)	16,012,464	32.56%				
Vornado Truck LLC(5)	16,012,464	32.56%				
Claire Babrowski(6)						
Joshua Bekenstein(3)						
Michael M. Calbert(4)						
F. Clay Creasey, Jr.	115,217					
Deborah M. Derby	142,238					
Michael D. Fascitelli(5)						
Matthew S. Levin(3)						
Monica M. Merz	66,686					
Wendy Silverstein(5)						
Gerald L. Storch	847,430	1.70%				
Nathaniel H.Taylor(4)						
Antonio Urcelay	154,005					
Michael Ward(3)						
Directors and executive officers as a group (15 persons)	1,571,822	3.11%				

* For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act pursuant to which a person or group of persons is deemed to have beneficial ownership of any shares of Common Stock with respect to which such person has (or has the right to acquire within 60 days, i.e., by August 19, 2011 in this case) sole or shared voting power or investment power.

(1) Total Beneficial Ownership includes shares and options exercisable within 60 days, of which Mr. Creasey has 98,273, Ms. Derby has 122,841, Ms. Merz has 62,466, Mr. Storch has 747,664 and Mr. Urcelay has 147,841.

(2) Unless otherwise indicated, the beneficial ownership of any named person does not exceed, in the aggregate, one percent of our outstanding equity securities on June 20, 2011, as adjusted as required by applicable rules.

(3) Includes shares held by Bain Capital (TRU) VIII, L.P., Bain Capital (TRU) VIII-E, L.P., Bain Capital (TRU) VIII Coinvestment, L.P., Bain Capital Integral Investors, LLC and BCIP TCV, LLC (collectively, the Bain Capital Entities). Bain Capital Investors, LLC (BCI) is the general partner of Bain Capital Partners VIII, L.P. which is the general partner of Bain Capital (TRU) VIII, L.P. and Bain Capital (TRU) VIII Coinvestment, L.P. BCI is also the general partner of Bain Capital Partners VIII-E, L.P. which is the general partner of Bain Capital (TRU) VIII-E, L.P. BCI is also the Administrative Member of Bain Capital Integral Investors, LLC and BCIP TCV, LLC. By virtue of the relationships described above, each of the foregoing

entities may be deemed to beneficially own the shares held by the Bain Capital Entities. Each such entity disclaims beneficial ownership of the shares held by the Bain Capital Entities except to the extent of its pecuniary interest therein. The address of each of the Bain entities is c/o BCI at 111 Huntington Avenue, Boston, MA 02199. Each of Joshua Bekenstein, Matthew S. Levin and Michael Ward is a managing director of BCI and a director of our Company. As a result, and by virtue of the relationships described in this footnote (3), each of Messrs. Bekenstein, Levin and Ward may be deemed to be the beneficial owner of the shares held by the Bain Capital Entities. Each of Messrs. Bekenstein, Levin and Ward disclaims beneficial ownership of the shares held by the Bain Capital Entities except to the extent of his pecuniary interest therein.

(4) Shares owned of record by Toybox Holdings, LLC are also beneficially owned by its majority member, KKR Millennium Fund L.P. As the sole general partner of KKR Millennium Fund L.P., KKR Associates Millennium L.P. may be deemed to be the beneficial owner of such securities held by KKR Millennium Fund L.P. As the sole general partner of KKR Associates Millennium L.P., KKR Millennium GP LLC also may be deemed to be the beneficial owner of such securities held by KKR Millennium Fund L.P. Each of KKR Fund Holdings L.P. (as the designated member of KKR Millennium GP LLC); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited) and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may also be deemed to be the beneficial owner of the securities held by KKR Millennium Fund L.P. As the designated members of KKR Management LLC, Henry R. Kravis and George R. Roberts may also be deemed to beneficially own the securities held by KKR Millennium Fund L.P. Messrs. Kravis and Roberts have also been designated as managers of KKR Millennium GP LLC by KKR Fund Holdings L.P. Messrs. Calbert and Taylor are members of our Board of Directors and are each an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Each of Messrs. Calbert and Taylor disclaim beneficial ownership of the securities held by Toybox Holdings, LLC. For a description of material relationships between KKR and us over the last three years, see Certain Relationships and Related Party Transactions. The address of KKR Millennium GP LLC and each individual listed above is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Menlo Park, CA.

(5) Represents shares of record held by Vornado Truck LLC. As the owner of 100% of the equity of Vornado Truck LLC, Vornado Realty L.P. may be deemed to be the beneficial owner of such shares. Also, as the sole general partner of Vornado Realty L.P., Vornado Realty Trust may be deemed to be the beneficial owner of such shares. Also, Mr. Fascitelli and Ms. Silverstein are members of our Board of Directors and also executives of Vornado Realty Trust. As such, these persons may be deemed to be beneficial owners of these shares. These persons disclaim beneficial ownership of shares held by Vornado Truck LLC. The address for each of these persons and entities is c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.

(6) Ms.Babrowski s employment with the Company was terminated, effective May 1, 2010. In connection with Ms. Babrowski s termination of employment and pursuant to the terms and conditions of the Management Equity Plan, on May 14, 2010, the Company repurchased all of Ms. Babrowski s equity in the Company, including vested stock options, at fair value. All of her unvested options on the date of termination were forfeited.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Advisory Agreement

Certain affiliates of the Sponsors provide management and advisory services to us pursuant to an advisory agreement executed at the closing of the 2005 acquisition and effective as of July 21, 2005 and amended June 10, 2008 and February 1, 2009. The advisory fee (the Advisory Fees) paid to the affiliates of the Sponsors increases 5% per year during the ten-year term of the agreement with the exception of fiscal 2009. The fee paid to the affiliates of the Sponsors under the advisory agreement was approximately $5 million, $19 million, $15 million and $17 million for the thirteen weeks ended April 30, 2011, fiscals 2010, 2009 and 2008, respectively. Pursuant to an amendment to the advisory agreement, the Advisory Fee for fiscal 2009 was capped at $15 million. The additional amount of approximately $3 million of Advisory Fees that would have been due for fiscal 2009, absent the amendment, will be paid by the Company, if at all, at the time of a successful initial public offering of the Company s securities. During each of the thirteen weeks ended April 30, 2011, fiscals 2010, 2009 and 2008, we paid the affiliates of the Sponsors fees of less than $1 million, respectively, for out-of-pocket expenses.

In the event that the advisory agreement is terminated by the affiliates of the Sponsors or us, the affiliates of the Sponsors will receive all unpaid Advisory Fees, all unpaid Transaction Fees and expenses due under the advisory agreement with respect to periods prior to the termination date plus the net present value of the Advisory Fees that would have been payable for the remainder of the applicable term of the advisory agreement. The initial term of the advisory agreement is ten years. After ten years, it extends annually for one year unless we or the Sponsors affiliates provide notice of termination to the other. The advisory agreement provides that affiliates of the Sponsors will be entitled to receive a fee equal to 1% of the aggregate transaction value in connection with certain financing, acquisition, disposition and change of control transactions (Transaction Fees). In connection with the Propco II Financing (as described below), we paid the affiliates of the Sponsors $7 million of Transaction Fees pursuant to the terms of the advisory agreement. Also, in connection with the amendment and restatement of the secured revolving credit facility on August 10, 2010 (as described below) and the offering of Toys-Delaware Secured Notes and the amendment and restatement of the Secured Credit Facilities on August 24, 2010 (as described below), we paid the affiliates of the Sponsors approximately $19 million and $10 million of Transaction Fees, respectively, pursuant to the terms of the advisory agreement. In connection with the Joinder Agreement entered into on May 25, 2011 (as described below), we incurred approximately $4 million in Transaction Fees payable to the Sponsors pursuant to the terms of the advisory agreement.

In connection with this offering, the parties intend to terminate the advisory agreement in accordance with its terms. Upon completion of this offering, pursuant to and in connection with the terms of the advisory agreement, we will pay total fees of approximately $98 million to affiliates of the Sponsors (which amount will include a transaction fee equal to 1%, or approximately $8 million, of the estimated gross proceeds from this offering, a termination fee equal to approximately $87 million and certain contingent fees equal to approximately $3 million).

The advisory agreement includes customary exculpation and indemnification provisions in favor of the Sponsors and their affiliates.

Amended and Restated Stockholders Agreement

In connection with the closing of the 2005 acquisition, we entered into a Stockholders Agreement with the Sponsors and certain other investors. In anticipation of this offering, the Sponsors have agreed to amend and restate the stockholders agreement, which will become effective upon the closing of this offering. The Stockholders Agreement as amended and restated will grant each of the Sponsors the right, subject to certain conditions, to name representatives to our Board of Directors and committees of our Board of Directors. The Stockholders Agreement will also provide that, in addition to the approval of our Board of Directors, the consent of the Sponsors shall be required prior to our taking certain significant corporate actions. In addition, the Stockholders Agreement will provide that the Sponsors have certain tag along rights in the event of certain transfers by any of the Sponsors of shares of our common stock held by them, as well as certain drag along rights with respect to change of control transactions.

Registration Rights Agreement

In connection with the 2005 acquisition, we entered into a registration rights agreement with the Sponsors and certain other investors. Pursuant to the agreement, the Sponsors have an unlimited number of registrations rights during the first two years after this offering, if approved by a majority of the Sponsors. In addition, from and after the second anniversary of this offering, each Sponsor may initiate up to three registrations on Form S-1 (the Long-Form Registrations) and, if available, an unlimited number of registrations on Form S-2 or S-3 (the Short-Form Registrations); provided in each case that the aggregate gross offering price of the registrable securities requested to be registered in any demand registration right must equal at least \$50 million in the case of any Long Form Registration and at least \$20 million in the case of any Short Form Registration, and provided that a demand registration right shall not count against a Sponsor s number of Long-Form Registrations specified above unless the Sponsor initiating such registration and its affiliates are able to sell pursuant to such registration at least 80% of the of registrable securities they requested to be included in such registration.

In addition, in the event that we are registering additional shares of common stock for sale to the public, whether on our own behalf or on behalf the Sponsors (as described above) or in connection with a registration on Form S-4 or Form S-8 or any successor or similar form, we are required to give notice of such registration to all holders of registrable securities of our intention to effect such a registration, and such persons have piggyback registration rights providing them the right to have us include the shares of common stock owned by them in any such registration if we have received written requests for inclusion therein within 15 days after the delivery of such notice and subject to the other provisions under the registration rights agreement. In each such event, we are required to pay the registration expenses.

Additionally, pursuant to the Management Stockholders Addendum (as described below), each management stockholder holds certain piggyback registration rights allowing the management stockholder to sell in underwritten public offerings of common stock subsequent to this offering, subject to certain exceptions (for further details, see Management Equity Plan below).

Other Relationships and Transactions

From time to time, the Sponsors or their affiliates may acquire debt or debt securities issued by the Company or its subsidiaries in open market transactions or through loan syndications. During the thirteen weeks ended April 30, 2011 and fiscals 2010, 2009 and 2008, affiliates of Vornado Realty Trust (Vornado) and Kohlberg Kravis Roberts & Co. L.P. (with its affiliates, KKR), all equity owners of the Company held debt and debt securities issued by the Company and its subsidiaries. The interest amounts paid on such debt and debt securities held by related parties were \$5 million, \$15 million, \$18 million and \$25 million in the thirteen weeks ended April 30, 2011, fiscals 2010, 2009 and 2008, respectively. During fiscal 2009 and in connection with the offering on November 20, 2009 by Toys R Us Property Company II, LLC of \$725 million aggregate principal amount of senior secured 8.50% notes due 2017 (Propco II Financing), investment funds or accounts advised by KKR acquired

$28 million of these secured notes. These investment funds or accounts advised by KKR owned 2% of the Propco II Notes as of April 30, 2011. For further details, see Note 2 to our consolidated financial statements entitled LONG-TERM DEBT.

In addition, in conjunction with the offering of the Toys-Delaware Secured Notes and the amendment and restatement of the Secured Credit Facilities on August 24, 2010, we repaid our outstanding loan balances under the Secured Credit Facilities and the Unsecured Credit Facility, which included repayment to investment funds or accounts advised by KKR, and Vornado of approximately $74 million and $27 million, respectively.

Investment funds or accounts advised by KKR purchased an aggregate of $5 million of the Toys-Delaware Secured Notes, all of which were subsequently sold after the fiscal year ended January 29, 2011. In addition, investment funds or accounts advised by KKR owned 6% of the New Secured Term Loan as of April 30, 2011.

In addition, under lease agreements with affiliates of Vornado, we or our affiliates paid an aggregate amount of approximately $2 million, $9 million, $7 million and $7 million, in the thirteen weeks ended April 30, 2011, fiscal years 2010, 2009 and 2008, respectively, with respect to approximately 0.9%, 1.2%, 1.1% and 0.6%, respectively, of our stores. Of these amounts, less than $1 million, $2 million, $1 million and $1 million were allocable to joint-venture parties not otherwise affiliated with Vornado.

Investment funds or accounts advised by KKR owned $50 million of the Incremental Term Loan as of May 25, 2011. See Description of Indebtedness for further details.

Management Equity Plan and 2010 Incentive Plan

Since the 2005 acquisition, the Executive Committee has offered long-term incentives under the Amended and Restated Toys R Us, Inc. Management Equity Plan (Management Equity Plan). Commencing in 2011, we expect to issue any future equity awards pursuant to the Toys R Us, Inc. 2010 Incentive Plan (the 2010 Incentive Plan), as further described below. Since the 2005 acquisition, our officers and certain employees participate in the Management Equity Plan. The Management Equity Plan provides for the granting of non-qualified stock options (including rollover options (as defined in the Management Equity Plan)) to purchase shares of Common Stock, as well as restricted stock to our officers, directors, employees, consultants and advisors. In fiscal 2010, our Board adopted the 2010 Incentive Plan. The 2010 Incentive Plan is an omnibus plan that provides for the granting of stock options, restricted stock, restricted and deferred stock units, performance awards, dividend equivalents and other stock awards. The 2010 Incentive Plan provides that the total number of shares of our Common Stock that may be issued under the 2010 Incentive Plan is 3,750,000 and the maximum number of such shares of our Common Stock for which incentive stock options may be granted under the 2010 Incentive Plan is 500,000. For a description of the Management Equity Plan and 2010 Incentive Plan, see Management Executive Compensation.

As part of the Management Equity Plan, the Company approved a Management Stockholders Addendum that forms part of the Management Equity Plan (the Management Stockholders Addendum). The Management Stockholders Addendum applies to any participant of the Management Equity Plan who holds shares of common stock, or who was granted options or rollover options to acquire shares of common stock or purchased or accepted shares of restricted common stock, of the Company (all such stockholders collectively, the management stockholders). The Management Stockholders Addendum imposes certain restrictions on the transfer of shares of our common stock, which will expire upon a Change of Control (as defined in the Management Equity Plan). In addition, pursuant to the Management Stockholders Addendum, each management stockholder holds a tag-along right (which will expire upon completion of this offering) whereby he or she may require the Sponsors or their successors to allow the management stockholder to sell alongside the Sponsors in certain sales. In addition, each management stockholder has the right to exercise his/her shares vested options and rollover options in connection with the consummation of certain sales. Each management stockholder is also subject to a drag-along right (which will expire upon a Change of Control) whereby each management stockholder will be required to sell his/her shares upon a Change of Control on the terms and conditions determined by the Board of Directors, subject to the satisfaction of certain conditions. In addition, piggyback registration rights allow the management stockholder to sell in underwritten public offerings of common stock subsequent to this offering, subject to certain exceptions. Additionally, pursuant to the Management Stockholders Addendum, each management stockholder granted to the Company an irrevocable proxy coupled with an interest to vote, including in any action by written consent such management stockholder s shares of common stock as the Company deems appropriate in its sole discretion. In addition, each management stockholder agreed to cast all votes in such manner as the Company may instruct by written notice.

Review, Approval or Ratification of Transactions with Related Persons

There were no transactions with related persons since the beginning of fiscal 2010 other than transactions that are described under this prospectus.

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which the Company is a participant, the amount involved exceeds $120,000, and one of our executive officers, directors, director nominees (or their immediate family members) or 5% stockholders or an employee serving in the capacity of an executive officer of a 5% stockholder or any consultant or an advisor of a 5% stockholder who participates in meetings of our management or Board, each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our General Counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by our Board s Audit Committee. The policy also permits the Chairman of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between meetings, subject to providing notice to the other members of the Audit Committee at the next meeting of the Audit Committee. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee (or its Chairman) after full disclosure of the related person s interest in the transaction. The Audit Committee (or its Chairman) will review and consider such information regarding the related person transaction as it deems appropriate under the circumstances.

The Audit Committee (or its Chairman) may approve or ratify the transaction only if the Audit Committee or its Chairman, as applicable, determines that, under all of the circumstances, the transaction is not inconsistent with the Company s best interests. The Audit Committee (or its Chairman) may impose any conditions on the related person transaction that it deems appropriate. As appropriate for the circumstances, the Audit Committee (or its Chairman) shall review and consider the following factors in making such determination:

- the related person s interest in the related person transaction;

- if the transaction involves a non-employee director or nominee for director, whether such transaction would compromise the director s status as independent under applicable rules, as an outside director under Section 162(m) of the Internal Revenue Code, or as a non-employee director under Rule 16b-3 of the Exchange Act, each as applicable;

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- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of business of the Company;
- whether the transaction constitutes a personal loan for purposes of Section 402 of the Sarbanes-Oxley Act of 2002;
- whether the transaction with the related person is proposed to be, or was, entered into on terms no less favorable to the Company than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the Company of, the transaction including expertise to be received relative to the nature of work;
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction;
- whether the transaction conflicts with/is prohibited by any debt instrument of the Company;
- whether the rates or charges involved in the transaction are determined by competitive bids; and
- the potential benefit to be realized through leverage of the related person s experience with the Company as it relates to the proposed transaction.

Director Independence

Prior to this offering each of the members of our Board of Directors, other than Mr. Storch, our Chief Executive Officer, is affiliated with the Sponsors as further described in Management Directors and our Board of Directors has not determined any of our directors to be independent.

Upon completion of this offering, we intend to appoint new members of our Board of Directors.

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DESCRIPTION OF INDEBTEDNESS

$1.85 billion senior secured revolving credit facility, expires fiscal 2015 ($0 million at April 30, 2011)

On August 10, 2010, Toys Delaware and certain of its subsidiaries amended and restated the credit agreement for their ABL Facility in order to extend the maturity date of the facility and amend certain other provisions. The facility as amended provides for $1.85 billion of revolving commitments maturing on August 10, 2015, which could increase by $650 million, subject to certain conditions. The ABL Facility as amended bears a tiered floating interest rate of London Interbank Offered Rate (LIBOR) plus a margin of between 2.50% and 3.00% depending on usage. In connection with the amendment and restatement of the credit agreement, the Company paid approximately $37 million in fees, including fees paid to the Sponsors pursuant to their advisory agreement. In addition, as a result of the amendment and restatement of the credit agreement, the Company expensed approximately $9 million of deferred financing costs associated with its secured revolving credit facility in fiscal 2010.

This secured revolving credit facility is available for general corporate purposes and the issuance of letters of credit. Borrowings under this credit facility are secured by tangible and intangible assets of Toys Delaware and certain of its subsidiaries, subject to specific exclusions stated in the credit agreement. The credit agreement contains covenants, including, among other things, covenants that restrict Toys Delaware s ability to incur certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, pay dividends, repurchase capital stock, make other restricted payments, make loans or advances, engage in transactions with affiliates, or amend material documents. The ABL Facility, as amended pursuant to the amended and restated credit agreement, requires Toys Delaware to maintain minimum excess availability at all times of no less than $125 million and to sweep cash toward prepayment of the loans if excess availability falls below $150 million for any three days in a 30-day period. Availability is determined pursuant to a borrowing base, consisting of specified percentages of eligible inventory and eligible credit card receivables and certain real estate less any applicable availability reserves.

At April 30, 2011 under its secured revolving credit facility, Toys Delaware had no outstanding borrowings, a total of $80 million of outstanding letters of credit and excess availability of $1,136 million. This amount is also subject to the minimum excess availability covenant, which was $125 million at April 30, 2011, with remaining availability of $1,011 million in excess of the covenant. At April 30, 2011, deferred financing expenses for this facility were $56 million and have been included in Other assets on our condensed consolidated balance sheets.

Toys Japan Unsecured Credit Lines, expires fiscals 2012-2013 ($100 million at April 30, 2011)

Toys-Japan currently has an agreement with a syndicate of financial institutions, which includes two unsecured loan commitment lines of credit (Tranche 1 and Tranche 2). On September 30, 2010, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 1. As a result, Tranche 1 is now available in amounts of up to ¥14.9 billion ($184 million at April 30, 2011), expiring on June 30, 2013, and bears an interest rate of Tokyo Interbank Offered Rate (TIBOR) plus 0.90% per annum. At April 30, 2011, we had no outstanding borrowings under Tranche 1, with $184 million of remaining availability. We paid fees of $2 million to refinance Tranche 1 in fiscal 2010, which are capitalized as deferred debt issuance costs and amortized over the term of the agreement. As of April 30, 2011, deferred financing expenses for this agreement were $2 million and have been included in Other assets on our condensed consolidated balance sheets.

On February 26, 2010, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. Additionally, on March 29, 2010, Toys-Japan modified Tranche 2 to

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include an additional lender. We paid fees of $2 million to refinance Tranche 2, which are capitalized as deferred debt issuance costs and amortized over the term of the agreement. On March 18, 2011, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. As a result, Tranche 2 is now available in amounts of up to ¥10 billion ($123 million at April 30, 2011), expiring on June 29, 2012, and bears an interest rate of TIBOR plus 0.80% per annum. We paid fees of $1 million to refinance Tranche 2, which are capitalized as deferred debt issuance costs and amortized over the term of the agreement. As of April 30, 2011, deferred financing expenses for this agreement were $1 million and have been included in Other assets on our condensed consolidated balance sheets. At April 30, 2011, we had outstanding borrowings of $100 million under Tranche 2, with $23 million of remaining availability.

These agreements contain covenants, including, among other things, covenants that require Toys Japan to maintain a certain level of net assets and profitability during the agreement terms. The agreement also restricts Toys Japan from paying dividends or making loans to affiliates without lender consent.

New European ABL expires fiscal 2016 ($0 at April 30, 2011)

On October 15, 2009, certain of our foreign subsidiaries entered into the European ABL, which was amended and restated on March 8, 2011 (New European ABL) and provides for a five-year £128 million senior secured asset-based revolving credit facility which expires March 8, 2016. On April 29, 2011, we partially exercised the accordion feature which increased availability to include additional lender commitments. This increased the size of the facility from £128 million to £138 million ($231 million at April 30, 2011). Borrowings under the New European ABL are subject, among other things, to the terms of a borrowing base derived from the value of eligible inventory and/or eligible accounts receivable of certain of Toys R Us Europe, LLC s (Toys Europe) and Toys R Us Australia Holdings, LLC s (Toys Australia) subsidiaries organized in Australia, England and France. The terms of the New European ABL include a customary cash dominion trigger requiring the cash of certain of Toys Europe s and Toys Australia s subsidiaries to be applied to pay down outstanding loans if availability falls below certain thresholds. The New European ABL also contains a springing fixed charge coverage ratio of 1.00 to 1.00 based on the EBITDA (as defined in the agreement governing New European ABL) and fixed charges of Toys Europe, Toys Australia and their subsidiaries. Loans under the New European ABL bear interest at a rate based on LIBOR/the Euro Interbank Offered Rate (EURIBOR) plus a margin of 2.50% through the second fiscal quarter of 2011 and thereafter, 2.25%, 2.50% or 2.75% depending on historical excess availability. A commitment fee accrues on any unused portion of the commitments at a rate per annum of 0.375% or 0.50% based on usage. Borrowings under the New European ABL are guaranteed by Toys Europe, Toys Australia and certain of their material subsidiaries, with certain customary local law limitations and to the extent such guarantees do not result in adverse tax consequences. Borrowings are secured by substantially all assets of Toys Europe, Toys Australia and certain U.K. and Australian obligors, as well as by share pledges over the shares of (and certain assets of) certain other material subsidiaries. The New European ABL contains covenants that, among other things, restrict the ability of Toys Europe and Toys Australia and their respective subsidiaries to incur certain additional indebtedness, create or permit liens on assets, repurchase or pay dividends or make certain other restricted payments on capital stock, make acquisitions and investments or engage in mergers or consolidations. If an event of default shall occur and be continuing, the commitments under the New European ABL may be terminated and the principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owed, may be declared immediately due and payable. At April 30, 2011, we had no outstanding borrowings and $143 million of availability under the New European ABL.

In connection with the amendment and restatement of the European ABL in March 2011, we incurred approximately $5 million in fees. At April 30, 2011, deferred financing expenses for this credit facility were $10 million and have been included in Other assets on our condensed consolidated balance sheets.

7.625% notes, due fiscal 2011 ($501 million at April 30, 2011)

On July 24, 2001, we issued $500 million of notes bearing interest at 7.625% per annum maturing on August 1, 2011. The notes were issued at a discount of $1 million which resulted in the receipt of proceeds of $499 million. Simultaneously with the issuance of the notes, we entered into interest rate swap agreements. We subsequently terminated the interest rate swap agreements and received a payment of $27 million which is being amortized over the remaining term of the notes. Interest is payable semi-annually on February 1 and August 1 of each year. These notes carry a limitation on creating liens on domestic real property or improvements or the stock or indebtedness of domestic subsidiaries (subject to certain exceptions) that exceed the greater of 10% of the consolidated net tangible assets or 15% of the consolidated capitalization. The covenants also restrict sale and leaseback transactions (subject to certain exceptions) unless net proceeds are at least equal to the sum of all costs incurred in connection with the acquisition of the principal property and a lien would be permitted on such principal property. At April 30, 2011, deferred financing expenses for these notes were nominal and have been included in Other assets on our condensed consolidated balance sheets.

On June 24, 2011, we redeemed all outstanding aggregate principal amount of the 7.625% notes for a total cost of approximately $519 million, including accrued interest of approximately $15 million.

7.375% Senior Secured Notes, due fiscal 2016 ($350 million at April 30, 2011)

On August 24, 2010, concurrently with the New Secured Term Loan (as defined below) Toys-Delaware completed the offering of $350 million aggregate principal amount of senior secured notes (the Toys-Delaware Secured Notes) bearing interest at 7.375% per annum. The Toys-Delaware Secured Notes were issued at par. The gross proceeds of the Toys-Delaware Secured Notes along with the gross proceeds from the New Secured Term Loan were used to repay the outstanding principal loan balances of $800 million under the secured credit facilities (the Secured Credit Facilities) and $181 million under the unsecured credit facility (the Unsecured Credit Facility). In addition, the gross proceeds were used to pay transaction fees of approximately $24 million, including fees payable to the Sponsors pursuant to their advisory agreement and prepayment penalty fees of $2 million under the Unsecured Credit Facility. In connection with the offering and the New Secured Term Loan, Toys-Delaware also retained $28 million of cash for general corporate purposes. Fees paid in connection with the sale of the offering of the Toys-Delaware Secured Notes and the New Secured Term Loan will be deferred and expensed over the life of the instruments. As a result of the repayment of the Secured Credit Facilities and Unsecured Credit Facility, Toys-Delaware expensed approximately $16 million and $1 million, respectively, of deferred financing costs in fiscal 2010. At April 30, 2011, deferred financing expenses for the Toys-Delaware Secured Notes were $9 million, and have been included in Other assets in our condensed consolidated balance sheets. The Toys-Delaware Secured Notes are guaranteed by certain of Toys-Delaware subsidiaries and the indebtedness thereunder is secured by the trademarks and certain other intellectual property of Geoffrey LLC, a wholly owned subsidiary of Toys-Delaware, and the assets securing the ABL Facility including inventory, accounts receivable, equipment and certain other personal property owned or acquired by Toys-Delaware and certain of its subsidiaries, on a pari passu basis with the New Secured Term Loan. The Company is not a guarantor of the Toys-Delaware Secured Notes.

The indenture governing the Toys-Delaware Secured Notes contains covenants, including, among other things, covenants that restrict the ability of Toys-Delaware to incur additional indebtedness, pay dividends or make other distributions, make investments and other restricted payments or create liens. These covenants are subject to a number of important qualifications and limitations. Certain covenants will be suspended at any time Toys-Delaware Secured Notes are rated investment grade. In addition, the indenture contains customary terms and covenants, including certain events of default upon the occurrence of which, the Toys-Delaware Secured Notes may be immediately due and payable. The Toys-Delaware Secured Notes may be redeemed, in whole or in part, at any time prior to September 1, 2013, at a price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest, if any, as of the date of redemption. The Toys-Delaware Secured Notes will be redeemable, in whole or in part, at any time on or after September 1, 2013 at the specified redemption prices, plus accrued and unpaid interest. Toys-Delaware may also redeem up to 35% of the Toys-Delaware Secured Notes prior to September 1, 2013 with the net cash proceeds from certain equity offerings at a redemption price equal to 107.375% of the principal amount of Toys-Delaware Secured Notes plus accrued and unpaid interest to the date of redemption. Following specified kinds of changes of control with respect to Toys-Delaware, Toys-Delaware will be required to offer to purchase Toys-Delaware Secured Notes at a purchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. Interest on the Toys-Delaware Secured Notes is payable in cash semi-annually in arrears through maturity on March 1 and September 1 of each year, commencing on March 1, 2011. Toys-Delaware Secured Notes have not been and will not be registered under the Securities Act and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

New Secured Term Loan and Incremental Term Loan, due fiscal 2016 and 2018, respectively ($687 million and $0 at April 30, 2011, respectively)

On August 24, 2010, concurrently with the issuance of the Toys-Delaware Secured Notes, Toys-Delaware amended and restated the Secured Credit Facilities to extend the maturity date of this loan facility and amend certain other provisions (as amended and restated, the New Secured Term Loan). The New Secured Term Loan provided for an aggregate principal amount of $700 million and was issued at a discount of $11 million which resulted in the receipt of gross proceeds of $689 million. The gross proceeds of the New Secured Term Loan along with the gross proceeds from Toys-Delaware Secured Notes were used to repay the outstanding principal loan balances of $800 million under the Secured Credit Facilities and $181 million under the Unsecured Credit Facility. In addition, the gross proceeds were used to pay transaction fees of approximately $24 million, including fees paid to the Sponsors pursuant to their advisory agreement and prepayment penalty fees of $2 million under the Unsecured Credit Facility. In connection with the New Secured Term Loan and the offering of the Toys-Delaware Secured Notes, Toys-Delaware also retained $28 million of cash for general corporate purposes. Fees paid in connection with the New Secured Term Loan and the offering of the Toys-Delaware Secured Notes were deferred and expensed over the life of the instruments. As a result of the repayment of the Secured Credit Facilities and Unsecured Credit Facility, Toys-Delaware expensed approximately $16 million and $1 million, respectively, of deferred financing costs in fiscal 2010. During the fourth quarter of 2010, Toys-Delaware repaid $2 million of the New Secured Term Loan. At April 30, 2011, deferred financing expenses for the New Secured Term Loan were $14 million and have been included in Other assets on our condensed consolidated balance sheets.

The New Secured Term Loan, provides for, among other things, an accordion feature that allows Toys-Delaware to request one or more additional term loans be added to the New Secured Term Loan in an aggregate principal amount of up to $700 million, to be reduced on a dollar-for-dollar basis by the aggregate principal amount of one or more additional series of senior secured notes that may be issued after the date of the initial issuance of the Toys-Delaware Secured Notes.

On May 25, 2011, Toys-Delaware and certain of its subsidiaries entered into the Joinder Agreement to the New Secured Term Loan. The Joinder Agreement added a new tranche of term loans in an aggregate principal amount of $400 million (the Incremental Term Loan), which increased the size of the New Secured Term Loan to an aggregate principal amount of $1.1 billion (the Secured Term Loan).

The Incremental Term Loan was issued at a discount of $4 million which resulted in gross proceeds of $396 million. The gross proceeds were used to pay transaction fees of approximately

$7 million, including fees payable to the Sponsors pursuant to their advisory agreement, which will be deferred and expensed over the life of the instrument. Investment funds or accounts advised by KKR owned $50 million of the Incremental Term Loan as of May 25, 2011. The net proceeds from the Incremental Term Loan along with borrowings from our ABL Facility were used to provide funds to redeem the 7.625% notes due fiscal 2011, including accrued interest, premiums and expenses, on June 24, 2011. The Incremental Term Loan will mature on May 25, 2018, and bears interest at LIBOR (with a floor of 1.50%) plus 3.75%, which is subject to a step down of 0.25% based on total leverage.

The Secured Term Loan contains customary covenants applicable to Toys Delaware and certain of its subsidiaries, including, among other things, covenants that restrict the ability of Toys Delaware and certain of its subsidiaries to incur certain additional indebtedness, create or permit liens on assets, or engage in mergers or consolidations, pay dividends, repurchase capital stock, make other restricted payments, make loans or advances, engage in transactions with affiliates, or amend material documents. These covenants are subject to certain exceptions, including among other things, allowing unsecured, later-maturing debt subject to a fixed charge coverage test, providing funds for the prepayment or repayment of the 7.625% notes due fiscal 2011, and our 7.875% senior notes due fiscal 2013 subject to Toys Delaware meeting a total leverage test and the provision of exceptions allowing for Toys Delaware and certain of its subsidiaries to make certain investments, pay certain dividends and make certain other restricted payments including a cumulative credit exception subject to Toys Delaware meeting a fixed charge coverage test. If an event of default under the Secured Term Loan occurs and is continuing, the principal amount outstanding, together with all accrued unpaid interest and other amounts owed may be declared immediately due and payable by the lenders. Pursuant to the terms of the agreement, Toys Delaware is required to make quarterly principal payments equal to 0.25% ($11 million per year) of the original principal amount of the loans. Toys Delaware may optionally prepay the outstanding principal balance of the Secured Term Loan at any time. If Toys Delaware prepays the outstanding principal balance of the New Secured Term Loan on or prior to August 24, 2011, Toys Delaware would pay a premium equal to 1% of the remaining balance. If Toys Delaware prepays the outstanding principal balance of the Incremental Term Loan on or prior to May 25, 2012, Toys Delaware would pay a premium equal to 1% of the remaining balance.

Further, the Secured Term Loan is guaranteed by certain of Toys-Delaware s subsidiaries and the borrowings thereunder are secured, on a pari passu basis with the Toys-Delaware Secured Notes, by the trademarks and certain other intellectual property of Geoffrey LLC, a wholly owned subsidiary of Toys-Delaware, and the assets securing the ABL Facility including inventory, accounts receivable, equipment and certain other personal property owned or acquired by Toys-Delaware and certain of its subsidiaries. Toys R Us, Inc. is not a guarantor of the Secured Term Loan.

62 million French and 128 million Spanish real estate credit facilities, due fiscal 2012 ($91 million and $190 million at April 30, 2011, respectively)

On January 23, 2006, our indirect wholly-owned subsidiaries Toys R Us France Real Estate SAS and Toys R Us Iberia Real Estate S.L. entered into the French and Spanish real estate credit facilities, respectively. These facilities are secured by, among other things, selected French and Spanish real estate. The maturity date for each of these loans is February 1, 2013. The loans have interest rates of EURIBOR plus 1.50% plus mandatory costs per annum. The loan agreements contain covenants that restrict the ability of the borrowers to engage in mergers or consolidations, incur additional indebtedness, or create or permit additional liens on assets. The loan agreements also require the borrower to maintain interest coverage ratios of 110%. If the coverage ratio is less than 110% there is a 10 day window to prevent default. The borrower has an option to pay down the loan to increase the coverage up to 110%, acquire new properties or deposit collateral into an appropriate account. However, this cannot occur in two consecutive periods or more than six times during the life of the debt instrument. At April 30, 2011, deferred financing expenses recorded for these facilities were $4 million and have been included in Other assets on our condensed consolidated balance sheets.

£349 million U.K. real estate senior and £61 million U.K. real estate junior credit facilities, due fiscal 2013 ($583 million and $102 million at April 30, 2011, respectively)

On February 8, 2006, Toys U.K. Properties, our indirect wholly-owned subsidiary, entered into a series of secured senior and junior loans with Vanwall as the issuer and senior lender and The Royal Bank of Scotland PLC as junior lender. These facilities are secured by, among other things, selected U.K. real estate. The U.K. real estate senior credit facility bears interest of 5.02% plus mandatory costs. The U.K. real estate junior credit facility bears interest at an annual rate of LIBOR plus a margin of 2.25% plus mandatory costs. At April 30, 2011, deferred financing expenses for these credit facilities were $3 million and have been included in Other assets on our condensed consolidated balance sheets.

The credit agreements contain covenants that restrict the ability of Toys U.K. Properties to incur certain additional indebtedness, create or permit liens on assets, dispose of or acquire further property, vary or terminate the lease agreements, conclude further leases or engage in mergers or consolidations. Toys U.K. Properties is required to repay the loans in part in quarterly installments. The final maturity date for these credit facilities is April 7, 2013.

Vanwall is a variable interest entity established with the limited purpose of issuing and administering the notes under the credit agreement with Toys U.K. Properties. On February 9, 2006, Vanwall issued $620 million of multiple classes of commercial mortgage backed floating rate notes to third party investors, which are publicly traded on the Irish Stock Exchange Limited. The proceeds from the floating rate notes issued by Vanwall were used to fund the Senior Loan to Toys U.K. Properties. Pursuant to the February 2006 credit agreement, Vanwall is required to maintain an interest rate swap which effectively fixed the variable LIBOR rate at 4.56%, the same as the fixed interest rate less the applicable credit spread paid by Toys U.K. Properties to Vanwall. The fair value of this interest rate swap was a liability of approximately $34 million and $39 million at April 30, 2011 and May 1, 2010, respectively. Toys U.K. Properties credit agreement with Vanwall requires Toys U.K. Properties to indemnify Vanwall against any loss or liability that Vanwall incurs as a consequence of any part of the loans being repaid or prepaid, including costs relating to terminating all or part of their interest rate swap. For further details regarding the consolidation of Vanwall, refer to Note 1 entitled Summary of Significant Accounting Policies in our notes to the consolidated financial statements.

7.875% senior notes, due fiscal 2013 ($397 million at April 30, 2011)

On April 8, 2003, we issued $400 million in notes bearing interest at a coupon rate of 7.875%, maturing on April 15, 2013. The notes were issued at a discount of $7 million which resulted in the receipt of proceeds of $393 million. Simultaneously with the sale of the notes, we entered into interest rate swap agreements. We subsequently terminated the swaps at a loss of $6 million which is being amortized over the remaining term of the notes. Interest is payable semi-annually on April 15 and October 15 of each year. These notes carry a limitation on creating liens on domestic real property or improvements or the stock or indebtedness of domestic subsidiaries (subject to certain exceptions) that exceed the greater of 10% of the consolidated net tangible assets or 15% of the consolidated capitalization. The indenture governing the 7.875% notes imposes certain limitations on our ability to, among other things, merge or consolidate with any other person or sell, assign, convey or transfer or otherwise dispose of assets substantially as an entirety to another person, and requires that we comply with certain further covenants. The covenants also restrict sale and leaseback transactions (subject to certain exceptions) unless net proceeds are at least equal to the sum of all costs incurred in connection with the acquisition of the principal property and a lien would be permitted on such principal property. At April 30, 2011, deferred financing expenses for these notes were $1 million and have been included in Other assets on our condensed consolidated balance sheets.

10.75% senior notes, due fiscal 2017 ($929 million at April 30, 2011)

On July 9, 2009, TRU Propco I, formerly known as TRU 2005 RE Holding Co. I, LLC, one of our wholly-owned subsidiaries, completed the offering of $950 million aggregate principal amount of senior unsecured 10.75% notes due 2017 (the TRU Propco I Notes). The TRU Propco I Notes were issued at a discount of $25 million which resulted in the receipt of proceeds of $925 million. The proceeds of $925 million from the offering of the TRU Propco I Notes, together with $263 million of cash on hand and $99 million of restricted cash released from restrictions were used to repay the outstanding loan balance under TRU Propco I s unsecured credit agreement of $1,267 million plus accrued interest of approximately $1 million and fees at closing of approximately $19 million. Total fees paid in connection with the sale of the TRU Propco I Notes totaled approximately $23 million and were deferred and expensed over the life of the TRU Propco I Notes. As a result of the repayment of our unsecured credit agreement, we expensed approximately $8 million of deferred financing costs in fiscal 2009. At April 30, 2011, deferred financing expenses for these notes were $18 million and have been included in Other assets on our condensed consolidated balance sheets.

The TRU Propco I Notes are solely the obligation of TRU Propco I and its wholly-owned subsidiaries (the Guarantors) and are not guaranteed by Toys R Us, Inc. or Toys Delaware. The TRU Propco I Notes are guaranteed by the Guarantors, jointly and severally, fully and unconditionally, and the indenture governing the TRU Propco I Notes contain covenants, including, among other things, covenants that restrict the ability of TRU Propco I and the Guarantors to incur additional indebtedness, pay dividends or make other distributions, make other restricted payments and investments, create liens, and impose restrictions on the ability of the Guarantors to pay dividends or make other payments. The indenture governing the TRU Propco I Notes also contains covenants that limit the ability of Toys R Us, Inc. to cause or permit Toys Delaware to incur indebtedness or make restricted payments. These covenants are subject to a number of important qualifications and limitations. The TRU Propco I Notes may be redeemed, in whole or in part, at any time prior to July 15, 2013 at a price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. The TRU Propco I Notes will be redeemable, in whole or in part, at any time on or after July 15, 2013, at the specified redemption prices, plus accrued and unpaid interest, if any. In addition, TRU Propco I may redeem up to 35% of the TRU Propco I Notes before July 15, 2012 with the net cash proceeds from certain equity offerings. Following specified kinds of changes of control with respect to Toys R Us, Inc. or TRU Propco I, TRU Propco I will be required to offer to purchase the TRU Propco I Notes at a purchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to but not including the purchase date. Interest on the TRU Propco I Notes is payable in cash semi-annually in arrears through maturity on January 15 and July 15 of each year, commencing on January 15, 2010.

On July 8, 2010, pursuant to a registration rights agreement between TRU Propco I and the initial purchasers of the TRU Propco I Notes, TRU Propco I completed a registered exchange offer with respect to the Notes.

8.50% senior secured notes, due fiscal 2017 ($716 million at April 30, 2011)

On November 20, 2009, TRU Propco II, formerly known as Giraffe Properties, LLC, an indirect wholly-owned subsidiary, completed the offering of $725 million aggregate principal amount of senior secured 8.50% notes due 2017 (the TRU Propco II Secured Notes). The TRU Propco II Secured Notes were issued at a discount of $10 million which resulted in the receipt of proceeds of $715 million. The proceeds of $715 million, together with $93 million in cash on hand and the release of $22 million in cash from restrictions, were used to repay TRU Propco II s outstanding loan balance under the secured real estate loan agreement of $600 million, plus accrued interest of approximately $1 million and paid fees of approximately $29 million, which includes advisory fees of $7 million paid to the Sponsors pursuant to their advisory agreement. Affiliates of KKR, an indirect equity owner of the

Company, owned 2% of the notes as of April 30, 2011. In addition, in connection with the offering, MPO Properties, LLC an indirect wholly-owned subsidiary, repaid the $200 million outstanding loan balance under the Secured real estate loan agreement. Fees paid in connection with the sale of the TRU Propco II Secured Notes were deferred and expensed over the life of the TRU Propco II Secured Notes. As a result of the repayment of our secured real estate loans, we expensed approximately $3 million of deferred financing costs in fiscal 2009. The TRU Propco II Secured Notes are solely the obligation of TRU Propco II and are not guaranteed by Toys R Us, Inc. or Toys Delaware or any of our other subsidiaries. The TRU Propco II Secured Notes are secured by the first priority security interests in all of the existing and future real estate properties of TRU Propco II and its interest in the master lease agreement between TRU Propco II as landlord and Toys Delaware as tenant (the TRU Propco II Master Lease). Those real estate properties and interests in the TRU Propco II Master Lease are not available to satisfy or secure the obligations of the Company or its affiliates, other than the obligations of TRU Propco II under the TRU Propco II Secured Notes. At April 30, 2011, deferred financing expenses recorded for these notes were $24 million and have been included in Other assets on our condensed consolidated balance sheets.

The indenture governing the TRU Propco II Secured Notes contains covenants, including, among other things, covenants that restrict the ability of TRU Propco II to incur additional indebtedness, pay dividends or make other distributions, make other restricted payments and investments, create liens, and impose restrictions on dividends or make other payments. The indenture governing the TRU Propco II Secured Notes also contains covenants that limit the ability of Toys R Us, Inc. to cause or permit Toys Delaware to incur indebtedness or make restricted payments. These covenants are subject to a number of important qualifications and limitations. The TRU Propco II Secured Notes may be redeemed, in whole or in part, at any time prior to December 1, 2013 at a price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. The TRU Propco II Secured Notes will be redeemable, in whole or in part, at any time on or after December 1, 2013, at the specified redemption prices, plus accrued and unpaid interest, if any. In addition, prior to December 1, 2013, during each twelve month period commencing December 1, 2009, TRU Propco II may redeem up to 10% of the aggregate principal amount of the TRU Propco II Secured Notes at a redemption price equal to 103% of the principal amount of the TRU Propco II Secured Notes plus accrued and unpaid interest to the date of redemption. TRU Propco II may also redeem up to 35% of the TRU Propco II Secured Notes prior to December 1, 2012, with the net cash proceeds from certain equity offerings, at a redemption price equal to 108.5% of the principal amount of the TRU Propco II Secured Notes plus accrued and unpaid interest to the date of redemption. Following specified kinds of changes of control with respect to Toys R Us, Inc. or TRU Propco II, TRU Propco II will be required to offer to purchase the TRU Propco II Secured Notes at a purchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any to, but not including, the purchase date. Interest on the TRU Propco II Secured Notes is payable in cash semi-annually in arrears through maturity on June 1 and December 1 of each year, commencing on June 1, 2010.

On November 16, 2010, pursuant to a registration rights agreement between TRU Propco II and the initial purchasers of the TRU Propco II Notes, TRU Propco II completed a registered exchange offer with respect to the TRU Propco II Notes.

7.375% senior notes, due fiscal 2018 ($405 million at April 30, 2011)

On September 22, 2003, we issued $400 million in notes bearing interest at a coupon rate of 7.375%, maturing on October 15, 2018. The notes were issued at a discount of $2 million which resulted in the receipt of proceeds of $398 million. Simultaneously with the sale of the notes, we entered into interest rate swap agreements. We subsequently terminated the swaps and received a payment of $10 million which is being amortized over the remaining term of the notes. Interest is payable semi-annually on April 15 and October 15 of each year. These notes carry a limitation on creating liens on properties owned or acquired at May 28, 2002 or thereafter without effectively securing the debt securities equally and ratably with that debt and such liens cannot exceed 10% of the consolidated net tangible assets or 15% of the consolidated capitalization. The indenture governing the 7.375% notes imposes certain limitations on our ability to, among other things, merge or consolidate with any other person or sell, assign, convey or transfer or otherwise dispose of assets substantially as an entirety to another person, and requires that we comply with certain further covenants. The covenants also restrict sale and leaseback transactions unless net proceeds are at least equal to the sum of all costs incurred in connection with the acquisition of the principal property. At April 30, 2011, deferred financing expenses for these notes were $2 million and have been included in Other assets on our condensed consolidated balance sheets.

8.750% debentures, due fiscal 2021 ($22 million at April 30, 2011)

On August 29, 1991, we issued $200 million in debentures bearing interest at a coupon rate of 8.750% (the Debentures), maturing on September 1, 2021. Interest is payable semi-annually on March 1 and September 1 of each year. On November 2, 2006, Toys Delaware commenced a cash tender offer for any and all of the outstanding Debentures (the Tender Offer) and a related consent solicitation to effect certain amendments to the Indenture, eliminating all of the restrictive covenants and certain events of default in the Indenture. On November 30, 2006, the Tender Offer expired, and on December 1, 2006, Toys Delaware consummated the Tender Offer of $178 million (approximately 89.2%) of the outstanding Debentures in the Tender Offer using borrowings under the unsecured credit facility to purchase the tendered Debentures. At April 30, 2011, deferred financing expenses for these notes were nominal and have been included in Other assets on our condensed consolidated balance sheets.

Japan Bank Loans (1.85% to 2.85%) loans due fiscals 2012-2016 ($184 million at April 30, 2011)

Toys Japan currently has six bank loans with various financial institutions totaling $184 million at April 30, 2011. On September 30, 2010, Toys Japan entered into an agreement with a syndicate of financial institutions to refinance three bank loans, which matured on January 17, 2011. Under the new agreement, which began on January 17, 2011, the loan for ¥11.5 billion ($142 million at April 30, 2011) will mature on January 29, 2016 and bear an interest rate of TIBOR plus 1.50% per annum. In conjunction with the new agreement we entered into an interest rate swap, converting the variable rate of interest to a fixed rate of 2.45% on January 17, 2011. The swap has been designated as a cash flow hedge. Toys Japan is required to make principal payments of approximately ¥1.6 billion ($20 million at April 30, 2011) annually in January of each year commencing on January 2012 with the remaining principal and interest due upon maturity. Toys Japan paid fees of $3 million to refinance these loans, which are capitalized as deferred debt issuance costs and amortized over the term of the agreement. On February 28, 2011, Toys-Japan entered into a bank loan with a financial institution totaling ¥1.0 billion ($12 million at April 30, 2011). The loan will mature on February 25, 2016 and bears an interest rate of 1.85% per annum. The remaining four bank loans, representing $30 million, are amortizing and mature between fiscal 2012 and fiscal 2014. As of April 30, 2011, deferred financing expenses for these agreements were $3 million and have been included in Other assets on our condensed consolidated balance sheets.

These agreements contain covenants, including, among other things, covenants that require Toys Japan to maintain a certain level of net assets and profitability during the agreement terms. The agreement also restricts Toys Japan from paying dividends or making loans to affiliates without lender agreement.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our Restated Certificate of Incorporation and Amended and Restated Bylaws as each is anticipated to be in effect upon the closing of this offering, and certain provisions of law as currently in effect. We also refer you to our Restated Certificate of Incorporation and Amended and Restated Bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus forms a part.

Authorized Capital

Our authorized capital stock consists of:

- shares of common stock, par value $.001 per share, of which 49,182,720 shares were issued and outstanding as of June 24, 2011, and;

- shares of preferred stock, of which no shares are issued and outstanding.

As of June 24, 2011, there were 84 holders of record of our common stock.

Immediately following the closing of this offering, there are expected to be shares of common stock issued and outstanding (or shares of common stock if the underwriters exercise their option to purchase additional shares) and no shares of preferred stock outstanding.

Common Stock

Voting Rights. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors. The holders of common stock do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote and present in person or by proxy at an annual meeting of stockholders will be able to elect all the directors. In such event, the holders of the remaining shares of common stock will not be able to elect any directors.

Dividend Rights. Holders of our common stock are entitled to receive ratably out of our legally available assets, when and if declared by our Board of Directors, dividends in cash, property, shares of common stock or other securities, after payments of dividends required to be paid on outstanding preferred stock, if any.

Liquidation Rights. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and payment of liquidation preferences on outstanding preferred stock, if any.

Other Matters. Holders of common stock have no preemptive or conversion rights and, absent an individual agreement with us, are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Unless required by law or by any stock exchange on which our common stock may be listed, the authorized shares of preferred stock will be available for issuance without further action by you. Our Restated Certificate of Incorporation authorizes our Board of Directors to determine the powers, designations preferences and relative, participating, optional or other rights, if any, and any qualifications, limitations or restrictions thereof, of any shares of preferred stock that we choose to issue.

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Authorized but Unissued Capital Stock

The General Corporation Law of the State of Delaware (the DGCL) does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the New York Stock Exchange, which would apply as long as our common stock is listed on the New York Stock Exchange, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our Board of Directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholder of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Classified Board

Our Restated Certificate of Incorporation provides that our Board of Directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result, approximately one-third of our Board of Directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our Board. Our Restated Certificate of Incorporation provides that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the Board of Directors, but must consist of not less than or more than directors.

Removal of Directors; Vacancies

Our Restated Certificate of Incorporation provides that (i) prior to the date on which the Sponsors beneficially own in the aggregate less than a majority in voting power of all outstanding shares of our stock entitled to vote generally in the election of directors (such date, the Trigger Date) directors may be removed with or without cause upon the affirmative vote of holders of at least a majority of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class and (ii) from and after the Trigger Date, directors may be removed only for cause and only upon the affirmative vote of holders of at least % of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. In addition, our Amended and Restated Bylaws provide that any vacancies on our Board of Directors will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining director.

Calling of Special Meetings of Stockholders

Our Restated Certificate of Incorporation provides that (i) prior to the Trigger Date, special meetings of our stockholders may be called at any time only by or at the direction of the Chairman of the Board of Directors or by the holders of a majority in voting power of all outstanding shares of our stock entitled to vote generally in the election of directors or by or at the direction of the chairman of the Board of Directors, the Board of Directors or a committee of the Board of Directors which has been designated by the Board of Directors, and (ii) from and after the Trigger Date, special meetings of our stockholders may be called at any time only by or at the direction of the chairman of the Board of Directors, the Board of Directors or a committee of the Board of Directors which has been designated by the Board of Directors.

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Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Amended and Restated Bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the secretary. Generally, to be timely, a stockholder s notice must be received at our principal executive offices not less than 90 nor more than 120 days prior to the first anniversary of the previous year s annual meeting. Our Amended and Restated Bylaws also specify requirements as to the form and content of a stockholder s notice. These provisions may impede stockholders ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders. Prior to the Trigger Date, no Sponsor shall be subject to these advance notice provisions.

Stockholder Action by Written Consent

The DGCL permits stockholder action by written consent unless otherwise provided by a corporation s certificate of incorporation. Our Restated Certificate of Incorporation precludes stockholder action by written consent from and after the Trigger Date.

Amendments to Bylaws

The Restated Certificate of Incorporation and Amended and Restated Bylaws provide that the Board of Directors is expressly authorized to make, alter, amend, change, add to or repeal our Bylaws without a stockholder vote. Prior to the Trigger Date, any amendment, alteration, change, addition or repeal of our Amended and Restated Bylaws by our stockholders will require the affirmative vote of the holders of a majority of the outstanding shares of our stock entitled to vote on such amendment, alteration, change, addition or repeal. From and after the Trigger Date, any amendment, alteration, change, addition or repeal of our Bylaws by our stockholders shall require the affirmative vote of the holders of at least % of the outstanding shares of our stock, voting together as a class, entitled to vote on such amendment, alteration, change, addition or repeal.

Amendments, Supermajority Voting Requirements

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares of stock entitled to vote is required to amend a corporation s certificate of incorporation, unless the certificate of incorporation requires a greater percentage. Our Restated Certificate of Incorporation provides that from and after the Trigger Date the following provisions in our Restated Certificate of Incorporation may be amended only by the affirmative vote of holders of at least % of the shares of common stock entitled to vote generally in the election of directors:

- classified board (the election and term of our directors);
- the provisions regarding the amendment, alteration or repeal by our stockholders of the Amended and Restated Bylaws;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;
- the provisions limiting director liability;
- the indemnification provisions; and
- the amendment provision requiring that the above provisions be amended only with a % supermajority vote.

Limitation on Directors Liability and Indemnification; Advancement of Expenses

Section 145 of the DGCL grants each corporation organized thereunder the power to indemnify any person who is or was a director, officer, employee or agent of a corporation or enterprise, against expenses, including attorneys fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of being or having been in any such capacity, if he acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A similar standard is applicable in the case of indemnification for expenses, including attorneys fees, in actions by or in the right of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action was brought determines that, despite adjudication of liability, but in view of all of the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses that the Court of Chancery of the State of Delaware or other court shall deem proper. Section 145 of the DGCL also provides that expenses (including attorneys fee) incurred by an officer or director may be paid by the corporation in advance of the final disposition of any proceeding in connection with which they would be eligible for indemnification.

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation, or an amendment thereto, to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breaches of fiduciary duty as a director, except (i) for any breach of the director s duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit.

Our Restated Certificate of Incorporation provides for the indemnification of the directors and officers to the full extent of the DGCL and also allow the Board of Directors to indemnify all other employees and agents of the Company. Such indemnification extends to the payment of judgments against such officers and directors and to reimbursement of amounts paid in settlement of such claims or actions. Such indemnification also extends to the payment of counsel fees and expenses of such officers and directors in suits against them where successfully defended by them. We are also obligated to advance expenses to officers and directors in advance of the fiscal disposition of any proceeding in connection with which they would be eligible for indemnification. Such rights of indemnification and advancement are not exclusive of any right to which such officer or director may be entitled as a matter of law and shall extend and apply to the estates of deceased officers and directors.

We maintain a directors and officers insurance policy. The policy insures directors and officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers. The policy contains various exclusions that are normal and customary for policies of this type.

In September 2009, we entered into an advancement and indemnification rights agreement with the Sponsors to clarify the priority of advancement and indemnification obligations among us and any of our directors appointed by the Sponsors and other related matters. In addition, we intend to enter into indemnification agreements with our directors and certain of our officers providing for certain advancement and indemnification rights. In the indemnification agreements, we will agree subject to certain exceptions, to indemnify and hold harmless the director or officer to the maximum extent then authorized or permitted by the DGCL or by any amendment(s) thereto.

The foregoing summaries are subject to the complete text of our Restated Certificate of Incorporation and Amended and Restated Bylaws and the DGCL and are qualified in their entirety by reference thereto.

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We believe that the indemnification provisions in our Restated Certificate of Incorporation and Amended and Restated Bylaws and insurance are necessary to attract and retain qualified persons as directors and officers.

The limitation of liability and indemnification provisions in our Restated Certificate of Incorporation and Amended and Restated Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder s investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers as required or allowed by these indemnification provisions.

Insofar as our provision for indemnification for liabilities arising under the Securities Act to directors, officers or persons controlling us pursuant to the foregoing provisions or any other provisions described in this prospectus may be permitted, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Delaware Anti-Takeover Statutes

Certain DGCL provisions may make it more difficult for someone to acquire us through a tender offer, proxy contest or otherwise.

Section 203 of the DGCL, provides that, subject to certain stated exceptions, an interested stockholder is any person (other than the corporation and any direct or indirect majority-owned subsidiary) who owns 15% or more of the outstanding voting stock of the corporation or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date of determination, and the affiliates and associates of such person. A corporation may not engage in a business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder unless:

- prior to such time the board of directors of the corporation approved either the business combination or transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and employee stock plans in which participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of 66 $^{2}/3$% of the outstanding voting stock which is not owned by the interested stockholder.

The effect of these provisions may make a change in control of our business more difficult by delaying, deferring or preventing a tender offer or other takeover attempt that a stockholder might consider in its best interest. This includes attempts that might result in the payment of a premium to stockholders over the market price for their shares. These provisions also may promote the continuity of our management by making it more difficult for a person to remove or change the incumbent members of the Board of Directors.

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Transfer Agent and Registrar

Wells Fargo Shareowner Services is the transfer agent and registrar for our common stock.

Listing

We propose to list our common stock on the New York Stock Exchange under the symbol TOYS.

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SHARES ELIGIBLE FOR FUTURE SALE

After our 2005 acquisition and prior to this offering, there has not been a public market for our common stock, and we cannot predict what effect, if any, market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options, in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the closing of this offering, we will have outstanding an aggregate of approximately shares of common stock (shares of common stock if the underwriters exercise their option to purchase additional shares in full). In addition, options to purchase an aggregate of approximately shares of our common stock will be outstanding as of the closing of this offering. Of these options, will have vested at or prior to the closing of this offering and approximately will vest over the next years. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares acquired by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described below. Subject to the transfer restrictions contained in the stockholder s agreement, any remaining outstanding shares of common stock (other than shares issued to non-affiliates pursuant to a Registration Statement on Form S-8, which shares are freely transferable) may be sold under Rule 144, which we summarize below.

Pursuant to Rule 144, shares will be eligible for sale at various times after the date of this prospectus, subject to transfer restrictions contained in the Stockholders Agreement, and, in the case of our officers, directors and the Sponsors, subject to the lock-up agreements.

Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock for at least six months, would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available and, after owning such shares for at least one year, would be entitled to sell an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which was equal to approximately shares as of , 2011; or

- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Lock-Up Agreements

In connection with this offering, we, our executive officers and directors and the Sponsors have agreed with the underwriters, subject to certain exceptions, not to sell, dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of common stock, during the

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period ending 180 days after the date of this prospectus, except with the prior written consent of the representatives of the Underwriters. The Company understands that the representatives of the Underwriters do not have any pre-established conditions to waiving the terms of the lock-up agreements and that the representatives may grant waivers after evaluating the unique facts and circumstances of each individual s or entity s request for such a waiver. This agreement does not apply to any existing employee benefit plans.

The 180-day restricted period described in the preceding paragraph will be automatically extended (to the extent that the applicable FINRA and NYSE rules that restrict any underwriter from publishing or distributing a research report in connection with the expiration of such 180-day period remain in effect) if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or announces material news or a material event; or

- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period,

in which case the restrictions described in this paragraph will continue to apply until the expiration of the 180-day period beginning on the issuance of the earnings release or the announcement of the material news or material event. See Underwriting.

Registrations on Form S-8

We will file registration statements on Form S-8 under the Securities Act to register shares of common stock issuable under the Management Equity Plan and the 2010 Incentive Plan. As a result, shares issued pursuant to such stock incentive plans, including upon exercise of stock options, will be eligible for resale in the public market without restriction, subject to the Rule 144 limitations applicable to affiliates, the 180-day lock-up period, as applicable, and the Stockholder s Agreement, as applicable, described above.

As of April 30, 2011, 3,352,116 options (2,653,422 of which were exercisable at April 30, 2011) were outstanding under our Management Equity Plan and an additional 3,750,000 shares were reserved for future issuance under our 2010 Incentive Plan 989,976 of which underlie awards under such plan granted after April 30, 2011 under such plan.

Registration Rights Agreement

In connection with the 2005 acquisition, we entered into a registration rights agreement with the Sponsors and certain other investors. Pursuant to the agreement, the Sponsors have an unlimited number of registrations rights during the first two years after this offering, if approved by a majority of the Sponsors. In addition, from and after the second anniversary of this offering, each Sponsor may initiate up to three registrations on Form S-1 (the Long-Form Registrations) and, if available, an unlimited number of registrations on Form S-2 or S-3 (the Short-Form Registrations); provided in each case that the aggregate gross offering price of the registrable securities requested to be registered in any demand registration right must equal at least $50 million in the case of any Long Form Registration and at least $20 million in the case of any Short Form Registration, and provided that a demand registration right shall not count against a Sponsor s number of Long-Form Registrations specified above unless the Sponsor initiating such registration and its affiliates are able to sell pursuant to such registration at least 80% of the of registrable securities they requested to be included in such registration.

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In addition, in the event that we are registering additional shares of common stock for sale to the public, whether on our own behalf or on behalf the Sponsors (as described above) or in connection with a registration on Form S-4 or Form S-8 or any successor or similar form, we are required to give notice of such registration to all holders of registrable securities of our intention to effect such a registration, and such persons have piggyback registration rights providing them the right to have us include the shares of common stock owned by them in any such registration if we have received written requests for inclusion therein within 15 days after the delivery of such notice and subject to the other provisions under the registration rights agreement. In each such event, we are required to pay the registration expenses.

Additionally, pursuant to the Management Stockholders Addendum (as described above), each management stockholder holds certain piggyback registration rights allowing the management stockholder to sell along side the Company in underwritten public offerings of common stock subsequent to this offering, subject to certain exceptions.

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MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES

TO NON-U.S. HOLDERS

The following is a summary of the material United States federal income and estate tax consequences of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset by a non-U.S. holder.

Except as modified for estate tax purposes, a non-U.S. holder means an individual, corporation, estate or trust that is not, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income and estate tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, financial institution, person subject to the alternative minimum tax, person who has acquired our common stock as part of a straddle, hedge, conversion transaction or other integrated investment, controlled foreign corporation, passive foreign investment company or a partnership or other pass-through entity for United States federal income tax purposes (or investors in such entities)). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If any entity or arrangement treated as a partnership for United States federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership and upon certain determinations made at the partner level. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular United States federal income estate and gift tax consequences to you of the ownership and disposition of our common stock, as well as the consequences to you arising under the laws of any other applicable taxing jurisdiction, in light of your particular circumstances.

This discussion assumes that a non-U.S. holder will structure its ownership of our common stock so as to not be subject to the newly enacted withholding tax discussed below under Additional Withholding Requirements.

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Dividends

Dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the United States are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. A foreign corporation that receives any such effectively connected dividends may be subject to an additional branch profits tax on its earnings and profits attributable to such dividends at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the Internal Revenue Service (the IRS).

Gain on Disposition of Common Stock

Any gain realized by a non-U.S. holder on the disposition of our common stock generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a United States real property holding corporation for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock and such non-U.S. holder held (at any time during the shorter of the five year period ending on the date of disposition or such holder s holding period) more than 5% of our common stock.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates, generally in the same manner as if it were a United States person as defined under the Code. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain generally in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits attributable to such gain, or at such lower rate as may be specified by an applicable income tax treaty.

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We believe we are not a United States real property holding corporation for United States federal income tax purposes, however, no assurance can be given that we will not become one in the future. If, however, we are or become a United States real property holding corporation, so long as our common stock is regularly traded on an established securities market, only a non-U.S. holder who holds or held (at any time during the shorter of the five year period ending on the date of disposition or the non-U.S. holder s holding period) more than 5% of our common stock will be subject to United States federal income tax on the disposition of our common stock. Non-U.S. holders should consult their own advisors about the consequences that could result if we are, or become, a United States real property holding corporation.

Federal Estate Tax

Our common stock that is held (or treated as held) by an individual who at the time of death is not a citizen or resident of the United States (as specifically defined for estate tax purposes) will be included in such holder s gross estate for United States federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty or agreement.

A non-U.S. holder will be subject to backup withholding (currently at a rate of 28%) on dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder s United States federal income tax liability provided the required information is timely furnished to the IRS.

Additional Withholding Requirements

Under recently enacted legislation, the relevant withholding agent may be required to withhold 30% of any dividends and the proceeds of a sale of our common stock paid after December 31, 2012 to (i) a foreign financial institution (whether holding stock for its own account or on behalf of its account holders/investors) unless such foreign financial institution agrees to verify, report and disclose its U.S. account holders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. Non-U.S. holders should consult their own tax advisors regarding the effect of this newly enacted legislation.

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UNDERWRITING

Toys R Us. Inc. and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Citigroup Global Markets Inc.	
Wells Fargo Securities, LLC	
Needham & Company, LLC	
Mizuho Securities USA Inc.	
BMO Capital Markets Corp.	
SMBC Nikko Capital Markets Limited	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from us. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

Paid by the Company	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

The Company, its executive officers and directors and the Sponsors have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives of the underwriters. The Company understands that the representatives of the underwriters do not have any pre-established conditions to waiving the terms of any of the lock-up agreements and may grant waivers on a case by case basis after evaluating the unique facts and circumstances of each individual s or entity s request for such a waiver. This agreement does not apply to any existing employee benefit plans. See Shares Eligible for Future Sale for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

After our 2005 acquisition and prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the Company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the Company s historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company s management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to apply to list the common stock on the New York Stock Exchange under the symbol TOYS.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares from the Company in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. Naked short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Company s stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts, will be approximately $ million.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments certain underwriters may be required to make in respect of those liabilities.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company, for which they received or will receive customary fees and expenses. In addition, certain of the underwriters or their respective affiliates currently serve as agents and/or lenders under certain of our credit facilities, including: for the ABL Facility, Bank of America, N.A. serves as the Administrative Agent, Co-Collateral Agent, Canadian Lender and Canadian Agent (acting through its Canadian branch) and as a Domestic Lender, Wells Fargo Retail Finance, LLC serves as a Co-Collateral Agent and as a Domestic Lender, Wells Fargo Financial Corporation Canada, JPMorgan Chase Bank, N.A. Toronto and Deutsche Bank AG Canada Branch, each serves as a Canadian Lender and Deutsche Bank AG New York Branch, Citibank N.A., JPMorgan Chase Bank, N.A., Goldman Sachs Lending Partners LLC, Sumitomo Mitsui Banking Corporation and Credit Suisse, Cayman Islands Branch each serves as a Domestic Lender; for the Secured Term Loan, Bank of America, N.A. serves as Administrative Agent, Collateral Agent and as a Lender, Banc of America Securities LLC serves as a bookrunner, Deutsche Bank Securities Inc. serves as a bookrunner, Citigroup Global Markets Inc. serves as a bookrunner, Goldman Sachs Credit Partners L.P. serves as a Syndication Agent, Goldman Sachs Lending Partners LLC serves as a bookrunner, J.P. Morgan Chase Bank, N.A. serves as a Syndication Agent, J.P. Morgan Securities LLC serves as a bookrunner, Wells Fargo Bank, N.A. serves as a Documentation Agent, Wells Fargo Securities, LLC serves as a bookrunner and Credit Suisse Securities (USA) LLC serves as Documentation Agent and as a bookrunner; and for the New European ABL, Deutsche Bank AG New York Branch serves as Administrative Agent, Security Agent, Co-Collateral Agent and a Lender, Deutsche Bank AG, London Branch serves as Facility Agent, Bank of America, N.A. serves as Co-Collateral Agent and a Lender and Goldman Sachs Bank (Europe) PLC, Citibank N.A., J.P. Morgan Europe Limited and Wells Fargo Retail Finance, LLC each serves as a Lender. In addition, under certain of Toys-Japan s financing arrangements, Mizuho Bank, Ltd. serves as administrative agent and as a lender and Sumitomo Mitsui Banking Corporation serves as a lender.

Certain of our underwriters have served as initial purchasers in connection with offerings of our existing debt securities, including: Banc of America Securities LLC, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. served as initial purchasers for the TRU Propco I Notes, Banc of America Securities LLC, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. served as initial purchasers for the TRU Propco II Secured Notes and Banc of America Securities LLC, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Wells Fargo Securities, LLC served as initial purchasers for the Toys-

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Delaware Secured Notes, in each case, for which such underwriters or their affiliates received customary fees and expense reimbursement. In addition, certain of the underwriters and/or their affiliates were agents and/or lenders under the Secured Credit Facilities and Unsecured Credit Facility which were repaid with the proceeds of the Toys-Delaware Secured Notes and the New Secured Term Loan. In connection with such repayment, such underwriters and/or their affiliates received a portion of the proceeds from such offering and new facility.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. However, none of the underwriters expect to receive more than 5% of the proceeds of the offering.

Furthermore, certain of the underwriters and their respective affiliates may, from time to time, enter into arms-length transactions with us in the ordinary course of their business.

SMBC Nikko Capital Markets Limited is not a U.S. registered broker-dealer and, therefore, intends to participate in the offering outside of the United States and, to the extent that the offering is within the United States, as facilitated by an affiliated U.S. registered broker-dealer, SMBC Nikko Securities America, Inc. (SMBC Nikko-SI), as permitted under applicable law. To that end, SMBC Nikko Capital Markets Limited and SMBC Nikko-SI have entered into an agreement pursuant to which SMBC Nikko-SI provides certain advisory and/or other services with respect to this offering. In return for the provision of such services by SMBC Nikko-SI, SMBC Nikko Capital Markets Limited will pay to SMBC Nikko-SI a mutually agreed fee.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), including each Relevant Member State that has implemented the 2010 PD Amending Directive with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities (each, an Early Implementing Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no offer of shares which are the subject of the offering contemplated by this prospectus will be made to the public in that Relevant Member State (other than offers (the Permitted Public Offers) where a prospectus will be published in relation to the shares that has been approved by the competent authority in a Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of shares may be made to the public i