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)

With copies to:

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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.

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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;

- 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

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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.

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;

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- 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

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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.

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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,

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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

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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

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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.

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				