2006

pay & benefits connection

Quick Connection

This issue of *Pay & Benefits Connection* provides some exciting news about the "TRU" Partnership Employees' Savings and Profit Sharing Plan. Be sure to read this information and keep this Newsletter for future reference.

The "TRU" Partnership Employees' Savings and Profit Sharing Plan ("TRU" Plan), which includes the 401(k) savings account, is an important part of your Toys "R" Us Pay & Benefits Program. It helps provide for your future – with substantial help from the Company. Effective March 1, 2006, the "TRU" Plan will be redesigned, so the Company can improve some of the 401(k) features.[1] The changes will make the "TRU" Plan one of the best 401(k) programs offered among our retail competitors.

For the plan year beginning March 1, 2006 and ending February 28, 2007, the "TRU" Partnership Employees' Savings and Profit Sharing Plan qualifies for the Internal Revenue Service (IRS) "safe harbor" rules, which means that we will not have to perform annual tests with respect to contributions. Because the "TRU" Plan is a "safe harbor" plan, we are required by the IRS to provide you with specific information about the "TRU" Plan on an annual basis. This Newsletter is intended to satisfy the notification requirements of IRS Notice 98-52 and recently issued Treasury Regulations. *Please read this notice carefully in order to better understand your rights under this safe harbor plan.* It provides the required information in a more condensed version than the Summary Plan Description ("SPD"). For more details and additional information, please consult your SPD. You can also log on to **www.ameriprise.com/retirement** or call the "TRU" Partnership Participant Services Line[2] toll-free at **(800) 401-TOYS (8697)** if you have any questions.

[1] Some of the plan design changes explained in this Newsletter will not apply to "TRU" Plan participants who are subject to the laws of Puerto Rico. A more detailed explanation of the rules applicable to such participants can be found in the Summary Plan Description or you may call the "TRU" Partnership Participant Services Line toll-free at (800) 401-TOYS (8697).

[2] The "TRU" Partnership Participant Services Line is provided by Ameriprise[SM] Retirement Services.

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Planning for Your Future

The 401(k) savings and profit sharing accounts in the "TRU" Plan provide a convenient, tax-effective way to save for your long-term financial needs. You contribute a portion of your pay through convenient payroll deductions on a before-tax basis (subject to IRS limits). Toys "R" Us adds to your savings through Company matching contributions. The Company may also make future discretionary contributions to the profit sharing account on your behalf.

The "TRU" Plan has been modified, and the 401(k) portion of the "TRU" Plan redesigned, to include a number of improved features. These changes – effective **March 1, 2006** – will provide associates with more reasons to participate in the "TRU" Plan, and add value to the benefit it already provides.

This issue of *Pay & Benefits Connection* provides a summary of the revisions, and information on how you can put the "TRU" Plan to work for your future. ★

It is important to note that only the design of the "TRU" Plan is changing. The "TRU" Plan remains in effect and there will not be a payout of current "TRU" Plan assets.

Good News – A Great Plan Gets Even Better!

Effective March 1, 2006, the 401(k) portion of the "TRU" Plan will be redesigned to help provide you with a more financially secure retirement through:

- ★ an increased savings opportunity for all associates
- ★ a higher Company matching contribution
- ★ a shorter eligibility waiting period for newer associates
- ★ full and immediate vesting in Company matching contributions
- ★ greater flexibility in managing your investments

and

- ★ new provisions to help you access your money through loans and withdrawals.

Increased Savings Opportunity – Save More Through the "TRU" Plan

The new "TRU" Plan design will allow all associates[3] to contribute more – **between 1% and 50% of eligible earnings on a before-tax basis**[4], up to the annual IRS limit ($15,000 for 2006). This new higher deferral percentage gives you an opportunity to save more each year.

In addition, if you will be age 50 or older by December 31, 2006, you can also make additional catch-up contributions of up to $5,000 for 2006, **if**:

- ★ you would otherwise be prevented from making additional before-tax contributions because of the IRS limit on before-tax contributions ($15,000)

or

- ★ your before-tax contribution rate is the maximum allowed by the "TRU" Plan (50% of eligible earnings).

Eligible earnings are your Toys "R" Us base pay plus bonuses (excluding retention or completion bonuses), overtime pay and commissions, prior to the deductions you've elected in the Toys "R" Us Health Plan. ★

Significantly Higher Company Matching Contributions

Company matching contributions will be substantially increased effective March 1, 2006. This means that when **you contribute** to the "TRU" Plan, you will receive more money from the Company. Toys "R" Us will add:

$1 for every $1 you contribute on the first 5% of your salary deferrals.

That's the equivalent of a **100% rate of return** on your investment, prior to any investment gains or losses.[5]

[3] Associates residing in Puerto Rico can contribute up to 10% of their pay on a before-tax basis, up to the maximum allowed under Puerto Rico law.
[4] Before-tax contributions and earnings are not taxed until withdrawn. Amounts withdrawn prior to age 59 1/2 may also be subject to a 10% early withdrawal penalty.
[5] The "TRU" Plan does not guarantee profits. Investments may fluctuate up and down.

The new Company matching contribution is considerably higher than the match under the current "TRU" Plan design. The table below shows the differences. ★

	Current Plan Design	*New* Plan Design Effective 3/1/06
★ **Company Matching Contribution**	The Company adds $0.50 for each $1 you save on the first 6% you contribute (may not exceed 3% of the Social Security wage base)*	The Company adds $1 for each $1 you save on the first 5% you contribute
★ **Maximum Earnings Eligible for Match**	$94,200 – 2006 Social Security wage base	$220,000 – 2006 IRS annual compensation limit
★ **Maximum Match**	$2,826**	$11,000

* Highly paid associates are limited to a maximum deferral of 5%.
**$2,355 maximum for highly paid associates.

Putting the "TRU" Plan to Work for You

If you save through the "TRU" Plan, you gain in two ways. You pay less in federal (and most state and local) income taxes in the year in which you make the deferral. You also receive a substantial boost to your savings through the Company match. These examples show how you can benefit by participating in the "TRU" Plan. ★

Example 1

Let's assume you earn $15,000 and save through the "TRU" Plan.		The Company matches $1 for each $1 you contribute on the first 5% of your salary deferrals.	IT PAYS TO SAVE!	Assuming you pay 15% in federal income tax, this shows how much it costs you to save the amount going into your account.
Deferral %	**Amount You Defer**	**Company Match**	**Total Going into Your Account**	**Impact on Your Pay**
3%	$450	$450	**$900**	$382.50
6%	$900	$750*	**$1,650**	$765.00
10%	$1,500	$750*	**$2,250**	$1,275.00

* $1 for $1 match on the first 5% of deferral.

Example 2

Let's assume you earn $35,000 and save through the "TRU" Plan.		The Company matches $1 for each $1 you contribute on the first 5% of your salary deferrals.	IT PAYS TO SAVE!	Assuming you pay 25% in federal income tax, this shows how much it costs you to save the amount going into your account.
Deferral %	**Amount You Defer**	**Company Match**	**Total Going into Your Account**	**Impact on Your Pay**
3%	$1,050	$1,050	**$2,100**	$787.50
6%	$2,100	$1,750*	**$3,850**	$1,575.00
10%	$3,500	$1,750*	**$5,250**	$2,625.00

* $1 for $1 match on the first 5% of deferral.

Good News – A Great Plan Gets Even Better!

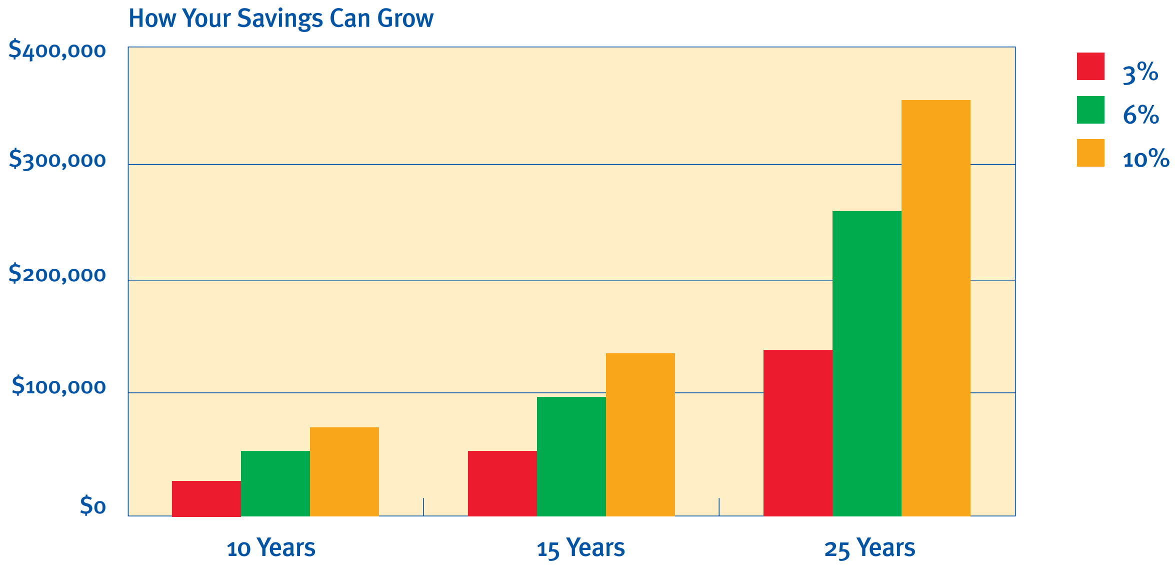
Example 3

Let's assume you earn $65,000 and save through the "TRU" Plan.		The Company matches $1 for each $1 you contribute on the first 5% of your salary deferrals.	IT PAYS TO SAVE!	Assuming you pay 25% in federal income tax, this shows how much it costs you to save the amount going into your account.
Deferral %	**Amount You Defer**	**Company Match**	**Total Going into Your Account**	**Impact on Your Pay**
3%	$1,950	$1,950	**$3,900**	$1,462.50
6%	$3,900	$3,250*	**$7,150**	$2,925.00
10%	$6,500	$3,250*	**$9,750**	$4,875.00

* $1 for $1 match on the first 5% of deferral.

Watch Your Savings Grow!

The following graph shows how your savings and the Company match can add up over time, assuming eligible earnings of $35,000, salary deferrals of 3%, 6% and 10%, and a 7% rate of return. Of course, if you save more or if the Company adds a profit sharing contribution, these amounts could be even higher. In addition, your actual investment earnings may be greater or less than 7%, which would also impact your account value. Keep in mind, the "TRU" Plan does not guarantee profits. Investments may fluctuate up and down.



This illustration is hypothetical and is not meant to represent any specific investment or to imply any guaranteed rate of return.

Participating in the "TRU" Plan is Easy!

Once you become eligible, you can enroll in the "TRU" Plan or make changes to your contribution or investment elections at any time.

To enroll or make a change, log on to **www.ameriprise.com/retirement**, or call the "TRU" Partnership Participant Services Line toll-free at **(800) 401-TOYS (8697)**.

If you aren't currently participating in the 401(k) portion of the "TRU" Plan, you may want to re-evaluate your financial situation and contribute at least enough to get the full Company matching contribution. Remember, the more you save, the more the redesigned "TRU" Plan can do for you. ★

Eligibility – Start Saving Sooner

Effective March 1, 2006, associates, age 21 or older, are eligible to make before-tax contributions **after only six months** of service (including service prior to March 1, 2006), if they:

- ★ work at least 500 hours

  and

- ★ are continuously employed through their six-month anniversary date.

Associates, age 21 or older, who do not meet the eligibility requirements in their first six months of employment become eligible to make before-tax contributions after completing 1,000 hours of service in their first year of employment or any subsequent "TRU" Plan year.

If you are under age 21 but already eligible to participate in the "TRU" Plan (as of March 1), you remain eligible.

You are eligible to receive Company matching contributions once you become eligible to make before-tax contributions to the "TRU" Plan.

An enrollment kit will be sent to you shortly before you are expected to meet the eligibility requirements for before-tax contributions. The enrollment kit contains all the instructions you need to begin making before-tax contributions to the "TRU" Plan.

To be eligible to receive profit sharing contributions, you must be at least age 21, employed for at least one year, and employed on the last day of the "TRU" Plan year for which any profit sharing contribution is made. ★

More Reasons to Participate

In addition to enhancing your savings opportunities through increased associate and Company contributions, the new "TRU" Plan design also includes the following improvements. ★

Full and Immediate Vesting of Company Matching Contributions

As of March 1, 2006, you will immediately be 100% vested in the value of your Company matching contributions. This means that the value of your 401(k) savings account belongs to you – your contributions, Company matching contributions plus any earnings or losses on those amounts. Keep in mind that the value of your securities will fluctuate.

Currently, if you leave the Company before the end of the "TRU" Plan year, you forfeit any Company matching contributions credited to your account during that plan year. Going forward, Company matching contributions will belong to you immediately, which makes your "TRU" Plan participation even more valuable.

Profit sharing contributions and account balances will continue to vest after five years of service based on your profit sharing adjusted service date. ★

More Flexible Investment Elections

To give you more control over your investments, beginning March 1 you can make investment elections and transfer funds in 1% increments. This new feature provides you with additional flexibility to direct your funds to the available investment options. (Currently, you are required to make elections in increments of 5% or more.) ★

Loans and Withdrawals

401(k) plans are designed to encourage long-term savings. We realize, however, that situations may arise when you need to access the money in your "TRU" Plan account. The "TRU" Plan allows you to borrow from your account, and withdraw funds under certain circumstances. Keep in mind that when you take a loan, withdrawal or a distribution, the cash value available to you may be worth more or less than the original amount invested. Additionally, taxes must be paid on any unpaid loan balances if you leave the Company or default on the loan.

The following "TRU" Plan features enhance the loan and hardship withdrawal provisions of the "TRU" Plan.

New Interest Rate on Loans. Interest on **all** loan applications received and approved on or after March 1 will be based on the prime rate posted in the *Wall Street Journal* on the day the loan is processed. This rate is generally lower than the rates the "TRU" Plan currently uses. This means that your loan payments will be lower. (The interest you pay on a loan is invested back into your own account.) The new rate will apply to both general purpose and home loans.

Hardship Withdrawal Provisions. Generally, while you are working for Toys "R" Us, you may not withdraw funds from the "TRU" Plan. However, there are certain circumstances – "financial hardships" – when withdrawals are permitted. Under the current "TRU" Plan, hardship withdrawals are allowed if you need:

- ★ to pay unreimbursed medical expenses incurred by you, your spouse, your children or any other dependent
- ★ help with the purchase of your primary residence
- ★ assistance with the payment of tuition and related educational fees for post-secondary education for you, your spouse, your children, or any other dependents
- ★ money to prevent you from being evicted from your primary residence or to prevent foreclosure on the mortgage on your primary residence.

In addition to the above, the new "TRU" Plan design will also allow hardship withdrawals for the following reasons:

- ★ to pay expenses for the repair of damage to your primary residence that would qualify as deductible casualty expenses, such as losses caused by fire, storm, shipwreck or theft
- ★ to pay for funeral and/or burial expenses for your parent, spouse, child or any other dependent.

Note: In accordance with IRS regulations, Company matching contributions made under a safe harbor plan design such as ours effective March 1, 2006 may not be withdrawn for hardship reasons. However, previously credited Company match amounts may continue to be withdrawn for reasons allowed under the hardship provisions.

New, Broader Dependent Definition. For the purpose of requesting a hardship withdrawal, your dependents will include your children, step-children, grandchildren, parents, step-parents, grandparents, siblings, step-siblings, aunts, uncles, nieces, nephews, in-laws, and someone who lives with you, provided the dependent:

★ is a U.S. citizen, national, or resident, or resident of a country contiguous to the U.S.

★ has gross income of less than $3,100

or

★ receives over half his/her support from you.

Please note the following:

★ Before you can take a hardship withdrawal, you must take any available loan from the "TRU" Plan.

★ The minimum hardship withdrawal you may take is $500.

★ After you take a hardship withdrawal, your contributions to the "TRU" Plan will be suspended for six months.

★ Your withdrawal may be subject to a mandatory 20% federal income tax, and may also be subject to a 10% early withdrawal penalty if you are under age 59 1/2. You may want to speak with a financial or tax advisor before withdrawing funds from your "TRU" Plan accounts. ★

Distributions After Employment Ends

You may become eligible for a distribution from the "TRU" Plan as a result of a job change or retirement. Generally, the IRS requires that you begin taking distributions by April 1 of the year following the year you reach age 70 1/2 (if you're no longer employed). If you don't, you may face severe penalties that can deplete your retirement assets. Failure to take a required distribution can result in a tax penalty of 50% of the required distribution amount. ★

Changing Profit Sharing Contributions

Beginning with the March 1, 2006 plan year, profit sharing contributions will be made at the discretion of the Company's Board of Directors and *only* when Toys "R" Us achieves exceptional results.

Any profit sharing contributions for fiscal 2005 will be based on the current "TRU" Plan design and the Company's fiscal 2005 performance and will occur at the normal time (typically March or April 2006). ★

In Summary

The "TRU" Partnership Employees' Savings and Profit Sharing Plan is a valuable part of your Pay & Benefits Program. The improvements we are making to the "TRU" Plan are designed to help you save for your future, with substantial assistance from Toys "R" Us. Whether your retirement is just around the corner or years away, we encourage you to take advantage of the many benefits the "TRU" Plan provides.

Toys "R" Us, Inc.
One Geoffrey Way
Wayne, NJ 07470-2030

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Important Information About Your Toys "R" Us Pay & Benefits Program Inside