

ToysRUs®

THE MARKET

U.S. consumers spent more than \$22 billion on toys in 2006 according to the Toy Industry Association and the NPD Group.

Toys“R”Us Inc. is the leading specialty retailer of toys and baby products with more than 1,500 freestanding destination toy and baby stores worldwide. The company sells merchandise through 585 toy stores and more than 250 baby stores in the United States, and more than 670 international toy stores, including licensed and franchise stores, as well as through its Internet site at www.toysrus.com.

ACHIEVEMENTS

Positioning the global franchise for the future, Toys“R”Us Inc. became a private company in July 2005 when an investment group consisting of affiliates of Bain Capital Partners LLC, Kohlberg Kravis Roberts & Co., and Vornado Realty Trust completed the acquisition of Toys“R”Us Inc. for \$6.6 billion. Under this new entity, Toys“R”Us Inc. today operates four divisions: Toys“R”Us, U.S.; Toys“R”Us, International; Babies“R”Us, and Toysrus.com.

In February 2006, Jerry Storch was appointed chairman of the board and chief executive officer

for Toys“R”Us Inc. A highly experienced retail industry executive, Storch rebuilt the company’s leadership team with talented individuals from several top organizations, including Target, Best Buy, and Home Depot. The new management team focused on improving the customer shopping experience in Toys“R”Us, U.S. stores by delivering a more compelling merchandise selection, better service, and a cleaner and more comfortable shopping environment. With its internal credo, “We’re Playing to Win,” the company has been reenergized and has become focused on asserting its authority position in the marketplace.

As a result of the company’s efforts, in 2006 the Toys“R”Us, U.S. division experienced its first increase in comparable-store sales in six years. Toys“R”Us, International and Babies“R”Us showed same-store increases of 2.6 percent and 4.8 percent, respectively. For the company as a whole, fiscal 2006 brought in \$13.1 billion in sales and a net income of \$109 million.

HISTORY

In 1948, 25-year-old Charles Lazarus turned his dream of creating a child-oriented business into a reality. A visionary for his time, Lazarus started a baby furniture store, Children’s Bargain Town, in Washington, DC, to cater to the postwar baby boom era. Although quite successful with his baby furniture venture, his customers were constantly inquiring about toys for both infants and older children. After months of listening to customer requests, Lazarus finally began selling toys.

Almost ten years later, Lazarus adopted the supermarket model for his store, which allowed customers to examine and pick out products on their own and pay for them at a checkout stand. With the opening of his second store, he settled on the name Toys“R”Us with a backward “R.”

Lazarus believed that success meant focusing on the everyday shopper, such as a parent searching for the perfect birthday gift or a

child hoping to spend his or her weekly allowance. In the pre-mall, pre-discount days, specialty retailing and off-price positioning were revolutionary concepts that Lazarus leveraged to his advantage. Through his ingenuity, Lazarus expanded his business into a toy conglomerate and saw his brainchild become a public company in 1978 with established community roots and a loyal customer base from coast to coast. With its iconic mascot Geoffrey the Giraffe introduced in February 1960 and the catchy jingle “I Don’t Want to Grow Up, I’m a Toys“R”Us Kid,” Toys“R”Us has become one of the most recognized and beloved brands in the world.

Toys“R”Us launched a worldwide presence in 1984 when the company opened its first two international stores in Singapore and Canada. Toys“R”Us, International operates, licenses, or franchises more than 670 Toys“R”Us stores and almost 35 Babies“R”Us stores in 35 countries outside of the United States, including Australia, Canada, France, Portugal, and the United Kingdom.

In 1996 the Toys“R”Us family gave birth to a new addition with the launch of Babies“R”Us, the nation’s premier baby products retailer and specialty store chain. Opening its first store in Westbury, New York, the chain has since grown to more than 250 locations across the country and is the undisputed leader in the juvenile market. The stores offer new and expecting parents everything they need for their baby, including an incredible selection of baby products and supplies, from leading manufacturers, at prices moms love.

Recognizing the incredible potential of the Internet, Toys“R”Us launched www.toysrus.com in June 1998, and it quickly became one of the fastest-growing sites in the toy and baby shopping categories.

In 2001 Toys“R”Us opened its international flagship store in New York City’s Times Square, which quickly established itself as The Center of the Toy Universe™. Replete with a 60-foot Ferris Wheel, a 20-foot animatronic T-Rex dinosaur, a life-size Barbie dollhouse, and a New York City skyline constructed entirely of LEGOs,





Toys“R”Us Times Square has become one of the top tourist attractions in the Big Apple for families from around the world. The prestigious Zagat’s “U.S. Family Travel Guide” recently rated Toys“R”Us Times Square the top family destination in New York City.

THE PRODUCT

For almost 60 years, Toys“R”Us has been a favorite destination for kids and grown-ups alike with its impressive assortment of toys, games, sporting goods, electronics, software, baby products, children’s apparel, and juvenile furniture. As a global toy retailer, Toys“R”Us contin-



ually tracks toy-buying data around the world to take a lead in identifying, and setting, toy trends. Toys“R”Us offers an unparalleled selection of new toys, old favorites, Toys“R”Us exclusives, and many other great values under one roof. With knowledgeable and toy-trained staff members always ready to help customers, Toys“R”Us is the authority when it comes to finding *the* perfect toy.

As the traditional definition of toys has changed, Toys“R”Us has been the industry leader in offering innovative product choices to today’s tech-savvy generation of kids. From digital cameras to iPod accessories to musical instruments and more, Toys“R”Us is the destination for what’s new and hot in kids electronics.

Babies“R”Us is the nation’s premier baby products retailer and specialty store chain and a leader in the juvenile industry. Since opening its first store, the company has experienced rapid growth nationwide. Babies“R”Us features a wide selection of products for newborns and infants, including cribs and furniture, car seats, strollers, formula, diapers, bedding, clothing for preemies through size 48 months, toys, and plenty of unique gift ideas. Babies“R”Us also offers a convenient online and in-store baby registry that eliminates guesswork and geographic barriers from gift-buying so friends and relatives can easily go to any store location or online to select, buy, and send the right gift directly to the expectant parents. As the baby authority, Babies“R”Us also offers exclusive product lines from Wendy Bellissimo, Koala Baby, and Especially for Baby.

RECENT DEVELOPMENTS

In 2006, the company launched an exciting new stand-alone Web site. The easy-to-navigate site offers consumers access to the world’s greatest toy and baby products store at the convenience of their fingertips. Today, Toysrus.com is one of the most visited sites in the retail category, with approximately 20,000 toy items, 3,500 video game titles, exciting toy exclusives, personalized versions of popular toys and baby products, and fantastic deals every day.

PROMOTION

Toys“R”Us continues to enter into exclusive product agreements with major toy companies such as Mattel, Lego, LeapFrog, and Fisher-Price, gaining the sole right to sell particular items. By offering this exclusive merchandise, Toys“R”Us

is able to provide a meaningful and differentiated toy-buying experience to its customers.

BRAND VALUES

Toys“R”Us is committed to all children and families. Toys“R”Us demonstrates its commitment by supporting a number of philanthropic initiatives that benefit children and infants in need. Each year, the Toys“R”Us Children’s Fund, the philanthropic arm of the company, donates millions of dollars to worthwhile children’s charities and organizations, including the National Lekotek Center, Children Affected by AIDS Foundation, and Save the Children. The fund also supports signature partnerships with the Marine Toys for Tots Foundation, the Starlight Starbright Children’s Foundation, Autism Speaks, and Kids in Distressed Situations.

THINGS YOU DIDN’T KNOW ABOUT TOYS“R”US

- *A song for the ages?* The catchy Toys“R”Us jingle, “I Don’t Wanna Grow Up, I’m a Toys“R”Us Kid,” was written by Linda Kaplan Thaler, now CEO and chief creative officer of top NYC ad agency the Kaplan Thaler Group. Since its debut more than 20 years ago, the song still resonates with kids and adults alike.
- *Toys“R”Us values all children and families.* Toys“R”Us is the only retailer to offer a toy selection guide for parents and friends of children with disabilities. Now in its 14th edition, the *Toys“R”Us Toy Guide for Differently-abled Kids* features specially selected toys that promote the development of children with physical and cognitive disabilities.
- *Vice President Geoffrey?* In 1992, President George H. W. Bush traveled to Japan to open the country’s first Toys“R”Us store. The company celebrated its fifteenth anniversary in Japan in 2006.