TJX COMPANIES INC /DE/
Form 10-K
April 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 2, 2013

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)	(IRS Employer Identification No.)
770 Cochituate Road	
Framingham, Massachusetts	01701
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (508) 390-1000

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [x] NO [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [x]

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 [x] NO [ ]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large Accelerated Filer [x]   Accelerated Filer [ ]   Non-Accelerated Filer [ ]   Smaller Reporting Company [ ]
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant on July 28, 2012 was $32,702,582,804 based on the closing sale price as reported on the New York Stock Exchange.

There were 723,902,001 shares of the registrant s common stock, $1.00 par value, outstanding as of February 2, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held on June 11, 2013 (Part III).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K and our 2012 Annual Report to Shareholders contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including some of the statements in this Form 10-K under Item 1, Business, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, and in our 2012 Annual Report to Shareholders under our letter to shareholders and our performance graphs. Forward-looking statements are inherently subject to risks, uncertainties and potentially inaccurate assumptions. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have generally identified such statements by using words indicative of the future such as anticipate, believe, could, estimate, expect, forecast, intend, looking forwa plan, potential, project, should, target, will and would or any variations of these words or other words with similar meanings. All state address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. These forward-looking statements may relate to such matters as our future actions, future performance or results of current and anticipated sales, expenses, interest rates, foreign exchange rates and results and the outcome of contingencies such as legal proceedings.

We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The risks set forth under Item 1A of this Form 10-K describe major risks to our business. A variety of factors including these risks could cause our actual results and other expectations to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements. Should known or unknown risks materialize, or should our underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected in the forward-looking statements. You should bear this in mind as you consider forward-looking statements.

Our forward-looking statements speak only as of the dates on which they are made, and we do not undertake any obligation to update any forward-looking statement, whether to reflect new information, future events or otherwise. You are advised, however, to consult any further disclosures we may make in our future reports to the Securities and Exchange Commission (SEC), on our website, or otherwise.

PART I

ITEM 1. Business

BUSINESS OVERVIEW

The TJX Companies, Inc. (TJX) is the leading off-price apparel and home fashions retailer in the United States and worldwide. Our over 3,000 stores offer a rapidly changing assortment of quality, fashionable, brand-name and designer merchandise at prices generally 20% to 60% below department and specialty store regular prices, every day.

Our stores are known for our value proposition of brand, fashion, quality and price and offer a treasure hunt shopping experience through the rapid turn of inventories relative to traditional retailers. Our goal is to create a sense of excitement and urgency for our customers and encourage frequent customer visits. We reach a broad range of customers across many income levels and other demographic groups with our value proposition. Our strategies and operating platforms are synergistic across all of our retail chains. As a result, we are able to leverage our expertise throughout our business, sharing information, best practices, initiatives and new ideas, and developing talent across our Company. We also leverage the substantial buying power of our businesses in our global relationships with vendors.

Our Businesses. We operate our business in four major divisions: Marmaxx and HomeGoods, both in the U.S., TJX Canada and TJX Europe.

MARMAXX:

Our T.J. Maxx and Marshalls chains in the United States (referred to together as The Marmaxx Group or Marmaxx) are collectively the largest off-price retailer in the United States with a total of 1,940 stores. We founded T.J. Maxx in 1976 and acquired Marshalls in 1995. Both chains sell family apparel (including footwear and accessories), home fashions (including home basics, accent furniture, lamps, rugs, wall décor, decorative accessories and giftware) and other merchandise. We primarily differentiate T.J. Maxx and Marshalls through different product assortment (including an expanded assortment of fine jewelry and accessories and a designer section called The Runway at T.J. Maxx and a full line of footwear, a broader men s offering and a juniors department called The Cube at Marshalls) and in-store initiatives. This differentiated shopping experience at T.J. Maxx and Marshalls encourages our customers to shop both chains. We intend to launch, in a small, controlled mode, a T.J. Maxx website in fiscal 2014.

HOMEGOODS:

Our HomeGoods chain, introduced in 1992, is the leading off-price retailer of home fashions in the U.S. Through its 415 stores, HomeGoods offers a broad array of home basics, giftware, accent furniture, lamps, rugs, wall décor, decorative accessories from around the world, seasonal and other merchandise.

TJX CANADA:

Our TJX Canada division operates the Winners, Marshalls and HomeSense chains in Canada. Acquired in 1990, Winners is the leading off-price apparel and home fashions retailer in Canada. The merchandise offering at its 222 stores across Canada is comparable to T.J. Maxx. We opened our HomeSense chain in 2001, bringing the home fashions off-price concept to Canada. HomeSense has 88 stores with a merchandise mix of home fashions similar to HomeGoods. We brought Marshalls to Canada in fiscal 2012 and operate 14 Marshalls stores in Canada. Like Marshalls in the U.S., our Canadian Marshalls stores offer an expanded footwear department and The Cube juniors department, differentiating them from Winners stores.

TJX EUROPE:

Our TJX Europe division operates the T.K. Maxx and HomeSense chains in Europe. Launched in 1994, T.K. Maxx introduced off-price to Europe and remains Europe s only major off-price retailer of apparel and home fashions. With 343 stores, T.K. Maxx operates in the U.K., Ireland, Germany and Poland. Through its stores and, for the U.K, an online website, T.K. Maxx offers a merchandise mix similar to T.J. Maxx, Marshalls and Winners. We brought the off-price home fashions concept to Europe, opening HomeSense in the U.K. in 2008. Its 24 stores in the U.K. offer a merchandise mix of home fashions similar to that of HomeGoods in the U.S. and HomeSense in Canada.

In December 2012, we acquired Sierra Trading Post, an off-price on-line retailer of apparel and home fashions, which we are maintaining as a separate banner.

Flexible Business Model. Our flexible off-price business model, including our opportunistic buying, inventory management, logistics and store layouts, is designed to deliver our customers a compelling value proposition of fashionable quality brand-name and designer merchandise at excellent values. Our buying and inventory management strategies give us flexibility to adjust our merchandise assortments more frequently than traditional retailers, and the design and operation of our stores and distribution centers support this flexibility. Our merchants have more visibility into consumer, fashion and market trends and pricing when we buy closer to need, which can help us buy smarter and reduce our markdown exposure. Our selling floor space is flexible, without walls between departments and largely free of permanent fixtures, so we can easily expand and contract departments to accommodate the merchandise we purchase. Our logistics and distribution operations are designed to support our buying strategies and to facilitate quick, efficient and differentiated delivery of merchandise to our stores, with a goal of getting the right merchandise to the right stores at the right times.

Opportunistic Buying. As an off-price retailer, our buying practices, which we refer to as opportunistic buying, differentiate us from traditional retailers. Our overall opportunistic buying strategy is to acquire merchandise on an ongoing basis that will enable us to offer a desirable and rapidly changing mix of branded, designer and other quality merchandise in our stores at prices below regular prices for comparable merchandise at department and specialty stores. We seek out and select from the broad range of opportunities in the marketplace to achieve this end. Our buying organization, which numbers over 800 individuals in 13 buying offices in ten countries, executes this opportunistic buying strategy in a variety of ways, depending on market conditions and other factors.

We take advantage of opportunities to acquire merchandise at substantial discounts that regularly arise from the production and flow of inventory in the apparel and home fashions marketplace, which include, among others, order cancellations, manufacturer overruns, closeouts and special production. Our buying strategies are intentionally flexible to allow us to react to frequently changing opportunities and trends in the market and to adjust how and what we source as well as when we source it. Our goal is to operate with lean inventory levels compared to conventional retailers to give us the flexibility to seek out and to take advantage of these opportunities as they arise. In contrast to traditional retailers, which typically order goods far in advance of the time the product appears on the selling floor, our merchants are in the marketplace frequently looking for opportunities to buy merchandise. We buy much of our merchandise for the current or immediately upcoming selling season. We also buy some merchandise, which we refer to as packaway, with the intention of storing it for sale in future selling seasons. We generally make these packaway purchases in response to opportunities in the marketplace to buy merchandise that we believe has the right combination of brand, fashion, quality and price to supplement the product we expect to be available to purchase later for those future seasons. We also develop some merchandise, which we refer to as private label, that is produced for us under in-house and licensed brands. We generally acquire this type of merchandise to supplement the depth of or fill gaps in our expected merchandise assortment.

Our expansive vendor universe is in excess of 16,000, consists primarily of manufacturers along with retailers and others, and provides us substantial and diversified access to merchandise. We have not experienced difficulty in obtaining sufficient quality merchandise for our business in either favorable or difficult retail environments and expect this will continue as we continue to grow. We believe a number of factors make us an attractive outlet for the vendor community and provide us excellent access on an ongoing basis to leading branded merchandise. We are typically willing to purchase less-than-full assortments of items, styles and sizes as well as quantities ranging from small to very large; we are able to disperse merchandise across our geographically diverse network of stores and to target specific markets; we pay promptly; and we generally do not ask for typical retail concessions (such as advertising, promotional and markdown allowances), delivery concessions (such as drop shipments to stores or delayed deliveries) or return privileges. We provide vendors an outlet with financial strength and an excellent credit rating.

Inventory Management. We offer our customers a rapidly changing selection of merchandise to create a treasure hunt experience in our stores and spur customer visits. To achieve this, we seek to turn the inventory in our stores rapidly, regularly offering fresh selections of apparel and home fashions at excellent values. Our specialized inventory planning, purchasing, monitoring and markdown systems, coupled with distribution center storage, processing, handling and shipping systems, enable us to tailor the merchandise in our stores to local preferences and demographics, achieve rapid in-store inventory turnover on a vast array of products and generally sell within the period we planned. We make pricing and markdown decisions and store inventory replenishment determinations centrally, using information provided by specialized computer systems designed to move inventory through our stores in a timely and disciplined manner. Over the past several years, we have been investing in our supply chain with the goal of continuing to operate with low inventory levels, to ship more efficiently and quickly and to more precisely and effectively allocate merchandise to each store.

Pricing. Our mission is to offer quality, fashionable, brand-name and designer merchandise in our stores with retail prices that are generally 20% to 60% below department and specialty store regular retail prices, every day. We do not generally engage in promotional pricing activity such as sales or coupons. We have generally been able to react to price fluctuations in the wholesale market to maintain our pricing gap relative to prices offered by traditional retailers as well as our merchandise margins through various economic cycles.

Low Cost Operations. We operate with a low cost structure compared to many traditional retailers. We focus aggressively on expenses throughout our business. Our advertising is generally focused on our banners rather than individual products, including at times promoting all banners in each division together, which contributes to our advertising budget as a percentage of sales remaining low compared to many traditional retailers. We design our stores to provide a pleasant, convenient shopping environment but, relative to other retailers, do not spend heavily on store fixtures. Additionally, our distribution network is designed to run cost effectively.

Customer Service/Shopping Experience. We are in the process of renovating and upgrading stores across our banners to enhance our customers shopping experience and help drive sales. Although we offer a self-service format, we train our store associates to provide friendly and helpful customer service and seek to staff our stores to deliver a positive shopping experience. We typically offer customer-friendly return policies. We accept a variety of payment methods including cash, credit cards and debit cards, and offer TJX-branded credit cards in the U.S. through a bank, but do not own the customer receivables.

Distribution. We operate distribution centers encompassing approximately 11 million square feet in five countries. These centers are large, highly automated and built to suit our specific, off-price business model. We ship substantially all of our merchandise to our stores through these distribution centers as well as warehouses and shipping centers operated by third parties. We shipped approximately 2.0 billion units to our stores during fiscal 2013.

Store Growth. Expansion of our business through the addition of new stores continues to be an important part of our growth strategy. The following table provides information on the store growth of our four divisions in the last two fiscal years, our growth estimates for fiscal 2014 and our estimates of the store growth potential of the current chains in these divisions in their current geographies:

	Approximate Average Store Size (square feet)	Number of Stores at Year End Fiscal 2012	Fiscal 2013	Fiscal 2014 (estimated)	Estimated Store Growth Potential
Marmaxx					
T.J. Maxx	29,000	983	1,036		
Marshalls	31,000	884	904		
		1,867	1,940	2,015	2,400-2,600
HomeGoods	25,000	374	415	445	750-825
TJX Canada					
Winners	29,000	216	222		240
HomeSense	24,000	86	88		90
Marshalls	32,000	6	14		90-100
		308	324	344	420-430
TJX Europe					
T.K. Maxx	32,000	332	343		650-725 (1)
HomeSense	21,000	24	24		100-150 (2)
		356	367	392	750-875
TJX Total		2,905	3,050 (3)	3,200 (3)	4,320-4,730

(1) Includes U.K., Ireland, Germany and Poland only
(2) Includes U.K. and Ireland only
(3) Included in the fiscal 2013 and estimated fiscal 2014 TJX Total are four Sierra Trading Post stores.

Some of our HomeGoods and Canadian HomeSense stores are co-located with one of our apparel stores in a superstore format. We count each of the stores in the superstore format as a separate store.

Revenue Information. The percentages of our consolidated revenues by geography for the last three fiscal years are as follows:

	Fiscal 2011	Fiscal 2012	**Fiscal 2013**
United States			
Northeast	26%	24%	**24%**
Midwest	14	13	**13**
South (including Puerto Rico)	24	25	**25**
West	13	14	**14**
	77%	76%	**76%**
Canada	12%	12%	**11%**
Europe	11%	12%	**13%**
Total	100%	100%	**100%**

The percentages of our consolidated revenues by major product category for the last three fiscal years are as follows:

	Fiscal 2011	Fiscal 2012	**Fiscal 2013**
Clothing including footwear	61%	60%	**59%**
Home fashions	26%	27%	**28%**
Jewelry and accessories	13%	13%	**13%**
Total	100%	100%	**100%**

A.J. Wright Consolidation. In the first quarter of fiscal 2012, we completed the consolidation of A.J. Wright, our former off-price chain targeting lower middle income customers, converting 90 of the A.J. Wright stores to

T.J. Maxx, Marshalls or HomeGoods banners and closing A.J.Wright s remaining 72 stores, two distribution centers and home office. We continue to serve the customer demographic previously targeted by A.J. Wright through our other U.S. banners.

Segment Overview. We operate four main business segments: Marmaxx, HomeGoods, TJX Canada and TJX Europe. Marmaxx operates our T.J. Maxx and Marshalls chains in the United States. HomeGoods operates our HomeGoods chain in the U.S. TJX Canada operates our Winners, HomeSense and Marshalls chains in Canada. TJX Europe operates our T.K. Maxx and HomeSense chains in Europe. A.J. Wright ceased to be a segment following its consolidation. Sierra Trading Post is reported as part of the Marmaxx segment. Each of our segments has its own management, administrative, buying and merchandising organization and distribution network. More detailed information about our segments, including financial information for each of the last three fiscal years, can be found in Note G to the consolidated financial statements.

Store Locations. Our major chains operated stores in the following locations at the end of fiscal 2013:

United States:

	T.J. Maxx	Marshalls	HomeGoods
Alabama	20	4	3
Arizona	11	14	9
Arkansas	10	1	2
California	98	126	45
Colorado	15	7	5
Connecticut	26	24	11
Delaware	3	3	2
District of Columbia	3	1	
Florida	73	79	39
Georgia	45	30	12
Hawaii	3		
Idaho	6	1	1
Illinois	44	45	21
Indiana	21	11	4
Iowa	8	2	
Kansas	6	4	1
Kentucky	14	4	4
Louisiana	10	10	
Maine	9	4	3
Maryland	16	27	10
Massachusetts	52	53	25
Michigan	38	22	12
Minnesota	12	12	9
Mississippi	10	3	1
Missouri	16	13	8
Montana	4		
Nebraska	4	2	1
Nevada	8	8	4
New Hampshire	14	9	6
New Jersey	33	45	25
New Mexico	3	3	1
New York	63	71	35
North Carolina	33	21	13
North Dakota	3		
Ohio	42	24	10
Oklahoma	6	5	
Oregon	9	6	3
Pennsylvania	43	35	18
Puerto Rico	7	19	6
Rhode Island	6	6	4
South Carolina	20	10	5
South Dakota	2		
Tennessee	25	14	8
Texas	51	73	26
Utah	10	2	4
Vermont	5	1	1
Virginia	32	27	11
Washington	17	13	2
West Virginia	6	3	1
Wisconsin	20	7	4
Wyoming	1		
Total Stores	1,036	904	415

Store counts above include the T.J. Maxx, Marshalls or HomeGoods portion of a superstore. Additionally, TJX operates four Sierra Trading Post stores, 1 in Idaho, 1 in Nevada and 2 in Wyoming.

Canada:

	Winners	HomeSense	Marshalls
Alberta	28	10	
British Columbia	29	16	
Manitoba	6	1	
New Brunswick	3	2	
Newfoundland	2	1	
Nova Scotia	8	2	
Ontario	101	41	14
Prince Edward Island	1		
Quebec	40	13	
Saskatchewan	4	2	
Total Stores	222	88	14

Store counts above include the Winners or HomeSense portion of a superstore.

Europe:

	T.K. Maxx	HomeSense
United Kingdom	252	24
Republic of Ireland	16	
Germany	57	
Poland	18	
Total Stores	343	24

Competition. The retail apparel and home fashion business is highly competitive. We compete on the basis of factors including merchandise fashion, quality, brand-name, price, selection and freshness; in-store service and shopping experience; reputation and store location. We compete with local, regional, national and international department, specialty, off-price, discount, warehouse and outlet stores as well as other retailers that sell apparel, home fashions and other merchandise that we sell, whether in stores, through catalogues, on-line or other media.

Employees. At February 2, 2013, we had approximately 179,000 employees, many of whom work less than 40 hours per week. In addition, we hire temporary employees, particularly during the peak back-to-school and holiday seasons.

Trademarks. We have the right to use our principal trademarks and service marks, which are T.J. Maxx, Marshalls, HomeGoods, Winners, HomeSense, T.K. Maxx and Sierra Trading Post, in relevant countries. Our rights in these trademarks and service marks endure for as long as they are used.

Seasonality. Our business is subject to seasonal influences. In the second half of the year, which includes the back-to-school and year-end holiday seasons, we generally realize higher levels of sales and income.

SEC Filings and Certifications. Copies of our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC, and any amendments to those documents, are available free of charge on our website, www.tjx.com, under SEC Filings, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. They are also available free of charge from TJX Global Communications, 770 Cochituate Road, Framingham, Massachusetts 01701. The public can read and copy materials at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549 and obtain information on the operation of the reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website containing all reports, proxies, information statements, and all other information regarding issuers that file electronically (http://www.sec.gov).

Information appearing on www.tjx.com is not a part of, and is not incorporated by reference in, this Form 10-K.

Fiscal 2011 means the fiscal year ended January 29, 2011, fiscal 2012 means the fiscal year ended January 28, 2012, fiscal 2013 means the fiscal year ended February 2, 2013 and fiscal 2014 means the fiscal year ending February 1, 2014. Unless otherwise indicated, all store information in this Item 1 is as of February 2, 2013, and references to store square footage are to gross square feet. Unless otherwise stated or the context otherwise requires, references in this Form 10-K to TJX and we, refer to The TJX Companies, Inc. and its subsidiaries.

ITEM 1A. Risk Factors

The statements in this section describe the major risks to our business and should be considered carefully, in connection with all of the other information set forth in this annual report on Form 10-K. The risks that follow, individually or in the aggregate, are those that we think could cause our actual results to differ materially from those stated or implied in forward-looking statements.

Failure to execute our opportunistic buying strategy and inventory management could adversely affect our business.

While our opportunistic buying strategy and our goals of operating with lean inventory levels and frequent inventory turns are key elements of our off-price business, they subject us to risks related to the pricing, quantity, nature and timing of inventory flowing to our stores. Our merchants are in the marketplace frequently, as much of our merchandise is purchased for the current or immediately upcoming season. Our opportunistic buying places considerable discretion in our merchants. They react to frequently changing opportunities and trends in the market, assess the desirability and value of merchandise and generally make determinations of how and what we source as well as when we source it. If we do not obtain the right fresh, desirable merchandise at the right times, quantities and prices, it could adversely affect traffic to our stores as well as our sales and margins.

We base our purchases of inventory, in part, on our sales forecasts. If our sales forecasts do not match customer demand, we may experience higher inventory levels and need to take markdowns on excess or slow-moving inventory, leading to decreased profit margins, or we may have insufficient inventory to meet customer demand, leading to lost sales, either of which could adversely affect our financial performance.

If we are unable to generally purchase inventory at prices sufficiently below prices paid by conventional retailers to allow us to maintain our overall pricing differential to regular department and specialty stores, our ability to attract customers and sustain our margins may be adversely affected. We may not achieve this at various times or in some divisions or geographies, which could adversely affect our results or those of one of our segments.

We must also properly execute our inventory management strategy of delivering the right product to the right stores at the right time. We need to appropriately allocate merchandise among our stores, timely and efficiently distribute inventory to stores, maintain an appropriate mix and level of inventory in each store, appropriately change the allocation of floor space of stores among product categories to respond to customer demand and effectively manage pricing and markdowns. There is no assurance we will be able to do so.

In addition to our own execution, we may need to react to factors affecting inventory flow that are outside our control, such as extreme weather and natural disasters or other changes in conditions affecting our vendors and others in our supply chain, such as political instability, labor issues, including strikes or threats of strikes, or increasing cost of regulations. If we are not able to adjust appropriately to such factors, our merchandise distribution may be affected. Failure to execute our opportunistic inventory buying and inventory management well could adversely affect our performance and our relationship with our customers.

Failure to continue to expand our operations successfully or to manage our substantial size and scale effectively could adversely affect our financial results.

Our revenue growth is dependent, among other things, on our ability to continue to expand through successfully opening new stores. Successful store growth requires us to lease appropriate real estate on attractive terms in each of the locations where we seek to open stores. Our ability to do so depends, among other things, on availability and selection of appropriate sites in appropriate geographies; competition for sites; factors affecting costs such as real estate, construction and development costs, as well as costs and availability of capital; and variations in or changes to zoning or other land use regulations. If we cannot lease appropriate sites on attractive terms, it could limit our ability to successfully grow in various markets or adversely affect the economics of new stores in various markets. Further, we may encounter difficulties in attracting customers when we enter new markets for a variety of reasons, including customers lack of familiarity with our brands or our lack of familiarity with local customer preferences or cultural differences. New stores may not achieve the same sales or profit levels as our existing stores, and new and existing stores in a market may adversely affect each other s sales and profitability.

Further, our substantial size imposes demands on maintaining appropriate internal resources and third party providers to support our business effectively and expansion places increased demands on management and the administrative, merchandising, store operations, distribution, compliance and other organizations in our businesses, and we may not efficiently manage our business or successfully manage our growth. In addition, under our business model, some aspects of the businesses and operations of our chains in the U.S., Canada and Europe are conducted with relative autonomy. The large size and scale of our operations, our multiple chains in the U.S., Canada and Europe and the autonomy afforded to the chains increase the risk that our systems and practices will not be implemented appropriately throughout our company and that information may not be appropriately shared across our operations, which risks may increase as we continue to grow, particularly in different countries. If business information is not shared effectively, or if we are otherwise unable to manage our growth effectively, we may operate with decreased operational efficiency, may need to reduce our rate of expansion of one or more operations or otherwise curtail growth in one or more markets, which may adversely affect our success in executing our business goals and adversely impact our sales and results.

Failure to identify customer trends and preferences to meet customer demand could negatively impact our performance.

Because our success depends on our ability to meet customer demand, we work to follow customer trends and preferences on an ongoing basis and to offer inventory that meets those trends and preferences. However, identifying consumer trends and preferences and successfully meeting customer demand across our diverse merchandise categories and in the many markets in the United States, Canada and Europe in which we do business on a timely basis is challenging. Although our business model allows us greater flexibility than many traditional retailers to meet consumer preferences and trends and to expand and contract merchandise categories in response to consumers changing tastes, we may not successfully do so, which could adversely affect our results.

Our future performance is dependent upon our ability to continue to expand within our existing markets and to extend our off-price model in new product lines, and geographic regions and businesses.

Our growth strategy is to continue to successfully expand the number of stores in our existing markets, to continue to successfully expand our existing chains to new markets and geographies and, as appropriate, to successfully develop or acquire new businesses, including our planned expansion into e-commerce, all of which entail significant risk. There are significant risks associated with both our ability to continue to successfully extend our current business and to enter new businesses, including managing the implementation of this growth effectively. If any aspect of our expansion strategy does not achieve the success we expect in whole or in part, we may be required to increase our investment, slow our planned growth or close stores or operations and our growth and financial performance could be adversely affected.

If we fail to successfully implement our marketing, advertising and promotional programs, or if our competitors are more effective with their programs than we are, our revenue may be adversely affected.

Although we use marketing, advertising and promotional programs to attract customers to our stores through various media including television, social media, database marketing, print and direct marketing, some of our competitors expend more for their programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Our marketing, advertising and promotional programs may not be effective or could require increased expenditures, which could have a material adverse effect on our revenue and results of operations. We may need to adjust our marketing, advertising and promotional programs effectively as internet-based and other digital or mobile communication channels rapidly evolve, and there is no assurance that we will successfully do so.

We operate in highly competitive markets, and we may not be able to compete effectively.

The retail apparel and home fashion business is highly competitive. We compete with local, regional, national and international retailers that sell apparel, home fashions and other merchandise we sell, including in stores, through catalogues or other media or over the internet. Some of our competitors are larger than we are or have more experience in selling certain product lines than we do. New competitors frequently enter the market, and existing competitors enter or increase their presence in the markets in which we operate, expand their merchandise offerings or change their pricing methods, all of which increase competition for customers. We compete on the basis of fashion, quality, price, value, merchandise selection and freshness, brand-name recognition, service, reputation and store location. Our competitiveness is highly dependent on our effective execution of our off-price model of offering the customer a fresh, rapidly changing and attractive mix of merchandise delivering value. The demand for our merchandise is also influenced by our advertising, marketing and promotional activities, the name recognition and reputation of our chains and the location of and service offered in our stores. If we fail to compete effectively, our sales and results of operations could be adversely affected.

Failure to attract, train and retain quality associates in appropriate numbers, including management, buying, sales, distribution center and other personnel, and increased costs from our existing or expanding labor force, could adversely affect our performance.

Our performance depends on recruiting, developing, training and retaining quality sales, systems, distribution center and other associates in large numbers as well as experienced buying and management personnel.

Many of our associates are in entry level or part-time positions with historically high rates of turnover. Availability and skill of associates may differ across markets in which we do business and in new markets we enter, and our ability to meet our labor needs while controlling labor costs, including costs of retirement, health and other employee benefits, is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, economic conditions, health care legislation, health and other insurance costs and governmental labor and employment and employee benefits requirements. The nature of the workforce in the retail industry also subjects us to the risk of immigration law violations, which risk has increased in recent years. Certain associates in our distribution centers are members of unions and therefore subject us to the risk of labor actions of various kinds as well as risks and potential expenses associated with multiemployer plans, including from potential withdrawal liability and potential insolvency of other participating employers, and other associates are members of works councils, which may subject us to additional actions or expense. In addition, any failure of third-parties that perform services on our behalf to comply with immigration, employment or other laws could damage our reputation or disrupt our ability to obtain needed labor. In the event of increasing wage rates in a market, failure to increase our wages competitively could result in a decline in the quality of our workforce, causing our customer service to suffer, while increasing our wages could cause our earnings to decrease.

Because of the distinctive nature of our off-price model, we must provide significant internal training and development for key associates, including within our buying organization. Similar to other retailers, we face challenges in securing and retaining sufficient talent in management and other key areas for many reasons, including competition in the retail industry generally and for talent in various geographic markets. If we do not continue to attract qualified individuals, train them in our business model, support their development and retain them, our performance could be adversely affected or our growth could be limited.

Global economic conditions may adversely affect our financial performance.

During the economic recession, global financial markets experienced extreme volatility, disruption and credit contraction, which adversely affected global economic conditions. Renewed financial turmoil in the financial and credit markets or other changes in economic conditions could adversely affect sources of liquidity available to us or our costs of capital and could adversely affect plan asset values and investment performance, increasing our pension liabilities, expenses and funding requirements with respect to company-sponsored and multiemployer pension plans. Economic conditions, both on a global level and in particular markets, including unemployment, decreased disposable income and actual and perceived wealth, energy and health care costs, interest and tax rates and policies, weakness in the housing market, volatility in capital markets, decreased credit availability, inflation and deflation, as well as political or other factors beyond our control such as threats or possibilities of war, terrorism, global or national unrest, actual or threatened epidemics, and political instability also have significant effects on consumer confidence and spending. Consumer spending, in turn, affects retail sales. These conditions and factors could adversely affect discretionary consumer spending and, although we believe our flexible off-price model helps us respond, they may adversely affect our sales, cash flows and results of operations and performance.

Compromises of our data security could materially harm our reputation and business.

In the ordinary course of our business, we collect and store certain personal information from individuals, such as our customers and associates, and we process customer payment card and check information.

We suffered an unauthorized intrusion or intrusions (such intrusion or intrusions, collectively, the Computer Intrusion) into portions of our computer system that process and store information related to customer transactions, discovered late in 2006, in which we believe customer data were stolen. We have taken steps designed to further strengthen the security of our computer system and protocols and have instituted an ongoing program with respect to data security, consistent with a consent order with the Federal Trade Commission, to assess the ongoing effectiveness of our information security program and to maintain and enhance our program as appropriate. Nevertheless, there can be no assurance that we will not suffer a future data compromise, that unauthorized parties will not gain access to personal information, or that any such data compromise or access will be discovered in a timely way.

We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential information. Further, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and controlled by the payment card industry, not by us. This is also true for check information and approval. Computer hackers may attempt to penetrate our computer system and, if successful, misappropriate personal information, payment card or check information or confidential business information of our company. In addition, our associates, contractors or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. Advances in computer and software capabilities and encryption technology, new tools and other developments may increase the risk of such a breach.

Compromise of our data security or of third parties with whom we do business, failure to prevent or mitigate the loss of personal or business information and delays in detecting any such compromise or loss could disrupt our operations, damage our reputation and customers willingness to shop in our stores, violate applicable laws, regulations, orders and agreements, and subject us to additional costs and liabilities which could be material.

Failure to operate information systems and implement new technologies effectively could disrupt our business or reduce our sales or profitability.

We rely extensively on various information systems, data centers and software applications to manage many aspects of our business, including to process and record transactions in our stores, to enable effective communication systems, to plan and track inventory flow, to manage logistics and to generate performance and financial reports. We are dependent on the integrity, security and consistent operations of these systems and related back-up systems. Our computer systems and the third party systems we rely on are subject to damage or interruption from power outages; computer and telecommunications failures; computer viruses; security breaches; cyber-attacks; catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes; acts of war or terrorism and usage errors by our associates or contractors. Although we seek to maintain our systems effectively and to successfully address the risk of compromises of the integrity, security and consistent operations of our systems, we may not be successful in doing so. Compromises, interruptions or shutdowns of our systems, including those managed by third parties, could lead to delays in our business operations and, if significant or extreme, affect our results of operations.

We modify, update, and replace our systems and infrastructure from time to time, including adding new data centers, replacing or updating legacy programs, converting to global systems, integrating new service providers, such as for cloud computing technologies, adding additional functionality, such as for the development of our e-commerce business, and adding new systems when we acquire new businesses. We also modify and change our procedures for, and add and change vendors who assist us with, designing, implementing and maintaining our systems and infrastructure. Although we believe we are diligent in selecting systems, vendors and procedures to enable us to maintain the integrity of our systems and infrastructure when we modify them, there are inherent risks associated with managing and changing systems, infrastructure and relationships and with acquisitions, including accurately capturing and maintaining data, realizing the expected benefit of the change and potentially disrupting the operation of the systems as the changes are implemented. Additionally, potential issues associated with implementing technology initiatives and the time and resources required to optimize the benefits of new systems could reduce the efficiency of our operations in the short term.

The efficient operation and successful growth of our business depends upon these information systems, including our ability to operate and maintain them effectively and to select and implement appropriate new technologies, systems, controls, data centers and adequate disaster recovery systems successfully. The failure of our information systems and the third party systems we rely on to perform as designed, or our failure to implement and operate them effectively, could disrupt our business or subject us to liability and thereby harm our profitability.

As our business is subject to seasonal influences, a decrease in sales or margins during the second half of the year could have a disproportionately adverse affect on our operating results.

Our business is subject to seasonal influences; we generally realize higher levels of sales and income in the second half of the year, which includes the back-to-school and year-end holiday seasons. Any decrease in sales or margins during this period could have a disproportionately adverse effect on our results of operations.

Adverse or unseasonable weather in the markets in which our stores operate or our distribution centers are located could adversely affect our operating results.

Both adverse and unseasonable weather, such as storms, severe cold or heat or unseasonable temperatures, affect customers buying patterns and willingness to shop certain categories or at all, and accordingly, can adversely affect the demand for the merchandise in our stores, particularly in apparel and seasonal merchandise. Weather can also affect our ability to transport merchandise to our stores from our distribution and shipping centers or elsewhere in our supply chain. As a result, adverse or unseasonable weather in our markets could adversely affect our sales, increase markdowns and adversely affect our operating results.

Our results may be adversely affected by serious disruptions or catastrophic events.

Unforeseen public health issues, such as pandemics and epidemics, as well as natural disasters, such as hurricanes, tornadoes, floods, earthquakes and other extreme weather and climate conditions, in any of our markets could disrupt our operations or the operations of one or more of our vendors or of our supply chain or could severely damage or destroy one or more of our stores or distribution facilities located in the affected areas. Day-to-day operations, particularly our ability to receive products from our vendors or transport products to our stores could be adversely affected, or we could be required to close stores or distribution centers in the affected areas or in areas served by affected distribution centers for a short or extended period of time. As a result, our business could be adversely affected.

Damage to our corporate reputation or those of our banners could adversely affect our sales and operating results.

We believe that building the brand reputation of our retail banners is an important part of our marketing efforts, and we expend resources building relationships with our customers through social media and other advertising and promotional activities. Our reputation is based, in part, on perceptions of subjective qualities, so incidents involving us or our merchandise, that erode trust or confidence could adversely affect our reputation and our business, particularly if the incidents result in significant adverse publicity or governmental inquiry. Similarly, information posted about us, our banners and the merchandise we sell, including our private label brands, on social media platforms and similar venues, including blogs, websites, and other forums for internet-based communications that allow individuals access to a broad audience of consumers and other interested persons, may adversely affect our reputation and brand, even if the information is inaccurate. The reputation of our company and our retail banners may be damaged by adverse events at the corporate level or by adverse events at our other banners. Damage to the reputation of our company and our banners could result in declines in customer loyalty and sales, affect our vendor relationships, development opportunities and associate retention and otherwise adversely affect our business.

Issues with merchandise quality or safety could damage our reputation, sales and financial results.

Various governmental authorities in the jurisdictions where we do business regulate the quality and safety of the merchandise we sell to consumers. Regulations and standards in this area, including those related to the U.S. Consumer Product Safety Improvement Act of 2008, state regulations like California s Proposition 65, and similar legislation in other countries in which we operate, impose restrictions and requirements on the merchandise we sell in our stores and through e-commerce and change from time to time. Also, new federal, state, provincial or local regulations in the U.S. and other countries that may affect our business are contemplated and enacted with some regularity. If we are unable to comply with regulatory requirements on a timely basis or at all or to adequately monitor new regulations that may apply to existing or new merchandise categories or in new geographies, significant fines or penalties could be incurred or we could have to curtail some aspects of our sales or operations, which could have a material adverse effect on our financial results. We rely on our vendors to provide quality merchandise that complies with applicable product safety laws and other applicable laws, but they may not comply with their obligations to do so. Although our arrangements with our vendors frequently provide for indemnification for product liabilities, the vendors may fail to honor those obligations to an extent we consider sufficient or at all. Issues with the quality and safety of merchandise, particularly with food, bath and body and children s products, or issues with the genuineness of merchandise, regardless of our fault, or customer concerns about such issues, could cause damage to our reputation and could result in lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs, and regulatory, civil or criminal fines or penalties, any of which could have a material adverse effect on our financial results.

Our expanding international operations may expose us to risks inherent in operating in new countries.

We have a significant retail presence in Canada and Europe and have established buying offices around the world, and our goal is to continue to expand our operations into other international markets in the future. It can be costly and complex to establish, develop and maintain international operations and promote business in new international jurisdictions, which may differ significantly from the U.S. and other countries in which we currently operate. In addition to facing risks similar to our U.S. and current international operations, such as with regulations such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, we face additional risks inherent in operating in new countries, such as understanding the retail climate and trends, local customs and competitive conditions; and complying with new laws, rules and regulations; developing the appropriate infrastructure for local operations; as well as financial risks including currency exchange fluctuations and adverse tax consequences or limitations on the repatriation and investment of funds outside of the country where earned, which could have an adverse impact on our operations or profitability. Complying with applicable laws and our own internal policies may require us to spend additional time and resources to implement new procedures and financial controls, conduct audits, train associates and third parties on our compliance methods or take other actions, which could adversely impact our operations.

We are subject to risks associated with importing merchandise from other countries.

Many of the products sold in our stores are sourced by our vendors and, to a lesser extent, by us, in many countries outside of the country where the stores are located, particularly southeastern Asia. Where we are the importer of record, we may be subject to regulatory or other requirements similar to those imposed upon the manufacturer of such products. We are subject to the various risks of importing merchandise from other countries and purchasing product made in other countries, such as:

- potential disruptions in manufacturing, logistics and supply;
- changes in duties, tariffs, quotas and voluntary export restrictions on imported merchandise;
- strikes, threats of strikes and other events affecting delivery;
- consumer perceptions of the safety of imported merchandise;
- product compliance with laws and regulations of the destination country;
- product liability claims from customers or penalties from government agencies relating to products that are recalled, defective or otherwise noncompliant or alleged to be harmful;
- concerns about human rights, working conditions and other labor rights and conditions in countries where merchandise is produced, and changing labor, environmental and other laws in these countries;
- compliance with laws and regulations concerning ethical business practices, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act;
- exposure for product warranty and intellectual property issues; and
- economic, political or other problems in countries from or through which merchandise is imported.

Political or financial instability, trade restrictions, tariffs, currency exchange rates, labor conditions, transport capacity and costs, systems issues, problems in third party distribution and warehousing and other interruptions of the supply chain, compliance with laws and regulations and other factors relating to international trade and imported merchandise beyond our control could affect the availability and the price of our inventory. Furthermore, although we have implemented policies and procedures designed to facilitate compliance with laws and regulations relating to operating in non-U.S. jurisdictions and importing merchandise, there can be no assurance that contractors, agents, vendors or other third parties with whom we do business will not violate such laws and regulations or our policies, which could subject us to liability and could adversely affect our operations or operating results.

Our results may be adversely affected by reduced availability or increases in the price of oil or other fuels, raw materials and other commodities.

Energy and fuel costs have fluctuated dramatically and had significant cost increases in the past, particularly the price of oil and gasoline. An increase in the price of oil increases our transportation costs for distribution, utility costs for our retail stores and costs to purchase our products from suppliers. Although we have implemented a hedging strategy designed to manage a portion of our transportation costs, that strategy may not be effective or sufficient and increases in oil and gasoline prices could adversely affect consumer spending and demand for our products and increase our operating costs, which could have an adverse effect on our performance. Increased regulation related to environmental costs, including cap and trade or other emissions management systems could also adversely affect our costs of doing business, including utility costs, transportation and logistics.

Similarly, other commodity prices can fluctuate dramatically, such as the cost of cotton and synthetic fabrics, which at times have risen significantly. Such increases can increase the cost of merchandise, which could adversely affect our performance through potentially reduced consumer demand or reduced margins.

Fluctuations in currency exchange rates may lead to lower revenues and earnings.

Sales made by our stores outside the United States are denominated in the currency of the country in which the store is located, and changes in currency exchange rates affect the translation of the sales and earnings of these businesses into U.S. dollars for financial reporting purposes. Because of this, movements in currency exchange rates have had and are expected to continue to have a significant impact on our consolidated and segment results from time to time. Changes in currency exchange rates can also increase the cost of inventory purchases that are denominated in a currency other than the local currency of the business buying the merchandise. When these changes occur suddenly, it can be difficult for us to adjust retail prices accordingly, and gross margin can be adversely affected. A significant amount of merchandise we offer for sale is made in China, and accordingly, a revaluation of the Chinese currency, or increased market flexibility in the exchange rate for that currency, increasing its value relative to the U.S. dollar or currencies in which our stores are located, could be significant.

Additionally, we routinely enter into inventory-related hedging instruments to mitigate the impact of currency exchange rates on merchandise margins of merchandise purchases by our divisions denominated in currencies other than their local currencies. In accordance with GAAP, we evaluate the fair value of these hedging instruments and make mark-to-market adjustments at the end of each accounting period. These adjustments are of a much greater magnitude when there is significant volatility in currency exchange rates and may have a significant impact on our earnings.

Although we implement foreign currency hedging and risk management strategies to reduce our exposure to fluctuations in earnings and cash flows associated with changes in currency exchange rates, we expect that currency exchange rate fluctuations could have a material adverse effect on our sales and results of operations from time to time. In addition, fluctuations in currency exchange rates may have a greater impact on our earnings and operating results if a counterparty to one of our hedging arrangements fails to perform.

Our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors, which could adversely affect our stock price.

Our operating results have fluctuated from quarter to quarter at points in the past, and they may continue to do so in the future. If we fail to increase our results over prior periods, to achieve our projected results or goals or to meet the expectations of securities analysts or investors, our share price may decline, and the decrease in the stock price may be disproportionate to the shortfall in our financial performance. Results may be affected by factors we can control, such as the execution of our off-price buying, including selection, pricing and mix of merchandise; inventory management including flow, pricing markon and markdowns; and management of our growth, but also may be affected by some factors that are not within our control, including actions of competitors, weather conditions, economic conditions, consumer confidence, seasonality, and cost increases due, for example, to government regulation and increased healthcare and benefits costs. Most of our operating expenses, such as rent expense and associate salaries, do not vary directly with the amount of our sales and are difficult to adjust in the short term. As a result, if sales in a particular quarter are below our expectations for that quarter, we generally are not able to proportionately reduce operating expenses for that quarter, resulting in a disproportionate effect on our net income for the quarter. We maintain a forecasting process that seeks to project sales and align expenses. If we do not control costs or appropriately adjust costs to actual results, or if actual results differ significantly from our forecast, our financial performance could be adversely affected. In addition, if we do not repurchase the number of shares we contemplated pursuant to our stock repurchase programs, our earnings per share may be adversely affected.

If we engage in mergers or acquisitions or investments in new businesses, or divest, close or consolidate any of our current businesses, our business will be subject to additional risks.

We may acquire new businesses (as in our recent acquisition of Sierra Trading Post), invest in or enter into joint ventures with other businesses, develop new businesses internally and divest, close or consolidate businesses. Acquisition, investment or divestiture activities may divert attention of management from operating the existing businesses, and we may not effectively evaluate target companies or investments or assess the risks, benefits and cost of buying, investing in or closing businesses or of the integration of acquired businesses, all of which can be difficult, time-consuming and dilutive. Acquisitions, investments, closings and divestitures may not meet our performance and other expectations or may expose us to unexpected or greater-than-expected costs, liabilities and risks. Divestitures, closings and consolidations also involve risks, such as significant costs and obligations of closure, including exposure on leases, owned real estate and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law as a result of the disposition or the subsequent failure of an acquirer. Failure to execute on mergers, acquisitions, investments, divestitures, closings and consolidations in a satisfactory manner could adversely affect our future results of operations and financial condition.

Failure to comply with existing laws, regulations and orders or changes in existing laws and regulations could negatively affect our business operations and financial performance.

We are subject to federal, state, provincial and local laws, rules and regulations in the United States and other countries, any of which may change from time to time, as well as orders and assurances. These legal, regulatory and administrative requirements collectively affect multiple aspects of our business, from cost of health care and retirement benefits, workforce management, logistics, marketing, import/export, sourcing and manufacturing, data protection and others. If we fail to comply with these laws, rules, regulations and orders, we may be subject to fines or other penalties, which could materially adversely affect our operations and our financial results and condition. Further, applicable accounting principles and interpretations may change from time to time, and the changes could have material effects on our reported financial results and condition.

We must also comply with new and changing laws and regulations. New legislative and regulatory initiatives and reforms in jurisdictions where we do business could increase our costs of compliance or of doing business and could adversely affect our operating results, including those involving:

- labor and employment and employment benefits, including regarding labor unions and works councils;
- consumer protection and financial regulations;
- data protection and privacy;
- climate change, energy and waste;
- internet, including e-commerce, electronic communications and privacy; and
- protection of third party intellectual property rights.

Our results may be materially adversely affected by the outcomes of litigation, legal proceedings and other legal matters.

We are involved, or may in the future become involved, in legal proceedings, regulatory reviews and audits. These may involve inquiries, investigations, law suits and other proceedings by local, provincial, state and federal governmental entities (in the United States and other countries) and private plaintiffs, including with respect to tax, escheat, whistleblower claims, employment and employee benefits including classification, employment rights, discrimination, wage and hour and retaliation, securities, disclosure, real estate, tort, consumer protection, product safety, advertising, and intellectual property. There continue to be a number of employment-related lawsuits, including class actions, in the United States, and we are subject to these types of suits. We cannot predict the results of legal and regulatory proceedings with certainty, and actual results may differ from any reserves we establish estimating the probable outcome. Regardless of merit or outcome, litigation can be both time-consuming and disruptive to our operations and may cause significant expense and diversion of management attention. Legal and regulatory proceedings and investigations could expose us to significant defense costs, fines, penalties and liability to private parties and governmental entities for monetary recoveries and other amounts and attorneys fees and/or require us to change aspects of our operations, any of which could have a material adverse effect on our business and results of operations.

Tax matters could adversely affect our results of operations and financial condition.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate and future tax liability could be adversely affected by numerous factors including the results of tax audits and examinations, income before taxes being lower than anticipated in countries with lower statutory income tax rates and higher than anticipated in countries with higher statutory income tax rates, changes in income tax rates, changes in transfer pricing, changes in the valuation of deferred tax assets and liabilities, changes in applicable tax legislation, regulations and treaties, exposure to additional tax liabilities, including interest and penalties, and changes in accounting principles and interpretations relating to tax matters, any of which could adversely impact our results of operations and financial condition in future periods. Significant judgment is required in evaluating and estimating our worldwide provision and accruals for taxes, and actual results may differ from our estimations.

We are subject to the continuous examination of our tax returns and reports by federal, state, provincial and local tax authorities in the U.S. and foreign countries, and the examining authorities may challenge positions we take. We are engaged in various proceedings with such authorities and in court with respect to assessments, claims, deficiencies and refunds. We regularly assess the likely outcomes of these proceedings to determine the adequacy and appropriateness of our provision for income taxes, and increase and decrease our provision as a result of these assessments. However, the developments in and actual results of proceedings or the result of rulings by or settlements with tax authorities and courts or due to changes in facts, law or legal interpretations, expiration of applicable statutes of limitations or other resolutions of tax positions could differ from the amounts we have accrued for such proceedings in either a positive or a negative manner, which could materially affect our effective income tax rate in a given financial period, the amount of taxes we are required to pay and our results of operations.

In addition, we are subject to tax audits and examinations for payroll, value added, sales-based and other taxes relating to our businesses.

Our real estate leases generally obligate us for long periods, which subjects us to financial risks.

We lease virtually all of our store locations, generally for an initial terms of ten years, with options to renew the term, and either own or lease for long periods our primary distribution centers and administrative offices. Accordingly, we are subject to the risks associated with leasing and owning real estate, which can adversely affect our results as, for example, was the case in the closure of various of our former operations. While we have the right to terminate some of our leases under specified conditions, including by making specified payments, we may not be able to terminate a particular lease if or when we would like to do so. If we decide to close stores, we are generally required to continue to perform obligations under the applicable leases, which generally includes, among other things, paying rent and operating expenses for the balance of the lease term, or paying to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign leases or sublease space to third parties, we can remain liable on the lease obligations if the assignee or sublessee does not perform. In addition, when the lease term for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores or to relocate stores within a market on less favorable terms.

We depend upon strong cash flows from our operations to supply capital to fund our operations, growth, stock repurchases and dividends and interest and debt repayment.

Our business depends upon our operations to continue to generate strong cash flow to supply capital to support our general operating activities, to fund our growth and our return to stockholders through our stock repurchase programs and dividends, and to pay our interest and debt repayments. Our inability to continue to generate sufficient cash flows to support these activities, to repatriate cash from our international operations in a manner that is cost effective could adversely affect our growth plans and financial performance including our earnings per share. We borrow on occasion to finance our activities and if financing were not available to us in adequate amounts and on appropriate terms when needed, it could also adversely affect our financial performance.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We lease virtually all of our over 3,000 store locations, generally for 10-year terms with options to extend the lease term for one or more 5-year periods. We have the right to terminate some of these leases before the expiration date under specified circumstances and some with specified payments.

The following is a summary of our primary owned and leased distribution centers and primary administrative office locations as of February 2, 2013. Square footage information for the distribution centers represents total ground cover of the facility. Square footage information for office space represents total space occupied.

Distribution Centers

Marmaxx		
T.J. Maxx	Worcester, Massachusetts	494,000 s.f. owned
	Evansville, Indiana	989,000 s.f. owned
	Las Vegas, Nevada	713,000 s.f. shared with Marshalls owned
	Charlotte, North Carolina	595,000 s.f. owned
	Pittston Township, Pennsylvania	1,017,000 s.f. owned
Marshalls	Tolleson, Arizona	303,000 s.f. leased
	Decatur, Georgia	780,000 s.f. owned
	Woburn, Massachusetts	472,000 s.f. leased
	Bridgewater, Virginia	562,000 s.f. leased
	Philadelphia, Pennsylvania	1,001,000 s.f. leased
HomeGoods	Brownsburg, Indiana	805,000 s.f. owned
	Bloomfield, Connecticut	803,000 s.f. owned
TJX Canada	Brampton, Ontario	506,000 s.f. leased
	Mississauga, Ontario	679,000 s.f. leased
TJX Europe	Wakefield, England	176,000 s.f. leased
	Stoke, England	261,000 s.f. leased
	Walsall, England	277,000 s.f. leased
	Bergheim, Germany	322,000 s.f. leased
	Wroclaw, Poland	303,000 s.f. leased

Office Space

Corporate, Marmaxx, HomeGoods	Framingham and Westboro, Massachusetts	1,290,000 s.f. leased/owned in several buildings
TJX Canada	Mississauga, Ontario	198,000 s.f. leased
TJX Europe	Watford, England	81,000 s.f. leased
	Dusseldorf, Germany	21,000 s.f. leased

In addition to the office space listed above, TJX acquired approximately 700,000 square feet of office space in Marlborough, Massachusetts during fiscal 2013, which when ready for use is expected to replace some of the leased space in Framingham and Westboro, Massachusetts.

Sierra Trading Post, acquired in December 2012, is located in Cheyenne, Wyoming and owns a 60,000 square foot home office facility and a 223,000 square foot fulfillment center.

ITEM 3. Legal Proceedings

TJX is subject to certain legal proceedings 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, including alleged misclassification of positions as exempt from overtime, alleged entitlement to additional wages for alleged off-the-clock work by hourly employees and alleged failure to pay all wages due upon termination. The lawsuits seek unspecified monetary damages, injunctive relief and attorneys fees. TJX is vigorously defending these claims. These lawsuits include *Ebo v. The TJX Companies, et al*., Superior Court of CA, Los Angeles County Superior Court, BC380575, November 13, 2007 and *Ahmed v. T.J. Maxx Corp. et al*., U.S. District Court, Eastern District of New York, 10-CV-03609, August 5, 2010. Case No 4:12 cv 558, May 17, 2012.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for the Registrant s Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities

On February 2, 2012, we effected a two-for-one stock split in the form of a stock dividend to shareholders of record as of January 17, 2012. All share and per share information has been retroactively adjusted to reflect the stock split.

Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange (Symbol: TJX). The quarterly high and low sale prices for our common stock for fiscal 2013 and fiscal 2012 are as follows:

	Fiscal 2013		Fiscal 2012	
Quarter	**High**	**Low**	High	Low
First	**$ 42.56**	**$ 33.41**	$ 27.00	$ 23.48
Second	**$ 45.39**	**$ 39.46**	$ 28.39	$ 24.60
Third	**$ 46.67**	**$ 40.38**	$ 30.64	$ 25.07
Fourth	**$ 45.64**	**$ 40.08**	$ 34.22	$ 28.60

The approximate number of common shareholders at February 2, 2013 was 107,800.

Our Board of Directors declared four quarterly dividends of $0.115 per share for fiscal 2013 and $0.095 per share for fiscal 2012. While our dividend policy is subject to periodic review by our Board of Directors, we are currently planning to pay a $0.145 per share quarterly dividend in fiscal 2014, subject to declaration and approval by our Board of Directors, and currently intend to continue to pay comparable dividends in the future.

Information on Share Repurchases

The number of shares of common stock repurchased by TJX during the fourth quarter of fiscal 2013 and the average price paid per share are as follows:

	Total Number of Shares Repurchased[1]	Average Price Paid Per Share[2]	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program[3]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
	(a)	(b)	(c)	(d)
October 28, 2012 through November 24, 2012	2,239,417	$ 41.98	2,239,417	$ 1,180,719,276
November 25, 2012 through December 29, 2012	2,974,339	$ 43.03	2,974,339	$ 1,052,719,350
December 30, 2012 through February 2, 2013	2,885,100	$ 44.37	2,885,100	$ 924,719,463
Total:	8,098,856		8,098,856	

(1) Repurchased under publicly announced stock repurchase programs.

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

(3) During the first quarter of fiscal 2013, we completed a $1 billion stock repurchase program announced in February 2011 and initiated a $2 billion stock repurchase program announced in February 2012. Under this new program, we repurchased a total of 24.7 million shares of common stock (including 8.1 million in shares in the fourth quarter) at a cost of $1.1 billion in fiscal 2013. Additionally, in February 2013, we announced our 14^{th} stock repurchase program for an additional $1.5 billion.

ITEM 6. Selected Financial Data

Dollars in millions except per share amounts	Fiscal Year Ended January 2013 (53 Weeks)	2012	2011	2010	2009 (53 Weeks)
Income statement and per share data:					
Net sales	**$ 25,878**	$ 23,191	$ 21,942	$ 20,288	$ 19,000
Income from continuing operations	**$ 1,907**	$ 1,496	$ 1,340	$ 1,214	$ 915
Weighted average common shares for diluted earnings per share calculation (in thousands)(1)	**747,555**	773,772	812,826	855,239	884,510
Diluted earnings per share from continuing operations(1)	**$ 2.55**	$ 1.93	$ 1.65	$ 1.42	$ 1.04
Cash dividends declared per share(1)	**$ 0.46**	$ 0.38	$ 0.30	$ 0.24	$ 0.22
Balance sheet data:					
Cash and cash equivalents	**$ 1,812**	$ 1,507	$ 1,742	$ 1,615	$ 454
Working capital	**$ 1,951**	$ 2,069	$ 1,966	$ 1,909	$ 858
Total assets	**$ 9,512**	$ 8,282	$ 7,972	$ 7,464	$ 6,178
Capital expenditures	**$ 978**	$ 803	$ 707	$ 429	$ 583
Long-term obligations(2)	**$ 775**	$ 785	$ 788	$ 790	$ 384
Shareholders equity	**$ 3,666**	$ 3,209	$ 3,100	$ 2,889	$ 2,135
Other financial data:					
After-tax return (continuing operations) on average shareholders equity	**55.5%**	47.4%	44.7%	48.3%	42.9%
Total debt as a percentage of total capitalization(3)	**17.4%**	19.7%	20.3%	21.5%	26.7%
Stores in operation:					
In the United States:					
T.J. Maxx	**1,036**	983	923	890	874
Marshalls	**904**	884	830	813	806
Sierra Trading Post	**4**				
HomeGoods	**415**	374	336	323	318
A.J. Wright(4)			142	150	135
In Canada:					
Winners	**222**	216	215	211	202
HomeSense	**88**	86	82	79	75
Marshalls	**14**	6			
In Europe:					
T.K. Maxx	**343**	332	307	263	235
HomeSense	**24**	24	24	14	7
Total	**3,050**	2,905	2,859	2,743	2,652
Selling square footage (in thousands):					
In the United States:					
T.J. Maxx	**23,894**	22,894	21,611	20,890	20,543
Marshalls	**22,380**	22,042	20,912	20,513	20,388
Sierra Trading Post	**83**				
HomeGoods	**8,210**	7,391	6,619	6,354	6,248
A.J. Wright(4)			2,874	3,012	2,680
In Canada:					
Winners	**5,115**	5,008	4,966	4,847	4,647
HomeSense	**1,698**	1,670	1,594	1,527	1,437
Marshalls	**363**	162			
In Europe:					
T.K. Maxx	**7,830**	7,588	7,052	6,106	5,404
HomeSense	**411**	402	402	222	107
Total	**69,984**	67,157	66,030	63,471	61,454

(1) Fiscal 2011, fiscal 2010 and fiscal 2009 have been restated to reflect the two-for-one stock split effected in February 2012.

(2) Includes long-term debt, exclusive of current installments and capital lease obligation, less portion due within one year.

(3) Total capitalization includes shareholders equity, short-term debt, long-term debt and capital lease obligation, including current maturities.

(4) As a result of the consolidation of the A.J. Wright chain, all A.J. Wright stores ceased operations by the end of February 2011.

ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The discussion that follows relates to our 53-week fiscal year ended February 2, 2013 (fiscal 2013) and our 52-week fiscal years ended January 28, 2012 (fiscal 2012) and January 29, 2011 (fiscal 2011).

OVERVIEW

The TJX Companies, Inc. is the largest off-price retailer of apparel and home fashions in the U.S. and worldwide. Our over 3,000 stores offer a rapidly changing assortment of quality, fashionable, brand-name and designer apparel, home fashions and other merchandise at prices generally 20% to 60% below department and specialty store regular prices, every day. We operate our business in four divisions: Marmaxx (which operates T.J. Maxx and Marshalls) and HomeGoods, both in the United States; TJX Canada (which operates Winners, HomeSense and Marshalls in Canada); and TJX Europe (which operates T.K. Maxx and HomeSense in Europe).

Fiscal 2013 was another record year for us. Highlights of our financial performance for fiscal 2013 include the following:

- In fiscal 2013, we posted strong gains in same store sales, net sales and earnings per share on top of significant increases in the last two fiscal years.
  - Net sales increased to $25.9 billion for fiscal 2013, up 12% over fiscal 2012. The 53rd week in fiscal 2013 increased net sales by 2%.
  - Same store sales, on a 52-week basis, increased 7% in fiscal 2013 over increases of 4% in each of the previous two years. The fiscal 2013 increase was driven by an increase in customer traffic as we continued to grow our customer base.
  - Earnings per share for fiscal 2013 were $2.55 per diluted share, up 32% compared to $1.93 per diluted share in fiscal 2012, or up 28% compared to fiscal 2012 adjusted* diluted earnings per share of $1.99. The 53rd week added approximately $0.08 per share to fiscal 2013 earnings.
  - All of our divisions exceeded our expectations in fiscal 2013, posting strong same store sales increases and increases in segment profits.

* Adjusted measures exclude certain items affecting comparability. See Adjusted Financial Measures below.

- In fiscal 2013, we continued to drive the growth of our divisions.
  - At February 2, 2013, the number of stores in operation was up 5% and selling square footage was up 4% over the end of fiscal 2012. We expect to end fiscal 2014 with 3,200 stores, which would represent a 5% increase in our consolidated store base and a 4% increase in our selling square footage.
  - All of our divisions posted strong same store sales increases, driven by increases in customer traffic. New T.J. Maxx and Marshalls stores performed well as we expanded into more rural markets as well as major cities. The Marshalls chain in Canada also has performed well and TJX Europe regained its momentum with a very strong 10% same store sales increase.

We invested in e-commerce. In December, 2012, we purchased Sierra Trading Post, an off-price internet retailer. We expect to launch our T.J. Maxx website in a small, controlled mode in the second half of fiscal 2014.

We continued our focus on operating with lean inventories, driving rapid merchandise turns and controlling expenses.

Our fiscal 2013 pre-tax margin (the ratio of pre-tax income to net sales) was 11.9%, a 1.5 percentage point increase compared to fiscal 2012, and a 1.2 percentage point increase from an adjusted 10.7% for fiscal 2012. The 53rd week benefited the fiscal 2013 pre-tax margin by approximately 0.2 percentage points.

Our cost of sales ratio for fiscal 2013 improved 1.1 percentage points to 71.6% compared to fiscal 2012 and improved 1.0 percentage points compared to an adjusted basis for fiscal 2012. The improvements over last year were primarily due to improved merchandise margins and buying and occupancy expense leverage.

Our selling, general and administrative expense ratio for fiscal 2013 decreased 0.4 percentage points from 16.8% in fiscal 2012 to 16.4%. On an adjusted basis, this ratio decreased 0.1 percentage points from an adjusted16.5% in fiscal 2012.

Our consolidated average per store inventories, including inventory on hand at our distribution centers, but excluding our internet based business Sierra Trading Post, were down 6% at the end of fiscal 2013.

We continued to use cash to return value to our shareholders.

During fiscal 2013, we repurchased 30.6 million shares of our common stock for $1.3 billion. Earnings per share reflect the benefit of the stock repurchase program. In February 2013, our Board of Directors authorized our 14th stock repurchase program for an additional $1.5 billion. We expect to repurchase approximately $1.3 to $1.4 billion of our stock in fiscal 2014.

We paid quarterly dividends of $0.115 per share for fiscal 2013. We expect to pay quarterly dividends for fiscal 2014 of $0.145 per share, or an annual dividend of $0.58 per share, which would represent a 26% increase over the prior year, subject to the declaration and approval of our Board of Directors.

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

Net sales: Consolidated net sales for fiscal 2013 totaled $25.9 billion, a 12% increase over $23.2 billion in fiscal 2012. The increase reflected a 7% increase from same store sales, a 3% increase from new stores and a 2% increase from the impact of the 53rd week in the fiscal 2013 calendar. Foreign currency exchange rates had an immaterial impact on fiscal 2013 net sales. Consolidated net sales for fiscal 2012 totaled $23.2 billion, a 6% increase over $21.9 billion in fiscal 2011. The increase reflected a 5% increase from new stores, a 4% increase from same store sales and a 1% increase from foreign currency exchange rates, offset in part by a 4% decrease due to the elimination of sales from stores operating under the A.J. Wright banner. (The fiscal 2012 sales from the converted A.J. Wright stores are included in new store sales.)

Same store sales increases in the U.S. for fiscal 2013 were driven by an increase in customer traffic, and to a lesser extent an increase in the value of the average transaction. Sales of both apparel and home fashions were equally strong. Geographically, same store sales increases in the U.S. were strong throughout most regions with Florida and the Southwest performing above the consolidated average and virtually all other regions close to the consolidated average. Our foreign segments both posted same store sales increases, with TJX Europe above the consolidated average and TJX Canada below the consolidated average.

Same store sales increases in the U.S. for fiscal 2012 reflected an increase in both the value of the average transaction and an increase in customer traffic. Same store sales of our home, dresses, men s, shoes and accessories categories were particularly strong. Geographically, same store sales increases in the U.S. were strong throughout most regions, with Florida and the Southwest performing above the consolidated average and the Midwest trailing the consolidated average. For the full fiscal year 2012, the same store sales increase for TJX Europe was well below the consolidated average, and same store sales at TJX Canada decreased from the prior year, but both Europe and Canada posted strong same store sales gains in the fourth quarter of fiscal 2012.

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

The following table sets forth our consolidated operating results from continuing operations as a percentage of net sales on an as reported and as adjusted basis:

	Percentage of Net Sales Fiscal Year	Percentage of Net Sales Fiscal Year		Percentage of Net Sales Fiscal Year
	2013	2012		2011
	As reported	As reported	As adjusted*	As reported