

TJX COMPANIES INC /DE/
Form 10-Q
August 26, 2011

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q**

(mark one)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended July 30, 2011**

Or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

Commission file number 1-4908

The TJX Companies, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or
organization)

04-2207613

(I.R.S. Employer Identification No.)

770 Cochituate Road Framingham, Massachusetts

(Address of principal executive offices)

01701

(Zip Code)

(508) 390-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

The number of shares of registrant's common stock outstanding as of July 30, 2011: 380,980,395

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 6. Exhibits

SIGNATURE

EXHIBIT INDEX

EX-31.1

EX-31.2

EX-32.1

EX-32.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

THE TJX COMPANIES, INC.
 STATEMENTS OF INCOME
 (UNAUDITED)

AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirteen Weeks Ended	
	July 30, 2011	July 31, 2010
Net sales	\$ 5,468,274	\$ 5,068,080
Cost of sales, including buying and occupancy costs	3,976,035	3,719,210
Selling, general and administrative expenses	923,693	853,801
Provision (credit) for Computer Intrusion related costs		(11,550)
Interest expense, net	9,109	10,272
Income before provision for income taxes	559,437	496,347
Provision for income taxes	211,099	191,363
Net income	\$ 348,338	\$ 304,984
Basic earnings per share:		
Net income	\$ 0.91	\$ 0.76
Weighted average common shares basic	381,857	403,708
Diluted earnings per share:		
Net income	\$ 0.90	\$ 0.74
Weighted average common shares diluted	387,625	409,742
Cash dividends declared per share	\$ 0.19	\$ 0.15

The accompanying notes are an integral part of the financial statements.

Table of Contents

THE TJX COMPANIES, INC.
 STATEMENTS OF INCOME
 (UNAUDITED)
 AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
Net sales	\$ 10,688,569	\$ 10,084,620
Cost of sales, including buying and occupancy costs	7,803,293	7,367,884
Selling, general and administrative expenses	1,878,167	1,675,164
Provision (credit) for Computer Intrusion related costs		(11,550)
Interest expense, net	18,026	20,474
Income before provision for income taxes	989,083	1,032,648
Provision for income taxes	374,794	396,230
Net income	\$ 614,289	\$ 636,418
Basic earnings per share:		
Net income	\$ 1.60	\$ 1.57
Weighted average common shares basic	384,918	405,880
Diluted earnings per share:		
Net income	\$ 1.57	\$ 1.54
Weighted average common shares diluted	391,091	412,394
Cash dividends declared per share	\$ 0.38	\$ 0.30

The accompanying notes are an integral part of the financial statements.

Table of Contents

THE TJX COMPANIES, INC.
BALANCE SHEETS
IN THOUSANDS, EXCEPT SHARE DATA

	July 30, 2011 (unaudited)	January 29, 2011	July 31, 2010 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 977,763	\$ 1,741,751	\$ 1,380,169
Short-term investments	82,096	76,261	139,229
Accounts receivable, net	218,083	200,147	171,203
Merchandise inventories	3,368,082	2,765,464	2,884,602
Prepaid expenses and other current assets	316,632	249,832	277,766
Current deferred income taxes, net	66,413	66,072	95,950
Total current assets	5,029,069	5,099,527	4,948,919
Property at cost:			
Land and buildings	359,213	320,633	286,056
Leasehold costs and improvements	2,263,632	2,112,151	2,017,064
Furniture, fixtures and equipment	3,495,346	3,256,446	3,229,120
Total property at cost	6,118,191	5,689,230	5,532,240
Less accumulated depreciation and amortization	3,467,623	3,239,429	3,193,958
Net property at cost	2,650,568	2,449,801	2,338,282
Property under capital lease, net of accumulated amortization of \$22,707; \$21,591 and \$20,474, respectively	9,865	10,981	12,098
Other assets	227,581	231,518	207,535
Goodwill and tradename, net of amortization	180,043	179,936	179,875
TOTAL ASSETS	\$ 8,097,126	\$ 7,971,763	\$ 7,686,709
LIABILITIES			
Current liabilities:			
Obligation under capital lease due within one year	\$ 2,854	\$ 2,727	\$ 2,529
Accounts payable	1,922,305	1,683,929	1,847,547
Accrued expenses and other liabilities	1,259,271	1,347,951	1,117,127
Federal, foreign and state income taxes payable	6,914	98,514	7,417
Total current liabilities	3,191,344	3,133,121	2,974,620
Other long-term liabilities	718,721	709,321	719,325
Non-current deferred income taxes, net	295,972	241,905	230,204
Obligation under capital lease, less portion due within one year	11,662	13,117	14,516

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Long-term debt, exclusive of current installments	774,438	774,400	774,362
Commitments and contingencies			
SHAREHOLDERS' EQUITY			
Common stock, authorized 1,200,000,000 shares, par value \$1, issued and outstanding 380,980,395; 389,657,340 and 400,661,233, respectively	380,980	389,657	400,661
Additional paid-in capital			
Accumulated other comprehensive (loss)	(46,473)	(91,755)	(132,733)
Retained earnings	2,770,482	2,801,997	2,705,754
Total shareholders' equity	3,104,989	3,099,899	2,973,682
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,097,126	\$ 7,971,763	\$ 7,686,709

The accompanying notes are an integral part of the financial statements.

Table of Contents

THE TJX COMPANIES, INC.
 STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 IN THOUSANDS

	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
Cash flows from operating activities:		
Net income	\$ 614,289	\$ 636,418
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	236,442	227,231
Loss on property disposals	649	4,989
Deferred income tax provision	46,535	55,047
Share-based compensation	31,704	28,029
Excess tax benefits from stock compensation expense	(24,710)	(17,964)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(16,373)	(23,072)
(Increase) in merchandise inventories	(571,873)	(345,911)
(Increase) in prepaid expenses and other current assets	(60,312)	(29,730)
Increase in accounts payable	220,283	335,463
(Decrease) in accrued expenses and other liabilities	(156,849)	(211,350)
Other	5,936	6,819
Net cash provided by operating activities	325,721	665,969
Cash flows from investing activities:		
Property additions	(439,217)	(326,856)
Purchase of short-term investments	(56,169)	(72,398)
Sales and maturities of short-term investments	53,780	67,914
Proceeds from repayments on note receivable	494	458
Net cash (used in) investing activities	(441,112)	(330,882)
Cash flows from financing activities:		
Cash payments for debt issuance expenses	(2,295)	(2,960)
Payments on capital lease obligation	(1,328)	(1,154)
Cash payments for repurchase of common stock	(671,321)	(574,651)
Proceeds from issuance of common stock	110,840	100,467
Excess tax benefits from stock compensation expense	24,710	17,964
Cash dividends paid	(131,622)	(110,125)
Net cash (used in) financing activities	(671,016)	(570,459)
Effect of exchange rate changes on cash	22,419	934

Net (decrease) in cash and cash equivalents	(763,988)	(234,438)
Cash and cash equivalents at beginning of year	1,741,751	1,614,607
Cash and cash equivalents at end of period	\$ 977,763	\$ 1,380,169

The accompanying notes are an integral part of the financial statements.

Table of Contents

THE TJX COMPANIES, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
IN THOUSANDS

	Common Stock		Additional	Accumulated	Other	Retained	
	Shares	Par Value	Paid-In	Comprehensive	Income	Earnings	Total
		\$1	Capital		(Loss)		
Balance, January 29, 2011	389,657	\$ 389,657	\$	\$	(91,755)	\$ 2,801,997	\$ 3,099,899
Comprehensive income:							
Net income						614,289	614,289
Foreign currency translation adjustments					43,297		43,297
Recognition of prior service cost and deferred gains					1,985		1,985
Total comprehensive income							659,571
Cash dividends declared on common stock						(145,789)	(145,789)
Recognition of share-based compensation			31,704				31,704
Issuance of common stock under stock incentive plan and related tax effect	4,424	4,424	126,501				130,925
Common stock repurchased	(13,101)	(13,101)	(158,205)			(500,015)	(671,321)
Balance, July 30, 2011	380,980	\$ 380,980	\$	\$	(46,473)	\$ 2,770,482	\$ 3,104,989

The accompanying notes are an integral part of the financial statements.

Table of Contents

THE TJX COMPANIES, INC.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies

Basis of Presentation: The consolidated interim financial statements are unaudited and, in the opinion of management, reflect all normal recurring adjustments, the use of retail statistics, and accruals and deferrals among periods required to match costs properly with the related revenue or activity, considered necessary by The TJX Companies, Inc. (together with its subsidiaries, TJX) for a fair presentation of its financial statements for the periods reported, all in conformity with accounting principles generally accepted in the United States of America (GAAP) consistently applied. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes, contained in TJX's Annual Report on Form 10-K for the fiscal year ended January 29, 2011 (fiscal 2011).

These interim results are not necessarily indicative of results for the full fiscal year, because TJX's business, in common with the businesses of retailers generally, is subject to seasonal influences, with higher levels of sales and income generally realized in the second half of the year.

The January 29, 2011 condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Fiscal Year: During fiscal 2010, TJX amended its bylaws to change its fiscal year end to the Saturday nearest to the last day of January of each year. Previously, TJX's fiscal year ended on the last Saturday of January. This change shifted the timing of TJX's next 53-week fiscal year to the year ending February 2, 2013. Fiscal 2011 and the fiscal year ending January 28, 2012 (fiscal 2012) are each 52-week fiscal years.

Share-Based Compensation: Total share-based compensation expense was \$16.2 million for the quarter ended July 30, 2011 and \$14.7 million for the quarter ended July 31, 2010. Total share-based compensation expense was \$31.7 million for the six months ended July 30, 2011 and \$28.0 million for the six months ended July 31, 2010. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 1.2 million shares of common stock exercised during the quarter ended July 30, 2011 and options to purchase 4.3 million shares of common stock exercised during the six months ended July 30, 2011, leaving options to purchase 20.4 million shares of common stock outstanding as of July 30, 2011.

Cash and Cash Equivalents: TJX generally considers highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. Investments with maturities greater than three months but less than one year at the date of purchase are included in short-term investments. TJX's investments are primarily high-grade commercial paper, institutional money market funds and time deposits with major banks.

Merchandise Inventories: TJX accrues for inventory purchase obligations at the time of shipment by the vendor. As a result, merchandise inventories on TJX's balance sheet include an accrual for in-transit inventory of \$497.5 million at July 30, 2011, \$445.7 million at January 29, 2011 and \$465.1 million at July 31, 2010. Comparable amounts were reflected in accounts payable at those dates.

New Accounting Standards: There were no new accounting standards issued during the second quarter ended July 30, 2011 that are expected to have a material impact on TJX's financial condition, results of operations or cash flows.

Note B. Provision (credit) for Computer Intrusion related costs

TJX has a reserve for its estimate of the remaining probable losses arising from an unauthorized intrusion or intrusions (the intrusion or intrusions, collectively, the Computer Intrusion) into portions of its computer system, which was discovered late in fiscal 2007 and in which TJX believes customer data were stolen. The reserve balance was \$16.8 million at July 30, 2011 and \$19.6 million at July 31, 2010. As an estimate, the reserve is subject to uncertainty, and actual costs may vary from the current estimate, although such variations are not expected to be material.

Table of Contents**Note C. Dispositions and Reserves related to Former Operations**

Consolidation of A.J. Wright: On December 8, 2010, TJX's Board of Directors approved the consolidation of the A.J. Wright division, converting 90 A.J. Wright stores into T.J. Maxx, Marshalls or HomeGoods stores and closing A.J. Wright's remaining 72 stores, two distribution centers and home office. The liquidation process commenced in the fourth quarter of fiscal 2011 and 20 stores had been closed as of January 29, 2011. The first quarter and the first six months of fiscal 2012 include a \$49 million A.J. Wright segment loss which includes the cost to close the remaining stores. The first six months of fiscal 2012 also includes \$20 million of costs to convert the 90 stores to other banners, with \$17 million incurred by the Marmaxx segment and \$3 million by the HomeGoods segment. The consolidation of A.J. Wright was completed during the first quarter of fiscal 2012. The A.J. Wright consolidation was not classified as a discontinued operation due to TJX's expectation that a significant portion of the sales of the A.J. Wright stores will migrate to other TJX stores.

Reserves Related to Former Operations: TJX has a reserve for its estimate of future obligations of business operations it has closed, sold or otherwise disposed of. The reserve activity is presented below:

In thousands	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
Balance at beginning of year	\$ 54,695	\$ 35,897
Additions to the reserve charged to net income:		
A.J. Wright closing costs	32,686	
Interest accretion	430	737
Charges against the reserve:		
Lease-related obligations	(14,123)	(4,395)
Termination benefits and all other	(15,471)	(72)
Balance at end of period	\$ 58,217	\$ 32,167

In the first quarter of fiscal 2012, TJX increased this reserve by \$33 million for the estimated cost of closing the remaining A.J. Wright stores that were not converted to other banners or closed in fiscal 2011. The lease-related obligations reflect TJX's estimation of lease costs, net of estimated subtenant income, and the cost of probable claims against TJX for liability as an original lessee or guarantor of the leases of former businesses, after mitigation of the number and cost of these lease obligations. The actual net cost of the various lease obligations included in the reserve may differ from TJX's estimate. TJX estimates that the majority of the former operations reserve will be paid in the next three to five years. The actual timing of cash outflows will vary depending on how the remaining lease obligations are actually settled.

In addition to those obligations included in the reserve, TJX may also be contingently liable on up to 13 leases of BJ's Wholesale Club, and up to seven leases of Bob's Stores, both former TJX businesses. The reserve for discontinued operations does not reflect these leases because TJX believes that the likelihood of future liability to TJX is remote.

Table of Contents**Note D. Other Comprehensive Income**

TJX's comprehensive income information, net of related tax effects, is presented below:

In thousands	Thirteen Weeks Ended	
	July 30, 2011	July 31, 2010
Net income	\$ 348,338	\$ 304,984
Other comprehensive income (loss):		
Foreign currency translation adjustments	(16,666)	3,029
Recognition of prior service cost and deferred gains	993	1,536
Total comprehensive income	\$ 332,665	\$ 309,549

In thousands	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
Net income	\$ 614,289	\$ 636,418
Other comprehensive income (loss):		
Foreign currency translation adjustments	43,297	(1,684)
Recognition of prior service cost and deferred gains	1,985	3,075
Total comprehensive income	\$ 659,571	\$ 637,809

Note E. Capital Stock and Earnings Per Share

Capital Stock: During the quarter ended July 30, 2011, TJX repurchased and retired 5.9 million shares of its common stock at a cost of \$311.4 million. For the six months ended July 30, 2011, TJX repurchased and retired 13.1 million shares of its common stock at a cost of \$672.5 million. TJX reflects stock repurchases in its financial statements on a settlement basis. TJX had cash expenditures under its repurchase programs of \$671.3 million for the six months ended July 30, 2011 and \$574.7 million for the six months ended July 31, 2010. These expenditures were funded primarily by cash generated from operations. In June 2011, TJX completed the \$1 billion stock repurchase program authorized in February 2010 under which TJX repurchased 20.6 million shares of common stock.

In February 2011, TJX's Board of Directors approved another stock repurchase program that authorizes the repurchase of up to \$1 billion of TJX common stock from time to time. Under this plan, on a trade date basis at July 30, 2011, TJX repurchased 1.4 million shares of common stock at a cost of \$78.3 million and \$921.7 million remained available under this plan. All shares repurchased under the stock repurchase programs have been retired.

TJX has five million shares of authorized but unissued preferred stock, \$1 par value.

Table of Contents

Earnings per share: The following schedule presents the calculation of basic and diluted earnings per share (EPS) for net income:

In thousands, except per share data	Thirteen Weeks Ended	
	July 30, 2011	July 31, 2010
<i>Basic earnings per share</i>		
Net income	\$ 348,338	\$ 304,984
Weighted average common shares outstanding for basic EPS	381,857	403,708
Basic earnings per share	\$ 0.91	\$ 0.76
<i>Diluted earnings per share</i>		
Net income	\$ 348,338	\$ 304,984
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	381,857	403,708
Assumed exercise/vesting of:		
Stock options and awards	5,768	6,034
Weighted average common shares outstanding for diluted EPS	387,625	409,742
Diluted earnings per share	\$ 0.90	\$ 0.74
In thousands, except per share data	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
<i>Basic earnings per share</i>		
Net income	\$ 614,289	\$ 636,418
Weighted average common shares outstanding for basic EPS	384,918	405,880
Basic earnings per share	\$ 1.60	\$ 1.57
<i>Diluted earnings per share</i>		
Net income	\$ 614,289	\$ 636,418
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	384,918	405,880
Assumed exercise/vesting of:		
Stock options and awards	6,173	6,514
Weighted average common shares outstanding for diluted EPS	391,091	412,394
Diluted earnings per share	\$ 1.57	\$ 1.54

The weighted average common shares for the diluted earnings per share calculation would exclude the impact of any outstanding stock options for which the assumed proceeds per share are in excess of the related fiscal period's average price of TJX's common stock because they would have an antidilutive effect. There were no such options for the thirteen weeks or the twenty-six weeks ended July 30, 2011 and July 31, 2010.

Table of Contents

Note F. Financial Instruments

As a result of its operating and financing activities, TJX is exposed to market risks from changes in diesel fuel costs, foreign currency exchange rates and interest rates. These market risks may adversely affect TJX's operating results and financial position. When deemed appropriate, TJX seeks to minimize such risks through the use of derivative financial instruments. TJX does not use derivative financial instruments for trading or other speculative purposes, and does not use leveraged derivative financial instruments. TJX recognizes all derivative instruments as either assets or liabilities in the statements of financial position and measures those instruments at fair value. The fair values of the derivatives are classified as assets or liabilities, current or non-current, based upon valuation results and settlement dates of the individual contracts. Changes to the fair value of derivatives that do not qualify for hedge accounting are reported in earnings in the period of the change. Changes in the fair value of derivatives for which TJX has elected hedge accounting are either recorded in shareholders' equity as a component of other comprehensive income or are recognized currently in earnings, along with an offsetting adjustment against the basis of the item being hedged.

Diesel Fuel Contracts: During the first half of fiscal 2012, TJX entered into agreements to hedge a portion of the notional diesel fuel requirements expected to be consumed by independent freight carriers transporting the Company's inventory for the second half of fiscal 2012 and first quarter of fiscal 2013. TJX has hedged approximately 50% of these expected notional diesel fuel requirements for fiscal 2012 with agreements that settle throughout the remainder of fiscal 2012 and 20% of expected notional diesel fuel requirement for the first quarter of fiscal 2013. Independent freight carriers transporting the Company's inventory charge TJX a mileage surcharge for diesel fuel price increases as incurred by the carrier. The hedge agreements are designed to mitigate the surcharges payable by TJX arising from volatility of diesel fuel pricing by setting a fixed price per gallon for the year for a portion of the requirements. TJX elected not to apply hedge accounting rules to these agreements.

Foreign Currency Contracts: TJX enters into forward foreign currency exchange contracts to obtain economic hedges on portions of merchandise purchases made and anticipated to be made by TJX Europe (operating in the United Kingdom, Ireland, Germany and Poland), TJX Canada (Canada) and Marmaxx (U.S.) in currencies other than their functional currencies. The contracts outstanding at July 30, 2011 cover certain commitments and anticipated needs throughout fiscal 2012. TJX elected not to apply hedge accounting rules to these contracts.

TJX also enters into derivative contracts, generally designated as fair value hedges, to hedge intercompany debt and intercompany interest payable. The changes in fair value of these contracts are recorded in selling, general and administrative expenses and are offset by marking the underlying item to fair value in the same period. Upon settlement, the realized gains and losses on these contracts are offset by the realized gains and losses of the underlying item in selling, general and administrative expenses.

Table of Contents

Following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at July 30, 2011:

				Blended		Current	Current	Net Fair
				Contract	Balance Sheet	Asset	(Liability)	Value
In thousands	Pay	Receive		Rate	Location	US\$	US\$	in US\$ at
Fair value hedges:								July 30, 2011
Intercompany balances, primarily short-term debt								
	£	70,000	C\$	110,336	1.5762	Prepaid Exp	\$ 324	\$ 324
		25,000	£	21,265	0.8506	(Accrued Exp)		(1,006)
		75,292	US\$	101,227	1.3445	Prepaid Exp / (Accrued Exp)	8	(6,856)
	US\$	85,894	£	55,000	0.6403	Prepaid Exp	4,290	4,290
Hedge accounting not elected:								
Diesel fuel contracts	Fixed on 11.4M gal	Float on 11.4M gal						
	per month	per month		N/A	Prepaid Exp	1,750		1,750
Merchandise purchase commitments								
	C\$	441,733	US\$	452,345	1.0240	Prepaid Exp / (Accrued Exp)	610	(9,637)
	C\$	9,163		6,700	0.7312	Prepaid Exp / (Accrued Exp)	64	(14)
	£	45,905	US\$	75,000	1.6338	Prepaid Exp / (Accrued Exp)	126	(515)
	£	39,582		44,700	1.1293	(Accrued Exp)	(709)	(709)

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				Prepaid Exp / (Accrued Exp)			
US\$	4,185	2,916	0.6968		32	(24)	8

Total fair value of all financial instruments \$ 7,204 \$ (18,761) \$ (11,557)

Following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at July 31, 2010:

In thousands	Pay	Receive	Blended Contract Rate	Balance Sheet Location	Current Asset US\$	Current (Liability) US\$	Net Fair Value in US\$ at July 31, 2010
Hedge accounting not elected:							
Diesel fuel contracts	Fixed on 260K- 1.3M gal per month	Float on 260K- 1.3M gal per month	N/A	Prepaid Exp	\$ 164	\$	\$ 164
Merchandise purchase commitments				Prepaid Exp / (Accrued Exp)			
	C\$ 225,158	US\$ 220,416	0.9789	(Accrued Exp)	765	(822)	1,943
	C\$ 3,228	2,400	0.7435	Prepaid Exp / (Accrued Exp)	41	(44)	(3)
	£ 67,332	US\$ 102,872	1.5278	(Accrued Exp)		(2,742)	(2,742)
	£ 56,492	64,539	1.1424	Prepaid Exp / (Accrued Exp)	48	(4,514)	(4,466)
	24,456	£ 20,326	0.8311	(Accrued Exp)		(30)	(30)
	3,782	US\$ 4,935	1.3049	Prepaid Exp / (Accrued Exp)	1	(2)	(1)
	US\$ 1,006	783	0.7783	(Accrued Exp)	43	(28)	15
Total fair value of all financial instruments					\$ 3,062	\$ (8,182)	\$ (5,120)

Table of Contents

The impact of derivative financial instruments on the statements of income during the second quarter of fiscal 2012 and fiscal 2011 are as follows:

Location of Gain (Loss)		Amount of Gain (Loss)	
Recognized in Income by		Recognized	
Derivative		in Income by Derivative	
		July 30,	July 31,
		2011	2010
In thousands			
Fair value hedges:			
Intercompany balances, primarily short-term debt and related interest	Selling, general and administrative expenses	\$ 2,194	\$
Hedge accounting not elected:			
Diesel fuel contracts	Cost of sales, including buying and occupancy costs	(259)	(776)
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	12,351	(3,070)
Gain (loss) recognized in income		\$ 14,286	\$ (3,846)

The impact of derivative financial instruments on the statements of income during the first six months of fiscal 2012 and fiscal 2011 are as follows:

Location of Gain (Loss)		Amount of Gain (Loss)	
Recognized in Income by		Recognized	
Derivative		in Income by Derivative	
		July 30,	July 31,
		2011	2010
In thousands			
Fair value hedges:			
Intercompany balances, primarily short-term debt and related interest	Selling, general and administrative expenses	\$ (975)	\$
Hedge accounting not elected:			
Diesel fuel contracts	Cost of sales, including buying and occupancy costs	1,003	606
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	(7,892)	(9,896)

(Loss) recognized in income	\$ (7,864)	\$ (9,290)
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Table of Contents**Note G. Disclosures about Fair Value of Financial Instruments**

The following table sets forth TJX's financial assets and liabilities that are accounted for at fair value on a recurring basis:

In thousands	July 30, 2011	January 29, 2011	July 31, 2010
Level 1			
Assets:			
Executive savings plan	\$ 81,244	\$ 73,925	\$ 62,569
Level 2			
Assets:			
Short-term investments	\$ 82,096	\$ 76,261	\$ 139,229
Foreign currency exchange contracts	5,454	2,768	2,898
Diesel fuel contracts	1,750	746	164
Liabilities:			
Foreign currency exchange contracts	\$ 18,761	\$ 6,233	\$ 8,182

The fair value of TJX's general corporate debt, including current installments, was estimated by obtaining market quotes given the trading levels of other bonds of the same general issuer type and market perceived credit quality. The fair value of long-term debt as of July 30, 2011 was \$908.8 million versus a carrying value of \$774.4 million and as of July 31, 2010 was \$911.4 million versus a carrying value of \$774.4 million. These estimates do not necessarily reflect provisions or restrictions in the various debt agreements that might affect TJX's ability to settle these obligations. TJX's cash equivalents are stated at cost, which approximates fair value, due to the short maturities of these instruments.

Investments designed to meet obligations under the executive savings plan are invested in securities traded in active markets and are recorded at unadjusted quoted prices.

The foreign currency exchange contracts are valued using broker quotations which include observable market information. TJX does not make adjustments to quotes or prices obtained from brokers or pricing services but does assess the credit risk of counterparties and will adjust final valuations when appropriate. Where independent pricing services provide fair values, TJX obtains an understanding of the methods used in pricing. As such, these derivative instruments are classified within level 2.

Table of Contents**Note H. Segment Information**

At July 30, 2011, TJX operated five business segments, three in the United States and one each in Canada and Europe. Each of TJX's segments has its own administrative, buying and merchandising organization and distribution network. Of the U.S.-based store chains, T.J. Maxx and Marshalls, referred to as Marmaxx, are managed together and reported as a single segment, and each of HomeGoods and A.J. Wright is reported as a separate segment. As a result of its consolidation, A.J. Wright will cease to be a business segment after fiscal 2012. Outside the U.S., store chains in Canada (Winners, HomeSense and Marshalls) are managed together and reported as the TJX Canada segment, and store chains in Europe (T.K. Maxx and HomeSense) are also managed together and reported as the TJX Europe segment.

TJX evaluates the performance of its segments based on their respective segment profit or loss, which TJX defines as pre-tax income or loss before general corporate expense and interest expense. Segment profit or loss, as defined by TJX, may not be comparable to similarly titled measures used by other entities. In addition, these measures of performance should not be considered an alternative to TJX's net income or cash flows from operating activities as an indicator of its performance or as a measure of its liquidity.

Presented below is financial information on TJX's business segments:

In thousands	Thirteen Weeks Ended	
	July 30, 2011	July 31, 2010
Net sales:		
U.S. segments:		
Marmaxx	\$ 3,653,586	\$ 3,309,549
HomeGoods	515,309	455,685
A.J. Wright		193,219
International segments:		
TJX Canada	637,691	581,447
TJX Europe	661,688	528,180
	\$ 5,468,274	\$ 5,068,080
Segment profit (loss):		
U.S. segments:		
Marmaxx	\$ 478,922	\$ 416,255
HomeGoods	37,472	35,176
A.J. Wright		2,012
International segments:		
TJX Canada	92,309	81,722
TJX Europe	7,322	2,122
	616,025	537,287
General corporate expenses	47,479	42,218
Provision (credit) for Computer Intrusion related costs		(11,550)
Interest expense, net	9,109	10,272
Income before provision for income taxes	\$ 559,437	\$ 496,347

Table of Contents

Financial information on TJX's business segments (continued):

In thousands	Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010
Net sales:		
U.S. segments:		
Marmaxx	\$ 7,178,795	\$ 6,587,413
HomeGoods	1,018,592	912,744
A.J. Wright	9,229	404,598
International segments:		
TJX Canada	1,229,760	1,136,445
TJX Europe	1,252,193	1,043,420
	\$ 10,688,569	\$ 10,084,620
Segment profit (loss):		
U.S. segments:		
Marmaxx	\$ 969,903	\$ 884,735
HomeGoods	82,931	75,769
A.J. Wright	(49,291)	11,798
International segments:		
TJX Canada	128,392	136,081
TJX Europe	(23,993)	7,964
	1,107,942	1,116,347
General corporate expenses	100,833	74,775
Provision (credit) for Computer Intrusion related costs		(11,550)
Interest expense, net	18,026	20,474
Income before provision for income taxes	\$ 989,083	\$ 1,032,648

Table of Contents**Note I. Pension Plans and Other Retirement Benefits**

Presented below is financial information related to TJX's funded defined benefit retirement plan (funded plan) and its unfunded supplemental pension plan (unfunded plan) for the periods shown.

In thousands	Pension (Funded Plan)		Pension (Unfunded Plan)	
	Thirteen Weeks Ended		Thirteen Weeks Ended	
	July 30, 2011	July 31, 2010	July 30, 2011	July 31, 2010
Service cost	\$ 8,250	\$ 7,750	\$ 267	\$ 206
Interest cost	9,453	9,019	625	728
Expected return on plan assets	(12,260)	(9,991)		
Amortization of prior service cost			1	20
Recognized actuarial losses	2,313	2,722	207	694
Total expense	\$ 7,756	\$ 9,500	\$ 1,100	\$ 1,648

In thousands	Pension (Funded Plan)		Pension (Unfunded Plan)	
	Twenty-Six Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2011	July 31, 2010	July 30, 2011	July 31, 2010
Service cost	\$ 16,500	\$ 15,499	\$ 533	\$ 411
Interest cost	18,906	18,038	1,249	1,457
Expected return on plan assets	(24,519)	(19,981)		
Amortization of prior service cost			2	41
Recognized actuarial losses	4,626	5,444	414	1,388
Total expense	\$ 15,513	\$ 19,000	\$ 2,198	\$ 3,297

TJX's policy with respect to the funded plan is to fund, at a minimum, the amount required to maintain a funded status of 80% of the applicable pension liability or such other amount sufficient to avoid restrictions with respect to the funding of nonqualified plans under the Internal Revenue Code. TJX does not anticipate any required funding in fiscal 2012 for the funded plan, although TJX may make contributions to the funded plan, and anticipates making contributions of \$3.9 million to fund current benefit and expense payments under the unfunded plan in fiscal 2012.

Note J. Long-Term Debt and Credit Lines

On April 7, 2009, TJX issued \$375 million aggregate principal amount of 6.95% ten-year notes and used the proceeds from the 6.95% notes offering to repurchase additional common stock under its stock repurchase program in fiscal 2010. Also in April 2009, prior to the issuance of the 6.95% notes, TJX entered into a rate-lock agreement to hedge the underlying treasury rate of those notes. The cost of this agreement is being amortized to interest expense over the term of the 6.95% notes and results in an effective fixed rate of 7.00% on those notes.

On July 23, 2009, TJX issued \$400 million aggregate principal amount of 4.20% six-year notes. TJX used a portion of the proceeds from the sale of the notes to refinance its C\$235 million term credit facility on August 10, 2009, prior to its scheduled maturity, and used the remainder, together with funds from operations, to repay its \$200 million 7.45%

notes due December 15, 2009, at maturity. Also in July 2009, prior to the issuance of the 4.20% notes, TJX entered into a rate-lock agreement to hedge the underlying treasury rate on \$250 million of those notes. The cost of this agreement is being amortized to interest expense over the term of the 4.20% notes and results in an effective fixed rate of 4.19% on the notes.

Table of Contents

TJX traditionally has funded seasonal merchandise requirements through cash generated from operations, short-term bank borrowings and the issuance of short-term commercial paper. TJX had two \$500 million revolving credit facilities at July 30, 2011 one which matures in May 2016 and one which matures in May 2013. TJX also had two \$500 million revolving credit facilities at July 31, 2010. These agreements have no compensating balance requirements and have various covenants including a requirement of a specified ratio of debt to earnings. These agreements serve as backup to the commercial paper program. The availability under these revolving credit facilities was \$1 billion at July 30, 2011 and July 31, 2010. One of the \$500 million facilities at July 31, 2010 matured in May 2011 and was replaced at that time with a new \$500 million, five-year revolving credit facility with similar terms and provisions but updated for market pricing.

As of July 30, 2011 and July 31, 2010, TJX's foreign subsidiaries had uncommitted credit facilities. TJX Canada had two credit lines, a C\$10 million facility for operating expenses and a C\$10 million letter of credit facility. As of July 30, 2011 and July 31, 2010, there were no amounts outstanding on the Canadian credit line for operating expenses. As of July 30, 2011 and July 31, 2010, TJX Europe had a credit line of £20 million. There were no outstanding borrowings on this U.K. credit line as of July 30, 2011 or July 31, 2010.

Note K. Income Taxes

TJX is subject to income tax in the U.S. and foreign jurisdictions. TJX's effective income tax rate was 37.7% for the fiscal 2012 second quarter and 38.6% for last year's second quarter. The effective income tax rate for the six months ended July 30, 2011 was 37.9% as compared to 38.4% for last year's comparable period. The decrease in the income tax rate for both the second quarter and year-to-date periods of fiscal 2012 was primarily due to a lower statutory rate in the United Kingdom.

TJX is engaged in ongoing discussions and proceedings with taxing authorities in the U.S. and foreign countries. In nearly all jurisdictions, TJX's income taxes for the tax years through fiscal 2003 are no longer subject to examination. In evaluating the tax benefits associated with various tax filing positions, TJX records a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized and records liability for unrecognized tax benefits, including accrued penalties and interest, on its consolidated balance sheets. TJX had net unrecognized tax benefits of \$126.3 million as of July 30, 2011 and \$127.4 million as of July 31, 2010.

TJX adjusts its liability for unrecognized tax benefits based on the outcome of tax examinations or judicial or administrative proceedings, as a result of the expiration of statute of limitations or when more information becomes available, and such adjustments may be material. During the next 12 months, it is reasonably possible that as a result of tax examinations of prior years' tax returns and related proceedings, the total net amount of unrecognized tax benefits may decrease by a range of zero to \$42.0 million, which would reduce the provision for taxes on earnings.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended July 30, 2011

Compared to

The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended July 31, 2010

Business Overview

We are the leading off-price apparel and home fashions retailer in the United States and worldwide. Our over 2,800 stores offer a rapidly changing assortment of quality, brand-name and designer merchandise at prices generally 20% to 60% below department and specialty store regular prices every day.

We operate multiple off-price retail chains within four major divisions, in the U.S., Canada and Europe, which are known for their treasure hunt shopping experience and excellent values on fashionable, brand-name merchandise. Our stores turn their inventories rapidly relative to traditional retailers to create a sense of urgency and excitement for our customers and encourage frequent customer visits. With our flexible no walls business model, we can quickly expand and contract merchandise categories in response to consumers' changing tastes. Although our stores primarily target the middle to upper middle income customer, we reach a broad range of customers across many demographic groups and income levels. The operating platforms and strategies of all of our retail concepts are synergistic. As a result, we capitalize on our expertise and systems throughout our business, leveraging information, best practices, initiatives and new ideas and developing talent across our concepts. We also leverage the substantial buying power of our businesses in our global relationships with vendors.

We consolidated our A.J. Wright division by converting 90 A.J. Wright stores into T.J. Maxx, Marshalls or HomeGoods stores and closing the remaining 72 A.J. Wright stores, two distribution centers and home office in order to focus managerial and financial resources on our larger, more profitable businesses, all of which have major growth potential, to serve the A.J. Wright customer demographic more efficiently, and to improve our overall profit potential. In addition to presenting our financial results in conformity with GAAP, we are also presenting them on an adjusted basis to exclude from the fiscal 2012 six-month period, the \$69 million of costs related to the A.J. Wright consolidation and from the fiscal 2011 periods, the benefit of a \$12 million reduction to the provision for the Computer Intrusion that occurred over four years ago. These adjusted financial results are non-GAAP financial measures. We believe that the presentation of adjusted financial results provides additional information on comparisons between periods including underlying trends of our business by excluding these items that affect overall comparability. Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Reconciliations of each of the adjusted financial measures to the financial measures in accordance with GAAP are provided below under Adjusted Financial Measures.

Results of Operations

The following is a summary of our financial performance for the second quarter and six months ended July 30, 2011:

In the second quarter and first half of fiscal 2012, we posted strong consolidated net sales and same store sales growth on top of challenging comparisons in the prior year.

Net sales increased 8% to \$5.5 billion for the fiscal 2012 second quarter and increased 6% for the six-month period over last year's comparable periods. At July 30, 2011, both stores in operation and selling square footage were up 2% compared to the same period in fiscal 2011.

Same store sales increased 4% for the fiscal 2012 second quarter over a 3% increase in the same period last year. Same store sales increased 3% for the six-month period ending July 30, 2011 over last year's 6% increase in the six months ended July 31, 2010. Same store sales growth reflected an increase in the average transaction along with increases in customer traffic, which continued to be up over strong increases in each of the last two years.

Our fiscal 2012 second quarter pre-tax margin (the ratio of pre-tax income to net sales) increased to 10.2% compared to 9.8% for the same period last year, up 0.4 percentage points, and up 0.6 percentage points on an

Table of Contents

adjusted basis. For the six months ended July 30, 2011, our pre-tax margin was 9.3%, a 0.9 percentage point decrease from 10.2% for the same period last year, and was 9.9%, down 0.3 percentage points on an adjusted basis.

Our cost of sales ratio for the second quarter of fiscal 2012 decreased by 0.7 percentage points to 72.7%. For the six-months ended July 30, 2011, the cost of sales ratio was 73.0% (72.9% on an adjusted basis) compared to 73.1% for the same period last year. The improvements in the second quarter were primarily due to buying and occupancy expense leverage as well as the year-over-year impact of the mark-to-market adjustments on our inventory-related hedges.

The selling, general and administrative expense ratio for the second quarter of fiscal 2012 increased 0.1 percentage points to 16.9%. For the six months ended July 30, 2011, the selling, general and administrative expense ratio increased 1.0 percentage point to 17.6%, or increased 0.4 percentage points to 17.0% on an adjusted basis. The second quarter expense ratio was up slightly due to increased advertising expenses. The year-to-date expense ratio increased due to the A.J. Wright consolidation costs, higher administrative costs, increased advertising costs and deleverage at TJX Canada and TJX Europe.

Net income for the second quarter of fiscal 2012 was \$348.3 million, or \$0.90 per diluted share, compared to \$305.0 million, or \$0.74 per diluted share, in last year's second quarter. Foreign currency translation benefited the second quarter fiscal 2012 earnings per share by \$0.03 per share compared to an immaterial impact in the same period last year. Net income for the six months ended July 30, 2011 was \$614.3 million, or \$1.57 per diluted share, compared to \$636.4 million, or \$1.54 per diluted share in the same period last year. Adjusted diluted earnings per share for the six-month period were \$1.68 in fiscal 2012 compared to \$1.53 in fiscal 2011. Foreign currency translation had an immaterial impact on the six months ended July 30, 2011, compared to a \$0.01 per share negative impact in the same period last year.

During the second quarter of fiscal 2012, we repurchased 5.9 million shares of our common stock at a cost of \$311 million. For the first six months of fiscal 2012, we repurchased 13.1 million shares of our common stock at a cost of \$673 million. Earnings per share reflect the benefit of our stock repurchase programs.

Consolidated per store inventories, including the distribution centers, were up 16% at the end of the second quarter of fiscal 2012 (1% due to foreign currency exchange rates), compared to a decrease of 13% at the end of the second quarter of fiscal 2011 over the prior year's second quarter end. The fiscal 2012 increase is primarily due to a larger quantity of end-of-season branded product that was packed away as the current fiscal year began, versus very low quantities in the prior year. These pack-away goods will generally begin flowing to the stores in the third quarter of fiscal 2012. This increase was entirely in our distribution centers as store inventories were lower than last year. In addition, at the end of the second quarter, our forward inventory purchase commitments for the second half of fiscal 2012 were significantly lower than at the same time last year.

Table of Contents

The following is a discussion of our consolidated operating results, followed by a discussion of our segment operating results.

Net sales: Consolidated net sales for the quarter ended July 30, 2011 totaled \$5.5 billion, an 8% increase over net sales of \$5.1 billion in the fiscal 2011 second quarter. The increase reflected a 4% increase in same store sales, a 4% increase in new stores, and a 2% increase from the benefit of foreign currency exchange rates, offset in part by a 2% decrease due to the elimination of sales from the A.J. Wright stores (net of sales from the converted stores). This compares to sales growth of 7% in last year's second quarter, which reflected a 4% increase from new stores and a 3% increase in same store sales. Foreign currency exchange rates had an immaterial impact on fiscal 2011 second quarter sales.

Consolidated net sales for the six months ended July 30, 2011 totaled \$10.7 billion, a 6% increase over net sales of \$10.1 billion in last year's comparable period. The increase reflected a 4% increase from new stores, a 3% increase in same store sales and a 2% increase from the benefit of foreign currency exchange rates, offset in part by a 3% decrease due to the elimination of sales from the A.J. Wright stores (net of sales from the converted stores). This compares to sales growth of 11% in the six month period of fiscal 2011, which consisted of a 6% increase in same store sales, a 4% increase from new stores and a 1% increase from the impact of foreign currency exchange rates. Our consolidated store count and selling square footage as of July 30, 2011 each increased 2% as compared to July 31, 2010. This level of increase, lower than our historical levels, is due to the 72 A.J. Wright stores that were closed and not converted to other banners.

In the U.S., the same store sales increases for both the second quarter and six months ended July 30, 2011 reflected increases in both the average transaction and customer traffic. Dresses, activewear, shoes and accessories performed particularly well in the second quarter of fiscal 2012. For the second quarter of fiscal 2012, geographically, all regions in the U.S. recorded same store sales increases, with New England and the Southwest above the consolidated average and the Midwest below the consolidated average. TJX Europe same store sales were flat and TJX Canada same store sales decreased.

For the six-month period of fiscal 2012, dresses and activewear recorded the strongest same store sales increases. Geographically, in the U.S. same store sales were strongest in Florida and the Southwest while same store sales increases in the Northeast and Midwest trailed the consolidated average. Same store sales decreased at both TJX Europe and TJX Canada.

We define same store sales to be sales of those stores that have been in operation for all or a portion of two consecutive fiscal years, or in other words, stores that are starting their third fiscal year of operation. We classify a store as a new store until it meets the same store sales criteria. We determine which stores are included in the same store sales calculation at the beginning of a fiscal year and the classification remains constant throughout that year, unless a store is closed. We calculate same store sales results by comparing the current and prior year weekly periods that are most closely aligned. Relocated stores and stores that have increased in size are generally classified in the same way as the original store, and we believe that the impact of these stores on the consolidated same store percentage is immaterial. Of the 90 A.J. Wright stores that were converted to other banners, 82 are classified as new stores and 8 as relocations. Same store sales of our foreign divisions are calculated on a constant currency basis, meaning we translate the current year's same store sales of our foreign divisions at the same exchange rates used in the prior year. This removes the effect of changes in currency exchange rates, which we believe is a more accurate measure of divisional operating performance.

Table of Contents

Presented below are both our reported and our adjusted consolidated operating results expressed as a percentage of net sales for the thirteen weeks and six months ended July 30, 2011 and July 31, 2010 (see Adjusted Financial Measures below for more information):

Percentage of Net
Sales

Percentage of Net
Sales