TJX COMPANIES INC /DE/
Form 10-Q
August 28, 2009

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

(mark one)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended August 1, 2009

Or

o **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	04-2207613
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
770 Cochituate Road Framingham, Massachusetts	01701
(Address of principal executive offices)	(Zip Code)

(508) 390-1000

(Registrant s telephone number, including area code)

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

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 þ NO o

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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

The number of shares of registrant s common stock outstanding as of August 1, 2009: 423,853,927

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Thirteen Weeks Ended	
	August 1, 2009	July 26, 2008
Net sales	$ 4,747,528	$ 4,554,395
Cost of sales, including buying and occupancy costs	3,534,302	3,447,443
Selling, general and administrative expenses	790,876	766,936
Interest expense, net	9,249	2,641
Income from continuing operations before provision for income taxes	413,101	337,375
Provision for income taxes	151,540	125,302
Income from continuing operations	261,561	212,073
(Loss) from discontinued operations, net of income taxes		(11,850)
Net income	$ 261,561	$ 200,223
Basic earnings per share:		
Income from continuing operations	$ 0.62	$ 0.50
(Loss) from discontinued operations, net of income taxes	$	$ (0.02)
Net income	$ 0.62	$ 0.48
Weighted average common shares basic	423,891	421,289
Diluted earnings per share:		
Income from continuing operations	$ 0.61	$ 0.48
(Loss) from discontinued operations, net of income taxes	$	$ (0.03)
Net income	$ 0.61	$ 0.45
Weighted average common shares diluted	430,453	445,423
Cash dividends declared per share	$ 0.12	$ 0.11

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

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

	Twenty-Six Weeks Ended	
	August 1, 2009	July 26, 2008
Net sales	$ 9,101,752	$ 8,857,950
Cost of sales, including buying and occupancy costs	6,807,648	6,724,386
Selling, general and administrative expenses	1,525,933	1,495,322
Interest expense, net	15,850	4,315
Income from continuing operations before provision for income taxes	752,321	633,927
Provision for income taxes	281,546	223,854
Income from continuing operations	470,775	410,073
(Loss) from discontinued operations, net of income taxes		(16,001)
Net income	$ 470,775	$ 394,072
Basic earnings per share:		
Income from continuing operations	$ 1.13	$ 0.97
(Loss) from discontinued operations, net of income taxes	$	$ (0.04)
Net income	$ 1.13	$ 0.93
Weighted average common shares basic	418,212	423,454
Diluted earnings per share:		
Income from continuing operations	$ 1.09	$ 0.92
(Loss) from discontinued operations, net of income taxes	$	$ (0.04)
Net income	$ 1.09	$ 0.88
Weighted average common shares diluted	431,091	448,135
Cash dividends declared per share	$ 0.24	$ 0.22

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

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

	August 1, 2009 (unaudited)	January 31, 2009	July 26, 2008 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,426,895	$ 453,527	$ 517,493
Short-term investments	134,627		
Accounts receivable, net	145,387	143,500	141,826
Merchandise inventories	3,100,175	2,619,336	3,104,817
Prepaid expenses and other current assets	295,766	274,091	308,252
Current deferred income taxes, net	108,852	135,675	93,851
Total current assets	5,211,702	3,626,129	4,166,239
Property at cost:			
Land and buildings	277,463	280,278	278,494
Leasehold costs and improvements	1,865,203	1,728,362	1,854,524
Furniture, fixtures and equipment	2,958,867	2,784,316	2,799,123
Total property at cost	5,101,533	4,792,956	4,932,141
Less accumulated depreciation and amortization	2,872,297	2,607,200	2,685,525
Net property at cost	2,229,236	2,185,756	2,246,616
Property under capital lease, net of accumulated amortization of $18,240; $17,124 and $16,007, respectively	14,332	15,448	16,565
Other assets	200,951	171,381	183,155
Goodwill and tradename, net of amortization	179,779	179,528	179,980
TOTAL ASSETS	$ 7,836,000	$ 6,178,242	$ 6,792,555
LIABILITIES			
Current liabilities:			
Current installments of long-term debt	$ 418,943	$ 392,852	$
Obligation under capital lease due within one year	2,263	2,175	2,090
Accounts payable	1,740,443	1,276,098	1,746,079
Accrued expenses and other liabilities	1,067,862	1,096,766	1,236,136
Total current liabilities	3,229,511	2,767,891	2,984,305
Other long-term liabilities	753,254	765,004	744,032
Non-current deferred income taxes, net	229,991	127,008	98,548
Obligation under capital lease, less portion due within one year	17,045	18,199	19,308

Long-term debt, exclusive of current installments	774,287	365,583	832,788
Commitments and contingencies			
SHAREHOLDERS EQUITY			
Common stock, authorized 1,200,000,000 shares, par value $1, issued and outstanding 423,853,927; 412,821,592 and 419,411,063, respectively	423,854	412,822	419,411
Additional paid-in capital	215,568		
Accumulated other comprehensive (loss)	(115,791)	(217,781)	(33,483)
Retained earnings	2,308,281	1,939,516	1,727,646
Total shareholders equity	2,831,912	2,134,557	2,113,574
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,836,000	$ 6,178,242	$ 6,792,555

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

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

	Twenty-Six Weeks Ended	
	August 1, 2009	July 26, 2008
Cash flows from operating activities:		
Net income	$ 470,775	$ 394,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	209,420	199,795
Loss on property disposals and impairment charges	867	21,644
Deferred income tax provision	108,326	59,885
Amortization of share-based compensation expense	25,859	24,699
Excess tax benefits from share-based compensation expense	(6,213)	(14,035)
Changes in assets and liabilities:		
Decrease in accounts receivable	1,573	1,279
(Increase) in merchandise inventories	(408,952)	(369,839)
(Increase) in prepaid expenses and other current assets	(23,275)	(102,880)
Increase in accounts payable	422,565	230,879
(Decrease) increase in accrued expenses and other liabilities	(91,869)	13,290
Other	(4,342)	9,631
Net cash provided by operating activities	704,734	468,420
Cash flows from investing activities:		
Property additions	(163,637)	(259,005)
Purchase of short-term investments	(167,184)	
Sales and maturities of short-term investments	42,756	
Other	(5,438)	398
Net cash (used in) investing activities	(293,503)	(258,607)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	774,263	
Principal payments on current portion of long-term debt	(2,283)	
Cash payments for debt issuance expenses	(7,202)	
Payments on capital lease obligation	(1,065)	(984)
Cash payments for repurchase of common stock	(236,713)	(448,574)
Proceeds from sale and issuance of common stock	68,790	99,685
Excess tax benefits from share-based compensation expense	6,213	14,035
Cash dividends paid	(96,601)	(85,106)
Net cash provided by (used in) financing activities	505,402	(420,944)

Effect of exchange rate changes on cash	56,735	(3,988)
Net increase (decrease) in cash and cash equivalents	973,368	(215,119)
Cash and cash equivalents at beginning of fiscal year	453,527	732,612
Cash and cash equivalents at end of period	$ 1,426,895	$ 517,493

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

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

	Common Stock Shares	Common Stock Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, January 31, 2009	412,822	$ 412,822	$	$ (217,781)	$ 1,939,516	$ 2,134,557
Comprehensive income:						
Net income					470,775	470,775
Gain due to foreign currency translation adjustments				100,300		100,300
Recognition of unfunded post retirement liabilities				(1,212)		(1,212)
Recognition of prior service cost and deferred gains				2,902		2,902
Total comprehensive income						572,765
Cash dividends declared on common stock					(102,010)	(102,010)
Restricted stock awards granted	466	466	(466)			
Amortization of share-based compensation expense			25,859			25,859
Issuance of common stock upon conversion of convertible debt	15,094	15,094	349,994			365,088
Issuance of common stock under stock incentive plan and related tax effect	3,432	3,432	68,934			72,366
Common stock repurchased	(7,960)	(7,960)	(228,753)			(236,713)
Balance, August 1, 2009	423,854	$ 423,854	$ 215,568	$ (115,791)	$ 2,308,281	$ 2,831,912

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

THE TJX COMPANIES, INC.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies

Basis of Presentation The consolidated interim financial statements are unaudited and, in the opinion of management, reflect all normal recurring adjustments, the use of retail statistics, and accruals and deferrals among periods required to match costs properly with the related revenue or activity, considered necessary by TJX for a fair presentation of its financial statements for the periods reported, all in accordance with generally accepted accounting principles consistently applied. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes, contained in TJX s Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (fiscal 2009).

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

Share-Based Compensation Total share-based compensation expense was $13.5 million for the quarter ended August 1, 2009 and $12.5 million for the quarter ended July 26, 2008. Total share-based compensation expense was $25.9 million for the six months ended August 1, 2009 and $24.7 million for the six months ended July 26, 2008. These amounts include stock option expense as well as restricted stock amortization. There were options to purchase 3.0 million shares of common stock exercised during the second quarter and options to purchase 3.5 million shares of common stock exercised for the six months ended August 1, 2009. There were options to purchase 27.7 million shares of common stock outstanding as of August 1, 2009.

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

Merchandise Inventories TJX accrues for inventory purchase obligations at the time of shipment by the vendor. As a result, merchandise inventories on TJX s balance sheets include an accrual for in-transit inventory of $423.7 million at August 1, 2009 and $367.6 million at July 26, 2008. A liability for a comparable amount is included in accounts payable for the respective period.

New Accounting Standards In April 2009, the Financial Accounting Standards Board (FASB) issued three FASB Staff Positions (FSP) intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities, all of which are effective for interim and annual periods ending after June 15, 2009. FSP Financial Accounting Standard (FAS) 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides guidelines for making fair value measurements more consistent with the principles presented in Statement of Financial Accounting Standards (SFAS) 157 when the volume and level of activity of an asset or liability have significantly decreased from normal market activity. FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, require interim reporting of fair value disclosures. FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, provide additional guidance in determining whether a debt security is other-than-temporarily impaired and expand the disclosures of other-than-temporarily impaired debt and equity securities. The adoption of these FSPs did not have a material effect on TJX s financial condition, results of operations or cash flows.

Reclassifications Certain immaterial amounts in the prior period statements of income have been reclassified from selling, general and administrative expenses to cost of sales, including buying and occupancy costs to be consistent with the fiscal 2010 presentation.

Subsequent Events As of August 28, 2009, the date of issuance of this Form 10-Q for the quarter ended August 1, 2009, there were no items deemed to be reportable as a subsequent event, other than the repayment of the C$235 million term credit facility which was repaid on August 10, 2009. Further details are disclosed in Note I.

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Note B. Discontinued Operations

In fiscal 2009, TJX sold Bob s Stores and recorded as a component of discontinued operations a loss on disposal (including expenses relating to the sale) of $19.0 million, net of tax benefits of $13.0 million. TJX remains contingently liable on eight Bob s Stores leases.

TJX also reclassified the operating results of Bob s Stores for all periods prior to the sale as a component of discontinued operations. The following table presents the net sales, segment profit (loss) and after-tax income (loss) from operations reclassified to discontinued operations for the thirteen and twenty-six weeks ended July 26, 2008 (in thousands):

	Thirteen Weeks	Twenty-Six Weeks
Net sales	$ 66,897	$127,467
Segment loss	$(19,816)	$ (26,758)
Net loss	$(11,850)	$ (16,001)

Note C. Commitments and Contingencies

Provision for Computer Intrusion related costs TJX has a reserve for its estimate of the total probable losses arising from an unauthorized intrusion or intrusions (the intrusion or intrusions, collectively, the Computer Intrusion) into portions of its computer system, which was discovered late in fiscal 2007 and in which TJX believes customer data were stolen. The reserve balance was $27.2 million at August 1, 2009. As an estimate, the reserve is subject to uncertainty, and actual costs may vary from the current estimate and such variations may be material. TJX may decrease or increase the amount of the reserve to adjust for developments in litigation, claims and related expenses, insurance proceeds and changes in estimates.

Reserve for Discontinued Operations TJX has a reserve for future obligations of discontinued operations that relates primarily to real estate leases associated with 34 discontinued A.J. Wright stores that were closed in the fourth quarter of fiscal 2007, three leases related to the sale of Bob s Stores and leases of other TJX businesses. The balance in the reserve and the activity for respective periods are presented below:

	Twenty-Six Weeks Ended	
In thousands	August 1, 2009	July 26, 2008
Balance at beginning of year	$ 40,564	$ 46,076
Additions to the reserve charged to net income:		
Interest accretion	881	910
Cash charges against the reserve:		
Lease-related obligations	(2,472)	(3,501)
Termination benefits and all other	(33)	
Balance at end of period	$ 38,940	$ 43,485

TJX may also be contingently liable on up to 15 leases of BJ s Wholesale Club, a former TJX business, and on eight additional Bob s Stores leases. The reserve for discontinued operations does not reflect these leases because TJX does not believe that the likelihood of future liability to TJX is probable.

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Note D. Other Comprehensive Income

TJX s comprehensive income information is presented below:

In thousands	Thirteen Weeks Ended August 1, 2009	July 26, 2008
Net income	$ 261,561	$ 200,223
Other comprehensive income (loss):		
Gain (loss) due to foreign currency translation adjustments, net of related tax effects	71,823	(630)
(Loss) on net investment hedge contracts, net of related tax effects		(1,753)
Gain on cash flow hedge contract, net of related tax effects		582
Recognition of prior service cost and deferred gains (losses)	1,220	(407)
Amount of cash flow hedge reclassified from other comprehensive income to net income		(276)
Total comprehensive income	$ 334,604	$ 197,739

In thousands	Twenty-Six Weeks Ended August 1, 2009	July 26, 2008
Net income	$ 470,775	$ 394,072
Other comprehensive income (loss):		
Gain (loss) due to foreign currency translation adjustments, net of related tax effects	100,300	(972)
(Loss) on net investment hedge contracts, net of related tax effects		(3,129)
Gain on cash flow hedge contract, net of related tax effects		326
Recognition of unfunded post retirement liabilities	(1,212)	
Recognition of prior service cost and deferred gains (losses)	2,902	(813)
Amount of cash flow hedge reclassified from other comprehensive income to net income		(210)
Total comprehensive income	$ 572,765	$ 389,274

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Note E. Earnings Per Share and Capital Stock

The computation of TJX s basic and diluted earnings per share (EPS) is as follows:

	Thirteen Weeks Ended	
In thousands, except per share data	August 1, 2009	July 26, 2008
Basic earnings per share		
Income from continuing operations	$ 261,561	$ 212,073
Weighted average common shares outstanding for basic EPS	423,891	421,289
Basic earnings per share continuing operations	$ 0.62	$ 0.50
Diluted earnings per share		
Income from continuing operations	$ 261,561	$ 212,073
Add back: Interest expense on zero coupon convertible subordinated notes, net of income taxes	1	1,202
Income from continuing operations used for diluted EPS calculation	$ 261,562	$ 213,275
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	423,891	421,289
Assumed conversion/exercise/vesting of:		
Stock options and awards	6,026	7,231
Zero coupon convertible subordinated notes	536	16,903
Weighted average common shares outstanding for diluted EPS	430,453	445,423
Diluted earnings per share continuing operations	$ 0.61	$ 0.48

	Twenty-Six Weeks Ended	
In thousands, except per share data	August 1, 2009	July 26, 2008
Basic earnings per share		
Income from continuing operations	$ 470,775	$ 410,073
Weighted average common shares outstanding for basic EPS	418,212	423,454
Basic earnings per share continuing operations	$ 1.13	$ 0.97
Diluted earnings per share		
Income from continuing operations	$ 470,775	$ 410,073
Add back: Interest expense on zero coupon convertible subordinated notes, net of income taxes	1,073	2,397
Income from continuing operations used for diluted EPS calculation	$ 471,848	$ 412,470

Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	418,212	423,454
Assumed conversion/exercise/vesting of:		
Stock options and awards	5,077	7,778
Zero coupon convertible subordinated notes	7,802	16,903
Weighted average common shares outstanding for diluted EPS	431,091	448,135
Diluted earnings per share continuing operations	$ 1.09	$ 0.92

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FSP 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, was applicable for TJX during the first quarter of fiscal 2010. The adoption of this FSP had no impact on TJX s financial statements.

Weighted average common shares for diluted earnings per share exclude the incremental effect related to any outstanding stock options, the exercise price of which 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 options to purchase 4.9 million shares excluded for the thirteen weeks and options to purchase 9.8 million shares excluded for the twenty-six weeks ended August 1, 2009. No options were excluded for the thirteen or twenty-six weeks ended July 26, 2008.

In April 2009, TJX called for the redemption of its zero coupon convertible subordinated notes. There were 430,887 such notes with a carrying value of $340.5 million converted during the three months ended August 1, 2009, resulting in the issuance of 14.1 million shares of common stock at a conversion rate of 32.667 shares of TJX common stock per note. During the six months ended August 1, 2009, there were 462,057 such notes with a carrying value of $365.1 million converted into 15.1 million shares of TJX common stock and TJX paid $2.3 million to redeem the remaining 2,886 notes outstanding that were not converted.

During the quarter ended August 1, 2009, TJX repurchased and retired 6.4 million shares of its common stock at a cost of $193.8 million. For the six months ended August 1, 2009, TJX repurchased and retired 8.0 million shares of its common stock at a cost of $236.7 million. TJX reflects stock repurchases in its financial statements on a settlement basis. TJX had cash expenditures under its repurchase programs of $236.7 million for the six months ended August 1, 2009, and $448.6 million for the same period last year. Repurchases were funded by cash generated from operations and, in fiscal 2010, the net proceeds from the issuance of $375 million 6.95% notes. Under the $1 billion stock repurchase program authorized in February 2008, TJX repurchased 16.9 million shares of common stock at a cost of $491.8 million through the second quarter of fiscal 2010, and $508.2 million remained available at August 1, 2009. All shares repurchased under the stock repurchase program have been retired.

Note F. Financial Instruments

TJX enters into financial instruments to manage its cost of borrowing and to manage its exposure to changes in fuel costs and foreign currency exchange rates.

Interest Rate Contracts At August 1, 2009, TJX had interest rate swap agreements outstanding with a notional amount of $100 million. The agreements entitle TJX to receive biannual payments of interest at a fixed rate of 7.45% and to pay a floating rate of interest indexed to the six-month LIBOR rate with no exchange of the underlying notional amounts. The interest rate swap agreements converted a portion of TJX s long-term debt from a fixed-rate obligation to a floating-rate obligation. TJX designated the interest rate swap agreements as a fair value hedge of the related long-term debt. The interest rate swaps expire in December 2009.

Diesel Fuel Contracts During fiscal 2009, TJX entered into agreements to hedge approximately 30% of its notional diesel fuel requirements for fiscal 2010, based on the diesel fuel consumed by independent freight carriers transporting the Company s inventory. These carriers charge TJX mileage surcharges for diesel fuel price increases as incurred by the freight carrier. The hedge agreements were designed to mitigate the volatility of diesel fuel pricing (and the resulting per mile surcharges payable by TJX) by setting a fixed price per gallon for the year. TJX elected not to apply hedge accounting rules to these contracts. All of the diesel fuel hedge agreements expire in February 2010.

Foreign Currency Contracts TJX enters into forward foreign currency exchange contracts to obtain economic hedges on firm U.S. dollar and Euro-denominated merchandise purchase commitments made by its Canadian and European operations. These commitments are typically six months or less in duration. The contracts outstanding at August 1, 2009 covered certain commitments for the third and fourth quarters of fiscal 2010. 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

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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 which is reflected in selling, general and administrative expenses.

Following is a summary of TJX s derivative financial instruments and related fair values outstanding at August 1, 2009:

In thousands	Pay		Receive		Blended Contract Rate	Balance Sheet Location	Asset US$	(Liability) US$	Net Fair Value in US$ at August 1, 2009
Derivatives designated as hedging instrument under SFAS 133									
Fair value hedges									
Interest rate swap fixed to floating on notional of $50,000	LIBOR+4.17%			7.45%	N/A	Prepaid Expense	524		524
Interest rate swap fixed to floating on notional of $50,000	LIBOR+3.42%			7.45%	N/A	Prepaid Expense	712		712
Intercompany balances, primarily short-term debt and related interest	C$	68,410	US$	63,224	0.9242	(Accrued Exp)		(317)	(317)
Derivatives not designated as hedging instrument under SFAS 133									
Diesel contracts	Fixed on 750K gal per month		Float on 750K gal per month		N/A	(Accrued Exp)		(1,217)	(1,217)
Merchandise purchase commitments									
	C$	227,502	US $	196,125	0.8621	(Accrued Exp)		(15,132)	(15,132)
	C$	2,283		1,450	0.6351	(Accrued Exp)		(53)	(53)
	£	24,316	US $	39,100	1.6080	(Accrued Exp)		(1,539)	(1,539)
	£	27,485	US $	32,000	1.1643	Prepaid Expense/ (Accrued Exp)	11	(355)	(344)
	US $	334		242	1.3805		11		11

	Prepaid Expense
TOTAL FAIR VALUE OF ALL FINANCIAL INSTRUMENTS	**(17,355)**

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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. Following are the balance sheet classifications of the fair value of TJX s derivatives:

In thousands		August 1, 2009
Current assets	$	1,258
Non-current assets		
Current liabilities		(18,613)
Non-current liabilities		
Net fair value asset (liability)	$	(17,355)

The impact of derivative financial instruments on statements of income during fiscal 2010 is as follows:

In thousands	Location of Gain (Loss) Recognized in Income by Derivative		Amount of Gain (Loss) Recognized in Income by Derivative
Derivatives designated as hedging instrument under SFAS 133			
Fair value hedges			
Interest rate swap fixed to floating on notional of $50,000	Interest expense, net	US$	541
Interest rate swap fixed to floating on notional of $50,000	Interest expense, net	US$	730
Intercompany balances, primarily short-term debt and related interest	Selling, general & administrative expenses	US$	(7,023)
Derivatives not designated as hedging instrument under SFAS 133			
Diesel contracts	Cost of sales, including buying and occupancy costs	US$	3,714
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	US$	(21,175)
Gain (Loss) Recognized in Income			**(23,213)**

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

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Note G. Segment Information

In the United States, T.J. Maxx and Marshalls stores are aggregated as the Marmaxx segment, and HomeGoods and A.J. Wright each is reported as a separate segment. TJX s stores operated in Canada (Winners and HomeSense) are reported in the Canadian segment and TJX s stores operated in Europe (T.K. Maxx and HomeSense) are reported in the European segment. TJX evaluates the performance of its segments based on segment profit or loss, which TJX defines as pre-tax income before general corporate expense and interest. Segment profit or loss as defined by TJX may not be comparable to similarly titled measures used by other entities. In addition, this measure of performance should not be considered an alternative to net income or cash flows from operating activities as an indicator of TJX s performance or as a measure of liquidity.

Presented below is financial information on TJX s business segments:

	Thirteen Weeks Ended	
In thousands	August 1, 2009	July 26, 2008
Net sales:		
U.S. segments:		
Marmaxx	$ 3,145,504	$ 2,957,190
HomeGoods	412,837	350,433
A.J. Wright	181,927	160,461
International segments:		
Canada	495,671	538,694
Europe	511,589	547,617
	$ 4,747,528	$ 4,554,395
Segment profit (loss):		
U.S. segments:		
Marmaxx	$ 358,351	$ 298,062
HomeGoods	24,532	2,169
A.J. Wright	1,371	(765)
International segments:		
Canada	47,971	60,389
Europe	24,720	13,745
	456,945	373,600
General corporate expenses	34,595	33,584
Interest expense, net	9,249	2,641
Income from continuing operations before provision for income taxes	$ 413,101	$ 337,375

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In thousands	Twenty-Six Weeks Ended August 1, 2009	July 26, 2008
Net sales:		
U.S. segments:		
Marmaxx	$ 6,083,813	$ 5,759,480
HomeGoods	804,732	713,862
A.J. Wright	361,321	314,719
International segments:		
Canada	919,763	1,027,078
Europe	932,123	1,042,811
	$ 9,101,752	$ 8,857,950
Segment profit (loss):		
U.S. segments:		
Marmaxx	$ 689,021	$ 576,561
HomeGoods	40,105	11,063
A.J. Wright	5,784	(1,650)
International segments:		
Canada	67,698	101,286
Europe	34,013	15,208
	836,621	702,468
General corporate expenses	68,450	64,226
Interest expense, net	15,850	4,315
Income from continuing operations before provision for income taxes	$ 752,321	$ 633,927

Note H. Pension Plans & Other Retirement Obligations

The following represents TJX s net periodic pension cost and related components:

In thousands	Pension (Funded Plan) Thirteen Weeks Ended August 1, 2009	July 26, 2008	Pension (Unfunded Plan) Thirteen Weeks Ended August 1, 2009	July 26, 2008
Service cost	$ 8,507	$ 7,797	$ 309	$ 263
Interest cost	7,734	6,888	720	730
Expected return on plan assets	(7,511)	(8,592)		
Amortization of prior service cost	4	15	31	31
Recognized actuarial losses	3,730		396	141
Settlement cost			840	

Total expense	$ 12,464	$ 6,108	$ 2,296	$ 1,165

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	Pension (Funded Plan) Twenty-six Weeks Ended		Pension (Unfunded Plan) Twenty-six Weeks Ended	
In thousands	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
Service cost	$ 16,132	$ 15,594	$ 547	$ 525
Interest cost	15,783	13,777	1,460	1,460
Expected return on plan assets	(14,011)	(17,183)		
Amortization of prior service cost	7	29	62	62
Recognized actuarial losses	6,803		570	282
Settlement cost			1,158	
Total expense	$ 24,714	$ 12,217	$ 3,797	$ 2,329

In fiscal 2009 the Pension Protection Act (PPA) became effective in the U.S., and TJX s policy is to fund, at a minimum, the amount required to maintain a funded status of 75% to 80% of the pension liability as defined by the PPA. During the first quarter ended May 2, 2009, TJX contributed $50 million to its funded plan and may make additional voluntary contributions during fiscal 2010. TJX anticipates making contributions of $13.1 million to fund current benefit and expense payments under the unfunded plan in fiscal 2010.

Note I. Long-Term Debt & Credit Lines

TJX has a $500 million revolving credit facility maturing May 2010 and a $500 million revolving credit facility maturing May 2011. TJX pays six basis points on an annual basis in commitment fees related to both of these facilities. These agreements have no compensating balance requirements and have various covenants including a requirement of a specified ratio of debt to earnings. These agreements serve as back up to TJX s commercial paper program. TJX had no borrowings outstanding at August 1, 2009 or July 26, 2008. The availability under revolving credit facilities was $1 billion at August 1, 2009 and July 26, 2008.

On April 7, 2009, TJX issued $375 million of 6.95% ten-year notes and shortly thereafter called for the redemption of its zero coupon convertible subordinated notes, originally due in 2021. Upon our call for redemption, holders had the right to convert the notes into TJX common stock at a conversion rate of 32.667 shares per note. Virtually all of the subordinated notes were converted into 15.1 million shares of TJX common stock, most during the second quarter of fiscal 2010. TJX has used, and expects to use, the remainder of the proceeds from the 6.95% notes offering to repurchase additional common stock under its stock repurchase program in fiscal 2010.

On July 23, 2009, TJX issued $400 million of 4.20% six-year notes. TJX used a portion of the proceeds from the sale of the notes to refinance its C$235 million term credit facility on August 10, 2009, prior to its scheduled maturity, and expects to use the remainder, together with funds from operations to pay its $200 million 7.45% notes due December 15, 2009 at maturity.

Note J. Income Taxes

TJX adopted the provisions of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (FIN 48), in the first quarter of fiscal 2008. TJX had unrecognized tax benefits of $129.7 million as of August 1, 2009 and $131.6 million as of July 26, 2008.

The effective income tax rate was 36.7% for the second quarter this year compared to 37.1% for last year s second quarter. The decrease in this rate for the second quarter was largely driven by the favorable impact this year due to the tax treatment of foreign currency gains and losses on certain intercompany loans between TJX and Winners.

The effective income tax rate for the six months ended August 1, 2009 was 37.4% as compared to 35.3% for last year s comparable period as a result of the absence in fiscal 2010 of tax benefits included in the fiscal 2009 effective rate, partially offset by the favorable impact in the current year due to the tax treatment of foreign currency gains on certain intercompany loans. The six months ended July 26, 2008 included a $15 million reversal of several uncertain tax positions as a result of federal and state filings and a $4 million benefit due to revised guidance on the deductibility of performance-based pay for executive officers and on tax benefits relating to TJX s Puerto Rican subsidiary. On a combined basis, these tax benefits reduced the fiscal 2009 six-month effective income tax rate by 3.4 percentage points.

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

TJX s accounting policy classifies interest and penalties related to income tax matters as part of income tax expense. The accrued amounts for interest and penalties were $53.0 million as of August 1, 2009 and $44.3 million as of July 26, 2008.

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 on 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 $2.0 million to $70.0 million.

Note K. Disclosures about Fair Value of Financial Instruments

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157), which establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS 157 was effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007. Issued in February 2008, FSP 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 removed leasing transactions accounted for under FASB Statement No. 13 and related guidance from the scope of SFAS 157. FSP 157-2, Partial Deferral of the Effective Date of Statement 157, deferred the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities except for those that are recognized at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008.

The implementation of SFAS 157 for financial assets and financial liabilities, effective January 27, 2008, did not have a material impact on TJX s consolidated financial position and results of operations. The implementation of SFAS 157 for nonfinancial assets and nonfinancial liabilities effective February 1, 2009, did not have a material impact on TJX s financial condition, results of operations or cash flows.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 classifies the inputs used to measure fair value into the following hierarchy:

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

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or

unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or

inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

TJX endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. TJX has determined that its financial assets and liabilities are generally classified within level 1 or level 2 in the fair

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

In thousands	August 1, 2009	January 31, 2009	July 26, 2008
Level 1			
Assets:			
Cash equivalents	$751,225	$ 161,592	$ 73,553
Executive savings plan	50,031	40,636	52,639
Level 2			
Assets:			
Foreign currency exchange contracts	$ 22	$ 9,534	$ 44,252
Interest rate swaps	1,236	1,859	164
Liabilities:			
Foreign currency exchange contracts	$ 17,396	$ 1,435	$147,370
Diesel fuel contracts	1,217	4,931	
Interest rate swaps			1,514

The fair value of TJX s general corporate debt, including current installments, was estimated by obtaining market value quotes given the trading levels of other bonds of the same general issuer type and market perceived credit quality. The fair value of the current installments of long-term debt at August 1, 2009 was $422.7 million versus a carrying value of $418.9 million. The fair value of long-term debt at that date was $805.8 million versus a carrying value of $774.3 million. These estimates do not necessarily reflect provisions or restrictions in the various debt agreements that might affect TJX s ability to settle these obligations.

Our cash equivalents are stated at cost, which approximates fair market value due to the short maturities of these instruments.

Our executive savings plan is invested in securities traded in active markets and carried at unadjusted quoted prices.

As a result of its international operating and financing activities, TJX is exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect its operating results and financial position. When it deems appropriate, TJX minimizes risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and TJX does not use leveraged derivative financial instruments. The forward foreign currency exchange contracts and interest rate swaps are valued using broker quotations which include observable market information and, in the instance of one contract, proprietary models. TJX makes no adjustments to quotes or prices obtained from brokers or pricing services but does assess the credit risk of counterparties and will adjust final valuations when appropriate. Where independent pricing services provide fair values, TJX obtains an understanding of the methods used in pricing. As such, these derivative instruments are classified within level 2.

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

The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended August 1, 2009
Compared to
The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended July 26, 2008

Business Overview

We are the leading off-price retailer of apparel and home fashions in the United States and worldwide. Our over 2,600 stores offer a rapidly changing assortment of quality, brand-name and designer merchandise at prices generally 20% to 60% below department and specialty store regular prices every day. We are known for our treasure hunt shopping experience and excellent values. The operating platforms and strategies of all of our retail concepts are synergistic. Therefore, we capitalize on our off-price expertise and systems throughout our business, leverage best practices, initiatives and new ideas across our concepts, utilize buying synergies of our concepts to enhance our global relationships with vendors, and develop talent by providing opportunities across our concepts.

We operate seven principal off-price retail concepts in the U.S., Canada and Europe. T.J. Maxx, Marshalls and A.J. Wright in the U.S., Winners in Canada, and T.K. Maxx in Europe sell off-price family apparel and home fashions. HomeGoods in the U.S. and HomeSense in Canada and the U.K. feature off-price home fashions. The target customer for all of our concepts, except A.J. Wright, includes the middle- to upper-middle income shopper, with generally the same profile as a department or specialty store customer. A.J. Wright is oriented toward the moderate-income customer.

Results of Operations

We entered fiscal 2010 faced with the challenges of a worldwide recession and established a three-pronged strategy for managing through the challenging economic times: plan same store sales conservatively, allowing better flow-through to the bottom line if we exceed plans; run with very lean inventories and buy closer to need than in the past, designed to increase inventory turns and drive traffic to our stores; and focus on cost cutting measures and controlling expenses. We posted second quarter and year-to-date results significantly above our expectations and ahead of last year. Highlights of our financial performance for fiscal 2010 include the following:

Consolidated same store sales increased 4% for the second quarter and increased 3% for the six-month period over last year s comparable periods. Same store sales growth was driven by significant increases in customer traffic and strong performance by virtually all of our businesses.

Net sales increased 4% to $4.7 billion for the second quarter and 3% to $9.1 billion for the six-month period over last year s comparable periods. Stores in operation and total selling square footage were both up 4% as of August 1, 2009 when compared to the same period last year. For both the quarter and six-month periods of fiscal 2010, increases in consolidated same store sales and the increases in our number of stores in operation were largely offset by foreign currency exchange rates, which negatively impacted sales growth.

Our fiscal 2010 second quarter pre-tax margin (the ratio of pre-tax income to net sales) was 8.7% compared to 7.4% for the same period last year. Year-to-date, our pre-tax margin was 8.3% compared to 7.2% for the same period last year. The improvement in both the quarter and six-month periods of fiscal 2010 was primarily driven by the growth in merchandise margins, which was achieved through well executed buying and faster turning inventories.

Our cost of sales ratios improved in both the second quarter and six month periods, primarily due to improved merchandise margins, partially offset by the negative impact of the mark-to-market adjustment of our inventory-related hedges. Selling, general and administrative expense ratios decreased by 0.1 percentage points for both the quarter and six month periods, due to levering of expenses.

Income from continuing operations for the second quarter of fiscal 2010 was $261.6 million, or $0.61 per diluted share compared to $212.1 million, or $0.48 per diluted share, in last year s second quarter. Income from continuing operations for the six-months ended August 1, 2009 was $470.8 million, or $1.09 per

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diluted share compared to $410.1 million, or $0.92 per diluted share, for the same period last year. Diluted earnings per share from continuing operations for the six months ended July 26, 2008 benefited by $0.02 from FIN 48 tax reserve adjustments.

During the second quarter of fiscal 2010, we repurchased 6.4 million shares of our common stock at a cost of $194 million, and for the first six months of fiscal 2010, we repurchased 8.0 million shares of our common stock at a cost of $237 million. Diluted earnings per share reflect the benefit of the stock repurchase program. In conjunction with a $375 million notes offering in our fiscal 2010 first quarter, we called for the redemption of our zero coupon convertible subordinated notes, originally due in 2021. Virtually all of the subordinated notes were converted into 15.1 million shares of TJX common stock. We have used a portion, and plan to use all, of the $375 million proceeds from the notes offering to repurchase common stock under our stock repurchase program.

Consolidated average per store inventories, including inventory on hand at our distribution centers, as of August 1, 2009 were down 4% from the prior year, and were down 2% as of July 26, 2008 from the comparable prior year s quarter end. Excluding the impact of foreign currency exchange, average per store inventories, including inventory on hand at our distribution centers, as of August 1, 2009 were down 2% compared to the prior year s quarter end.

The following is a discussion of our consolidated operating results, followed by a discussion of our segment operating results. All references to earnings per share are diluted earnings per share unless otherwise indicated.

Net sales: Consolidated net sales for the quarter ended August 1, 2009 were $4.7 billion, up 4% from $4.6 billion in last year s second quarter. The increase in our fiscal 2010 second quarter sales reflected a 4% increase from new stores and a 4% increase in same store sales, partially offset by a 4% decline from the negative impact of foreign currency exchange rates. This compares to sales growth of 7% in last year s second quarter which consisted of 3% from new stores, 3% from same store sales and a 1% positive impact from foreign currency exchange rates.

Consolidated net sales for the six months ended August 1, 2009 were $9.1 billion, up 3% from $8.9 billion in last year s comparable period. The increase in net sales for the six months ended August 1, 2009 reflected a 4% increase from new stores, a 3% increase in same store sales and 1% increase due to the shift in the fiscal calender, partially offset by a 5% decline from the negative impact of foreign currency exchange rates. This compares to sales growth of 7% in last year s six-month period which consisted of 3% from new stores, 3% from same store sales and a 1% positive impact from foreign currency exchange rates.

New stores are a major source of sales growth. Both our consolidated store count and selling square footage increased by 4% as of August 1, 2009 as compared to the same period last year.

The same store sales increases for both the quarter and six months ended August 1, 2009 were driven by increased customer traffic across virtually all of our businesses and especially strong performance in our HomeGoods, A.J. Wright and European segments. Juniors, dresses, children s apparel, shoes and accessories performed particularly well. Home fashions, which had been negatively affected by the weak housing market, recorded strong same store sales increases in the second quarter. Geographically, sales in Europe were above the consolidated average, while Canadian sales trailed the consolidated average. In the U.S., sales were strong throughout the country with the stronger regions being the Midwest, Southwest and West Coast and weaker regions being New England and Florida.

We define same store sales to be sales of those stores that have been in operation for all or a portion of two consecutive fiscal years, or in other words, stores that are starting their third fiscal year of operation. We classify a store as a new store until it meets the same store criteria. We determine which stores are included in the same store sales calculation as of the beginning of each 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 are 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. Consolidated and divisional same store sales are calculated on a constant currency basis, which eliminates the effect of changes in currency exchange rates, and we believe it is a more accurate measure of the segment performance.

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

	Percentage of Net Sales Thirteen Weeks Ended		Percentage of Net Sales Twenty-Six Weeks Ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales, including buying and occupancy costs &				