

TOYS R US INC  
Form DEF 14A  
April 14, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

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**Toys R Us**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- ..  Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(2) Form, Schedule or Registration Statement No.:

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**JOHN H. EYLER, JR.**

**CHIEF EXECUTIVE OFFICER**

One Geoffrey Way

Wayne, New Jersey 07470

April 14, 2004

Dear Stockholder:

I am pleased to invite you to Toys R Us 2004 Annual Meeting of Stockholders on Wednesday, June 2, 2004, beginning at 8:30 a.m., local time. The meeting will be held at the Toys R Us Times Square Store, 1514 Broadway (between 44<sup>th</sup> Street and 45<sup>th</sup> Street), New York, New York.

The formal Notice of Annual Meeting and the Proxy Statement follow. It is important that your shares be represented and voted at the meeting, regardless of the size of your holdings. Accordingly, please mark, sign and date the enclosed proxy card and return it promptly in the enclosed envelope, or use telephone or Internet voting prior to the meeting, to ensure that your shares will be represented. Instructions regarding all methods of voting are contained on the proxy card.

If you plan to attend the Annual Meeting, please bring this letter and valid picture identification (such as a driver's license or passport) with you to the meeting, as this letter and your picture identification will serve as your admittance pass to the meeting.

Sincerely,

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**ONE GEOFFREY WAY  
WAYNE, NEW JERSEY 07470**

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**NOTICE OF ANNUAL MEETING**

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Dear Stockholder:

On Wednesday, June 2, 2004, Toys R Us, Inc. will hold its 2004 Annual Meeting of Stockholders at the Toys R Us Times Square Store, 1514 Broadway (between 44<sup>th</sup> Street and 45<sup>th</sup> Street), New York, New York. The meeting will begin at 8:30 a.m., local time.

Only stockholders who owned stock at the close of business on April 9, 2004 can vote at this meeting or any adjournments that may take place. The meeting is being held for the following purposes:

1. To elect a Board of Directors;
2. To consider and vote upon a stockholder proposal; and
3. To consider any other business as may be properly presented at the meeting.

At the meeting we will also report on Toys R Us 2003 business results, plans for 2004 and other matters of interest to stockholders.

Whether or not you expect to attend the meeting, we urge you to vote promptly.

For further information about Toys R Us, please visit our web site at [www.toysrusinc.com](http://www.toysrusinc.com) (the information on our website is not part of this Notice of Annual Meeting or the Proxy Statement).

CHRISTOPHER K. KAY

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Executive Vice President Operations and Corporate Secretary

April 14, 2004

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**One Geoffrey Way**

**Wayne, New Jersey 07470**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 2, 2004**

Our Board of Directors (the **Board**) is furnishing this proxy statement to solicit proxies on its behalf to be voted at the 2004 Annual Meeting of Stockholders (the **Annual Meeting**) of Toys R Us, Inc. (the **Company**), or at any adjournments or postponements thereof. The meeting will be held at the Toys R Us Times Square Store, 1514 Broadway (between 14<sup>th</sup> Street and 45<sup>th</sup> Street), New York, New York, on June 2, 2004, beginning at 8:30 a.m., local time. The approximate date of mailing for this proxy statement and the accompanying proxy card, as well as a copy of the Company's 2003 Annual Report, is April 14, 2004.

**QUESTIONS AND ANSWERS**

**1. Q: Who is entitled to vote?**

A: Stockholders of the Company as of the close of business on the record date of April 9, 2004 are entitled to vote at the Annual Meeting.

**2. Q: What are the proposals to be voted upon at the Annual Meeting and what are the Board's recommendations regarding those proposals?**

A: There are two proposals to be voted upon at the Annual Meeting:

- (1) a directors' proposal to elect the nominated slate of directors; and
- (2) a stockholder's proposal.

We will also consider other business that properly comes before the Annual Meeting.

Our Board recommends that you vote your shares **FOR** each of the nominees to the Board and **AGAINST** the stockholder proposal.



**3. Q: How do I cast my vote?**

A: There are four different ways you may cast your vote this year. You may vote by:

- (1) *telephone*, using the toll-free number listed on each proxy card (if you are a registered stockholder, that is if you hold your stock in your name) or vote instruction card (if your shares are held in street name, that is if your shares are held in the name of a broker, bank or other nominee, and your bank, broker or nominee makes voting by telephone available);
- (2) *the Internet*, at the address provided on each proxy card (if you are a registered stockholder) or vote instruction card (if your shares are held in street name and your bank, broker or nominee makes Internet voting available);
- (3) *marking, signing, dating and mailing* each proxy card or vote instruction card and returning it in the envelope provided; or
- (4) *attending the meeting and voting in person*, if your shares are registered directly in your name on the Company's books and not held through a broker, bank or other nominee, or, if your shares are

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held in street name, you have obtained a proxy from your bank, broker or nominee and you bring that proxy to the meeting.

If your shares are held in street name, you have the right to direct your broker on how to vote your shares. You will receive instructions from your broker with your materials that you must follow in order to have your shares voted.

The deadline for voting by telephone or the Internet is 11:59 a.m. Eastern U.S. Time, June 1, 2004.

**4. Q: How do I revoke or change my vote?**

A: To revoke or change your vote:

- (1) notify the Company's Corporate Secretary in writing at any time before the meeting;
- (2) submit a later dated proxy by telephone, the Internet or mail within the required time; or
- (3) vote in person at the meeting, if your shares are registered directly in your name on the Company's books and not held through a broker, bank or other nominee, or, if your shares are held in street name, you have obtained a proxy from your bank, broker or nominee and you bring that proxy to the meeting.

The latest dated, properly completed proxy that you submit whether by telephone, the Internet or mail will count as your vote. If a vote has been recorded for your shares and you submit a proxy card that is not properly signed or dated, the previously recorded vote will stand. Attendance at the meeting shall not have the effect of revoking a proxy.

**5. Q: Who will count the vote?**

A: Representatives of American Stock Transfer & Trust Company, the Company's transfer agent, will count the vote and act as the inspector of election.

**6. Q: Is my vote confidential?**

A: Yes, your vote is confidential, and only the inspector of election and certain employees associated with processing proxy cards and counting the vote have access to your vote, except (i) as necessary to determine compliance with law or assert or defend legal claims; (ii) as necessary to allow the inspector of election to certify the results of a vote; (iii) in the event that a stockholder expressly authorizes disclosure with respect to his or her vote; (iv) in certain circumstances in a contested proxy solicitation; or (v) in the event that a stockholder makes a written comment on a proxy card or an attachment to it.

**7. Q: What does it mean if I get more than one proxy card or vote instruction card?**

A:

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If your shares are registered differently and are in more than one account, you will receive more than one card. Please complete and return all of the proxy cards or vote instruction cards you receive (or vote by telephone or the Internet, if available to you) to ensure that all of your shares are voted.

**8. Q: How many shares can I vote?**

A: Every stockholder is entitled to one vote for each share of the Company's Common Stock they own as of the record date of April 9, 2004. In the election of directors, stockholders have cumulative voting rights. Each stockholder is entitled to one vote for each share of the Company's Common Stock they own as of the record date multiplied by the number of directors to be elected. Each stockholder may cast all those votes for a single director or may distribute them among all or some of the director nominees.

**9. Q: What is a quorum and what vote is required to approve a proposal?**

A: A quorum is a majority of the outstanding shares of stock entitled to vote at the meeting. As of the April 9, 2004 record date, 213,881,298 shares of the Company's Common Stock were issued and

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outstanding. They may be present at the meeting or represented by proxy. There must be a quorum for the meeting to be held. If you submit a timely, properly executed proxy card or vote instruction card, then you will be considered part of the quorum, even if you abstain from voting.

Directors are elected by a plurality of the votes cast in the election. For all other matters, a proposal must receive more than fifty percent of the shares voting to be adopted.

### **10. Q: How are abstentions, broker non-votes and withheld votes counted?**

A: Abstentions, broker non-votes and withheld votes are each counted as present for the purpose of determining the presence of a quorum.

*Abstentions:* Abstentions are counted as shares present and entitled to be voted with respect to the matter being voted on and will not affect the outcome of any of the matters being voted upon at the meeting.

*Broker Non-Votes:* Broker non-votes occur when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the stockholder and (2) the broker lacks the authority to vote the shares at his/her discretion. Broker non-votes are not counted as shares present and entitled to be voted with respect to the matter on which the broker has not voted expressly. Thus, broker non-votes will not affect the outcome of any of the matters being voted upon at the meeting.

*Withheld Votes:* With regard to the election of directors, votes may be cast in favor of or withheld from each nominee. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

### **11. Q: Who can attend the Annual Meeting?**

A: All stockholders of the Company as of the close of business on the record date of April 9, 2004 may attend. Just check the box on your proxy card or vote instruction card, or as indicated on the Internet site, or press the appropriate key if voting by telephone. If you plan to attend the meeting, you will need to bring the letter from our Chief Executive Officer included as the cover page of this proxy statement and valid picture identification (such as a driver's license or passport) with you to the meeting, as the letter and your picture identification will serve as your admittance pass to the meeting. In addition, if your shares are held in street name, you will also need to provide proof of beneficial ownership on the record date, such as your most recent account statement prior to April 9, 2004, a copy of the vote instruction card provided by your broker, bank or nominee, or other similar evidence of ownership.

### **12. Q: What if a stockholder does not specify a choice for a matter when returning a proxy?**

A: Stockholders should specify their choice for each matter on the enclosed proxy card, and where a choice is specified as to a matter, the proxy will be voted in accordance with such specification. Unless contrary instructions are given, the persons named in the proxy will have discretionary authority to accumulate votes for the election of directors. If no specific instructions are given, proxies which are signed and returned will be voted FOR the proposal to elect all of the nominated directors (unless the persons named in the proxy elect to use their discretionary authority to accumulate votes for the election of directors in the manner described under Directors Proposal to Elect Directors on page 6) and AGAINST the stockholder proposal.

**13. Q: How will voting on any other business be conducted?**

A: Although we do not know of any business to be considered at the Annual Meeting other than as described above, if any other business is presented at the Annual Meeting, your signed proxy card or vote instruction card or your authenticated Internet or telephone proxy gives authority to John H. Eyer, Jr., the Company's Chairman of the Board, President and Chief Executive Officer, and Arthur B.

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Newman, one of the Company's directors and Chairman of the Audit Committee, to vote on such matters at their discretion.

**14. Q: What is householding?**

A: As permitted by the rules of the Securities and Exchange Commission (the SEC), only one copy of this proxy statement and the Company's 2003 Annual Report is being delivered to stockholders residing at the same address, unless such stockholders have notified the Company of their desire to receive multiple copies. This practice, known as householding, reduces the volume of duplicate information you receive and reduces the Company's printing and mailing costs. The Company will promptly deliver, upon oral or written request, an additional copy of this proxy statement and the Company's 2003 Annual Report to any stockholders residing at an address to which only one copy was mailed. Requests for additional copies should be directed as described below. Stockholders residing at the same address and currently receiving only one copy of this proxy statement may contact the persons described below to request multiple copies of the proxy statement and annual report in the future. Stockholders residing at the same address and currently receiving multiple copies of this proxy statement are encouraged to contact the persons described below to request that only a single copy of the proxy statement and annual report be mailed in the future.

For any of the above requests:

- (1) *if you are a registered stockholder:* contact American Stock Transfer & Trust Company, our transfer agent, at (877) 777-0800; or
- (2) *if you hold shares through a broker, bank or other nominee,* contact your broker, bank or nominee.

**15. Q: Does any stockholder own five percent or more of the Company's Common Stock?**

A: The information below is based on a review of all statements on Schedules 13D and 13G filed with the SEC, except as otherwise known by the Company. As of March 31, 2004, these stockholders have reported the following ownership of shares of the Company's Common Stock, which represents the following percent of outstanding shares of the Company's Common Stock as of that date:

<u>Stockholder Name and Address</u>	<u>Shares</u>	<u>Percent of Outstanding Shares as of March 31, 2004</u>
Brandes Investment Partners, LLC(1) 11988 El Camino Real Suite 500 San Diego, CA 92130	25,422,261	11.9%
Harris Associates, L.P.(2) Two North LaSalle St. Suite 500 Chicago, IL 60602	22,268,150	10.43%

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Franklin Resources, Inc.(3)	18,705,980	8.7%
One Franklin Parkway		
San Mateo, CA 94403		

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- (1) According to Amendment No. 4 to Schedule 13G, dated February 17, 2004, filed with the SEC by Brandes Investment Partners, LLC, an investment adviser, Brandes Investment Partners, Inc., Brandes Worldwide Holdings, L.P., Charles H. Brandes, Glenn R. Carlson and Jeffrey A. Busby (collectively, Brandes ), on December 31, 2003, Brandes was the beneficial owner of 25,422,261 shares of Common Stock with shared voting power over 19,797,740 shares, sole voting power over none of the shares and shared dispositive power over all 25,422,261 shares. Under that filing, each of Brandes Investment Partners, Inc., Brandes Worldwide Holdings, L.P., Charles H. Brandes, Glenn R. Carlson and Jeffrey A. Busby, who are control

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persons of the investment adviser, disclaimed beneficial interest as to all of these shares, except for an amount equal to substantially less than 1% of such shares.

- (2) According to Amendment No. 4 to Schedule 13G, dated February 12, 2004, filed with the SEC by Harris Associates L.P., an investment adviser, and Harris Associates Inc., the general partner of Harris Associates L.P. (collectively, Harris ), and to Amendment No. 2 to Schedule 13G, dated February 12, 2004, filed with the SEC by Harris Associates Investment Trust, series designated The Oakmark Select Fund, a Massachusetts business trust (the Trust ), on December 31, 2003, Harris was the beneficial owner of 22,268,150 shares of Common Stock with shared voting power over all 22,268,150 shares, sole dispositive power over 5,445,450 shares and shared dispositive power over 16,822,700 shares. According to those filings, 16,822,700 shares for which Harris has shared voting and dispositive power are held by the Trust, and 13,697,700 of those shares are beneficially owned by The Oakmark Select Fund, a series of the Trust.
- (3) According to Amendment No. 1 to Schedule 13G, dated February 12, 2004, filed by Franklin Resources, Inc. ( FRI ), Templeton Global Advisors Limited, an investment adviser, ( Templeton ) and the principal shareholders of FRI, Charles B. Johnson and Rupert H. Johnson, Jr. (collectively, FRI Principal Shareholders ), 18,705,980 shares of Common Stock are beneficially owned by one or more investment companies or managed accounts which are advised by subsidiaries of FRI. The FRI Principal Shareholders each own in excess of 10% of the outstanding common stock of FRI.

**16. Q: When are the stockholder proposals for the 2005 Annual Meeting due?**

A: All stockholder proposals to be considered for inclusion in next year's proxy statement must be submitted *in writing* to Christopher K. Kay, Executive Vice President Operations and Corporate Secretary, Toys R Us, Inc., One Geoffrey Way, Wayne, New Jersey 07470, by December 15, 2004. Such proposals will also need to comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

Additionally, any stockholder proposal to be presented from the floor of the 2005 Annual Meeting must be submitted *in writing* to Christopher K. Kay at the above address, by February 28, 2005 to be considered timely, and must be accompanied by:

the name, residence and business address of the proposing stockholder;

a representation that the stockholder is a record holder of the Company's stock or holds the Company's stock through a broker, bank or other nominee and the number of shares held; and

a representation that the stockholder intends to appear in person or by proxy at the Annual Meeting to present the proposal.

A proposal may be presented from the floor only after the Board has determined that it is a proper matter for consideration under our By-Laws.

The persons designated as proxies by the Company in connection with the Annual Meeting of the Stockholders to be held in 2005 will have discretionary voting authority with respect to any stockholder proposal of which the Company did not receive timely notice.

For information on how to nominate directors and when nominations must be submitted, see Corporate Governance and Nominating Committee at page 11.



**17. Q: Who pays the cost of soliciting proxies?**

A: The Board is soliciting this proxy and the Company will bear the cost of soliciting proxies. In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies by telephone or otherwise. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

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Upon the recommendation of the Corporate Governance and Nominating Committee of the Board (the Corporate Governance and Nominating Committee), the Board has proposed for election at the Annual Meeting the ten individuals listed below to serve, subject to the Company's Amended and Restated By-Laws (the By-Laws), as directors of the Company. All directors are elected annually, and serve a one-year term until the next Annual Meeting of the Stockholders and until the election and qualification of their successors. If any director is unwilling or unable to stand for re-election (which is not anticipated), the Board may reduce its size or designate a substitute. If a substitute is designated, proxy votes in favor of the original director candidate will be counted for the substituted candidate. Each of the individuals listed below, except Frank R. Noonan, was elected by the stockholders at the Annual Meeting of the Stockholders held in 2003.

Pursuant to the By-Laws, in electing directors, holders of Common Stock have cumulative voting rights. Each holder of record of Common Stock is entitled to as many votes as the number of shares they own of record multiplied by the number of directors to be elected, and may cast all of those votes for a single director or may distribute them among all or some of the directors to be voted for, as the stockholder sees fit. Unless contrary instructions are given, the persons named in the proxy will have discretionary authority to accumulate votes in the same manner.

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THESE DIRECTORS.**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
		<u>During Past Five Years and Other Directorships</u>
RoAnn Costin	51	Director of the Company since June 1996; President of Reservoir Capital Management, Inc., an investment advisory firm, since prior to 1999.
John H. Eyler, Jr.	56	President, Chief Executive Officer and director of the Company since January 2000; Chairman of the Board of the Company since June 2001; Chairman and Chief Executive Officer of FAO Schwarz, Inc. since prior to 1999 to January 2000.
Roger N. Farah	51	Director of the Company since September 2001; President and Chief Operating Officer of Polo Ralph Lauren Corporation and a member of Polo Ralph Lauren Corporation's board of directors since April 2000; from 1994 until joining Polo Ralph Lauren Corporation, Mr. Farah was Chairman of the Board and Chief Executive Officer of Venator Group, Inc.
Peter A. Georgescu	65	Director of the Company since September 2001; Chairman Emeritus of Young & Rubicam Inc. since January 2000; Chairman and Chief Executive Officer of Young & Rubicam Inc. from 1994 until January 2000; director of EMI Group plc, Levi Strauss & Co. and International Flavors & Fragrances Inc.
Cinda A. Hallman	60	Director of the Company since April 2003; Chief Executive Officer of Spherion Corporation from April 2001 to April 2004, President of Spherion Corporation from April 2001 to July 2003 and director of Spherion Corporation from February 1995 to April 2004; Senior Vice President of E.I. DuPont de Nemours & Co. from March 1998 to April 2001; Global Vice President Integrated Processes and Systems of DuPont from prior to 1998 to March 1998; director of Catalyst and United Way of America.
Calvin Hill	57	

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Director of the Company since 1997; independent consultant since prior to 1999; director of the Rand Corporation Drug Policy Research Center; NCAA Foundation and The Special Olympics.

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<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
		<u>During Past Five Years and Other Directorships</u>
Nancy Karch	56	Director of the Company since 2000; Director (Senior Partner) of McKinsey & Company from 1988 to 2000; director of Liz Claiborne, Inc., The Gillette Company, The Corporate Executive Board Company and the Westchester Land Trust.
Norman S. Matthews	71	Director of the Company since 1995; independent retail consultant since prior to 1999; President of Federated Department Stores, Inc. from 1987 to 1988 and Vice Chairman of the Board of Federated Department Stores, Inc. from 1983 to 1988; director of Finlay Enterprises, Inc., Galyan's Trading Company, Inc., Henry Schein, Inc., The Progressive Corporation and Sunoco, Inc.
Arthur B. Newman	60	Director of the Company since 1997; Senior Managing Director of The Blackstone Group L.P. since prior to 1999.
Frank R. Noonan	61	Director of the Company since March 2004; Chairman and Chief Executive Officer of R.H. Donnelly Corporation from 1991 to 2002; director of Avnet, Inc.

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**Proposal 2**

**Stockholder Proposal Regarding Voting**

The United Brotherhood of Carpenters Pension Fund (the Carpenters Fund ), 101 Constitution Avenue, N.W., Washington, D.C., has requested that the Company include the following proposal and supporting statement in its proxy statement for the Annual Meeting. The Carpenters Fund beneficially owns 3,600 shares of Common Stock. The proposal is quoted verbatim below.

*Stockholder Proposal:*

Resolved: That the shareholders of Toys R Us, Inc. ( Company ) hereby request that the board of directors initiate the appropriate process to amend the Company s governance documents (certificate of incorporation or bylaws) to provide that nominees standing for election to the board of directors must receive the vote of a majority of the shares entitled to vote and present in person or by proxy at an annual meeting of shareholders in order to be elected or re-elected to the board of directors.

*Supporting Statement:*

Our Company is incorporated in the state of Delaware. Delaware corporate law provides that a company s certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business. (8 Del. C. 1953, Section 216 Quorum and required vote for stock corporations). Further, the law provides that in the absence of any such specification in the certificate of incorporation or bylaws of the corporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Our Company presently does not specify a vote requirement other than a plurality for the election of directors, so Company directors are elected by a plurality of the vote.

We feel that it is appropriate and timely for the board to initiate a change in the threshold vote required for a nominee to be elected to the board of directors. While the governance change proposed would entail a vote of the shareholders, the board of directors is positioned to initiate the amendment process. We believe that in order to make corporate director elections more meaningful at our Company, directors should have to receive the vote of a majority of the shares entitled to be voted in a director election. Under the present system, a director can be re-elected even if a substantial majority of the votes cast is withheld from that director. For example, if there are 100 million votes represented at a meeting and eligible to be cast and 90 million of these votes are withheld from a given candidate, he or she would still be elected with a plurality of the vote despite the fact that 90% of the votes cast withheld support for that nominee s election to the board. We believe that a director candidate that does not receive a majority of the vote cast should not be seated as a director.

It is our contention that the proposed majority vote standard for corporate board elections is a fair and reasonable standard and adoption of such a standard will strengthen the corporate governance processes at our Company. We urge your support of this important governance reform.

*The Board unanimously recommends that stockholders vote against this proposal for the following reasons:*

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The Board believes that each director should represent the interests of all stockholders, including stockholders holding a small amount of our common stock. Our Restated Certificate of Incorporation provides for cumulative voting in connection with the election of directors. Cumulative voting entitles each holder of common stock to as many votes as equals the number of shares owned by such stockholder multiplied by the number of director nominees, and to cast all of such votes for a single nominee or to distribute such votes for any two or more of such nominees if not all of them. In connection with cumulative voting, directors are elected by a

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plurality of votes, so that the nominees with the most votes are elected. Cumulative voting favors our smaller stockholders by enabling them possibly to elect a director or influence the election of one or more directors.

In making the proposal, the proponent erroneously suggests some of our Board members would not have been elected had we had a system of majority voting in place. To the contrary, last year, each of our directors was elected by approximately 95% 98% of the votes cast. The Board believes that our current system of electing directors best serves the interests of all of our stockholders.

**FOR THESE REASONS, YOUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THIS STOCKHOLDER PROPOSAL.**

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### **CORPORATE GOVERNANCE AND BOARD MATTERS**

#### **Statement on Corporate Governance**

The Company is committed to having superior corporate governance standards. To this end, the Company's Amended and Restated Corporate Governance Guidelines (the "Corporate Governance Guidelines") address, among other things, director qualifications and responsibilities, responsibilities of key Board committees and director compensation. The Company has also adopted a code of business conduct and ethics, the Code of Ethical Standards and Business Practices and Conduct (the "Code of Conduct"), for all of its directors, officers and employees. The Code of Conduct focuses the Board and the Company's management on areas of ethical risk, provides guidance to personnel to help them recognize and deal with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. The Code of Conduct requires that any waiver of compliance with the Code of Conduct must be made by the Board, the Audit Committee of the Board or the Corporate Governance and Nominating Committee of the Board and that any waiver for an executive officer or a director must be promptly disclosed to the Company's stockholders. Any such waivers, if made, will be promptly disclosed on the Company's website located at [www.toysrusinc.com](http://www.toysrusinc.com). The Company also has an additional code of ethics for its senior financial officers, the Chief Executive Officer and Senior Financial Officer's Code of Ethics (the "CEO and Senior Financial Officers Code"), that seeks to ensure that the Company's business records meet the Company's high standards. Any amendment to, or waiver from, a provision of the CEO and Senior Financial Officers Code that applies to the Company's Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions will be promptly disclosed to the Company's stockholders on the Company's website located at [www.toysrusinc.com](http://www.toysrusinc.com). The Corporate Governance Guidelines, Code of Conduct and CEO and Senior Financial Officers Code are each available on the Company's website located at [www.toysrusinc.com](http://www.toysrusinc.com) or by writing to Toys R Us, Inc., One Geoffrey Way, Wayne, New Jersey 07470, Attention: Investor Relations.

#### **Board Independence**

The Board has affirmatively determined that each current director, except Mr. Eyler who is currently the Chief Executive Officer of the Company, is independent and has no material relationship with the Company within the meaning of the Board's definition of director independence, as disclosed in the Corporate Governance Guidelines and the New York Stock Exchange's ( "NYSE") corporate governance rules.

#### **Board Structure**

The Board has ten members and four committees: Audit, Corporate Governance and Nominating, Compensation and Organizational Development and Executive. The membership during the last fiscal year and the function of each of the committees are described below.

#### **Meetings of the Board and Committees**

The Board held six meetings during fiscal year 2003. The Audit Committee, the Corporate Governance and Nominating Committee, the Compensation and Organizational Development Committee and the Executive Committee held twelve, five, nine and six meetings, respectively, during fiscal year 2003. Each director attended at least 75% of the aggregate number of Board and applicable committee meetings.



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The Board meets in executive session, without the presence of Mr. Eyer or any of the Company's officers, at least two times per year and upon the request of any independent director. The sessions are chaired in annual rotation by the chairs of the Audit Committee, the Corporate Governance and Nominating Committee and the Compensation and Organizational Development Committee. In fiscal year 2003, the Board held five executive sessions.

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The Board requires each director to attend the Annual Meeting, unless a director has material conflict which prevents the director from attending the Annual Meeting. Each director attended the Annual Meeting of Stockholders held in 2003.

**Committee Membership**

The following table sets forth the name of each director and the Board committee on which each such director is a member:

<u>NAME</u>	<u>AUDIT</u>	<u>CORPORATE GOVERNANCE AND NOMINATING</u>	<u>EXECUTIVE</u>	<u>COMPENSATION AND ORGANIZATIONAL DEVELOPMENT</u>
RoAnn Costin	X			
John H. Eyler, Jr.			X*	
Roger N. Farah		X*	X	
Peter A. Georgescu	X	X		
Cinda A. Hallman				
Calvin Hill				X
Nancy Karch	X	X		
Norman S. Matthews		X	X	X*
Arthur B. Newman	X*		X	X
Frank R. Noonan				

\* Committee Chair.

**Audit Committee**

The Audit Committee met twelve times during fiscal year 2003.

The Audit Committee is comprised solely of Board members who qualify as independent directors under the Corporate Governance Guidelines and the NYSE's corporate governance rules. The Board has determined that each member of the Audit Committee is financially literate, and that Ms. Costin and Messrs. Georgescu and Newman, are financial experts for purposes of the SEC's rules. In addition, while Ms. Karch simultaneously serves on the audit committees of four public companies, the Board has determined that such simultaneous service doe