# TJX COMPANIES INC /DE/

## FORM 10-Q
(Quarterly Report)

Filed 12/03/19 for the Period Ending 11/02/19

| | |
|---|---|
| Address | 770 COCHITUATE RD |
| | FRAMINGHAM, MA, 01701 |
| Telephone | 508-390-2662 |
| CIK | 0000109198 |
| Symbol | TJX |
| SIC Code | 5651 - Retail-Family Clothing Stores |
| Industry | Discount Stores |
| Sector | Consumer Cyclicals |
| Fiscal Year | 02/01 |

# 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 2, 2019**

**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** | **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)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $1.00 per share | TJX | New York Stock Exchange |

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 2, 2019: 1,203,183,703

# 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 | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | November 2, 2019 | November 3, 2018 | November 2, 2019 | November 3, 2018 |
| **Net sales** | **$ 10,451,334** | **$ 9,825,759** | **$ 29,510,515** | **$ 27,845,594** |
| Cost of sales, including buying and occupancy costs | 7,440,033 | 6,983,483 | 21,103,975 | 19,797,537 |
| Selling, general and administrative expenses | 1,885,923 | 1,756,448 | 5,319,659 | 5,006,937 |
| Pension settlement charge | — | 36,122 | — | 36,122 |
| Interest expense, net | 3,259 | 3,188 | 6,973 | 10,365 |
| Income before provision for income taxes | 1,122,119 | 1,046,518 | 3,079,908 | 2,994,633 |
| Provision for income taxes | 293,856 | 284,265 | 792,505 | 776,373 |
| **Net income** | **$ 828,263** | **$ 762,253** | **$ 2,287,403** | **$ 2,218,260** |
| Basic earnings per share: | | | | |
| Net income | $ 0.69 | $ 0.62 | $ 1.89 | $ 1.78 |
| Weighted average common shares – basic | 1,206,369 | 1,236,842 | 1,210,475 | 1,245,639 |
| Diluted earnings per share: | | | | |
| Net income | $ 0.68 | $ 0.61 | $ 1.86 | $ 1.75 |
| Weighted average common shares – diluted | 1,224,288 | 1,257,562 | 1,228,903 | 1,264,100 |

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 2, 2019 | November 3, 2018 |
| **Net income** | **$ 828,263** | **$ 762,253** |
| Additions to other comprehensive loss: | | |
| Foreign currency translation adjustments, net of related tax provisions of $241 in fiscal 2020 and $143 in fiscal 2019 | 70,785 | (18,055) |
| Recognition of net gains/losses on benefit obligations, net of related tax benefit of $1,867 in fiscal year 2019 (See Note H) | — | (5,128) |
| Reclassifications from other comprehensive loss to net income: | | |
| Pension settlement charge, net of related tax provision of $9,641 in fiscal 2019 | — | 26,481 |
| Amortization of prior service cost and deferred gains/losses, net of related tax provisions of $1,609 in fiscal 2020 and $1,109 in fiscal 2019 | 4,418 | 3,047 |
| Amortization of loss on cash flow hedge, net of related tax provisions of $75 in fiscal 2020 and $75 in fiscal 2019 | 208 | 206 |
| Other comprehensive income, net of tax | 75,411 | 6,551 |
| **Total comprehensive income** | **$ 903,674** | **$ 768,804** |

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | November 2, 2019 | November 3, 2018 |
| **Net income** | **$ 2,287,403** | **$ 2,218,260** |
| Additions to other comprehensive loss: | | |
| Foreign currency translation adjustments, net of related tax benefit of $711 in fiscal 2020 and $13,582 in fiscal 2019 | (20,119) | (200,318) |
| Gain on net investment hedges, net of related tax provision of $7,113 in fiscal 2019 | — | 19,538 |
| Recognition of net gains/losses on benefit obligations, net of related tax benefit of $1,867 in fiscal year 2019 (See Note H) | — | (5,128) |
| Reclassifications from other comprehensive loss to net income: | | |
| Pension settlement charge, net of related tax provision of $9,641 in fiscal 2019 | — | 26,481 |
| Amortization of prior service cost and deferred gains, net of related tax provisions of $4,515 in fiscal 2020 and $3,210 in fiscal 2019 | 12,402 | 8,817 |
| Amortization of loss on cash flow hedge, net of related tax provisions of $227 in fiscal 2020 and $228 in fiscal 2019 | 624 | 622 |
| Other comprehensive (loss), net of tax | (7,093) | (149,988) |
| **Total comprehensive income** | **$ 2,280,310** | **$ 2,068,272** |

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 2, 2019 | February 2, 2019 | November 3, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 2,060,176 | $ 3,030,229 | $ 2,711,767 |
| Accounts receivable, net | 442,883 | 346,298 | 419,790 |
| Merchandise inventories | 6,274,778 | 4,579,033 | 5,543,413 |
| Prepaid expenses and other current assets | 596,778 | 513,662 | 642,043 |
| Total current assets | 9,374,615 | 8,469,222 | 9,317,013 |
| Net property at cost | 5,250,971 | 5,255,208 | 5,165,875 |
| Non-current deferred income taxes, net | 5,484 | 6,467 | — |
| Operating lease right of use assets | 9,069,146 | — | — |
| Goodwill | 96,313 | 97,552 | 97,348 |
| Other assets | 492,175 | 497,580 | 445,006 |
| **TOTAL ASSETS** | **$ 24,288,704** | **$ 14,326,029** | **$ 15,025,242** |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 3,447,443 | $ 2,644,143 | $ 3,340,596 |
| Accrued expenses and other current liabilities | 2,806,225 | 2,733,076 | 2,594,561 |
| Current portion of operating lease liabilities | 1,412,262 | — | — |
| Federal, state and foreign income taxes payable | 21,214 | 154,155 | 78,668 |
| Total current liabilities | 7,687,144 | 5,531,374 | 6,013,825 |
| Other long-term liabilities | 797,573 | 1,354,242 | 1,284,911 |
| Non-current deferred income taxes, net | 203,515 | 158,191 | 236,769 |
| Long-term operating lease liabilities | 7,822,067 | — | — |
| Long-term debt | 2,235,873 | 2,233,616 | 2,232,864 |
| Commitments and contingencies (See Note K) | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Preferred stock, authorized 5,000,000 shares, par value $1, no shares issued | — | — | — |
| Common stock, authorized 1,800,000,000 shares, par value $1, issued and outstanding 1,203,183,703; 1,217,182,508 and 1,233,145,248 respectively | 1,203,184 | 1,217,183 | 1,233,145 |
| Additional paid-in capital | — | — | — |
| Accumulated other comprehensive loss | (637,414) | (630,321) | (591,847) |
| Retained earnings | 4,976,762 | 4,461,744 | 4,615,575 |
| Total shareholders' equity | 5,542,532 | 5,048,606 | 5,256,873 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$ 24,288,704** | **$ 14,326,029** | **$ 15,025,242** |

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 2, 2019 | November 3, 2018 |
| **Cash flows from operating activities:** | | |
| Net income | $ 2,287,403 | $ 2,218,260 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 647,389 | 601,227 |
| Loss on property disposals and impairment charges | 6,253 | 14,574 |
| Pension settlement charge | — | 36,122 |
| Deferred income tax provision (benefit) | 42,120 | (15,630) |
| Share-based compensation | 86,590 | 77,353 |
| Changes in assets and liabilities: | | |
| (Increase) in accounts receivable | (99,476) | (97,891) |
| (Increase) in merchandise inventories | (1,701,704) | (1,442,577) |
| (Increase) decrease in prepaid expenses and other current assets | (231,968) | 124,788 |
| Increase in accounts payable | 805,766 | 902,502 |
| Increase in accrued expenses and other liabilities | 133,651 | 97,696 |
| (Decrease) in income taxes payable | (131,499) | (33,292) |
| Other | 29,003 | (5,375) |
| **Net cash provided by operating activities** | **1,873,528** | **2,477,757** |
| **Cash flows from investing activities:** | | |
| Property additions | (992,712) | (872,963) |
| Purchase of investments | (24,052) | (157,198) |
| Sales and maturities of investments | 11,590 | 634,288 |
| Other | 7,419 | 26,653 |
| **Net cash (used in) investing activities** | **(997,755)** | **(369,220)** |
| **Cash flows from financing activities:** | | |
| Cash payments for repurchase of common stock | (1,190,390) | (1,591,392) |
| Cash dividends paid | (795,092) | (682,322) |
| Proceeds from issuance of common stock | 175,285 | 239,608 |
| Cash payments of employee tax withholdings for performance based stock awards | (23,297) | (16,014) |
| Other | — | (5,409) |
| **Net cash (used in) financing activities** | **(1,833,494)** | **(2,055,529)** |
| Effect of exchange rate changes on cash | (12,332) | (99,718) |
| Net (decrease) in cash and cash equivalents | (970,053) | (46,710) |
| Cash and cash equivalents at beginning of year | 3,030,229 | 2,758,477 |
| **Cash and cash equivalents at end of period** | **$ 2,060,176** | **$ 2,711,767** |

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

| | Thirteen Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares | Par Value $1 | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
| **Balance, August 3, 2019** | **1,208,933** | **$ 1,208,933** | **$ —** | **$ (712,825)** | **$ 4,806,504** | **$ 5,302,612** |
| Net income | — | — | — | — | **828,263** | **828,263** |
| Other comprehensive income, net of tax | — | — | — | **75,411** | — | **75,411** |
| Cash dividends declared on common stock | — | — | — | — | **(277,115)** | **(277,115)** |
| Recognition of share-based compensation | — | — | **31,190** | — | — | **31,190** |
| Issuance of common stock under Stock Incentive Plan, net of shares used to pay tax withholdings | **3,075** | **3,075** | **69,735** | — | — | **72,810** |
| Common stock repurchased and retired | **(8,824)** | **(8,824)** | **(100,925)** | — | **(380,890)** | **(490,639)** |
| **Balance, November 2, 2019** | **1,203,184** | **$ 1,203,184** | **$ —** | **$ (637,414)** | **$ 4,976,762** | **$ 5,542,532** |

| | Thirteen Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares | Par Value $1 | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
| Balance, August 4, 2018 | 1,241,533 | $ 1,241,533 | $ — | $ (598,398) | $ 4,583,938 | $ 5,227,073 |
| Net income | — | — | — | — | 762,253 | 762,253 |
| Other comprehensive income, net of tax | — | — | — | 6,551 | — | 6,551 |
| Cash dividends declared on common stock | — | — | — | — | (241,147) | (241,147) |
| Recognition of share-based compensation | — | — | 27,412 | — | — | 27,412 |
| Issuance of common stock under Stock Incentive Plan, net of shares used to pay tax withholdings | 3,063 | 3,063 | 74,593 | — | (1,532) | 76,124 |
| Common stock repurchased and retired | (11,451) | (11,451) | (102,005) | — | (487,937) | (601,393) |
| **Balance, November 3, 2018** | **1,233,145** | **$ 1,233,145** | **$ —** | **$ (591,847)** | **$ 4,615,575** | **$ 5,256,873** |

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

| | Thirty-Nine Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares | Par Value $1 | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
| **Balance, February 2, 2019** | **1,217,183** | **$ 1,217,183** | **$ —** | **$ (630,321)** | **$ 4,461,744** | **$ 5,048,606** |
| Net income | — | — | — | — | **2,287,403** | **2,287,403** |
| Cumulative effect of accounting change (See Note A) | — | — | — | — | **403** | **403** |
| Other comprehensive loss, net of tax | — | — | — | **(7,093)** | — | **(7,093)** |
| Cash dividends declared on common stock | — | — | — | — | **(834,975)** | **(834,975)** |
| Recognition of share-based compensation | — | — | **86,590** | — | — | **86,590** |
| Issuance of common stock under Stock Incentive Plan, net of shares used to pay tax withholdings | **8,169** | **8,169** | **143,819** | — | — | **151,988** |
| Common stock repurchased and retired | **(22,168)** | **(22,168)** | **(230,409)** | — | **(937,813)** | **(1,190,390)** |
| **Balance, November 2, 2019** | **1,203,184** | **$ 1,203,184** | **$ —** | **$ (637,414)** | **$ 4,976,762** | **$ 5,542,532** |

| | Thirty-Nine Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | | | | |
| | Shares | Par Value $1 | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
| **Balance, February 3, 2018** | **1,256,018** | **$ 1,256,018** | **$ —** | **$ (441,859)** | **$ 4,334,150** | **$ 5,148,309** |
| Net income | — | — | — | — | 2,218,260 | 2,218,260 |
| Cumulative effect of accounting change | — | — | — | — | 58,712 | 58,712 |
| Other comprehensive loss, net of tax | — | — | — | (149,988) | — | (149,988) |
| Cash dividends declared on common stock | — | — | — | — | (727,975) | (727,975) |
| Recognition of share-based compensation | — | — | 77,353 | — | — | 77,353 |
| Issuance of common stock under Stock Incentive Plan, net of shares used to pay tax withholdings | 11,030 | 11,030 | 218,079 | — | (5,515) | 223,594 |
| Common stock repurchased and retired | (33,903) | (33,903) | (295,432) | — | (1,262,057) | (1,591,392) |
| **Balance, November 3, 2018** | **1,233,145** | **$ 1,233,145** | **$ —** | **$ (591,847)** | **$ 4,615,575** | **$ 5,256,873** |

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

## Note A. Basis of Presentation and Summary of Significant Accounting Policies

### *Basis of Presentation*

The Consolidated Financial Statements and Notes thereto have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. These Consolidated Financial Statements and Notes thereto 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 Consolidated Financial Statements for the periods reported, all in conformity with GAAP consistently applied. The Consolidated Financial Statements and Notes thereto 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 2, 2019 ("fiscal 2019").

These interim results are not necessarily indicative of results for the full fiscal year. 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 2, 2019 balance sheet data was derived from audited Consolidated Financial Statements and 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 February 1, 2020 ("fiscal 2020") and is a 52-week fiscal year. Fiscal 2019 was also a 52-week fiscal year.

### *Use of Estimates*

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. TJX considers its accounting policies relating to inventory valuation, impairment of long-lived assets, goodwill and tradenames, reserves for uncertain tax positions, leases and loss contingencies to be the most significant accounting policies that involve management estimates and judgments. Actual amounts could differ from those estimates, and such differences could be material.

### *Deferred Gift Card Revenue*

The following table presents deferred gift card revenue activity:

| In thousands | **November 2, 2019** | November 3, 2018 |
|---|---|---|
| **Balance, beginning of year** | **$ 450,302** | $ 406,506 |
| Deferred revenue | **1,104,694** | 1,096,333 |
| Effect of exchange rates changes on deferred revenue | **(636)** | (6,561) |
| Revenue recognized | **(1,149,613)** | (1,138,507) |
| **Balance, end of period** | **$ 404,747** | $ 357,771 |

TJX recognized $358.3 million in gift card revenue for the three months ended November 2, 2019 and $363.6 million for the three months ended November 3, 2018. Gift cards are combined in one homogeneous pool and are not separately identifiable. As such, the revenue recognized consists of gift cards that were part of the deferred revenue balance at the beginning of the period as well as gift cards that were issued during the period.

## Summary of Accounting Policies

### *Leases*

We adopted ASU No. 2016-02, Leases (Topic 842), as of February 3, 2019, using the modified retrospective method under ASU 2018-11. The transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. Our reporting for comparative periods is presented in accordance with ASC 840, Leases. Adoption of the new standard resulted in the recording of right of use (“ROU”) assets and lease liabilities of approximately $9 billion, as of February 3, 2019. The Company elected the transition package of three practical expedients, which among other things, allowed us to carry forward the historical lease classification. We have elected, under Topic 842, the practical expedient to not separate non-lease components from the lease components to which they relate and instead to combine them and account for them as a single lease component. The Company also elected the accounting policy election to keep leases with a term of twelve months or less off the Consolidated Balance Sheets and recognizes these lease payments on a straight-line basis over the lease term.

Operating leases are included in "Operating lease right of use assets", "Current portion of operating lease liabilities", and "Long-term operating lease liabilities" on our Consolidated Balance Sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. At the inception of the arrangement, the Company determines if an arrangement is a lease based on assessment of the terms and conditions of the contract. Operating lease ROU assets and lease liabilities are recognized at possession date based on the present value of lease payments over the lease term. The majority of our leases are retail store locations and the possession date is typically 30 to 60 days prior to the opening of the store and generally occurs before the commencement of the lease term, as specified in the lease. Our lessors do not provide an implicit rate, nor is one readily available, therefore we use our incremental borrowing rate based on the information available at possession date in determining the present value of future lease payments. The incremental borrowing rate is calculated based on the US Consumer Discretionary yield curve and adjusted for collateralization and foreign currency impact for TJX International and Canada leases. The operating lease ROU asset also includes any acquisition costs offset by lease incentives. Our lease terms include options to extend the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term within "Cost of sales, including buying and occupancy costs".

*Impact of New Lease Standard on Consolidated Balance Sheet Line Items*

As a result of applying the new lease standard using the optional transition method, the following adjustments were made to accounts on the Condensed Consolidated Balance Sheet as of February 3, 2019:

| In thousands | | As Reported February 2, 2019 | | Adjustments | | | Adjusted February 3, 2019 |
|---|---|---|---|---|---|---|---|
| **CONDENSED CONSOLIDATED BALANCE SHEETS:** | | | | | | | |
| Prepaid expenses and other current assets | $ | 513,662 | $ | (149,029) | (a) | $ | 364,633 |
| Net property at cost | | 5,255,208 | | (281,361) | (b),(f) | | 4,973,847 |
| Operating lease right of use asset | | — | | 8,704,584 | (c) | | 8,704,584 |
| Other assets | | 497,580 | | (30,086) | (b) | | 467,494 |
| **Total Assets** | **$** | **14,326,029** | **$** | **8,244,108** | | **$** | **22,570,137** |
| | | | | | | | |
| Accrued expenses and other current liabilities | | 2,733,076 | | (3,819) | | | 2,729,257 |
| Current portion of operating lease liabilities | | — | | 1,481,555 | (d) | | 1,481,555 |
| Other long-term liabilities | | 1,354,242 | | (593,137) | (e),(f) | | 761,105 |
| Long-term operating lease liabilities | | — | | 7,359,106 | (d) | | 7,359,106 |
| Retained earnings | | 4,461,744 | | 403 | (f),(g) | | 4,462,147 |
| **Total Liabilities and Shareholders' Equity** | **$** | **14,326,029** | **$** | **8,244,108** | | **$** | **22,570,137** |

(a) Represents prepaid rent reclassified to operating lease right of use assets and current portion of operating lease liabilities.

(b) Represents impact of reclassifying initial direct costs to operating lease right of use assets.

(c) Represents capitalization of operating lease right of use assets and reclassification of lease acquisition costs, straight-line rent, prepaid rent and tenant incentives.

(d) Represents recognition of current and long-term operating lease liabilities.

(e) Represents reclassification of straight-line rent to operating lease right of use assets.

(f) Represents de-recognition of assets and liabilities related to non-TJX owned properties under previously existing build-to-suit accounting rules.

(g) Represents impairment at transition on operating lease right of use assets.

See Note L—Leases of Notes to Consolidated Financial Statements for additional information.

## Recently Adopted Accounting Standards

### *Leases*

See Leases in this Note A for the impact upon adoption.

### *Intangibles-Goodwill and Other-Internal-Use Software*

In August 2018, the Financial Accounting Standards Board issued guidance related to accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The standard allows entities who are customers in hosting arrangements that are service contracts to apply the existing internal-use software guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance specifies classification for capitalizing implementation costs and related amortization expense within the Consolidated Financial Statements and requires additional disclosures. The Company early adopted the standard prospectively in the third quarter of fiscal 2020. The standard did not have a material impact on our Consolidated Financial Statements.

## Subsequent Events

### *Investment in Familia*

On November 18, 2019, the Company, through a wholly owned subsidiary, completed an investment of $225 million for a 25% ownership stake in privately held Familia, an established, off-price apparel and home fashions retailer with more than 275 stores throughout Russia. The Company's investment represents a non-controlling, minority position. As part of this investment, TJX has the right to appoint one member to the Board of Directors of Familia.

The investment will be accounted for under the equity method of accounting from the date of investment forward. TJX will report its share of Familia’s results on a one-quarter lag as their results are not expected to be available in time to be recorded in the concurrent period.

## Note B. Property at Cost

The following table presents the components of property at cost:

| In thousands | November 2, 2019 | February 2, 2019 | November 3, 2018 |
|---|---|---|---|
| Land and buildings[(a)] | **$ 1,384,809** | $ 1,457,835 | $ 1,423,528 |
| Leasehold costs and improvements[(a)] | **3,506,784** | 3,377,045 | 3,318,857 |
| Furniture, fixtures and equipment | **6,236,535** | 5,894,239 | 5,728,827 |
| Total property at cost | **$ 11,128,128** | $ 10,729,119 | $ 10,471,212 |
| Less accumulated depreciation and amortization[(a)] | **5,877,157** | 5,473,911 | 5,305,337 |
| Net property at cost | **$ 5,250,971** | $ 5,255,208 | $ 5,165,875 |

(a) See *Leases* in Note A—Basis of Presentation and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements for impact of lease accounting changes.

Depreciation expense was $216.3 million for the three months ended November 2, 2019 and $203.6 million for the three months ended November 3, 2018. Depreciation expense was $640.5 million for the nine months ended November 2, 2019 and $601.5 million for the nine months ended November 3, 2018.

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

Amounts included in accumulated other comprehensive loss are recorded net of taxes. The following table details the changes in accumulated other comprehensive loss for the twelve months ended February 2, 2019 and the nine months ended November 2, 2019:

| In thousands | Foreign Currency Translation | Deferred Benefit Costs | Cash Flow Hedge on Debt | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|---|
| **Balance, February 3, 2018** | **$ (280,051)** | **$ (159,562)** | **$ (2,246)** | **$ (441,859)** |
| Additions to other comprehensive loss: | | | | |
| Foreign currency translation adjustments (net of taxes of $8,233) | (192,664) | — | — | (192,664) |
| Recognition of net gains/losses on net investment hedges (net of taxes $7,113) | 19,538 | — | — | 19,538 |
| Recognition of net gains/losses on benefit obligations (net of taxes of $19,813) | — | (54,420) | — | (54,420) |
| Pension settlement charge (net of taxes of $9,641) | — | 26,481 | — | 26,481 |
| Reclassifications from other comprehensive loss to net income: | | | | |
| Amortization of loss on cash flow hedge (net of taxes of $304) | — | — | 847 | 847 |
| Amortization of prior service cost and deferred gains/losses (net of taxes of $4,280) | — | 11,756 | — | 11,756 |
| **Balance, February 2, 2019** | **$ (453,177)** | **$ (175,745)** | **$ (1,399)** | **$ (630,321)** |
| Additions to other comprehensive loss: | | | | |
| Foreign currency translation adjustments (net of taxes of $711) | (20,119) | — | — | (20,119) |
| Reclassifications from other comprehensive loss to net income: | | | | |
| Amortization of loss on cash flow hedge (net of taxes of $227) | — | — | 624 | 624 |
| Amortization of prior service cost and deferred gains/losses (net of taxes of $4,515) | — | 12,402 | — | 12,402 |
| **Balance, November 2, 2019** | **$ (473,296)** | **$ (163,343)** | **$ (775)** | **$ (637,414)** |

## Note D. Capital Stock and Earnings Per Share

### *Capital Stock*

In fiscal 2019, we completed a two-for-one stock split of the Company's common stock in the form of a stock dividend. One additional share was paid for each share held by holders of record as of the close of business on October 30, 2018. The shares were distributed on November 6, 2018 and resulted in the issuance of 617 million shares of common stock. In connection with our stock split, the shareholders approved an increase in the number of authorized shares of common stock of 0.6 billion to 1.8 billion shares. Certain balances within the Consolidated Statements of Shareholders' Equity have been adjusted retroactively to reflect the two-for-one stock split.

TJX repurchased and retired 9.0 million shares of its common stock at a cost of $500 million during the quarter ended November 2, 2019, on a "trade date" basis. During the nine months ended November 2, 2019, TJX repurchased and retired 21.3 million shares of its common stock at a cost of $1.15 billion, on a "trade date" basis. TJX reflects stock repurchases in its Consolidated 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 2, 2019, and $1.6 billion for the nine months ended November 3, 2018. These expenditures were funded by cash generated from current and prior period operations.

In February 2019, TJX announced that its Board of Directors had approved an additional stock repurchase program that authorized the repurchase of up to $1.5 billion of TJX common stock from time to time.

In February 2018, our Board of Directors approved the repurchase of an additional $3.0 billion of TJX common stock from time to time. Under this program, on a "trade date" basis through November 2, 2019, TJX repurchased 47.7 million shares of common stock at a cost of $2.5 billion.

As of November 2, 2019, TJX had approximately $2.0 billion available under these previously announced stock repurchase programs.

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

### *Earnings Per Share*

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

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| In thousands, except per share amounts | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| *Basic earnings per share* | | | | |
| Net income | **$ 828,263** | $ 762,253 | **$ 2,287,403** | $ 2,218,260 |
| Weighted average common shares outstanding for basic EPS | **1,206,369** | 1,236,842 | **1,210,475** | 1,245,639 |
| Basic earnings per share | **$ 0.69** | $ 0.62 | **$ 1.89** | $ 1.78 |
| *Diluted earnings per share* | | | | |
| Net income | **$ 828,263** | $ 762,253 | **$ 2,287,403** | $ 2,218,260 |
| Shares for basic and diluted earnings per share calculations: | | | | |
| Weighted average common shares outstanding for basic EPS | **1,206,369** | 1,236,842 | **1,210,475** | 1,245,639 |
| Assumed exercise/vesting of stock options and awards | **17,919** | 20,720 | **18,428** | 18,461 |
| Weighted average common shares outstanding for diluted EPS | **1,224,288** | 1,257,562 | **1,228,903** | 1,264,100 |
| Diluted earnings per share | **$ 0.68** | $ 0.61 | **$ 1.86** | $ 1.75 |
| Cash dividends declared per share | **$ 0.230** | $ 0.195 | **$ 0.690** | $ 0.585 |

The weighted average common shares for the diluted earnings per share calculation exclude the impact of outstanding stock options if the assumed proceeds per share of the option is in excess of the average price of TJX's common stock for the related fiscal periods. Such options are excluded because they would have an antidilutive effect. There were 12.0 million such options excluded for each of the thirteen weeks and thirty-nine weeks ended November 2, 2019. There were 6.1 million such options excluded for each of the thirteen weeks and thirty-nine weeks ended November 3, 2018.

## 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. TJX seeks to minimize risk from changes in interest and foreign currency exchange rates and fuel costs through the use of derivative financial instruments when and to the extent deemed appropriate. 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 Consolidated Balance Sheets 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.

### *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 based on the price of diesel fuel. 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 2019, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for fiscal 2020, and during the first nine months of fiscal 2020, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for the first nine months of fiscal 2021. The hedge agreements outstanding at November 2, 2019 relate to approximately 48% of TJX's estimated notional diesel requirements for the remainder of fiscal 2020 and approximately 49% of TJX's estimated notional diesel requirements for the first nine months of fiscal 2021. These diesel fuel hedge agreements will settle throughout the remainder of fiscal 2020 and throughout the first ten months of fiscal 2021. TJX elected not to apply hedge accounting 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 the Company's operations in currencies other than their respective functional currencies. These contracts typically have a term of twelve months or less. The contracts outstanding at November 2, 2019 cover a portion of such actual and anticipated merchandise purchases throughout the remainder of fiscal 2020. Additionally, TJX's operations in Europe are subject to foreign currency exposure as a result of their buying function being centralized in the United Kingdom. All merchandise is purchased centrally in the U.K. and then shipped and billed to the retail entities in other countries. This intercompany billing to TJX's European businesses' Euro denominated operations creates exposure to the central buying entity for changes in the exchange rate between the Euro and British Pound. The inflow of Euros to the central buying entity provides a natural hedge for merchandise purchased from third-party vendors that is denominated in Euros. However, with the growth of TJX's Euro denominated retail operations, the intercompany billings committed to the Euro denominated operations is generating Euros in excess of those needed to meet merchandise commitments to outside vendors. TJX calculates this excess Euro exposure each month and enters into forward contracts of approximately 30 days' duration to mitigate the exposure. During the first six months of fiscal 2020, TJX had entered into derivative contracts to hedge Polish leases that are denominated in Euros and paid in Zlotys in order to mitigate the foreign currency exposure as a result of implementing ASU No. 2016-02, Leases. TJX had elected not to apply hedge accounting to these contracts. During the third quarter of fiscal 2020 TJX discontinued these hedges.

TJX also enters into derivative contracts, generally designated as fair value hedges, to hedge intercompany debt, certain intercompany dividends 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.

TJX periodically reviews its net investments in foreign subsidiaries. During the fiscal quarter ended May 5, 2018, TJX entered into net investment hedge contracts related to a portion of its investment in TJX Canada. During the fiscal quarter ended August 4, 2018, TJX de-designated the net investment hedge contracts. The remaining life of the foreign currency contracts provided a natural hedge to the declared cash dividend from TJX Canada. The contracts settled during the second quarter of fiscal 2019 resulting in a pre-tax gain of $27 million while designated as a net investment hedge and subsequent to de-designation, a pre-tax gain of $19 million. The $27 million gain is reflected in shareholders' equity as a component of other comprehensive income. The $19 million gain subsequent to de-designation is reflected in the income statement offsetting a foreign currency loss of $18 million on the declared dividends.

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at November 2, 2019:

| 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, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Fair value hedges: | | | | | | | | | |
| Intercompany balances, primarily debt and related interest: | | | | | | | | | |
| zł | 64,000 | £ | 13,144 | | 0.2054 | Prepaid Exp | $ 246 | $ — | $ 246 |
| € | 46,450 | £ | 41,712 | | 0.8980 | Prepaid Exp | 1,919 | — | 1,919 |
| A$ | 50,000 | U.S.$ | 34,370 | | 0.6874 | (Accrued Exp) | — | (303) | (303) |
| U.S.$ | 72,020 | £ | 55,000 | | 0.7637 | (Accrued Exp) | — | (757) | (757) |
| Economic hedges for which hedge accounting was not elected: | | | | | | | | | |
| Diesel fuel contracts | Fixed on 2.7M – 3.3M gal per month | | Float on 2.7M – 3.3M gal per month | | N/A | (Accrued Exp) | — | (3,878) | (3,878) |
| Intercompany billings in TJX International, primarily merchandise related: | | | | | | | | | |
| € | 86,800 | £ | 76,837 | | 0.8852 | Prepaid Exp | 2,411 | — | 2,411 |
| Merchandise purchase commitments: | | | | | | | | | |
| C$ | 642,859 | U.S.$ | 487,300 | | 0.7580 | Prepaid Exp / (Accrued Exp) | 808 | (2,960) | (2,152) |
| C$ | 31,863 | € | 21,600 | | 0.6779 | Prepaid Exp / (Accrued Exp) | 36 | (111) | (75) |
| £ | 308,166 | U.S.$ | 386,700 | | 1.2548 | Prepaid Exp / (Accrued Exp) | 373 | (14,122) | (13,749) |
| A$ | 42,054 | U.S.$ | 28,767 | | 0.6840 | Prepaid Exp / (Accrued Exp) | 46 | (414) | (368) |
| zł | 369,290 | £ | 76,343 | | 0.2067 | Prepaid Exp / (Accrued Exp) | 2,192 | (148) | 2,044 |
| U.S.$ | 2,254 | £ | 1,761 | | 0.7813 | Prepaid Exp | 23 | — | 23 |
| U.S.$ | 69,558 | € | 61,875 | | 0.8895 | Prepaid Exp / (Accrued Exp) | 304 | (614) | (310) |
| Total fair value of derivative financial instruments | | | | | | | $ 8,358 | $ (23,307) | $ (14,949) |

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at February 2, 2019:

| 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 February 2, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Fair value hedges: | | | | | | | | | |
| Intercompany balances, primarily debt and related interest: | | | | | | | | | |
| zł | 59,000 | £ | 12,021 | | 0.2037 | Prepaid Exp | $ 56 | $ — | $ 56 |
| € | 55,950 | £ | 49,560 | | 0.8858 | Prepaid Exp / (Accrued Exp) | 126 | (140) | (14) |
| A$ | 30,000 | U.S.$ | 21,483 | | 0.7161 | (Accrued Exp) | — | (314) | (314) |
| U.S.$ | 72,020 | £ | 55,000 | | 0.7637 | Prepaid Exp | 1,037 | — | 1,037 |
| Economic hedges for which hedge accounting was not elected: | | | | | | | | | |
| Diesel fuel contracts | Fixed on 2.7M – 3.3M gal per month | | Float on 2.7M– 3.3M gal per month | | N/A | (Accrued Exp) | — | (3,786) | (3,786) |
| Intercompany billings in TJX International, primarily merchandise related: | | | | | | | | | |
| € | 46,600 | £ | 41,835 | | 0.8977 | Prepaid Exp | 1,300 | — | 1,300 |
| Merchandise purchase commitments: | | | | | | | | | |
| C$ | 546,083 | U.S.$ | 414,100 | | 0.7583 | Prepaid Exp / (Accrued Exp) | 1,239 | (4,741) | (3,502) |
| C$ | 31,455 | € | 20,700 | | 0.6581 | (Accrued Exp) | — | (248) | (248) |
| £ | 173,624 | U.S.$ | 230,000 | | 1.3247 | Prepaid Exp / (Accrued Exp) | 3,459 | (1,466) | 1,993 |
| zł | 280,167 | £ | 57,586 | | 0.2055 | Prepaid Exp / (Accrued Exp) | 707 | (86) | 621 |
| A$ | 51,043 | U.S.$ | 36,961 | | 0.7241 | Prepaid Exp / (Accrued Exp) | 97 | (213) | (116) |
| U.S.$ | 56,847 | € | 49,355 | | 0.8682 | Prepaid Exp / (Accrued Exp) | 115 | (207) | (92) |
| Total fair value of derivative financial instruments | | | | | | | $ 8,136 | $ (11,201) | $ (3,065) |

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at November 3, 2018:

| 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 3, 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Fair value hedges: | | | | | | | | | |
| Intercompany balances, primarily debt and related interest: | | | | | | | | | |
| zł | 62,000 | £ | 12,983 | | 0.2094 | Prepaid Exp | $ 475 | $ — | $ 475 |
| € | 48,950 | £ | 43,612 | | 0.8909 | Prepaid Exp | 626 | — | 626 |
| U.S.$ | 77,079 | £ | 55,000 | | 0.7136 | (Accrued Exp) | — | (5,545) | (5,545) |
| A$ | 30,000 | U.S.$ | 21,207 | | 0.7069 | (Accrued Exp) | — | (429) | (429) |
| Economic hedges for which hedge accounting was not elected: | | | | | | | | | |
| Diesel fuel contracts | Fixed on 1.3M – 3.0M gal per month | | Float on 1.3M – 3.0M gal per month | | N/A | Prepaid Exp | 4,965 | — | 4,965 |
| Intercompany billings in TJX International, primarily merchandise related: | | | | | | | | | |
| € | 82,000 | £ | 71,853 | | 0.8763 | (Accrued Exp) | — | (231) | (231) |
| Merchandise purchase commitments: | | | | | | | | | |
| C$ | 582,670 | U.S.$ | 447,800 | | 0.7685 | Prepaid Exp / (Accrued Exp) | 3,216 | (543) | 2,673 |
| C$ | 29,614 | € | 19,500 | | 0.6585 | Prepaid Exp / (Accrued Exp) | 4 | (342) | (338) |
| £ | 271,690 | U.S.$ | 369,500 | | 1.3600 | Prepaid Exp / (Accrued Exp) | 15,585 | (132) | 15,453 |
| U.S.$ | 2,692 | £ | 2,067 | | 0.7678 | Prepaid Exp / (Accrued Exp) | 15 | (28) | (13) |
| A$ | 45,132 | U.S.$ | 32,962 | | 0.7303 | Prepaid Exp / (Accrued Exp) | 441 | (21) | 420 |
| zł | 289,208 | £ | 59,158 | | 0.2046 | Prepaid Exp / (Accrued Exp) | 744 | (373) | 371 |
| U.S.$ | 67,459 | € | 57,065 | | 0.8459 | (Accrued Exp) | — | (2,235) | (2,235) |
| Total fair value of derivative financial instruments | | | | | | | $ 26,071 | $ (9,879) | $ 16,192 |

Presented below is the impact of derivative financial instruments on the Consolidated Statements of Income for the periods shown:

| In thousands | Location of Gain (Loss) Recognized in Income by Derivative | Amount of Gain (Loss) Recognized in Income by Derivative | | | |
|---|---|---|---|---|---|
| | | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
| | | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Fair value hedges: | | | | | |
| Intercompany balances, primarily debt and related interest | Selling, general and administrative expenses | **$ 7,238** | $ 672 | **$ 526** | $ (3,538) |
| Economic hedges for which hedge accounting was not elected: | | | | | |
| Intercompany receivable | Selling, general and administrative expenses | **—** | — | **3,257** | 18,823 |
| Diesel fuel contracts | Cost of sales, including buying and occupancy costs | **529** | 1,572 | **(2,103)** | 7,530 |
| Intercompany billings in TJX International, primarily merchandise related | Cost of sales, including buying and occupancy costs | **5,144** | 1,718 | **944** | 1,024 |
| International lease liabilities | Cost of sales, including buying and occupancy costs | **301** | — | **(1,113)** | — |
| Merchandise purchase commitments | Cost of sales, including buying and occupancy costs | **(18,622)** | 8,463 | **8,536** | 61,091 |
| Gain / (loss) recognized in income | | **$ (5,410)** | $ 12,425 | **$ 10,047** | $ 84,930 |

## Note F. Fair Value Measurements

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 2, 2019** | February 2, 2019 | November 3, 2018 |
|---|---|---|---|
| Level 1 | | | |
| Assets: | | | |
| Executive Savings Plan investments | **$ 289,496** | $ 253,215 | $ 245,856 |
| Level 2 | | | |
| Assets: | | | |
| Foreign currency exchange contracts | **8,358** | 8,136 | 21,106 |
| Diesel fuel contracts | **—** | — | 4,965 |
| Liabilities: | | | |
| Foreign currency exchange contracts | **$ 19,429** | $ 7,415 | $ 9,879 |
| Diesel fuel contracts | **3,878** | 3,786 | — |

Investments designed to meet obligations under the Executive Savings Plan are invested in registered investment companies traded in active markets and are recorded at unadjusted quoted prices.

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.

The fair value of TJX's general corporate debt 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 2, 2019 was $2.3 billion compared to a carrying value of $2.2 billion. The fair value of long-term debt as of February 2, 2019 approximated the carrying value of $2.2 billion. The fair value of long-term debt as of November 3, 2018 was $2.1 billion compared to a carrying value of $2.2 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.

## Note G. Segment Information

TJX operates four main business segments. The Marmaxx segment (T.J. Maxx, Marshalls, tjmaxx.com and marshalls.com) and the HomeGoods segment (HomeGoods and Homesense) both operate in the United States, the TJX Canada segment operates Winners, HomeSense and Marshalls in Canada, and the TJX International segment operates T.K. Maxx, Homesense and tkmaxx.com in Europe and T.K. Maxx in Australia. In addition to our four main business segments, Sierra operates sierra.com and retail stores in the U.S. The results of Sierra 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, pension settlement charge 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:

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| In thousands | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Net sales: | | | | |
| In the United States: | | | | |
| Marmaxx | **$ 6,353,987** | $ 5,973,476 | **$ 18,262,444** | $ 17,202,115 |
| HomeGoods | **1,582,411** | 1,463,892 | **4,404,112** | 4,060,569 |
| TJX Canada | **1,081,522** | 1,036,884 | **2,896,717** | 2,828,456 |
| TJX International | **1,433,414** | 1,351,507 | **3,947,242** | 3,754,454 |
| Total net sales | **$ 10,451,334** | $ 9,825,759 | **$ 29,510,515** | $ 27,845,594 |
| Segment profit: | | | | |
| In the United States: | | | | |
| Marmaxx | **$ 820,430** | $ 762,911 | **$ 2,471,622** | $ 2,343,682 |
| HomeGoods | **173,212** | 166,090 | **438,939** | 455,540 |
| TJX Canada | **170,264** | 182,170 | **385,513** | 446,089 |
| TJX International | **99,397** | 102,432 | **178,343** | 191,949 |
| Total segment profit | **1,263,303** | 1,213,603 | **3,474,417** | 3,437,260 |
| General corporate expense | **137,925** | 127,775 | **387,536** | 396,140 |
| Pension settlement charge | **—** | 36,122 | **—** | 36,122 |
| Interest expense, net | **3,259** | 3,188 | **6,973** | 10,365 |
| Income before provision for income taxes | **$ 1,122,119** | $ 1,046,518 | **$ 3,079,908** | $ 2,994,633 |

Segment assets as of November 2, 2019 increased from February 2, 2019 due to inclusion of operating lease right of use assets in segment assets. As of November 2, 2019, the breakdown of the Company's operating right of use assets by segment is $4.3 billion in Marmaxx, $1.6 billion in HomeGoods, $1.1 billion in TJX Canada and $2.1 billion in TJX International.

## Note H. Pension Plans and Other Retirement Benefits

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

| | Funded Plan | | Unfunded Plan | |
|---|---|---|---|---|
| | Thirteen Weeks Ended | | Thirteen Weeks Ended | |
| In thousands | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Service cost | **$ 11,415** | $ 10,781 | **$ 440** | $ 572 |
| Interest cost | **13,149** | 12,837 | **871** | 994 |
| Expected return on plan assets | **(18,630)** | (17,468) | **—** | — |
| Amortization of net actuarial loss and prior service cost | **5,556** | 3,241 | **471** | 914 |
| Expense related to current period | **$ 11,490** | $ 9,391 | **$ 1,782** | $ 2,480 |
| Pension settlement charge | **—** | 36,122 | **—** | — |
| Total expense | **$ 11,490** | $ 45,513 | **$ 1,782** | $ 2,480 |

| | Funded Plan | | Unfunded Plan | |
|---|---|---|---|---|
| | Thirty-Nine Weeks Ended | | Thirty-Nine Weeks Ended | |
| In thousands | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Service cost | **$ 33,513** | $ 34,007 | **$ 1,544** | $ 1,794 |
| Interest cost | **39,129** | 40,767 | **2,805** | 2,700 |
| Expected return on plan assets | **(55,606)** | (59,392) | **—** | — |
| Amortization of net actuarial loss and prior service cost | **14,574** | 9,469 | **2,343** | 2,556 |
| Expense related to current period | **$ 31,610** | $ 24,851 | **$ 6,692** | $ 7,050 |
| Pension settlement charge | **—** | 36,122 | **—** | — |
| Total expense | **$ 31,610** | $ 60,973 | **$ 6,692** | $ 7,050 |

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 as is sufficient to avoid restrictions with respect to the funding of nonqualified plans under the Internal Revenue Code. We do not anticipate any required funding in fiscal 2020 for the funded plan. We anticipate making contributions of $4.8 million to provide current benefits coming due under the unfunded plan in fiscal 2020.

The amounts included in recognized actuarial losses in the table above have been reclassified in their entirety from accumulated other comprehensive income to the Consolidated Statements of Income, net of related tax effects, for the periods presented.

During the third quarter of fiscal 2019, TJX annuitized and transferred current pension obligations for certain U.S. retirees and beneficiaries under the funded plan through the purchase of a group annuity contract with an insurance company. TJX transferred $207.4 million of pension plan assets to the insurance company, thereby reducing its pension benefit obligations. The transaction had no cash impact on TJX but did result in a non-cash pre-tax pension settlement charge of $36.1 million, which is reported separately on the consolidated statements of income. As a result of the annuity purchase the Company re-measured the funded status of its pension plan as of September 30, 2018. The assumptions for pension expense for fiscal 2019 includes a discount rate of 4.00% through the measurement date and 4.40% thereafter. The expected rate of return on plan assets is 6.00% through the measurement date and 6.00% thereafter. The discount rate for determining the obligation at the measurement date was 4.40%.

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

The table below presents long-term debt, exclusive of current installments, as of November 2, 2019, February 2, 2019 and November 3, 2018. All amounts are net of unamortized debt discounts.

| In thousands | **November 2, 2019** | February 2, 2019 | November 3, 2018 |
|---|---|---|---|
| General corporate debt: | | | |
| 2.50% senior unsecured notes, maturing May 15, 2023 (effective interest rate of 2.51% after reduction of unamortized debt discount of $156 at November 2, 2019, $189 at February 2, 2019 and $200 at November 3, 2018) | **$ 499,844** | $ 499,811 | $ 499,800 |
| 2.75% senior unsecured notes, maturing June 15, 2021 (effective interest rate of 2.76% after reduction of unamortized debt discount of $119 at November 2, 2019, $174 at February 2, 2019 and $194 at November 3, 2018) | **749,881** | 749,826 | 749,806 |
| 2.25% senior unsecured notes, maturing September 15, 2026 (effective interest rate of 2.32% after reduction of unamortized debt discount of $5,097 at November 2, 2019, $5,657 at February 2, 2019 and $5,844 at November 3, 2018) | **994,903** | 994,343 | 994,156 |
| Debt issuance cost | **(8,755)** | (10,364) | (10,898) |
| Long-term debt | **$ 2,235,873** | $ 2,233,616 | $ 2,232,864 |

TJX has two $500 million revolving credit facilities, one which matures in March 2022 and one which matures in May 2024. During fiscal 2020, the Company amended the two agreements to reflect the impact of implementing the new lease accounting standard under ASC 842 related to the definition of rental costs used within the debt covenant calculation. For additional information about the implementation of ASC 842, see Leases within Note A— Basis of Presentation and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements. In addition, the maturity date for one of the revolving credit facilities was extended from March 2020 to May 2024.

The terms and covenants under the revolving credit facilities require quarterly payments of 6.0 basis points per annum on the committed amounts for both agreements. This rate is based on the credit ratings of TJX's long-term debt and will vary with specified changes in the credit ratings. These agreements have no compensating balance requirements and have various covenants. Each of these facilities require TJX to maintain a ratio of funded debt to earnings before interest, taxes, depreciation and amortization and rentals (EBITDAR) of not more than 3.25 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 2, 2019, February 2, 2019 and November 3, 2018, and during the quarters and year then ended, there were no amounts outstanding under these facilities.

As of November 2, 2019, February 2, 2019 and November 3, 2018, TJX Canada had two uncommitted credit lines, a C$10 million facility for operating expenses and a C$10 million letter of credit facility. As of November 2, 2019, February 2, 2019 and November 3, 2018, and during the quarters and year then ended, there were no amounts outstanding on the Canadian credit line for operating expenses. As of November 2, 2019, February 2, 2019 and November 3, 2018, our European business at TJX International had one uncommitted credit line of £5 million. As of November 2, 2019, February 2, 2019 and November 3, 2018, 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 26.2% for the third quarter of fiscal 2020 and 27.2% for the third quarter of fiscal 2019. The effective income tax rate was 25.7% for the first nine months of fiscal 2020 and 25.9% for the first nine months of fiscal 2019. The decrease in the effective income tax rate was primarily due to the reduced impact of foreign operations and jurisdictional mix of income.

TJX had net unrecognized tax benefits of $245.8 million as of November 2, 2019, $233.4 million as of February 2, 2019 and $65.3 million as of November 3, 2018.

TJX is subject to U.S. federal income tax as well as income tax in multiple state, local and foreign jurisdictions. In the U.S. and India, fiscal years through 2010 are no longer subject to examination. In all other jurisdictions, fiscal years through 2011 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 Consolidated Balance Sheets for interest and penalties was $29.3 million as of November 2, 2019, $23.6 million as of February 2, 2019 and $13.8 million as of November 3, 2018.

Based on the outcome of tax examinations or judicial or administrative proceedings, or as a result of the expiration of statutes 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 Consolidated 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 zero to $33 million.

## Note K. Contingent Obligations and Contingencies

### *Contingent Obligations*

TJX has contingent obligations on leases, for which it was a lessee or guarantor, which were assigned to third parties without TJX being released by the landlords. Over many years, TJX has assigned numerous leases that it had originally leased or guaranteed to a significant number of third parties. With the exception of leases of former businesses for which TJX has reserved, the Company has rarely had a claim with respect to assigned leases, and accordingly, the Company does not expect that such leases will have a material adverse impact on its financial condition, results of operations or cash flows. TJX does not generally have sufficient information about these leases to estimate our potential contingent obligations under them, which could be triggered in the event that one or more of the current tenants does not fulfill their obligations related to one or more of these leases.

TJX may also be contingently liable on up to eight leases of former TJX businesses, for which we believe the likelihood of future liability to TJX is remote, and has contingent obligations in connection with certain assigned or sublet properties that TJX is able to estimate. We estimate that the undiscounted obligations of (i) leases of former operations not included in our reserve for former operations and (ii) properties of our former operations if the subtenants or assignees do not fulfill their obligations, are approximately $30.0 million as of November 2, 2019. We believe that most or all of these contingent obligations will not revert to us and, to the extent they do, will be resolved for substantially less due to mitigating factors including our expectation to further sublet.

TJX is a party to various agreements under which it may be obligated to indemnify the other party with respect to certain losses related to matters including title to assets sold, specified environmental matters or certain income taxes. These obligations are often limited in time and amount. There are no amounts reflected in our Consolidated Balance Sheets with respect to these contingent obligations.

### *Contingencies*

TJX is subject to certain legal proceedings, lawsuits, disputes and claims that arise from time to time in the ordinary course of our business. In addition, TJX is a defendant in several lawsuits filed in federal and state courts brought as putative class or collective actions on behalf of various groups of current and former salaried and hourly associates in the U.S. The lawsuits allege violations of the Fair Labor Standards Act and of state wage and hour and other labor statutes. The lawsuits are in various procedural stages and seek monetary damages, injunctive relief and attorneys' fees. In connection with ongoing litigation, an immaterial amount has been accrued in the accompanying Consolidated Financial Statements.

## Note L. Leases

TJX is committed under long-term leases related to its continuing operations for the rental of real estate and certain service contracts containing embedded leases, all of which are operating leases. Real estate leases represent virtually all of our store locations as well as some of our distribution centers and office space. Most of TJX's leases in the U.S. and Canada are store operating leases with ten-year terms and options to extend for one or more five-year periods. Leases in Europe generally have an initial term of ten to fifteen years and leases in Australia generally have an initial lease term of primarily seven to ten years, some of which have options to extend. Many of the Company's leases have options to terminate prior to the lease expiration date. The exercise of both lease renewal and termination options is at our sole discretion and is not reasonably certain at lease commencement. The Company has deemed that major store renovations provide an economic disincentive that makes the renewal of the next lease option to be reasonably certain of being exercised when these renovations occur.

While the overwhelming majority of leases have fixed payment schedules, some leases have variable lease payments based on market indices adjusted periodically for inflation, or include rental payments based on a percentage of retail sales over contractual levels. In addition, for real estate leases, TJX is generally required to pay insurance, real estate taxes and other operating expenses including common area maintenance based on proportionate share of premises, and some of these costs are based on a market index, primarily in Canada. For leases with these variable payments based on a market index, the current lease payment amount is used in the calculation of the operating lease liability and corresponding operating lease assets included on the Consolidated Balance Sheets. The operating lease ROU assets also includes any lease payments made in advance of the assets use and is reduced by lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Supplemental balance sheet information related to leases as of November 2, 2019 is as follows:

| | **November 2, 2019** |
|---|---|
| Weighted-average remaining lease term (years) | **7.2** |
| Weighted-average discount rate | **2.8 %** |

The following table is a summary of the Company's components of net lease cost for the thirteen weeks and thirty-nine weeks ended November 2, 2019:

| In thousands | Classification | **Thirteen Weeks Ended November 2, 2019** | **Thirty-Nine Weeks Ended November 2, 2019** |
|---|---|---|---|
| Operating lease cost | Cost of sales, including buying and occupancy costs | **$ 438,974** | **$ 1,304,236** |
| Variable and short term lease cost | Cost of sales, including buying and occupancy costs | **323,560** | **891,215** |
| Total lease cost | | **$ 762,534** | **$ 2,195,451** |

Supplemental cash flow information related to leases for the thirty-nine weeks ended November 2, 2019 is as follows:

| In thousands | **Thirty-Nine Weeks Ended November 2, 2019** |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows paid for operating leases | **$ 1,274,861** |
| Lease liabilities arising from obtaining right of use assets | **$ 1,416,591** |

The following table summarizes the maturity of lease liabilities under operating leases as of November 2, 2019:

| In thousands | | **November 2, 2019** |
|---|---|---|
| Fiscal year 2020 (remaining 3 months) | **$** | **445,889** |
| 2021 | | **1,760,767** |
| 2022 | | **1,620,004** |
| 2023 | | **1,456,469** |
| 2024 | | **1,267,972** |
| Later years | | **3,662,833** |
| Total lease payments[a] | | **10,213,934** |
| Less: imputed interest[b] | | **979,605** |
| Total lease liabilities[c] | **$** | **9,234,329** |

(a) Operating lease payments exclude legally binding minimum lease payments for leases signed but not yet commenced and include options to extend lease terms that are now deemed reasonably certain of being exercised according to our Lease Accounting Policy.

(b) Calculated using the incremental borrowing rate for each lease.

(c) Total lease liabilities are broken out on the Consolidated Balance Sheets between Current portion of operating lease liabilities and Long-term operating lease liabilities.

The following table represents the gross minimum rental commitments under noncancelable leases, as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019:

| In thousands | | February 2, 2019 |
|---|---|---|
| Fiscal year 2020 | $ | 1,676,700 |
| 2021 | | 1,603,378 |
| 2022 | | 1,441,444 |
| 2023 | | 1,253,420 |
| 2024 | | 1,042,184 |
| Later years | | 2,774,845 |
| Total lease payments | $ | 9,791,971 |

## 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 2, 2019
Compared to
The Thirteen Weeks (third quarter) and Thirty-Nine Weeks (nine months) Ended November 3, 2018

## 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 full-price retailers’ (including department, specialty and major online retailers) regular prices on comparable merchandise, every day. We operate over 4,500 stores through our four main segments: in the U.S., Marmaxx (which operates T.J. Maxx, Marshalls, tjmaxx.com and marshalls.com) and HomeGoods (which operates HomeGoods and Homesense); TJX Canada (which operates Winners, HomeSense and Marshalls in Canada); and TJX International (which operates T.K. Maxx, Homesense and tkmaxx.com in Europe, and T.K. Maxx in Australia). In addition to our four main segments, Sierra operates sierra.com and retail stores in the U.S. The results of Sierra are included in the Marmaxx segment.

## RESULTS OF OPERATIONS

Overview of our financial performance for the quarter ended November 2, 2019:

- Net sales increased 6% to $10.5 billion for the third quarter of fiscal 2020 over last year’s third quarter sales of $9.8 billion. As of November 2, 2019, the number of stores in operation increased 5% and selling square footage increased 4% compared to the end of the fiscal 2019 third quarter.
- Comp sales increased 4% for the third quarter of fiscal 2020 over an increase of 7% for the comparable period ended November 3, 2018. Customer traffic was the primary driver of the comp sales increase at all four major segments.
- Diluted earnings per share for the third quarter of fiscal 2020 were $0.68 versus $0.61 in the third quarter of fiscal 2019.
- Pre-tax margin (the ratio of pre-tax income to net sales) for the third quarter of fiscal 2020 was 10.7%, flat compared with 10.7% in the third quarter of fiscal 2019.
- Cost of sales, including buying and occupancy costs, ratio for the third quarter of fiscal 2020 was 71.2%, a 0.1 percentage point increase compared with 71.1% in the third quarter of fiscal 2019.
- Selling, general and administrative (“SG&A”) expense ratio for the third quarter of fiscal 2020 was 18.0%, a 0.1 percentage point increase compared with 17.9% in the third quarter of fiscal 2019.
- Average per store inventories, including inventory on hand at our distribution centers (which excludes inventory in transit) and excluding our e-commerce sites and Sierra stores, were up 9% on a reported basis and constant currency basis at the end of the third quarter of fiscal 2020 as compared to a 9% increase in average per store inventories on a reported basis and a 10% increase on a constant currency basis in the third quarter of fiscal 2019.
- During the third quarter of fiscal 2020, we returned $778 million to our shareholders through share repurchases and dividends.

### *Investment in Familia*

On November 18, 2019, the Company, through a wholly owned subsidiary, completed an investment of $225 million for a 25% ownership stake in privately held Familia, an established, off-price apparel and home fashions retailer with more than 275 stores throughout Russia. The Company's investment represents a non-controlling, minority position. As part of this investment, TJX has the right to appoint one member to the Board of Directors of Familia.

The investment will be accounted for under the equity method of accounting from the date of investment forward. TJX will report its share of Familia’s results on a one-quarter lag as their results are not expected to be available in time to be recorded in the concurrent period.

### *Impact of Brexit*

The U.K’s decision to leave the European Union (“EU”), commonly referred to as “Brexit”, remains unsettled. Should the U.K. exit the EU, there are several possible outcomes each of which creates risks for TJX, especially in our European operations. Current U.K. law states that the U.K. will leave the EU on January 31, 2020 with or without a comprehensive withdrawal agreement between the U.K. and the EU, the latter commonly referred to as a "hard Brexit". Our TJX Europe management team has evaluated a range of possible outcomes, identified areas of concern and implemented strategies to help mitigate them.

Our current European operations benefit from the free movement of goods and labor between the U.K. and EU. As a result, we believe Brexit could have a negative impact on our ability to efficiently move merchandise between the U.K. and the EU. Brexit could also have a negative impact on our talent in the region, both by impacting current Associates, who are either EU citizens working in the U.K. or U.K. citizens working in the EU, and potentially impacting recruitment and retention for our European operations in the future.

If the U.K. does exit the EU, we would be subject to additional regulatory and compliance requirements for merchandise that flows between the U.K. and the EU. We have realigned our European division's supply chain to reduce the volume of merchandise flowing between the U.K. and the EU and have established resources and systems to support this plan. In addition, we continue to communicate with our Associates about Brexit including providing relevant information about additional procedures that may be required post-Brexit. In the event of a hard Brexit, our European operations could be significantly impacted, particularly in the short term.

In addition to the operational impacts mentioned above, factors including changes in consumer confidence and behavior, economic conditions, interest rates, customs duties, and foreign currency exchange rates could result in a significant financial impact to our European operations, particularly in the short term with a hard Brexit.

We continue to monitor these developments. We believe the steps we have taken, and plan to take in the event of a hard Brexit, will help us mitigate the risks that we expect could result from Brexit that could impact our ability to continue to trade effectively in a variety of circumstances.

### *Tariffs*

To date, the current U.S. Administration has imposed, and continues to propose additional tariffs on imports from China. We continue to monitor the developments very closely and have started to see margin pressure based on the tariffs currently in place on the goods sourced directly from China. The impact on vendor and competitor pricing, consumer demand, potential tariff pass-throughs and the fluctuation of the Chinese currency is uncertain.

### *Net Sales*

Net sales for the quarter ended November 2, 2019 totaled $10.5 billion, a 6% increase over last year's third quarter net sales of $9.8 billion. The increase reflects a 4% increase from comp sales and a 3% increase from non-comp sales, offset by a 1% negative impact from foreign currency exchange rates. This increase compares to sales growth of 12% in the third quarter of fiscal 2019, which reflects a 7% increase from comp sales and a 6% increase from non-comp sales, offset by a 1% negative impact from foreign currency exchange rates.

Net sales for the nine months ended November 2, 2019 totaled $29.5 billion, a 6% increase over last year's nine-month net sales of $27.8 billion. The increase reflects a 4% increase from comp sales and a 3% increase from non-comp sales, offset by a 1% negative impact from foreign currency exchange rates. This increase compares to a sales growth of 12% for the first nine months of fiscal 2019, which reflects a 6% increase from comp sales, a 5% increase from non-comp sales and a 1% positive impact from foreign currency exchange rates.

As of November 2, 2019, our store count increased 5% and selling square footage increased 4% compared to the end of the third quarter last year.

Comp sales for both the quarter and nine months ended November 2, 2019 reflect an increase in customer traffic across all major segments. On a consolidated basis, apparel and home fashions' performance was comparable for the quarter and apparel outperformed home fashions for the nine months ended November 2, 2019.

For both the quarter and nine months ended November 2, 2019, comp sales growth in the U.S. was strongest in the Southeast and Southwest regions. Comp sales growth for TJX International was above the consolidated average and TJX Canada was below the consolidated average.

We define comparable store sales, or comp sales, to be sales of 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 calculate comp sales on a 52-week basis by comparing the current and prior year weekly periods that are most closely aligned. Relocated stores and stores that have changed 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 comp percentage is immaterial.

We define customer traffic to be the number of transactions in stores included in the comp sales calculation and average ticket to be the average retail price of the units sold. We define average transaction or average basket to be the average dollar value of transactions included in the comp sales calculation.

Sales excluded from comp sales ("non-comp sales") consist of sales from:

- New stores - stores that have not yet met the comp sales criteria, which represents a substantial majority of non-comp sales
- Stores that are closed permanently or for an extended period of time
- Sales from our e-commerce sites, meaning sierra.com, tjmaxx.com, marshalls.com and tkmaxx.com

We determine which stores are included in the comp sales calculation at the beginning of a fiscal year and the classification remains constant throughout that year unless a store is closed permanently or for an extended period during that fiscal year. Starting in fiscal 2020, Sierra stores that otherwise fit the comp store definition are included in comp stores in our Marmaxx segment.

Comp sales of our foreign segments are calculated by translating the current year's comp 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.

Comp sales may be referred to as "same store" sales by other retail companies. The method for calculating comp sales varies across the retail industry, therefore our measure of comp sales may not be comparable to that of other retail companies.

The following table sets forth certain information about our operating results as a percentage of net sales for the following periods:

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Net sales | **100.0 %** | 100.0 % | **100.0 %** | 100.0 % |
| Cost of sales, including buying and occupancy costs | **71.2** | 71.1 | **71.5** | 71.1 |
| Selling, general and administrative expenses | **18.0** | 17.9 | **18.0** | 18.0 |
| Pension settlement charge | **—** | 0.4 | **—** | 0.1 |
| Interest expense, net | **—** | — | **—** | — |
| Income before provision for income taxes* | **10.7 %** | 10.7 % | **10.4 %** | 10.8 % |

* 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 or a division's local currency 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 Consolidated Financial Statements, we translate the operations of TJX Canada and TJX International 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 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 approximately 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 Canada and TJX International. 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.

We refer to the impact of the above two items throughout our discussion as "foreign currency." This does not include the impact currency exchange rates can have on various transactions that are denominated in a currency other than an operating division's local currency. When discussing the impact on our results of the effect of currency exchange rates on such transactions we refer to it as "transactional foreign exchange."

### *Cost of Sales, Including Buying and Occupancy Costs*

Cost of sales, including buying and occupancy costs, as a percentage of net sales was 71.2% for the third quarter of fiscal 2020, an increase of 0.1 percentage points from 71.1% for the third quarter of fiscal 2019. Cost of sales, including buying and occupancy costs, as a percentage of net sales was 71.5% for the nine months ended November 2, 2019, an increase of 0.4 percentage points from 71.1% for the nine months ended November 3, 2018. The increase for the third quarter and for the nine-month period was driven by higher supply chain costs and a decrease in merchandise margin, partially offset by the expense leverage on the strong comp sales growth. Merchandise margin reflects increased freight costs and tariff pressures offset by favorable markon.

### *Selling, General and Administrative Expenses*

SG&A expenses, as a percentage of net sales, were 18.0% in the third quarter of fiscal 2020, an increase of 0.1 percentage points over last year's third quarter ratio of 17.9%. The increase for the third quarter was primarily driven by wage increases and contributions to The TJX Foundation.

SG&A expenses, as a percentage of net sales, were 18.0% for the nine months ended November 2, 2019 and flat to last year's ratio for the nine months ended November 3, 2018. The expense ratio reflects the favorable year-over-year comparison of the corporate IT restructuring costs and a benefit from insurance claim settlements received in the second quarter of fiscal 2020. Incremental systems and technology costs and wage increases offset these favorable impacts.

### *Pension settlement charge*

During the third quarter of fiscal 2019, TJX annuitized and transferred current pension obligations for certain U.S. retirees and beneficiaries under the funded plan through the purchase of a group annuity contract with an insurance company. TJX transferred $207.4 million of pension plan assets to the insurance company, thereby reducing its pension benefit obligations. The transaction had no cash impact on TJX but did result in a non-cash pre-tax pension settlement charge of $36.1 million.

### *Interest Expense, net*

The components of interest expense, net are summarized below:

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| In thousands | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Interest expense | **$ 15,348** | $ 17,248 | **$ 46,055** | $ 51,896 |
| Capitalized interest | **(466)** | (752) | **(1,631)** | (3,728) |
| Interest (income) | **(11,623)** | (13,308) | **(37,451)** | (37,803) |
| Interest expense, net | **$ 3,259** | $ 3,188 | **$ 6,973** | $ 10,365 |

Net interest expense was essentially flat for the third quarter of fiscal 2020 compared to the same period in fiscal 2019. Net interest expense decreased for the nine months ended November 2, 2019, compared to the same period in fiscal 2019, primarily driven by a reduction in interest expense due to the elimination of build-to-suit accounting as a result of adopting the new lease accounting standard. For additional information, see Note A—Basis of Presentation and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements.

### *Provision for Income Taxes*

The effective income tax rate was 26.2% for the third quarter of fiscal 2020 compared to 27.2% for the third quarter of fiscal 2019. The effective income tax rate was 25.7% for the nine months ended November 2, 2019 compared to 25.9% for the nine months ended November 3, 2018. The decrease in the effective income tax rate was primarily due to the reduced impact of foreign operations and jurisdictional mix of income.

### *Net Income and Diluted Earnings Per Share*

Net income for the third quarter of fiscal 2020 was $828 million, or $0.68 per diluted share compared to $762 million, or $0.61 per diluted share for the third quarter of fiscal 2019. The pension settlement charge had a $0.02 negative impact on earnings per share for the third quarter of fiscal 2019. Foreign currency had a $0.01 negative impact on earnings per share for the third quarter of fiscal 2020 and a neutral impact on earnings per share for the third quarter of fiscal 2019.

Net income for the nine months ended November 2, 2019 was $2.3 billion, or $1.86 per diluted share compared to $2.2 billion, or $1.75 per diluted share for the nine months ended November 3, 2018. The third quarter pension settlement charge had a $0.02 negative impact on earnings per share in the first nine months of fiscal 2019. Foreign currency had a $0.01 negative impact on earnings per share for the first nine months of fiscal 2020 compared to a $0.01 positive impact on earnings per share for the nine months ended November 3, 2018.

Our stock repurchase programs, which reduce our weighted average diluted shares outstanding, benefited our earnings per share growth by approximately 3% in the third quarter of fiscal 2020 and 3% for the first nine months of fiscal 2020.

### *Segment Information*

We operate four main business segments. Our Marmaxx segment (T.J. Maxx, Marshalls, tjmaxx.com and marshalls.com) and the HomeGoods segment (HomeGoods and Homesense) both operate in the United States. Our TJX Canada segment operates Winners, HomeSense and Marshalls in Canada, and our TJX International segment operates T.K. Maxx, Homesense and tkmaxx.com in Europe and T.K. Maxx in Australia. In addition to our four main segments, Sierra operates sierra.com and retail stores in the U.S. The results of Sierra are included in the 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 and interest expense, net. “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*

| U.S. dollars in millions | Thirteen Weeks Ended November 2, 2019 | Thirteen Weeks Ended November 3, 2018 | Thirty-Nine Weeks Ended November 2, 2019 | Thirty-Nine Weeks Ended November 3, 2018 |
|---|---|---|---|---|
| Net sales | **$ 6,354** | $ 5,973 | **$ 18,262** | $ 17,202 |
| Segment profit | **$ 820** | $ 763 | **$ 2,472** | $ 2,344 |
| Segment profit as a percentage of net sales | **12.9 %** | 12.8 % | **13.5 %** | 13.6 % |
| Increase in comp sales | **4 %** | 9 % | **4 %** | 7 % |
| Stores in operation at end of period: | | | | |
| T.J. Maxx | | | 1,271 | 1,247 |
| Marshalls | | | 1,125 | 1,091 |
| Sierra | | | 46 | 35 |
| Total | | | 2,442 | 2,373 |
| Selling square footage at end of period (in thousands): | | | | |
| T.J. Maxx | | | **27,728** | 27,396 |
| Marshalls | | | **25,820** | 25,291 |
| Sierra | | | **775** | 598 |
| Total | | | **54,323** | 53,285 |

Net sales for Marmaxx increased 6% for both the third quarter and the first nine months of fiscal 2020 as compared to the same periods last year. The increase for both the third quarter and nine-month period represents a 4% increase from comp sales and a 2% increase from non-comp sales. The increase in comp sales was primarily driven by an increase in customer traffic. Geographically, comp sales growth for the quarter and nine months ended November 2, 2019 was strongest in the Southeast and Southwest regions. Home fashions outperformed apparel for the third quarter of fiscal 2020 and for the nine months ended November 2, 2019.

Segment profit margin increased to 12.9% for the third quarter of fiscal 2020 compared to 12.8% for the same period last year. The increase in segment margin for the third quarter was driven by store expense savings, lower incentive compensation accruals in fiscal 2020 and expense leverage on the strong comp sales which more than offset the higher supply chain costs. Merchandise margin was flat to the prior year as increased freight costs and tariff pressures were offset by favorable markon and reduced markdowns.

Segment profit margin decreased to 13.5% for the nine months ended November 2, 2019 compared to 13.6% for the same period last year. The decrease in segment margin for the nine-month period was driven by higher supply chain costs and a decline in merchandise margin. These items were partially offset by lower incentive compensation accruals in fiscal 2020, expense leverage on the strong comp sales and insurance recoveries due to the settlement of business interruption claims, primarily related to the hurricane damage in Puerto Rico. The decline in merchandise margin was due to increased freight costs and tariff pressures which was largely offset by favorable markon and reduced markdowns.

During the third quarter of fiscal 2020, Marmaxx made online shopping available at www.marshalls.com, its new e-commerce website. Our U.S. e-commerce businesses, which represent less than 3% of Marmaxx's net sales for the third quarter and first nine months of fiscal 2020 and fiscal 2019, did not have a significant impact on year-over-year segment margin comparisons for the third quarter and first nine months of fiscal 2020.

### *HomeGoods*

| U.S. dollars in millions | Thirteen Weeks Ended November 2, 2019 | Thirteen Weeks Ended November 3, 2018 | Thirty-Nine Weeks Ended November 2, 2019 | Thirty-Nine Weeks Ended November 3, 2018 |
|---|---|---|---|---|
| Net sales | **$ 1,582** | $ 1,464 | **$ 4,404** | $ 4,061 |
| Segment profit | **$ 173** | $ 166 | **$ 439** | $ 456 |
| Segment profit as a percentage of net sales | **10.9 %** | 11.3 % | **10.0 %** | 11.2 % |
| Increase in comp sales | **1 %** | 7 % | **— %** | 4 % |
| Stores in operation at end of period: | | | | |
| HomeGoods | | | **807** | 745 |
| Homesense | | | **32** | 16 |
| Total | | | **839** | 761 |
| Selling square footage at end of period (in thousands): | | | | |
| HomeGoods | | | **14,792** | 13,702 |
| Homesense | | | **685** | 343 |
| Total | | | **15,477** | 14,045 |

Net sales for HomeGoods increased 8% in the third quarter and 8% in the first nine months of fiscal 2020 compared to the same periods last year. The increase in the third quarter represents a 7% increase from non-comp sales and 1% comp sales. The nine-month increase in net sales represents an increase of 8% from non-comp sales and flat comp sales. The 1% comp sales increase for the third quarter was the result of an increase in customer traffic, partially offset by a decrease in the value of the average basket.

Segment profit margin decreased to 10.9% for the third quarter of fiscal 2020 compared to 11.3% for the same period last year. The decline in segment margin for the third quarter was primarily due to the expense deleverage on the comp sales and the investment in store growth, partially offset by an increase in merchandise margin. The increase in merchandise margin was due to strong markon and lower markdowns which more than offset freight costs and tariff pressures.

Segment profit margin decreased to 10.0% for the nine months ended November 2, 2019 compared to 11.2% for the nine months ended November 3, 2018. The decline in segment margin for the nine-month period was primarily due to expense deleverage on the comp sales, the investment in store growth and higher supply chain costs.

## FOREIGN SEGMENTS

### *TJX Canada*

| U.S. dollars in millions | Thirteen Weeks Ended<br>**November 2, 2019** | Thirteen Weeks Ended<br>November 3, 2018 | Thirty-Nine Weeks Ended<br>**November 2, 2019** | Thirty-Nine Weeks Ended<br>November 3, 2018 |
|---|---|---|---|---|
| Net sales | **$ 1,082** | $ 1,037 | **$ 2,897** | $ 2,828 |
| Segment profit | **$ 170** | $ 182 | **$ 386** | $ 446 |
| Segment profit as a percentage of net sales | **15.7 %** | 17.6 % | **13.3 %** | 15.8 % |
| Increase in comp sales | **2 %** | 5 % | **1 %** | 5 % |
| Stores in operation at end of period: | | | | |
| Winners | | | **279** | 271 |
| HomeSense | | | **136** | 125 |
| Marshalls | | | **97** | 88 |
| Total | | | **512** | 484 |
| Selling square footage at end of period (in thousands): | | | | |
| Winners | | | **5,986** | 5,863 |
| HomeSense | | | **2,490** | 2,325 |
| Marshalls | | | **2,043** | 1,885 |
| Total | | | **10,519** | 10,073 |

Net sales for TJX Canada increased 4% during the third quarter ended November 2, 2019 and 2% for the nine months ended November 2, 2019 compared to the same periods last year. The increase in the third quarter represents a 4% increase from non-comp sales and a 2% increase in comp sales growth, offset by a 2% negative impact from foreign currency exchange rates. The nine-month increase in net sales represents a 4% increase from non-comp sales and a 1% increase from comp sales growth, offset by a 3% negative impact from foreign currency exchange rates. The increase in comp sales for both periods was driven by an increase in customer traffic partially offset by a decrease in the value of the average basket.

Segment profit margin decreased to 15.7% for the third quarter of fiscal 2020 compared to 17.6% for the same period last year. Currency exchange losses, higher supply chain costs and an increase in store payroll, due to wage increases, collectively reduced segment margin by 0.8 percentage points. In addition a decrease in merchandise margin, primarily due to higher freight costs, and expense deleverage on the 2% comp sales growth, negatively impacted the fiscal 2020 segment margin as compared to last year. The higher cost of merchandise denominated in U.S. dollars put pressure on the third quarter merchandise margin and was largely offset by favorable markon.

Segment profit margin decreased to 13.3% for the nine months ended November 2, 2019 compared to 15.8% for the nine months ended November 3, 2018. Merchandise margin decreased by 0.9 percentage points primarily due to the impact of transactional foreign exchange on the cost of merchandise. Currency exchange losses, higher supply chain costs and an increase in store payroll collectively reduced segment margin by 0.7 percentage points. In addition, segment margin reflects an unfavorable year-over-year comparison related to a lease buyout gain in the first quarter of fiscal 2019 and expense deleverage on the 1% comp sales growth.

### *TJX International*

| U.S. dollars in millions | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| Net sales | **$ 1,433** | $ 1,352 | **$ 3,947** | $ 3,754 |
| Segment profit | **$ 99** | $ 102 | **$ 178** | $ 192 |
| Segment profit as a percentage of net sales | **6.9 %** | 7.6 % | **4.5 %** | 5.1 % |
| Increase in comp sales | **6 %** | 3 % | **7 %** | 3 % |
| Stores in operation at end of period: | | | | |
| T.K. Maxx | | | **594** | 566 |
| Homesense | | | **78** | 68 |
| T.K. Maxx Australia | | | **54** | 44 |
| Total | | | **726** | 678 |
| Selling square footage at end of period (in thousands): | | | | |
| T.K. Maxx | | | **11,999** | 11,675 |
| Homesense | | | **1,149** | 1,037 |
| T.K. Maxx Australia | | | **990** | 814 |
| Total | | | **14,138** | 13,526 |

Net sales for TJX International increased 6% for the third quarter and 5% for the nine months ended November 2, 2019 compared to the same periods last year. The increase in the third quarter represents a 6% increase in comp sales growth and a 5% increase from non-comp sales, offset by a 5% negative impact from foreign currency exchange rates. The increase in the nine-month period represents a 7% increase in comp sales growth and a 4% increase from non-comp sales, offset by a 6% negative impact from foreign currency exchange rates. The increase in comp sales for both periods was driven by an increase in customer traffic. E-commerce sales represent approximately 3% of TJX International's net sales for the third quarter and first nine months of fiscal 2020 and fiscal 2019.

Segment profit margin decreased to 6.9% for the third quarter of fiscal 2020 compared to 7.6% for the same period last year. This decrease in segment margin was driven by higher incentive compensation accruals in fiscal 2020, a decline in merchandise margin and the year-over-year mark-to-market impact of the inventory derivatives, offset by the favorable impact of currency exchange gains and expense leverage on the strong 6% comp sales growth. The decline in merchandise margin is primarily due to the impact of transactional foreign exchange on the cost of merchandise.

Segment profit margin decreased to 4.5% for the nine months ended November 2, 2019 compared to 5.1% for the nine months ended November 3, 2018. This decrease in segment margin was driven by the year-over-year mark-to-market impact of the inventory derivatives, higher incentive compensation accruals in fiscal 2020 and a decline in merchandise margin offset by the expense leverage on the strong 7% comp sales growth. The decline in merchandise margin is due to the same factors impacting the quarter as described above.

## GENERAL CORPORATE EXPENSE

| In millions | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | **November 2, 2019** | November 3, 2018 | **November 2, 2019** | November 3, 2018 |
| General corporate expense | **$ 138** | $ 128 | **$ 388** | $ 396 |

General corporate expense for segment reporting purposes represents those costs not specifically related to the operations of our business segments. General corporate expenses are primarily included in SG&A expenses. The mark-to-market adjustment of our fuel hedges is included in cost of sales, including buying and occupancy costs.

General corporate expense for the third quarter of fiscal 2020 increased primarily due to contributions to The TJX Foundation made during the quarter.

General corporate expense decreased for the nine months ended November 2, 2019 primarily due to the favorable year-over-year comparison from the corporate IT restructuring costs made in fiscal 2019. The impact of this item was partially offset by incremental systems and technology costs for the nine months ended November 2, 2019.

## ANALYSIS OF FINANCIAL CONDITION

***Liquidity and Capital Resources***

Our liquidity requirements have traditionally been funded through cash generated from operations, supplemented, as needed, by short-term bank borrowings and the issuance of commercial paper. As of November 2, 2019, there were no short-term bank borrowings or commercial paper outstanding.

We believe our existing cash and cash equivalents, internally generated funds and our credit facilities, described in Note I –Long-Term Debt and Credit Lines of Notes to Consolidated Financial Statements, are more than adequate to meet our operating needs over the next fiscal year.

As of November 2, 2019, we held $2.1 billion in cash and no short-term investments. Approximately $0.8 billion of our cash was held by our foreign subsidiaries with $0.4 billion held in countries where we provisionally intend to indefinitely reinvest any undistributed earnings. TJX provided for all applicable state and foreign withholding taxes on all undistributed earnings of our foreign subsidiaries in Canada, Puerto Rico, Italy, India, Hong Kong and Vietnam through November 2, 2019. If we repatriate cash from such subsidiaries, we should not incur additional tax expense and our cash would be reduced by the amount of withholding taxes paid.

**Operating activities**

Net cash provided by operating activities was $1.9 billion for the nine months ended November 2, 2019 and $2.5 billion for the nine months ended November 3, 2018. The cash generated from operating activities in each of these fiscal periods was primarily due to operating earnings.

Operating cash flows for the first nine months of fiscal 2020 decreased by $0.6 billion compared to the first nine months of fiscal 2019. The decrease in operating cash flows was driven by an increase in merchandise inventories, net of accounts payable of $0.4 billion. In addition, last year's first quarter cash flows were favorably impacted by a decrease in prepaid expenses primarily due to the prefunding of certain service contracts in the fourth quarter fiscal 2018.

**Investing Activities**

Net cash used in investing activities resulted in net cash outflows of $1.0 billion for the nine months ended November 2, 2019 and $0.4 billion for the nine months ended November 3, 2018. The cash outflows for both periods were driven by capital expenditures.

Investing activities in the first nine months of fiscal 2020 primarily reflected property additions for new stores, store improvements and renovations as well as investments in our offices and distribution centers, including buying and merchandising systems and other information systems. Cash outflows for property additions were $1.0 billion for the first nine months of fiscal 2020 and $0.9 billion for the first nine months of fiscal 2019. We anticipate that capital spending for fiscal 2020 will be approximately $1.3 billion. We plan to fund these expenditures through internally generated funds.

We purchased $0.2 billion of investments in the first nine months of fiscal 2019, and these cash outflows were more than offset by $0.6 billion of inflows related to investments that were sold or matured in the first nine months of fiscal 2019. The fiscal 2019 investing activity primarily related to short-term investments which had initial maturities in excess of 90 days and are not classified as cash on the Consolidated Balance Sheets presented.

On November 18, 2019, the Company invested $0.2 billion in Familia, an established off-price apparel and home fashion retail chain in Russia.

**Financing Activities**

Net cash used in financing activities resulted in net cash outflows of $1.8 billion in the first nine months of fiscal 2020 and $2.1 billion for the nine months ended November 3, 2018. These cash outflows were primarily driven by equity repurchases and dividend payments.

*Equity*

Under our stock repurchase programs, we paid $1.2 billion to repurchase and retire 22.2 million shares of our stock on a settlement basis in the first nine months of fiscal 2020. These outflows were partially offset by proceeds from the exercise of employee stock options, net of shares withheld for taxes in the first nine months of fiscal 2020. We paid $1.6 billion to repurchase and retire 33.9 million shares on a settlement basis in the first nine months of fiscal 2019. For further information regarding equity repurchases, see Note D – Capital Stock and Earnings Per Share of Notes to Consolidated Financial Statements.

In February 2018, our Board of Directors approved the repurchase of an additional $3.0 billion of TJX common stock from time to time. In February 2019, our Board of Directors approved an additional repurchase program authorizing the repurchase of up to an additional $1.5 billion of TJX stock from time to time. As of November 2, 2019, approximately $2.0 billion remained available under our stock repurchase plans. We currently plan to repurchase approximately $1.5 billion to $1.75 billion of stock under our stock repurchase programs in fiscal 2020. 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. As such, we may adjust the timing and amount of these purchases.

*Dividends*

We declared quarterly dividends on our common stock which totaled $0.69 per share in the first nine months of fiscal 2020 and $0.585 per share in the first nine months of fiscal 2019. Cash payments for dividends on our common stock totaled $0.8 billion for the first nine months of fiscal 2020 and $0.7 billion for the first nine months of fiscal 2019.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For a discussion of accounting standards, see Note A - Basis of Presentation and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements included in TJX's Annual Report on Form 10-K for the fiscal year ended February 2, 2019 and Note A - Basis of Presentation and Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

## 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 strategy and inventory management; operational and business expansion and management of large size and scale; customer trends and preferences; various marketing efforts; competition; personnel recruitment, training and retention; labor costs and workforce challenges; data security and maintenance and development of information technology systems; economic conditions and consumer spending; corporate and retail banner reputation; quality, safety and other issues with our merchandise; compliance with laws, regulations and orders and changes in laws, regulations and applicable accounting standards; serious disruptions or catastrophic events and adverse or unseasonable weather; expanding international operations; merchandise sourcing and transport; commodity availability and pricing; fluctuations in currency exchange rates; fluctuations in quarterly operating results and market expectations; mergers, acquisitions, or business investments and divestitures, closings or business consolidations; outcomes of litigation, legal proceedings and other legal or regulatory matters; tax matters; disproportionate impact of disruptions in the second half of the fiscal year; real estate activities; inventory or asset loss; 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 Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

## 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 2, 2019 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 the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fiscal quarter ended November 2, 2019 identified in connection with the evaluation by our management, including our Chief Executive Officer and Chief Financial Officer, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II—OTHER INFORMATION

## Item 1. Legal Proceedings

Not applicable.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended February 2, 2019, as filed with the Securities Exchange Commission on April 3, 2019.

## 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 2020 and the average price paid per share are as follows:

| | Total Number of Shares Repurchased[a] | Average Price Paid Per Share[b] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[c] | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs[c] |
|---|---|---|---|---|
| August 4, 2019 through August 31, 2019 | 2,117,192 | $ 51.96 | 2,117,192 | $ 2,420,790,719 |
| September 1, 2019 through October 5, 2019 | 3,774,392 | $ 55.64 | 3,774,392 | $ 2,210,793,271 |
| October 6, 2019 through November 2, 2019 | 3,080,188 | $ 58.44 | 3,080,188 | $ 2,030,794,287 |
| Total | 8,971,772 | | 8,971,772 | |

(a) Consists of shares repurchased under publicly announced stock repurchase programs.

(b) Includes commissions for the shares repurchased under stock repurchase programs.

(c) In February 2018, the Company announced that its Board of Directors had approved a new stock repurchase program that authorizes the repurchase of up to an additional $3.0 billion of TJX common stock from time to time, under which $0.5 billion remained available as of November 2, 2019. In February 2019, the Company announced that its Board of Directors had approved a new stock repurchase program that authorizes the repurchase of up to an additional $1.5 billion of TJX common stock from time to time, all of which remained available at November 2, 2019.

## Item 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |
| 101 | The following materials from The TJX Companies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 2, 2019, formatted in Inline 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. |
| 104 | The cover page from The TJX Companies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 2, 2019, formatted in Inline XBRL (included in Exhibit 101) |

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 3, 2019

/s/ Scott Goldenberg

Scott Goldenberg, Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 31.1**

**Section 302 Certification**

CERTIFICATION

I, Ernie Herrman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The TJX Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 3, 2019

/s/ Ernie Herrman

Name: Ernie Herrman
Title: Chief Executive Officer and President

**Exhibit 31.2**

**Section 302 Certification**

CERTIFICATION

I, Scott Goldenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The TJX Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 3, 2019

/s/ Scott Goldenberg

Name: Scott Goldenberg
Title: Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of The TJX Companies, Inc. (the "Company"), does hereby certify that to my knowledge:

1 the Company's Form 10-Q for the fiscal quarter ended November 2, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 the information contained in the Company's Form 10-Q for the fiscal quarter ended November 2, 2019 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ernie Herrman

Name: Ernie Herrman
Title: Chief Executive Officer and President

Dated: December 3, 2019

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of The TJX Companies, Inc. (the "Company"), does hereby certify that to my knowledge:

1 the Company's Form 10-Q for the fiscal quarter ended November 2, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 the information contained in the Company's Form 10-Q for the fiscal quarter ended November 2, 2019 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott Goldenberg

Name: Scott Goldenberg
Title: Chief Financial Officer

Dated: December 3, 2019