



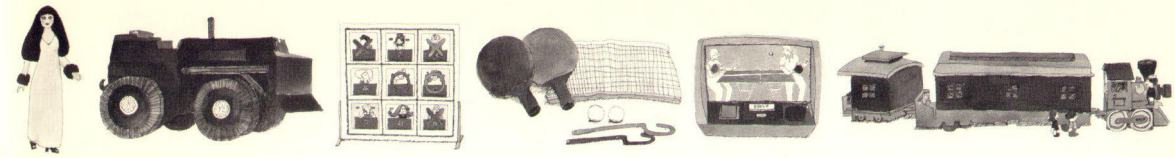
ideal

IDEAL TOY CORPORATION

ANNUAL REPORT
FOR THE YEAR ENDED
JANUARY 30, 1975

Table of Contents

Financial Highlights	1
Letter to Shareholders	2
Products	4
Description of Business	10
Consolidated Balance Sheet	11
Consolidated Statement of Income	12
Consolidated Statement of Stockholders' Equity	12
Consolidated Statement of Changes in Financial Position	13
Summary of Accounting Policies	14
Notes to Consolidated Financial Statements	15
Auditors' Report	17
Summary of Operations	18
Management's Discussion and Analysis of the Summary of Operations	18
Officers and Directors	20
Notice of Annual Meeting	20
Stock Information	20



Ideal Toy Corporation and Subsidiaries Financial Highlights

	Year ended		% Change
	January 30, 1975	January 31, 1974(a)	
Net sales	\$124,842,000	\$88,363,000	+41.3
Net income	\$ 3,325,000	\$ 2,080,000	+59.9
Current asset ratio	2.2:1	2.3:1	
Stockholders' equity	\$ 35,137,000	\$31,812,000	+10.5
Per share:			
Net income	\$ 1.14	\$.71	+60.6
Stockholders' equity	\$12.06	\$10.92	+10.4
Average shares outstanding	2,927,946	2,941,184	

(a) Per share figures and average shares outstanding have been restated for 4% stock dividend paid in 1975.



To Our Shareholders:

We are pleased to report that Ideal's program of increased responsiveness to trade and consumer needs, discussed in last year's annual report, helped produce record sales and income for the year ended January 30, 1975.

Net income rose to \$3,325,000 or \$1.14 per share from \$2,080,000 or 71 cents per share the previous year. Fiscal 1974 earnings per share were adjusted for the four per cent stock dividend paid in January, 1975. Sales climbed above the \$100 million mark for the first time in your company's history, reaching \$124,842,000 from \$88,363,000 for the year earlier.

The increase in net income, while substantial, was adversely affected by many factors including spiraling costs of materials, Federal price controls early in the year and record high interest rates for both short and long-term borrowing. In addition, extreme shortages during the first three quarters of the year made it necessary to carry larger than normal inventories of raw materials and imported finished goods. Declining prices of materials late in the year caused further erosion of margins.

The confidence with which toy buyers placed initial orders at Toy Fair 1974 was

rewarded with equally enthusiastic consumer acceptance throughout the year. A strong reorder pattern appeared early and sustained itself through the key pre-Christmas season. Most sought after items included the Evel Knievel group of toys, waterproof Rub-A-Dub Dolly, Baby Crissy, Toss Across and Hurricane Hockey.

It is the Company's policy to set conservative production quotas based on order input. As a result, manufacturing was unable to meet the entire demand for several products including Evel Knievel items and Rub-A-Dub Dolly. In addition, management believes it is prudent to achieve and maintain broad product distribution and to avoid market saturation which tends to reduce a product's life span. These policies have helped Ideal withstand the rapid fluctuations in buying patterns during recent years.

While retailers continue to operate in an uncertain climate, buyers at Toy Fair 1975 were most receptive to Ideal's new line and pleased that the Company's products and promotions had helped to clear their shelves at Christmas. Because of low post-holiday inventory, the trade evidenced a greater ability and willingness to buy.

Particularly appealing to the trade were additions to the Evel Knievel category; Evel's female counterpart, Derry Daring, and her vehicles; Jody, the Old-Fashioned Doll; velvet skin Baby Dreams; Beat the 8 Ball and Trap Tennis,

games of action and strategy; Tiny Mighty Mo's; and the Live-In Train, a Think & Learn pre-school toy.

Crown Recreation, Inc., encompassing Crown sporting goods, Kiffe camping equipment and clothing and Wood Products recreational game tables, was adversely affected by general economic factors. While sales of these items were somewhat higher than the previous year, they were not as high as anticipated due to severe material shortages during the first half of the year and a decline in demand for higher priced items such as pool tables during the second half of the year.

In October 1974, Ideal sold certain assets of Ideal Recreational Products, the company's above-ground swimming pool subsidiary. Management felt that the capital investment required to produce acceptable volume and earnings from IRP could be more productive if allocated elsewhere.

In December, 1974, your company sold its 80 per cent interest in Perfekta Enterprises, Ltd., a Hong Kong manufacturer of toy components. The need to achieve maximum production flexibility in an uncertain international climate, the weakness of the U.S. dollar in relation to the Hong Kong dollar and the disproportionate rates of in-

flation in the U.S. and the Far East were among the reasons why management sold its interest in Perfekta.

Domestic manufacturing capabilities will be expanded by the addition of approximately 400,000 square feet to the Newark, N.J. plant. Construction of the new building is scheduled to begin this summer with completion in about one year — on target according to the plans outlined at the Annual Meeting of Shareholders held in May, 1973.

The current year is clouded by conflicting economic forecasts and the financial condition of many retailers is tenuous. Although continuing caution remains the prevalent mood, initial order input has been excellent and consumer demand for Ideal products remains high. Margins should improve as the cost of money declines and prices of raw materials stabilize. As a result, management expects further gains this year if present trends continue.

The achievements of the past year were made possible by the efforts and abilities of all of the members of the Ideal family. We are grateful for their devotion and are confident that their continued enthusiasm will help us to successfully meet the challenges we will face in the years ahead.

Sincerely,

Lionel Weintraub

Lionel A. Weintraub
President



April 30, 1975



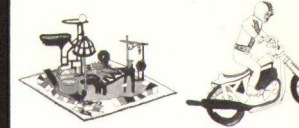
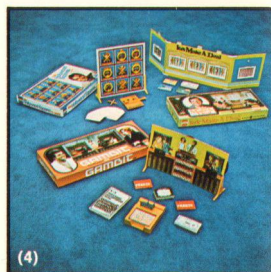
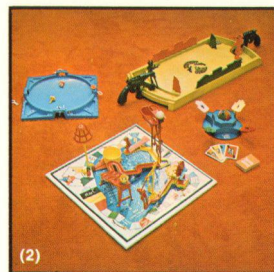
Products
Action toys and games provide new play worlds for children to conquer, and simple, nostalgic dolls and pre-school toys recapture the charm of the old world in Ideal's product line for 1975.

For two years, Evel Knievel toys have been among the nation's biggest hits. His own exploits have made him a living legend and, together with the play value of the toys, have enabled children throughout the world to fantasize adventures for Evel.

In keeping with the image of Evel as a daredevil and adventurer, the seven-inch Ideal counterpart is being presented in new exciting action vehicles, and in Adventure Sets in which he undertakes missions as a rescuer, Arctic explorer, jungle explorer and racing driver.

With the front wheels extended, the Evel Knievel Formula 1 Dragster charges out of its energizer in a high wheelie. When the front wheels touch down, a big red and white drag chute bellows open at the rear, slowing down the car. If the Dragster hits a barrier, the retracting front wheels absorb the shock. When the front wheels are pushed in, the car is a Formula 1 racer.

Evel also gets two new cycles—the authentically designed Trail Bike and the Chopper, both of which do the wheelies, flips and jumps which made the Stunt Cycle so popular.



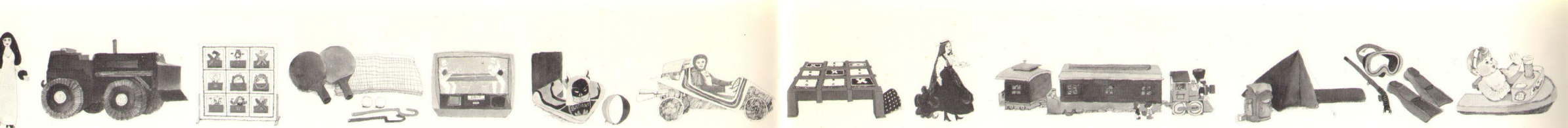
Just as Evel Knievel is exploring new horizons, so is Derry Daring, who provides today's girls with the kind of play action that used to be thought of as a boy's preserve.

Daredevil Derry also gets new vehicles and Adventure Sets that show a girl can be anything she wants to be—mountain climber, auto racer, rodeo performer and action reporter.

Derry Daring's Wheelie Car, which jolts out of its energizer in a vertical wheelie, joins Derry's Trick Cycle in her roster of vehicles. The Wheelie Car has rear engine styling and a racing stripe that matches Derry's hot pink racing suit and helmet.

Eight-inch high Midi Mighty Mo's, slightly more than half the size of the Mighty Mo's and twice the size of the Tiny Mighty Mo's, are carefully detailed fire engines, tow trucks, pick-up campers and sand trucks, each with a realistic moving part. And,

(1) Jody, The Old-Fashioned Doll in her Country Kitchen; (2) Sell-through games include Mousetrap, Battling Tops, Gunfight at O.K. Corral and Hands Down; (3) Baby Crissy; (4) Gambit joins the lineup of games based on popular TV shows; (5) Midi Mighty Mo's join their bigger and smaller relatives in an expanding category of versatile vehicles; (6) Evel Knievel items include new vehicles, action outfits, a game and a kidpower cycle for younger fans.



they move like their bigger and smaller relatives — no electricity, but one push and they go and go and go.

Each of the new Tiny Mighty Mo Action Sets—Rescue Set, Military Set and Service Center—has a vehicle, accessories and four figures.

In the wake of the successful 1974 introduction of Ideal's Think and Learn line of pre-school toys led by the Kiddy Mo Bridge and Ferry Set, this is the year of the Live-In Train, complete with a magnetized family with a great attraction for each other and their household goods and accessories.

The two-foot long, three-car, 21-piece Live-In Train, new for Think and Learn pre-schoolers, is home for the four-member MacMagnet family and its dog, all of whom are magnetized so they can hold hands with each other, carry luggage and tools, or open their Pullman car revealing their living quarters. The caboose holds the family car. The Live-In Train comes with 13 play accessories, all of which store inside the train.

In a look back to another era, Ideal is unveiling Jody, the Old-Fashioned Doll, a nine-inch, turn-of-the-century country girl, complete with kitchen, parlor and general store.

Jody, with rooted auburn hair right down to her toes, is

dressed for each of her three authentic settings. She's in a lace-fringed gingham dress and apron, pantaloons, high button shoes and bonnet, for her meticulously detailed Country Kitchen with wood burning stove, ice box, crank telephone and all the furnishings of a bygone day.

Jody's General Store has the doll outfitted in a Gibson Girl dress along with an authentic pot-bellied stove with counter, and goods on sale for all needs.

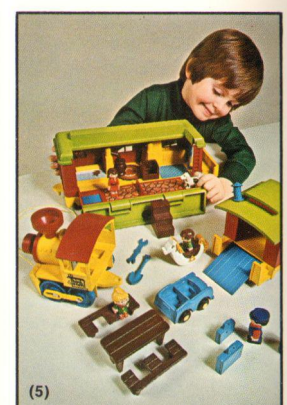
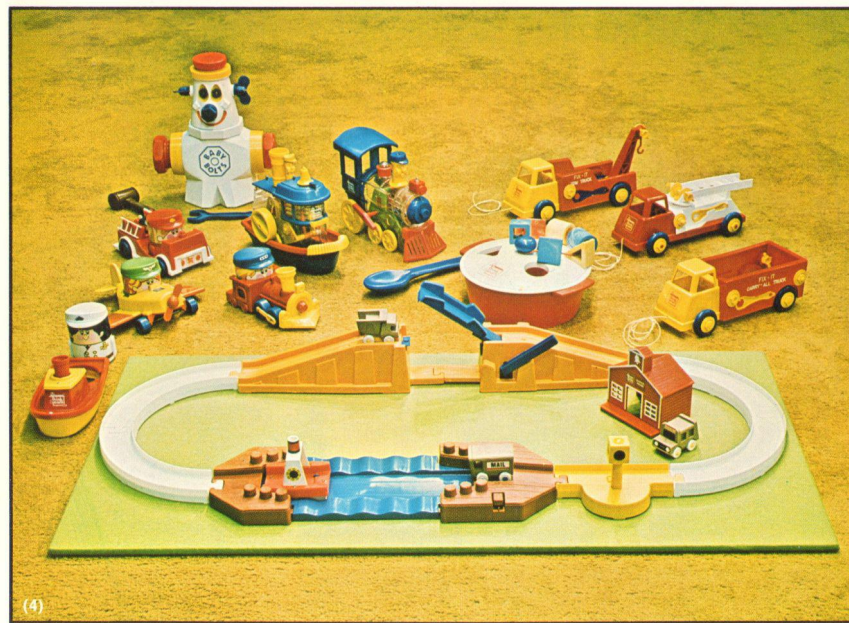
Jody's Parlor has the doll dressed in her best eyelet dress, surrounded by wind-up phonograph, player piano, couch and all the trappings of a charming sitting room.

As a change of pace, Tiffany Taylor, the 19-inch teenage fashion doll, introduced in six markets in 1974, gets national distribution in 1975, with 14 sophisticated outfits, including a simulated mink coat.

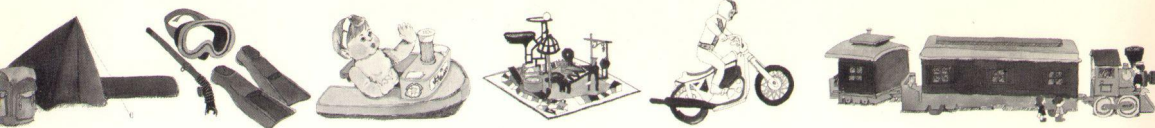
Baby Dreams is a soft and cuddly 17-inch doll whose eyes stay open when she is laid down and close when she is turned on her side. She is the perfect bedtime companion for young girls.

And, water-tight Rub-A-Dub Dolly, last year's huge success, gets a Tugboat Shower with which to float in the tub.

Following the debut last year of large family games patterned after those used in "quarter arcades," Ideal now offers Quick Shot Hockey, the air-powered game, a portable, lower-priced version of



(1) Joining successful "quarter arcade" games Electronic Table Tennis and Hurricane Hockey is Quick Shot Hockey, a portable version of the air-powered game; (2) Derry Daring's world of action now includes a Wheelee Car, Baja Camper and attractive outfits; (3) Beautiful Tiffany Taylor has a 14-outfit fashion wardrobe; (4) Think & Learn pre-school items include the Kiddy Mo Bridge and Ferry Set, Mister Mo and his vehicles, Toot-L-oo Tug and Loco, Fix-It Trucks, Baby Bolts, Pot'n Spoon and the new (5) Live-In Train.



last year's successful Hurricane Hockey, and a variety of other family action games.

The Evel Knievel Stunt Game provides competition in which each child imagines he is Evel Knievel and tries to perform six of his hair-raising stunts the best. A player controls Evel on his cycle as it goes hurtling around the track trying to accomplish the almost impossible feats of the real Evel Knievel.

Trap Tennis is a game that requires the skill and timing of a real tennis game. Forehand or backhand, smash or lob, each player has to try to fool the other about what kind of a shot he's going to take at the ball on a revolving arm. The objective is to score points by trapping the ball in one of three holes at the end of the trap lever as the ball goes spinning around.

Beat the 8-Ball combines suspense and strategy. An 8-ball is spun around a funnel and each player tries to time the release of his ball down his chute so it gets into the scoring chute just before the 8-ball.

Tank Command is a game of tactics in which each player has four tanks and 10 explosive shells. A fire control panel prevents the other side from knowing your strategy. At the same moment, each player "fires" his shells by moving a marker behind one of the shells, each with a

point value of 1 to 10. Each panel is dropped at the same time, revealing the "power" of the shells and the player with the higher power shell gets to push his opponent's tanks back the number of paces equal to the difference in the shell values. When an enemy tank gets pushed back to a land mine, his opponent pulls a lanyard and the enemy tank is blown out of the game. When all the tanks on one side are gone, the game is over.

Junk Yard gives each player the opportunity to use pin-ball machine-type flippers to keep a steel ball in play while trying to hit a target of point-valued junk.

King of the Sea pits two fleets of sailing ships against each other as opposing captains try to hide behind mountains to keep from being hit by cannon balls while trying to sail into lagoons to capture five islands or knock out each other's fleet.

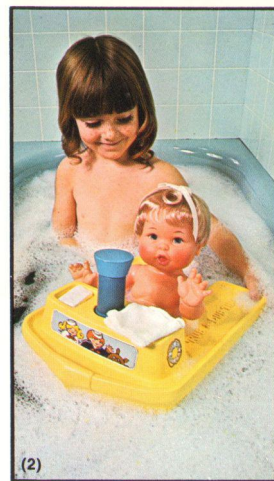
Gambit, a challenging game based on the popular TV show, joins Ideal's other video hits, Hollywood Squares and Let's Make A Deal.

The staple toy line marketed by Ideal's subsidiary, Alabe Products, Inc., has been expanded this year to include 12 Play Labs with which a child can build absorbing, educational toys ranging from a diode radio to a telescope.

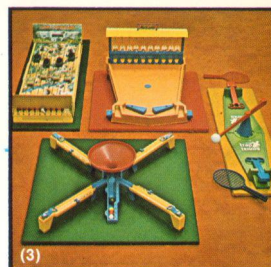
Ideal maintains its important position in the growing category of vinyl inflatable beach



(1)

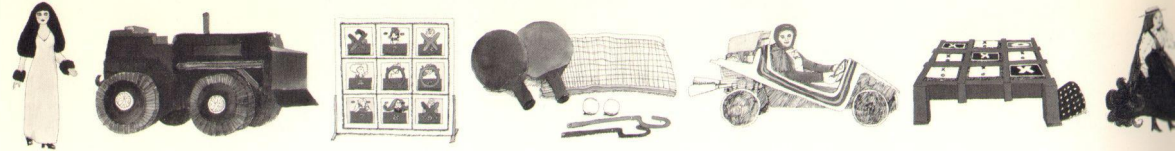


(2)

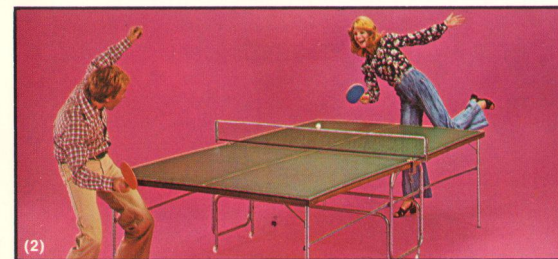


(3)

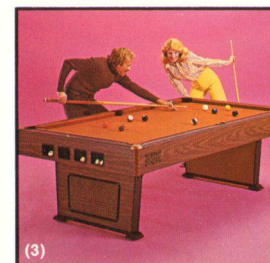
(1) Baby Dreams; (2) Rub-A-Dub Dolly with her Tugboat Shower; (3) New family games include Beat the 8 Ball, Trap Tennis, Junk Yard and Tank Command.



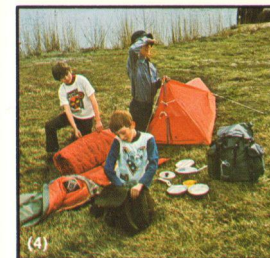
(1)



(2)



(3)



(4)



(5)



(6)

(1-4) Crown Recreation, Inc. markets a growing collection of recreational game tables, camping equipment and clothing and sporting goods; (5) Ideal is the leader in vinyl inflatable beach and water toys; (6) Alabe's staple toys now include educational Play Labs.

and water toys and splash-type swimming pools. Innovative merchandise design is complemented by the graphic use of the most popular comic and superhero characters.

Crown Recreation, Inc., encompassing Crown sporting goods and games, Kiffe camping equipment and clothing and Wood Products pool tables and table tennis tables, is effectively implementing its program to broaden distribution and increase the use of Ideal's design and manufacturing capabilities.

Popular Crown dart board games, previously made in England, are being produced domestically and the expanding swim gear line now is primarily manufactured in the parent company's Hollis, N.Y., plant. Indoor and outdoor games have been re-packaged to increase consumer appeal and reduce required shelf space.

Wood Products' growing line is gaining East Coast market penetration through the employment of Ideal's New York-area production facilities and distribution network.

Wood recently received Sears, Roebuck's Symbol of Excellence Award for the second straight year. The award is presented for maintaining the highest standards of product quality and service.



Description of Business

Ideal Toy Corporation manufactures and markets a broad line of recreational products for children and adults. Prior to 1971, substantially all of Ideal's sales were represented by toys. In recent years, the Company has acquired firms engaged in the manufacture and distribution of sporting and camping goods and recreational game tables to help counter the seasonality of the toy business and to expand the appeal of its product line to the entire family.

Ideal's toy products include dolls and doll clothing, three-dimensional action games, mechanical toys, pre-school educational toys and inflatable beach and water toys.

Sporting and camping goods include such diverse recreational items as tents, sleeping bags, back packs, equipment for underwater sports, tennis, badminton, table and paddle tennis, darts and dart boards, pool tables and table tennis tables.

Toy products accounted for the major portion of Ideal's total sales during the last five years with sporting and camping goods accounting for four-tenths of a per cent in fiscal 1972, 9.7 per cent in fiscal 1973, 16.7 per cent in fiscal 1974 and 15.8 per cent in fiscal 1975.

Ideal is in its 73rd year of providing creative leadership to the toy industry. Generations of Americans fondly recall their childhoods brightened by a Teddy Bear, Shirley Temple doll, Mousetrap game or other innovative Ideal toys.

What began modestly in Brooklyn, N.Y. in 1903, has grown to encompass more than 4,000 employees during the peak production season, working in manufacturing and warehousing facilities of nearly two million square feet. Sales and distribution centers are located in New York, Chicago, Dallas, Los Angeles, and Atlanta and a sales force of nearly 100 men and women provide broad national distribution.

The Company is headquartered in its 660,000 square foot Hollis, N.Y. plant. A new, modern 600,000 square foot facility in Newark, N.J. was completed in August, 1973 and plans are now underway for a 400,000 square foot addition to this plant. Ideal leases a plant of approximately 330,000 square feet in Newark for warehousing and the manufacture of game tables, and a facility of about 110,000 square feet in Los Angeles, Ca., for the same purposes. Additional warehousing is leased in the vicinity of the Hollis plant and in Carson, Ca.

The Company also has wholly-owned subsidiaries in the United Kingdom and Hong Kong and affiliates in Canada, Australia and New Zealand.

Ideal became a public company in June, 1968. For the year prior to the public offering ended February 1, 1968, net sales totaled \$49.8 million. Despite a generally weak economic climate during recent years and a period of erosion in growth and profitability, the company today stands at its highest level of volume and earnings.



Ideal Toy Corporation and Subsidiaries Consolidated Balance Sheet

Assets

CURRENT:

Cash	\$ 5,096,000	\$ 5,536,000
Receivables, less allowance for possible losses of \$885,000 and \$683,000	13,542,000	14,831,000
Inventories (Note 3)	25,908,000	18,109,000
Prepaid expenses and other receivables	2,319,000	2,606,000
TOTAL CURRENT ASSETS	46,865,000	41,082,000

PROPERTY AND EQUIPMENT, less \$7,220,000 and \$8,788,000 accumulated depreciation and amortization (Note 4)

18,834,000 21,787,000

INVESTMENTS IN FOREIGN AFFILIATES, at equity

1,249,000 1,169,000

OTHER:

Cost in excess of equity of subsidiaries acquired (goodwill), net of amortization (Note 1)	3,609,000	3,480,000
Long-term notes receivable (Note 1)	2,163,000	—
Cash value of life insurance	307,000	299,000
Deferred charges and sundry	200,000	390,000
TOTAL OTHER ASSETS	6,279,000	4,169,000
	\$73,227,000	\$68,207,000

Liabilities and Stockholders' Equity

CURRENT LIABILITIES:

Bank loans and acceptances	\$ 5,651,000	\$ 3,503,000
Trade payables	7,398,000	8,856,000
Accruals and other liabilities:		
Compensation	907,000	826,000
Income taxes	3,174,000	1,108,000
Other	2,977,000	2,430,000
Current maturities of long-term debt (Note 5)	1,115,000	1,240,000
TOTAL CURRENT LIABILITIES	21,222,000	17,963,000

LONG-TERM DEBT, less current maturities (Note 5)

15,584,000 17,064,000

DEFERRED COMPENSATION

756,000 638,000

DEFERRED INCOME TAXES (Note 7)

528,000 303,000

MINORITY INTEREST (Note 1)

— 427,000

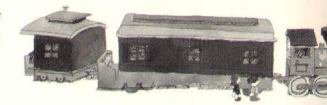
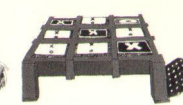
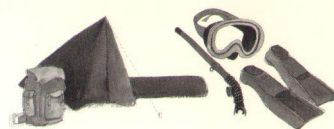
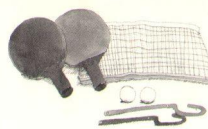
38,090,000 36,395,000

COMMITMENTS AND CONTINGENCIES (Notes 1, 5, 10 and 11)

STOCKHOLDERS' EQUITY:

Preferred stock, \$1 par — shares authorized 2,500,000; none issued	—	—
Common stock, \$1 par — shares authorized 5,000,000; outstanding 2,914,205 and 2,802,120 (Notes 1 and 9)	2,914,000	2,802,000
Additional paid-in capital (Note 9)	13,740,000	13,475,000
Retained earnings (Note 5)	18,483,000	15,535,000
TOTAL STOCKHOLDERS' EQUITY	35,137,000	31,812,000
	\$73,227,000	\$68,207,000

See accompanying summary of accounting policies and notes to consolidated financial statements.



Ideal Toy Corporation and Subsidiaries Consolidated Statement of Income

	Year ended	
	January 30, 1975	January 31, 1974
NET SALES	\$124,842,000	\$88,363,000
COST OF SALES	81,288,000	55,863,000
Gross profit	43,554,000	32,500,000
OPERATING EXPENSES:		
Selling, administrative and general (Note 6)	33,260,000	27,198,000
Interest:		
Long-term debt and revolving credit	1,327,000	1,106,000
Other borrowing — net	2,563,000	898,000
Totals	37,150,000	29,202,000
INCOME BEFORE TAXES ON INCOME	6,404,000	3,298,000
TAXES ON INCOME (Note 7)	3,293,000	1,456,000
Income before share of income of affiliates	3,111,000	1,842,000
SHARE OF INCOME OF AFFILIATES	214,000	238,000
NET INCOME	\$ 3,325,000	\$ 2,080,000
Average shares considered outstanding	2,927,946	2,941,184(a)
Earnings per share (Note 8)	\$1.14	\$.71(a)

(a) Restated for 4% stock dividend in fiscal 1975.

Consolidated Statement of Stockholders' Equity Two Years Ended January 30, 1975

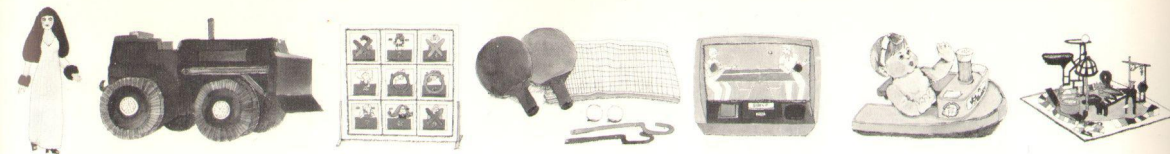
	Common stock		Additional paid-in capital	Retained earnings
	Number of shares	Amount		
BALANCE, February 1, 1973	2,694,346	\$2,694,000	\$13,156,000	\$13,882,000
Net income for the year	—	—	—	2,080,000
4% stock dividend at market value	107,774	108,000	319,000	(427,000)
BALANCE, January 31, 1974	2,802,120	2,802,000	13,475,000	15,535,000
Net income for the year	—	—	—	3,325,000
4% stock dividend at market value	112,085	112,000	265,000	(377,000)
BALANCE, January 30, 1975	2,914,205	\$2,914,000	\$13,740,000	\$18,483,000

See accompanying summary of accounting policies and notes to consolidated financial statements.

Ideal Toy Corporation and Subsidiaries Consolidated Statement of Changes in Financial Position

	Year ended	
	January 30, 1975	January 31, 1974
SOURCE OF WORKING CAPITAL:		
Net income	\$3,325,000	\$2,080,000
Add (deduct) items not requiring (providing) working capital:		
Depreciation and amortization	2,182,000	1,627,000
Deferred taxes	225,000	219,000
Other charges	240,000	103,000
Share of income of affiliates	(214,000)	(238,000)
Total derived from operations	5,758,000	3,791,000
Dividend from affiliates	134,000	201,000
Decrease in other assets	182,000	81,000
Long-term debt incurred	498,000	2,489,000
Property and equipment net of mortgage payable and minority interest of subsidiary sold (Note 1)	2,151,000	—
Total	8,723,000	6,562,000
USE OF WORKING CAPITAL:		
Additions to property and equipment	2,615,000	2,981,000
Reduction of long-term debt	1,171,000	1,196,000
Acquisition of subsidiaries:		
Cost in excess of equity of subsidiaries acquired (goodwill)	250,000	1,934,000
Property and equipment and other net non-current items	—	249,000
Long-term notes on sale of subsidiary (Note 1)	2,163,000	—
Total	6,199,000	6,360,000
INCREASE IN WORKING CAPITAL	\$2,524,000	\$ 202,000
CHANGES IN WORKING CAPITAL ITEMS:		
Increase (decrease) in current assets:		
Cash	(\$ 440,000)	\$1,084,000
Receivables	(1,289,000)	4,009,000
Inventories	7,799,000	4,375,000
Prepaid expenses and other receivables	(287,000)	(2,544,000)
Total	5,783,000	6,924,000
Decrease (increase) in current liabilities:		
Bank loans and acceptances	(2,148,000)	(1,660,000)
Trade payables	1,458,000	(2,225,000)
Accruals and other liabilities	(2,694,000)	(2,293,000)
Current maturities of long-term debt	125,000	(544,000)
Total	(3,259,000)	(6,722,000)
INCREASE IN WORKING CAPITAL	\$2,524,000	\$ 202,000

See accompanying summary of accounting policies and notes to consolidated financial statements.



Summary of Accounting Policies

5 The Company maintains its accounts on a 52-53 week year ending approximately January 31.

The consolidated financial statements include the accounts of Ideal Toy Corporation ("Company") and all subsidiary companies. All significant inter-company balances, transactions and stockholdings are eliminated. Minority interests' portion of income in a subsidiary is included in selling, administrative and general expenses.

A portion of the excess of the cost of investments in subsidiaries acquired by purchase was allocated to specific tangible assets at the time of acquisition; the remainder, shown as goodwill, is being amortized over periods not in excess of forty years from dates of acquisition. Additional consideration, if any, will be added to goodwill.

Current assets and current liabilities of foreign subsidiaries are translated into United States dollars at the prevailing rate of exchange at the balance sheet date. Long-term assets and long-term liabilities are translated at appropriate historical rates of exchange. Revenue and expense accounts are translated at the average exchange rates which were in effect during the year. Exchange adjustments, which were not material, are reflected in the statement of income.

These costs are charged to expense as incurred.

The Company provides for deferred compensation, retirement and death benefits in accordance with separate agreements with certain officers.

Inventories are valued at lower of cost (first-in, first-out) or market. Market is determined on the basis of replacement cost or net realizable amount. Maintenance, operating and office supplies are not inventoried.

Assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets on the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

Generally expensed as incurred. Molds and dies applicable to certain products of acquired companies are deferred and amortized over a period not in excess of five years.

Investment tax credits are applied to reduce the provision for federal income taxes for the year in which the properties are acquired.

Deferred income taxes have been provided on the difference in earnings determined for tax and financial reporting purposes. These differences result primarily from:

Excess of depreciation charges claimed on accelerated methods for tax purposes over amounts computed on a straight-line basis for financial reporting.

Interest expensed for tax reporting on construction of plant facilities and capitalized for financial reporting.

Excess of the provision in the financial statements for deferred compensation agreements over payments deductible for income taxes.

The Company accrues appropriate U.S. and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future. Unremitted earnings of subsidiaries which have been, or are intended to be, permanently reinvested consist substantially of amounts which, if remitted in the near future, would result in little or no such tax by operation of relevant statutes currently in effect.

Notes to Consolidated Financial Statements

As of February 2, 1973, the Company purchased for \$3,200,000 all of the outstanding stock of Recreational Wood Products Co. ("Wood"), a manufacturer and distributor of table tennis tables, pool tables and accessories for cash of \$950,000 and 5½% notes maturing variously to March, 1978 totaling \$2,250,000, of which \$1,000,000 is convertible into the Company's common stock at \$16.64 per share at the option of the holder. The cost of this subsidiary was \$1,798,000 in excess of the net equity acquired.

The Company purchased Crown Recreation, Inc. in December, 1971. The purchase agreement contained provisions for additional amounts contingent on future income over a five year period from date of acquisition, payable in cash and common stock. As of June 30, 1974, the additional purchase price was redetermined and the manner and times of payment revised. The revised payment schedule of 15 quarterly installments starting September 30, 1974 includes interest from the purchase date and is in full settlement of the additional purchase price (no common stock is to be issued). The present value of the installment payments with a 10% imputed interest rate was \$428,000 at June 30, 1974.

As of December 31, 1974, the Company's wholly-owned foreign subsidiary, I.T.C. Industries (HK) Ltd. sold its 80% interest in Perfekta Enterprises Limited ("Perfekta"), a Hong Kong manufacturer of toy and doll component parts whose production facilities were used primarily for Ideal's requirements. The sales price of \$3,300,000 at current rate of exchange (payable in cash and notes) is \$50,000 in excess of the carrying amount at equity of the investment in Perfekta.

The Company's management decided to discontinue the manufacture of above-ground swimming pools and accordingly, in October, 1974, sold certain assets of its wholly-owned subsidiary, Ideal Recreational Products, Inc. ("IRP") for \$650,000 which was substantially the carrying amount.

If the above transactions with respect to Perfekta and IRP occurred at the beginning of the year, consolidated sales and net income would have been reduced by approximately \$4,700,000 and \$216,000, respectively.

The consolidated financial statements include the following amounts (exclusive of intercompany items and operations of Perfekta) as to foreign subsidiaries :

	1975	1974
Net assets	\$4,965,000	\$4,189,000
Net sales	7,870,000	5,695,000
Net income	563,000	368,000

Inventories are summarized as follows:

	1975	1974
Finished products	\$12,743,000	\$ 7,094,000
Work-in-process	4,066,000	2,609,000
Raw materials	9,099,000	8,406,000
Totals	\$25,908,000	\$18,109,000

Major classifications are as follows:

	1975	1974
Land	\$ 1,134,000	\$ 1,137,000
Buildings and improvements	13,738,000	15,166,000
Machinery and equipment	11,182,000	14,272,000
	26,054,000	30,575,000
Less accumulated depreciation and amortization	7,220,000	8,788,000
Net property and equipment	\$18,834,000	\$21,787,000

Long-term debt consisted of:

	1975	1974
Mortgages payable:		
Newark, New Jersey plant facilities:		
4¾% notes, payable in monthly installments of \$27,223 including interest, beginning June 1, 1974 to November 1, 1997	\$ 4,538,000	\$ 4,620,000
5¾% notes, payable in monthly installments of \$11,005 including interest, beginning June 1, 1974 to November 1, 1997	1,669,000	1,700,000
6½% note, payable in monthly installments of \$21,779 including interest, beginning May 1, 1973 to April 1, 1988	2,307,000	2,417,000
Hong Kong facilities:		
Interest at 3% below prime rate in Hong Kong in 1974, and prevailing rate in Hong Kong of 8¾% in 1975	—	881,000
Revolving credit agreement payable to former owners of businesses acquired:	5,000,000	5,000,000
5½% and 6% notes, less unamortized discount of \$24,740 based on imputed interest rate of 10%, maturing to 1978	2,965,000	3,512,000
Equipment contracts and other loans, interest of 7½% to 10% maturing to 1980	220,000	174,000
Totals	16,699,000	18,304,000
Less current maturities	1,115,000	1,240,000
Long-term debt	\$15,584,000	\$17,064,000

Long-term debt, exclusive of bank borrowings under the revolving credit agreement, is payable in each of the next five years, as follows:

<u>Fiscal year</u>	<u>Amount</u>
1976	\$1,126,000
1977	957,000
1978	679,000
1979	1,515,000
1980	330,000



Ideal Toy Corporation and Subsidiaries Notes to Consolidated Financial Statements Continued

Revolving Credit Agreement

The Revolving Credit Agreement with two banks provided for borrowings of \$5,000,000 at 1/2 of 1% above the prime rate. On January 7, 1975 the Company had a right to exercise its option to convert the credit into a four-year term loan repayable in equal quarterly installments. However, because there is an intent to enter into a new Revolving Credit Agreement providing for a maximum borrowing of \$10,000,000, the banks have extended the time to exercise the option to convert to May 30, 1975. The current credit agreement imposes, among other things, restrictions on investments, cash dividends, long-term leases and maintenance of minimum working capital. The amount of retained earnings unrestricted (as defined in the agreement) was \$6,616,000 at January 30, 1975.

Short-Term Borrowings

The short-term borrowings (exclusive of revolving credit) at month end during the year ended January 30, 1975 ranged from \$2,499,000 to \$37,977,000 and averaged \$20,901,000. The weighted average interest rate of 12.4% was calculated by dividing the interest expense during the year for such borrowings by the average short-term borrowings. Unused lines of credit with banks for short-term borrowings aggregated approximately \$32,000,000 at January 30, 1975.

The Company has no agreements or arrangements with banks as to cash balances to be maintained. However, the Company believes that its cash balances maintained with its banks is a factor which is considered by the banks in establishing the Company's short-term borrowing arrangements.

At January 30, 1975, unused commitments under letters-of-credit amounted to approximately \$1,235,000.

NOTE 6—PROFIT-SHARING AND RETIREMENT PLAN

The Company's plan provides for payment to a trust fund of 10% of its income (as defined in the plan) but not to exceed 15% of the total annual compensation of the participants. A provision of \$650,000 was made in 1975 and \$130,000 in 1974.

NOTE 7—TAXES ON INCOME

A summary of taxes on income follows:

	1975	1974
Current:		
Federal	\$1,769,000	\$ 532,000
State	551,000	266,000
Foreign	748,000	439,000
Total current	3,068,000	1,237,000
Deferred taxes	225,000	219,000
Totals	\$3,293,000	\$1,456,000

Foreign taxes were provided on income of foreign subsidiaries at appropriate rates from 15% to 52%.

Available investment tax credits were used to reduce federal income tax expense; \$90,000 in 1975 and \$232,000 in 1974.

Deferred income taxes have been provided on the difference in earnings determined for tax and financial reporting purposes as follows:

Item	Amount	
	1975	1974
Excess tax depreciation over book amount	\$288,000	\$263,000
Interest expensed for tax reporting and capitalized for financial reporting	(3,000)	(2,000)
Deferred compensation	(60,000)	(42,000)
Totals	\$225,000	\$219,000

The Company's earnings are subject to various tax rates, depending on the applicable tax jurisdiction and the nature of taxable income. A reconciliation of the gross U.S. statutory rate to the effective tax rate (applicable to consolidated income before taxes on income) follows:

	1975	1974
U.S. statutory gross rate	48.0%	48.0%
Reductions resulting from:		
Net effect of foreign taxes	(2.1)	(2.4)
Investment tax credit	(1.4)	(7.0)
Additions resulting from:		
State and local income taxes, net of federal income tax benefit	4.1	4.5
Amortization of goodwill	.9	1.7
Other items	1.9	(1.0)
	51.4%	43.8%

NOTE 8—EARNINGS PER SHARE

Earnings per share has been computed on the basis of the average number of shares outstanding during each year after giving retroactive effect to issuance of a 4% stock dividend in fiscal 1975 and 1974. Average shares outstanding give effect to shares issuable (computed on the treasury stock method) for options outstanding during those years.

Average shares outstanding include 10,939 shares in 1975 and 21,991 shares in 1974 which were contingently issuable as additional consideration for an acquired business based on income from date of acquisition and converted into common shares at appropriate market value.

NOTE 9—COMMON STOCK OPTIONS

Pursuant to the 1969 Qualified Stock Option Plan, options to purchase common stock of the Company may be granted to officers and key employees, subject to anti-dilution provisions. No options may be granted after May 26, 1979. The options are issued for five-year terms and each is exercisable in three cumulative annual installments commencing 2 1/2 years after the date of the grant. On June 5, 1974, the Company increased by 50,000 shares the maximum shares of common stock issuable under the plan. At January 30, 1975, under this plan, options for the purchase of 41,458 shares of common stock may still be issued.



Included in the total outstanding options at January 30, 1975 are options for 77,808 shares granted by the Board of Directors to employees on the surrender and cancellation of the equivalent number of options granted prior to January 1, 1973, as follows:

	Option price	
	Per share	Aggregate
Granted	\$3.37	\$ 262,000
Cancelled	\$13.67-\$20.41	\$1,285,000

These newly granted options may not be exercised until previously granted options with higher prices are exercised or have expired (including the original expiration dates of options so surrendered and cancelled).

At January 30, 1975, there were outstanding options to purchase 244,699 shares of common stock as follows:

	Number of shares (a)	Option price (b)	
		Per share (a)	Aggregate exercise price
		\$ \$	\$
Outstanding			
February 1, 1973	173,988	8.09-20.55	2,152,000
Granted	61,018	3.81- 5.78	266,000
Cancelled	(17,997)	4.45-20.55	(208,000)
Outstanding			
January 31, 1974	217,009	3.81-20.41	2,210,000
Granted	114,603	2.77- 3.73	384,000
Cancelled	(86,913)	3.81-20.41	(1,356,000)
Outstanding			
January 30, 1975	244,699	2.77- 8.09	1,238,000

(a) Adjusted for 4% stock dividends issued in each year.

(b) The options were equal to the market price at date of grant.

NOTE 10—LEASES

Rent expense included in cost of sales and expenses was \$2,347,000 in 1975 and \$2,082,000 in 1974.

Aggregate minimum rentals under noncancellable leases are payable as follows:

Amounts payable in fiscal year	Land and buildings	Machinery and equipment
1976	\$ 991,000	\$129,000
1977	961,000	47,000
1978	937,000	24,000
1979	913,000	13,000
1980	890,000	8,000
1981-1985	1,785,000	—
1986-1990	705,000	—
1991-1995	237,000	—
After 1995	137,000	—
Totals	\$7,556,000	\$221,000

NOTE 11—COMMITMENTS AND CONTINGENCIES

The Company expects to build a 400,000 square foot addition to its Newark, New Jersey plant facilities. The new addition is expected to be completed in 1976 at an estimated cost of \$7,000,000 to \$8,000,000. Substantially all the construction costs will be financed by long-term borrowings from Federal and State agencies and institutional lenders.

Auditors' Report

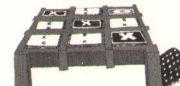
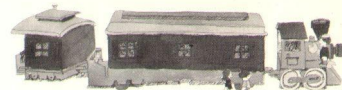
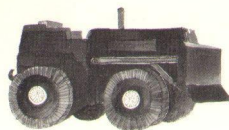
To the Stockholders and Board of Directors of Ideal Toy Corporation

We have examined the consolidated balance sheet of Ideal Toy Corporation and subsidiaries as of January 30, 1975 and January 31, 1974, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned present fairly the consolidated financial position of Ideal Toy Corporation and subsidiaries at January 30, 1975 and January 31, 1974, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Seidman & Seidman
Certified Public Accountants

New York, N. Y.
April 25, 1975



Ideal Toy Corporation and Subsidiaries

Summary of Operations

(Dollars in Thousands Except Per Share)

	January 30, 1975	January 31, 1974	February 1, 1973	February 3, 1972(a)	January 28, 1971	January 29, 1970	January 30, 1969	February 1, 1968
OPERATING RESULTS FOR YEAR								
Net sales	\$ 124,842	88,363	75,819	70,924	75,066	64,361	53,856	49,805
Gross profit	\$ 43,554	32,500	27,748	28,918	29,536	23,266	19,401	17,084
Return on sales	34.9%	36.8%	36.6%	40.8%	39.3%	36.1%	36.0%	34.3%
Taxes on income	\$ 3,293	1,456	1,012	3,041	3,940	2,690	1,907	1,664
Net income	\$ 3,325	2,080	1,826(b)	2,929	2,951	2,178	1,935(c)	1,528
Return on sales	2.7%	2.4%	2.4%	4.1%	3.9%	3.4%	3.6%	3.1%
Return on average stockholders' equity	9.9%	6.8%	6.3%	13.0%	19.0%	17.0%	18.3%	17.3%
Earnings per common share assuming full dilution	\$ 1.14	.71	.62(b)	1.03	1.12	.88	.74(c)	.57
Depreciation and amortization	\$ 2,182	1,627	1,007	857	935	651	635	530
Interest expense	\$ 3,890	2,004	864	823	1,385	991	648	582
FINANCIAL POSITION AT YEAR-END								
Current assets	\$ 46,865	41,082	34,158	29,146	25,858	20,529	16,513	15,592
Current liabilities	\$ 21,222	17,963	11,241	9,658	14,473	10,220	7,549	7,460
Working capital	\$ 25,643	23,119	22,917	19,488	11,385	10,309	8,964	8,132
Current asset ratio	2.2:1	2.3:1	3.0:1	3.0:1	1.8:1	2.0:1	2.2:1	2.1:1
Property and equipment (net)	\$ 18,834	21,787	19,977	11,173	9,355	5,376	4,551	3,879
Long-term debt	\$ 15,584	17,064	15,771	5,141	5,110	2,737	3,072	3,387
Stockholders' equity	\$ 35,137	31,812	29,732	27,906	17,001	14,050	11,533	9,598
Per common share	\$ 12.06	10.92	10.20	9.58	6.59	5.44	4.87	4.05
Shares of common stock outstanding	2,914,205	2,914,205	2,914,205	2,914,205	2,580,373	2,580,373	2,371,716	2,371,716

(a) The company maintains its accounts on a 52/53 week year ending approximately January 31; the year ended February 3, 1972 has 53 weeks.

(b) Includes reduction of income taxes resulting from tax loss carryforward of foreign subsidiaries of \$276,000 or \$.09 per share.

(c) Includes extraordinary income of \$200,000 equal to \$.08 per share.

(d) All figures have been restated for 4% stock dividends paid in 1975, 1974, 1973, 1972 and 1971, and 2 for 1 stock split in 1970.

Management's Discussion and Analysis of the Summary of Operations

FISCAL 1975 COMPARED WITH FISCAL 1974

The increase of \$1,245,000 in net income for fiscal 1975 over fiscal 1974 was primarily attributable to increased sales due to improved trade and consumer acceptance of the Company's products and the productive integration of recent acquisitions.

Gross profit margins declined and were adversely affected by: the continuing spiraling costs of materials during most of the year; Federal price controls during the early part

of the year which substantially prevented the company from increasing its prices for the year as a whole; and greater than normal inventory write-downs because of the decline in market prices of materials late in the year.

Interest expense rose as a result of record high interest rates for short and long term borrowings and the need to increase borrowings because of the necessity to carry larger inventories. The increase in inventories was brought about because of shortages in materials, especially in imported finished goods, during the first three quarters of the year, making it advisable for management to commit for larger than normal quantities in order to assure continuity of production.

The cost of selling, general and administrative expenses increased in dollars, but the relationship of these costs to sales actually decreased, because of better absorption of fixed costs of these operations due to the higher level of activity.

FISCAL 1974 COMPARED WITH FISCAL 1973

The increase of \$150,000 in net income for fiscal 1974 over fiscal 1973 was primarily attributable to increased sales due to greater trade and consumer acceptance of the Company's products in the market place.

While the relationship of profit to sales for fiscal 1974 was

somewhat better than fiscal 1973, it was nevertheless still curtailed by rising costs of raw materials and Federal price controls.

Interest expense rose substantially due to: higher short and long term interest rates; the necessity of carrying larger inventories of raw materials due to shortages of such materials and to assure continuous production during fiscal 1974 and into fiscal 1975; and also due to interest on amounts payable on businesses acquired.

While dollar costs of selling, general and administrative operations increased, the relationship of these costs to net sales actually decreased because of the better ability to absorb fixed costs.



DIRECTORS

Albert Abrams
retired,
former President,
Esquire Polish Products, Inc.

Abe L. Blinder
President,
Esquire, Inc.

Malcolm W. Jensen
President,
Can Manufacturers Institute

Abraham M. Katz
Co-Chairman of the Board

Benjamin F. Michtom
Co-Chairman of the Board

Mark F. Michtom
First Senior Vice President,
Chairman of the
Executive Committee

Lionel A. Weintraub
President

OFFICERS

Lionel A. Weintraub
President; Chief Executive Officer

Herbert R. Sand
Executive Vice President,
Corporate Marketing

Mark F. Michtom
First Senior Vice President;
Chairman of the Executive Committee

Julius Cooper
Senior Vice President,
Research and Development

Nathan M. Gelfand
Senior Vice President, Manufacturing

Abe Kent
Senior Vice President

Anthony Landy
Senior Vice President,
Recreational Products

William MacMullen
Senior Vice President, Sales

Leonard Solomon
Senior Vice President

Joseph C. Winkler
Senior Vice President, Finance

I. Arthur Albert
Vice President

Alan Alderman
Vice President

Samuel L. Cohen
Vice President; Secretary;
General Counsel

William Halperin
Vice President,
Industrial and Community Relations

Marvin Hellerman
Vice President,
National Accounts

Matthew J. Hollwedel
Vice President, Manufacturing

Alvin R. Miller
Vice President

Morton S. Schneider
Vice President, Sales

Irwin M. Levin
Treasurer

TRANSFER AGENT

The Chase Manhattan
Bank (N.A.)
1 Chase Manhattan Plaza
New York, N.Y. 10015

REGISTRAR

Bankers Trust Company
16 Wall Street
New York, N.Y. 10015

INDEPENDENT AUDITORS

Seidman & Seidman
15 Columbus Circle
New York, N.Y. 10023

COUNSEL

Weil, Gotshal & Manges
767 Fifth Avenue
New York, N.Y. 10022

EXECUTIVE OFFICES

184-10 Jamaica Avenue
Hollis, N.Y. 11423

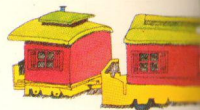
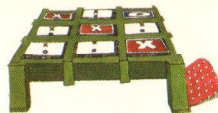
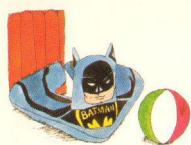
NOTICE OF ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 10:30 A.M., Eastern Daylight Saving Time, on Wednesday, June 4, 1975, in Auditorium "A", 1 Chase Manhattan Plaza, New York City.

STOCK INFORMATION

The common stock of Ideal Toy Corporation is traded on the New York Stock Exchange. Ticker Symbol: ID.

QTR. ENDED	HIGH	LOW	DIVIDENDS
May 3, 1973	9¼	5⅞	—
Aug. 2, 1973	6¾	4	—
Nov. 1, 1973	7	4⅞	—
Jan. 31, 1974	5½	3	4% Stock
May 2, 1974	4¾	3¾	—
Aug. 1, 1974	5	3¾	—
Oct. 31, 1974	4¾	3	—
Jan. 30, 1975	3¾	2½	4% Stock
May 1, 1975	5¾	3⅞	—



IDEAL TOY CORPORATION

184-10 JAMAICA AVENUE
HOLLIS, NEW YORK 11423

Notice of Annual Meeting of Shareholders to be Held June 4, 1975

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Ideal Toy Corporation, a Delaware corporation, will be held at Auditorium "A", One Chase Manhattan Plaza, New York, New York on June 4, 1975 at 10:30 A.M., for the following purposes:

1. To elect a Board of Directors for the ensuing year.
2. To approve the selection of independent auditors.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 25, 1975 as the record date for determination of shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote at the meeting.

By Order of the Board of Directors,

SAMUEL L. COHEN,
Secretary

Hollis, New York
May 12, 1975

If you do not expect to attend the meeting in person, you are requested to sign, date and return the enclosed proxy promptly in the addressed envelope enclosed, which requires no postage if mailed in the United States.

IDEAL TOY CORPORATION
184-10 JAMAICA AVENUE
HOLLIS, NEW YORK 11423
(212) 454-5000

PROXY STATEMENT

GENERAL

This proxy statement is furnished in connection with the solicitation by the management of Ideal Toy Corporation (the "Corporation") of proxies to be used in voting at the Annual Meeting of the Shareholders of the Corporation to be held on June 4, 1975, at the time, place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. Any shareholder giving a proxy has the right to revoke it at any time before it is exercised. The approximate date on which this Proxy Statement and the form of proxy were first sent or given to shareholders of the Corporation was May 12, 1975.

VOTING SECURITIES AND RECORD DATE

Shareholders of record at the close of business on April 25, 1975 are entitled to vote at this meeting or at any adjournment thereof on the matters listed in the Notice of Annual Meeting. Shareholders are entitled to one vote per share of stock held. As of April 25, 1975, the Corporation had outstanding 2,914,205 shares of Common Stock, all of one class. At such time, Mark F. Michtom owned, beneficially and of record 354,476 shares, or approximately 12.25% of the outstanding stock, and Lionel A. Weintraub owned, beneficially and of record 289,163 shares, or approximately 10% of the outstanding stock, including shares owned by his wife, children and grandchildren. To the best of management's knowledge no other person owned 10% or more of the outstanding shares.

Shares represented by proxies will be voted. Unless otherwise instructed, the proxies will vote (1) for the election of the seven directors as proposed herein; (2) for the approval of the selection of Seidman & Seidman as independent auditors for the fiscal year ending January 29, 1976; and (3) in their discretion with respect to such other business as may properly come before the meeting.

ELECTION OF DIRECTORS

Seven directors are to be elected for the ensuing year and until their successors are elected and qualified. It is intended that the accompanying form of proxy will be voted

FOR the election of the persons named below, all of whom are now directors of the Corporation. Management does not contemplate that any of the persons named below will be unable, or will decline, to serve; however, if any of such persons is unable or declines to serve, the persons named in the accompanying proxy may vote for another person, or persons in their discretion.

Information Regarding Nominees

The following table sets forth information with respect to each nominee for director:

Name	Principal Occupation	Director Since	Shares of Common Stock of the Corporation Beneficially Owned Directly or Indirectly as of April 1, 1975
Benjamin F. Michtom..	Co-Chairman of the Board and Director	1930	220
Abraham M. Katz	Co-Chairman of the Board and Director	1930	120,031
Lionel A. Weintraub ..	President (Chief Executive Officer) and Director	1962	289,163(1)
Mark F. Michtom	First Senior Vice President; Chairman of Executive Committee and Director	1962	354,476
Albert Abrams	Retired, Founder and formerly President of Esquire Polish Products, Inc. (2)	1968	224
Abe L. Blinder	President, Esquire, Inc. (2)	1969	244
Malcolm W. Jensen ...	President, Can Manufacturers Institute	1973	2,122

(1) Includes 128,278 shares owned by Mr. Weintraub's wife individually, 14,599 shares owned by her as trustee for a child, and 70,929 shares owned by children and grandchildren.

(2) Esquire Polish Products, Inc. and Esquire, Inc. are separate and non-related companies.

The election of nominees as directors will require the favorable vote of a majority of the votes cast at the meeting in person or by proxy.

Remuneration and Employment Agreements

The following table shows the aggregate direct remuneration paid by the Corporation during the fiscal year ended January 30, 1975 to (a) each director and each of the three highest paid officers of the Corporation whose aggregate direct remuneration exceeded \$40,000;

and (b) all persons as a group who were directors or officers of the Corporation at any time during the fiscal year. The table also sets forth the amount of the Corporation's contribution allocated to each individual's account under the Corporation's Employees' Profit Sharing and Voluntary Savings Plan for the fiscal year ended January 30, 1975 and the aggregate amount accrued to date to each individual's account under such plan.

Name of Individual or Identity of Group	Capacities in Which Remuneration was Received	Aggregate Direct Remuneration	Employees' Profit Sharing Plan(1)	
			For Fiscal Year Ended January 30, 1975	Aggregate to Date
Lionel A. Weintraub	President	\$ 122,526	\$ 9,198	\$ 71,939
Mark F. Michtom	First Senior Vice President	76,269	8,255	64,836
William MacMullen	Senior Vice President—Sales	75,807	7,333	7,333
Benjamin F. Michtom	Retired Officer, Director	50,000(2)	—	— (3)
Abraham M. Katz	Retired Officer, Director	50,000(2)	—	— (3)
All directors and officers as a group, including the above (25 persons)		1,302,430	118,477	635,487

(1) As of February 1, 1959, the Corporation established a qualified Employees' Profit Sharing and Voluntary Savings Plan for certain salaried employees, including officers and directors, of the Corporation only, pursuant to which it contributes to a trust a portion of its pre-tax profits. The Corporation made a contribution of \$655,066 to the Plan for the fiscal year ended January 30, 1975. The amounts allocated under the Plan are payable upon termination of employment in a lump sum or over a period of time at the discretion of the Trustees of the Plan subject to divestment or reduction under certain conditions.

(2) Messrs. Benjamin F. Michtom and Abraham M. Katz entered into employment agreements with the Corporation as of February 1, 1962, which were amended and extended by agreements dated February 1, 1967. Pursuant to such agreements, upon their respective retirements on January 31, 1970, each became entitled to receive the sum of \$37,500 per annum for life. By amendments dated June 5, 1974, this amount was increased, effective February 1, 1974, to \$50,000 per annum. In addition, each agreement provides for the aggregate payment of \$75,000 to each of their respective estates or a designated beneficiary over a period of five years after their deaths. Each of them also received the sum of \$5,750 as directors fees during the last fiscal year.

(3) Messrs. Benjamin F. Michtom and Abraham M. Katz each received their aggregate interest of \$49,992 in the Employees' Profit Sharing Plan upon retirement.

Pursuant to employment agreements entered into on February 1, 1964, which were amended and extended on December 6, 1968, further amended on December 1, 1970, extended

on January 30, 1974 and amended again as of June 5, 1974, and which expire on January 31, 1979, Messrs. Lionel A. Weintraub and Mark F. Michtom receive annual salaries of \$100,000 and \$80,000 respectively, plus deferred compensation in each case of \$10,000 per year through January 31, 1970. Such deferred compensation, amounting to \$60,000 under each agreement, is payable in five equal annual installments following the termination of employment or death of the respective employee and, to the extent not theretofore paid, is subject to divestment if the employee acquires an interest in or becomes an officer or director of a competitor of the Corporation. Mr. Weintraub's employment agreement also provided for the payment of additional compensation based on a percentage of sales which was readjusted by an amendment dated as of June 5, 1974, so that, effective with the fiscal year beginning February 1, 1974, for each one million dollars of net sales (consolidated) in excess of one hundred million dollars, the Corporation shall pay to Mr. Weintraub, as additional compensation, a sum equal to the amount shown below in Column B, opposite the entries in Column A which correspond to the percentage of Income (defined as income before taxes on income plus share of income of affiliates) to Net Sales achieved by the Corporation in said fiscal year.

A	B
PERCENTAGE OF INCOME TO NET SALES	AMOUNT PER ONE MILLION IN NET SALES IN EXCESS OF \$100,000,000
5% to 5.4% inclusive	\$1,500
5.5% to 5.9% inclusive	2,000
6.0% to 6.4% inclusive	2,500
6.5% and over	3,000

In the event that the percentage of Income to Net Sales is less than 5% in any year, no additional compensation would be payable for said year. Mr. Weintraub received \$37,264 as additional compensation for the fiscal year ended January 30, 1975.

The Corporation has entered into separate agreements, each effective February 1, 1970 providing for payment of deferred compensation to Messrs. Lionel A. Weintraub, Mark F. Michtom and seven other officers. Two of these agreements have been terminated due to the resignations of two officers and the Corporation has discharged its obligations with regard to both of them. Other such agreements were entered into with three officers on April 24, 1972, June 8, 1973 and July 30, 1974 respectively. Each deferred compensation arrangement differs in the amount payable thereunder but each provides for payments to commence ninety days after termination of employment. The amount of each payment is greater if termination of employment is involuntary (including death) rather than voluntary (including termination for cause) on the part of the employee. The number of payments to which each employee is entitled after termination and the amount thereof increases with each year of his employment. The maximum period for which payments are to be made is ten years, except that if the employee serves until age 65, he is to receive payments for involuntary termination for the

balance of his life (with a minimum of payments to be made for a ten year period to the retired employee or his designated beneficiary in the event of his earlier death). The Corporation has the right to discontinue the arrangement effective January 31 of any year, in which case the Corporation is obligated for all benefits accrued to the date of termination. As at January 30, 1975, the Corporation was obligated under the above described deferred compensation arrangements to make payments in the following amounts in the case of the involuntary termination of employment of each of the following officers: Lionel A. Weintraub, \$58,800; Mark F. Michtom, \$50,000; and the other eight officers as a group, \$294,750.

The Corporation has reserved, since 1962, an aggregate of \$756,000 toward its future obligations under the employment agreements with Messrs. Benjamin F. Michtom, Abraham M. Katz, Lionel A. Weintraub and Mark F. Michtom and the deferred compensation agreements described above. In addition, the Corporation owns and is the beneficiary under keyman life insurance policies with a face value of \$200,000 each on the lives of Benjamin F. Michtom and Abraham M. Katz. These policies have been in effect for more than twenty years.

The Corporation also agreed in July 1973 to retain an officer as a consultant upon his retirement (in approximately five years) at an annual compensation of \$10,000 for five years and thereafter at \$12,500 annually for the duration of his lifetime.

Stock Options

At its meeting on April 3, 1974, the Board of Directors of the Corporation authorized each employee (including fourteen officers) holding options granted under its 1969 Qualified Stock Option Plan for Key Employees prior to January 1, 1973 to offer all of such options held by him to the Stock Option Committee for surrender and cancellation. The Stock Option Committee, in its sole discretion, accepted the offers from all of the optionholders. The total number of options granted prior to January 1, 1973 and accepted for surrender and cancellation was 78,730 and the option prices ranged from \$13.67 to \$20.41 per share. Upon the Stock Option Committee's acceptance, it granted new options under the 1969 Plan to the optionholders for the number of shares equal to those cancelled and surrendered at \$3.37 per share which was 100% of the fair market value of the Common Stock on the New York Stock Exchange on the date of grant. The number of options granted to the fourteen officers as a group totalled 59,911. The newly granted options are exercisable in accordance with the provisions of the 1969 Plan; additionally such options may not be exercised until such time as all options granted prior thereto at a higher price either have been exercised or expire by their terms (including the originally scheduled expiration dates of the options so surrendered and cancelled).

On October 30, 1974, William MacMullen was granted an option to purchase 10,400 shares of the Corporation's Common Stock at \$3.37 per share which was 100% of the fair market value of the Common Stock on the New York Stock Exchange on the date of grant.

Since the beginning of the last fiscal year, none of the previously granted stock options were exercised.

As of April 1, 1975, there were outstanding under the 1969 Plan, options to purchase an aggregate of 133,584 shares of the Corporation's Common Stock, at an average price per share of \$4.92, held by a total of 15 officers. Of said number, William MacMullen holds options to purchase 10,816 shares at \$8.09 per share, 10,816 shares at \$4.28 per share and 10,400 shares at \$3.37 per share.

References to number of shares and price per share on options have been adjusted to reflect stock dividends and stock splits.

INDEPENDENT AUDITORS

The Board of Directors has selected Seidman & Seidman as independent auditors for the fiscal year ending January 29, 1976. Seidman & Seidman has served as the Corporation's auditors for over seventeen years. During such period neither such firm nor any of its members has or has had any financial interest in the Corporation or any subsidiary, direct or indirect, or any relationship with the Corporation or any subsidiary other than their duties as auditors and accountants. Representatives of Seidman & Seidman are expected to be present at the shareholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. The Board of Directors of the Corporation does not have an audit or similar committee. The Board is considered to be small enough to be able to serve this function as an entity.

Although not required, the Board of Directors has determined to present the selection of Seidman & Seidman to the shareholders for approval, which will require a favorable vote of a majority of the votes cast at the meeting in person or by proxy. If not approved, the Board of Directors will consider the selection of another accounting firm as the independent auditors of the Corporation.

Management recommends a vote FOR this proposal.

PROXY SOLICITATION

The Corporation will bear the cost of solicitation of proxies and will reimburse brokers, custodians, nominees and fiduciaries for their expenses in forwarding proxy material to the beneficial owners. Proxies may also be solicited personally or by telephone or telegraph by the directors and officers and not more than two regular employees of the Corporation without additional compensation.

OTHER MATTERS

Management knows of no other matters which are to be presented for action at the meeting. Should any other matters properly come before the meeting, the persons named in the enclosed proxy will have discretionary authority to vote all proxies in accordance with their judgment.

The Corporation will provide, without charge to each person being solicited by this Proxy Statement, on the written request of any such person, a copy of the Annual Report of the Corporation on Form 10-K for the year ended January 30, 1975 filed with the Securities and Exchange Commission, including the financial statements and the schedules thereto. All such requests should be directed to Samuel L. Cohen, Secretary, Ideal Toy Corporation, 184-10 Jamaica Avenue, Hollis, New York 11423. Each such request must contain a representation that, as of April 25, 1975, the person making the request was a beneficial owner of Common Stock of the Corporation entitled to vote at the Annual Meeting of Shareholders.

By Order of the Board of Directors,

SAMUEL L. COHEN,
Secretary

Dated: Hollis, New York
May 12, 1975

PROXY

IDEAL TOY CORPORATION

Annual Meeting of Shareholders—June 4, 1975

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT

The undersigned hereby nominates and appoints LIONEL A. WEINTRAUB, ABRAHAM M. KATZ and MARK F. MICHTOM, or any one of them, as proxies of the undersigned, with power of substitution to each, to vote all shares of stock of Ideal Toy Corporation which the undersigned may be entitled to vote at the Annual Meeting of Shareholders to be held at Auditorium "A", One Chase Manhattan Plaza, New York, New York on June 4, 1975 at 10:30 A.M. and at any adjournment or adjournments thereof with authority to vote said stock on the following matters:

Management
recommends
a FOR vote
on these
matters

- | | | | |
|---|--|------------------------------|---|
| { | 1. The election of seven directors as set forth in the proxy statement | FOR <input type="checkbox"/> | Authority Withheld <input type="checkbox"/> |
| | 2. Approve the selection of Seidman & Seidman as Auditors | FOR <input type="checkbox"/> | Against <input type="checkbox"/> |
| 3. Upon such other matters as may properly come before the meeting. | | | |

Note: Please sign and return promptly in the envelope provided. No postage is required if mailed in the United States.

(Continued, and to be signed on other side)

(Continued from other side)

Unless otherwise specified on this proxy, the shares represented by this proxy will be voted "FOR" the election of management's nominees for directors and "FOR" approval of the selection of Seidman & Seidman as auditors. Discretion will be used with respect to such other matters as may properly come before the meeting or any adjournment or adjournments thereof.

Dated:, 1975

.....
(Signature)

.....
(Signature)

Please sign exactly as your name appears. When signing as attorney, executor, administrator, trustee or guardian, please set forth your full title. If signer is a corporation, please sign the full corporate name by a duly authorized officer. Joint owners should each sign.

IMPORTANT TO BE USED
FOR PROXY MATERIAL ONLY

FIRST CLASS MAIL
PERMIT NO. 37478
NEW YORK, N. Y.

BUSINESS REPLY MAIL
NO POSTAGE STAMP NECESSARY IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY
**MERRILL LYNCH,
PIERCE, FENNER & SMITH INC**

POST OFFICE BOX 850
CHURCH STREET STATION
NEW YORK, NEW YORK 10008

SHARE OWNER RELATIONS

