

TJX COMPANIES INC /DE/  
Form 10-Q  
December 02, 2014

**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 November 1, 2014**

**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)**  
**(508) 390-1000**

**01701**  
**(Zip Code)**

**(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.

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Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company) 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 November 1, 2014: 688,900,341

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**PART I - FINANCIAL INFORMATION**
**Item 1. Financial Statements.**

THE TJX COMPANIES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

|   | Thirteen Weeks Ended |                     |
|---|----------------------|---------------------|
|   | November 1,<br>2014  | November 2,<br>2013 |
| Net sales   | \$ 7,366,066         | \$ 6,981,876        |
| Cost of sales, including buying and occupancy costs | 5,203,629            | 4,934,465           |
| Selling, general and administrative expenses        | 1,193,297            | 1,158,668           |
| Loss on early extinguishment of debt                |                      |                     |
| Interest expense, net                               | 10,040               | 9,371               |
| Income before provision for income taxes            | 959,100              | 879,372             |
| Provision for income taxes                          | 364,143              | 256,717             |
| Net income  | \$ 594,957           | \$ 622,655          |
| Basic earnings per share:                           |                      |                     |
| Net income  | \$ 0.86              | \$ 0.88             |
| Weighted average common shares basic                | 690,183              | 711,595             |
| Diluted earnings per share:                         |                      |                     |
| Net income  | \$ 0.85              | \$ 0.86             |
| Weighted average common shares diluted              | 701,005              | 724,108             |
| Cash dividends declared per share                   | \$ 0.175             | \$ 0.145            |

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

## THE TJX COMPANIES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

|   | Thirty-Nine Weeks Ended |                        |
|---|-------------------------|------------------------|
|   | November<br>1,<br>2014  | November<br>2,<br>2013 |
| Net sales   | \$ 20,774,454           | \$ 19,613,909          |
| Cost of sales, including buying and occupancy costs | 14,817,485              | 13,954,737             |
| Selling, general and administrative expenses        | 3,389,105               | 3,251,897              |
| Loss on early extinguishment of debt                | 16,830                  |                        |
| Interest expense, net                               | 30,785                  | 23,572                 |
| Income before provision for income taxes            | 2,520,249               | 2,383,703              |
| Provision for income taxes                          | 953,351                 | 828,599                |
| Net income  | \$ 1,566,898            | \$ 1,555,104           |
| Basic earnings per share:                           |                         |                        |
| Net income  | \$ 2.25                 | \$ 2.17                |
| Weighted average common shares basic                | 695,142                 | 715,657                |
| Diluted earnings per share:                         |                         |                        |
| Net income  | \$ 2.22                 | \$ 2.14                |
| Weighted average common shares diluted              | 706,122                 | 728,283                |
| Cash dividends declared per share                   | \$ 0.525                | \$ 0.435               |

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

## THE TJX COMPANIES, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

IN THOUSANDS

|   | Thirteen Weeks Ended    |                     |
|---|-------------------------|---------------------|
|   | November 1,<br>2014     | November 2,<br>2013 |
| Net income  | \$ 594,957              | \$ 622,655          |
| Other comprehensive income, net of related tax benefits/provisions:   |                         |                     |
| Foreign currency translation adjustments, net of related tax benefits of \$14,275 in fiscal 2015 and \$967 in fiscal 2014                       | (79,552)                | 27,005              |
| Recognition of prior service cost and deferred gains/losses, net of related tax provisions of \$1,604 in fiscal 2015 and \$2,857 in fiscal 2014 | 2,406                   | 4,331               |
| Rate lock amortization on debt issued in June 2014, net of related tax provision of \$113 in fiscal 2015  | 170                     |                     |
| Total comprehensive income  | \$ 517,981              | \$ 653,991          |
|   |                         |                     |
|   | Thirty-Nine Weeks Ended |                     |
|   | November 1,<br>2014     | November 2,<br>2013 |
| Net income  | \$ 1,566,898            | \$ 1,555,104        |
| Other comprehensive income, net of related tax benefits/provisions:   |                         |                     |
| Foreign currency translation adjustments, net of related tax benefits of \$6,056 in fiscal 2015 and \$15,116 in fiscal 2014                     | (46,102)                | (27,627)            |
| Recognition of prior service cost and deferred gains/losses, net of related tax provisions of \$3,761 in fiscal 2015 and \$8,168 in fiscal 2014 | 5,642                   | 12,252              |
| Rate lock on debt issued in June 2014, net of related tax benefit of \$3,175 in fiscal 2015   | (4,762)                 |                     |
| Rate lock amortization on debt issued in June 2014, net of related tax provision of \$189 in fiscal 2015  | 283                     |                     |
| Total comprehensive income  | \$ 1,521,959            | \$ 1,539,729        |

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

## THE TJX COMPANIES, INC.

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

IN THOUSANDS, EXCEPT SHARE DATA

|   | November 1,<br>2014  | February 1,<br>2014  | November 2,<br>2013  |
|---|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                                   |                      |                      |                      |
| Current assets:                                 |                      |                      |                      |
| Cash and cash equivalents                       | \$ 2,153,625         | \$ 2,149,746         | \$ 2,010,752         |
| Short-term investments                          | 277,225              | 294,702              | 251,276              |
| Accounts receivable, net                        | 260,940              | 210,094              | 250,886              |
| Merchandise inventories                         | 3,958,648            | 2,966,490            | 3,663,171            |
| Prepaid expenses and other current assets       | 381,241              | 345,327              | 345,044              |
| Current deferred income taxes, net              | 122,943              | 101,639              | 102,446              |
| <b>Total current assets</b>                     | <b>7,154,622</b>     | <b>6,067,998</b>     | <b>6,623,575</b>     |
| Property at cost:                               |                      |                      |                      |
| Land and buildings                              | 808,356              | 722,645              | 694,348              |
| Leasehold costs and improvements                | 2,836,059            | 2,720,391            | 2,676,279            |
| Furniture, fixtures and equipment               | 4,652,208            | 4,255,210            | 4,156,963            |
| <b>Total property at cost</b>                   | <b>8,296,623</b>     | <b>7,698,246</b>     | <b>7,527,590</b>     |
| Less accumulated depreciation and amortization  | 4,446,819            | 4,103,745            | 3,987,058            |
| <b>Net property at cost</b>                     | <b>3,849,804</b>     | <b>3,594,501</b>     | <b>3,540,532</b>     |
| Non-current deferred income taxes, net          | 25,800               | 31,508               |                      |
| Other assets                                    | 251,084              | 194,328              | 191,667              |
| Goodwill and tradename, net of amortization     | 310,738              | 312,687              | 313,465              |
| <b>TOTAL ASSETS</b>                             | <b>\$ 11,592,048</b> | <b>\$ 10,201,022</b> | <b>\$ 10,669,239</b> |
| <b>LIABILITIES</b>                              |                      |                      |                      |
| Current liabilities:                            |                      |                      |                      |
| Accounts payable                                | \$ 2,554,416         | \$ 1,771,294         | \$ 2,346,366         |
| Accrued expenses and other current liabilities  | 1,787,225            | 1,681,834            | 1,668,406            |
| Federal, foreign and state income taxes payable | 47,941               | 64,715               | 28,969               |
| <b>Total current liabilities</b>                | <b>4,389,582</b>     | <b>3,517,843</b>     | <b>4,043,741</b>     |

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|   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| Other long-term liabilities   | 741,097              | 732,999              | 831,228              |
| Non-current deferred income taxes, net  | 463,744              | 446,071              | 396,313              |
| Long-term debt, exclusive of current installments   | 1,623,817            | 1,274,216            | 1,274,186            |
| Commitments and contingencies   |                      |                      |                      |
| <b>SHAREHOLDERS EQUITY</b>  |                      |                      |                      |
| Common stock, authorized 1,200,000,000 shares, par value \$1,<br>issued and outstanding 688,900,341; 705,016,838 and 711,198,843,<br>respectively | 688,900              | 705,017              | 711,198              |
| Additional paid-in capital  |                      |                      |                      |
| Accumulated other comprehensive income (loss)   | (244,471)            | (199,532)            | (228,767)            |
| Retained earnings   | 3,929,379            | 3,724,408            | 3,641,340            |
| Total shareholders equity   | 4,373,808            | 4,229,893            | 4,123,771            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>  | <b>\$ 11,592,048</b> | <b>\$ 10,201,022</b> | <b>\$ 10,669,239</b> |

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



## THE TJX COMPANIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

IN THOUSANDS

|   | Thirty-Nine Weeks Ended |                     |
|---|-------------------------|---------------------|
|   | November 1,<br>2014     | November 2,<br>2013 |
| Cash flows from operating activities:   |                         |                     |
| Net income  | \$ 1,566,898            | \$ 1,555,104        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                     |
| Depreciation and amortization   | 438,162                 | 407,282             |
| Loss on property disposals and impairments  | 2,690                   | 6,667               |
| Deferred income tax provision   | 7,527                   | 47,073              |
| Share-based compensation  | 67,671                  | 56,638              |
| Excess tax benefits from share-based compensation                                 | (59,998)                | (61,074)            |
| Loss on early extinguishment of debt  | 16,830                  |                     |
| Changes in assets and liabilities:  |                         |                     |
| (Increase) in accounts receivable   | (52,695)                | (28,288)            |
| (Increase) in merchandise inventories   | (1,019,406)             | (654,795)           |
| (Increase) in prepaid expenses and other current assets                           | (34,665)                | (18,467)            |
| Increase in accounts payable  | 799,785                 | 417,681             |
| Increase (decrease) in accrued expenses and other liabilities                     | 95,491                  | (85,891)            |
| Other   | (15,953)                | (8,558)             |
| Net cash provided by operating activities   | 1,812,337               | 1,633,372           |
| Cash flows from investing activities:   |                         |                     |
| Property additions  | (705,899)               | (759,283)           |
| Purchase of short-term investments  | (297,763)               | (307,078)           |
| Sales and maturities of short-term investments                                    | 309,841                 | 278,911             |
| Other   |                         | 2,653               |
| Net cash (used in) investing activities   | (693,821)               | (784,797)           |
| Cash flows from financing activities:   |                         |                     |
| Proceeds from issuance of long-term debt  | 749,475                 | 499,555             |
| Cash payments for extinguishment of debt  | (416,357)               |                     |
| Cash payments for repurchase of common stock                                      | (1,214,209)             | (998,119)           |
| Cash payments for debt issuance expenses  | (6,185)                 | (4,297)             |
| Proceeds from issuance of common stock  | 90,329                  | 117,686             |
| Excess tax benefits from share-based compensation                                 | 59,998                  | 61,074              |
| Cash dividends paid   | (345,698)               | (290,968)           |
| Other   | (7,937)                 | (3,251)             |

|  |              |              |
|--|--------------|--------------|
| Net cash (used in) financing activities        | (1,090,584)  | (618,320)    |
| Effect of exchange rate changes on cash        | (24,053)     | (31,460)     |
| Net increase in cash and cash equivalents      | 3,879        | 198,795      |
| Cash and cash equivalents at beginning of year | 2,149,746    | 1,811,957    |
| Cash and cash equivalents at end of period     | \$ 2,153,625 | \$ 2,010,752 |

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

## THE TJX COMPANIES, INC.

## CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(UNAUDITED)

IN THOUSANDS

|  | Common Stock<br>Shares | Common Stock<br>Par Value<br>\$1 | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings | Total        |
|--|------------------------|----------------------------------|----------------------------------|--|----------------------|--------------|
| Balance, February 1, 2014  | 705,017                | \$ 705,017                       | \$                               | \$ (199,532)   | \$ 3,724,408         | \$ 4,229,893 |
| Comprehensive income   |                        |                                  |                                  | (44,939)   | 1,566,898            | 1,521,959    |
| Cash dividends declared on<br>common stock                                       |                        |                                  |                                  |  | (363,885)            | (363,885)    |
| Recognition of share-based<br>compensation                                       |                        |                                  | 67,671                           |  |                      | 67,671       |
| Issuance of common stock<br>under stock incentive plan and<br>related tax effect | 4,821                  | 4,821                            | 127,558                          |  |                      | 132,379      |
| Common stock repurchased   | (20,938)               | (20,938)                         | (195,229)                        |  | (998,042)            | (1,214,209)  |
| Balance, November 1, 2014  | 688,900                | \$ 688,900                       | \$                               | \$ (244,471)   | \$ 3,929,379         | \$ 4,373,808 |

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

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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, 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 statement of its financial statements for the periods reported, all in conformity with accounting principles generally accepted in the United States of America ("GAAP") consistently applied. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes, contained in TJX's Annual Report on Form 10-K for the fiscal year ended February 1, 2014 ("fiscal 2014").

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

The February 1, 2014 balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

*Fiscal Year:* TJX's fiscal year ends on the Saturday nearest to the last day of January of each year. The current fiscal year ends January 31, 2015 ("fiscal 2015") and is a 52-week fiscal year. Fiscal 2014 was also a 52-week fiscal year.

*Share-Based Compensation:* TJX accounts for share-based compensation by estimating the fair value of each award on the date of grant. TJX uses the Black-Scholes option pricing model for stock options awarded and uses the market price on the grant date for performance-based restricted stock awards. Total share-based compensation expense was \$25.7 million for the quarter ended November 1, 2014 and \$20.9 million for the quarter ended November 2, 2013. Total share-based compensation expense was \$67.7 million for the nine months ended November 1, 2014 and \$56.6 million for the nine months ended November 2, 2013. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 3.0 million shares of common stock exercised during the quarter ended November 1, 2014 and options to purchase 4.7 million shares of common stock exercised during the nine months ended November 1, 2014. There were options outstanding to purchase 32.3 million shares of common stock as of November 1, 2014.

*Cash and Cash Equivalents:* TJX generally considers highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents. Investments are classified as either short- or long-term based on their original maturities. Investments with maturities greater than 90 days but less than one year at the date of purchase are included in short-term investments. These investments are classified as trading securities and are stated at fair value. TJX's investments are primarily high-grade commercial paper, institutional money market funds and time deposits with major banks.

As of November 1, 2014, TJX's cash and cash equivalents held outside the U.S. were \$1,241.2 million, of which \$351.2 million was held in countries where TJX has the intention to reinvest any undistributed earnings indefinitely.

*Merchandise Inventories:* Inventories are stated at the lower of cost or market. TJX uses the retail method for valuing inventories at all of its divisions, except at Sierra Trading Post ("STP"). TJX utilizes a permanent markdown strategy and lowers the cost value of the inventory that is subject to markdown at the time the retail prices are lowered in the stores. TJX accrues for inventory obligations at the time inventory is shipped. As a result, merchandise inventories on TJX's balance sheet include an accrual for in-transit inventory of \$661.1 million at November 1, 2014, \$451.6 million

at February 1, 2014 and \$622.5 million at November 2, 2013. Comparable amounts were reflected in accounts payable at those dates.

*New Accounting Standards:* In May 2014, a pronouncement was issued that creates common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The new guidance supersedes most

preexisting revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early adoption is not permitted. The standard shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. For TJX, the standard will be effective in the first quarter of fiscal 2018. TJX is currently evaluating the impact of the new pronouncement on its consolidated financial statements.

The cash flow impact on operating activities in the prior year's statement of cash flows, of approximately \$80.0 million relating to settlements with tax authorities, has been adjusted from other to increase (decrease) in accrued expenses and other liabilities.

#### Note B. Reserves related to Former Operations

*Reserves Related to Former Operations:* TJX has a reserve for its estimate of future obligations related to former business operations that TJX has either closed or sold. The reserve activity is presented below:

| In thousands   | Thirty-Nine Weeks Ended |                     |
|--|-------------------------|---------------------|
|  | November 1,<br>2014     | November 2,<br>2013 |
| Balance at beginning of year                                 | \$ 31,363               | \$ 45,229           |
| Additions (reductions) to the reserve charged to net income: |                         |                     |
| A.J. Wright closing costs                                    | (10,313)                |                     |
| Interest accretion   | 470                     | 1,080               |
| Charges against the reserve:                                 |                         |                     |
| Lease-related obligations                                    | (4,267)                 | (9,591)             |
| Termination benefits and all other                           | (77)                    | (516)               |
| Balance at end of period                                     | \$ 17,176               | \$ 36,202           |

The lease-related obligations included in the reserve reflect TJX's estimation of lease costs, net of estimated assignee/subtenant income, and the cost of probable claims against TJX for liability, as an original lessee and/or guarantor of the leases of A.J. Wright and other former TJX businesses, after mitigation of the number and cost of these lease obligations. During the first nine months of fiscal 2015 TJX decreased this reserve by \$10.3 million to reflect a change in the Company's estimate of the assignee/subtenant income. The actual net cost of these lease-related obligations may differ from TJX's estimate. TJX estimates that the majority of the former operations reserve will be paid in the next two years. The actual timing of cash outflows will vary depending on how the remaining lease obligations are actually settled.

TJX may also be contingently liable on up to 11 leases of BJ's Wholesale Club, a former TJX business, and up to 4 leases of Bob's Stores, also a former TJX business, in addition to leases included in the reserve. The reserve for former operations does not reflect these leases because TJX believes that the likelihood of future liability to TJX is remote.



**Note C. Accumulated Other Comprehensive Income (Loss)**

Amounts included in accumulated other comprehensive income (loss) are recorded net of the related income tax effects. The following table details the changes in accumulated other comprehensive income (loss) for the related periods:

| In thousands   | Foreign<br>Currency<br>Translation | Deferred<br>Benefit Costs | Rate Lock<br>on Debt | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|------------------------------------|---------------------------|----------------------|--|
| <b>Balance, February 1, 2014</b>                                   | \$ (76,569)                        | \$ (122,963)              | \$                   | \$ (199,532)   |
| Foreign currency translation adjustments (net of taxes of \$6,056) | (46,102)                           |                           |                      | (46,102)   |
| Amortization of deferred benefit costs (net of taxes of \$3,761)   |                                    | 5,642                     |                      | 5,642  |
| Rate lock on debt (net of taxes of \$3,175)                        |                                    |                           | (4,762)              | (4,762)  |
| Rate lock amortization (net of taxes of \$189)                     |                                    |                           | 283                  | 283  |
| <b>Balance, November 1, 2014</b>                                   | \$ (122,671)                       | \$ (117,321)              | \$ (4,479)           | \$ (244,471)   |

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

TJX repurchased and retired 7.5 million shares of its common stock at a cost of \$448.3 million during the quarter ended November 1, 2014, on a trade date basis. During the nine months ended November 1, 2014, TJX repurchased and retired 21.5 million shares of its common stock at a cost of \$1.2 billion, on a trade date basis. TJX reflects stock repurchases in its financial statements on a settlement date or cash basis. TJX had cash expenditures under repurchase programs of \$1.2 billion for the nine months ended November 1, 2014 and \$998.1 million for the nine months ended November 2, 2013.

In September 2014, TJX completed the \$1.5 billion stock repurchase program announced in February 2013 under which TJX purchased 25.5 million shares of common stock.

In February 2014, TJX's Board of Directors announced a stock repurchase program that authorized the repurchase of up to an additional \$2.0 billion of TJX common stock from time to time. Under this program, on a trade date basis through November 1, 2014, TJX repurchased 4.6 million shares of common stock at a cost of \$278.3 million. At November 1, 2014, \$1.7 billion remained available for purchase under this program.

All shares repurchased under the stock repurchase programs have been retired.

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



*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 |                     |
|--|----------------------|---------------------|
|  | November 1,<br>2014  | November 2,<br>2013 |
| <i>Basic earnings per share</i>                                  |                      |                     |
| Net income   | \$ 594,957           | \$ 622,655          |
| Weighted average common shares outstanding for basic<br>EPS      | 690,183              | 711,595             |
| Basic earnings per share   | \$ 0.86              | \$ 0.88             |
| <i>Diluted earnings per share</i>                                |                      |                     |
| Net income   | \$ 594,957           | \$ 622,655          |
| Shares for basic and diluted earnings per share<br>calculations: |                      |                     |
| Weighted average common shares outstanding for basic<br>EPS      | 690,183              | 711,595             |
| Assumed exercise/vesting of:                                     |                      |                     |
| Stock options and awards   | 10,822               | 12,513              |
| Weighted average common shares outstanding for<br>diluted EPS    | 701,005              | 724,108             |
| Diluted earnings per share                                       | \$ 0.85              | \$ 0.86             |

| In thousands, except per share data                              | Thirty-Nine Weeks Ended |                     |
|--|-------------------------|---------------------|
|  | November 1,<br>2014     | November 2,<br>2013 |
| <i>Basic earnings per share</i>                                  |                         |                     |
| Net income   | \$ 1,566,898            | \$ 1,555,104        |
| Weighted average common shares outstanding for basic<br>EPS      | 695,142                 | 715,657             |
| Basic earnings per share   | \$ 2.25                 | \$ 2.17             |
| <i>Diluted earnings per share</i>                                |                         |                     |
| Net income   | \$ 1,566,898            | \$ 1,555,104        |
| Shares for basic and diluted earnings per share<br>calculations: |                         |                     |
| Weighted average common shares outstanding for basic<br>EPS      | 695,142                 | 715,657             |
| Assumed exercise/vesting of:                                     |                         |                     |
| Stock options and awards   | 10,980                  | 12,626              |

|   |         |         |
|---|---------|---------|
| Weighted average common shares outstanding for diluted<br>EPS | 706,122 | 728,283 |
|---|---------|---------|

Diluted earnings per share \$ 2.22 \$ 2.14

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. There were 8.9 million options excluded for the thirteen weeks and thirty-nine weeks ended November 1, 2014. There were 4.7 million options excluded for the thirteen weeks and thirty-nine weeks ended November 2, 2013.

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**Note E. Financial Instruments**

As a result of its operating and financing activities, TJX is exposed to market risks from changes in interest and foreign currency exchange rates and fuel costs. These market risks may adversely affect TJX's operating results and financial position. When and to the extent deemed appropriate, TJX seeks to minimize risk from changes in interest rates and foreign currency exchange rates and fuel costs through the use of derivative financial instruments. TJX does not use derivative financial instruments for trading or other speculative purposes and does not use any leveraged derivative financial instruments. TJX recognizes all derivative instruments as either assets or liabilities in the statements of financial position and measures those instruments at fair value. The fair values of the derivatives are classified as assets or liabilities, current or non-current, based upon valuation results and settlement dates of the individual contracts. Changes to the fair value of 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. TJX does not hedge its net investments in foreign subsidiaries.

*Diesel Fuel Contracts:* TJX hedges portions of its estimated notional diesel requirements, based on the diesel fuel expected to be consumed by independent freight carriers transporting TJX's inventory. Independent freight carriers transporting TJX'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 period being hedged. During fiscal 2014 and the first nine months of fiscal 2015, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for fiscal 2015 and for the fiscal year ending January 30, 2016 (fiscal 2016). The hedge agreements outstanding at November 1, 2014 relate to approximately 50% of TJX's estimated notional diesel requirements for the remainder of fiscal 2015 and approximately 37% of TJX's estimated notional diesel requirements for the first nine months of fiscal 2016. These diesel fuel hedge agreements will settle throughout the remainder of fiscal 2015 and the first nine months of fiscal 2016. 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 by TJX Europe (United Kingdom, Ireland, Germany and Poland), TJX Canada (Canada), Marmaxx (U.S.) and HomeGoods (U.S.) in currencies other than their respective functional currencies. These contracts typically have a term of twelve months or less. The contracts outstanding at November 1, 2014 cover a portion of such actual and anticipated merchandise purchases throughout the remainder of fiscal 2015 and a portion of fiscal 2016. 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.

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at November 1, 2014:

| In thousands   | Pay                                | Receive                            | Blended Contract Rate | Balance Sheet Location      | Current Asset U.S.\$ | Current Liability U.S.\$ | Net Fair Value in U.S.\$ at November 1, 2014 |
|--|------------------------------------|------------------------------------|-----------------------|-----------------------------|----------------------|--------------------------|--|
| <b>Fair value hedges:</b>  |                                    |                                    |                       |                             |                      |                          |  |
| <b>Intercompany balances, primarily debt and related interest</b>  |                                    |                                    |                       |                             |                      |                          |  |
| zł   | 87,073                             | C\$ 30,519                         | 0.3505                | Prepaid Exp                 | \$ 1,313             | \$                       | \$ 1,313                                     |
|  | 39,000                             | £ 31,968                           | 0.8197                | Prepaid Exp                 | 2,151                |                          | 2,151  |
|  | 44,850                             | U.S.\$ 61,842                      | 1.3789                | Prepaid Exp                 | 5,635                |                          | 5,635  |
| U.S.\$   | 90,309                             | £ 55,000                           | 0.6090                | (Accrued Exp)               |                      | (2,393)                  | (2,393)                                      |
| <b>Economic hedges for which hedge accounting was not elected:</b> |                                    |                                    |                       |                             |                      |                          |  |
| Diesel contracts   | Fixed on 390K - 1.8M gal per month | Float on 390K - 1.8M gal per month | N/A                   | (Accrued Exp)               |                      | (5,360)                  | (5,360)                                      |
| <b>Merchandise purchase commitments</b>                            |                                    |                                    |                       |                             |                      |                          |  |
| C\$  | 293,187                            | U.S.\$ 267,020                     | 0.9107                | Prepaid Exp                 | 7,060                |                          | 7,060  |
| C\$  | 7,206                              | 5,000                              | 0.6939                | Prepaid Exp / (Accrued Exp) | 4                    | (135)                    | (131)  |
| £  | 103,088                            | U.S.\$ 168,500                     | 1.6345                | Prepaid Exp / (Accrued Exp) | 3,690                | (5)                      | 3,685  |
| zł   | 151,572                            | £ 28,638                           | 0.1889                | Prepaid Exp                 | 992                  |                          | 992  |
| U.S.\$   | 21,525                             | 16,401                             | 0.7620                | (Accrued Exp)               |                      | (981)                    | (981)  |
| <b>Total fair value of</b>   |                                    |                                    |                       |                             | \$ 20,845            | \$ (8,874)               | \$ 11,971                                    |



The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at November 2, 2013:

| In thousands  | Pay    |                                    | Receive | Blended Contract Rate              | Balance Sheet Location | Current Asset U.S.\$        | Current Liability U.S.\$ | Net Fair Value in U.S.\$ at November 2, 2013 |
|---|--------|------------------------------------|---------|------------------------------------|------------------------|-----------------------------|--------------------------|--|
| <b>Fair value hedges:</b>                                   |        |                                    |         |                                    |                        |                             |                          |  |
| Intercompany balances, primarily debt and related interest  |        |                                    |         |                                    |                        |                             |                          |  |
|   | £      | 25,000                             | C\$     | 38,946                             | 1.5578                 | (Accrued Exp) \$            | \$ (2,486)               | \$(2,486)                                    |
|   | zł     | 84,073                             | C\$     | 26,440                             | 0.3145                 | (Accrued Exp)               | (1,628)                  | (1,628)                                      |
|   |        | 44,281                             | £       | 35,781                             | 0.8080                 | (Accrued Exp)               | (2,778)                  | (2,778)                                      |
|   |        | 44,850                             | U.S.\$  | 59,273                             | 1.3216                 | Prepaid Exp / (Accrued Exp) | 2,048 (3,274)            | (1,226)                                      |
|   | U.S.\$ | 87,117                             | £       | 55,000                             | 0.6313                 | Prepaid Exp                 | 413                      | 413  |
| Economic hedges for which hedge accounting was not elected: |        |                                    |         |                                    |                        |                             |                          |  |
| Diesel contracts  |        | Fixed on 175K - 1.9M gal per month |         | Float on 175K - 1.9M gal per month | N/A                    | (Accrued Exp)               | (733)                    | (733)  |
| Merchandise purchase commitments                            |        |                                    |         |                                    |                        |                             |                          |  |
|   | C\$    | 342,060                            | U.S.\$  | 328,680                            | 0.9609                 | Prepaid Exp / (Accrued Exp) | 2,277 (1,382)            | 895  |
|   | C\$    | 12,867                             |         | 9,250                              | 0.7189                 | Prepaid Exp / (Accrued Exp) | 171 (35)                 | 136  |
|   | £      | 185,934                            | U.S.\$  | 295,200                            | 1.5877                 | Prepaid Exp / (Accrued Exp) | 2,032 (2,675)            | (643)  |

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|        |         |   |        |        |                                |     |       |       |
|--------|---------|---|--------|--------|--------------------------------|-----|-------|-------|
| zł     | 126,753 | £ | 25,321 | 0.1998 | Prepaid Exp /<br>(Accrued Exp) | 54  | (363) | (309) |
| U.S.\$ | 16,843  |   | 12,647 | 0.7509 | Prepaid Exp /<br>(Accrued Exp) | 276 | (63)  | 213   |

Total fair  
value of  
financial  
instruments

\$7,271 \$ (15,417) \$ (8,146)

Presented below is the impact of derivative financial instruments on the statements of income for the periods shown:

| In thousands   | Location of Gain (Loss)<br>Recognized in Income by<br>Derivative | Amount of Gain (Loss)<br>Recognized<br>in Income by Derivative<br>Thirteen Weeks Ended |                  |
|--|--|--|------------------|
|  |  | November 1, 2014   | November 2, 2013 |
| <b>Fair value hedges:</b>  |  |  |                  |
| Intercompany balances, primarily debt and related interest         | Selling, general and administrative expenses                     | \$ 1,842   | \$ 1,504         |
| <b>Economic hedges for which hedge accounting was not elected:</b> |  |  |                  |
| Diesel fuel contracts  | Cost of sales, including buying and occupancy costs              | (5,614)  | (2,012)          |
| Merchandise purchase commitments                                   | Cost of sales, including buying and occupancy costs              | 16,476   | (2,687)          |
| Gain / (loss) recognized in income                                 |  | \$ 12,704  | \$ (3,195)       |

| In thousands   | Location of Gain (Loss)<br>Recognized in Income by<br>Derivative | Amount of Gain (Loss) Recognized<br>in Income by Derivative<br>Thirty-Nine Weeks Ended |                  |
|--|--|--|------------------|
|  |  | November 1, 2014   | November 2, 2013 |
| <b>Fair value hedges:</b>  |  |  |                  |
| Intercompany balances, primarily debt and related interest         | Selling, general and administrative expenses                     | \$ 5,720   | \$ 3,367         |
| <b>Economic hedges for which hedge accounting was not elected:</b> |  |  |                  |
| Diesel fuel contracts  | Cost of sales, including buying and occupancy costs              | (4,709)  | (2,767)          |
| Merchandise purchase commitments                                   | Cost of sales, including buying and occupancy costs              | 780  | 10,116           |
| Gain/ (loss) recognized in income                                  |  | \$ 1,791   | \$ 10,716        |



**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 or exit price. The inputs used to measure fair value are generally classified 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

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

| In thousands                        | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 |
|-------------------------------------|---------------------|---------------------|---------------------|
| <b>Level 1</b>                      |                     |                     |                     |
| <b>Assets:</b>                      |                     |                     |                     |
| Executive Savings Plan investments  | \$ 153,917          | \$ 131,049          | \$ 129,676          |
| <b>Level 2</b>                      |                     |                     |                     |
| <b>Assets:</b>                      |                     |                     |                     |
| Short-term investments              | \$ 277,225          | \$ 294,702          | \$ 251,276          |
| Foreign currency exchange contracts | 20,845              | 19,482              | 7,271               |
| Diesel fuel contracts               |                     | 137                 |                     |
| <b>Liabilities:</b>                 |                     |                     |                     |
| Foreign currency exchange contracts | \$ 3,514            | \$ 6,107            | \$ 14,684           |
| Diesel fuel contracts               | 5,360               |                     | 733                 |

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. These inputs are considered to be Level 2. The fair value of long-term debt as of November 1, 2014 was \$1.69 billion compared to a carrying value of \$1.62 billion. The fair value of long-term debt as of February 1, 2014 was \$1.34 billion compared to a carrying value of \$1.27 billion. The fair value of long-term debt as of November 2, 2013 was \$1.35 billion compared to a carrying value of \$1.27 billion. 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.

Short-term investments, foreign currency exchange contracts and diesel fuel contracts are valued using broker quotations which include observable market information. TJX's investments are primarily high-grade commercial paper, institutional money market funds and time deposits with major banks. 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 instruments are classified within Level 2.

**Note G. Segment Information**

TJX operates four main business segments. The Marmaxx segment (T.J. Maxx, Marshalls and tjmaxx.com) and the HomeGoods segment both operate in the United States, the TJX Canada segment operates Winners, HomeSense and Marshalls in Canada, and the TJX Europe segment operates T.K. Maxx, HomeSense and tkmaxx.com in Europe. TJX also operates STP, an off-price Internet retailer in the U.S. that operates a small number of stores. The results of STP are included in the Marmaxx segment.

All of TJX's stores, with the exception of HomeGoods and HomeSense, sell family apparel and home fashions. HomeGoods and HomeSense offer home fashions.

TJX evaluates the performance of its segments based on segment profit or loss, which it defines as pre-tax income or loss before general corporate expense, loss on early extinguishment of debt and interest expense, net. Segment profit or loss, as defined by TJX, may not be comparable to similarly titled measures used by other entities. The terms segment margin or segment profit margin are used to describe segment profit or loss as a percentage of net sales. These measures of performance should not be considered alternatives to net income or cash flows from operating activities as an indicator of TJX's performance or as a measure of liquidity.

Presented below is financial information with respect to TJX's business segments:

| In thousands                             | Thirteen Weeks Ended   |                        |
|--|------------------------|------------------------|
|  | November<br>1,<br>2014 | November<br>2,<br>2013 |
| Net sales:                               |                        |                        |
| In the United States:                    |                        |                        |
| Marmaxx                                  | \$ 4,673,718           | \$ 4,484,174           |
| HomeGoods                                | 851,045                | 739,537                |
| TJX Canada                               | 791,725                | 785,883                |
| TJX Europe                               | 1,049,578              | 972,282                |
|  | \$ 7,366,066           | \$ 6,981,876           |
| Segment profit:                          |                        |                        |
| In the United States:                    |                        |                        |
| Marmaxx                                  | \$ 679,929             | \$ 658,369             |
| HomeGoods                                | 117,922                | 96,937                 |
| TJX Canada                               | 136,480                | 128,692                |
| TJX Europe                               | 115,313                | 101,043                |
|  | 1,049,644              | 985,041                |
| General corporate expense                | 80,504                 | 96,298                 |
| Interest expense, net                    | 10,040                 | 9,371                  |
| Income before provision for income taxes | \$ 959,100             | \$ 879,372             |



| In thousands                             | Thirty-Nine Weeks Ended |                     |
|--|-------------------------|---------------------|
|  | November 1,<br>2014     | November 2,<br>2013 |
| Net sales:                               |                         |                     |
| In the United States:                    |                         |                     |
| Marmaxx                                  | \$ 13,402,351           | \$ 12,915,269       |
| HomeGoods                                | 2,381,268               | 2,119,190           |
| TJX Canada                               | 2,096,069               | 2,110,743           |
| TJX Europe                               | 2,894,766               | 2,468,707           |
|  | \$ 20,774,454           | \$ 19,613,909       |
| Segment profit:                          |                         |                     |
| In the United States:                    |                         |                     |
| Marmaxx                                  | \$ 1,988,617            | \$ 1,940,647        |
| HomeGoods                                | 310,762                 | 267,170             |
| TJX Canada                               | 275,527                 | 293,774             |
| TJX Europe                               | 209,188                 | 157,936             |
|  | 2,784,094               | 2,659,527           |
| General corporate expense                | 216,230                 | 252,252             |
| Loss on early extinguishment of debt     | 16,830                  |                     |
| Interest expense, net                    | 30,785                  | 23,572              |
| Income before provision for income taxes | \$ 2,520,249            | \$ 2,383,703        |

#### Note H. Pension Plans and Other Retirement Benefits

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

| In thousands                       | Funded Plan          |                     | Unfunded Plan        |                     |
|------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                    | Thirteen Weeks Ended |                     | Thirteen Weeks Ended |                     |
|                                    | November 1,<br>2014  | November 2,<br>2013 | November 1,<br>2014  | November 2,<br>2013 |
| Service cost                       | \$ 10,115            | \$ 10,919           | \$ 149               | \$ 245              |
| Interest cost                      | 12,547               | 10,758              | 863                  | 650                 |
| Expected return on plan assets     | (16,285)             | (16,108)            |                      |                     |
| Amortization of prior service cost |                      |                     | 1                    |                     |
| Recognized actuarial losses        | 3,873                | 7,009               | 1,000                | 1,041               |
| Total expense                      | \$ 10,250            | \$ 12,578           | \$ 2,013             | \$ 1,936            |

| In thousands                       | Funded Plan             |                     | Unfunded Plan           |                     |
|------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
|                                    | Thirty-Nine Weeks Ended |                     | Thirty-Nine Weeks Ended |                     |
|                                    | November 1,<br>2014     | November 2,<br>2013 | November 1,<br>2014     | November 2,<br>2013 |
| Service cost                       | \$ 30,361               | \$ 33,467           | \$ 1,048                | \$ 1,287            |
| Interest cost                      | 37,141                  | 33,408              | 2,251                   | 1,835               |
| Expected return on plan assets     | (48,890)                | (45,355)            |                         |                     |
| Amortization of prior service cost |                         |                     | 2                       | 2                   |
| Recognized actuarial losses        | 10,386                  | 20,846              | 1,609                   | 2,163               |
| Total expense                      | \$ 28,998               | \$ 42,366           | \$ 4,910                | \$ 5,287            |

TJX's policy with respect to the funded plan is to fund, at a minimum, the amount required to maintain a funded status of 80% of the applicable pension liability (the funding target pursuant to the Internal Revenue Code section 430) or such other amount sufficient to avoid restrictions with respect to the funding of TJX's nonqualified plans under the Internal Revenue Code. TJX does not anticipate any required funding in fiscal 2015 for the funded plan. TJX made a voluntary contribution of \$25.0 million to the funded plan in September 2014. TJX anticipates making payments of \$3.4 million to provide current benefits coming due under the unfunded plan in fiscal 2015.

The amounts included in amortization of prior service cost and recognized actuarial losses in the table above have been reclassified in their entirety from other comprehensive income to the statements of income, net of related tax effects, for both periods presented.

TJX also has an unfunded postretirement medical plan which was closed to new benefits in fiscal 2006. The liability as of November 1, 2014 is estimated at \$1.2 million, all of which is included in non-current liabilities on the balance sheet.

The amendment to the plan benefits in fiscal 2006 resulted in a negative plan amendment which is being amortized to income over the estimated average remaining life of the eligible plan participants. Amortization from other comprehensive income to net income was \$864,000 for the quarter ended November 1, 2014 and \$863,000 for the quarter ended November 2, 2013. Amortization from other comprehensive income to net income was \$2.6 million for both the thirty nine weeks ended November 1, 2014 and the thirty nine weeks ended November 2, 2013.

**Note I. Long-Term Debt and Credit Lines**

The table below presents long-term debt, exclusive of current installments, as of November 1, 2014, February 1, 2014 and November 2, 2013. All amounts are net of unamortized debt discounts.

| In thousands  | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 |
|---|---------------------|---------------------|---------------------|
| <b>General corporate debt:</b>  |                     |                     |                     |
| 4.20% senior unsecured notes, redeemed on July 8, 2014 (effective interest rate of 4.20% after reduction of unamortized debt discount of \$8 at February 1, 2014 and \$9 at November 2, 2013)                               | \$                  | \$ 399,992          | \$ 399,991          |
| 6.95% senior unsecured notes, maturing April 15, 2019 (effective interest rate of 6.98% after reduction of unamortized debt discount of \$311 at November 1, 2014, \$364 at February 1, 2014 and \$382 at November 2, 2013) | 374,689             | 374,636             | 374,618             |
| 2.50% senior unsecured notes, maturing May 15, 2023 (effective interest rate of 2.51% after reduction of unamortized debt discount of \$378 at November 1, 2014, \$412 at February 1, 2014 and \$423 at November 2, 2013)   | 499,622             | 499,588             | 499,577             |
| 2.75% senior unsecured notes, maturing June 15, 2021 (effective interest rate of 2.76% after reduction of unamortized debt discount of \$494 at November 1, 2014)   | 749,506             |                     |                     |
| <b>Long-term debt, exclusive of current installments</b>  | <b>\$ 1,623,817</b> | <b>\$ 1,274,216</b> | <b>\$ 1,274,186</b> |

At November 1, 2014, TJX had outstanding \$750 million aggregate principal amount of 2.75% seven-year notes, due June 2021. TJX entered into rate-lock agreements to hedge the underlying treasury rate of all of the 2.75% notes prior to their issuance. The agreements were accounted for as cash flow hedges and the pre-tax realized loss of \$7.9 million was recorded as a component of other comprehensive income and is being amortized to interest expense over the term of the notes, resulting in an effective fixed interest rate of 2.91%. On July 8, 2014 TJX used a portion of the proceeds of the 2.75% seven-year notes to redeem the 4.2% notes and recorded pre-tax loss on the early extinguishment of debt of \$16.8 million, which includes \$16.4 million of redemption premium and \$0.4 million to write off unamortized debt expenses and discount.

At November 1, 2014, TJX also had outstanding \$500 million aggregate principal amount of 2.50% ten-year notes due May 2023 and \$375 million aggregate principal amount of 6.95% ten-year notes due April 2019. TJX entered into rate-lock agreements to hedge the underlying treasury rate of \$250 million of the 2.50% notes and all of the 6.95% notes. The costs of these agreements are being amortized to interest expense over the term of the respective notes, resulting in an effective fixed interest rate of 2.57% for the 2.50% notes and 7.00% for the 6.95% notes.

At November 1, 2014, TJX had two \$500 million revolving credit facilities, one which matures in June 2017 and one which matures in May 2016. As of November 1, 2014, February 1, 2014 and November 2, 2013 and during the quarters and year then ended, there were no amounts outstanding under these facilities. At November 1, 2014, the

agreements require quarterly payments on the unused committed amounts of 8.0 basis points for the agreement maturing in 2017 and 12.5 basis points for the agreement maturing in 2016. These rates are based on the credit ratings of TJX's long-term debt and would vary with specified changes in the credit ratings. These agreements have no compensating balance requirements and have various covenants. Each of these facilities requires TJX to maintain a ratio of funded debt and four-times consolidated rentals to consolidated earnings before interest, taxes, consolidated rentals, depreciation and amortization ( EBITDAR ) of not more than 2.75 to 1.00 on a rolling four-quarter basis. TJX was in compliance with all covenants related to its credit facilities at the end of all periods presented.

As of November 1, 2014, February 1, 2014 and November 2, 2013, 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 November 1, 2014, February 1, 2014 and November 2, 2013, and during the quarters



and year then ended there were no amounts outstanding on the Canadian credit line for operating expenses. As of November 1, 2014, February 1, 2014 and November 2, 2013, TJX Europe had a credit line of £20 million. As of November 1, 2014, February 1, 2014, and November 2, 2013, and during the quarters and year then ended there were no amounts outstanding on the European credit line.

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

The effective income tax rate was 38.0% for the fiscal 2015 third quarter and 29.2% for last year's third quarter. The effective income tax rate for the nine months ended November 1, 2014 was 37.8% as compared to 34.8% for last year's comparable period. The increase in the effective income tax rate for both periods was primarily due to the impact of last year's third quarter tax benefits of approximately \$80 million, primarily due to a reduction in our reserve for uncertain tax positions as a result of settlements with state taxing authorities and the reversal of a valuation allowance against a foreign net operating loss carryforward. These benefits reduced last year's third quarter effective tax rate by 8.9 percentage points and the effective income tax rate for the nine-month period ended November 2, 2013 by 3.3 percentage points. In addition, the effective income tax rate for the third quarter of fiscal 2015 increased due to the expiration of legislation allowing for the U.S. Work Opportunity Tax Credit on December 31, 2013, offset by a difference in the jurisdictional mix of income.

TJX had net unrecognized tax benefits of \$29.3 million as of November 1, 2014, \$26.2 million as of February 1, 2014 and \$23.6 million as of November 2, 2013.

TJX is subject to U.S. federal income tax as well as income tax in multiple states, local and foreign jurisdictions. In nearly all jurisdictions, the tax years through fiscal 2006 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 total accrued amount on the balance sheets for interest and penalties was \$9.3 million as of November 1, 2014; \$8.1 million as of February 1, 2014 and \$6.2 million as of November 2, 2013.

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 \$0 million to \$11.7 million.

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

The Thirteen Weeks (third quarter) and Thirty-Nine Weeks (nine months) Ended November 1, 2014

Compared to

The Thirteen Weeks (third quarter) and Thirty-Nine Weeks (nine months) Ended November 2, 2013

**Overview**

We are the leading off-price apparel and home fashions retailer in the U.S. and worldwide. We sell a rapidly changing assortment of apparel, home fashions and other merchandise at prices generally 20% to 60% below department and specialty store regular prices on comparable merchandise, every day. We operate over 3,300 stores through our four main segments: in the U.S., Marmaxx (which operates T.J. Maxx, Marshalls and tjmaxx.com) and HomeGoods; TJX Canada (which operates Winners, HomeSense and Marshalls in Canada); and TJX Europe (which operates T.K. Maxx, HomeSense and tkmaxx.com in Europe). We also operate Sierra Trading Post (STP), an off-price Internet retailer, which operates a small number of stores in the U.S. and sierratradingpost.com in the U.S. The results of STP have been included with the Marmaxx segment.

**Results of Operations**

Details of our financial performance for the third quarter and nine months ended November 1, 2014 include the following:

Same store sales increased 2% in the third quarter of fiscal 2015 over a strong increase of 5% in the fiscal 2014 third quarter. Same store sales increased 2% in the nine-month period ending November 1, 2014 over last year's 3% increase in the nine months ended November 2, 2013. The increase in the third quarter same store sales was driven by an increase in units sold and a slight increase in customer traffic.

Net sales increased 6% to \$7.4 billion for the fiscal 2015 third quarter and increased 6% to \$20.8 billion for the nine-month period over last year's comparable periods. At November 1, 2014, stores in operation increased 5% and selling square footage increased 4% compared to the end of the fiscal 2014 third quarter. Home fashions outperformed apparel for both the third quarter and nine-month periods.

Diluted earnings per share for the third quarter of fiscal 2015 were \$0.85, compared to \$0.86 in the third quarter of fiscal 2014. Diluted earnings per share for the nine-month period ended November 1, 2014 were \$2.22, up 4% compared to \$2.14 in the same period in fiscal 2014. Diluted earnings per share for both the quarter and nine-month period last year included an \$0.11 per share benefit resulting from tax benefits recognized in the fiscal 2014 third quarter.

Our pre-tax margin (the ratio of pre-tax income to net sales) for the third quarter of fiscal 2015 was 13.0%, a 0.4 percentage point increase from 12.6% for the same period last year. For the nine months ended November 1, 2014, our pre-tax margin was 12.1%, a 0.1 percentage point decrease from 12.2% for the same period last year. The fiscal 2015 pre-tax margin for the nine-month period was reduced by 0.1 percentage points due to the loss on extinguishment of debt related to the early redemption of our 4.20% notes due August 15, 2015.

Our cost of sales ratio for the third quarter of fiscal 2015 was 70.6%, a 0.1 percentage point improvement over the third quarter last year. Our cost of sales ratio for the nine-month period ended November 1, 2014 was 71.3%, a 0.2 percentage point increase over the same period last year. The improvement in the third quarter was primarily due to the favorable impact of the mark-to-market adjustment of inventory-related hedges. The increase in this expense ratio over last year for the nine-month period was primarily due to a slight decline in merchandise margins and occupancy expense deleverage.

Our selling, general and administrative expense ratio for the third quarter of fiscal 2015 improved by 0.4 percentage points to 16.2% and for the nine months ended November 1, 2014, the selling, general and administrative expense ratio was 16.3%, an improvement of 0.3 percentage points compared to the same period last year. These improvements are due to certain items that impacted last year's third quarter as well as expense favorability.

Our consolidated average per store inventories, including inventory on hand at our distribution centers (which excludes inventory in transit), and excluding our e-commerce businesses, were up 2% (up 3% on a constant currency basis) at the end of the third quarter of fiscal 2015 as compared to the prior year.

During the third quarter of fiscal 2015, we repurchased 7.5 million shares of our common stock at a cost of \$448 million. For the nine months ended November 1, 2014 we repurchased 21.5 million shares of our common stock at a cost of \$1.2 billion.

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 third quarter ended November 1, 2014 totaled \$7.4 billion, a 6% increase over consolidated net sales of \$7.0 billion in the fiscal 2014 third quarter. The increase reflected a 4% increase in new store sales and a 2% increase in same store sales. This increase compares to sales growth of 9% in last year's third quarter, which reflected a 5% increase in same store sales and a 4% increase in new store sales (including 1% attributable to the inclusion of STP). Foreign currency exchange had a neutral impact on the fiscal 2015 and fiscal 2014 sales growth.

Consolidated net sales for the nine months ended November 1, 2014 totaled \$20.8 billion, a 6% increase over \$19.6 billion in last year's comparable period. The increase reflected a 4% increase in new store sales and a 2% increase in same store sales. Foreign currency exchange had a neutral impact on the fiscal 2015 sales growth. This compares to sales growth of 8% in the nine-month period of fiscal 2014, which reflected a 5% increase from new store sales (including 1% attributable to the inclusion of STP) and a 3% increase in same store sales.

As of November 1, 2014, our consolidated store count increased 5% and selling square footage increased 4% as compared to the end of the third quarter last year.

The same store sales increase for the third quarter was driven by an increase in units sold and a slight increase in traffic. Same store sales growth for nine-month period ended November 1, 2014 was driven by an increase in the average ticket and to a lesser extent an increase in units sold. Customer traffic was down slightly for the nine-month period, compared to last year. In the U.S., the Southeast and Southwest regions posted the strongest same stores sales for the third quarter and nine-month period. We believe same store sales were negatively impacted by unseasonable weather late in the third quarter of fiscal 2015 in parts of the U.S. and parts of the third quarter throughout much of Europe. In Europe, same store sales were down for the third quarter but well above the consolidated average for the nine-month period. In Canada, same store sales were slightly above the consolidated average for the third quarter and were at the consolidated average for the nine-month period.

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. Tjmaxx.com and tkmaxx.com are treated as stores of the related divisions that they support. Revenue from our Sierra Trading Post business is not included in same store sales. 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 segments are calculated on a constant currency basis, meaning we translate the current year's same store sales of our foreign segments 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 segment operating performance. We define customer traffic to be the number of transactions in stores included in the same store sales calculation and define average ticket

to be the average retail price of the units sold. We define average transaction to be the average dollar value of transactions included in the same store sales calculation.

The following table sets forth certain information about our consolidated operating results from continued operations as a percentage of net sales:

|   | Percentage of Net Sales                     |  |
|---|---|--|
|   | Percentage of Net Sales                     | Percentage of Net Sales                        |
|   | Thirteen Weeks Ended<br>November 1,<br>2014 | Thirteen Weeks<br>Ended<br>November 2,<br>2013 |
| Net sales   | 100.0%                                      | 100.0%   |
| Cost of sales, including buying and occupancy costs | 70.6  | 70.7   |
| Selling, general and administrative expenses        | 16.2  | 16.6   |
| Interest expense, net                               | 0.1   | 0.1  |
| Income before provision for income taxes *          | 13.0%                                       | 12.6%  |

|   | Percentage of                                  | Percentage of                                  |
|---|--|--|
|   | Net Sales                                      | Net Sales                                      |
|   | Thirty-Nine Weeks Ended<br>November 1,<br>2014 | Thirty-Nine Weeks Ended<br>November 2,<br>2013 |
| Net sales   | 100.0%   | 100.0%   |
| Cost of sales, including buying and occupancy costs | 71.3   | 71.1   |
| Selling, general and administrative expenses        | 16.3   | 16.6   |
| Loss on early extinguishment of debt                | 0.1  |  |
| Interest expense, net                               | 0.1  | 0.1  |
| Income before provision for income taxes *          | 12.1%  | 12.2%  |

\* Figures may not foot due to rounding

**Impact of foreign currency exchange rates:** Our operating results are 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 exchange rates affect our reported results are as follows:

*Translation of foreign operating results into U.S. dollars:* In our financial statements, we translate the operations of TJX Canada and TJX 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 these segments. Currency translation generally does

not affect operating margins, or affects them only slightly, as sales and expenses of the foreign operations are translated at essentially the same rates within a given period.

*Inventory-related derivatives:* We routinely enter into inventory-related hedging instruments to mitigate the impact on earnings of changes in foreign currency exchange rates on merchandise purchases denominated in currencies other than the local currencies of our divisions, principally TJX Europe and TJX Canada. As we have not elected hedge accounting for these instruments as defined by U.S. generally accepted accounting principles (GAAP), we record a mark-to-market gain or loss on the derivative instruments in our results of operations at the end of each reporting period. In subsequent periods, the income statement impact of the mark-to-market adjustment is effectively offset when the inventory being hedged is received and paid for. 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 derivatives does not affect net sales, but it does affect the cost of sales, operating margins and earnings we report.

**Cost of sales, including buying and occupancy costs:** Cost of sales, including buying and occupancy costs, as a percentage of net sales improved by 0.1 percentage points to 70.6% for the third quarter of fiscal 2015 as compared to the same period last year and increased by 0.2 percentage points to 71.3% for the nine months ended November 1, 2014 as compared to the same period last year. The improvement in this ratio for the third quarter of fiscal 2015 reflects the positive impact of 0.2 percentage points from the mark-to-market adjustment on inventory-related hedges, partially offset by a slight decrease in merchandise margin. The increase in this ratio for the first nine months of fiscal 2015 was

due to a lower consolidated merchandise margin and some expense de-leverage on buying and occupancy costs. The decrease in the merchandise margin in both the quarter and year-to-date periods was primarily due to TJX Canada where the change in foreign currency rates caused an increase in cost of merchandise purchased in U.S. dollars.

**Selling, general and administrative expenses:** Selling, general and administrative expenses, as a percentage of net sales, were 16.2% in the third quarter of fiscal 2015, a 0.4 percentage point improvement over last year's ratio and improved by 0.3 percentage points to 16.3% for the nine months ended November 1, 2014 as compared to the same period last year. The improvement in this expense ratio for both periods was due to certain costs incurred last year as well as expense favorability this year. Last year's third quarter included costs in connection with the move to our new home office facility. In addition, both the quarter and nine-month periods included costs in connection with the migration to our new technology center incurred last year as well as contributions to the TJX Foundation. Collectively the absence of these costs in fiscal 2015 benefitted this expense ratio by 0.3 percentage points in the third quarter and by 0.2 percentage points in the nine-month period. The year-over-year comparison of this expense ratio also reflects some expense favorability, primarily advertising and pension costs in the third quarter of this year and insurance costs and pension cost for the nine-month period of this year.

**Loss on early extinguishment of debt:** On July 8, 2014, we redeemed our \$400 million aggregate principal amount of 4.20% notes and recorded a pre-tax loss on the early extinguishment of debt of \$16.8 million.

**Interest expense, net:** The components of interest expense, net are summarized below:

| Dollars in thousands  | Thirteen Weeks Ended |                  | Thirty-Nine Weeks Ended |                  |
|-----------------------|----------------------|------------------|-------------------------|------------------|
|                       | November 1, 2014     | November 2, 2013 | November 1, 2014        | November 2, 2013 |
| Interest expense      | \$ 16,169            | \$ 15,138        | \$ 48,624               | \$ 42,043        |
| Capitalized interest  | (2,497)              | (2,531)          | (6,903)                 | (9,248)          |
| Interest (income)     | (3,632)              | (3,236)          | (10,936)                | (9,223)          |
| Interest expense, net | \$ 10,040            | \$ 9,371         | \$ 30,785               | \$ 23,572        |

The increase in net interest expense for the third quarter and first nine months of fiscal 2015 reflected the interest cost from the date of issuance (June 5, 2014) on the \$750 million of 2.75% seven-year notes, partially offset by interest savings due to the redemption for the \$400 million 4.20% notes. In addition, year-to-date net interest expense reflected nine months of interest expense on the \$500 million 2.5% ten-year notes in fiscal 2015, compared to fiscal 2014, which only reflects six months of interest expense. For the nine-month period, the reduction in capitalized interest on ongoing capital projects was largely offset by an increase in interest income driven by higher cash balances.

**Income taxes:** The effective income tax rate was 38.0% for the fiscal 2015 third quarter and 29.2% for last year's third quarter. The effective income tax rate for the nine months ended November 1, 2014 was 37.8% as compared to 34.8% for last year's comparable period. The increase in the effective income tax rates for both periods of fiscal 2015 was primarily due to the impact of tax benefits recognized in the fiscal 2014 third quarter. Last year's third quarter tax provision included tax benefits of approximately \$80 million, which were primarily due to a reduction in our reserve for uncertain tax positions as a result of settlements with state taxing authorities and the reversal of a valuation allowance against a foreign net operating loss carryforward. These benefits reduced the fiscal 2014 third quarter effective tax rate by 8.9 percentage points and the fiscal 2014 nine-month period effective income tax rate by 3.3



percentage points. In addition, the effective income tax rate for the third quarter of fiscal 2015 increased due to the expiration of legislation allowing for the U.S. Work Opportunity Tax Credit which expired on December 31, 2013, offset by a difference in the jurisdictional mix of income.

**Net income and net income per share:** Net income for the third quarter of fiscal 2015 was \$595.0 million, or \$0.85 per diluted share, versus \$622.7 million, or \$0.86 per diluted share, in last year's third quarter. Foreign currency had a neutral impact on earnings per share in the third quarter of fiscal 2015 and fiscal 2014. Net income for the nine months ended November 1, 2014 was \$1,566.9 million, or \$2.22 per diluted share, versus \$1,555.1

million, or \$2.14 per diluted share, in the same period last year. Foreign currency had a \$0.01 negative impact for the nine-month period in fiscal 2015 compared to a neutral impact for the nine-month period of fiscal 2014. The after tax cost for the loss on early extinguishment of debt reduced earnings per share for the first nine months of fiscal 2015 by \$0.01 per share. The tax benefits referred to above added \$0.11 per share to net income for both the third quarter and nine-month periods in fiscal 2014.

Our weighted average diluted shares outstanding affect the comparability of earnings per share. Our stock repurchases benefit our earnings per share. During the third quarter of fiscal 2015, we repurchased 7.5 million shares of our common stock at a cost of \$448 million. For the first nine months of fiscal 2015, we repurchased 21.5 million shares of our common stock at a cost of \$1.2 billion.

**Segment information:** We operate four main business segments. Marmaxx (T.J. Maxx, Marshalls and tjmaxx.com) and HomeGoods both operate in the United States. Our TJX Canada segment operates Winners, HomeSense and Marshalls in Canada, and our TJX Europe segment operates T.K. Maxx, HomeSense and tkmaxx.com in Europe. We also operate STP, an off-price Internet retailer with a small number of stores in the U.S. The results of STP have been included with our Marmaxx segment. We evaluate the performance of our segments based on segment profit or loss, which we define as pre-tax income or loss before general corporate expense, loss on early extinguishment of debt and interest expense. Segment profit or loss, as we define the term, may not be comparable to similarly titled measures used by other entities. The terms segment margin or segment profit margin are used to describe segment profit or loss as a percentage of net sales. These measures 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                                       | Thirteen Weeks Ended |                     | Thirty-Nine Weeks Ended |                     |
|---|----------------------|---------------------|-------------------------|---------------------|
|   | November 1,<br>2014  | November 2,<br>2013 | November 1,<br>2014     | November 2,<br>2013 |
| Net sales   | \$ 4,673.7           | \$ 4,484.2          | \$ 13,402.4             | \$ 12,915.3         |
| Segment profit  | \$ 679.9             | \$ 658.4            | \$ 1,988.6              | \$ 1,940.6          |
| Segment profit as a percentage of net sales               | 14.5%                | 14.7%               | 14.8%                   | 15.0%               |
| Increase in same store sales                              | 1%                   | 4%                  | 1%                      | 3%                  |
| Stores in operation at end of period                      |                      |                     |                         |                     |
| T.J. Maxx   |                      |                     | 1,113                   | 1,075               |
| Marshalls   |                      |                     | 973                     | 941                 |
| Sierra Trading Post                                       |                      |                     | 6                       | 4                   |
| <b>Total</b>  |                      |                     | <b>2,092</b>            | <b>2,020</b>        |
| Selling square footage at end of period<br>(in thousands) |                      |                     |                         |                     |
| T.J. Maxx   |                      |                     | 25,354                  | 24,636              |
| Marshalls   |                      |                     | 23,684                  | 23,074              |

|                     |        |        |
|---------------------|--------|--------|
| Sierra Trading Post | 122    | 83     |
| Total               | 49,160 | 47,793 |

Net sales for Marmaxx increased 4% for the third quarter and nine-month periods of fiscal 2015 as compared to the same periods last year. Same store sales for Marmaxx were up 1% in the third quarter of fiscal 2015 compared to a 4% increase in last year's third quarter. Same stores sales were up 1% for the first nine months of fiscal 2015, on top of a 3% increase for the comparable period last year.

Same store sales growth at Marmaxx for both the third quarter and nine months ended November 1, 2014 were driven by increases in the value of the average transaction. There was also a slight increase in customer traffic in the third quarter. Geographically, same store sales were strongest in the Southeast, and Southwest regions in the third quarter and nine-month periods. We believe warm weather in month of October across much of the country had a negative impact on apparel sales in the third quarter. Home fashions outperformed apparel during the third quarter, however within apparel, the less weather sensitive categories such as jewelry and accessories performed well.

Segment profit margin decreased to 14.5% for the third quarter of fiscal 2015 compared to 14.7% for the same period last year. Segment margin decreased to 14.8% for the nine months ended November 1, 2014 compared to 15.0% for the same period last year. The decrease in both periods was primarily due to expense deleverage on the 1% same-store sales, particularly, occupancy costs as well as a slight decrease in merchandise margins. The decline in merchandise margins was primarily due to the impact of our e-commerce operations. E-commerce overall had a negative impact in year-over-year segment margin comparisons, offsetting the benefit of some expense favorability, primarily in insurance costs.

### *HomeGoods*

| Dollars in millions                                       | Thirteen Weeks Ended |                     | Thirty-Nine Weeks Ended |                     |
|---|----------------------|---------------------|-------------------------|---------------------|
|   | November 1,<br>2014  | November 2,<br>2013 | November 1,<br>2014     | November 2,<br>2013 |
| Net sales   | \$ 851.0             | \$ 739.5            | \$ 2,381.3              | \$ 2,119.2          |
| Segment profit  | \$ 117.9             | \$ 96.9             | \$ 310.8                | \$ 267.2            |
| Segment profit as a percentage of net sales               | 13.9%                | 13.1%               | 13.1%                   | 12.6%               |
| Increase in same store sales                              | 7%                   | 10%                 | 5%                      | 8%                  |
| Stores in operation at end of period                      |                      |                     | 485                     | 448                 |
| Selling square footage at end of period<br>(in thousands) |                      |                     | 9,501                   | 8,830               |

HomeGoods net sales increased 15% in the third quarter and 12% for the first nine months of fiscal 2015 over the same periods last year. Same store sales increased 7% for the third quarter and increased 5% for the nine months ended November 1, 2014 over increases of 10% and 8% in the comparable periods ended November 2, 2013. The increases in both the third quarter and nine-month periods of fiscal 2015 were driven by an increase in average ticket along with an increase in customer traffic in the third quarter.

Segment profit margin increased to 13.9% for the third quarter of fiscal 2015 compared to 13.1% for the same period last year. Segment profit margin for the nine months ended November 1, 2014 increased 0.5 percentage points to 13.1%, compared to 12.6% for the same period last year. The growth in segment margin for the third quarter and year-to-date periods was driven by expense leverage on strong same store sales, particularly occupancy costs and store payroll, along with expense favorability, primarily in advertising and insurance costs. The third quarter benefits to segment margin were partially offset by an increase in distribution costs as a percentage of sales, as HomeGoods brought its new distribution center into service, in the third quarter of fiscal 2015.

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

| U.S. Dollars in millions                                  | Thirteen Weeks Ended |                     | Thirty-Nine Weeks Ended |                     |
|---|----------------------|---------------------|-------------------------|---------------------|
|   | November 1,<br>2014  | November 2,<br>2013 | November 1,<br>2014     | November 2,<br>2013 |
| Net sales   | \$ 791.7             | \$ 785.9            | \$ 2,096.1              | \$ 2,110.7          |
| Segment profit  | \$ 136.5             | \$ 128.7            | \$ 275.5                | \$ 293.8            |
| Segment profit as a percentage of net sales               | 17.2%                | 16.4%               | 13.1%                   | 13.9%               |
| Increase in same store sales                              | 3%                   | 2%                  | 2%                      | 1%                  |
| Stores in operation at end of period                      |                      |                     |                         |                     |
| Winners   |                      |                     | 234                     | 227                 |
| HomeSense   |                      |                     | 96                      | 91                  |
| Marshalls   |                      |                     | 38                      | 27                  |
| <b>Total</b>  |                      |                     | <b>368</b>              | <b>345</b>          |
| Selling square footage at end of period<br>(in thousands) |                      |                     |                         |                     |
| Winners   |                      |                     | 5,310                   | 5,195               |
| HomeSense   |                      |                     | 1,824                   | 1,748               |
| Marshalls   |                      |                     | 914                     | 666                 |
| <b>Total</b>  |                      |                     | <b>8,048</b>            | <b>7,609</b>        |

Net sales for TJX Canada increased 1% for the third quarter and decreased 1% for the nine-month period ended November 1, 2014 compared to the same periods last year. Currency exchange translation negatively impacted sales growth by 6 percentage points in the third quarter and 7 percentage points for the nine-month period ended November 1, 2014. Same store sales, which are presented on a constant currency basis, increased 3% for the third quarter of fiscal 2015 and increased 2% for the nine months ended November 1, 2014.

Segment profit margin increased to 17.2% for the third quarter ended November 1, 2014 compared to 16.4% last year. For the nine months ended November 1, 2014, segment profit margin decreased to 13.1% compared to 13.9% for the same period last year. The improvement in segment margin for the quarter was due to the positive impact of the mark-market adjustment of inventory related hedges of 0.8 percentage points. Merchandise margins decreased for the third quarter but this decline was largely offset by expense leverage on strong same store sales, particularly buying and occupancy costs, along with a reduction in advertising costs. For the nine-month period, the decline in segment margin was primarily due to the negative impact of the mark-to-market adjustment, which reduced year-over-year segment margin comparison by 0.5 percentage points, along with a decrease in merchandise margin. The decrease in merchandise margins for both the quarter and nine-month period was driven primarily by changes in the currency exchange rate which, increased TJX Canada's cost for merchandise purchased in U.S. dollars.

***TJX Europe***

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| U.S. Dollars in millions                                  | Thirteen Weeks Ended |                     | Thirty-Nine Weeks Ended |                     |
|---|----------------------|---------------------|-------------------------|---------------------|
|   | November 1,<br>2014  | November 2,<br>2013 | November 1,<br>2014     | November 2,<br>2013 |
| Net sales   | \$ 1,049.6           | \$ 972.3            | \$ 2,894.8              | \$ 2,468.7          |
| Segment profit  | \$ 115.3             | \$ 101.0            | \$ 209.2                | \$ 157.9            |
| Segment profit as a percentage of net sales               | 11.0%                | 10.4%               | 7.2%                    | 6.4%                |
| (Decrease) increase in same store sales                   | (1)%                 | 5%                  | 4%                      | 5%                  |
| Stores in operation at end of period                      |                      |                     |                         |                     |
| T.K. Maxx   |                      |                     | 407                     | 371                 |
| HomeSense   |                      |                     | 33                      | 28                  |
| Total   |                      |                     | 440                     | 399                 |
| Selling square footage at end of period<br>(in thousands) |                      |                     |                         |                     |
| T.K. Maxx   |                      |                     | 9,109                   | 8,383               |
| HomeSense   |                      |                     | 545                     | 464                 |
| Total   |                      |                     | 9,654                   | 8,847               |

Net sales for TJX Europe increased 8% for the third quarter and 17% for the nine-month period ended November 1, 2014, compared to the same periods last year. Currency exchange translation had a positive impact on the third quarter sales growth of 1 percentage point and a positive impact on the nine-month sales growth of 6 percentage points. Same store sales decreased 1% in the third quarter and increased 4% in the nine months ended November 1, 2014 over increases of 5% in the comparable periods last year. We believe that unseasonably warm weather in much of Europe during parts of the third quarter had a negative impact on third quarter sales. The same store sales growth in the nine-month period was driven by increases in the value of average transaction as well as increases in customer traffic.

Segment profit for the third quarter of fiscal 2015 was \$115.3 million compared to \$101.0 million last year, and segment margin increased 0.6 percentage points to 11.0%. For the nine months ended November 1, 2014, segment profit was \$209.2 million, compared to \$157.9 million last year and segment margin increased 0.8 percentage points to 7.2%. Segment margin for the third quarter ended November 1, 2014 increased 0.7 percentage points compared to last year's third quarter, due to the positive impact of the mark-to-market adjustment of inventory-related hedges. These benefits were offset by expense deleverage due to decline in third quarter same store sales. Segment margin for the nine-month period included a positive impact of 0.5 percentage points due to the mark-to-market adjustment of inventory related hedges and expense leverage on strong year-to-date same store sales, particularly buying and occupancy costs, partially offset by a decrease in merchandise margin.

### *General corporate expense*

| Dollars in millions       | Thirteen Weeks Ended |                  | Thirty-Nine Weeks Ended |                  |
|---------------------------|----------------------|------------------|-------------------------|------------------|
|                           | November 1, 2014     | November 2, 2013 | November 1, 2014        | November 2, 2013 |
| General corporate expense | \$ 80.5              | \$ 96.3          | \$ 216.2                | \$ 252.3         |

General corporate expense for segment reporting purposes represents those costs not specifically related to the operations of our business segments. Virtually all general corporate expenses are included in selling, general and administrative expenses.

General corporate expense for the quarter and nine-month period decreased from the prior year periods due to; charges in last year's third quarter for costs related to our home office relocations, costs incurred in connection with our new technology center and contributions to the TJX charitable foundation. Collectively these items accounted for increased costs in fiscal 2014 of \$19 million in the quarter and \$29 million for the nine months. The decrease in general corporate expense for both periods also reflected a reduction in our reserve for former operations in fiscal 2015. This reserve adjustment was more than offset in the third quarter, and partially offset in the nine-month period, by an increase in stock-based compensation and the mark-to-mark adjustment of our diesel fuel hedges in fiscal 2015.

### **Analysis of Financial Condition**

#### *Liquidity and Capital Resources*

Net cash provided by operating activities was \$1,812 million for the nine months ended November 1, 2014, an increase of \$179 million from the \$1,633 million provided in the nine months ended November 2, 2013. Net income plus the non-cash impact of depreciation provided cash of \$2,005 million in the first nine months of fiscal 2015 compared to \$1,962 million in the same period last year, an increase of \$43 million. The change in merchandise inventory, net of the related change in accounts payable, resulted in a use of cash of \$220 million in the first nine months of fiscal 2015 compared to a use of cash of \$237 million in fiscal 2014, an increase in cash provided by

operating activities of \$17 million. Additionally, the change in current income taxes payable in fiscal 2015 provided cash of \$43 million compared to a use of cash of \$46 million for the same period last year, resulting in an increase in operating cash flows of \$89 million compared to last year. This was primarily due to the timing of tax payments. The change in accrued expenses provided cash of \$53 million compared to use of cash of \$40 million for the same period last year, resulting in an increase in operating cash flows of \$93 million. This favorable change in cash flows was driven by last year's payment of approximately \$80 million for settlements with tax authorities reducing our fiscal 2014 reserve for uncertain tax positions. The change in accounts receivable and prepaid expenses negatively impacted the year-over-year comparison of cash from operation by \$41 million primarily due to increases in prepaid supplies, prepaid insurance and accounts receivable in fiscal 2015.



Investing activities in the first nine months of fiscal 2015 primarily reflected property additions for new stores, store improvements and renovations and investment in our home offices and our distribution network. Cash outflows for property additions amounted to \$706 million in the nine months ended November 1, 2014, compared to \$759 million in the comparable period last year. We anticipate that capital spending for fiscal 2015 will be approximately \$975 million. We also purchased short-term investments that had initial maturities in excess of 90 days, which, per our policy, are not classified as cash on the balance sheets presented. In the first nine months of fiscal 2015, we purchased \$298 million in short-term investments, compared to \$307 million in the same period in fiscal 2014. \$310 million of these short-term investments were sold or matured during the first nine months of fiscal 2015, compared to \$279 million in the same period of fiscal 2014.

Cash flows from financing activities resulted in a net cash outflow of \$1,091 million in the first nine months of fiscal 2015, compared to a net cash outflow of \$618 million in the same period last year. In June of fiscal 2015, we issued \$750 million aggregate principal amount of 2.75% seven-year notes generating proceeds, net of debt issuance expenses and fees, of \$743 million. In July of fiscal 2015, we used a portion of the proceeds from the 2.75% seven-year notes to redeem the 4.20% notes paying \$416 million to the note holders for the present value of principal and future remaining interest payments due on the notes. In fiscal 2014, we issued \$500 million aggregate principal amount of 2.5% ten-year notes generating proceeds, net of debt issuance expenses and fees, of \$495 million. See Note I to the unaudited consolidated financial statements for more information.

Financing activities also include the cash flows relating to our common stock and our stock incentive plan. We spent \$1,214 million to repurchase 20.9 million shares of our stock in the first nine months of fiscal 2015 compared to \$998 million to repurchase 19.7 million shares in the same period last year. See Note D to our unaudited consolidated financial statements for more information. In February 2014, we announced an additional repurchase program authorizing the repurchase of up to an additional \$2.0 billion of TJX stock from time to time. During the third quarter of fiscal 2015 we completed the \$1.5 billion stock repurchase program announced in February 2013. We currently plan to repurchase approximately \$1.6 billion to \$1.7 billion of stock under our stock repurchase programs in fiscal 2015. We determine the timing and amount of repurchases based on our assessment of various factors including excess cash flow, liquidity, economic and market conditions, our assessment of prospects for our business, legal requirements and other factors. The timing and amount of these purchases may change. Financing activities also included \$150 million of proceeds, including excess tax benefits, related to the exercise of stock options in the first nine months of fiscal 2015, versus \$179 million in proceeds in the same period last year and dividends paid on common stock in the first nine months of fiscal 2015 were \$346 million, versus \$291 million in the same period last year.

We traditionally have funded our working capital requirements, including for seasonal merchandise, primarily through cash generated from operations, supplemented, as needed, by short-term bank borrowings and the issuance of commercial paper. As of November 1, 2014 approximately 58% of our cash remains outside the United States with \$351 million held in countries where we have the intention to reinvest any undistributed earnings indefinitely. We have provided for deferred U.S. taxes on all undistributed earnings of our subsidiaries in Canada, Puerto Rico, Italy, India, Hong Kong and Australia. If we repatriate cash from such subsidiaries, we should not incur additional tax expense, but our cash would be reduced by the amount of taxes paid. For all other foreign subsidiaries, no income taxes have been provided on the undistributed earnings because such earnings are considered to be indefinitely reinvested in the business. We have no current plans to repatriate cash balances held by such foreign subsidiaries. We believe our existing cash and cash equivalents, internally generated funds and our credit facilities, described in Note I to the consolidated financial statements, are more than adequate to meet our operating needs over the next fiscal year.

### **Recently Issued Accounting Pronouncements**

See Note A to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, for recently issued accounting standards, including the dates of adoption and estimated effects on our results of

operations, financial position or cash flows.

### **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: execution of buying and inventory management; operational and business expansion and management of large size and scale; customer trends and preferences; marketing, advertising and promotional programs; competition; personnel recruitment and retention and costs of labor; global economic conditions and consumer spending; data security; information systems and technology; seasonal influences; adverse or unseasonable weather; serious disruptions and catastrophic events; corporate and retail banner reputation; merchandise quality and safety; expanding international operations; merchandise importing; commodity pricing; foreign currency exchange rates; fluctuations in quarterly operating results, and market expectations; mergers, acquisitions, or business investments and divestitures, closings or business consolidations; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation, legal matters and proceedings; tax matters; real estate activities; cash flow and other factors that may be described in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K filed 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.**

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Form 10-K for the fiscal year ended February 1, 2014.

### **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 November 1, 2014 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 at the reasonable assurance level 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. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of implementing controls and procedures.

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 November 1, 2014 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.

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**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 February 1, 2014, as filed with the Securities Exchange Commission on April 1, 2014.

**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 third quarter of fiscal 2015 and the average price paid per share are as follows:

|  | Total<br>Number of Shares<br>Repurchased (1) | Average Price Paid<br>Per Share (2) | Total Number of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs (3) | Approximate<br>Dollar<br>Value of Shares<br>that<br>May Yet be Purchased<br>Under the Plans<br>or<br>Programs<br>(d) |
|--|--|-------------------------------------|--|--|
|  | (a)  | (b)                                 | (c)  | (d)  |
| August 3, 2014 through August 30, 2014     | 1,755,402                                    | \$ 56.97                            | 1,755,402  | \$ 2,069,976,123   |
| August 31, 2014 through October 4,<br>2014 | 3,182,281                                    | \$ 59.93                            | 3,056,214  | \$ 1,886,983,251   |
| October 5 through November 1, 2014         | 2,677,524                                    | \$ 61.75                            | 2,677,524  | \$ 1,721,650,214   |
| Total:                                     | 7,615,207                                    |                                     | 7,489,140  |  |

- (1) Consists of shares repurchased under publicly announced stock repurchase programs and 126,067 shares surrendered to satisfy tax withholding obligations in connection with the vesting of restricted stock awards.
- (2) Includes commissions for the shares repurchased under stock repurchase programs.
- (3) During the third quarter of fiscal 2015, TJX completed the \$1.5 billion program announced in February 2013 and initiated a \$2.0 billion stock repurchase program announced in February 2014. Under this new program as of November 1, 2014 approximately \$1.7 billion remained available for purchase.



**Item 6. Exhibits.**

- 10.1 Letter Agreement between The TJX Companies, Inc. and Jerome Rossi, dated September 10, 2014
- 10.2 Consulting Agreement between The TJX Companies, Inc. and Jerome Rossi, dated as of September 10, 2014
- 10.3 Employment Agreement dated as of September 29, 2014 between Kenneth Canestrari and The TJX Companies, Inc.
- 10.4 Form of Non-Qualified Stock Option Certificate granted under the Stock Incentive Plan as of September 10, 2014.
- 10.5 Form of Non-Qualified Stock Option Terms and Conditions granted under the Stock Incentive Plan as of September 10, 2014.
- 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 November 1, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statement of Shareholders' Equity, and (vi) Notes to Consolidated Financial Statements.

**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: December 2, 2014

By /s/ Scott Goldenberg  
Scott Goldenberg, Chief Financial Officer  
(Principal Financial and Accounting Officer)

Exhibit Index

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