

TOYS R US INC  
Form 10-Q  
June 19, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended May 5, 2007

Commission file number 1-11609

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**TOYS R US, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**22-3260693**  
(IRS Employer

Identification Number)

**One Geoffrey Way Wayne, New Jersey**  
(Address of principal executive offices)

**07470**  
(Zip code)

**(973) 617-3500**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 30, 2007 there were outstanding 1,000 shares of common stock of Toys R Us, Inc. (all of which are owned by Toys R Us Holdings, Inc., our holding company and are not publicly traded).

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**TOYS R US, INC. AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****TOYS R US, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In millions)**

	May 5, 2007	February 3, 2007	April 29, 2006 (As restated)
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 379	\$ 765	\$ 443
Accounts and other receivables	246	230	228
Merchandise inventories	2,014	1,690	2,095
Income tax receivable	44		
Assets held for sale	12	9	83
Current deferred tax assets	57	43	129
Prepaid expenses and other current assets	145	120	112
<b>Total current assets</b>	<b>2,897</b>	<b>2,857</b>	<b>3,090</b>
Property and equipment, net	4,303	4,333	4,370
Goodwill, net	365	365	365
Deferred tax assets	103	95	18
Restricted cash	122	148	121
Other assets	491	497	556
	<b>\$ 8,281</b>	<b>\$ 8,295</b>	<b>\$ 8,520</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>			
<i>Current Liabilities:</i>			
Short-term borrowings	\$ 211	\$ 151	\$ 253
Accounts payable	1,384	1,303	1,324
Accrued expenses and other current liabilities	764	848	693
Income taxes payable	4	142	134
Current portion of long-term debt	57	66	300
<b>Total current liabilities</b>	<b>2,420</b>	<b>2,510</b>	<b>2,704</b>
Long-term debt	5,722	5,722	5,950
Deferred tax liabilities	43	74	26
Deferred rent liabilities	252	248	249
Other non-current liabilities	390	282	247
Minority interest in Toys R Us Japan	127	134	144

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Stockholders' deficit:

Total stockholders' deficit	(673)	(675)	(800)
	\$ 8,281	\$ 8,295	\$ 8,520

See accompanying notes to the condensed consolidated financial statements.

**Table of Contents****TOYS R US, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In millions)**

	<b>13 Weeks Ended</b>	
	<b>May 5,</b>	<b>April 29,</b>
	<b>2007</b>	<b>2006</b>
Net sales	<b>\$ 2,581</b>	<b>\$ 2,405</b>
Cost of sales	<b>1,671</b>	<b>1,556</b>
<b>Gross margin</b>	<b>910</b>	<b>849</b>
Selling, general and administrative expenses	<b>792</b>	<b>740</b>
Depreciation and amortization	<b>96</b>	<b>114</b>
Net gains on sales of properties	<b>(3)</b>	
Restructuring and other charges	<b>2</b>	<b>5</b>
Total operating expenses	<b>887</b>	<b>859</b>
Operating earnings (loss)	<b>23</b>	<b>(10)</b>
Other (expense) / income:		
Interest expense	<b>(122)</b>	<b>(130)</b>
Interest income	<b>8</b>	<b>8</b>
Loss before income taxes and minority interest	<b>(91)</b>	<b>(132)</b>
Income tax benefit	<b>44</b>	<b>87</b>
Minority interest	<b>6</b>	
Net loss	<b>\$ (41)</b>	<b>\$ (45)</b>

See accompanying notes to the condensed consolidated financial statements.

**Table of Contents****TOYS R US, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In millions)**

	13 Weeks Ended	
	May 5,	April 29,
	2007	2006
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (41)	\$ (45)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	96	114
Gain on sale of fixed assets	(3)	
Amortization of debt issuance costs and swap unwind	5	18
Deferred income taxes	1	(93)
Other	6	6
Changes in operating assets and liabilities:		
Accounts and other receivables	(10)	10
Merchandise inventories	(319)	(384)
Prepaid expenses and other operating assets	(23)	(25)
Accounts payable	66	(56)
Accrued expenses and other liabilities	(142)	(192)
Income taxes payable and receivable	(59)	(15)
Net cash used in operating activities	(423)	(662)
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(31)	(31)
Decrease (increase) in restricted cash	26	(14)
Cash effect of the consolidation of Toys- Japan		6
Proceeds from sale of fixed assets	5	13
Net cash used in investing activities		(26)
<b>Cash Flows from Financing Activities:</b>		
Long-term debt borrowings	4	1,145
Short-term debt borrowings	87	68
Long-term debt repayment	(37)	(1,074)
Short-term debt repayment	(26)	
Dividend paid to Toys- Japan minority interest	(1)	(5)
Capitalized debt issuance costs		(22)
Net cash provided by financing activities	27	112
Effect of exchange rate changes on cash and cash equivalents	10	38
<b>Cash and cash equivalents:</b>		
Net decrease during period	(386)	(538)
Cash and cash equivalents at beginning of period	765	981

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Cash and cash equivalents at end of period	\$ 379	\$ 443
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See accompanying notes to the condensed consolidated financial statements.



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## TOYS R US, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT

(Unaudited)

(In millions)

(In millions)	Common Stock Issued		Additional paid-in-capital	Accumulated other comprehensive loss	Retained deficit	Total stockholders deficit
	Shares	Amount				
<b>Balance, February 3, 2007</b> <sup>(1)</sup>			\$ 4	\$ (95)	\$ (584)	\$ (675)
Cumulative effect of change in accounting principle, net of tax (Note 3)					(9)	(9)
Cumulative effect of adoption of FIN 48 (Note 6)					21	21
Net loss for the period					(41)	(41)
Foreign currency translation adjustments, net of tax				30		30
Stock compensation expense			1			1
<b>Balance, May 5, 2007</b> <sup>(1)</sup>			\$ 5	\$ (65)	\$ (613)	\$ (673)

<sup>(1)</sup> \$0.01 par value; authorized 3,000 shares, outstanding 1,000 shares.

See accompanying notes to the condensed consolidated financial statements.

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**TOYS R US, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Basis of presentation**

Except as expressly indicated or unless the context otherwise requires, as used herein, the Company, we, us, or our means Toys R Us, Inc., and its subsidiaries. The Condensed Consolidated Balance Sheets as o