

TJX COMPANIES INC /DE/  
Form 10-Q  
August 27, 2010

**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 31, 2010**

**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 31, 2010: 400,661,233

**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 31,<br>2010     | August 1,<br>2009 |
| Net sales                                               | \$ 5,068,080         | \$ 4,747,528      |
| Cost of sales, including buying and occupancy costs     | 3,719,210            | 3,534,302         |
| Selling, general and administrative expenses            | 853,801              | 790,876           |
| Provision (credit) for Computer Intrusion related costs | (11,550)             |                   |
| Interest expense, net                                   | 10,272               | 9,249             |
| Income before provision for income taxes                | 496,347              | 413,101           |
| Provision for income taxes                              | 191,363              | 151,540           |
| Net income                                              | \$ 304,984           | \$ 261,561        |
| Basic earnings per share:                               |                      |                   |
| Net income                                              | \$ 0.76              | \$ 0.62           |
| Weighted average common shares basic                    | 403,708              | 423,891           |
| Diluted earnings per share:                             |                      |                   |
| Net income                                              | \$ 0.74              | \$ 0.61           |
| Weighted average common shares diluted                  | 409,742              | 430,453           |
| Cash dividends declared per share                       | \$ 0.15              | \$ 0.12           |

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

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

|                                                         | Twenty-Six Weeks Ended |                   |
|---------------------------------------------------------|------------------------|-------------------|
|                                                         | July 31,<br>2010       | August 1,<br>2009 |
| Net sales                                               | \$ 10,084,620          | \$ 9,101,752      |
| Cost of sales, including buying and occupancy costs     | 7,367,884              | 6,807,648         |
| Selling, general and administrative expenses            | 1,675,164              | 1,525,933         |
| Provision (credit) for Computer Intrusion related costs | (11,550)               |                   |
| Interest expense, net                                   | 20,474                 | 15,850            |
| Income before provision for income taxes                | 1,032,648              | 752,321           |
| Provision for income taxes                              | 396,230                | 281,546           |
| Net income                                              | \$ 636,418             | \$ 470,775        |
| Basic earnings per share:                               |                        |                   |
| Net income                                              | \$ 1.57                | \$ 1.13           |
| Weighted average common shares basic                    | 405,880                | 418,212           |
| Diluted earnings per share:                             |                        |                   |
| Net income                                              | \$ 1.54                | \$ 1.09           |
| Weighted average common shares diluted                  | 412,394                | 431,091           |
| Cash dividends declared per share                       | \$ 0.30                | \$ 0.24           |

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

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

|                                                                                                                | July 31,<br>2010<br>(unaudited) | January 30,<br>2010 | August 1,<br>2009<br>(unaudited) |
|----------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------|----------------------------------|
| <b>ASSETS</b>                                                                                                  |                                 |                     |                                  |
| Current assets:                                                                                                |                                 |                     |                                  |
| Cash and cash equivalents                                                                                      | \$ 1,380,169                    | \$ 1,614,607        | \$ 1,426,895                     |
| Short-term investments                                                                                         | 139,229                         | 130,636             | 134,627                          |
| Accounts receivable, net                                                                                       | 171,203                         | 148,126             | 145,387                          |
| Merchandise inventories                                                                                        | 2,884,602                       | 2,532,318           | 3,100,175                        |
| Prepaid expenses and other current assets                                                                      | 277,766                         | 255,707             | 295,766                          |
| Current deferred income taxes, net                                                                             | 95,950                          | 122,462             | 108,852                          |
| Total current assets                                                                                           | 4,948,919                       | 4,803,856           | 5,211,702                        |
| Property at cost:                                                                                              |                                 |                     |                                  |
| Land and buildings                                                                                             | 286,056                         | 281,527             | 277,463                          |
| Leasehold costs and improvements                                                                               | 2,017,064                       | 1,930,977           | 1,865,203                        |
| Furniture, fixtures and equipment                                                                              | 3,229,120                       | 3,087,419           | 2,958,867                        |
| Total property at cost                                                                                         | 5,532,240                       | 5,299,923           | 5,101,533                        |
| Less accumulated depreciation and amortization                                                                 | 3,193,958                       | 3,026,041           | 2,872,297                        |
| Net property at cost                                                                                           | 2,338,282                       | 2,273,882           | 2,229,236                        |
| Property under capital lease, net of accumulated amortization of \$20,474; \$19,357 and \$18,240, respectively | 12,098                          | 13,215              | 14,332                           |
| Other assets                                                                                                   | 207,535                         | 193,230             | 200,951                          |
| Goodwill and tradename, net of amortization                                                                    | 179,875                         | 179,794             | 179,779                          |
| <b>TOTAL ASSETS</b>                                                                                            | <b>\$ 7,686,709</b>             | <b>\$ 7,463,977</b> | <b>\$ 7,836,000</b>              |
| <b>LIABILITIES</b>                                                                                             |                                 |                     |                                  |
| Current liabilities:                                                                                           |                                 |                     |                                  |
| Current installments of long-term debt                                                                         | \$                              | \$                  | \$ 418,943                       |
| Obligation under capital lease due within one year                                                             | 2,529                           | 2,355               | 2,263                            |
| Accounts payable                                                                                               | 1,847,547                       | 1,507,892           | 1,740,443                        |
| Accrued expenses and other liabilities                                                                         | 1,117,127                       | 1,248,002           | 1,067,862                        |
| Federal, foreign and state income taxes payable                                                                | 7,417                           | 136,737             |                                  |
| Total current liabilities                                                                                      | 2,974,620                       | 2,894,986           | 3,229,511                        |
| Other long-term liabilities                                                                                    | 719,325                         | 697,099             | 753,254                          |
| Non-current deferred income taxes, net                                                                         | 230,204                         | 192,447             | 229,991                          |

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|                                                                  |         |         |         |
|------------------------------------------------------------------|---------|---------|---------|
| Obligation under capital lease, less portion due within one year | 14,516  | 15,844  | 17,045  |
| Long-term debt, exclusive of current installments                | 774,362 | 774,325 | 774,287 |
| Commitments and contingencies                                    |         |         |         |

SHAREHOLDERS' EQUITY

|                                                                                                                                                   |              |              |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Common stock, authorized 1,200,000,000 shares, par value \$1,<br>issued and outstanding 400,661,233; 409,386,126 and<br>423,853,927, respectively | 400,661      | 409,386      | 423,854      |
| Additional paid-in capital                                                                                                                        |              |              | 215,568      |
| Accumulated other comprehensive (loss)                                                                                                            | (132,733)    | (134,124)    | (115,791)    |
| Retained earnings                                                                                                                                 | 2,705,754    | 2,614,014    | 2,308,281    |
| Total shareholders' equity                                                                                                                        | 2,973,682    | 2,889,276    | 2,831,912    |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY                                                                                                        | \$ 7,686,709 | \$ 7,463,977 | \$ 7,836,000 |

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

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

|                                                                                   | Twenty-Six Weeks Ended |                   |
|-----------------------------------------------------------------------------------|------------------------|-------------------|
|                                                                                   | July 31,<br>2010       | August 1,<br>2009 |
| Cash flows from operating activities:                                             |                        |                   |
| Net income                                                                        | \$ 636,418             | \$ 470,775        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                        |                   |
| Depreciation and amortization                                                     | 227,231                | 209,420           |
| Loss on property disposals                                                        | 4,989                  | 867               |
| Deferred income tax provision                                                     | 55,047                 | 108,326           |
| Amortization of share-based compensation expense                                  | 28,029                 | 25,859            |
| Excess tax benefits from share-based compensation expense                         | (17,964)               | (6,213)           |
| Changes in assets and liabilities:                                                |                        |                   |
| (Increase) decrease in accounts receivable                                        | (23,072)               | 1,573             |
| (Increase) in merchandise inventories                                             | (345,911)              | (408,952)         |
| (Increase) in prepaid expenses and other current assets                           | (29,730)               | (23,275)          |
| Increase in accounts payable                                                      | 335,463                | 422,565           |
| (Decrease) in accrued expenses and other liabilities                              | (211,350)              | (91,869)          |
| Other                                                                             | 6,819                  | (4,342)           |
| Net cash provided by operating activities                                         | 665,969                | 704,734           |
| Cash flows from investing activities:                                             |                        |                   |
| Property additions                                                                | (326,856)              | (163,637)         |
| Purchase of short-term investments                                                | (72,398)               | (167,184)         |
| Sales and maturities of short-term investments                                    | 67,914                 | 42,756            |
| Proceeds from repayments on note receivable                                       | 458                    | (5,438)           |
| Net cash (used in) investing activities                                           | (330,882)              | (293,503)         |
| Cash flows from financing activities:                                             |                        |                   |
| Proceeds from issuance of long-term debt                                          |                        | 774,263           |
| Principal payments on current portion of long-term debt                           |                        | (2,283)           |
| Cash payments for debt issuance expenses                                          | (2,960)                | (7,202)           |
| Payments on capital lease obligation                                              | (1,154)                | (1,065)           |
| Cash payments for repurchase of common stock                                      | (574,651)              | (236,713)         |
| Proceeds from issuance of common stock                                            | 100,467                | 68,790            |
| Excess tax benefits from share-based compensation expense                         | 17,964                 | 6,213             |
| Cash dividends paid                                                               | (110,125)              | (96,601)          |
| Net cash (used in) provided by financing activities                               | (570,459)              | 505,402           |

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|                                                              |              |              |
|--------------------------------------------------------------|--------------|--------------|
| Effect of exchange rate changes on cash and cash equivalents | 934          | 56,735       |
| Net (decrease) increase in cash and cash equivalents         | (234,438)    | 973,368      |
| Cash and cash equivalents at beginning of year               | 1,614,607    | 453,527      |
| Cash and cash equivalents at end of period                   | \$ 1,380,169 | \$ 1,426,895 |

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

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 30, 2010                                                  | 409,386      | \$ 409,386 | \$         | \$            | (134,124) | \$ 2,614,014 | \$ 2,889,276 |
| Comprehensive income:                                                      |              |            |            |               |           |              |              |
| Net income                                                                 |              |            |            |               |           | 636,418      | 636,418      |
| Foreign currency translation adjustments                                   |              |            |            |               | (1,684)   |              | (1,684)      |
| Recognition of prior service cost and deferred gains                       |              |            |            |               | 3,075     |              | 3,075        |
| Total comprehensive income                                                 |              |            |            |               |           |              | 637,809      |
| Cash dividends declared on common stock                                    |              |            |            |               |           | (121,345)    | (121,345)    |
| Amortization of share-based compensation expense                           |              |            | 28,029     |               |           |              | 28,029       |
| Issuance of common stock under stock incentive plan and related tax effect | 4,577        | 4,577      | 109,987    |               |           |              | 114,564      |
| Common stock repurchased                                                   | (13,302)     | (13,302)   | (138,016)  |               |           | (423,333)    | (574,651)    |
| Balance, July 31, 2010                                                     | 400,661      | \$ 400,661 | \$         | \$            | (132,733) | \$ 2,705,754 | \$ 2,973,682 |

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



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 (U.S. 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 30, 2010 (fiscal 2010).

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.

*Share-Based Compensation* Total share-based compensation expense was \$14.7 million for the quarter ended July 31, 2010 and \$13.5 million for the quarter ended August 1, 2009. Total share-based compensation expense was \$28.0 million for the six months ended July 31, 2010 and \$25.9 million for the six months ended August 1, 2009. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 551,000 shares of common stock exercised during the second quarter ended July 31, 2010 and options to purchase 4.4 million shares of common stock exercised during the six months ended July 31, 2010. There were options to purchase 23.4 million shares of common stock outstanding as of July 31, 2010.

*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 a year at the date of purchase are included in short-term investments. TJX's investments are primarily high-grade commercial paper, government and corporate bonds, 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 \$465.1 million at July 31, 2010, \$396.8 million at January 30, 2010 and \$423.7 million at August 1, 2009. A liability for a comparable amount is included in accounts payable for the respective periods.

*New Accounting Standards* There were no new accounting standards issued during the second quarter ended July 31, 2010 that are expected to have a material impact on TJX's financial condition, results of operations or cash flows.

**Note B. Commitments and Contingencies**

*Provision (credit) for Computer Intrusion related costs* TJX has a reserve for its estimate of the total 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. TJX reduced the Provision for Computer Intrusion related costs by \$11.6 million during the second quarter ended July 31, 2010 primarily as a result of insurance proceeds and adjustments to our remaining reserve. The reserve balance was \$19.6 million at July 31, 2010. As an estimate, the reserve is subject to uncertainty, actual costs may vary from the current estimate and such variations may be material. TJX may, in the future, decrease or increase the amount of the reserve to adjust for matters such as developments in litigation, claims and related expenses, insurance proceeds and changes in the estimate.

*Reserve for Discontinued Operations* TJX has a reserve for future obligations of discontinued operations that relates primarily to real estate leases associated with former TJX businesses. The reserve balance was \$32.2 million at July 31, 2010.

TJX may also be contingently liable on up to 14 leases of BJ's Wholesale Club, a former TJX business, and up to seven leases of Bob's Stores, also a former TJX business, in addition to those included in the reserve. The reserve for discontinued operations does not reflect these leases because TJX does not believe that the likelihood of future liability to TJX is probable.

**Note C. Other Comprehensive Income**

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

| In thousands                                         | Thirteen Weeks Ended |                   |
|------------------------------------------------------|----------------------|-------------------|
|                                                      | July 31,<br>2010     | August 1,<br>2009 |
| Net income                                           | \$ 304,984           | \$ 261,561        |
| Other comprehensive income (loss):                   |                      |                   |
| Foreign currency translation adjustments             | 3,029                | 71,823            |
| Recognition of unfunded post retirement obligations  |                      |                   |
| Recognition of prior service cost and deferred gains | 1,536                | 1,220             |
| Total comprehensive income                           | \$ 309,549           | \$ 334,604        |

  

| In thousands                                         | Twenty-Six Weeks Ended |                   |
|------------------------------------------------------|------------------------|-------------------|
|                                                      | July 31,<br>2010       | August 1,<br>2009 |
| Net income                                           | \$ 636,418             | \$ 470,775        |
| Other comprehensive income (loss):                   |                        |                   |
| Foreign currency translation adjustments             | (1,684)                | 100,300           |
| Recognition of unfunded post retirement obligations  |                        | (1,212)           |
| Recognition of prior service cost and deferred gains | 3,075                  | 2,902             |
| Total comprehensive income                           | \$ 637,809             | \$ 572,765        |

**Note D. Capital Stock and Earnings Per Share**

*Capital Stock* During the quarter ended July 31, 2010, TJX repurchased and retired 8.2 million shares of its common stock at a cost of \$355.5 million. For the six months ended July 31, 2010, TJX repurchased 13.7 million shares of its common stock at a cost of \$589.6 million. TJX reflects stock repurchases in its financial statements on a settlement basis. TJX's expenditures for its repurchase programs were \$574.7 million for the six months ended July 31, 2010 and \$236.7 million for the six months ended August 1, 2009. These expenditures were funded primarily by cash generated from operations together, in 2009, with the proceeds of a debt issuance. As of July 31, 2010, on a trade date basis, TJX had repurchased 19.2 million shares of common stock at a cost of \$794.6 million under a \$1 billion stock repurchase program authorized in September 2009. All shares repurchased under TJX's stock repurchase programs have been retired.

In February 2010, TJX's Board of Directors approved another stock repurchase program that authorizes the repurchase of up to an additional \$1 billion of TJX common stock from time to time.

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

*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 31,<br>2010     | August 1,<br>2009 |
| <i>Basic earnings per share</i>                                                               |                      |                   |
| Net income                                                                                    | \$ 304,984           | \$ 261,561        |
| Weighted average common shares outstanding for basic EPS                                      | 403,708              | 423,891           |
| Basic earnings per share — continuing operations                                              | \$ 0.76              | \$ 0.62           |
| <i>Diluted earnings per share</i>                                                             |                      |                   |
| Net income                                                                                    | \$ 304,984           | \$ 261,561        |
| Add back: Interest expense on zero coupon convertible subordinated notes, net of income taxes |                      | 1                 |
| Net income used for diluted EPS calculation                                                   | \$ 304,984           | \$ 261,562        |
| Shares for basic and diluted earnings per share calculations:                                 |                      |                   |
| Weighted average common shares outstanding for basic EPS                                      | 403,708              | 423,891           |
| Assumed conversion/exercise/vesting of:                                                       |                      |                   |
| Stock options and awards                                                                      | 6,034                | 6,026             |
| Zero coupon convertible subordinated notes                                                    |                      | 536               |
| Weighted average common shares outstanding for diluted EPS                                    | 409,742              | 430,453           |
| Diluted earnings per share                                                                    | \$ 0.74              | \$ 0.61           |

| In thousands, except per share data                                                           | Twenty-Six Weeks Ended |                   |
|-----------------------------------------------------------------------------------------------|------------------------|-------------------|
|                                                                                               | July 31,<br>2010       | August 1,<br>2009 |
| <i>Basic earnings per share</i>                                                               |                        |                   |
| Net income                                                                                    | \$ 636,418             | \$ 470,775        |
| Weighted average common shares outstanding for basic EPS                                      | 405,880                | 418,212           |
| Basic earnings per share — continuing operations                                              | \$ 1.57                | \$ 1.13           |
| <i>Diluted earnings per share</i>                                                             |                        |                   |
| Net income                                                                                    | \$ 636,418             | \$ 470,775        |
| Add back: Interest expense on zero coupon convertible subordinated notes, net of income taxes |                        | 1,073             |
| Net income used for diluted EPS calculation                                                   | \$ 636,418             | \$ 471,848        |
| Shares for basic and diluted earnings per share calculations:                                 |                        |                   |
| Weighted average common shares outstanding for basic EPS                                      | 405,880                | 418,212           |
| Assumed conversion/exercise/vesting of:                                                       |                        |                   |
| Stock options and awards                                                                      | 6,514                  | 5,077             |
| Zero coupon convertible subordinated notes                                                    |                        | 7,802             |
| Weighted average common shares outstanding for diluted EPS                                    | 412,394                | 431,091           |

Diluted earnings per share \$ 1.54 \$ 1.09

In April 2009, TJX called for the redemption of its zero coupon convertible subordinated notes. There were 462,057 notes with a carrying value of \$365.1 million that were converted into 15.1 million shares of TJX common stock at a conversion rate of 32.667 shares per note, most during the second quarter of fiscal 2010. TJX paid \$2.3 million to redeem the remaining 2,886 notes outstanding that were not converted.

The weighted average common shares for the diluted earnings per share calculation excludes the impact of outstanding stock options if the assumed proceeds per share of the option is in excess of the related fiscal period's average price of TJX's common stock. Such options are excluded because they would have an antidilutive effect. No such options were excluded for the thirteen weeks or for the twenty-six weeks ended July 31, 2010. There were 4.9 million options excluded for the thirteen weeks ended August 1, 2009 and 9.8 million options excluded for the twenty-six weeks ended August 1, 2009.

**Note E. Financial Instruments**

TJX enters into financial instruments to manage its cost of borrowing and to manage its exposure to changes in fuel costs and foreign currency exchange rates. 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 derivative contracts that do not qualify for hedge accounting are reported in earnings in the period of the change. For derivatives that qualify for hedge accounting, changes in the fair value of the derivatives 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.

*Interest Rate Contracts* During fiscal 2004, TJX entered into interest rate swaps with respect to \$100 million of the \$200 million ten-year notes outstanding at that time. Under those interest rate swaps, which settled in December 2009, TJX paid a specific variable interest rate indexed to the six-month LIBOR rate and received a fixed rate applicable to the underlying debt, effectively converting the interest on a portion of the notes from fixed to a floating rate of interest. The interest income/expense on those swaps was accrued as earned and recorded as an adjustment to the interest expense accrued on the fixed-rate debt. The interest rate swaps were designated as fair value hedges on the underlying debt.

*Diesel Fuel Contracts* During the fourth quarter of fiscal 2010 and second quarter of fiscal 2011, TJX entered into agreements to hedge a portion of its notional diesel requirements for fiscal 2011 based on the diesel fuel consumed by independent freight carriers transporting the Company's inventory. These economic hedges at July 31, 2010 relate to 50% of its notional diesel requirements in the third and fourth quarters of fiscal 2011. These diesel fuel hedge agreements will settle during the last two quarters of fiscal 2011 and expire in February 2011. During fiscal 2009, TJX entered into agreements to hedge approximately 30% of its notional diesel fuel requirements for fiscal 2010, which settled throughout the year and terminated in February 2010. 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 volatility of diesel fuel pricing (and the resulting per mile surcharges payable by TJX) by setting a fixed price per gallon for the year. TJX elected not to apply hedge accounting rules to these contracts.

*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 in currencies other than the functional currency of TJX Europe (operating in the United Kingdom, Ireland, Germany and Poland), TJX Canada (Canada) and Marmaxx (U.S.). These contracts are typically twelve months or less in duration. The contracts outstanding at July 31, 2010 covered certain inventory purchases for the two remaining quarters of fiscal 2011. 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. There were no such contracts outstanding as of July 31, 2010.

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<br>Contract<br>Rate | Balance<br>Sheet<br>Location        | Current<br>Asset<br>US\$ | Current<br>(Liability)<br>US\$ | Net Fair<br>Value in<br>US\$ at<br>July 31,<br>2010 |
|--------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------|-------------------------------------|--------------------------|--------------------------------|-----------------------------------------------------|
| Hedge accounting not elected:                    |                                        |                                        |                             |                                     |                          |                                |                                                     |
| Diesel contracts                                 | Fixed on 260K<br>1.3M gal per<br>month | Float on 260K<br>1.3M gal per<br>month | N/A                         | Prepaid<br>Exp                      | \$ 164                   | \$                             | \$ 164                                              |
| Merchandise purchase<br>commitments              |                                        |                                        |                             | Prepaid<br>Exp/<br>(Accrued<br>Exp) |                          |                                |                                                     |
|                                                  | C\$225,158                             | US\$220,416                            | 0.9789                      |                                     | 2,765                    | (822)                          | 1,943                                               |
|                                                  | C\$ 3,228                              | 2,400                                  | 0.7435                      | Prepaid<br>Exp/(Accrued<br>Exp)     | 41                       | (44)                           | (3)                                                 |
|                                                  | £ 67,332                               | US\$102,872                            | 1.5278                      | (Accrued<br>Exp)                    |                          | (2,742)                        | (2,742)                                             |
|                                                  | £ 56,492                               | 64,539                                 | 1.1424                      | Prepaid<br>Exp/(Accrued<br>Exp)     | 48                       | (4,514)                        | (4,466)                                             |
|                                                  | 24,456                                 | £ 20,326                               | 0.8311                      | Prepaid<br>Exp/(Accrued<br>Exp)     |                          | (30)                           | (30)                                                |
|                                                  | 3,782                                  | US\$ 4,935                             | 1.3049                      | (Accrued<br>Exp)                    | 1                        | (2)                            | (1)                                                 |
|                                                  | US\$ 1,006                             | 783                                    | 1.2848                      | Prepaid<br>Exp/(Accrued<br>Exp)     | 43                       | (28)                           | 15                                                  |
| Total fair value of all financial<br>instruments |                                        |                                        |                             |                                     | \$3,062                  | \$(8,182)                      | \$(5,120)                                           |

Following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at August 1, 2009:

| In thousands                                                               | Pay                            | Receive                           | Blended<br>Contract<br>Rate | Balance Sheet<br>Location           | Current<br>Asset<br>US\$ | Current<br>(Liability)<br>US\$ | Net Fair<br>Value in<br>US\$ at<br>August<br>1, 2009 |
|----------------------------------------------------------------------------|--------------------------------|-----------------------------------|-----------------------------|-------------------------------------|--------------------------|--------------------------------|------------------------------------------------------|
| Fair value hedges:                                                         |                                |                                   |                             |                                     |                          |                                |                                                      |
| Interest rate swap fixed to floating on notional of \$50,000               |                                |                                   |                             |                                     |                          |                                |                                                      |
|                                                                            | LIBOR + 4.17%                  | 7.45%                             | N/A                         | Prepaid Exp                         | \$ 524                   | \$                             | \$ 524                                               |
| Interest rate swap fixed to floating on notional of \$50,000               |                                |                                   |                             |                                     |                          |                                |                                                      |
|                                                                            | LIBOR + 3.42%                  | 7.45%                             | N/A                         | Prepaid Expense                     | 712                      |                                | 712                                                  |
| Intercompany balance hedges primarily short-term debt and related interest |                                |                                   |                             |                                     |                          |                                |                                                      |
|                                                                            | C\$ 68,410                     | US\$ 63,224                       | 0.9242                      | (Accrued Exp)                       |                          | (317)                          | (317)                                                |
| Hedge accounting not elected:                                              |                                |                                   |                             |                                     |                          |                                |                                                      |
| Diesel contracts                                                           |                                |                                   |                             |                                     |                          |                                |                                                      |
|                                                                            | Fixed on 750K gal<br>per month | Float on 750K<br>gal<br>per month | N/A                         | (Accrued Exp)                       |                          | (1,217)                        | (1,217)                                              |
| Merchandise purchase commitments                                           |                                |                                   |                             |                                     |                          |                                |                                                      |
|                                                                            | C\$ 227,502                    | US\$ 196,125                      | 0.8621                      | (Accrued Exp)                       |                          | (15,132)                       | (15,132)                                             |
|                                                                            | C\$ 2,283                      | 1,450                             | 0.6351                      | (Accrued Exp)                       |                          | (53)                           | (53)                                                 |
|                                                                            | £ 24,316                       | US\$ 39,100                       | 1.6080                      | (Accrued Exp)                       |                          | (1,539)                        | (1,539)                                              |
|                                                                            |                                |                                   |                             | Prepaid<br>Expense/(Accrued<br>Exp) |                          |                                |                                                      |
|                                                                            | £ 27,485                       | 32,000                            | 1.1643                      | Exp)                                | 11                       | (355)                          | (344)                                                |
|                                                                            | US\$ 334                       | 242                               | 1.3805                      | Prepaid Exp                         | 11                       |                                | 11                                                   |
| Total fair value of all financial instruments                              |                                |                                   |                             |                                     | \$1,258                  | \$(18,613)                     | \$(17,355)                                           |

The impact of derivative financial instruments on the statements of income during the second quarter of fiscal 2011 and fiscal 2010 are as follows:

| Location of Gain (Loss)                                               |                                                     | Amount of Gain (Loss)   |            |
|-----------------------------------------------------------------------|-----------------------------------------------------|-------------------------|------------|
| Recognized in Income by                                               |                                                     | Recognized              |            |
| Derivative                                                            |                                                     | in Income by Derivative |            |
|                                                                       |                                                     | July 31,                | August 1,  |
|                                                                       |                                                     | 2010                    | 2009       |
| In thousands                                                          |                                                     |                         |            |
| Fair value hedges:                                                    |                                                     |                         |            |
| Interest rate swap fixed to floating on notional of \$50,000          | Interest expense, net                               | \$                      | \$ 200     |
| Interest rate swap fixed to floating on notional of \$50,000          | Interest expense, net                               |                         | 245        |
| Intercompany balances, primarily short-term debt and related interest | Selling, general & administrative expenses          |                         | (4,923)    |
| Hedge accounting not elected:                                         |                                                     |                         |            |
| Diesel contracts                                                      | Cost of sales, including buying and occupancy costs | (776)                   | 3,034      |
| Merchandise purchase commitments                                      | Cost of sales, including buying and occupancy costs | (3,070)                 | (5,583)    |
| Gain (loss) recognized in income                                      |                                                     | \$ (3,846)              | \$ (7,027) |

The impact of derivative financial instruments on the statements of income during the first six months of fiscal 2011 and fiscal 2010 are as follows:

| Location of Gain (Loss)                                               |                                            | Amount of Gain (Loss)   |           |
|-----------------------------------------------------------------------|--------------------------------------------|-------------------------|-----------|
| Recognized in Income by                                               |                                            | Recognized              |           |
| Derivative                                                            |                                            | in Income by Derivative |           |
|                                                                       |                                            | July 31,                | August 1, |
|                                                                       |                                            | 2010                    | 2009      |
| In thousands                                                          |                                            |                         |           |
| Fair value hedges:                                                    |                                            |                         |           |
| Interest rate swap fixed to floating on notional of \$50,000          | Interest expense, net                      | \$                      | \$ 541    |
| Interest rate swap fixed to floating on notional of \$50,000          | Interest expense, net                      |                         | 730       |
| Intercompany balances, primarily short-term debt and related interest | Selling, general & administrative expenses |                         | (7,023)   |



Hedge accounting not elected:

|                                  |                                                     |            |             |
|----------------------------------|-----------------------------------------------------|------------|-------------|
| Diesel contracts                 | Cost of sales, including buying and occupancy costs | 606        | 3,714       |
| Merchandise purchase commitments | Cost of sales, including buying and occupancy costs | (9,896)    | (21,175)    |
| Gain (loss) recognized in income |                                                     | \$ (9,290) | \$ (23,213) |

The counterparties to the forward exchange contracts and swap agreements are major international financial institutions and the contracts contain rights of offset which are designed to minimize TJX's exposure to credit loss in the event of nonperformance by one of the counterparties. TJX is not required by counterparties to maintain, and TJX does not require that counterparties maintain, collateral for these contracts. TJX monitors its position and the

credit ratings of the counterparties on an ongoing basis and does not anticipate losses resulting from potential nonperformance of these institutions.

**Note F. Disclosures about Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). U.S. GAAP classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

TJX endeavors to utilize the best available information in measuring fair value and classifies financial assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. TJX has determined that its financial assets and liabilities are classified within level 1 or level 2 in the fair value hierarchy. 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 31,<br>2010 | January 30,<br>2010 | August 1,<br>2009 |
|-------------------------------------|------------------|---------------------|-------------------|
| Level 1                             |                  |                     |                   |
| Assets:                             |                  |                     |                   |
| Executive savings plan              | \$ 62,569        | \$ 55,404           | \$ 50,031         |
| Level 2                             |                  |                     |                   |
| Assets:                             |                  |                     |                   |
| Short-term investments              | \$ 139,229       | \$ 130,636          | \$ 134,627        |
| Foreign currency exchange contracts | 2,898            | 5,642               | 22                |
| Diesel fuel contracts               | 164              |                     |                   |
| Interest rate swaps                 |                  |                     | 1,236             |
| Liabilities:                        |                  |                     |                   |
| Foreign currency exchange contracts | \$ 8,182         | \$ 1,029            | \$ 17,396         |
| Diesel fuel contracts               |                  | 442                 | 1,217             |

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 the zero coupon convertible subordinated notes was estimated by obtaining market quotes. The fair value of long-term debt at July 31, 2010 was \$911.4 million versus a carrying value of \$774.4 million. The fair value of the current installments of long-term debt at August 1, 2009 was \$422.7 million versus a carrying value of \$418.9 million. The fair value of long-term debt as of August 1, 2009 was \$805.8 million versus a carrying value of \$774.3 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.



As a result of its international operating and financing activities, TJX is exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect its operating results and financial position. When deemed appropriate, TJX seeks to minimize risk from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. Derivative financial instruments are not used for trading or other speculative purposes. TJX does not use leveraged derivative financial instruments. The forward foreign currency exchange contracts and interest rate swaps 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.

**Note G. Segment Information**

TJX operates 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 A.J. Wright and HomeGoods each is reported as a separate segment. Outside the U.S., store chains in Canada (Winners and HomeSense) are under common management and reported as the TJX Canada segment, and store chains in Europe (T.K. Maxx and HomeSense) are also under common management and reported as the TJX Europe segment.

TJX evaluates the performance of its segments based on segment profit or loss, which it defines as pre-tax income before general corporate expense, provision (credit) for Computer Intrusion related costs and interest. Segment profit or loss, as defined by TJX, may not be comparable to similarly titled measures used by other entities. In addition, this measure of performance should not be considered an alternative to net income or cash flows from operating activities as an indicator of our performance or as a measure of liquidity.

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

| In thousands                                            | Thirteen Weeks Ended |                   |
|---------------------------------------------------------|----------------------|-------------------|
|                                                         | July 31,<br>2010     | August 1,<br>2009 |
| Net sales:                                              |                      |                   |
| U.S. segments:                                          |                      |                   |
| Marmaxx                                                 | \$ 3,309,549         | \$ 3,145,504      |
| HomeGoods                                               | 455,685              | 412,837           |
| A.J. Wright                                             | 193,219              | 181,927           |
| International segments:                                 |                      |                   |
| TJX Canada                                              | 581,447              | 495,671           |
| TJX Europe                                              | 528,180              | 511,589           |
|                                                         | \$ 5,068,080         | \$ 4,747,528      |
| Segment profit:                                         |                      |                   |
| U.S. segments:                                          |                      |                   |
| Marmaxx                                                 | \$ 416,255           | \$ 358,351        |
| HomeGoods                                               | 35,176               | 24,532            |
| A.J. Wright                                             | 2,012                | 1,371             |
| International segments:                                 |                      |                   |
| TJX Canada                                              | 81,722               | 47,971            |
| TJX Europe                                              | 2,122                | 24,720            |
|                                                         | 537,287              | 456,945           |
| General corporate expenses                              | 42,218               | 34,595            |
| Provision (credit) for Computer Intrusion related costs | (11,550)             |                   |
| Interest expense, net                                   | 10,272               | 9,249             |
| Income before provision for income taxes                | \$ 496,347           | \$ 413,101        |



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

| In thousands                                            | Twenty-Six Weeks Ended |                   |
|---------------------------------------------------------|------------------------|-------------------|
|                                                         | July 31,<br>2010       | August 1,<br>2009 |
| Net sales:                                              |                        |                   |
| U.S. segments:                                          |                        |                   |
| Marmaxx                                                 | \$ 6,587,413           | \$ 6,083,813      |
| HomeGoods                                               | 912,744                | 804,732           |
| A.J. Wright                                             | 404,598                | 361,321           |
| International segments:                                 |                        |                   |
| TJX Canada                                              | 1,136,445              | 919,763           |
| TJX Europe                                              | 1,043,420              | 932,123           |
|                                                         | \$ 10,084,620          | \$ 9,101,752      |
| Segment profit:                                         |                        |                   |
| U.S. segments:                                          |                        |                   |
| Marmaxx                                                 | \$ 884,735             | \$ 689,021        |
| HomeGoods                                               | 75,769                 | 40,105            |
| A.J. Wright                                             | 11,798                 | 5,784             |
| International segments:                                 |                        |                   |
| TJX Canada                                              | 136,081                | 67,698            |
| TJX Europe                                              | 7,964                  | 34,013            |
|                                                         | 1,116,347              | 836,621           |
| General corporate expenses                              | 74,775                 | 68,450            |
| Provision (credit) for Computer Intrusion related costs | (11,550)               |                   |
| Interest expense, net                                   | 20,474                 | 15,850            |
| Income before provision for income taxes                | \$ 1,032,648           | \$ 752,321        |

**Note H. Pension Plans and Other Retirement Obligations**

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.

|                                    | Pension<br>(Funded Plan) |                   | Pension<br>(Unfunded Plan) |                   |
|------------------------------------|--------------------------|-------------------|----------------------------|-------------------|
|                                    | Thirteen Weeks Ended     |                   | Thirteen Weeks Ended       |                   |
| In thousands                       | July 31,<br>2010         | August 1,<br>2009 | July<br>31,<br>2010        | August 1,<br>2009 |
| Service cost                       | \$ 7,750                 | \$ 8,507          | \$ 206                     | \$ 309            |
| Interest cost                      | 9,019                    | 7,734             | 728                        | 720               |
| Expected return on plan assets     | (9,991)                  | (7,511)           |                            |                   |
| Amortization of prior service cost |                          | 4                 | 20                         | 31                |
| Recognized actuarial losses        | 2,722                    | 3,730             | 694                        | 396               |
| Settlement cost                    |                          |                   |                            | 840               |
| Total expense                      | \$ 9,500                 | \$ 12,464         | \$ 1,648                   | \$ 2,296          |

|                                    | Pension<br>(Funded Plan) |                   | Pension<br>(Unfunded Plan) |                   |
|------------------------------------|--------------------------|-------------------|----------------------------|-------------------|
|                                    | Twenty-Six Weeks Ended   |                   | Twenty-Six Weeks Ended     |                   |
| In thousands                       | July 31,<br>2010         | August 1,<br>2009 | July 31,<br>2010           | August 1,<br>2009 |
| Service cost                       | \$ 15,499                | \$ 16,132         | \$ 411                     | \$ 547            |
| Interest cost                      | 18,038                   | 15,783            | 1,457                      | 1,460             |
| Expected return on plan assets     | (19,981)                 | (14,011)          |                            |                   |
| Amortization of prior service cost |                          | 7                 | 41                         | 62                |
| Recognized actuarial losses        | 5,444                    | 6,803             | 1,388                      | 570               |
| Settlement cost                    |                          |                   |                            | 1,158             |
| Total expense                      | \$ 19,000                | \$ 24,714         | \$ 3,297                   | \$ 3,797          |

In fiscal 2009 the Pension Protection Act (PPA) became effective in the U.S., and TJX's policy is to fund, at a minimum, the amount required to maintain a funded status of 75% to 80% of the pension liability as defined by the PPA. As a result of funding in fiscal 2010, TJX does not anticipate any required funding in fiscal 2011 for the defined benefit retirement plan. TJX anticipates \$3.8 million in cash expenditures to pay benefits under the unfunded plan in fiscal 2011.

**Note I. 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.

In February 2001, TJX issued \$517.5 million zero coupon convertible subordinated notes due in February 2021 and raised gross proceeds of \$347.6 million. The issue price of the notes represented a yield to maturity of 2% per year. During fiscal 2010, TJX called for the redemption of these notes at the original issue price plus accrued original issue discount, and 462,057 notes with a carrying value of \$365.1 million were converted into 15.1 million shares of TJX common stock at a rate of 32.667 shares per note. TJX paid \$2.3 million to redeem the remaining 2,886 notes outstanding that were not converted. Prior to fiscal 2010, a total of 52,557 notes were either converted into common shares of TJX or put back to TJX.

In May 2010, TJX entered into a \$500 million three-year revolving credit facility with similar terms and provisions as the \$500 million facility it replaced, updated for market pricing. As of July 31, 2010, TJX also had a \$500 million revolving credit facility maturing May 2011. The three-year agreement requires the payment of 17.5 basis points annually on the committed amounts. The agreement maturing in May 2011 requires the payment of six basis points annually on the committed amount. Both of these agreements have no compensating balance requirements, have various covenants including a requirement of a specified ratio of debt to earnings, and serve as back up to TJX's commercial paper program. There were no outstanding amounts under these credit facilities as of July 31, 2010 or August 1, 2009.

As of July 31, 2010 and August 1, 2009, 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 31, 2010 and August 1, 2009, there were no amounts outstanding on the Canadian credit line for operating expenses. As of 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 31, 2010 or August 1, 2009.

#### **Note J. Income Taxes**

TJX had unrecognized tax benefits of \$127.4 million as of July 31, 2010 and \$129.7 million as of August 1, 2009. The effective income tax rate was 38.6% for the fiscal 2011 second quarter and 36.7% for last year's second quarter. The effective income tax rate was 38.4% for the six months ended July 31, 2010 and 37.4% for the comparable period last year. The increase in the income tax rate for both the second quarter and year-to-date periods of fiscal 2011 was largely driven by a fiscal 2010 favorable tax treatment of foreign currency gains on certain intercompany loans between TJX and TJX Canada that was absent in fiscal 2011.

TJX is subject to U.S. federal income tax as well as income tax in multiple state, local and foreign jurisdictions. In nearly all jurisdictions, the tax years through fiscal 2001 are no longer subject to examination.

TJX's accounting policy classifies interest and penalties related to income tax matters as part of income tax expense. The accrued amounts for interest and penalties were \$54.8 million as of July 31, 2010 and \$53.0 million as of August 1, 2009.

Based on the outcome of tax examinations or judicial or administrative proceedings, or as a result of the expiration of statute of limitations in specific jurisdictions, it is reasonably possible that unrecognized tax benefits for certain tax positions taken on previously filed tax returns may change materially from those presented in the financial statements. During the next 12 months, it is reasonably possible that tax examinations of prior years' tax returns, or judicial or administrative proceedings that reflect such positions taken by TJX, may be finalized. As a result, the total net amount of unrecognized tax benefits may decrease, which would reduce the provision for taxes on earnings by a range of \$3.0 million to \$74.0 million.

**Note K. Supplemental Cash Flows Information**

TJX's non-cash investing and financing activities are as follows:

| In thousands                                |    | Twenty-Six Weeks Ended |                   |
|---------------------------------------------|----|------------------------|-------------------|
|                                             |    | July 31,<br>2010       | August 1,<br>2009 |
| Conversion of zero coupon convertible notes | 21 | \$                     | \$365,088         |

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**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 31, 2010

Compared to

The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended August 1, 2009

**Business Overview**

We are the leading off-price apparel and home fashions retailer in the United States and worldwide. Our nearly 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 eight off-price retail chains in the U.S., Canada and Europe and are known for our treasure hunt shopping experience and excellent values on brand-name merchandise. We turn our inventories rapidly relative to traditional retailers to create a sense of urgency and excitement for our customers, to encourage frequent customer visits and to drive merchandise margins. Our flexible no walls business model allows us to expand and contract merchandise categories quickly in response to consumers' changing tastes. The values we offer appeal to a broad range of customers across 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 off-price expertise and systems throughout our business, leveraging best practices, initiatives and new ideas and developing talent across our concepts. We also leverage the substantial buying power of our businesses and the geographic scope and depth of our merchant organization to develop our global relationships with vendors.

**Results of Operations**

Highlights of our financial performance for the second quarter and six months ended July 31, 2010 include the following:

Same store sales increased 3% for the second quarter and increased 6% for the six-month period ending July 31, 2010 over last year's comparable periods. Our same store sales increases were on top of a 4% increase in the fiscal 2010 second quarter and 3% increase in the six months ended August 1, 2009. Same store sales growth was driven once again by increases in customer traffic over significant increases last year, as we continued to attract new customers and retain existing customers across a broad span of income levels.

Net sales increased 7% to \$5.1 billion for the second quarter and 11% to \$10.1 billion for the six-month period over last year's comparable periods. Stores in operation and total selling square footage were both up 4% as of July 31, 2010 when compared to the same period last year. The movement in foreign currency exchange rates had a 1 percentage point favorable impact on net sales in the six months ended July 31, 2010. Foreign currency exchange rates had no significant impact on net sales in the second quarter of fiscal 2011.

Our fiscal 2011 second quarter pre-tax margin (the ratio of pre-tax income to net sales) was 9.8% compared to 8.7% for the same period last year. For the six months ended July 31, 2010, our pre-tax margin was 10.2% compared to 8.3% for the same period last year. The improvement in both the second quarter and six-month periods of fiscal 2011 was primarily driven by the growth in merchandise margins, which were achieved as a result of managing the business with substantially lower levels of inventory (resulting in faster inventory turns), along with expense leverage from the strong same store sales growth, as well as our continued cost reduction programs. The periods ended July 31, 2010 include a pre-tax benefit of \$11.6 million due to a reduction in the Provision for Computer Intrusion related costs which increased pre-tax margin by 0.2 percentage points for the quarter and 0.1 percentage points for the six-month period.

Our cost of sales ratios improved in both the second quarter and six-month periods of fiscal 2011, primarily due to improved merchandise margins and the leverage of buying and occupancy costs on strong same store sales. Selling, general and administrative expense as a percentage of net sales increased 0.1 percentage points for the second quarter of fiscal 2011 compared to the same period last year. The costs of opening a greater number of new stores this year, the impact of our younger European businesses on cost ratios and increased investment in our field organization more than offset the impact of our cost reduction program. The selling,



general and administrative expense as a percentage of net sales decreased 0.2 percentage points for the six months ended July 31, 2010 compared to the same period last year due to leverage on the 6% increase in same store sales and our cost reduction programs, partially offset by increased administrative and new store costs.

Net income for the second quarter of fiscal 2011 was \$305.0 million, or \$0.74 per diluted share, compared to \$261.6 million, or \$0.61 per diluted share, in last year's second quarter. Net income for the six months ended July 31, 2010 was \$636.4 million, or \$1.54 per diluted share, compared to \$470.8 million, or \$1.09 per diluted share in the same period last year. The credit to the Provision for Computer Intrusion related costs increased earnings per share by \$0.01 per share in both the current year's second quarter and six-month period.

During the second quarter of fiscal 2011, we repurchased 8.2 million shares of our common stock at a cost of \$355.5 million. For the first six months of fiscal 2011, we repurchased 13.7 million shares of our common stock at a cost of \$589.6 million. Diluted earnings per share reflect the benefit of the stock repurchase program.

Consolidated per store inventories, including inventory on hand at our distribution centers, were down 13% at the end of the second quarter of fiscal 2011 from the prior year as compared to a decrease of 4% at the end of the second quarter of fiscal 2010 from the prior year's second quarter end. We planned to operate with lower inventories to position us to take advantage of opportunities in the marketplace and to increase inventory turns. 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 second quarter ended July 31, 2010 totaled \$5.1 billion, a 7% increase over net sales of \$4.7 billion in the fiscal 2010 second quarter. The increase 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. This compares to sales growth of 4% in last year's second quarter, which consisted of a 4% increase from new stores and a 4% increase in same store sales, partially offset by a 4% decline from the negative impact of foreign currency exchange rates.

Consolidated net sales for the six months ended July 31, 2010 totaled \$10.1 billion, an 11% increase over net sales of \$9.1 billion in last year's comparable period. The increase reflected 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. This compares to sales growth of 3% in last year's six-month period, which consisted of a 4% increase from new stores, a 3% increase in same store sales and a 1% increase due to the shift in the fiscal calendar, partially offset by a 5% decline from the negative impact of foreign currency exchange rates.

New stores are a major source of sales growth. Both our consolidated store count and selling square footage increased by 4% as of July 31, 2010 as compared to August 1, 2009.

The same store sales increases for both the second quarter and six months ended July 31, 2010 were driven by significant increases in customer traffic at virtually all of our businesses. Juniors, jewelry and home fashions performed particularly well in the second quarter and six-month periods of fiscal 2011. For the second quarter of fiscal 2011, geographically, same store sales increases in Canada were above the consolidated average while European same store sales declined. In the U.S., same store sales increases were strong throughout the country with New England and the Midwest above the consolidated average, while the Southwest, Southeast and Florida were below the average. For the six-month period of fiscal 2011, geographically, same store sales increases in Canada were in line with the consolidated average and same store sales in Europe declined. In the U.S., same store sales increases were strong across all regions, with Florida's positive same store sales slightly below the consolidated average.

In the second half of fiscal 2011 we face more challenging comparisons as we recorded a double digit same stores sales increase in last year's second half. As a result, we have planned a larger than normal portion of our advertising budget for the last six months of fiscal 2011.

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. 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.

The following table sets forth our consolidated operating results expressed as a percentage of net sales:

|                                                            | Percentage of Net Sales<br>Thirteen Weeks Ended |                      | Percentage of Net Sales<br>Twenty-Six Weeks Ended |                      |
|------------------------------------------------------------|-------------------------------------------------|----------------------|---------------------------------------------------|----------------------|
|                                                            | July<br>31,<br>2010                             | August<br>1,<br>2009 | July 31,<br>2010                                  | August<br>1,<br>2009 |
| Net sales                                                  | 100.0%                                          | 100.0%               | 100.0%                                            | 100.0%               |
| Cost of sales, including buying and occupancy costs        | 73.4                                            | 74.4                 | 73.1                                              | 74.8                 |
| Selling, general and administrative expenses               | 16.8                                            | 16.7                 | 16.6                                              | 16.8                 |
| Provision (credit) for Computer Intrusion related expenses | (0.2)                                           |                      | (0.1)                                             |                      |
| Interest expense, net                                      | 0.2                                             | 0.2                  | 0.2                                               | 0.2                  |
| Income before provision for income taxes*                  | 9.8%                                            | 8.7%                 | 10.2%                                             | 8.3%                 |

\* Due to rounding, the individual items may not foot to Income before provision for income taxes.

**Impact of foreign currency exchange rates:** Our operating results can be affected by foreign currency exchange rates as a result of changes in the value of the U.S. dollar in relation to other currencies. Two ways in which foreign currency affects our reported results are as follows:

**Translation of foreign operating results into U.S. dollars:** In our financial statements, we translate the operations of our segments in Canada and Europe from local currencies into U.S. dollars using currency rates in effect at different points in time. Significant changes in foreign exchange rates between comparable prior periods can result in meaningful variations in consolidated net sales, net income and earnings per share growth as well as the net sales and operating results of our Canadian and European segments. Currency translation generally does not affect operating margins, as sales and expenses of the foreign operations are translated at essentially the same rates in a given period.

**Inventory hedges:** We routinely enter into inventory-related hedging instruments to mitigate the impact of foreign currency exchange rates on merchandise margins when our divisions, principally Europe and Canada, purchase goods in currencies other than their local currencies. As we have not elected hedge accounting as defined by U.S. GAAP, we record a mark-to-market gain or loss on the hedging instruments in our results of operations at the end of each

reporting period. In subsequent periods, the income statement impact of these adjustments is effectively offset when the inventory being hedged is sold. While these effects occur every reporting period, they are of much greater magnitude when there are sudden and significant changes in currency exchange rates during a short period of time. The mark-to-market adjustment on these hedges does not affect net sales, but it does affect cost of sales, operating margins and reported earnings.

**Cost of sales, including buying and occupancy costs:** Cost of sales, including buying and occupancy costs, as a percentage of net sales, decreased 1.0 percentage points for the second quarter ended July 31, 2010 as compared to the same period last year. Cost of sales, including buying and occupancy costs, as a percentage of net sales, decreased 1.7 percentage points for the first six months of fiscal 2011. The improvement in both periods of fiscal 2011 was due to improved consolidated merchandise margin, which increased 0.8 percentage points for the second quarter and increased 1.3 percentage points for the six-month period. Merchandise margin improvement was driven by our strategy of



operating with leaner inventories and buying closer to need, which resulted in an increase in markon and a reduction in markdowns compared to the second quarter and six-month periods of fiscal 2010.

**Selling, general and administrative expenses:** Selling, general and administrative expenses, as a percentage of net sales, increased 0.1 percentage points to 16.8% for the quarter ended July 31, 2010 and decreased 0.2 percentage points to 16.6% for the six-month period ended July 31, 2010, as compared to the same periods last year. The increase in expenses in the second quarter of fiscal 2011 was driven by a year-over-year increase in the number of new stores opened during the second quarter of fiscal 2011, the impact of our new European businesses on consolidated cost ratios and increased investment in our field organization more than offset the impact of our cost reduction program. The improvement in the six months ended July 31, 2010 compared to the same period last year was due to leveraging of expenses on the 6% same store sales increase and our cost reduction programs, partially offset by increased administrative and new store costs.

**Interest expense, net:** Interest expense, net amounted to expense of \$10.3 million for the second quarter of fiscal 2011 compared to expense of \$9.2 million for the same period last year and was expense of \$20.5 million for the six-month period ended July 31, 2010 compared to expense of \$15.9 million for the same period last year. The components of interest expense, net are summarized below:

| Dollars in millions   | Thirteen Weeks Ended |                   | Twenty-Six Weeks Ended |                   |
|-----------------------|----------------------|-------------------|------------------------|-------------------|
|                       | July 31,<br>2010     | August 1,<br>2009 | July 31,<br>2010       | August 1,<br>2009 |
| Interest expense      | \$ 12,169            | \$ 11,823         | \$ 24,138              | \$ 20,981         |
| Capitalized interest  |                      | (194)             |                        | (438)             |
| Interest (income)     | (1,897)              | (2,380)           | (3,664)                | (4,693)           |
| Interest expense, net | \$ 10,272            | \$ 9,249          | \$ 20,474              | \$ 15,850         |

Gross interest expense for fiscal 2011 increased over last year for both the second quarter and six-month periods as a result of the incremental interest cost of the \$375 million 6.95% notes issued in April 2009 over the interest cost of the zero coupon convertible debentures which were redeemed as a result of this debt issuance. This increase was partially offset by the lower interest cost of the \$400 million 4.20% notes issued in July 2009, as compared to the interest cost of the long-term debt retired in fiscal 2010.

**Income taxes:** The effective income tax rate was 38.6% for the fiscal 2011 second quarter, compared to 36.7% for last year's second quarter. The effective income tax rate for the six months ended July 31, 2010 was 38.4% as compared to 37.4% for last year's comparable period. The increase in the income tax rate for both the second quarter and six-month periods of fiscal 2011 was largely driven by a fiscal 2010 favorable tax treatment of foreign currency gains on certain intercompany loans between TJX and TJX Canada that was absent in fiscal 2011.

**Net income and net income per share:** Net income for the second quarter ended July 31, 2010 was \$305.0 million, or \$0.74 per diluted share, versus \$261.6 million, or \$0.61 per diluted share, in last year's second quarter. Net income for the six months ended July 31, 2010 was \$636.4 million, or \$1.54 per diluted share, compared to \$470.8 million, or \$1.09 per diluted share, in the same period last year. Diluted earnings per share for both the fiscal 2011 second quarter and six-month period benefited by \$0.01 from the \$7.1 million after-tax effect of the credit to our Provision for Computer Intrusion related costs. Changes in foreign currency rates also affected the comparability of our results. The effect of foreign currency exchange rates on the fiscal 2011 second quarter earnings per share was immaterial compared with a \$0.01 per share negative impact on the fiscal 2010 second quarter earnings per share. For the six-month period ended July 31, 2010, changes in foreign currency rates benefited earnings per share by \$0.01, compared with a \$0.03 per share negative impact for the same period in fiscal 2010.

In addition, our weighted average diluted shares outstanding, which benefit from our stock repurchase programs, affect the comparability of earnings per share. Our stock repurchase programs benefit our earnings per share. We repurchased 8.2 million shares of our stock at a cost of \$355.5 million in the second quarter of fiscal 2011 and we

repurchased 13.7 million shares at a cost of \$589.6 million in the first six months of fiscal 2011. During the second quarter of fiscal 2010, we repurchased 6.4 million shares at a cost of \$193.8 million, and for the first six months of fiscal 2010, we repurchased 8.0 million shares at a cost of \$236.7 million.

**Segment information:** The following is a discussion of the operating results of our business segments. In the United States, our T.J. Maxx and Marshalls stores are aggregated as the Marmaxx segment, and HomeGoods and A.J. Wright is each reported as a separate segment. TJX's stores operated in Canada (Winners and HomeSense) are reported as the TJX Canada segment, and TJX's stores operated in Europe (T.K. Maxx and HomeSense) are reported as the TJX Europe segment. We evaluate the performance of our segments based on segment profit or loss, which we define as pre-tax income before general corporate expense, Provision (credit) for Computer Intrusion related costs and interest.

Segment profit or loss, as we define the term, may not be comparable to similarly titled measures used by other entities. In addition, this measure of performance should not be considered an alternative to net income or cash flows from operating activities as an indicator of our performance or as a measure of liquidity. Presented below is selected financial information related to our business segments:

**U.S. Segments:**

***Marmaxx***

| Dollars in millions<br>                                | Thirteen Weeks Ended |                   | Twenty-Six Weeks Ended |                   |
|--------------------------------------------------------|----------------------|-------------------|------------------------|-------------------|
|                                                        | July 31,<br>2010     | August 1,<br>2009 | July 31,<br>2010       | August 1,<br>2009 |
| Net sales                                              | \$ 3,309.5           | \$ 3,145.5        | \$ 6,587.4             | \$ 6,083.8        |
| Segment profit                                         | \$ 416.3             | \$ 358.4          | \$ 884.7               | \$ 689.0          |
| Segment profit as a percentage of net sales            | 12.6%                | 11.4%             | 13.4%                  | 11.3%             |
| Percent increase in same store sales                   | 3%                   | 4%                | 7%                     | 3%                |
| Stores in operation at end of period                   |                      |                   |                        |                   |
| T.J. Maxx                                              |                      |                   | 903                    | 882               |
| Marshalls                                              |                      |                   | 820                    | 811               |
| Total Marmaxx                                          |                      |                   | 1,723                  | 1,693             |
| Selling square footage at end of period (in thousands) |                      |                   |                        |                   |
| T.J. Maxx                                              |                      |                   | 21,191                 | 20,714            |
| Marshalls                                              |                      |                   | 20,655                 | 20,455            |
| Total Marmaxx                                          |                      |                   | 41,846                 | 41,169            |

Net sales for Marmaxx increased 5% for the second quarter of fiscal 2011 and increased 8% for the six-month period of fiscal 2011 as compared to the same periods last year. Same store sales for Marmaxx increased 3% in the second quarter and 7% for the first six months of fiscal 2011. We executed the fundamentals of our off-price business model well during the second quarter and first six months of fiscal 2011 by maintaining a lean inventory position, buying close to need and offering customers excellent values, which led to improved merchandise margins.

Sales at Marmaxx for both the second quarter and six-month periods ended July 31, 2010 were driven by significant increases in customer traffic. Categories that posted particularly strong same store sales increases included juniors, jewelry and home fashions. Geographically, same store sales increases in the New England and Midwest regions were above the chain average, while same store sales increases in the Southeast, Pacific and Florida were below the chain average. We continued our renovation program for existing Marmaxx stores, and expect to have approximately 700 stores in our new prototype during the fall of fiscal 2011.

Segment profit for the second quarter ended July 31, 2010 was \$416.3 million, a 16% increase compared to the second quarter of fiscal 2010. Segment profit as a percentage of net sales (segment profit margin or segment margin) for the second quarter of fiscal 2011 increased to 12.6% from 11.4% for the same period last year. Segment profit for the six months ended July 31, 2010 increased to \$884.7 million up 28% compared to the same period last year. Segment

profit margin was 13.4% for the six-month period in fiscal 2011 versus 11.3% last year. The increase in segment margin for both periods was driven by strong merchandise margins, which were up 0.8 percentage points for the second quarter and 1.3 percentage points for the six months ended July 31, 2010. Segment margin also improved due to expense leveraging on strong same store sales, primarily occupancy and store operating costs, as well as our cost reduction efforts. The improvement in segment margin for this year's second quarter was partially offset by the cost impact of a year-over-year increase in the number of new stores opened during the quarter.

As of July 31, 2010, Marmaxx's per store inventories, including inventory on hand at its distribution centers, were down 14% as compared to those inventory levels at the same time last year. Per store inventories at August 1, 2009 were flat compared to those of the prior year period. As of July 31, 2010, inventory commitments (inventory on hand and merchandise on order) were down on a per store basis compared to the end of the second quarter ended August 1, 2009.

### HomeGoods

| Dollars in millions                                    | Thirteen Weeks Ended |                   | Twenty-Six Weeks Ended |                   |
|--------------------------------------------------------|----------------------|-------------------|------------------------|-------------------|
|                                                        | July 31,<br>2010     | August 1,<br>2009 | July 31,<br>2010       | August 1,<br>2009 |
| Net sales                                              | \$455.7              | \$412.8           | \$912.7                | \$804.7           |
| Segment profit                                         | \$ 35.2              | \$ 24.5           | \$ 75.8                | \$ 40.1           |
| Segment profit as a percentage of net sales            | 7.7%                 | 5.9%              | 8.3%                   | 5.0%              |
| Percent increase in same store sales                   | 8%                   | 9%                | 11%                    | 4%                |
| Stores in operation at end of period                   |                      |                   | 328                    | 323               |
| Selling square footage at end of period (in thousands) |                      |                   | 6,451                  | 6,340             |

HomeGoods continued to post strong results, with net sales for the second quarter of fiscal 2011 increasing 10% compared to the same period last year, and for the first six months of fiscal 2011 increasing 13% over the same period last year. Same store sales increased 8% for the second quarter of fiscal 2011 and increased 11% for the six-month period of fiscal 2011, over strong increases in the comparable periods of fiscal 2010. Sales growth was driven by significantly increased customer traffic, reflecting our continued effective execution of our off-price merchandising strategies. Segment margin for the fiscal 2011 second quarter and six-month periods was up from the same periods last year due to improved merchandise margins, the leveraging of expenses on the strong same store sales increase and operational efficiencies. The improvement in merchandise margins (due to an increase in markon and a reduction in markdowns) accounted for more than half of the growth in the second quarter segment margin and approximately one third of the year-to-date growth in segment margin.

### A.J. Wright

| Dollars in millions                                    | Thirteen Weeks Ended |                   | Twenty-Six Weeks Ended |                   |
|--------------------------------------------------------|----------------------|-------------------|------------------------|-------------------|
|                                                        | July 31,<br>2010     | August 1,<br>2009 | July 31,<br>2010       | August 1,<br>2009 |
| Net sales                                              | \$193.2              | \$181.9           | \$404.6                | \$361.3           |
| Segment profit                                         | \$ 2.0               | \$ 1.4            | \$ 11.8                | \$ 5.8            |
| Segment profit as a percentage of net sales            | 1.0%                 | 0.8%              | 2.9%                   | 1.6%              |
| Percent increase in same store sales                   | 0%                   | 5%                | 4%                     | 9%                |
| Stores in operation at end of period                   |                      |                   | 154                    | 141               |
| Selling square footage at end of period (in thousands) |                      |                   | 3,108                  | 2,808             |

A.J. Wright's net sales increased 6% for the fiscal 2011 second quarter and 12% for the six-month period ending July 31, 2010 as compared to the same periods last year. Same store sales were flat for the second quarter of fiscal 2011 and up 4% for the six months ended July 31, 2010, which were on top of strong same store sales increases in the prior year comparable periods, and were driven by increases in customer traffic. Segment profit for the second quarter increased to \$2.0 million compared to the prior year's second quarter and more than doubled to \$11.8 million for the six-month period ended July 31, 2010. Segment margin increases were primarily due to improved merchandise margins in both the second quarter and year-to-date periods of fiscal 2011 as compared to the same periods last year.



**International Segments:*****TJX Canada***

|                                                           | Thirteen Weeks Ended |                      | Twenty-Six Weeks Ended |                      |
|-----------------------------------------------------------|----------------------|----------------------|------------------------|----------------------|
|                                                           | July<br>31,<br>2010  | August<br>1,<br>2009 | July 31,<br>2010       | August<br>1,<br>2009 |
| U.S. Dollars in millions                                  |                      |                      |                        |                      |
| Net sales                                                 | \$ 581.4             | \$ 495.7             | \$ 1,136.4             | \$ 919.8             |
| Segment profit                                            | \$ 81.7              | \$ 48.0              | \$ 136.1               | \$ 67.7              |
| Segment profit as a percentage of net sales               | 14.1%                | 9.7%                 | 12.0%                  | 7.4%                 |
| Percent increase in same store sales                      | 6%                   | 1%                   | 6%                     | 1%                   |
| Stores in operation at end of period                      |                      |                      |                        |                      |
| Winners                                                   |                      |                      | 211                    | 206                  |
| HomeSense                                                 |                      |                      | 79                     | 75                   |
| Total                                                     |                      |                      | 290                    | 281                  |
| Selling square footage at end of period (in<br>thousands) |                      |                      |                        |                      |
| Winners                                                   |                      |                      | 4,871                  | 4,727                |
| HomeSense                                                 |                      |                      | 1,527                  | 1,437                |
| Total                                                     |                      |                      | 6,398                  | 6,164                |

Net sales for TJX Canada (which includes Winners and HomeSense) increased 17% for the second quarter and increased 24% for the six-month period ended July 31, 2010 compared to the same periods last year. Currency exchange translation benefited second quarter sales growth by approximately 9 percentage points and benefited six-month sales growth by approximately 16 percentage points, as compared to the same periods last year. Same store sales were up 6% for both the second quarter and first six months of fiscal 2011.

Segment profit increased to \$81.7 million for the second quarter ended July 31, 2010 and more than doubled to \$136.1 million for the year-to-date period. The impact of foreign currency translation increased segment profit by \$6 million in the second quarter of fiscal 2011 and \$17 million in the six months ended July 31, 2010 as compared to the same periods last year. The foreign currency impact of the mark-to-market adjustment on inventory-related hedges impacted segment profit and segment margin comparisons in both periods. The mark-to-market adjustment on inventory-related hedges increased segment profit in the fiscal 2011 second quarter by \$3 million compared to a decrease of \$5 million in last year's second quarter. For the fiscal 2011 six-month period, the mark-to-market adjustment on inventory-related hedges reduced segment profit by \$3 million, compared to a reduction of \$20 million in last year's six-month period. The favorable change in the mark-to-market adjustment of our inventory hedges accounted for 1.6 percentage points of the increase in second quarter segment margin and 1.9 percentage points of the increase in the year-to-date segment margin. The remainder of the growth in the segment margin in both the quarter and year-to-date periods was attributable to improved merchandise margins. Merchandise margin improvement was favorably impacted by a reduction in the cost of merchandise denominated in U.S. dollars due to the change in currency rates year-over-year.

As of the end of the second quarter of fiscal 2011, we operated three StyleSense stores which are included in the Winners totals in the above table. As we recently disclosed, we intend to bring the Marshalls chain to Canada, with stores scheduled to begin opening in the spring of fiscal 2012. We believe that Canada can ultimately support 90 to 100 Marshalls stores.

***TJX Europe***

|                                                        | Thirteen Weeks Ended |                | Twenty-Six Weeks Ended |                |
|--------------------------------------------------------|----------------------|----------------|------------------------|----------------|
|                                                        | July 31, 2010        | August 1, 2009 | July 31, 2010          | August 1, 2009 |
| U.S. Dollars in millions                               |                      |                |                        |                |
| Net sales                                              | \$ 528.2             | \$ 511.6       | \$ 1,043.4             | \$ 932.1       |
| Segment profit                                         | \$ 2.1               | \$ 24.7        | \$ 8.0                 | \$ 34.0        |
| Segment profit as a percentage of net sales            | 0.4%                 | 4.8%           | 0.8%                   | 3.6%           |
| Percent (decrease) increase in same store sales        | (4)%                 | 6%             | (1)%                   | 6%             |
| Stores in operation at end of period                   |                      |                |                        |                |
| T.K. Maxx                                              |                      |                | 283                    | 244            |
| HomeSense                                              |                      |                | 21                     | 8              |
| Total                                                  |                      |                | 304                    | 252            |
| Selling square footage at end of period (in thousands) |                      |                |                        |                |
| T.K. Maxx                                              |                      |                | 6,490                  | 5,671          |
| HomeSense                                              |                      |                | 353                    | 123            |
| Total                                                  |                      |                | 6,843                  | 5,794          |

Net sales for TJX Europe increased 3% for the second quarter of fiscal 2011 and increased 12% for the six months ended July 31, 2010 compared to the same periods last year. Currency exchange rate translation negatively impacted the fiscal 2011 results for both periods, reducing net sales in the second quarter by \$44 million and in the six-month period by \$17 million. Same store sales were down 4% for the second quarter of fiscal 2011 and down 1% for the six-month period compared to strong 6% increases in each of the prior-year periods.

Segment profit decreased to \$2.1 million for the second quarter ended July 31, 2010 and to \$8.0 million for the first six months of fiscal 2011. Although unseasonable weather and economic uncertainty in the U.K. and Ireland affected sales, we believe that execution issues in the U.K. and Ireland were the primary reasons for below-plan sales. Segment profit and margin were also impacted by the expansion of T.K. Maxx in Germany and Poland and HomeSense in the U.K. We continue to be encouraged by the performance of these stores, but as newer operations, they reduce segment margin generated by the more established T.K. Maxx stores in the U.K. and Ireland. We also invested in strengthening the shared services infrastructure for our ongoing European expansion in the fiscal 2011 first quarter, which impacted segment profit for the six-month period ended July 31, 2010. Currency exchange translation had an immaterial impact on segment profit in the fiscal 2011 periods. However, the impact of the mark-to-market adjustment on inventory-related hedges decreased segment profit by \$6 million in the fiscal 2011 second quarter compared to no impact last year. On a year-to-date basis the mark-to-market adjustment on inventory-related hedges decreased segment profit by \$7 million this year versus a decrease of \$1 million last year. The unfavorable change in the mark-to-market adjustment of our inventory hedges accounted for 1.1 percentage points of the decline in the fiscal 2011 second quarter segment margin and 0.6 percentage points of the decline in segment margin for the six-month period ended July 31, 2010. The balance of the change was primarily in merchandise margin.

***General corporate expense***

|                     | Thirteen Weeks Ended |                | Twenty-Six Weeks Ended |                |
|---------------------|----------------------|----------------|------------------------|----------------|
|                     | July 31, 2010        | August 1, 2009 | July 31, 2010          | August 1, 2009 |
| Dollars in millions |                      |                |                        |                |



|                           |        |        |        |        |
|---------------------------|--------|--------|--------|--------|
| General corporate expense | \$42.2 | \$34.6 | \$74.8 | \$68.5 |
|---------------------------|--------|--------|--------|--------|

General corporate expense for segment reporting purposes represents those costs not specifically related to the operations of our business segments and is included in selling, general and administrative expenses, except for the mark-to-market adjustment on diesel fuel hedges, which is included in cost of sales. General corporate expense for both periods in fiscal 2011 was up compared to the same periods in fiscal 2010. This was primarily due to the unfavorable change in foreign currency gains and losses on intercompany balances with our foreign divisions and the unfavorable change in the mark-to-market adjustment of our diesel fuel hedge contracts.

## **Analysis of Financial Condition**

### *Liquidity and Capital Resources*

Net cash provided by operating activities was \$666 million for the six months ended July 31, 2010, a decrease of \$39 million over the \$705 million provided for the six months ended August 1, 2009. Net income provided cash of \$636 million in the first six months of fiscal 2011, an increase of \$165 million over net income of \$471 million in the same period last year. The change in merchandise inventory, net of the related change in accounts payable, resulted in a use of cash of \$10 million in fiscal 2011 compared to a source of cash of \$14 million in fiscal 2010. The reduction in inventory was the result of the ongoing implementation of our strategy of operating with leaner inventories and buying closer to need, which, in turn, increased inventory turnover. Additionally, net cash provided by operations was reduced by \$53 million this year as compared to last year due to a change in our deferred tax provision in fiscal 2011 and by \$142 million due to the change in current income taxes payable/recoverable in fiscal 2011, which, in turn, decreased cash and cash equivalents by \$112 million in the first six months of fiscal 2011 compared to an increase of \$30 million in the same period last year.

Investing activities related primarily to property additions for new stores, store improvements and renovations, and investment in our distribution network. Cash outlays for property additions amounted to \$327 million in the six months ended July 31, 2010, compared to \$164 million in the same period last year. We anticipate that capital spending for fiscal 2011 will be approximately \$750 million, which includes our planned increase in new store openings and store renovations. We also purchased short-term investments that had a maturity, when purchased, in excess of 90 days and which, per our policy, were not classified as cash on the balance sheet. In the first six months of fiscal 2011, we purchased \$72 million in short-term investments, compared to \$167 million in the same period in fiscal 2010. Additionally, \$68 million of short-term investments were sold or matured during the first six months of fiscal 2011 compared to \$43 million in the same period last year.

Cash flows from financing activities resulted in cash outflow of \$570 million in the first six months of fiscal 2011, compared to cash inflow of \$505 million in the same period last year, which included the \$774 million of net proceeds from two debt offerings. In April 2009, we issued \$375 million 6.95% ten-year notes and shortly thereafter called for the redemption of our zero coupon convertible subordinated notes. Virtually all of these notes were converted into 15.1 million shares of TJX common stock during the second quarter of fiscal 2010. We used the proceeds from the notes offering to repurchase TJX common stock under our stock repurchase program. In July 2009, we issued \$400 million of 4.20% six-year notes. We used the proceeds of this offering to refinance substantially all of our C\$235 million term credit facility, which was repaid on August 10, 2009, and used the remainder, together with funds from operations, to repay our 7.45% notes at maturity (December 15, 2009).

We spent \$590 million to repurchase and retire 13.7 million shares of our common stock in the first six months of fiscal 2011 and \$237 million to repurchase and retire 8.0 million shares in the first six months of fiscal 2010 under our stock repurchase programs. We record the purchase of our stock on a cash basis, and the amounts reflected in the financial statements may vary from the above due to the timing of the settlement of our repurchases. The fiscal 2011 stock repurchases were made under the \$1 billion stock repurchase plan announced in September 2009. As of July 31, 2010, \$205 million remained available for purchase under that program, as well as an additional \$1 billion under another stock repurchase program approved in February 2010. We anticipate repurchasing approximately \$900 million to \$1 billion of stock under our stock repurchase programs in fiscal 2011. We determine the timing and amount of repurchases made directly and under Rule 10b5-1 plans from time to time based on our assessment of various factors including anticipated excess cash flow, liquidity, market conditions, the economic environment and prospects for the business, and other factors, and the timing and amount of these purchases may change. Lastly, financing activities included \$100 million of proceeds from the exercise of stock options in the first six months of fiscal 2011 versus \$69 million in the first six months of fiscal 2010, and dividends paid on common stock in the first six months of fiscal 2011 of \$110 million versus \$97 million in the same period last year.

We traditionally have funded our seasonal merchandise requirements through cash generated from operations, short-term bank borrowings and the issuance of short-term commercial paper. As of July 31, 2010, we had a \$500 million revolving credit facility maturing May 2013 and a \$500 million revolving credit facility maturing May 2011. The three-year agreement maturing in May 2013 was entered into in May 2010 to replace a similar

agreement that

matured at that time. The three-year agreement requires the payment of 17.5 basis points annually on the committed amounts. The agreement maturing in May 2011 requires the payment of six basis points annually on the committed amount. Both of these agreements have no compensating balance requirements, have various covenants including a requirement of a specified ratio of debt to earnings, and serve as back up to TJX's commercial paper program. The availability under our revolving credit facilities was \$1 billion at July 31, 2010 and August 1, 2009, and we had no borrowings outstanding at those dates under these agreements. We believe existing cash balances, internally generated funds and our revolving credit facilities are more than adequate to meet our operating needs.

**Provision for Computer Intrusion related costs:** We have a reserve for our estimate of the total probable losses arising from the Computer Intrusion. We reduced the Provision for Computer Intrusion related costs by \$11.6 million during the second quarter ended July 31, 2010, primarily as a result of insurance proceeds and adjustments to our remaining reserve. The reserve balance was \$19.6 million at July 31, 2010. As an estimate, the reserve is subject to uncertainty, actual costs may vary from the current estimate and such variations may be material. We may decrease or increase the amount of the reserve to adjust for matters such as developments in litigation, claims and related expenses, insurance proceeds and changes in the estimate.

**Recently Issued Accounting Pronouncements**

See Note A to our unaudited consolidated financial statements included in this quarterly report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

**Forward-looking Statements**

Various statements made in this Quarterly Report on Form 10-Q are forward-looking and involve a number of risks and uncertainties. All statements that address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements. The following are some of the factors that could cause actual results to differ materially from the forward-looking statements: global economies and credit and financial markets; foreign currency exchange rates; buying and inventory management; customer trends and preferences; market, geographic and category expansion; quarterly operating results; marketing, advertising and promotional programs; data security; seasonal influences; large size and scale; unseasonable weather; serious disruptions and catastrophic events; competition; personnel recruitment and retention; acquisitions and divestitures; information systems and technology; cash flows; consumer spending; merchandise quality and safety; merchandise importing; international operations; oil prices; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings; real estate leasing; market expectations; tax matters and other factors that may be described in our filings with the Securities and Exchange Commission. We do not undertake to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied in such statements will not be realized.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We do not enter into derivatives for speculative or trading purposes.

**Foreign Currency Exchange Risk**

We are exposed to foreign currency exchange rate risk on our investment in our Canadian and European operations on the translation of these foreign operations into the U.S. dollar and on purchases by our operations of goods in currencies that are not their local currencies. As more fully described in Note E to our consolidated financial statements to the Annual Report on Form 10-K for the fiscal year ended January 30, 2010, we hedge a portion of our intercompany transactions with foreign operations and certain merchandise purchase commitments incurred by these operations with derivative financial instruments. We enter into derivative contracts only when there is an underlying economic exposure. We utilize currency forward and swap contracts, designed to offset the gains or losses in the underlying exposures. The contracts are executed with banks we believe are creditworthy and are denominated in currencies of major industrial countries. We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to the hedging contracts and the underlying exposures described above as well as the translation of our foreign operations into our reporting currency. As of July 31, 2010, the analysis indicated that such an adverse movement would not have a material effect on our consolidated financial position but could have reduced our pre-tax income for the six months ended July 31, 2010 by approximately \$14 million.

**Interest Rate Risk**

Our cash equivalents, short-term investments and certain lines of credit bear variable interest rates. Changes in interest rates affect interest earned and paid by us. In addition, changes in the gross amount of our borrowings and future changes in interest rates will affect our future interest expense. We periodically enter into financial instruments to manage our cost of borrowing; however, we believe that the use of primarily fixed-rate debt minimizes our exposure to market conditions. We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in interest rates applied to the maximum variable rate debt outstanding, cash and cash equivalents and short-term investments as of July 31, 2010. The analysis indicated that such an adverse movement as of that date would not have had a material effect on our consolidated financial position, results of operations or cash flows.

**Equity Price Risk**

The assets of our qualified pension plan, a large portion of which are equity securities, are subject to the risks and uncertainties of the financial markets. We allocate the pension assets in a manner that attempts to minimize and control our exposure to market uncertainties. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. The significant decline in the financial markets over the last several years adversely affected the value of our pension plan assets and the funded status of our pension plan has, and can result in, increased contributions to the plan.

**Item 4. Controls and Procedures.**

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2010 pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, as amended (the Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms; and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

There were no changes in our internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) during the fiscal quarter ended July 31, 2010 identified in connection with the evaluation by our management, including our Chief Executive Officer and Chief Financial Officer that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

Not applicable

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended January 30, 2010, as filed with the SEC on March 30, 2010.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Information on Share Repurchases*

The number of shares of common stock repurchased by TJX during the second quarter of fiscal 2011 and the average price paid per share are as follows:

|                                    | (a)                                                | (b)                                    | (c)                                                                                                   | (d)                                                                                                                                  |
|------------------------------------|----------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
|                                    | Total<br>Number of<br>Shares<br>Repurchased<br>(1) | Average Price<br>Paid<br>Per Share (2) | Total Number of<br>Shares<br>Purchased as Part<br>of a<br>Publicly<br>Announced<br>Plan or Program(3) | Maximum Number<br>(or<br>Approximate Dollar<br>Value) of Shares<br>that<br>May Yet be<br>Purchased<br>Under the Plans or<br>Programs |
| May 2, 2010 through May 29, 2010   | 2,404,505                                          | \$ 44.13                               | 2,404,505                                                                                             | \$ 1,454,804,208                                                                                                                     |
| May 30 through July 3, 2010        | 3,994,570                                          | \$ 43.71                               | 3,994,570                                                                                             | \$ 1,280,196,499                                                                                                                     |
| July 4, 2010 through July 31, 2010 | 1,801,700                                          | \$ 41.52                               | 1,801,700                                                                                             | \$ 1,205,396,229                                                                                                                     |
| Total:                             | 8,200,775                                          |                                        | 8,200,775                                                                                             |                                                                                                                                      |

(1) All shares were purchased as part of publicly announced plans or programs.

(2) Average price paid per share includes commissions and is rounded to the nearest two decimal places.

(3) The \$356 million in stock repurchases in fiscal 2011 were made under the \$1 billion multi-year stock repurchase plan, authorized by the

Board of  
Directors in  
September 2009,  
and \$205 million  
remained  
available for  
purchase under  
that plan as of  
July 31, 2010. In  
February 2010,  
the Board of  
Directors  
approved and  
announced  
another \$1 billion  
stock repurchase  
program in  
addition to the  
current \$1 billion  
stock repurchase  
program.

**Item 6. Exhibits.**

The Registrant is filing Exhibits 10.1 and 10.2 to this Report in order to include certain schedules and exhibits to those Exhibits that were not previously filed with the Exhibits.

- 10.1 4-year Revolving Credit Agreement dated May 5, 2005 among various financial institutions as lenders, including Bank of America, N.A., JP Morgan Chase Bank, National Association, The Bank of New York, Citizens Bank of Massachusetts, Key Bank National Association and Union Bank of California, N.A., as co-agents. The related Amendment No. 1 to the 4-year Revolving Credit Agreement dated May 12, 2006 is incorporated herein by reference to Exhibit 10.1 to the Form 8-K filed May 17, 2006.\*
- 10.2 Letter Agreement dated as of April 7, 2009 between Donald G. Campbell and The TJX Companies, Inc. ±
- 10.3 The TJX Companies, Inc. Stock Incentive Plan Rules for U.K. Employees dated August 19, 2009. ±



- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
101 The following materials from The TJX Companies, Inc. s Quarterly Report on Form 10-Q for the quarter ended July 31, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statement of Shareholders Equity, and (v) Notes to Consolidated Financial Statements.

\* Portions of certain exhibits to this agreement have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Such information has been filed separately with the Securities and Exchange Commission.

± Management contract or compensatory plan or arrangement.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TJX COMPANIES, INC.  
(Registrant)

Date: August 27, 2010

By: /s/ Jeffrey G. Naylor  
Jeffrey G. Naylor, Chief Financial and  
Administrative Officer  
(Principal Financial and Accounting Officer)

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## EXHIBIT INDEX

| Exhibit Number | Description of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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