TOYS R US INC
Form S-4
September 25, 2012
Table of Contents

As filed with the Securities and Exchange Commission on September 25, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Toys R Us, Inc.

(Exact name of registrant issuer as specified in its charter)

Delaware	**5945**	**22-3260693**
(State or other jurisdiction of incorporation)	**(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 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 a copy to:

Michael D. Nathan, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017-3954

(212) 455-2000

Approximate date of commencement of proposed offer: As soon as practicable after this Registration Statement is declared effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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(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 ¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issues Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10.375% Senior Notes due 2017	$450,000,000	100%	$450,000,000	$51,570

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457(f) of the Securities Act of 1933, as amended (the Securities Act).

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 (the SEC), acting pursuant to said Section 8(a), may determine.

Table of Contents

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 25, 2012

PROSPECTUS

Toys R Us, Inc.

Offer to Exchange (the Exchange Offer)

$450,000,000 principal amount of its 10.375% Senior Notes due 2017 (the exchange notes), which have been registered under the Securities Act of 1933, as amended (the Securities Act) for any and all of its outstanding 10.375% Senior Notes due 2017 (the outstanding notes).

We are conducting the exchange offer in order to provide you with an opportunity to exchange your unregistered notes for freely tradable notes that have been registered under the Securities Act.

The Exchange Offer

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.

The exchange offer expires at 11:59 p.m., New York City time, on , 2012, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes for exchange notes in the exchange offer will not constitute taxable events for U.S. federal income tax purposes.

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradable.

Results of the Exchange Offer

The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods. We do not plan to list the exchange notes on a national market. All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

See Risk Factors beginning on page 20 for a discussion of certain risks that you should consider before participating in the exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period ending on the earlier of (1) 90 days after the exchange offer registration statement is declared effective by the SEC and (2) the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Any holder of outstanding notes who is our affiliate, or does not acquire exchange notes in the ordinary course of its business, or tenders its outstanding notes in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes, cannot rely on the position of the staff of the SEC set forth in *Exxon Capital Holdings Corp.,* SEC no-action letter, *Morgan Stanley & Co. Inc.*, SEC no-action letter and *Shearman & Sterling*, SEC no-action letter or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2012.

Table of Contents

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. The prospectus may be used only for the purposes for which it has been published and no person has been authorized to give any information not contained herein. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted.

TABLE OF CONTENTS

Table of Contents

INDUSTRY 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 and in the documents we file with the SEC. 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. Accordingly, potential purchasers of the exchange notes should not place undue reliance on the market and industry data included in this prospectus.

TRADEMARKS

This prospectus contains some of our trademarks, trade names and service marks. Each one of these trademarks, trade names or service marks is either (i) our registered trademark, (ii) a trademark for which we have a pending application, (iii) a trade name or service mark for which we claim common law rights or (iv) a registered trademark or application for registration which we have been licensed by a third party to use. All other trademarks, trade names or service marks of any other company appearing in this prospectus belong to their respective owners.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such disclosures are intended to be covered by the safe harbors created thereby. These forward-looking statements reflect our current views with respect to, among other things, our operations and financial performance. All statements herein 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, may, outlook or the negative version of these words or other similar words or phrases. These statements 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, 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

Table of Contents

related debt-service obligations, restrictions imposed by covenants in our debt agreements and other risks, uncertainties and factors set forth under Risk Factors in this prospectus and in our reports and documents filed with the SEC. In addition, we typically earn a disproportionate part of our annual operating earnings in the fourth quarter as a result of seasonable 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 prospectus. 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 the SEC s rules and regulations. Actual results may differ materially from anticipated results or outcomes discussed in any forward-looking statement.

Table of Contents

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 sections entitled Risk Factors and the historical financial and other data and related notes included elsewhere in this prospectus, before making an investment decision. 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 Disclosure Regarding Forward-Looking Statements in this prospectus.

As used in this prospectus, unless otherwise noted or the context otherwise requires, references to the Company, we, us, our and Toys R Us are to Toys R Us, Inc. and its subsidiaries. References to TRU and the Issuer are to Toys R Us, Inc. only and not to any of its subsidiaries. The fiscal years of the Company end on the Saturday nearest to January 31. Unless otherwise stated, in this prospectus, references to fiscal year 2011 or fiscal 2011 refer to the fiscal year ended January 28, 2012 (consisting of 52 weeks); fiscal year 2010 or fiscal 2010 refer to the fiscal year ended January 29, 2011 (consisting of 52 weeks); fiscal year 2009 or fiscal 2009 refer to the fiscal year ended January 30, 2010 (consisting of 52 weeks) and references to fiscal year 2008 or fiscal 2008 refer to the fiscal year ended January 31, 2009 (consisting of 52 weeks). References to the outstanding notes are to the $450 million aggregate principal amount of 10.375% Senior Notes due 2017 issued in a private offering by Toys R Us, Inc. on August 1, 2012. References to the exchange notes are to the 10.375% Senior Notes due 2017 registered under the Securities Act hereby. References to the 2017 Notes are to the indebtedness represented by all such notes collectively. References to our juvenile products include baby products.

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 Prospectus Summary 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. Toys R Us is recognized as the toy and juvenile authority. Our brand names are highly recognized in North America, Europe and Asia, and our expertise in the toy and juvenile retail space, our broad range of product offerings, our substantial scale and geographic footprint and our strong vendor relationships account for our market-leading position and distinguish us from the competition. We sell a variety of products in the core toy, entertainment, juvenile, learning and seasonal categories through our retail locations and the Internet. We believe we offer the most comprehensive year-round selection of toys and juvenile products among omnichannel retailers, including a broad assortment of private label and exclusive merchandise unique to our stores.

As of July 28, 2012, we operated 1,520 stores and licensed an additional 151 stores. These stores are located in 36 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. During the fiscal 2011 holiday season, we operated 208 Express store locations. As of July 28, 2012, we operated 118 Express stores including 46 stores with a cumulative lease term of at least two years which have been included in our store count. We also own and operate websites including Toysrus.com, Babiesrus.com, eToys.com, FAO.com and toys.com, as well as other Internet sites we operate in our international markets. For fiscal 2011, we generated Net sales of $13.9 billion, Net earnings of $149 million and Adjusted EBITDA of $1.1 billion.

Table of Contents

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 seven 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 a new integrated store format that combines the Toys R Us and Babies R Us brands and merchandise offerings under one roof, providing a one stop shopping environment for our guests. We call this format a side-by-side store. This 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 may also be constructed in a new location and market. As of July 28, 2012, we have converted 267 existing stores into a side-by-side store format. In addition, we have opened 85 side-by-side stores (49 of which were relocations of existing stores).

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, the aggregate store sales for the 105 domestic and 94 international side-by-side stores converted between fiscal years 2006 and 2010, increased on a weighted average basis (based on net sales) by 18% and 10%, 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.

- ***Established our omnichannel strategy.*** We established our omnichannel strategy, which allows us to leverage the benefits of a retail store presence and e-commerce presence. We sell merchandise through the Internet on our Toysrus.com, Babiesrus.com, eToys.com, FAO.com and toys.com websites, as well as other Internet sites we operate in our international markets. Through our business initiatives and acquisitions, we have expanded our e-commerce business from $405 million in net sales in fiscal 2006 to $1.0 billion in net sales in fiscal 2011.

Table of Contents

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 United States, from 2005 to 2011, our guest service scores increased by 14%.

Focused on optimizing our store portfolio. Excluding Express stores, as of July 28, 2012, we have opened 245 Company operated stores (including 99 stores operated in China and Southeast Asia, 90 of which were acquired in 2011), closed 138 Company operated stores and converted or relocated 311 Company operated stores to our side-by-side store format since the end of fiscal 2005. In fiscal 2011, 98% of our operated stores were store-level EBITDA positive.

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 in North America, Europe and Asia 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 United States, Toys R Us and Babies R Us are highly recognized brand names. For the second consecutive year, Toys R Us has been named to Interbrand s Top 50 Most Valuable U.S. Retail Brands which is based on Interbrand s valuation of a brand and consideration of such factors as commitment, protection, clarity, responsiveness, authenticity, relevance, understanding, consistency, presence and differentiation. According to The NPD Group/Consumer Tracking Service, Toys R Us had an 18.8% and a 15.5% aggregated market share of the brick and mortar (including Babies R Us standalone stores) and on-line toy market in the United States in the fourth quarter of 2011 and calendar year 2011, respectively. Our aggregated market share in the toy market as described above has increased over the past two years by a total of 0.9 percentage points for the fourth quarter and a total of 0.7 percentage points for the calendar year.

Long-lasting relationships with our guests. Our product assortment allows us to capture new customers during pregnancy, helping them prepare for the arrival of their newborn, and then as new parents and consumers of our 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. In fiscal 2011, approximately 55% of our net sales were to customers who are members of our loyalty programs.

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 among omnichannel retailers, enables us to command a reputation as the shopping destination for toys and juvenile products.

We have a global footprint and omnichannel distribution capabilities. We have a global presence and reach children and their families in 36 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 40% of our consolidated net sales and 42% of our total operating earnings, excluding unallocated corporate selling, general & administrative expenses, generated outside the United States in fiscal 2011. We believe that operating as a global and geographically diverse company enhances our ability to identify trends, test new products and achieve

3

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. In our Domestic segment, our big box formats include standalone Toys R Us stores, standalone Babies R Us stores and side-by-side stores which combine our Toys R Us and Babies R Us merchandise offerings under one roof, as well as our flagship store locations (the Toys R Us store in Times Square, the FAO Schwarz store on 5th Avenue and the Babies R Us store in Union Square all in New York City). In addition to these formats, we operate smaller Express store locations in malls, outlets and strip centers, some of which are open on a temporary basis during the holiday season. As of July 28, 2012, we operated 77 Domestic Express stores, including 36 stores with a cumulative lease term of at least two years which have been included in our Domestic segment store count. In our International segment, we have a similar variety of store concepts; however, they are typically smaller in size relative to the United States. As of July 28, 2012, we operated 41 International Express stores, including 10 stores with a cumulative lease term of at least two years which have been included in our International segment store count.

Leading on-line position. We also sell merchandise through our Internet sites Toysrus.com, Babiesrus.com, eToys.com, FAO.com and toys.com, as well as other Internet sites we operate in our international markets. During the majority of the 2011 holiday season, the Toysrus.com website was in the top 20 retail shopping and classified websites in the United States based on traffic as measured by Experian Hitwise. For fiscals 2011, 2010 and 2009, our e-commerce business generated net sales of $1.0 billion, $782 million and $602 million, respectively.

Differentiated real estate strategy with attractive underlying portfolio. As of July 28, 2012, approximately 41% of our store base was either owned or subject to long-term ground leases. 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.

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. 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 and Babies R Us stores into our side-by-side format 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 30% to 40% of our big box stores globally into our side-by-side format over the next decade. We expect to convert or relocate 37 stores to our side-by-side format in fiscal 2012 (of which 21 have been converted and/or relocated as of July 28, 2012) for an estimated cost of approximately $83 million.

Table of Contents

Leverage and grow our global e-commerce business. Our omnichannel strategy allows us to leverage the benefits of a retail store presence and e-commerce presence. This includes the continued integration of our Internet capabilities with our stores, and the expansion of our Buy Online, Pick Up In Store program, our Return Anywhere policy and our Ship From Store capabilities. We currently have websites in 12 countries. In addition to our existing e-commerce presence in the United States, Australia, Austria, Canada, France, Germany, Japan and the United Kingdom, in fiscal 2011, we expanded our global reach through the introduction of websites in the Netherlands, Portugal, Spain and Switzerland. In fiscal 2012, we plan to have an e-commerce presence in China. In addition, we still have the opportunity to expand our e-commerce presence into other international markets.

Global store growth. We believe we have the potential to grow the number of stores in our store portfolio. We believe this opportunity exists in new international markets, particularly those in the emerging economies which are seeing overall GDP growth and rising incomes, as well as in the United States and our existing international markets. In fiscal 2011, we acquired a 70% ownership interest in Toys (Labuan) Holding Limited (Labuan) from Li & Fung Retailing Limited (Li & Fung), which as of July 28, 2012, operated 99 Toys R Us retail stores (90 of which were acquired in 2011) in Brunei, China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand. Labuan has also sublicensed to a third party the right to operate stores in the Philippines and Macau. Additionally, in fiscal 2011, we established wholly-owned business operations in Poland where we opened our first store in the capital city of Warsaw.

Leverage and grow our private label penetration, branded exclusive products and sourcing capabilities. We expect to grow and leverage our private label penetration and branded exclusive products to provide greater differentiation from our retail competition, both in stores and on-line. In fiscal 2010, we opened our China sourcing office in Shenzhen, China which has grown to a team of nearly 150 employees. This team has allowed us to develop deeper ties to the manufacturing base in China and the region, rationalize the number of vendors we purchase from, leverage our global buying power and enhance our abilities to develop new products, ensure product quality and timely delivery to stores in all of our markets. We believe we are already seeing a meaningful benefit to our gross margin rate from these strategies and expect further benefit in the future.

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, space utilization and labor management, as well as continuously strengthening vendor relationships and entering into profitable merchandising agreements. In addition, we will also continue to optimize our cost structure and enhance efficiencies throughout the organization to manage our selling, general and administrative expenditures.

Table of Contents

Corporate Structure

The following diagram sets forth our simplified corporate structure indicating subsidiaries with material indebtedness and subsidiaries that were unrestricted on the issue date of the outstanding notes.

The exchange notes are not guaranteed by any of TRU s subsidiaries. Accordingly, claims of holders of the exchange notes will be structurally subordinated to the claims of creditors of TRU s subsidiaries, including trade creditors. All obligations of TRU s subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or our creditors, including the holders of the exchange notes.

As of July 28, 2012, after giving effect to the offering of the outstanding notes and our use of the net proceeds therefrom, we would have had approximately $5.5 billion of indebtedness, of which approximately $872 million would have been senior debt of TRU and of which approximately $4.0 billion and $655 million would have been debt of our restricted subsidiaries and unrestricted subsidiaries, respectively, all of such subsidiary debt to which the exchange notes are structurally subordinated. In addition, our subsidiaries would have been able to incur up to an additional approximately $1.4 billion of indebtedness under various outstanding credit facilities. See Risk Factors, Description of Other Indebtedness and Description of Notes.

The Sponsors

The Company is owned by an investment group consisting of entities advised by or affiliated with Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co. L.P. and Vornado Realty Trust, along with a fourth investor, GB Holdings I, LLC, an affiliate of Gordon Brothers, a consulting firm that is independent from and unaffiliated with the Sponsors and management of the Company.

Bain Capital Partners, LLC (Bain Capital)

Established in 1984, Bain Capital is one of the world s leading private investment firms. Headquartered in Boston, Bain Capital has offices in Boston, New York, Chicago, Palo Alto, London, Luxembourg, Munich, Hong Kong, Shanghai, Tokyo and Mumbai. Bain Capital has a proven track record of enhancing companies financial strength and strategic positions through its people-intensive and value-added investment approach combined with close partnerships with management teams.

Table of Contents

Kohlberg Kravis Roberts & Co., L.P. (KKR)

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm with $61.5 billion in assets under management as of June 30, 2012. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platform. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR).

Vornado Realty Trust (Vornado)

Vornado is a fully integrated real estate investment trust and a member of the S&P 500. Its common shares are traded on the New York Stock Exchange under the symbol VNO. Vornado is one of the largest owners and managers of real estate in the United States with a portfolio over 100 million square feet in its major platforms. Vornado owns 30 office properties aggregating approximately 19.4 million square feet located in Manhattan and 76 office properties containing approximately 20.0 million square feet and seven residential properties containing 2,424 units in the Washington, D.C. metropolitan area, 46 retail properties aggregating approximately 2.2 million square feet in Manhattan, a 32.5% interest in the Company, 32.4% of the common stock of Alexander s, Inc., the Hotel Pennsylvania in Manhattan and interests in other real estate assets and marketable securities.

Risk Factors

You should carefully consider all of the information included in this prospectus and, in particular, the information under Risk Factors beginning on page 20 of this prospectus prior to making an investment decision with respect to the exchange notes.

We were organized in the State of Delaware in October 1993. Our principal corporate offices are located at One Geoffrey Way, Wayne, New Jersey 07470 and our telephone number is (973) 617-3500.

Table of Contents

The Exchange Offer

On August 1, 2012, Toys R Us, Inc. issued $450 million aggregate principal amount of 10.375% Senior Notes due 2017 in a private offering.

General	In connection with the private placement of the outstanding notes, the Issuer entered into a registration rights agreement pursuant to which we agreed, under certain circumstances, to use our reasonable efforts to consummate the exchange offer within 365 days following the closing date of the original issuance of the outstanding notes. Subject to the terms and conditions set forth in this prospectus, you are entitled to exchange in the exchange offer your outstanding notes for exchange notes which are identical in all material respects to the outstanding notes except:
	the exchange notes have been registered under the Securities Act;
	the exchange notes are not entitled to any registration rights under the registration rights agreement; and
	the additional interest provisions of the registration rights agreement are not applicable.
The Exchange Offer	We are offering to exchange $450 million aggregate principal amount of 10.375% Senior Notes due 2017 which have been registered under the Securities Act for any and all of our existing 10.375% Senior Notes due 2017.
	You may only exchange outstanding notes in a minimum denomination of $2,000 and integral multiples of $1,000 in excess of $2,000. We will not accept any tender of outstanding notes that would result in the issuance of less than $2,000 principal amount of exchange notes to a participating holder. The aggregate principal amount of exchange notes issued to each participating holder for all outstanding notes validly tendered (and not validly withdrawn) will be rounded down, if necessary, to $2,000 or the nearest whole multiple of $1,000 in excess thereof. This rounded amount will be the principal amount of exchange notes you will receive, and no additional cash will be paid in lieu of any principal amount of exchange notes not received as a result of rounding down.
Resale	Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:
	you are acquiring the exchange notes in the ordinary course of your business; and

8

Table of Contents

	you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes.
	If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution.
	Any holder of outstanding notes who:
	is our affiliate;
	does not acquire exchange notes in the ordinary course of its business; or
	tenders its outstanding notes in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes, cannot rely on the position of the staff of the SEC set forth in *Exxon Capital Holdings Corporation* (available May 13, 1988), *Morgan Stanley & Co. Incorporated* (available June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (available July 2, 1993), or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.
Expiration Date	The exchange offer will expire at 11:59 p.m., New York City time, on , 2012 (the 20th business day following the date of this prospectus), unless extended by us. We currently do not intend to extend the expiration date.
Withdrawal	You may withdraw the tender of your outstanding notes at any time prior to the expiration of the exchange offer. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. See The Exchange Offer Conditions to the Exchange Offer.
Procedures for Tendering Outstanding Notes	If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of such letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of such letter of transmittal, together with your outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

Table of Contents

If you hold outstanding notes through The Depository Trust Company (DTC) and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

- you are not our affiliate within the meaning of Rule 405 of the Securities Act;
- you have no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of the exchange notes in violation of the provisions of the Securities Act;
- you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;
- you are acquiring the exchange notes in the ordinary course of your business; and
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

Special Procedures for Beneficial Owners	If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact your registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf.
Effect on Holders of Outstanding Notes	As a result of the making of, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of the exchange offer, the Issuer will have fulfilled a covenant under the registration rights agreement. Accordingly, there will be no increase in the interest rate on the outstanding notes under the circumstances described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except the Issuer and any future guarantors will not have any further obligation to you to provide for the exchange and, subject to limited exceptions, registration of untendered outstanding notes under the registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding notes that are not so tendered and accepted could be adversely affected.
Consequences of Failure to Exchange	All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the

	related indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, the Issuer does not currently anticipate that it will register the outstanding notes under the Securities Act.
United States Federal Income Tax Consequences	The exchange of outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Consequences of the Exchange Offer.
Use of Proceeds	We will not receive any cash proceeds from the issuance of exchange notes in the exchange offer. See Use of Proceeds.
Exchange Agent	The Bank of New York Mellon is the exchange agent for the exchange offer. The addresses and telephone numbers of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

Table of Contents

The Exchange Notes

The summary below describes the principal terms of the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the outstanding notes and the exchange notes. The exchange notes will have terms identical in all material respects to the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and additional interest for failure to observe certain obligations in the registration rights agreement.

Issuer	Toys R Us, Inc.
Securities offered	$450,000,000 aggregate principal amount of 10.375% Senior Notes due 2017.
Maturity date	August 15, 2017
Interest	February 15 and August 15, commencing February 15, 2013. Interest began accruing on August 1, 2012.
Ranking	The exchange notes are our senior unsecured obligations and: will rank equally in right of payment to all existing and future senior indebtedness of the Issuer; will rank senior in right of payment to any future subordinated indebtedness of the Issuer; will be structurally subordinated to all existing and future indebtedness and liabilities of the Issuer s subsidiaries; and will be effectively subordinated to any obligations secured by liens, to the extent of the value of the assets of the Issuer subject to those liens. As of July 28, 2012, after giving effect to the offering of the outstanding notes and our use of the net proceeds therefrom, we would have had approximately $5.5 billion of indebtedness, of which approximately $872 million would have been senior debt of TRU and of which approximately $4.0 billion and $655 million would have been debt of our restricted subsidiaries and unrestricted subsidiaries, respectively, all of such subsidiary debt to which the exchange notes are structurally subordinated. In addition, our subsidiaries would have been able to incur up to an additional approximately $1.4 billion of indebtedness under various outstanding credit facilities.
Use of Proceeds	

	The Issuer will not receive any cash proceeds from the issuance of the exchange notes, as described in more detail in Use of Proceeds in this prospectus.
Optional redemption	The exchange notes may be redeemed, in whole or in part, at any time prior to February 15, 2015 at a price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest, if any, to the date of redemption. The exchange notes will be

Table of Contents

redeemable, in whole or in part, at any time on or after February 15, 2015 at the applicable redemption prices specified under Description of Notes Optional Redemption, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may redeem up to 40% of the Notes before February 15, 2015 with the net cash proceeds from certain equity offerings. For more details, see Description of Notes Optional Redemption.

Change of Control

If we experience specific kinds of changes of control, we must offer to repurchase all of the exchange notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. For more details, see Description of Notes Change of Control.

Certain Covenants

The indenture governing the exchange notes, among other things, limits our ability and our restricted subsidiaries ability to:

- incur indebtedness;
- pay dividends or make other distributions;
- make other restricted payments and certain investments;
- create liens;
- sell assets;
- incur restrictions on the ability of a subsidiary to pay dividends or make other payments;
- enter into certain transactions with our affiliates; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

These covenants are subject to a number of important qualifications and limitations and are not applicable to any of our subsidiaries that are designated as unrestricted subsidiaries. All of our subsidiaries other than Toys R Us Properties (UK) Limited (UK Propco), which owns or leases substantially all of our stores in the United Kingdom and leases them to our U.K. operating company, and our joint venture for Asia (other than Japan) (the Asia Joint Venture) were restricted subsidiaries on the issue date. Our UK Propco and Asia Joint Venture were unrestricted subsidiaries as of the issue date of the outstanding notes. In accordance with the indenture, for so long as the 2017 Notes are outstanding, the Company will include a presentation of total debt, property, plant and equipment, net, and Adjusted EBITDA of UK Propco, which owns or leases substantially all of our stores in the United Kingdom and leases them to our U.K. operating company, for so long as it is an Unrestricted Subsidiary that constitutes a Significant Subsidiary, each as defined in the indenture. As of July 28, 2012, UK Propco has $641 million in total debt and $195 million of plant, property and equipment, net. For the fiscal year ended 2011 and the twenty-six weeks ended July 28, 2012, UK

Table of Contents

	Propco Adjusted EBITDA was $53 million and $28 million, respectively, of our consolidated Adjusted EBITDA. For a reconciliation of Adjusted EBITDA of UK Propco to operating earnings attributable to UK Propco, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Supplemental Disclosure of Unrestricted Subsidiary Information as Required under the Indenture of the 2017 Notes. Subject to the terms of the indenture governing the exchange notes, we may designate any of our restricted subsidiaries as unrestricted subsidiaries, and we may designate additional unrestricted subsidiaries as restricted subsidiaries. In addition, certain covenants will be suspended at any time the exchange notes are rated investment grade. See Description of Notes.
Voting	The exchange notes will be treated along with the outstanding notes as a single class for voting purposes.
Absence of Public Market for the Exchange Notes	The exchange notes will be freely transferable but will also be new securities for which there will not initially be an actively trading market. Accordingly, we cannot assure you as to the future liquidity of any market for the exchange notes. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market in the exchange notes. However, they are not obligated to make a market in the exchange notes and any such market-making may be discontinued by the initial purchasers in their discretion at any time without notice.

Risk Factors

You should carefully consider all the information in the prospectus prior to exchanging your outstanding notes. In particular, we urge you to carefully consider the factors set forth under the heading Risk Factors.

Table of Contents

Summary Historical Financial and Other Data

Set forth below is summary historical financial and other data of the Company 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 28, 2012, January 29, 2011 and January 30, 2010, and balance sheet data as of January 28, 2012 and January 29, 2011 from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical balance sheet data as of January 30, 2010 presented in this table from our consolidated financial statements not included in this prospectus.

We derived the summary condensed consolidated financial data for the twenty-six week periods ended July 28, 2012 and July 30, 2011 is derived 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 twenty-six weeks ended July 28, 2012 are not projections for the results to be expected for the fiscal year ended February 2, 2013.

The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to the information presented under Selected Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and condensed consolidated interim financial statements and the related notes thereto included elsewhere in this prospectus.

	Fiscal Years Ended[1]			26 Weeks Ended	
(In millions, except number of stores and share data)	**January 30, 2010**	**January 29, 2011**	**January 28, 2012**	**July 30, 2011**	**July 28, 2012**
Statement of Operations Data:					
Net sales	$ 13,568	$ 13,864	$ 13,909	$ 5,284	$ 5,164
Cost of sales	8,790	8,939	8,939	3,281	3,149
Gross margin	4,778	4,925	4,970	2,003	2,015
Selling, general and administrative expenses	3,730	3,942	4,029	1,782	1,785
Depreciation and amortization	376	388	403	200	200
Other income, net	(112)	(51)	(44)	(20)	(23)
Total operating expenses	3,994	4,279	4,388	1,962	1,962
Operating earnings	784	646	582	41	53
Interest expense	(447)	(521)	(442)	(240)	(215)
Interest income	7	7	10	4	8
Earnings (loss) before income taxes	344	132	150	(195)	(154)
Income tax expense (benefit)	40	(35)	(1)	(94)	(58)
Net earnings (loss)[2]	304	167	151	(101)	(96)
Less: Net (loss) earnings attributable to noncontrolling interest	(8)	(1)	2		
Net earnings (loss) attributable to Toys R Us, Inc[2]	$ 312	$ 168	$ 149	$ (101)	$ (96)

Table of Contents

(In millions, except number of stores and share data)	Fiscal Years Ended[1] January 30, 2010	January 29, 2011	January 28, 2012	26 Weeks Ended July 30, 2011	July 28, 2012
Share Data:					
Earnings (loss) per common share attributable to common shareholders (3):					
Basic	$ 6.37	$ 3.43	$ 2.98	$ (2.06)	$ (2.16)
Diluted	6.33	3.36	2.91	$ (2.06)	$ (2.16)
Weighted average shares used in computing per share amounts:					
Basic	48,962,152	48,941,118	48,979,571	48,966,304	49,035,255
Diluted	49,304,963	49,981,504	50,149,212	48,966,304	49,035,255
Statement of Cash Flows:					
Net cash provided by (used in)					
Operating activities	$ 1,014	$ 220	$ 319	$ (714)	$ (346)
Investing activities	(37)	(281)	(454)	(127)	(123)
Financing activities	(626)	(53)	(185)	161	309
Balance Sheet Data (end of period):					
Working capital	$ 619	$ 534	$ 708	$ 1,143	$ 373
Property and equipment, net	4,084	4,061	4,052	4,081	3,951
Total assets	8,577	8,832	8,842	8,642	8,654
Total debt (4)	5,196	5,288	5,170	5,534	5,478
Other Financial and Operating Data:					
Number of stores Domestic (at period end)	849	868	876	874	874
Number of stores International operated (at period end) (5)	514	524	626	525	646
Total operated stores (at period end) (5)	1,363	1,392	1,502	1,399	1,520
Number of stores International Licensed (at period end)	203	220	151	230	151
Adjusted EBITDA (6)	$ 1,141	$ 1,118	$ 1,054	$ 269	$ 267
Capital expenditures	$ 192	$ 325	$ 380	$ 141	$ 126
Ratio of earnings to fixed charges (7)	1.50	1.17	1.22		[8]

(1) Our fiscal year ends on the Saturday nearest to January 31 of each calendar year. All fiscal years presented are based on a 52-week period.

(2) Refer to the Adjusted EBITDA table within this section for certain income and expense items that management believes make it more difficult to assess the Company s actual operating performance.

(3) For fiscal 2011, earnings per share was computed using Net earnings attributable to common shareholders of $146 million and for the twenty-six weeks ended July 28, 2012, loss per share was computed using Net loss attributable to common shareholders of $106 million, which has been adjusted for the changes in the carrying amount of the redeemable Noncontrolling interest using the two-class method. This application of the guidance did not have an impact on prior period earnings (loss) per share. Refer to Note 1 to the consolidated financial statements and our condensed consolidated interim financial statements included elsewhere in the prospectus entitled SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for further details.

(4) Includes current portion of long-term debt and short-term borrowings. See Note 2 to our consolidated financial statements and our condensed consolidated interim financial statements included elsewhere in this prospectus entitled SHORT-TERM BORROWINGS AND LONG-TERM DEBT for further information.

16

Table of Contents

(5) As a result of the Labuan acquisition, on October 31, 2011, 90 of our licensed stores became part of our operated locations upon acquisition. As of January 28, 2012 and July 28, 2012, International operated stores include 92 and 99 Labuan stores, respectively.

(6) Adjusted EBITDA is defined as EBITDA (earnings (loss) before net interest income (expense), income tax expense (benefit), 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 including certain items which are generally non-recurring. We have historically excluded the impact of such items from internal performance assessments. We believe that excluding items such as sponsors management and advisory fees, asset impairment charges, restructuring charges, impact of litigation, noncontrolling 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 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.

Table of Contents

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

	Fiscal Years Ended			26 Weeks Ended	
(In millions)	**January 30, 2010**	**January 29, 2011**	**January 28, 2012**	**July 30, 2011**	**July 28, 2012**
Net earnings (loss) attributable to Toys R Us, Inc.	$ 312	$ 168	$ 149	$ (101)	$ (96)
Add:					
Income tax expense (benefit)	40	(35)	(1)	(94)	(58)
Interest expense, net	440	514	432	236	207
Depreciation and amortization	376	388	403	200	200
EBITDA	1,168	1,035	983	241	253
Adjustments:					
Litigation expense (a)		23	8	2	
Sponsors management and advisory fees (b)	15	20	20	10	11
Prior period lease accounting (c)		16			
Impairment on long-lived assets (d)	7	11	6	2	2
Compensation expense (e)		6	1	2	2
Transfer taxes (f)		6			(1)
Restructuring (g)	5	3	3	1	1
Gain on sale of properties (h)	(6)	(10)	(3)	(1)	(4)
Net (loss) earnings attributable to noncontrolling interest (i)	(8)	(1)	2		
Gain on settlement of litigation (j)	(51)				
Loss on liquidation of TRU (HK) Limited (k)			1		
Certain legal and accounting transaction costs			6	4	
Acquisition costs (l)			4		
Property damage write-offs and repairs (m)			11	5	
Severance (n)	5	4	7		
Store closure costs (n)	6	5	5	3	3
Adjusted EBITDA	$ 1,141	$ 1,118	$ 1,054	$ 269	$ 267

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

(b) Represents fees expensed to the Sponsors in accordance with the advisory agreement. The advisory fee paid to the Sponsors increases 5% per year during the ten-year term of the agreement with the exception of fiscal 2009.

(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 existing liability awards and repurchase of awards by the Company upon termination.

(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 2009, 2010 and 2011, we sold idle properties which resulted in net gains of approximately $6 million, $10 million and $3 million, respectively.

During each of the twenty-six weeks ended July 30, 2011 and July 28, 2012, we sold idle properties and certain assets which resulted in net gains of $1 million and $4 million, respectively.

(i) Represents a noncontrolling interest in Labuan for fiscal 2011 and Toys-Japan for prior fiscal years.

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

18

Table of Contents

(k) In fiscal 2011, in conjunction with the completion of the liquidation of TRU (HK) Limited, our wholly-owned subsidiary, we recognized a $1 million loss.

(l) Represents costs incurred in conjunction with the acquisition of 70% ownership in Labuan from Li & Fung.

(m) Represents the write-off of damaged assets and repairs from an earthquake and resulting tsunami that hit the Northeast coast of Japan, a store fire in Australia and other property losses which occurred domestically.

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

(7) For purposes of calculating the ratio of earnings to fixed charges, earnings were calculated by adding (i) earnings from continuing operations before noncontrolling interest and income taxes, (ii) interest expense, including the portion of rents representative of an interest factor and (iii) amortization of debt issuance costs. Fixed charges consist of interest expense, amortization of debt issuance costs and the portions of rents representative of an interest factor. Refer to the calculation included elsewhere in the exhibits to the registration statement of which this prospectus forms a part.

(8) The portion of rents representative of an interest factor for the twenty-six weeks ended July 28, 2012, was derived from the minimum annual rental commitments as of January 28, 2012, as there has not been a material change in lease commitments since the end of fiscal year 2011. For the twenty-six weeks ended July 28, 2012, the ratio of earnings to fixed charges was less than 1:1. The Company would have needed to generate additional earnings of $154 million to achieve a coverage ratio of 1:1 for the twenty-six weeks ended July 28, 2012.

Table of Contents

RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before deciding whether to tender your outstanding notes in the exchange offer. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us.

If any of the following risks occur, our business, financial condition, cash flows or results of operations could be materially and adversely affected. In that case, the trading price of the exchange notes could decline or we may not be able to make payments of interest and principal on the exchange notes, and you may lose some or all of your investment.

Risks Related to the Exchange Offer

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that an active trading market will develop for the exchange notes.

The exchange notes will be freely transferable but will also be new securities for which there will not initially be an actively trading market. Accordingly, we cannot assure you as to the future liquidity of any market for the exchange notes. We do not intend to apply for listing of the exchange notes on any securities exchange or on any automated dealer quotation system in the United States. Although we have been informed by the initial purchasers that they currently intend to make a market for the exchange notes, they are not obliged to do so and any market making may be discontinued at any time without notice.

The liquidity of, and trading market for the exchange notes may also be adversely affected by, among other things:

- changes in the overall market for securities similar to the exchange notes;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the exchange notes;
- the interest of securities dealers in making a market for the exchange notes; and
- prevailing interest rates.

Any decline in trading prices, regardless of the cause, may adversely affect the liquidity and trading market for the exchange notes.

There may be adverse consequences if you do not exchange your outstanding notes.

If you do not exchange your outstanding notes for exchange notes in the exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to Prospectus Summary The Exchange Offer and The Exchange Offer for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the outstanding amount of the outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in liquidity.

Table of Contents

Certain persons who participate in the exchange offer must deliver a prospectus in connection with resales of the exchange notes.

Based on interpretations of the staff of the SEC contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (available May 13, 1988), *Morgan Stanley & Co. Inc.*, SEC no-action letter (available June 5, 1991) and *Shearman & Sterling*, SEC no-action letter (available July 2, 1993), we believe that you may offer for resale, resell or otherwise transfer the exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act. However, in some instances described in this prospectus under Plan of Distribution, certain holders of exchange notes will remain obligated to comply with the registration and prospectus delivery requirements of the Securities Act to transfer the exchange notes. If such a holder transfers any exchange notes without delivering a prospectus meeting the requirements of the Securities Act or without an applicable exemption from registration under the Securities Act, such a holder may incur liability under the Securities Act. We do not and will not assume, or indemnify such a holder against, this liability.

Risks Relating to the Company s 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 2011, 2010 and 2009 approximately 43%, respectively, of our total Net sales were generated in the fourth quarter. We typically incur net losses in each of the first three quarters of the year, with a substantial portion of our earnings 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 our 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, competitor credit programs, 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, national and regional chains and department stores, as well as local retailers in the market areas we serve. We also compete with national and local discount stores, department stores, consumer electronics retailers, 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, price, quality, availability, advertising and promotion, convenience or store location, safety and customer support and service. We believe that some of our competitors in the toy 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

Table of Contents

increase sales and build traffic for other store departments. Our business is vulnerable to shifts in demand and pricing, as well as consumer preferences. Competition in the video game market has increased in recent years as mass merchandisers have expanded their offerings in this market, and as alternative sales and distribution channels (such as Internet retailers and electronic distribution of software) 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. 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. In addition, changing economic and regulatory conditions and increasing consumer credit delinquencies may cause banks to re-evaluate their lending practices and terms which could have an adverse effect on our credit card program and consequently, an adverse effect on our sales. 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 July 28, 2012, we had $116 million in outstanding borrowings under the Toys-Japan unsecured credit lines and outstanding borrowings of $14 million due on demand on our Labuan uncommitted line of credit. We had no outstanding borrowings under the ABL Facility, the European ABL or the Toys-Japan uncommitted lines of credit due on demand. For fiscal 2011, peak borrowings under our various credit lines were $1.1 billion 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 or our business 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.

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

Table of Contents

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 e-commerce 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 sufficient funds for the expansion;
- 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; and
- general economic conditions.

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 8%, 9% and 11% of our annual net sales for fiscals 2011, 2010 and 2009, respectively, have been impacted by a shift to sales in channels other than traditional retail stores, including direct on-line distribution to customers. Furthermore, sales are 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. There has not been a new video game system introduced in the past several years, which has negatively affected our sales of video games and video game systems in recent periods. 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 continue to be sold in channels other than traditional retail stores, our sales of video game products could continue to decline, which would negatively impact our financial performance.

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

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

- changes in consumer willingness to purchase goods via the Internet;
- increases in software filters that may inhibit our ability to market our products through e-mail messages to our customers and increases in consumer privacy concerns relating to the Internet;
- changes in technology;
- changes in applicable federal and state regulation, such as the Federal Trade Commission Act, the Children s Online Privacy Act, the Fair Credit Reporting Act and the Gramm-Leach-Bliley Act and similar types of international laws;
- breaches of Internet security;

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

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

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

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

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

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

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

In fiscal 2011, we had approximately 3,900 active vendor relationships through which we procure the merchandise that we offer to our customers. For fiscal 2011, our top 20 vendors worldwide, based on our purchase volume in U.S. dollars, represented approximately 42% 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 customer litigation against us and an 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 reduce 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 provide assurance 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.

Table of Contents

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 July 28, 2012, we leased 1,217 of our properties from third parties pursuant to long-term space and ground leases. Total rent expense, net of sublease income, was $588 million, $570 million and $519 million for fiscals 2011, 2010 and 2009, respectively, and is expected to be approximately $637 million for fiscal 2012. Many of our leases provide for scheduled increases in rent. The substantial obligations under our leases could further exacerbate the risks described below under Risks Relating to Our Substantial Indebtedness Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations or refinance our maturing debt, 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.

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.

As of July 28, 2012, we had a ground leasehold interest in approximately 16% and store leasehold interests in approximately 59% of our domestic and international store locations. Most of our current leases provide for our unilateral option to renew for several additional rental periods at specific rental rates. Our ability to re-negotiate favorable terms on an expiring lease or to negotiate favorable terms for a suitable alternate location, and our ability to negotiate favorable lease terms for additional store locations could depend on conditions in the real estate market, competition for desirable properties and our relationships with current and prospective landlords or may depend on other factors that are not within our control. Any or all of these factors and conditions could negatively impact our growth and profitability.

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

We conduct a significant portion of our business outside the United States. For fiscals 2011, 2010 and 2009, approximately 40%, 38% and 39% of our Net sales, respectively, were generated outside the United States. In addition, as of January 28, 2012 and January 29, 2011, approximately 37% of our long-lived assets, respectively, were located outside of the United States. Weakened global economic conditions, particularly the weakened and unstable environment in Europe and of the Euro, could continue to affect us through lower sales due to reduced demand. 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, limited protection of intellectual property in certain jurisdictions, political instability and restrictive governmental actions.

In addition, the products we sell are sourced from a wide variety of international suppliers with China as a significant source. Political or financial instability, trade restrictions, labor unrest, transport capacity and costs, port security or other events that could slow port activities and affect foreign trade are beyond our control and could disrupt our supply of merchandise and/or adversely affect our results of operations. In addition, changes in the costs of procuring commodities used in our merchandise or the costs related to our supply chain, including labor, fuel, tariffs, and currency exchange rates could have an adverse effect on gross margin, expenses and results of operations.

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 2011, 2010 and 2009, 40%, 38% and 39% of our Net sales, respectively, were completed in a currency other than the U.S. dollar, the majority of which were denominated in yen, Euros, Canadian dollars and pounds. In fiscal 2011, our reported operating earnings would have decreased or increased $38 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.

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. We cannot provide assurance 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.

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.

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 business, financial condition and results of operations.

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, we could be exposed to monetary damages or limits on our ability to operate our business, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain regulatory and legal requirements. If we fail to comply with regulatory or legal requirements, our business and results of operations 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 SEC. 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). Future legislative and regulatory actions relating to credit cards could also have an adverse impact on our credit card program and our sales. Failure to comply with such laws and regulations could adversely affect our operations, involve significant expense and divert management s attention and resources from other matters, which in turn could harm our business and results of operations.

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, tornadoes 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.

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.

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 tax laws, changes in the mix and level of earnings by taxing jurisdiction, changes to existing accounting rules or regulations, or by changes to our ownership or capital structures. Fluctuations in our tax obligations and effective tax rate could materially and adversely affect our results of operations.

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

Changes to existing accounting rules or regulations may impact our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For instance, the SEC is currently considering whether issuers in the United States should be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) instead of GAAP. IFRS is a comprehensive set of accounting standards promulgated by the International Accounting Standards Board (IASB). The SEC has indicated that it will decide in 2012 whether IFRS will be required for issuers in the United States. 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 reported 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.

Table of Contents

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 provide assurance 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.

The Sponsors control us and may have conflicts of interest with us.

Investment funds or groups advised by or affiliated with the Sponsors currently control us through their ownership of approximately 98% of our voting common stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of stockholders. In addition, the Sponsors may have an interest in pursuing dispositions, acquisitions, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to us as a company or to holders of the exchange notes.

The Sponsors may direct us to make significant changes to our business operations and strategy, including with respect to, among other things, store openings and closings, new product and service offerings, sales of real estate and other assets, employee headcount levels and initiatives to reduce costs and expenses. We cannot provide assurance that our future business operations will remain broadly in line with its existing operations or that significant real estate and other assets will not be sold.

The Sponsors are also in the business of making investments for their own accounts in companies, and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

Risks Relating to Our Substantial Indebtedness

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations or refinance our maturing debt, 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, and we expect to continue to be, highly leveraged. As of July 28, 2012, after giving effect to the offering of the outstanding notes and the application of the net proceeds therefrom, our total indebtedness would have been approximately $5.5 billion, of which approximately $3.2 billion would have been secured indebtedness and approximately $1.0 billion of which matures in the next 12 months. In addition, our subsidiaries would have been able to incur up to an additional $1.4 billion of indebtedness under various outstanding credit facilities. 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 and other obligations, 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, and placing us at a competitive disadvantage compared to our competitors who are less leveraged.

Despite our current level of indebtedness, we may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

We may be able to incur significant additional indebtedness in the future. Although the indenture that governs the exchange notes, our credit agreements and the documents governing our other indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. In addition to these exceptions, our subsidiaries will be able to incur additional indebtedness under our various outstanding credit facilities. If new debt is added to our currently anticipated debt levels, the related risks that we now face could intensify. See Description of Other Indebtedness and Description of Notes.

We may not be able to generate sufficient cash to service all of our indebtedness and/or our other obligations 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 the exchange notes and/or our other obligations, 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.

As of July 28, 2012, after giving effect to the offering of the outstanding notes and the application of the net proceeds therefrom, we and our subsidiaries would have had approximately $5.5 billion of outstanding debt, approximately $1.0 billion of which matures within the next 12 months. On June 25, 2012, Toys-Japan entered into an agreement with a syndicate of financial institutions to refinance Tranche 2. Tranche 2 is available in amounts of up to ¥12.0 billion ($153 million at July 28, 2012), expiring on June 27, 2014, and bears an interest rate of TIBOR plus 0.80% per annum. Refer to Note 2 to the condensed consolidated interim financial statements and the consolidated audited financial statements entitled SHORT-TERM BORROWINGS AND LONG-TERM DEBT and Description of Other Indebtedness for more information regarding our debt. The remaining debt due within 12 months primarily consists of the following:

- French real estate credit facility, 61 million due February 2013 ($75 million at July 28, 2012);

- Spanish real estate credit facility, 127 million due February 2013 ($156 million at July 28, 2012); and

- U.K. real estate senior and junior credit facilities, £408 million due April 2013 ($641 million at July 28, 2012).

The obligor under the U.K. real estate senior and junior lien credit facilities will be an unrestricted subsidiary for purposes of the exchange notes offered hereby. See Prospectus Summary The Exchange Notes

Table of Contents

and Description of Notes. We have commenced discussions related to these facilities with various lenders and advisors and are considering various refinancing options, including whether to use of in-country liquidity and refinancings through amend and extend transactions, or debt issued by our European subsidiary, TRU-Europe. The use of any such refinancing option is dependent upon the availability of commercially reasonable terms and whether such refinancing options would be a commercially reasonable use of TRU s available liquidity. There can be no assurances that we will repay, refinance or amend and extend such real estate credit facilities or whether the terms of any new debt or amendments or extensions will be on favorable terms, including as a result of the current economic climate. Further, if we fail to repay, extend or amend any or all of these facilities, there could be a material adverse effect on our business, financial condition and results of operations as well as our liquidity.

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. Additionally, in the event of such liquidity problems, we may become unable to meet our obligations under the exchange notes.

Claims of noteholders are structurally subordinated to claims of creditors of TRU s subsidiaries.

The exchange notes are not guaranteed by any of TRU s subsidiaries. Accordingly, claims of holders of the exchange notes are structurally subordinated to the claims of creditors of TRU s subsidiaries, including trade creditors. All obligations of TRU s subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or our creditors, including the holders of the exchange notes.

As of July 28, 2012, after giving effect to the offering of the outstanding notes and our use of the net proceeds therefrom, we would have had approximately $5.5 billion of indebtedness, of which approximately $872 million would have been senior debt of TRU and of which $4.0 billion would have been debt of our restricted subsidiaries and approximately $655 million of which would have been debt of our unrestricted subsidiaries, all of such subsidiary debt to which the exchange notes are structurally subordinated. In addition, our subsidiaries would have been able to incur up to an additional $1.4 billion of indebtedness under various outstanding credit facilities.

TRU is the sole obligor of the exchange notes and its direct and indirect subsidiaries do not guarantee its obligations under the exchange notes and do not have any obligation with respect to the exchange notes.

TRU is a holding company and conducts operations through its subsidiaries. Consequently, it will be dependent on loans, dividends and other payments from its subsidiaries, to make payments of principal and interest on the Notes. However, TRU s subsidiaries are separate and distinct legal entities, many of which have incurred or guaranteed substantial indebtedness and they will have no obligation, contingent or otherwise, to pay the amounts due under the exchange notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. You will not have any direct claim on the cash flows or assets of our direct and indirect subsidiaries.

The ability of TRU s subsidiaries to pay dividends and make other payments to us will depend on their cash flows and earnings, which, in turn, will be affected by all of the factors discussed in Risks Relating to the Company s Business above. The ability of TRU s direct and indirect subsidiaries to pay dividends and make distributions to us may be restricted by, among other things, applicable laws and regulations and by the terms of

Table of Contents

their debt and other agreements. If we are unable to obtain funds from TRU s direct and indirect subsidiaries as a result of restrictions under their debt or other agreements, applicable laws and regulations or otherwise, we may not be able to pay cash interest or principal on the notes when due. Our credit facilities, loan agreements and indentures contain customary covenants, including, among other things, covenants that restrict the ability of TRU and certain of its subsidiaries to incur certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, and place restrictions on the ability of certain of our subsidiaries to provide funds to us through dividends, loans or advances. We cannot assure you that the agreements governing the current and future indebtedness of TRU s direct and indirect subsidiaries will permit such subsidiaries to provide us with sufficient dividends, distributions or loans to pay interest or principal on the notes when due.

The exchange notes will be unsecured and effectively subordinated to TRU s future secured indebtedness.

The exchange notes are general unsecured obligations ranking effectively junior in right of payment to all of TRU s future secured indebtedness. While TRU does not currently have any existing secured indebtedness, the indenture governing the exchange notes permit TRU to incur secured indebtedness in the future. In the event that TRU is declared bankrupt, becomes insolvent or is liquidated or reorganized, any indebtedness that is effectively senior to the exchange notes are entitled to be paid in full from TRU s assets securing such indebtedness before any payment may be made with respect to the exchange notes. Holders of the exchange notes participate ratably with all holders of TRU s unsecured indebtedness that is deemed to be of the same class as the exchange notes, and potentially with all of TRU s other general creditors, based upon the respective amounts owed to each holder or creditor, in TRU s remaining assets.

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

The agreements, including the indenture, 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 additional indebtedness;
- transfer money between us and our various subsidiaries;
- pay dividends on, repurchase or make distributions with respect to our 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 one or more of 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 cannot ensure that we will have sufficient assets and funds to repay the borrowings under our debt agreements or meet our obligations under the exchange notes or our other indebtedness.

Table of Contents

Certain of our subsidiaries will be unrestricted subsidiaries and will not be subject to the covenants contained in the indenture that govern the exchange notes.

UK Propco and Asia Joint Venture are designated as unrestricted subsidiaries under the indenture governing the exchange notes. In accordance with the indenture, for so long as the 2017 Notes are outstanding, the Company is required to include a presentation of total debt, property, plant and equipment, net, and Adjusted EBITDA of UK Propco, which owns or leases substantially all of our stores in the United Kingdom and leases them to our U.K. operating company, for so long as it is an Unrestricted Subsidiary that constitutes a Significant Subsidiary, each as defined in the indenture.

As of July 28, 2012, UK Propco has $641 million in total debt and $195 million in property, plant and equipment, net. For the fiscal year ended 2011, UK Propco Adjusted EBITDA was $53 million of our consolidated Adjusted EBITDA, which was calculated as operating earnings of $49 million, plus depreciation and amortization expense of $4 million, with no further adjustments. For the twenty-six weeks ended July 28, 2012, UK Propco Adjusted EBITDA was $28 million of our consolidated Adjusted EBITDA, which was calculated as operating earnings of $26 million, plus depreciation and amortization expense of $2 million, with no further adjustments. The indenture under which the exchange notes were issued permits these subsidiaries to incur additional indebtedness without any limitation. In addition, we may re-designate any unrestricted subsidiary as a restricted subsidiary subject to the conditions set forth in the indenture governing the exchange notes. Depending on the amount of indebtedness of such unrestricted subsidiaries at the time of such designation, any such re-designation could have effect of reducing the amount of indebtedness which we would be permitted to incur under the indenture governing the exchange notes.

Risks Relating to the Exchange Notes

Federal and state statutes may allow courts, under specific circumstances, to void the exchange notes, subordinate claims in respect of the exchange notes and/or require holders of the exchange notes to return payments received from us.

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, the exchange notes could be voided, or claims in respect of the exchange notes could be subordinated to our other debt, if the issuance of the exchange notes was found to have been made for less than their reasonable equivalent value at the time we incurred the indebtedness evidenced by the exchange notes:

- were insolvent or rendered insolvent by reason of such indebtedness;
- were engaged in, or about to engage in, a business or transaction for which our remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that we would incur, debts beyond our or their ability to pay such debts as they mature.

A court might also void the issuance of the exchange notes, without regard to the above factors if the court found that we issued the exchange notes with actual intent to hinder, delay or defraud our or their respective creditors.

A court would likely find that we did not receive reasonably equivalent value or fair consideration for the exchange notes, respectively, if we or did not substantially benefit directly or indirectly from the issuance of the exchange notes. If a court were to void the issuance of the exchange notes, you would no longer have a claim against us, as applicable. Sufficient funds to repay the exchange notes may not be available from other sources. In addition, the court might direct you to repay any amounts that you already received from us.

In addition, any payment by us pursuant to the exchange notes made at a time we were found to be insolvent could be voided and required to be returned to us or to a fund for the benefit of our creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give such insider or outside party more than such creditors would have received in a distribution under the Bankruptcy Code.

Table of Contents

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we would be considered insolvent if:

- the sum of our debts, including contingent liabilities, were greater than the fair saleable value of all our assets;

- the present fair saleable value of our assets were less than the amount that would be required to pay our probable liability on existing debts, including contingent liabilities, as they become absolute and mature; or

- we could not pay our debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that, after giving effect to the incurrence of indebtedness represented by the exchange notes and the application of the proceeds therefrom, we will not be insolvent, will not have unreasonably small capital for the business in which we are engaged and will not incur debts beyond our ability to pay such debts as they mature. There can be no assurance, however, as to what standard a court would apply in making such determinations or that a court would agree with our conclusions in this regard.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the exchange notes to other claims against us under the principle of equitable subordination, if the court determines that: (i) the holder of the exchange notes engaged in some type of inequitable conduct; (ii) such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holder of the exchange notes; and (iii) equitable subordination is not inconsistent with the provisions of the Bankruptcy Code.

We may not be able to finance a change of control offer required by the indenture governing the exchange notes.

Upon a change of control, as defined under the indenture governing the exchange notes, you will have the right to require us to offer to purchase all of the exchange notes then outstanding at a price equal to 101% of the principal amount of the exchange notes, plus accrued interest. Our subsidiaries credit facilities also provide, and future credit agreements or other agreements relating to indebtedness to which the Issuer or its subsidiaries become a party may provide, that certain change of control events with respect to the Issuer would constitute a default thereunder (including a change of control under the indenture governing the exchange notes). In addition, certain indebtedness would also likely require certain of our subsidiaries to make an offer to repurchase such indebtedness under certain change of control events with respect to the Issuer (including a change of control under the indenture). If we fail to make such an offer, this would also constitute a default under the terms of such indebtedness. If we experience a change of control that triggers a default under existing indebtedness of the Issuer or its subsidiaries, we could seek a waiver of such default or seek to refinance such Indebtedness. In the event we do not obtain such a waiver or refinance the applicable indebtedness, such default could result in amounts outstanding under our indebtedness being declared due and payable. In order to obtain sufficient funds to pay the purchase price of the outstanding exchange notes and other indebtedness, we expect that we would have to refinance the exchange notes and other indebtedness. We cannot assure you that we would be able to refinance the exchange notes and other indebtedness on reasonable terms, if at all. Our failure to offer to purchase all outstanding exchange notes or other applicable indebtedness or to purchase all validly tendered exchange notes or other applicable indebtedness would be an event of default under the indenture or instruments governing our subsidiaries other indebtedness, as applicable. Further, the indenture governing the exchange notes may not afford you protection in the event of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction affecting us that may adversely affect you, if such transaction is not the type of transaction included within the indenture s definition of change of control. A transaction involving our management will result in a change of control only if it is the type of transaction specified in such definition. In addition, while certain transactions affecting us may constitute a change of control under the indenture, only the Company will be required to make a change of control offer. See Description of Notes Repurchase at the Option of Holders Change of Control.

Table of Contents

From and during the time when the exchange notes are rated investment grade , we will not be subject to most of the covenants in the indenture governing the exchange notes.

At any time when the exchange notes are rated investment grade by both Standard & Poor s Ratings Services and Moody s Investors Service, Inc., we will not be subject to most of the covenants contained in the indenture governing the exchange notes (a Covenant Suspension). This may permit the taking of actions that would be detrimental to the interests of the holders of the exchange notes and that would otherwise have been prohibited by those covenants, including the covenants that limit our ability to incur additional indebtedness and pay dividends or make other distributions. In addition, if the exchange notes are no longer rated investment grade and a Covenant Suspension no longer applies any actions taken during a Covenant Suspension will not be an Event of Default under the Indenture.

Table of Contents

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes pursuant to the exchange offer. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes. The outstanding notes surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. Accordingly, our capitalization, as adjusted for the offering of the outstanding notes as described under Capitalization, will not change due to the issuance of the exchange notes.

Table of Contents

CAPITALIZATION

The following table sets forth the Company s cash and cash equivalents and capitalization as of July 28, 2012 on an actual basis and on an as-adjusted basis to give effect to the offering of the outstanding notes (after deducting estimated discounts, commissions and offering expenses) and the application of the net proceeds as if they had occurred on such date. Other than the 2017 Notes, our 7.375% Senior Notes due fiscal 2018 and our 8.750% debentures due fiscal 2021, all of our indebtedness are obligations of certain of our subsidiaries.

You should read this table in conjunction with Prospectus Summary Summary Historical Financial and Other Data, Selected Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, Description of Other Indebtedness and the Company s consolidated financial statements along with the condensed consolidated interim financial statements and the related notes thereto included elsewhere in this prospectus.

	As of July 28, 2012	
	Actual	As Adjusted
	(amounts in millions)	
Cash and cash equivalents	$ 531	$ 533
Short-term borrowings:		
Labuan uncommitted lines of credit	14	14
Long-term debt:		
French real estate credit facility, due fiscal 2012	75	75
Spanish real estate credit facility, due fiscal 2012	156	156
U.K. real estate senior credit facility, due fiscal 2013 (1)	546	546
U.K. real estate junior credit facility, due fiscal 2013 (1)	95	95
7.875% senior notes, due fiscal 2013 (2)(3)	399	
Toys-Japan unsecured credit lines, expire fiscals 2013-2014 (4)	116	116
ABL Facility (5)(6)		
Toys-Japan 1.85%-2.85% loans due fiscals 2013-2016	154	154
European and Australian asset-based revolving credit facility, expires fiscal 2016		
Secured term loan facility, due fiscal 2016 (5)	680	680
7.375% senior secured notes, due fiscal 2016 (5)	363	363
10.750% senior notes, due fiscal 2017 (7)	932	932
8.500% senior secured notes, due fiscal 2017 (8)	717	717
Incremental secured term loan facility, due fiscal 2018 (5)	393	393
Second incremental secured term loan facility, due fiscal 2018 (5)(9)	221	221
7.375% senior notes, due fiscal 2018 (2)	404	404
8.750% debentures, due fiscal 2021 (10)	22	22
Finance obligations associated with capital projects	153	153
10.375% Senior Notes due fiscal 2017 (2)		446
Capital lease obligations	38	38
Total	5,464	5,511
Less current portion (11)	985	985
Total long-term debt (12)	4,479	4,526
Total stockholders equity	343	324(13)
Total capitalization	$ 5,821	$ 5,849

(1) We have an off-balance sheet arrangement as a result of the February 2006 credit agreement between Toys R Us Properties (UK) Limited (UK Propco) and Vanwall Finance PLC (Vanwall), a special purpose entity established with the limited purpose of issuing notes, and entering into the credit agreement with UK Propco. On February 9, 2006, Vanwall issued £355.8 million of multiple classes of commercial mortgage

backed floating rate notes (the Floating Rate Notes) to third party investors, which are publicly traded on the Irish Stock Exchange Limited. The proceeds from the Floating Rate Notes issued by Vanwall were used to fund the senior U.K. real estate facility to UK Propco. In fiscal 2010, we acquired from an unaffiliated party $17 million of face value debt securities of Vanwall for approximately $9 million. During fiscal 2011, we acquired from unaffiliated parties $36 million face value debt securities of Vanwall for approximately $26 million. This debt matures on April 7, 2013. These debt securities are included in Other assets within the consolidated balance sheets and are classified as held-to-maturity debt and are reported at amortized cost.

(2) Represents obligations of TRU.

(3) On August 1, 2012, we completed the offering of $450 million aggregate principal amount of the outstanding notes. The net proceeds were primarily used to redeem on August 31, 2012 the $400 million outstanding principal amount of our 7.875% senior notes due fiscal 2013 (the 2013 Notes), plus fees. As a result of this refinancing, the 2013 Notes are classified as long-term as of July 28, 2012.

(4) Toys R Us-Japan, Ltd. (Toys-Japan) currently has an agreement with a syndicate of financial institutions, which includes two unsecured loan commitment lines of credit (Tranche 1 and Tranche 2). On June 25, 2012, Toys-Japan amended the terms under Tranche 1 and entered into an agreement to refinance Tranche 2 of its committed lines of credit. Represents obligations of Toys-Japan.

(5) Represents obligations of Toys-Delaware.

(6) The maximum size of the ABL facility is $1.85 billion.

(7) Represents obligations of TRU Propco I and its subsidiaries.

(8) Represents obligations of TRU Propco II.

(9) On April 10, 2012, Toys-Delaware and certain of its subsidiaries issued a new tranche of term loans in an aggregate principal amount of $225 million (Second Incremental Secured Term Loan). Pursuant to the terms of the agreement, Toys-Delaware is required to make quarterly principal payments equal to 0.25% ($2.25 million per year) of the original principal amount of the loan. As such, this amount has been classified as Current portion of Long-term debt on our condensed consolidated balance sheet as of July 28, 2012.

(10) Represents obligations of TRU and Toys Delaware.

(11) Current portion of Long-term debt as of July 28, 2012 is primarily comprised of $546 million of U.K. real estate senior credit facility due April 7, 2013; $156 million of our Spanish real estate credit facility due February 1, 2013; $95 million of our U.K. real estate junior credit facility due April 7, 2013; and $75 million of our French real estate credit facility due February 1, 2013.

(12) We maintain derivative instruments on certain of our long-term debt, which impact our effective interest rates. Refer to Note 3 of our consolidated financial statements entitled Derivative instruments and hedging activities for further details.

(13) Reflects the write-off of deferred financing fees, previous original issue discount and fair value adjustments of approximately $1 million, along with a make-whole premium of approximately $18 million relating to the redemption of the 2013 Notes.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Set forth below is selected historical financial and other data of the Company 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 28, 2012, January 29, 2011 and January 30, 2010, and balance sheet data as of January 28, 2012 and January 29, 2011 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 January 31, 2009 and February 2, 2008 and the balance sheet data as of January 30, 2010, January 31, 2009 and February 2, 2008 presented in this table from our consolidated financial statements not included in this prospectus.

We derived the summary condensed consolidated financial data for the twenty-six week periods ended July 28, 2012 and July 30, 2011 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 twenty-six weeks ended July 28, 2012 are not projections for the results to be expected for the fiscal year ended February 2, 2013.

The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to the information presented under Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and condensed consolidated interim financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Fiscal Years Ended(1)					26 Weeks Ended	
(In millions, except number of stores and share data)	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	January 28, 2012	July 30, 2011	July 28, 2012
Statement of Operations Data:							
Net sales	$ 13,794	$ 13,724	$ 13,568	$ 13,864	$ 13,909	$ 5,284	$ 5,164
Cost of sales	8,987	8,976	8,790	8,939	8,939	3,281	3,149
Gross margin	4,807	4,748	4,778	4,925	4,970	2,003	2,015
Selling, general and administrative expenses(2)	3,801(3)	3,856(3)	3,730	3,942(4)	4,029	1,782	1,785
Depreciation and amortization	394	399	376	388	403	200	200
Other income, net(5)	(84)	(128)(6)	(112)(7)	(51)	(44)	(20)	(23)
Total operating expenses	4,111	4,127	3,994	4,279	4,388	1,962	1,962
Operating earnings	696	621	784	646	582	41	53
Interest expense	(503)	(419)	(447)	(521)	(442)	(240)	(215)
Interest income	27	16	7	7	10	4	8
Earnings (loss) before income taxes	220	218	344	132	150	(195)	(154)
Income tax expense (benefit)	65	7	40	(35)	(1)	(94)	(58)
Net earnings (loss)	155	211	304	167	151	(101)	(96)