UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(mark one)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended July 30, 2022

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 August 19, 2022: 1,161,052,961

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
Net sales	**$ 11,843,008**	**$ 12,077,063**	**$ 23,249,482**	**$ 22,163,724**
Cost of sales, including buying and occupancy costs	**8,571,550**	8,528,130	**16,794,763**	15,783,765
Selling, general and administrative expenses	**2,174,861**	2,223,692	**4,269,443**	4,288,684
Impairment on equity investment	**—**	—	**217,619**	—
Loss on early extinguishment of debt	**—**	242,248	**—**	242,248
Interest expense, net	**11,007**	28,661	**29,792**	73,349
Income before income taxes	**1,085,590**	1,054,332	**1,937,865**	1,775,678
Provision for income taxes	**276,250**	268,651	**541,052**	456,067
Net income	**$ 809,340**	**$ 785,681**	**$ 1,396,813**	**$ 1,319,611**
Basic earnings per share	**$ 0.69**	$ 0.65	**$ 1.19**	$ 1.09
Weighted average common shares – basic	**1,167,922**	1,205,054	**1,172,531**	1,205,247
Diluted earnings per share	**$ 0.69**	$ 0.64	**$ 1.18**	$ 1.08
Weighted average common shares – diluted	**1,178,140**	1,220,615	**1,183,704**	1,221,012

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	
	July 30, 2022	July 31, 2021
Net income	**$ 809,340**	**$ 785,681**
Additions to other comprehensive (loss) income:		
Foreign currency translation adjustments, net of related tax provision of $409 in fiscal 2023 and tax benefit of $1,140 in fiscal 2022	**(30,935)**	(876)
Reclassifications from other comprehensive (loss) to net income:		
Amortization of prior service cost and deferred gains/losses, net of related tax provisions of $1,376 in fiscal 2023 and $1,590 in fiscal 2022	**3,778**	4,368
Other comprehensive (loss) income, net of tax	**(27,157)**	3,492
Total comprehensive income	**$ 782,183**	**$ 789,173**

	Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021
Net income	**$ 1,396,813**	**$ 1,319,611**
Additions to other comprehensive (loss) income:		
Foreign currency translation adjustments, net of related tax benefit of $165 in fiscal 2023 and tax provision of $1,758 in fiscal 2022	**(88,547)**	21,373
Reclassifications from other comprehensive (loss) to net income:		
Amortization of prior service cost and deferred gains/losses, net of related tax provisions of $2,751 in fiscal 2023 and $2,646 in fiscal 2022	**7,556**	7,269
Amortization of loss on cash flow hedge, net of related tax provision of $603 in fiscal 2022	—	(263)
Other comprehensive (loss) income, net of tax	**(80,991)**	28,379
Total comprehensive income	**$ 1,315,822**	**$ 1,347,990**

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

	July 30, 2022	January 29, 2022	July 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	**$ 3,531,212**	$ 6,226,765	$ 7,106,016
Accounts receivable, net	**555,691**	517,623	615,634
Merchandise inventories	**7,083,260**	5,961,573	5,086,631
Prepaid expenses and other current assets	**552,480**	438,099	459,046
Federal, state and foreign income taxes recoverable	**112,122**	114,537	121,703
Total current assets	**11,834,765**	13,258,597	13,389,030
Net property at cost	**5,389,735**	5,270,827	5,107,346
Non-current deferred income taxes, net	**171,723**	184,971	127,483
Operating lease right of use assets	**8,986,682**	8,853,934	9,183,258
Goodwill	**96,648**	96,662	97,972
Other assets	**611,053**	796,467	878,357
Total assets	**$ 27,090,606**	**$ 28,461,458**	**$ 28,783,446**
Liabilities			
Current liabilities:			
Accounts payable	**$ 4,085,478**	$ 4,465,427	$ 4,413,316
Accrued expenses and other current liabilities	**3,928,610**	4,244,997	3,968,968
Current portion of operating lease liabilities	**1,571,508**	1,576,561	1,612,603
Current portion of long-term debt	**499,646**	—	—
Federal, state and foreign income taxes payable	**61,877**	181,155	47,171
Total current liabilities	**10,147,119**	10,468,140	10,042,058
Other long-term liabilities	**916,663**	1,015,720	1,072,847
Non-current deferred income taxes, net	**67,030**	44,175	3,451
Long-term operating lease liabilities	**7,706,002**	7,575,590	7,905,814
Long-term debt	**2,857,143**	3,354,841	3,352,892
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 $1, issued and outstanding 1,161,886,769; 1,181,188,731 and 1,202,980,524 respectively	**1,161,887**	1,181,189	1,202,981
Additional paid-in capital	**—**	—	117,603
Accumulated other comprehensive loss	**(768,141)**	(687,150)	(577,692)
Retained earnings	**5,002,903**	5,508,953	5,663,492
Total shareholders' equity	**5,396,649**	6,002,992	6,406,384
Total liabilities and shareholders' equity	**$ 27,090,606**	**$ 28,461,458**	**$ 28,783,446**

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

	Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021
Cash flows from operating activities:		
Net income	**$ 1,396,813**	$ 1,319,611
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**437,733**	430,561
Loss on early extinguishment of debt	**—**	242,248
Impairment on equity investment	**217,619**	—
Loss on property disposals and impairment charges	**5,232**	482
Deferred income tax provision (benefit)	**25,867**	(39,258)
Share-based compensation	**58,186**	114,121
Changes in assets and liabilities:		
(Increase) in accounts receivable	**(47,758)**	(154,350)
(Increase) in merchandise inventories	**(1,206,761)**	(733,035)
Decrease (increase) in income taxes recoverable	**2,415**	(85,441)
(Increase) decrease in prepaid expenses and other current assets	**(49,755)**	19,738
(Decrease) in accounts payable	**(311,338)**	(425,274)
(Decrease) increase in accrued expenses and other liabilities	**(392,606)**	468,039
(Decrease) in income taxes payable	**(122,617)**	(34,819)
Increase (decrease) in net operating lease liabilities	**5,771**	(96,648)
Other, net	**(12,564)**	(79,096)
Net cash provided by operating activities	**6,237**	**946,879**
Cash flows from investing activities:		
Property additions	**(693,495)**	(444,944)
Purchases of investments	**(20,901)**	(12,182)
Sales and maturities of investments	**11,013**	14,365
Net cash (used in) investing activities	**(703,383)**	**(442,761)**
Cash flows from financing activities:		
Payments on debt	**—**	(2,975,518)
Payments for repurchase of common stock	**(1,307,202)**	(297,099)
Cash dividends paid	**(655,213)**	(628,859)
Proceeds from issuance of common stock	**49,982**	62,510
Payments of employee tax withholdings for stock awards	**(32,454)**	(24,478)
Net cash (used in) financing activities	**(1,944,887)**	**(3,863,444)**
Effect of exchange rate changes on cash	**(53,520)**	(4,228)
Net (decrease) in cash and cash equivalents	**(2,695,553)**	(3,363,554)
Cash and cash equivalents at beginning of year	**6,226,765**	10,469,570
Cash and cash equivalents at end of period	**$ 3,531,212**	**$ 7,106,016**

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

THE TJX COMPANIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)
IN THOUSANDS

	Thirteen Weeks Ended					
	Common Stock					
	Shares	Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, April 30, 2022	**1,172,711**	**$ 1,172,711**	**$ —**	**$ (740,984)**	**$ 5,163,713**	**$ 5,595,440**
Net income	**—**	**—**	**—**	**—**	**809,340**	**809,340**
Other comprehensive (loss), net of tax	**—**	**—**	**—**	**(27,157)**	**—**	**(27,157)**
Cash dividends declared on common stock	**—**	**—**	**—**	**—**	**(343,280)**	**(343,280)**
Recognition of share-based compensation	**—**	**—**	**30,850**	**—**	**—**	**30,850**
Issuance of common stock under stock incentive plan, and related tax effect	**1,022**	**1,022**	**31,034**	**—**	**(599)**	**31,457**
Common stock repurchased	**(11,846)**	**(11,846)**	**(61,884)**	**—**	**(626,271)**	**(700,001)**
Balance, July 30, 2022	**1,161,887**	**$ 1,161,887**	**$ —**	**$ (768,141)**	**$ 5,002,903**	**$ 5,396,649**

	Thirteen Weeks Ended					
	Common Stock					
	Shares	Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, May 1, 2021	**1,206,387**	**$ 1,206,387**	**$ 321,475**	**$ (581,184)**	**$ 5,192,536**	**$ 6,139,214**
Net income	—	—	—	—	785,681	785,681
Other comprehensive income, net of tax	—	—	—	3,492	—	3,492
Cash dividends declared on common stock	—	—	—	—	(314,378)	(314,378)
Recognition of share-based compensation	—	—	63,585	—	—	63,585
Issuance of common stock under stock incentive plan, and related tax effect	1,105	1,105	25,131	—	(347)	25,889
Common stock repurchased and retired	(4,511)	(4,511)	(292,588)	—	—	(297,099)
Balance, July 31, 2021	**1,202,981**	**$ 1,202,981**	**$ 117,603**	**$ (577,692)**	**$ 5,663,492**	**$ 6,406,384**

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

THE TJX COMPANIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)
IN THOUSANDS

	Twenty-Six Weeks Ended					
	Common Stock					
	Shares	Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, January 29, 2022	**1,181,189**	**$ 1,181,189**	**$ —**	**$ (687,150)**	**$ 5,508,953**	**$ 6,002,992**
Net income					**1,396,813**	**1,396,813**
Other comprehensive (loss), net of tax	**—**	**—**	**—**	**(80,991)**		**(80,991)**
Cash dividends declared on common stock	**—**	**—**	**—**	**—**	**(690,202)**	**(690,202)**
Recognition of share-based compensation	**—**	**—**	**58,186**	**—**	**—**	**58,186**
Issuance of common stock under stock incentive plan, net of shares used to pay tax withholdings	**2,167**	**2,167**	**15,485**	**—**	**(599)**	**17,053**
Common stock repurchased and retired	**(21,469)**	**(21,469)**	**(73,671)**	**—**	**(1,212,062)**	**(1,307,202)**
Balance, July 30, 2022	**1,161,887**	**$ 1,161,887**	**$ —**	**$ (768,141)**	**$ 5,002,903**	**$ 5,396,649**

	Twenty-Six Weeks Ended					
	Common Stock					
	Shares	Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, January 30, 2021	**1,204,698**	**$ 1,204,698**	**$ 260,515**	**$ (606,071)**	**$ 4,973,542**	**$ 5,832,684**
Net income	—	—	—	—	1,319,611	1,319,611
Other comprehensive income, net of tax	—	—	—	28,379		28,379
Cash dividends declared on common stock	—	—	—	—	(629,314)	(629,314)
Recognition of share-based compensation	—	—	114,121	—	—	114,121
Issuance of common stock under stock incentive plan, net of shares used to pay tax withholdings	2,794	2,794	35,555	—	(347)	38,002
Common stock repurchased	(4,511)	(4,511)	(292,588)	—	—	(297,099)
Balance, July 31, 2021	**1,202,981**	**$ 1,202,981**	**$ 117,603**	**$ (577,692)**	**$ 5,663,492**	**$ 6,406,384**

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. Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. 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 January 29, 2022 ("fiscal 2022").

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 January 29, 2022 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 January 28, 2023 ("fiscal 2023") and is a 52-week fiscal year. Fiscal 2022 was also a 52-week fiscal year. Fiscal 2024 will be a 53-week fiscal year and will end February 3, 2024.

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, reserves for uncertain tax positions and loss contingencies to be the most significant accounting policies that involve management estimates and judgments. Actual amounts could differ from these estimates, and such differences could be material.

Equity Investment

In fiscal 2020, the Company acquired a minority ownership stake in privately held Familia, an off-price retailer of apparel and home fashions domiciled in Luxembourg that operates stores throughout Russia. During the quarter ended April 30, 2022, the Company announced that it had committed to divesting its minority investment and as a result, the Company performed an impairment analysis of this investment. Based on this analysis the Company concluded that there was an other-than-temporary impairment of this investment and recorded an impairment charge of $218 million representing the entirety of the Company's investment. See Note F—Fair Value Measurements for additional information.

Deferred Gift Card Revenue

The following table presents deferred gift card revenue activity:

In thousands	**July 30, 2022**	July 31, 2021
Balance, beginning of year	**$ 685,202**	$ 576,187
Deferred revenue	**852,192**	769,970
Effect of exchange rates changes on deferred revenue	**(3,288)**	2,041
Revenue recognized	**(905,519)**	(802,194)
Balance, end of period	**$ 628,587**	$ 546,004

TJX recognized $462 million in gift card revenue for the three months ended July 30, 2022 and $436 million in gift card revenue for the three months ended July 31, 2021. 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.

Leases

Supplemental cash flow information related to leases is as follows:

	Twenty-Six Weeks Ended	
In thousands	**July 30, 2022**	July 31, 2021
Operating cash flows paid for operating leases	**$ 972,062**	$ 1,061,163
Lease liabilities arising from obtaining right of use assets	**$ 1,151,045**	$ 1,016,813

Future Adoption of New Accounting Standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update ("ASU"). The Company has reviewed the new guidance and has determined that it will either not apply to TJX or is not expected to be material to its Consolidated Financial Statements upon adoption and therefore, the guidance is not disclosed.

Note B. Property at Cost

The following table presents the components of property at cost:

In thousands	**July 30, 2022**	January 29, 2022	July 31, 2021
Land and buildings	**$ 1,960,479**	$ 1,911,569	$ 1,771,907
Leasehold costs and improvements	**3,666,573**	3,652,280	3,634,959
Furniture, fixtures and equipment	**7,080,322**	6,871,777	6,692,117
Total property at cost	**$ 12,707,374**	$ 12,435,626	$ 12,098,983
Less: accumulated depreciation and amortization	**7,317,639**	7,164,799	6,991,637
Net property at cost	**$ 5,389,735**	$ 5,270,827	$ 5,107,346

Depreciation expense was $216 million for the three months ended July 30, 2022 and $213 million for the three months ended July 31, 2021. Depreciation expense was $434 million for the six months ended July 30, 2022 and $425 million for the six months ended July 31, 2021.

Non-cash investing activities in the cash flows consist of accrued capital additions of $145 million and $126 million as of the periods ended July 30, 2022 and July 31, 2021, respectively.

Note C. Accumulated Other Comprehensive (Loss) Income

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 January 29, 2022 and the six months ended July 30, 2022:

In thousands	Foreign Currency Translation	Deferred Benefit Costs	Cash Flow Hedge on Debt	Accumulated Other Comprehensive (Loss) Income
Balance, January 30, 2021	**$ (441,532)**	**$ (164,802)**	**$ 263**	**$ (606,071)**
Additions to other comprehensive loss:				
Foreign currency translation adjustments (net of taxes of $207)	(46,715)	—	—	(46,715)
Recognition of net gains/losses on benefit obligations (net of taxes of $17,659)	—	(48,504)	—	(48,504)
Reclassifications from other comprehensive loss to net income:				
Amortization of loss on cash flow hedge (net of taxes of $603)	—	—	(263)	(263)
Amortization of prior service cost and deferred gains/losses (net of taxes of $4,588)	—	14,403	—	14,403
Balance, January 29, 2022	**$ (488,247)**	**$ (198,903)**	**$ —**	**$ (687,150)**
Additions to other comprehensive loss:				
Foreign currency translation adjustments (net of taxes of $165)	**(88,547)**			**(88,547)**
Reclassifications from other comprehensive loss to net income:				
Amortization of prior service cost and deferred gains/losses (net of taxes of $2,751)	**—**	**7,556**	**—**	**7,556**
Balance, July 30, 2022	**$ (576,794)**	**$ (191,347)**	**$ —**	**$ (768,141)**

Note D. Capital Stock and Earnings Per Share

Capital Stock

TJX repurchased and retired 11.8 million shares of its common stock at a cost of approximately $0.7 billion during the quarter ended July 30, 2022, on a “trade date” basis. During the six months ended July 30, 2022, TJX repurchased and retired 21.4 million shares of its common stock at a cost of approximately $1.3 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 $1.3 billion for the six months ended July 30, 2022 and $0.3 billion for the six months ended July 31, 2021. These expenditures were funded by cash generated from current and prior period operations.

In February 2022, 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 this program TJX had approximately $2.5 billion available for repurchase as of July 30, 2022.

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:

Amounts in thousands, except per share amounts	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
Basic earnings per share:				
Net income	**$ 809,340**	$ 785,681	**$ 1,396,813**	$ 1,319,611
Weighted average common shares outstanding for basic earnings per share calculation	**1,167,922**	1,205,054	**1,172,531**	1,205,247
Basic earnings per share	**$ 0.69**	$ 0.65	**$ 1.19**	$ 1.09
Diluted earnings per share:				
Net income	**$ 809,340**	$ 785,681	**$ 1,396,813**	$ 1,319,611
Weighted average common shares outstanding for basic earnings per share calculation	**1,167,922**	1,205,054	**1,172,531**	1,205,247
Assumed exercise / vesting of stock options and awards	**10,218**	15,561	**11,173**	15,765
Weighted average common shares outstanding for diluted earnings per share calculation	**1,178,140**	1,220,615	**1,183,704**	1,221,012
Diluted earnings per share	**$ 0.69**	$ 0.64	**$ 1.18**	$ 1.08
Cash dividends declared per share	**$ 0.295**	$ 0.26	**$ 0.59**	$ 0.52

The weighted average common shares for the diluted earnings per share calculation excludes the impact of outstanding stock options if the assumed proceeds per share of the option is in excess of the average price of TJX's common stock for the related fiscal period. Such options are excluded because they would have an antidilutive effect. There were 5.1 million such options excluded for the thirteen weeks and twenty-six weeks ended July 30, 2022. There were no such options excluded for the thirteen weeks and twenty-six weeks ended July 31, 2021.

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 Sheet 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 Accumulated other comprehensive loss 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 2022, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for fiscal 2023, and during the first six months of fiscal 2023, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for the first six months of fiscal 2024. The hedge agreements outstanding at July 30, 2022 relate to approximately 54% of TJX's estimated notional diesel requirements for the remainder of fiscal 2023 and approximately 47% of TJX's estimated notional diesel requirements for the first six months of fiscal 2024. These diesel fuel hedge agreements will settle throughout fiscal 2023 and throughout the first seven months of fiscal 2024. 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. The contracts outstanding at July 30, 2022 cover merchandise purchases the Company is committed to over the next several months. Additionally, TJX's operations in Europe are subject to foreign currency exposure as a result of their buying function being centralized in the U.K. 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. A portion of the inflows of Euros to the central buying entity provides a natural hedge for merchandise purchased from third-party vendors that is denominated in Euros. TJX calculates any excess Euro exposure each month and enters into forward contracts of approximately 30 days' duration to mitigate this exposure.

TJX also enters into derivative contracts, generally designated as fair value hedges, to hedge intercompany debt. The changes in fair value of these contracts are recorded in Selling, general and administrative expenses and are offset by marking the underlying item to fair value in the same period. Upon settlement, the realized gains and losses on these contracts are offset by the realized gains and losses of the underlying item in Selling, general and administrative expenses.

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at July 30, 2022:

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 July 30, 2022
Fair value hedges:									
Intercompany balances, primarily debt related:									
€	60,000	£	50,568		0.8428	Prepaid Exp	$ 343	$ —	$ 343
A$	170,000	U.S.$	119,579		0.7034	Prepaid Exp / (Accrued Exp)	810	(1,040)	(230)
U.S.$	74,646	£	55,000		0.7368	(Accrued Exp)	—	(6,831)	(6,831)
£	150,000	U.S.$	203,667		1.3578	Prepaid Exp	19,059	—	19,059
€	200,000	U.S.$	223,126		1.1156	Prepaid Exp / (Accrued Exp)	14,663	(117)	14,546
Economic hedges for which hedge accounting was not elected:									
Diesel fuel contracts	Fixed on 2.6M – 3.9M gal per month		Float on 2.6M – 3.9M gal per month		N/A	Prepaid Exp	38,234	—	38,234
Intercompany billings in TJX International, primarily merchandise related:									
€	205,500	£	173,888		0.8462	Prepaid Exp	2,145	—	2,145
Merchandise purchase commitments:									
C$	807,155	U.S.$	635,000		0.7867	Prepaid Exp / (Accrued Exp)	6,657	(984)	5,673
C$	25,978	€	19,000		0.7314	(Accrued Exp)	—	(685)	(685)
£	439,682	U.S.$	569,000		1.2941	Prepaid Exp / (Accrued Exp)	29,989	(2,151)	27,838
A$	71,070	U.S.$	50,750		0.7141	Prepaid Exp / (Accrued Exp)	1,055	(364)	691
zł	701,000	£	124,092		0.1770	Prepaid Exp / (Accrued Exp)	2,215	(34)	2,181
U.S.$	113,734	€	104,500		0.9188	Prepaid Exp / (Accrued Exp)	110	(5,970)	(5,860)
Total fair value of derivative financial instruments							$ 115,280	$ (18,176)	$ 97,104

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at January 29, 2022:

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 January 29, 2022
Fair value hedges:								
Intercompany balances, primarily debt related:								
zł	25,000	£	4,541	0.1816	Prepaid Exp	$ 72	$ —	$ 72
€	60,000	£	50,568	0.8428	Prepaid Exp	111	—	111
A$	170,000	U.S.$	122,061	0.7180	Prepaid Exp	2,047	—	2,047
U.S.$	74,646	£	55,000	0.7368	(Accrued Exp)	—	(918)	(918)
€	200,000	U.S.$	230,319	1.1516	Prepaid Exp	4,535	—	4,535
Economic hedges for which hedge accounting was not elected:								
Diesel fuel contracts	Fixed on 3.6M – 4.0M gal per month		Float on 3.6M– 4.0M gal per month	N/A	Prepaid Exp	23,649	—	23,649
Intercompany billings in TJX International, primarily merchandise related:								
€	91,000	£	75,894	0.8340	(Accrued Exp)	—	(145)	(145)
Merchandise purchase commitments:								
C$	987,756	U.S.$	783,000	0.7927	Prepaid Exp / (Accrued Exp)	6,641	(80)	6,561
C$	38,138	€	26,500	0.6948	(Accrued Exp)	—	(248)	(248)
£	325,482	U.S.$	442,100	1.3583	Prepaid Exp / (Accrued Exp)	6,023	(632)	5,391
zł	453,000	£	82,112	0.1813	Prepaid Exp / (Accrued Exp)	744	(449)	295
A$	65,551	U.S.$	47,500	0.7246	Prepaid Exp	1,270	—	1,270
U.S.$	66,989	€	59,000	0.8807	(Accrued Exp)	—	(820)	(820)
Total fair value of derivative financial instruments						**$ 45,092**	**$ (3,292)**	**$ 41,800**

The following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at July 31, 2021:

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 July 31, 2021
Fair value hedges:									
Intercompany balances, primarily debt related:									
zł	45,000	£	8,846		0.1966	Prepaid Exp	$ 562	$ —	$ 562
A$	110,000	U.S.$	84,198		0.7654	Prepaid Exp	3,100	—	3,100
U.S.$	75,102	£	55,000		0.7323	Prepaid Exp	1,351	—	1,351
£	250,000	U.S.$	346,344		1.3854	Prepaid Exp / (Accrued Exp)	426	(1,504)	(1,078)
€	170,000	U.S.$	207,623		1.2213	Prepaid Exp / (Accrued Exp)	5,169	(143)	5,026
C$	150,000	U.S.$	124,009		0.8267	Prepaid Exp	3,698	—	3,698
Economic hedges for which hedge accounting was not elected:									
Diesel fuel contracts	Fixed on 3.3M – 4.0M gal per month		Float on 3.3M – 4.0M gal per month		N/A	Prepaid Exp	21,805	—	21,805
Intercompany billings in TJX International, primarily merchandise related:									
€	98,000	£	84,053		0.8577	Prepaid Exp	343	—	343
Merchandise purchase commitments:									
C$	630,947	U.S.$	512,000		0.8115	Prepaid Exp / (Accrued Exp)	7,066	(1,132)	5,934
C$	34,928	€	23,500		0.6728	Prepaid Exp / (Accrued Exp)	93	(161)	(68)
£	396,740	U.S.$	555,900		1.4012	Prepaid Exp / (Accrued Exp)	5,202	(678)	4,524
A$	52,396	U.S.$	39,225		0.7486	Prepaid Exp / (Accrued Exp)	656	(36)	620
zł	400,100	£	75,659		0.1891	Prepaid Exp / (Accrued Exp)	961	(126)	835
U.S.$	55,198	€	45,000		0.8152	(Accrued Exp)	—	(1,713)	(1,713)
Total fair value of derivative financial instruments							**$ 50,432**	**$ (5,492)**	**$ 44,940**

The impact of derivative financial instruments on the Consolidated Statements of Income is presented below:

In thousands	Location of Gain (Loss) Recognized in Income by Derivative	Amount of Gain (Loss) Recognized in Income by Derivative			
		Thirteen Weeks Ended		Twenty-Six Weeks Ended	
		July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
Fair value hedges:					
Intercompany balances, primarily debt related	Selling, general and administrative expenses	**$ 8,961**	$ 15,417	**$ 33,356**	$ 12,553
Economic hedges for which hedge accounting was not elected:					
Diesel fuel contracts	Cost of sales, including buying and occupancy costs	**9,356**	7,276	**53,529**	20,846
Intercompany billings in TJX International, primarily merchandise related	Cost of sales, including buying and occupancy costs	**252**	3,427	**(118)**	3,545
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	**7,465**	11,710	**48,394**	(4,259)
Gain recognized in income		**$ 26,034**	$ 37,830	**$ 135,161**	$ 32,685

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	**July 30, 2022**	January 29, 2022	July 31, 2021
Level 1			
Assets:			
Executive Savings Plan investments	**$ 364,333**	$ 387,666	$ 394,078
Level 2			
Assets:			
Foreign currency exchange contracts	**$ 77,046**	$ 21,443	$ 28,627
Diesel fuel contracts	**38,234**	23,649	21,805
Liabilities:			
Foreign currency exchange contracts	**$ 18,176**	$ 3,292	$ 5,492

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 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 July 30, 2022 was $2.7 billion compared to a carrying value of $2.9 billion. The fair value of the current portion of long-term debt as of July 30, 2022 was $0.5 billion compared to a carrying value of $0.5 billion. The fair value of long-term debt as of January 29, 2022 was $3.5 billion compared to a carrying value of $3.4 billion. The fair value of long-term debt as of July 31, 2021 was $3.7 billion compared to a carrying value of $3.4 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. For additional information on long-term debt, see Note I—Long-Term Debt and Credit Lines.

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis, whereas the majority of assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances, such as when there is evidence of an impairment. For the periods ended July 30, 2022, January 29, 2022 and July 31, 2021, the Company did not record any material impairments to long-lived assets.

During the first quarter of fiscal 2023, the Company announced its intention to divest from its position in its minority investment in Familia and re-characterized this investment as held-for-sale valued as a Level 3 position. Given the lack of an active market or observable inputs, the Company derived an exit price which indicated that this investment had no market value. The Company recorded a $218 million charge in the first quarter of fiscal 2023 which represents the entirety of its investment.

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, Homesense, and homegoods.com) 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 the Company's 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, interest expense, net and certain separately disclosed unusual or infrequent items. "Segment profit or loss," as defined by TJX, may not be comparable to similarly titled measures used by other entities. This measure of performance should not be considered an alternative to net income or cash flows from operating activities as an indicator of TJX's performance or as a measure of liquidity.

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

In thousands	Thirteen Weeks Ended July 30, 2022	Thirteen Weeks Ended July 31, 2021	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021
Net sales:				
In the United States:				
Marmaxx	**$ 7,235,219**	$ 7,348,931	**$ 14,107,489**	$ 13,989,417
HomeGoods	**1,856,313**	2,083,261	**3,892,098**	4,225,017
TJX Canada	**1,248,706**	1,021,549	**2,330,234**	1,787,085
TJX International	**1,502,770**	1,623,322	**2,919,661**	2,162,205
Total net sales	**$ 11,843,008**	$ 12,077,063	**$ 23,249,482**	$ 22,163,724
Segment profit (loss):				
In the United States:				
Marmaxx	**$ 933,177**	$ 1,014,175	**$ 1,837,399**	$ 1,839,030
HomeGoods	**49,616**	182,526	**171,601**	434,128
TJX Canada	**197,772**	118,686	**324,390**	190,263
TJX International	**104,615**	173,456	**117,847**	(48,102)
Total segment profit	**1,285,180**	1,488,843	**2,451,237**	2,415,319
General corporate expense	**188,583**	163,602	**265,961**	324,044
Impairment on equity investment	**—**	—	**217,619**	—
Loss on early extinguishment of debt	**—**	242,248	**—**	242,248
Interest expense, net	**11,007**	28,661	**29,792**	73,349
Income before income taxes	**$ 1,085,590**	$ 1,054,332	**$ 1,937,865**	$ 1,775,678

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	**July 30, 2022**	July 31, 2021	**July 30, 2022**	July 31, 2021
Service cost	**$ 12,168**	$ 12,718	**$ 728**	$ 755
Interest cost	**14,426**	13,188	**931**	780
Expected return on plan assets	**(22,229)**	(23,992)	**—**	—
Amortization of net actuarial loss and prior service cost	**4,276**	4,697	**878**	1,155
Total expense	**$ 8,641**	$ 6,611	**$ 2,537**	$ 2,690

	Funded Plan		Unfunded Plan	
	Twenty-Six Weeks Ended		Twenty-Six Weeks Ended	
In thousands	**July 30, 2022**	July 31, 2021	**July 30, 2022**	July 31, 2021
Service cost	**$ 24,336**	$ 24,937	**$ 1,455**	$ 1,510
Interest cost	**28,852**	26,000	**1,862**	1,560
Expected return on plan assets	**(44,457)**	(47,984)	**—**	—
Amortization of net actuarial loss and prior service cost	**8,550**	7,500	**1,757**	2,309
Total expense	**$ 17,281**	$ 10,453	**$ 5,074**	$ 5,379

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. The Company does not anticipate any required funding in fiscal 2023 for the funded plan. The Company anticipates making contributions of $4 million to provide current benefits coming due under the unfunded plan in fiscal 2023.

The amounts included in amortization of net actuarial loss and prior service cost in the table above have been reclassified in their entirety from Accumulated other comprehensive loss to the Consolidated Statements of Income, net of related tax effects, for the periods presented.

Note I. Long-Term Debt and Credit Lines

The table below presents long-term debt as of July 30, 2022, January 29, 2022 and July 31, 2021. All amounts are net of unamortized debt discounts.

In thousands	**July 30, 2022**	January 29, 2022	July 31, 2021
General corporate debt:			
2.500% senior unsecured notes, maturing May 15, 2023 (effective interest rate of 2.51% after reduction of unamortized debt discount of $33 at July 30, 2022, $56 at January 29, 2022 and $78 at July 31, 2021)	**$ 499,967**	$ 499,944	$ 499,922
2.250% senior unsecured notes, maturing September 15, 2026 (effective interest rate of 2.32% after reduction of unamortized debt discount of $3,046 at July 30, 2022, $3,419 at January 29, 2022 and $3,792 at July 31, 2021)	**996,954**	996,581	996,208
1.150% senior unsecured notes, maturing May 15, 2028 (effective interest rate of 1.18% after reduction of unamortized debt discount of $747 at July 30, 2022, $811 at January 29, 2022, and $875 at July 31, 2021)	**499,253**	499,189	499,125
3.875% senior unsecured notes, maturing April 15, 2030 (effective interest rate of 3.89% after reduction of unamortized debt discount of $475 at July 30, 2022, $506 at January 29, 2022 and $537 at July 31, 2021)	**495,375**	495,344	495,313
1.600% senior unsecured notes, maturing May 15, 2031 (effective interest rate of 1.61% after reduction of unamortized debt discount of $521 at July 30, 2022, $551 at January 29, 2022, and $581 at July 31, 2021)	**499,479**	499,449	499,419
4.500% senior unsecured notes, maturing April 15, 2050 (effective interest rate of 4.52% after reduction of unamortized debt discount of $2,094 at July 30, 2022, $2,132 at January 29, 2022 and $2,170 at July 31, 2021)	**383,405**	383,367	383,329
Total debt	**3,374,433**	3,373,874	3,373,316
Current maturities of long-term debt, net of debt issuance costs	**(499,646)**	—	—
Debt issuance costs	**(17,644)**	(19,033)	(20,424)
Long-term debt	**$ 2,857,143**	$ 3,354,841	$ 3,352,892

Credit Facilities

The Company has two revolving credit facilities, a $1 billion senior unsecured revolving credit facility maturing in June 2026 (the "2026 Revolving Credit Facility") and a $500 million revolving credit facility that matures in May 2024 (the "2024 Revolving Credit Facility"). Under these credit facilities, the Company has maintained a borrowing capacity of $1.5 billion. The terms of these revolving credit facilities require quarterly payments on the committed amount and payment of interest on borrowings at rates based on LIBOR or a base rate plus a variable margin, in each case based on the Company's long-term debt ratings. The 2024 Revolving Credit Facility requires usage fees based on total credit extensions under the facility. As of July 30, 2022, January 29, 2022 and July 31, 2021, there were no amounts outstanding under any of the Company's facilities. 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 3.50 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 July 30, 2022, January 29, 2022 and July 31, 2021, 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 July 30, 2022, January 29, 2022 and July 31, 2021, and during the quarters and year then ended, there were no amounts outstanding on the Canadian credit lines for operating expenses. As of July 30, 2022, January 29, 2022 and July 31, 2021, the Company's European business at TJX International had an uncommitted credit line of £5 million. As of July 30, 2022, January 29, 2022 and July 31, 2021, 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 25.4% for the second quarter of fiscal 2023 and 25.5% for the second quarter of fiscal 2022. The effective income tax rate was 27.9% for the first six months of fiscal 2023 and 25.7% for the first six months of fiscal 2022. The increase in the effective income tax rate for the first six months of fiscal 2023 was primarily due to the impairment of the Company’s minority investment in Familia, which as of July 30, 2022, did not have an associated tax benefit, and a reduction of excess tax benefits from share-based compensation, partially offset by the change of jurisdictional mix of profits and losses and the resolution of various tax matters.

TJX had net unrecognized tax benefits of $272 million as of July 30, 2022, $288 million as of January 29, 2022 and $280 million as of July 31, 2021.

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 is to classify interest and penalties related to income tax matters as part of income tax expense. The accrued amounts for interest and penalties on the Consolidated Balance Sheets was $39 million as of July 30, 2022, $43 million as of January 29, 2022 and $40 million as of July 31, 2021.

Based on the final resolution of tax examinations, judicial or administrative proceedings, changes in facts or law, expirations of statutes of limitations in specific jurisdictions or other resolutions of, or changes in, tax positions, it is reasonably possible that unrecognized tax benefits for certain tax positions taken on previously filed tax returns may change materially from those represented on the consolidated financial statements as of July 30, 2022. During the next 12 months, it is reasonably possible that tax audit resolutions may reduce unrecognized tax benefits by up to $40 million, which would reduce the provision for taxes on earnings.

Note K. Contingent Obligations, Contingencies, and Commitments

Contingent Contractual Obligations

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 sometimes limited in time or amount. There are no amounts reflected in the Company’s Consolidated Balance Sheets with respect to these contingent obligations.

Legal Contingencies

TJX is subject to certain legal proceedings, lawsuits, disputes and claims that arise from time to time in the ordinary course of its business. TJX has accrued immaterial amounts in the accompanying Consolidated Financial Statements for certain of its legal proceedings.

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

The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended July 30, 2022
Compared to
The Thirteen Weeks (second quarter) and Twenty-Six Weeks (six months) Ended July 31, 2021

OVERVIEW

We are the leading off-price apparel and home fashions retailer in the U.S. and worldwide. Our mission is to deliver great value to our customers every day. We do this by selling 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 through our stores and five distinctive branded e-commerce sites. We operate over 4,700 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, Homesense and homegoods.com); 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

As an overview of our financial performance, results for the quarter ended July 30, 2022 include the following:

- Net sales decreased 2% to $11.8 billion for the second quarter of fiscal 2023 versus last year’s second quarter sales of $12.1 billion. As of July 30, 2022, the number of stores in operation increased 2% and selling square footage increased 1% compared to the end of the second quarter of fiscal 2022.
- U.S. comp store sales decreased 5% for the second quarter of fiscal 2023. The U.S. open-only comp store sales increase was 21% for the second quarter of fiscal 2022. See Net Sales below for definition of both U.S. comp store sales and U.S. open-only comp store sales.
- Net sales decreased 7% for TJX International and increased 22% for TJX Canada for the second quarter of fiscal 2023. On a constant currency basis, net sales increased 6% and 28% for TJX International and TJX Canada, respectively.
- Diluted earnings per share for the second quarter of fiscal 2023 were $0.69 versus $0.64 in the second quarter of fiscal 2022. The second quarter of fiscal 2022 included a $0.15 negative impact due to a debt extinguishment charge.
- Pre-tax profit margin (the ratio of pre-tax income to net sales) for the second quarter of fiscal 2023 was 9.2%, which was a 0.5 percentage point increase compared with 8.7% in the second quarter of fiscal 2022. The second quarter of fiscal 2022 included a 2 percentage point negative impact due to a debt extinguishment charge.
- Our cost of sales ratio, including buying and occupancy costs, for the second quarter of fiscal 2023 was 72.4%, a 1.8 percentage point increase compared with 70.6% in the second quarter of fiscal 2022.
- Our selling, general and administrative (“SG&A”) expense ratio for the second quarter of fiscal 2023 was 18.4%, which was flat versus the second quarter of fiscal 2022.
- Our consolidated 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 33% on a reported basis and 35% on a constant currency basis at the end of the second quarter of fiscal 2023.
- During the second quarter of fiscal 2023, we returned over $1 billion to our shareholders through share repurchases and dividends.

Operating Results as a Percentage of Net Sales

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
Net sales	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Cost of sales, including buying and occupancy costs	**72.4**	70.6	**72.2**	71.2
Selling, general and administrative expenses	**18.4**	18.4	**18.4**	19.4
Impairment on equity investment	**—**	—	**0.9**	—
Loss on early extinguishment of debt	**—**	2.0	**—**	1.1
Interest expense, net	**0.1**	0.2	**0.1**	0.3
Income before provision for income taxes*	**9.2 %**	8.7 %	**8.3 %**	8.0 %

* Figures may not foot due to rounding.

Net Sales

Net sales for the quarter ended July 30, 2022 totaled $11.8 billion, a 2% decrease versus second quarter fiscal 2022 net sales of $12.1 billion. The decrease reflects a 5% decrease in U.S. comp store sales and a 2% negative impact from foreign currency exchange rates. This decrease was partially offset by a fully open store base for the second quarter compared to having temporary store closures in the second quarter of fiscal 2022, as well as an increase from non-comp store sales. Net sales from our e-commerce sites combined amounted to less than 2% of total sales for each of the second quarters of fiscal 2023 and fiscal 2022.

Net sales for the six months ended July 30, 2022 totaled $23.2 billion, a 5% increase versus the first six months of fiscal 2022 net sales of $22.2 billion. The increase reflects a fully open store base for the six-month period compared to having temporary store closures for the first six months of fiscal 2022, as well as an increase from non-comp store sales. This was partially offset by a 2% decrease in U.S. comp store sales and a 2% negative impact from foreign currency exchange rates. Net sales from our e-commerce sites combined amounted to less than 3% of total sales for the first six months of both fiscal 2023 and fiscal 2022.

For fiscal 2023, we returned to our historical definition of comparable store sales. While stores in the U.S. were open for all of fiscal 2022, a significant number of stores in TJX Canada and TJX International experienced COVID-19 related temporary store closures and government-mandated shopping restrictions during fiscal 2022. Therefore, we cannot measure year-over-year comparable store sales with fiscal 2022 in these geographies in a meaningful way. As a result, the comparable stores included in the fiscal 2023 measure consist of U.S. stores only, which we refer to as U.S. comparable store sales (“U.S. comp store sales”) and are calculated against sales for the comparable periods in fiscal 2022.

U.S. comp store sales decreased 5% for the second quarter and 2% for the first six months of fiscal 2023 compared to a 21% open-only comp store sales increase in the second quarter and a 19% open-only comp store increase in the first six months of fiscal 2022. U.S. comp store sales for both periods reflect a decrease in customer traffic partially offset by an increase in average basket driven by higher average ticket. Positive apparel comp sales outperformed a decline in home fashions sales for the second quarter and first six months ended July 30, 2022.

There remains significant uncertainty in the current macro-economic environment, driven by inflationary pressures, as well as ongoing industry-wide supply chain issues. These factors have impacted, and are expected to continue to impact, consumer discretionary spending and many of the costs in our business.

As of July 30, 2022, our store count increased 2% and selling square footage increased 1% compared to the end of the second quarter last year.

Definition of Comp Store Sales

We define comparable store sales, or comp store 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 store 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.

Sales excluded from comp store sales (“non-comp store sales”) consist of sales from:

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

We determine which stores are included in the comp store 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.

Comp store sales of our foreign segments are calculated by translating the current year’s comp store sales using the prior year’s exchange rates. This removes the effect of changes in currency exchange rates, which we believe is a more accurate measure of segment operating performance.

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

We define customer traffic to be the number of transactions in stores 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.

Open-Only Comp Store Sales

Due to the temporary closing of stores as a result of the COVID-19 pandemic, our historical definition of comp store sales was not applicable for fiscal 2022. In order to provide a performance indicator for its stores, during fiscal 2022, we temporarily reported open-only comp store sales. Open-only comp store sales included stores initially classified as comp stores at the beginning of fiscal 2021. This measure reported the sales increase or decrease of these stores for the days the stores were open in fiscal 2022 against sales for the same days in fiscal 2020, prior to the emergence of the global pandemic.

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. We specifically refer to “foreign currency” as the impact of translational foreign currency exchange and mark-to-market of inventory derivatives, as described in detail below. This does not include the impact foreign currency exchange rates can have on various transactions that are denominated in a currency other than an operating division's local currency, which are referred to as “transactional foreign exchange,” and also described below.

Translation Foreign Exchange

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 assets, liabilities, 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.

Mark-to-Market Inventory 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.

Transactional Foreign Exchange

When discussing the impact on our results of the effect of foreign currency exchange rates on certain transactions, we refer to it as "transactional foreign exchange". This primarily includes the impact that foreign currency exchange rates may have on the year-over-year comparison of merchandise margin as well as "foreign currency gains and losses" on transactions that are denominated in a currency other than the operating division's local currency. These two items can impact segment margin comparison of our foreign divisions and we have highlighted them when they are meaningful to understanding operating trends.

Cost of Sales, Including Buying and Occupancy Costs

Cost of sales, including buying and occupancy costs, as a percentage of net sales was 72.4% for the second quarter of fiscal 2023, an increase of 1.8 percentage points from 70.6% for the second quarter of fiscal of 2022.

Cost of sales, including buying and occupancy costs, as a percentage of net sales was 72.2% for the first six months of fiscal 2023, an increase of 1.0 percentage point from 71.2% for the first six months of fiscal of 2022.

The increase in the cost of sales ratio, including buying and occupancy costs, for the second quarter and six-month period was primarily attributable to lower merchandise margin and investments in supply chain. Within merchandise margin, strong markon and a benefit from our pricing initiative were more than offset by approximately 2.4 percentage points of incremental freight for the second quarter and approximately 2.3 percentage points of incremental freight for the first six months of fiscal 2023 as well as higher markdowns. Additionally, the second quarter was further impacted by deleverage on occupancy and administrative costs and unfavorable mark-to-market adjustments on inventory and fuel hedges.

Selling, General and Administrative Expenses

SG&A expenses, as a percentage of net sales, were 18.4% for the second quarter of fiscal 2023, which was flat relative to last year's second quarter ratio of 18.4%.

SG&A expenses, as a percentage of net sales, were 18.4% for the first six months of fiscal 2023, a decrease of 1.0 percentage points over last year's first six months ratio of 19.4%.

For the second quarter, the SG&A ratio was flat compared to the same period of fiscal 2022 primarily driven by lower store payroll costs due to a reduction in COVID-related costs, partially offset by higher store wages, as well as government programs received in the second quarter of fiscal 2022 that did not continue in fiscal 2023. The decrease in the SG&A ratio for the first six months of fiscal 2023 compared to the same period of fiscal 2022 was primarily driven by store payroll due to a reduction of COVID-related costs.

Impairment on Equity Investment

During the first quarter ended April 30, 2022, due to the Russian invasion of Ukraine, we announced that we had committed to divesting our minority investment in Familia, an off-price retailer of apparel and home fashions domiciled in Luxembourg that operates stores in Russia. As a result, we performed an impairment analysis and concluded that there was an other-than-temporary impairment of this investment. We recorded an impairment charge of $218 million representing the entire carrying value of the investment in the first quarter of fiscal 2023. This charge had a $0.18 negative impact on earnings per share for the six months ended July 30, 2022.

Interest Expense, net

The components of interest expense, net are summarized below:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
In millions	**July 30, 2022**	July 31, 2021	**July 30, 2022**	July 31, 2021
Interest expense	**$ 23**	$ 30	**$ 46**	$ 77
Capitalized interest	**(2)**	(1)	**(3)**	(2)
Interest (income)	**(10)**	(1)	**(13)**	(2)
Interest expense, net	**$ 11**	$ 28	**$ 30**	$ 73

Net interest expense decreased for both the second quarter of fiscal 2023 and the six months ended July 30, 2022 compared to the same periods in fiscal 2022, primarily due to the $2.75 billion pay down of outstanding debt during fiscal 2022 as well as an increase in interest income over the same periods.

Provision for Income Taxes

The effective income tax rate was 25.4% for the second quarter of fiscal 2023 compared to 25.5% for the second quarter of fiscal 2022. The effective income tax rate was 27.9% and 25.7% for the first six months of fiscal 2023 and fiscal 2022, respectively. The increase in the effective income tax rate for the first six months of fiscal 2023 is primarily due to the impairment of our minority investment in Familia, which, as of July 30, 2022, did not have an associated tax benefit, and a reduction of excess tax benefits from share-based compensation, partially offset by the change of jurisdictional mix of profits and losses and the resolution of various tax matters.

Net Income and Diluted Earnings Per Share

Net income for the second quarter of fiscal 2023 was $0.8 billion, or $0.69 per diluted share compared with $0.8 billion, or $0.64 per diluted share for the second quarter of fiscal 2022. Foreign currency had a $0.03 negative impact on earnings per share for the second quarter of fiscal 2023 compared to a $0.01 positive impact on earnings per share for the second quarter of fiscal 2022. The $242 million debt extinguishment charge in fiscal 2022 had a $0.15 negative impact on earnings per share for the second quarter of fiscal 2022.

Net income for the first six months of fiscal 2023 was $1.4 billion, or $1.18 per diluted share compared with $1.3 billion, or $1.08 per diluted share for the first six months of fiscal 2022. The $218 million impairment on our minority investment in Familia had a $0.18 negative impact on earnings per share for the first six months of fiscal 2023. Foreign currency had a $0.02 negative impact on earnings per share for the first six months of fiscal 2023 compared to a $0.01 positive impact on earnings per share for the first six months of fiscal 2022. The $242 million debt extinguishment charge in fiscal 2022 had a $0.15 negative impact on earnings per share for the first six months of fiscal 2022.

Segment Information

We operate four main business segments. Our Marmaxx segment (T.J. Maxx, Marshalls, tjmaxx.com and marshalls.com) and our HomeGoods segment (HomeGoods, Homesense and homegoods.com) 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, and certain separately disclosed unusual or infrequent items. “Segment profit or loss,” as we define the term, may not be comparable to similarly titled measures used by other companies. 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 July 30, 2022	Thirteen Weeks Ended July 31, 2021	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021
Net sales	**$ 7,235**	$ 7,349	**$ 14,107**	$ 13,989
Segment profit	**$ 933**	$ 1,014	**$ 1,837**	$ 1,839
Segment profit margin	**12.9 %**	13.8 %	**13.0 %**	13.1 %
Comp store sales[a]	**(2)%**	18 %	**0 %**	15 %
Stores in operation at end of period:				
T.J. Maxx			**1,290**	1,283
Marshalls			**1,157**	1,145
Sierra			**62**	52
Total			**2,509**	2,480
Selling square footage at end of period (in thousands):				
T.J. Maxx			**27,986**	27,887
Marshalls			**26,318**	26,144
Sierra			**1,005**	847
Total			**55,309**	54,878

(a) Comp store sales reported for fiscal 2023 and open-only comp store sales reported for fiscal 2022.

Net Sales

Net sales for Marmaxx were $7.2 billion for the second quarter of fiscal 2023, a decrease of 2% compared to $7.3 billion for the second quarter of fiscal 2022. The decrease in the second quarter was driven by a 2% decrease from comp store sales. The decrease in comp store sales was primarily attributable to a decrease in customer traffic, partially offset by an increase in average basket driven by higher average ticket. Net sales for Marmaxx were $14.1 billion for the first six months of fiscal 2023, an increase of 1% compared to $14.0 billion for the first six months of fiscal 2022 due to non-comp store sales. Comp store sales growth for the first six months was flat. For both the three and six months ended July 30, 2022, positive apparel sales outperformed a decline in home fashions sales.

Segment Profit Margin

Segment profit margin decreased to 12.9% for the second quarter of fiscal 2023 compared to 13.8% for the same period last year. Segment profit margin decreased to 13.0% for the first six months of fiscal 2023 compared to 13.1% for the same period last year. The decrease in segment profit margin for both periods was primarily driven by deleverage on lower comp store sales, primarily in occupancy and administrative costs, higher store and distribution center wages and lower merchandise margin, partially offset by store payroll reflecting lower COVID-related expenses. Within merchandise margin, incremental freight costs and higher markdowns were partially offset by strong markon and the benefits from our pricing initiative.

Our Marmaxx e-commerce sites, tjmaxx.com and marshalls.com, together with sierra.com, represented less than 3% of Marmaxx's net sales for the second quarter and the first six months of fiscal 2023 and fiscal 2022, and did not have a significant impact on year-over-year segment margin comparisons.

HomeGoods

U.S. dollars in millions	Thirteen Weeks Ended July 30, 2022	Thirteen Weeks Ended July 31, 2021	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021
Net sales	**$ 1,856**	$ 2,083	**$ 3,892**	$ 4,225
Segment profit	**$ 50**	$ 182	**$ 172**	$ 434
Segment profit margin	**2.7 %**	8.8 %	**4.4 %**	10.3 %
Comp store sales[(a)]	**(13)%**	36 %	**(10)%**	38 %
Stores in operation at end of period:				
HomeGoods			**862**	846
Homesense			**40**	39
Total			**902**	885
Selling square footage at end of period (in thousands):				
HomeGoods			**15,760**	15,475
Homesense			**858**	837
Total			**16,618**	16,312

(a) Comp store sales reported for fiscal 2023 and open-only comp store sales reported for fiscal 2022.

Net Sales

Net sales for HomeGoods were $1.9 billion for the second quarter of fiscal 2023, a decrease of 11%, compared to $2.1 billion for the second quarter of fiscal 2022. The decrease in the second quarter reflects a 13% decrease from comp store sales, partially offset by a 2% increase from non-comp store sales. Net sales for HomeGoods were $3.9 billion for the first six months of fiscal 2023, a decrease of 8%, compared to $4.2 billion for the first six months of fiscal 2022. The decrease in the first six months reflects a 10% decrease from comp store sales, partially offset by a 2% increase from non-comp store sales. The decreases in comp store sales for both the second quarter and first six months of fiscal 2023 were driven by a decrease in customer traffic, partially offset by an increase in average basket driven by higher average ticket.

Segment Profit Margin

Segment profit margin decreased to 2.7% for the second quarter of fiscal 2023 compared to 8.8% for the same period last year. Segment profit margin decreased to 4.4% for the first six months of fiscal 2023 compared to 10.3% for the same period last year. The decrease in segment profit margin for both periods was driven by lower merchandise margin, deleverage on lower comp store sales, primarily in occupancy and administrative costs, and higher store and distribution center wages. The decrease in segment profit margin for both periods was partially offset by store and distribution payroll reflecting lower COVID-related expenses and fewer units processed. Merchandise margin includes incremental freight costs of nearly 8 percentage points and approximately 7.4 percentage points in the second quarter and six months ended July 30, 2022, respectively, as well as higher markdowns. These costs were partially offset by strong markon and the benefits from our pricing initiative.

Our HomeGoods e-commerce website, homegoods.com, represented less than 1% of HomeGoods net sales for the second quarter and the first six months of fiscal 2023, and did not have a significant impact on year-over-year segment margin comparisons.

FOREIGN SEGMENTS

TJX Canada

U.S. dollars in millions	Thirteen Weeks Ended July 30, 2022	Thirteen Weeks Ended July 31, 2021	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021
Net sales	**$ 1,248**	$ 1,022	**$ 2,330**	$ 1,787
Segment profit	**$ 197**	$ 118	**$ 324**	$ 190
Segment profit margin	**15.8 %**	11.6 %	**13.9 %**	10.6 %
Stores in operation at end of period:				
Winners			**295**	290
HomeSense			**150**	147
Marshalls			**106**	105
Total			**551**	542
Selling square footage at end of period (in thousands):				
Winners			**6,324**	6,241
HomeSense			**2,778**	2,733
Marshalls			**2,220**	2,201
Total			**11,322**	11,175

Net Sales

Net sales for TJX Canada were $1.2 billion for the second quarter of fiscal 2023, an increase of 22% compared to $1.0 billion for the second quarter of fiscal 2022. Net sales for TJX Canada were $2.3 billion for the first six months of fiscal 2023, an increase of 30% compared to $1.8 billion for the first six months of fiscal 2022. The increase in net sales reflects having a fully open store base for all of the second quarter and first six months of fiscal 2023, compared to temporary store closures for 22% of the second quarter and 24% of the first six months of fiscal 2022 as a result of the COVID-19 pandemic, partially offset by a negative impact due to foreign currency exchange rates for 6% and 4% in the second quarter and first six months of fiscal 2023, respectively. In addition to stores being open for more days in the second quarter and first six months of fiscal 2023, net sales further increased due to an increase in average basket driven by higher average ticket.

Segment Profit Margin

Segment profit margin increased to 15.8% for the second quarter of fiscal 2023 compared to 11.6% for the same period last year. Segment profit margin increased to 13.9% for the first six months of fiscal 2023 compared to 10.6% for the same period last year. The increase for the second quarter and first six months of fiscal 2023 was primarily driven by increased sales due to having a fully open store base compared to the temporary store closures in the same periods in fiscal 2022. This was partially offset by government programs received in the second quarter and first six months of fiscal 2022 that did not continue into fiscal 2023. Within merchandise margin, strong markon, lower markdowns and the benefits from our pricing initiative offset incremental freight costs in the second quarter of fiscal 2023. For the first six months of fiscal 2023, incremental freight costs more than offset strong markon and the benefits from our pricing initiative.

TJX International

U.S. dollars in millions	Thirteen Weeks Ended July 30, 2022	Thirteen Weeks Ended July 31, 2021	Twenty-Six Weeks Ended July 30, 2022	Twenty-Six Weeks Ended July 31, 2021
Net sales	**$ 1,503**	$ 1,623	**$ 2,920**	$ 2,162
Segment profit (loss)	**$ 105**	$ 174	**$ 118**	$ (48)
Segment profit margin	**7.0 %**	10.7 %	**4.0 %**	(2.2)%
Stores in operation at end of period:				
T.K. Maxx			**626**	616
Homesense			**77**	78
T.K. Maxx Australia			**71**	64
Total			**774**	758
Selling square footage at end of period (in thousands):				
T.K. Maxx			**12,590**	12,373
Homesense			**1,126**	1,142
T.K. Maxx Australia			**1,246**	1,143
Total			**14,962**	14,658

Net Sales

Net sales for TJX International were $1.5 billion for the second quarter of fiscal 2023, a decrease of 7% compared to $1.6 billion for the second quarter of fiscal 2022. The decrease in net sales was primarily due to a negative foreign currency exchange rate impact of 13% in the second quarter of fiscal 2023, partially offset by an increase in average basket primarily due to higher average ticket. Net sales for TJX International were $2.9 billion for the first six months of fiscal 2023, an increase of 35% compared to $2.2 billion for the first six months of fiscal 2022. The increase in net sales reflects having a fully open store base for all of the first six months of fiscal 2023, compared to temporary store closings of 37% of the first six months of fiscal 2022 as a result of the COVID-19 pandemic. In addition, net sales further increased due to an increase in average basket, partially offset by a negative impact due to foreign currency exchange rates of 14% in the first six months of fiscal 2023.

E-commerce sales were approximately 3% and 5% of TJX International’s net sales for the second quarters of fiscal 2023 and fiscal 2022, respectively and 3% and 7% for the first six months of the same periods. For the second quarter and first six months of fiscal 2022 temporary store closures due to the COVID-19 pandemic resulted in an increased e-commerce contribution.

Segment Profit Margin

Segment profit margin decreased to 7.0% for the second quarter of fiscal 2023 compared to 10.7% for the same period last year. This decrease primarily reflects government programs received in the second quarter of fiscal 2022 that did not continue into fiscal 2023, expense deleverage on occupancy and administrative costs and lower merchandise margin in fiscal 2023. Within merchandise margin, incremental freight costs and higher markdowns offset strong markon. The segment profit margin decrease was partially offset by lower third party storage costs.

Segment profit margin increased to 4.0% for the first six months of fiscal 2023 compared to loss of 2.2% for the same period last year. This increase was primarily driven by additional sales due to having a fully open store base for the first six months of fiscal 2023 compared to the temporary store closures in the same period in fiscal 2022 as well as lower COVID-related expenses in stores and distribution centers. This was partially offset by government programs received in fiscal 2022 that did not continue into fiscal 2023 and lower merchandise margin in fiscal 2023. Within merchandise margin, strong markon was more than offset by higher markdowns and incremental freight costs.

GENERAL CORPORATE EXPENSE

In millions	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
General corporate expense	**$ 189**	$ 164	**$ 266**	$ 324

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 and inventory hedges is included in cost of sales, including buying and occupancy costs.

The increase in general corporate expense for the second quarter of fiscal 2023 was primarily driven by unfavorable mark-to-market adjustments on inventory and fuel hedges, partially offset by lower share-based and incentive compensation costs.

The decrease in general corporate expense for the first six months of fiscal 2023 was primarily driven by lower share-based incentive costs and the timing of contributions to TJX's charitable foundations partially offset by unfavorable mark-to-market adjustments on inventory and fuel hedges.

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 July 30, 2022, there were no short-term bank borrowings or commercial paper outstanding. We have current maturities of long-term debt which will mature in the first half of fiscal 2024. We believe our existing cash and cash equivalents, internally generated funds and our credit facilities, under which facilities we have $1.5 billion available as of the period ended July 30, 2022, as described in Note I—Long-Term Debt and Credit Lines of Notes to Consolidated Financial Statements, are adequate to meet our operating needs for the foreseeable future.

As of July 30, 2022, we held $3.5 billion in cash. Approximately $1.2 billion of our cash was held by our foreign subsidiaries with $0.5 billion held in countries where we intend to indefinitely reinvest any undistributed earnings. We have 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 July 30, 2022. 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.

We monitor debt financing markets on an ongoing basis and from time to time may incur additional long-term indebtedness depending on prevailing market conditions, liquidity requirements, existing economic conditions and other factors. In fiscal 2022 we used, and in the future we may again use, operating cash flow and cash on hand to repay portions of our indebtedness, depending on prevailing market conditions, liquidity requirements, existing economic conditions, contractual restrictions and other factors. As such, we may, from time to time, seek to retire, redeem, prepay or purchase our outstanding debt through redemptions, cash purchases, prepayments, refinancings and/or exchanges, in open market purchases, privately negotiated transactions, by tender offer or otherwise. If we use our operating cash flow and/or cash on hand to repay our debt, it will reduce the amount of cash available for additional capital expenditures.

Operating Activities

Operating activities resulted in net cash inflows of $6 million for the six months ended July 30, 2022 and $947 million for the six months ended July 31, 2021.

Operating cash flows decreased compared to fiscal 2022, with the primary driver being a $0.9 billion decrease in accrued expenses, the largest component of which was lower incentive compensation costs.

Investing Activities

Investing activities resulted in net cash outflows of $0.7 billion for the six months ended July 30, 2022 and $0.4 billion for the six months ended July 31, 2021. The cash outflows for both periods were driven by capital expenditures.

Investing activities in the first six months of fiscal 2023 primarily reflected property additions for investments in our new stores, store improvements and renovations as well as investments in our distribution centers and offices, including buying and merchandising systems and other information systems. We anticipate that capital spending for the full fiscal year 2023 will be approximately $1.7 billion to $1.9 billion. We plan to fund these expenditures through cash flows from operations.

Financing Activities

Financing activities resulted in net cash outflows of $1.9 billion for the first six months of fiscal 2023 and net cash outflows of $3.9 billion for the six months ended July 31, 2021. The cash outflows for fiscal 2023 were primarily driven by equity repurchases and dividend payments.

Debt

The cash outflows in the first six months of fiscal 2022 were due to the completion of make-whole calls and the redemption at par of certain of our notes.

Our 2.50% ten-year Notes due May 2023 will mature during our second quarter of fiscal 2024 and are included within our current maturities of long-term debt, see Note I—Long-Term Debt and Credit Lines of Notes to Consolidated Financial Statements. We plan to repay this debt by cash generated from operations.

Equity

Under our stock repurchase programs, we paid $1.3 billion to repurchase and retire 21.5 million shares of our stock on a settlement basis in the first six months of fiscal 2023. As of July 30, 2022, approximately $2.5 billion remained available under our existing stock repurchase program. We paid $0.3 billion to repurchase and retire 4.6 million shares of our stock on a settlement basis in the first six months of fiscal 2022. For further information regarding equity repurchases, see Note D – Capital Stock and Earnings Per Share of Notes to Consolidated Financial Statements.

Dividends

We declared quarterly dividends on our common stock of $0.295 per share in the first six months of fiscal 2023 and $0.26 per share in the first six months of fiscal 2022. Cash payments for dividends on our common stock totaled $0.7 billion for the first six months of fiscal 2023 and $0.6 billion for the first six months of fiscal 2022.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There have been no material changes to the critical accounting estimates as discussed in TJX's Annual Report on Form 10-K for the fiscal year ended January 29, 2022. 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 January 29, 2022 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: the ongoing COVID-19 pandemic and associated containment and remediation efforts; execution of buying strategy and inventory management; various marketing efforts; customer trends and preferences; competition; operational and business expansion; management of large size and scale; merchandise sourcing and transport; labor costs and workforce challenges; personnel recruitment, training and retention; data security and maintenance and development of information technology systems; corporate and retail banner reputation; cash flow; expanding international operations; fluctuations in quarterly operating results and market expectations; mergers, acquisitions, or business investments and divestitures, closings or business consolidations; real estate activities; inventory or asset loss; economic conditions and consumer spending; market instability; serious disruptions or catastrophic events; disproportionate impact of disruptions in the second half of the fiscal year; commodity availability and pricing; adverse or unseasonable weather; fluctuations in currency exchange rates; compliance with laws, regulations and orders and changes in laws, regulations and applicable accounting standards; outcomes of litigation, legal proceedings and other legal or regulatory matters; quality, safety and other issues with our merchandise; tax matters; 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 January 29, 2022.

Item 4. Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 30, 2022 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 July 30, 2022 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

See Note K—Contingent Obligations, Contingencies, and Commitments of Notes to Consolidated Financial Statements for information on legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended January 29, 2022, as filed with the Securities Exchange Commission on March 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

INFORMATION ON SHARE REPURCHASES

The number of shares of common stock repurchased by TJX during the second quarter of fiscal 2023 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)]
May 1, 2022 through May 28, 2022	2,006,088	$ 59.82	2,006,088	$ 3,073,792,904
May 29, 2022 through July 2, 2022	6,198,528	$ 58.56	6,198,528	$ 2,710,792,381
July 3, 2022 through July 30, 2022	3,644,832	$ 59.54	3,644,832	$ 2,493,792,375
Total	**11,849,448**		**11,849,448**	

(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 2022, we announced that our Board of Directors had approved a new stock repurchase program that authorizes the repurchase of up to an additional $3.0 billion of our common stock from time to time. Under this program we had approximately $2.5 billion available for repurchase as of July 30, 2022.

Item 6. Exhibits

Exhibit No.	Description	Incorporate by Reference		
		Form	Exhibit No.	Filing Date
10.1	The Stock Incentive Plan (2022 Restatement), filed herewith*			
10.2	The Stock Incentive Plan Rules for U.K. Employees, effective as of January 30, 2022, filed herewith*			
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 July 30, 2022, 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 Statements 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 July 30, 2022, formatted in Inline XBRL (included in Exhibit 101)			

* Management contract or compensatory plan or arrangement.

SIGNATURE

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

THE TJX COMPANIES, INC.
(Registrant)

Date: August 26, 2022

/s/ Scott Goldenberg

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

Exhibit 10.1

THE TJX COMPANIES, INC.
<u>STOCK INCENTIVE PLAN</u>
(2022 Restatement)

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THE TJX COMPANIES, INC.
STOCK INCENTIVE PLAN
(2022 Restatement)

SECTION 1. NAME; EFFECTIVE DATE; GENERAL PURPOSE

The name of the plan is The TJX Companies, Inc. Stock Incentive Plan (2022 Restatement) (the “Plan”). The Plan is an amendment and restatement of The TJX Companies, Inc. Stock Incentive Plan. The Plan is effective as of January 30, 2022 (referred to herein as the “Effective Date”) and the provision of the Plan as herein amended and restated shall apply to all Awards outstanding as of, or granted after, the Effective Date. All Awards outstanding as of the Effective Date, including Awards granted on the Effective Date, are referred to herein as “Outstanding Awards.”

The purpose of the Plan is to secure for The TJX Companies, Inc. (the “Company”) and its stockholders the benefit of the incentives inherent in stock ownership and the receipt of incentive awards by selected employees and directors of the Company and its Subsidiaries who contribute to and will be responsible for its continued long term growth. The Plan is intended to motivate such individuals to enhance the long-term value of the Company by providing an opportunity for capital appreciation and to recognize services that contribute to the success of the Company. Capitalized terms used in the Plan shall have the meaning set forth in Section 14.

SECTION 2. PLAN ADMINISTRATION

(a) The Plan shall be administered by the Executive Compensation Committee of the Board or such other committee of the Board as the Board may from time to time determine (the “Committee”).

(b) The Committee shall have the power and authority to do any or all of the following in its sole discretion: grant Awards, including the power and authority to select from among those eligible the persons to whom Awards may from time to time be granted; determine the time or times of grant of any Awards; to determine the number of shares to be covered by any Award; determine the terms and conditions of any Award, including the form of settlement thereunder (whether in shares of Stock, other property, cash or a combination of the foregoing); accelerate the vesting and/or exercisability of any Award; adopt such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; interpret the terms and provisions of the Plan and any Award; prescribe such forms and agreements as it deems advisable in connection with any Award; make all determinations it deems advisable for the administration of the Plan; decide all disputes arising in connection with the Plan; and otherwise supervise the administration of the Plan.

(c) The Committee may delegate its power and authority under the Plan to such officers or other employees of the Company or a Subsidiary, or other persons, as it determines; provided, that only the Committee shall have the power and authority to take such actions under the Plan as are required by applicable law or stock exchange requirements to be taken by Independent

Directors. To the extent consistent with the foregoing, the Committee may, as part of any such delegation, provide that all or part of any such delegated powers and authorities may be further delegated to any officer, employee or person to whom the Committee could have made the delegation in the first instance. For purposes of the Plan, other than in this Section 2(c), and as used in any Award, the term "Committee" shall be deemed to include any such delegate (or subdelegate) acting within the scope of any such delegation (or subdelegation), to the extent of such delegation.

(d) All decisions and interpretations of the Committee shall be binding on all persons, including the Company, its Subsidiaries and Participants.

SECTION 3. SHARES ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION.

(a) *Shares Issuable.*

(i) The number of shares of Stock ("Share Limit") available to be issued under the Plan, determined as of the Effective Date (and including, for the avoidance of doubt, shares that as of the Effective Date were subject to Outstanding Awards) is 98,878,820. For purposes of the Share Limit, (A) each share subject to a Stock Option or SAR shall count as one (1) share and each share subject to any other Award shall count as one and thirteen one-hundredths (1.13) shares; (B) shares issued under the Plan shall include only the number of shares actually issued under an Award and shall not include shares subject to an Award to the extent the Award is forfeited, expires, or is satisfied without the issuance of Stock; provided, however, that unissued shares resulting from the net settlement in Stock of a Stock Option or SAR, and shares retained by or delivered to the Company to satisfy any purchase or exercise price or the payment of withholding taxes in connection with a Stock Option or SAR, shall be treated as issued; and further provided, for the avoidance of doubt, that the purchase of shares by the Company on the open market with the proceeds of the exercise of a Stock Option will not increase the Share Limit; and (C) to the extent an Outstanding Award other than a Stock Option or SAR is forfeited, the Share Limit shall be appropriately increased consistent with clause (A) above.

(ii) The following limits also apply to Awards, subject in each case to the Share Limit: (A) the maximum number of shares of Stock that in the aggregate are available to be issued pursuant to the exercise of ISOs shall not exceed the Share Limit; (B) the number of shares of Stock subject to each of Stock Options, SARs and Performance Awards awarded to any Participant during any consecutive three-year period shall be limited to 32,000,000 shares each; and (C) the maximum number of shares subject to Full Value Awards granted on or after January 30, 2022 with a vesting schedule of less than three years from the date of grant and not described in any of clauses (i) through (iv) of the second paragraph of Section 7(c) shall not exceed 5,000,000.

(iii) In addition to the limits set forth in Section 3(a)(ii), with respect to each Eligible Director, the aggregate value of all Awards granted under the Plan to such Eligible Director for his or her services as an Eligible Director for any fiscal year, together with the value of all cash retainers and other compensation paid by the Company to such Eligible Director outside of the Plan for his or her services as an Eligible Director for such fiscal year, may not exceed $800,000 in the aggregate for such fiscal year, calculating the value of any Awards based on the grant date fair value in accordance with applicable accounting principles (including FASB ASC Topic 718 or any successor provision), and assuming a maximum payout, if applicable. For the avoidance of doubt, the limitation in this Section 3(a)(iii) will not apply to compensation granted or paid to an Eligible Director for his or her services to the Company or a Subsidiary other than as an Eligible Director, if any, including, without limitation, as a consultant or advisor to the Company or a Subsidiary.

(iv) Shares issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(v) The Company shall appropriately reserve shares in connection with the grant of Awards to reflect the limitations set forth above.

The per-individual limits described above shall be construed to include earnings or notional earnings on Awards.

(b) *Stock Dividends, Mergers, etc.* In the event of a stock dividend, stock split, reverse stock split or similar change in capitalization, or extraordinary dividend or distribution or restructuring transaction affecting the Stock, the Committee shall make appropriate adjustments in the number and kind of shares of stock or securities on which Awards may thereafter be granted, including the limits described in Section 3(a) and Section 7(c), and shall make such adjustments in the number and kind of shares remaining subject to outstanding Awards, and the option or purchase price in respect of such shares as it may deem appropriate with a view toward preserving the value of outstanding awards. In the event of any merger, consolidation, dissolution or liquidation of the Company, the Committee in its sole discretion may, as to any outstanding Awards, make such substitution or adjustment in the aggregate number of shares reserved for issuance under the Plan and in the number and purchase price (if any) of shares subject to such Awards as it may determine, or accelerate, amend or terminate such Awards upon such terms and conditions as it shall provide (which, in the case of the termination of the vested portion of any Award, shall require payment or other consideration which the Committee deems equitable in the circumstances), subject, however, to the provisions of Section 12.

(c) *Substitute Awards.* The Company may grant Awards under the Plan in conversion, replacement or adjustment of outstanding options or other equity-based compensation awards held by employees of another corporation or other entity who become employees or Eligible Directors of the Company or a Subsidiary as described in the first sentence of Section 4 as the result of a merger or consolidation of the employing corporation or other entity (or an affiliate of such corporation or entity) with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of stock of the employing corporation or an affiliate. The Committee may direct that the converted, replacement or adjusted awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances to reflect the transaction. The shares that may be delivered under such substitute Awards shall be in addition to the limitations on the number of shares available for issuance under Awards and other limits described in Section 3(a).

SECTION 4. ELIGIBILITY.

Participants in the Plan will be (i) such full or part time officers and other employees of the Company and its Subsidiaries who are selected from time to time by the Committee in its sole discretion, and (ii) Eligible Directors. Persons who are not employees of the Company or a subsidiary (within the meaning of Section 424 of the Code) shall not be eligible to receive grants of ISOs.

SECTION 5. DURATION OF AWARDS; TERM OF PLAN.

(a) *Duration of Awards*. Subject to Sections 13(a) and 13(e) below, no Stock Option or SAR may remain exercisable beyond 10 years from the grant date, and no other Award shall have a vesting or restriction period that extends beyond 10 years from the grant date, except that deferrals elected by Participants of the receipt of Stock or other benefits under the Plan may extend beyond such date.

(b) *Latest Grant Date*. No Award shall be granted after June 7, 2032, but outstanding Awards may extend beyond such dates.

SECTION 6. STOCK OPTIONS; SARs.

Any Stock Option or SAR granted under the Plan shall be in such form as the Committee may from time to time approve. Stock Options granted under the Plan may be either ISOs or NSOs. Any Stock Option that is not expressly designated as an ISO at time of grant shall be deemed to have been expressly designated at time of grant as an NSO.

Stock Options granted under the Plan shall be subject to the provisions of Sections 6(a) through Section 6(f) below. SARs shall be subject to the provisions of Section 6(g) below; and Stock Options and SARs shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable. No term of an Award shall provide for automatic “reload” grants of additional Awards upon the exercise of a Stock Option or SAR. Except as contemplated by Section 3(b), no dividends or dividend equivalent payments shall be payable with respect to Stock Options or SARs.

(a) *Option Price.* The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall be not less than 100% of Fair Market Value on the date of grant.

(b) *Exercisability.* Stock Options shall be exercisable at such time or times, whether or not in installments, as shall be determined by the Committee at or after the grant date. The

Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. Unless the Committee expressly provides otherwise, the following rules will apply to any portion of a Stock Option that is outstanding immediately prior to the termination of employment of the person to whom the Stock Option was granted (the “Outstanding Stock Option”)

(i) *Termination by Reason of Death or Disability: Partial Acceleration of Exercisability*. If the employment of such person terminates by reason of death or Disability, in either case occurring more than three months after the grant of the Outstanding Stock Option, the Outstanding Stock Option shall be exercisable as to the number of shares for which it could have been exercised immediately prior to such termination or, if greater, (A) the total number of shares subject to the Stock Option multiplied by a fraction, the numerator of which shall be the number of days between the grant of the Stock Option and such termination and the denominator of which shall be the number of days between the grant of the Stock Option and the date upon which the Stock Option, by its terms, would have become fully exercisable, minus (B) the number of shares, if any, previously purchased under the Stock Option. For the avoidance of doubt, (y) if the employment of such person terminates by reason of death or Disability, in either case occurring within three months of the grant of the Outstanding Stock Option, this Section 6(b)(i) shall not apply to the Outstanding Stock Option and (z) this Section 6(b)(i) shall apply regardless of whether the employment of such person terminates at a time when such person has satisfied the requirements for Normal Retirement or Special Service Retirement.

(ii) *Termination by Reason of Death: Extension of Exercise Period*. If the employment of such person terminates by reason of death, the Outstanding Stock Option may thereafter be exercised, to the extent exercisable immediately prior to death (determined after taking into account any applicable acceleration), for a period of five years (or such other period as may be specified under the terms of the Stock Option) from the date of death or until the expiration of the stated term of the option, if earlier.

(iii) *Termination by Reason of Disability: Extension of Exercise Period*. If the employment of such person terminates by reason of Disability, the Outstanding Stock Option may thereafter be exercised, to the extent it was exercisable immediately prior to such termination (determined after taking into account any applicable acceleration), for a period of five years (or such other period as may be specified under the terms of the Stock Option) from the date of such termination of employment or until the expiration of the stated term of the option, if earlier. The death during the final year of such exercise period of the person to whom such Stock Option was granted shall, to the extent the Stock Option remains outstanding, extend such period for one year following death or until the expiration of the stated term of the option, if earlier.

(iv) *Termination by Reason of Normal Retirement: Extension of Exercise Period*. If the employment of such person terminates by reason of Normal Retirement, or if the employment of such person terminates for any reason (other than for Cause) at a time when such person has satisfied the requirements for Normal Retirement, the Outstanding Stock Option may thereafter be exercised, to the extent that it was exercisable immediately prior to such termination, for a period of five years (or such other period as may be specified under the terms of the Stock Option) from the date of such termination or until the expiration of the stated term of the option, if earlier. The death during the final year of such exercise period of the person to whom such Stock Option was granted shall, to the extent the Stock Option remains outstanding, extend such period for one year following death, subject to termination on the expiration of the stated term of the option, if earlier.

(v) *Termination by Reason of Special Service Retirement: Continued Vesting and Extension of Exercise Perio*d. If the employment of such person terminates by reason of a Special Service Retirement, or if the employment of such person terminates for any reason (other than for Cause) at a time when such person has satisfied the requirements for Special Service Retirement, the Outstanding Stock Option may thereafter be exercised, to the extent exercisable from time to time as hereinafter determined, for a period of five years (or such other period as may be specified under the terms of the Stock Option) from the date of such termination or until the expiration of the stated term of the option, if earlier. The death during the final year of such exercise period of the person to whom such Stock Option was granted shall, to the extent the Stock Option remains outstanding, extend such period for one year following death or until the expiration of the stated term of the option, if earlier. To the extent the Outstanding Stock Option is not yet fully exercisable at the date of the Special Service Retirement (or the date of such other termination (other than for Cause) as contemplated above in this subclause (v)) of the person to whom the Stock Option was granted, it shall continue to become exercisable over the period of three years following the employment termination date (subject to the stated term of the option, or on such accelerated or other basis as the Committee shall at any time determine and after giving effect to any accelerated vesting set forth in subclause (i) above), on the same basis as if such person had not retired.

(vi) *Other Termination*. If the employment of such person terminates for any reason other than death, Disability, Normal Retirement, Special Service Retirement or for Cause, and at a time when such person has not satisfied the requirements for Normal Retirement or Special Service Retirement, the Outstanding Stock Option may thereafter be exercised, to the extent it was exercisable on the date of termination of employment, for a period of three months (or such other period as may be specified under the terms of the Stock Option) from the date of termination of employment or until the expiration of the stated term of the option, if earlier. Notwithstanding any other provision of this Section 6(b)(i) through (v), if the employment of such person terminates or is terminated for Cause, all outstanding Stock Options previously granted to such person (whether or not exercisable) shall immediately terminate.

Unless the Committee expressly provides otherwise, each Stock Option shall terminate and cease to be outstanding as follows: (A) in the event of any termination of employment by any person who has not satisfied the requirements for Special Service Retirement, any portion of the Outstanding Stock Option that is not exercisable immediately prior to such termination of employment (determined after taking into account any applicable acceleration) shall terminate and cease to be outstanding upon such termination; (B) in the case of a Special Service Retirement, any portion of the Outstanding Stock Option that has not become exercisable by the last day of the applicable post-retirement vesting period under clause (v) above shall terminate and cease to be outstanding at the end of such period; and (C) to the extent not earlier exercised, forfeited or terminated, and after giving effect to any settlement pursuant to Section 6(f), any outstanding portion of the Stock Option (whether or not exercisable) shall terminate and cease to be outstanding upon expiration of any applicable post-termination of employment exercise period or upon the expiration of the stated term of the option, if earlier.

Stock Options that are exercisable may be exercised only by the person to whom the Stock Option was granted during such person's lifetime. In the event of such person's death, Stock Options that are exercisable may be exercised by his or her legal representative, legatee or such other person as permitted by administrative procedures under the Plan or as otherwise approved by the Committee. If applicable, Stock Options may also be settled in accordance with Section 6(f).

(c) *Method of Exercise.* The person holding a Stock Option may exercise the Stock Option in whole or in part in accordance with and subject to such exercise procedures as the Committee may from time to time establish, each of which shall require, as the Committee determines, delivery to the Committee of the full purchase price plus (as provided in Section 13(d)) any taxes required to be withheld in connection with the exercise, or delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay such purchase price and taxes, for the portion of Stock Option so exercised. If so permitted by the Committee in its discretion and subject to such limitations and restrictions as the Committee may impose, payment in full or in part of the exercise price or payment of withholding taxes (as provided in Section 13(d)) may also be made in the form of shares of Stock not then subject to restrictions under any Company plan, including shares of Stock that would otherwise be delivered under such Stock Option. The person holding a Stock Option shall have the rights of a shareholder (including, but not limited to, rights to receive dividends) only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) *Non-transferability of Options.* No ISO (and, except as determined by the Committee, no NSO) shall be transferable by the person to whom such Stock Option was granted otherwise than by will or by the laws of descent and distribution, and all ISOs (and, except as determined by the Committee, all NSOs) shall be exercisable during the lifetime of the person to whom such Stock Options were granted only by such person. Transfers of NSOs, if any, permitted by the Committee shall be limited to gratuitous transfers (transfers not for value).

Where an NSO is permitted by the Committee to be transferred, references in the Plan to the "person to whom the Stock Option was granted" and similar terms shall be construed, as the Committee in its discretion deems appropriate, to include any permitted transferee to whom the Stock Option is transferred.

(e) *Form of Settlement.* Subject to Section 13(a) and Section 13(e) below, shares of Stock issued upon exercise of a Stock Option shall be free of all restrictions under the Plan, except as provided in the following sentence. The Committee may provide at time of grant that the shares to be issued upon the exercise of a Stock Option shall be in the form of Restricted Stock, or may reserve the right to so provide after time of grant.

(f) *Automatic Settlement.* Except as otherwise provided by the Committee and subject to such limitations as the Committee may prescribe, if a Stock Option granted on or after January 31, 2009 remains unexercised on the date it would otherwise have expired and if on such date the Fair Market Value of the shares subject to the Stock Option exceeds the aggregate consideration that would have been required to have been paid to purchase such shares had the Stock Option been exercised, the person then holding the Stock Option shall be deemed to have requested, and the Committee shall be deemed to have approved, a cancellation of such Stock Option in accordance with the first sentence of this Section 6(f) and the amount payable pursuant to the first sentence of this Section 6(f) shall be paid in the form of shares of Stock in accordance with the first sentence of this Section 6(f). The Committee may provide that the automatic settlement provision set forth in the foregoing sentence applies to a Stock Option granted prior to January 31, 2009.

(g) *SARs*. An SAR is an award entitling the recipient to receive an amount in cash or shares of Stock (or in any other form of payment acceptable to the Committee) or a combination thereof having a value determined by reference to (and not to exceed) the excess of the Fair Market Value of a share of Stock on the date of exercise over the Fair Market Value of a share of Stock on the date of grant (or over the option exercise price, if the SAR was granted in tandem with a Stock Option). The Committee shall determine all terms of SARs granted under the Plan. SARs may be granted in tandem with, or independently of, any Stock Option granted under the Plan. Any SAR granted in tandem with ISOs shall comply with the ISO rules relating to tandem SARs. The Committee may at any time accelerate the exercisability of all or any portion of any SAR.

SECTION 7. OTHER STOCK-BASED AWARDS.

(a) *Nature of Stock Awards*. Awards under this Section 7 include Awards other than Stock Options or SARs that entitle the recipient to acquire for a purchase price (which may be zero) shares of Stock subject to restrictions under the Plan (including a right on the part of the Company during a specified period to repurchase such shares at their original purchase price, or to require forfeiture if the purchase price was zero, upon the Participant's termination of employment) determined by the Committee ("Restricted Stock"); Awards that entitle the recipient, with or without payment, to the future delivery of shares of Stock, subject to such conditions and restrictions as may be determined by the Committee ("Stock Units"); and other

Awards (excluding Stock Options or SARs) under which Stock may be acquired or which are otherwise based on the value of Stock.

(b) *Rights as a Shareholder*. A Participant shall have all the rights of a shareholder, including voting and dividend rights, (i) only as to shares of Stock received by the Participant under an Other Stock-based Award, and (ii) in any case, subject to such nontransferability restrictions, Company repurchase or forfeiture rights, and other conditions as are made applicable to the Award.

(c) *Restrictions*. The Committee may determine the conditions under which an Other Stock-based Award, or Stock acquired under an Other Stock-based Award, shall be forfeited, and may at any time accelerate, waive or, subject to Section 10, amend any or all of such limitations or conditions. Each Other Stock-based Award shall specify the terms on which such Award or the shares under such Award shall vest (become free of restrictions under the Plan), which may include, without limitation, terms that provide for vesting on a specified date or dates, vesting based on the satisfaction of specified performance conditions, and accelerated vesting in the event of termination of employment under specified circumstances. The Committee shall take such steps as it determines to be appropriate to reflect any restrictions applicable to an Other Stock-based Award or the shares thereunder and to facilitate the recovery by the Company of any such Award or shares that are forfeited. Notwithstanding the foregoing but subject to Section 3(a)(ii)(C) and subject to the following provisions of this paragraph, no grants of Full Value Awards shall specify a vesting date that is less than three years from the date of grant other than (i) grants made in connection with a Participant's commencement of employment with the Company or any Subsidiary; (ii) Performance Awards, the vesting of which is set by reference to a performance period of at least one year; (iii) Awards that specify full vesting in no less than three years and partial vesting at a rate no faster than one-third of the Award each year; and (iv) Awards to Eligible Directors under Section 7(e). Acceleration of vesting of a Full Value Award (whether pursuant to the original terms of an Award or otherwise) in the event of death, disability, retirement or a Change of Control shall not be taken into account in determining whether the Full Value Award complies with the foregoing vesting limitations.

Except as otherwise determined by the Committee, if the employment by the Company and its Subsidiaries of a person to whom an Other Stock-based Award has been granted terminates for any reason, (i) any shares of Restricted Stock that are not then vested (taking into account any accelerated vesting applicable to such shares under the terms of the Award or otherwise) shall be resold to the Company at their purchase price or forfeited to the Company if the purchase price was zero and (ii) any Other Stock-based Award that is not then vested (taking into account any accelerated vesting applicable to such Award under the terms of the Award or otherwise) shall immediately terminate. The Committee at any time may accelerate the vesting date or dates for an Other Stock-based Award or for Restricted Stock, if any, granted thereunder and may otherwise waive or, subject to Section 10, amend any conditions of the Award. Neither the Committee nor the Company shall be liable for any adverse tax or other consequences to a Participant from any such acceleration, waiver, or amendment.

(d) *Dividends; Dividend Equivalents*. A Participant's rights under an Other Stock-based Award to dividends (or dividend equivalent payments, in the case of an Other Stock-based Award, if any, other than Restricted Stock, that is subject to vesting conditions and as to which the Committee has made provision for such payments) shall be treated as unvested so long as such Award remains unvested (the "restricted period"), and any such dividends or dividend equivalent payments that would otherwise have been paid during the restricted period shall instead be accumulated and paid following the date on which such Award is determined by the Company to have vested (in such timeframe as established by the Committee).

(e) *Annual Deferred Stock Awards, Additional Deferred Stock Awards and Dividend Awards for Eligible Directors.*

(i) *Accounts*. The Company shall establish and maintain an Account in the name of each Eligible Director to which the Annual Deferred Stock Awards, Additional Deferred Stock Awards and Dividend Awards shall be credited.

(ii) *Annual Awards*. On the date of each Annual Meeting, each Eligible Director who is elected a Director at such Annual Meeting shall automatically and without further action by the Board or Committee be granted an Annual Deferred Stock Award as provided in subsection (iv) and an Additional Deferred Stock Award as provided in subsection (v). On each date other than the date of an Annual Meeting on which an Eligible Director is first elected a Director by the Board, the Eligible Director then so elected shall automatically and without further action by the Board or Committee be granted a prorated Annual Deferred Stock Award as provided in subsection (iv) and a prorated Additional Deferred Stock Award as provided in subsection (v). The grant of each Annual Deferred Stock Award and Additional Deferred Stock Award shall entitle each recipient, automatically and without further action by the Board or the Committee, to Dividend Awards as provided in subsection (vi).

(iii) *Nature of Awards*. Each Annual Deferred Stock Award, Additional Deferred Stock Award and Dividend Award shall be an Other Stock-based Award subject to the terms of this Plan and shall constitute an unfunded and unsecured promise of the Company to deliver in the future to such Eligible Director, without payment, the number of shares of Stock in the amounts and at the times hereinafter provided. The shares of Stock notionally credited to the Accounts of Eligible Directors shall be notional shares only and shall not entitle the Eligible Director to any voting rights, dividend or distribution or other rights except as expressly set forth herein. Nothing herein shall obligate the Company to issue or set aside shares of Stock, in trust or otherwise, to meet its contractual obligations hereunder.

(iv) *Annual Deferred Stock Award*. In respect of each Annual Deferred Stock Award granted on the date of an Annual Meeting, the Company shall credit to each Eligible Director's Account, effective as of the date of such Annual Meeting, the number of notional shares of Stock, including any fractional share, equal to an

amount determined by the Board (subject to the limit contained in Section 3(a)(iii)) divided by the Fair Market Value of a share of Stock on the date of such Annual Meeting. In respect of each Annual Deferred Stock Award granted on a date other than the date of an Annual Meeting, the Company shall credit to the Account of the Eligible Director first elected on such date the number of notional shares of Stock, including any fractional share, equal to (i) an amount determined by the Board (subject to the limit contained in Section 3(a)(iii)) divided by the Fair Market Value of a share of Stock on the date of such first election multiplied by (ii) the quotient (not greater than one) obtained by dividing (A) the number of days starting with the date of such first election and ending on the day first preceding the anticipated date of the next Annual Meeting, by (B) 365.

(v) Additional Deferred Stock Award. In addition to the Annual Deferred Stock Award, the Company shall credit to the Account of each Eligible Director, effective as of the date that any Annual Deferred Stock Award is credited to such Account, an Additional Deferred Stock Award covering the same number of shares as are covered by such Annual Deferred Stock Award determined in the same manner prescribed in subsection (iv) above.

(vi) Dividend Awards. Except as otherwise determined by the Committee, and subject to and in accordance with such rules that may be prescribed by the Committee for crediting dividends with respect to shares allocated to the Eligible Director's Account, the Company shall credit (each such credit, a "Dividend Award") the Account of each Eligible Director on the date of each Annual Meeting and on the date on which an Eligible Director ceases to be a Director if not the date of an Annual Meeting with a number of notional shares of Stock, including any fractional share, equal to (i) plus (ii), divided by (iii), where:

(i) is the product obtained by multiplying the number of shares then allocated to such Eligible Director's Account (disregarding, for purposes of this clause (i), any shares credited to such Account since the date of the immediately preceding Annual Meeting) by the aggregate per-share amount of regular cash dividends for which the record date occurred since the date of the immediately preceding Annual Meeting;

(ii) is the product obtained by multiplying the number of shares first credited to such Eligible Director's Account since the date of the immediately preceding Annual Meeting but prior to the date of such Dividend Award by the aggregate per-share amount of regular cash dividends for which the record date occurred since the date that such shares were credited to such Account; and

(iii) is the Fair Market Value of one share of Stock on the date of such Dividend Award.

(vii) Vesting. Each Annual Deferred Stock Award, and any Dividend Awards in respect of Annual Deferred Stock Awards, shall vest immediately upon grant and be non-forfeitable. Unless earlier vested pursuant to Section 12, each Additional Deferred Stock Award, and any Dividend Awards in respect of Additional Deferred Stock Awards, shall vest and become non-forfeitable on the date immediately preceding the date of the Annual Meeting next succeeding the date of grant of such Award, provided, that the recipient is still a Director on such date. Upon termination of an Eligible Director's service as a Director for any reason, the Eligible Director shall forfeit any then unvested Additional Deferred Stock Award and any Dividend Awards in respect of then unvested Additional Deferred Stock Awards (determined after taking into account any acceleration of vesting pursuant to Section 12).

(viii) Delivery. With respect to any Annual Deferred Stock Awards, unless otherwise determined by the Committee, the Company shall deliver to an Eligible Director (or a former Eligible Director) the number of shares of Stock, rounded up to the next full share, represented by notional shares of Stock credited to the Account of such Eligible Director in respect of Annual Deferred Stock Awards (including any Dividend Awards made in respect of such Annual Deferred Stock Awards) at the earlier of the following : (x) immediately prior to a Change of Control or (y) not later than sixty (60) days following the Eligible Director's death or earlier separation from service (as determined under the regulations under Section 409A of the Code). With respect to any vested Additional Deferred Stock Award, unless otherwise determined by the Committee, absent an election to defer delivery of the shares of Stock subject to such Award pursuant to subsection (ix) below, the Company shall deliver to an Eligible Director the number of shares of Stock, rounded up to the next full share, represented by notional shares of Stock credited to the Account of such Eligible Director in respect of such Additional Deferred Stock Award (including any Dividend Awards made in respect of such Additional Deferred Stock Award) within sixty (60) days following the date of vesting pursuant to subsection (vii) above or, if earlier and if so provided in accordance with the terms of the applicable Award pursuant to Section 12, immediately prior to a Change of Control. In the event of a termination by reason of death, such shares of Stock shall be delivered to such beneficiary or beneficiaries designated by the Eligible Director in writing in such form, and delivered prior to his or her death to such person at the Company, as specified by the Company or, in the absence of such a designation, to the legal representative of Eligible Director's estate, legatee or such other person as permitted by administrative procedures under the Plan or as otherwise approved by the Committee.

(ix) Deferral of Delivery of Additional Deferred Stock Awards; Redeferral. By filing a written notice to the Company in such form, and delivered to such person at the Company, as specified by the Company, an Eligible Director may irrevocably elect to defer receipt of the delivery of shares of Stock representing all or a

portion of the notional shares of Stock subject to any Additional Deferred Stock Award (including any Dividend Awards made in respect of such notional shares) such that those shares are delivered as soon as practicable and in all events within sixty (60) days following the Eligible Director's death or earlier separation from service (as determined under the regulations under Section 409A of the Code); except that if so provided in accordance with the terms of the applicable Award, such shares shall instead be delivered immediately prior to any earlier occurrence of a Change of Control. Any election made pursuant to this subsection (ix) must be submitted with respect to any Additional Deferred Stock Award (A) in the case of the Additional Deferred Stock Award granted on the date an Eligible Director is first elected as a Director, no later than 30 days after the date of such Eligible Director's election to the Board or (B) in the case of any other Additional Deferred Stock Award, no later than December 31 of the calendar year preceding the calendar year in which such Award is granted, or (C) at such other time as is necessary to satisfy the requirements of Section 409A of the Code, as determined by the Committee. The Committee may permit a redeferral of any Annual Deferred Stock Award or Additional Deferred Stock Award subject to and in accordance with such rules that it may prescribe.

SECTION 8. PERFORMANCE AWARDS.

(a) *Nature of Performance Awards*. A Performance Award is an award entitling the recipient to acquire cash or shares of Stock, or a combination of cash and Stock, upon the attainment of one or more specified performance goals. If the grant, vesting, or exercisability of a Stock Option, SAR, or Other Stock-Based Award is conditioned upon attainment of any Performance Criteria, it shall be treated as a Performance Award for purposes of this Section and shall be subject to the provisions of this Section in addition to the provisions of the Plan applicable to such form of Award.

(b) *Terms of Performance Awards*. The Committee in its sole discretion shall determine the performance goals applicable under each such Award, the periods during which performance is to be measured, and all other limitations and conditions applicable to the Award. Performance Awards may be granted independently or in connection with the granting of other Awards.

(c) *Rights as a Shareholder*. A Participant shall have all the rights of a shareholder, including voting and dividend rights, (i) only as to shares of Stock received by the Participant under a Performance Award, and (ii) in any case, subject to such nontransferability restrictions, Company repurchase or forfeiture rights, and other conditions as are made applicable to the Award. Notwithstanding the foregoing and for the avoidance of doubt, in the case of any Performance Award that is also an Other Stock-based Award, the limitations of Section 7(d) (providing that rights to dividends and dividend equivalents shall remain unvested until the underlying Stock or rights to Stock are vested) shall apply to any right to dividends or dividend equivalent payments hereunder

(d) *Termination*. Except as may otherwise be provided by the Committee, a Participant's rights in all Performance Awards shall automatically terminate upon the Participant's termination of employment by the Company and its Subsidiaries for any reason (including death)

(e) *Acceleration, Waiver, etc*. The Committee may in its sole discretion accelerate, waive or, subject to Section 10, amend any or all of the goals, restrictions or conditions imposed under any Performance Award. Neither the Committee nor the Company shall be liable for any adverse tax or other consequences to a Participant from any such acceleration, waiver, or amendment.

SECTION 9. TERMINATION OF EMPLOYMENT; TRANSFER; LEAVE OF ABSENCE.

For purposes of the Plan, and subject to and in accordance with such rules that may be prescribed by the Committee, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another;

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, unless otherwise determined by the Committee.

For purposes of the Plan, the employees of a Subsidiary of the Company shall be deemed to have terminated their employment on the date on which such Subsidiary ceases to be a Subsidiary of the Company unless in connection with such event the employee continues to be employed by the Company or another Subsidiary. Subject to the foregoing, except as otherwise provided by the Committee and subject to and in accordance with such rules that may be prescribed by the Committee, an individual’s employment with the Company and its Subsidiaries shall be considered to have terminated on the last day of his or her actual employment, whether such day is determined by agreement between the Company or a Subsidiary and the individual or unilaterally, and whether such termination is with or without notice, and no period of advance notice, if any, that is or ought to have been given under applicable law in respect of such termination of employment shall be taken into account in determining the individual’s entitlements, if any, under the Plan or any Award.

Notwithstanding the foregoing, in the case of any Award that is subject to the requirements of Section 409A of the Code, “termination of employment” shall mean a separation from service (as determined under the regulations under Section 409A of the Code, after giving effect to the presumptions contained therein).

For the avoidance of doubt, nothing in this Section 9 shall be construed as limiting the Committee’s authority to specify Award terms that provide for forfeiture or other consequences in connection with an event other than termination of employment.

SECTION 10. AMENDMENTS AND TERMINATION.

The Board or the Committee may at any time amend or discontinue the Plan and the Committee may at any time amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall materially adversely affect rights under any outstanding Award without the holder's consent. However, no such amendment shall be effective unless approved by stockholders if it would (i) reduce the exercise price of any Stock Options previously granted hereunder or otherwise constitute a repricing requiring stockholder approval under applicable New York Stock Exchange rules or the rules of any successor exchange, or (ii) provide for a Participant to receive any payment or other consideration upon the termination or cancellation of any Stock Option or SAR pursuant to the provisions of this Section 10 if the exercise price of such Stock Option or SAR is equal to or greater than the Fair Market Value of a share of Stock on the date of such termination or cancellation, or (iii) otherwise require stockholder consent under applicable law (including the Code), regulation, guidance or any listing standard for any stock exchange on which the Stock is traded, as determined by the Committee.

Notwithstanding any provision of this Plan, the Board or the Committee may at any time adopt such modifications, procedures, subplans and forms of Award as it determines to be necessary or desirable to comply with the laws or regulatory requirements of foreign countries or to facilitate Plan administration with respect to Participants performing services in such countries, consistent with the objectives of the Plan.

SECTION 11. STATUS OF PLAN.

With respect to the portion of any Award which has not been exercised and any payments in cash, stock or other consideration not received by a Participant, a Participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the provision of the foregoing sentence.

SECTION 12. CHANGE OF CONTROL PROVISIONS.

As used herein, a Change of Control and related definitions shall have the meanings set forth in Exhibit A to this Plan.

Except as otherwise expressly provided in an Award or other agreement or by the Committee, the following provisions shall apply in the event of a Change of Control:

(a) *Assumption or Substitution*. If the Change of Control is one in which there is an acquiring or surviving entity, the Committee may provide for (i) the assumption or continuation of some or all outstanding Awards or any portion thereof or (ii) the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(b) *Cash-Out of Awards*. The Committee may provide for payment (a “cash-out”), with respect to some or all Awards or any portion thereof (including only the vested portion thereof, with the unvested portion terminating without payment due as provided in Section 12(d)), equal in the case of each applicable Award or portion thereof to the excess, if any, of (i) the fair market value of one share of Stock multiplied by the number of shares of Stock subject to the Award or such portion, minus (ii) the aggregate exercise or purchase price, if any, of such Award or such portion thereof (or, in the case of a SAR, the aggregate base value above which appreciation is measured), in each case, on such payment and other terms and subject to such conditions (which need not be the same as the terms and conditions applicable to holders of Stock generally), as the Committee determines, including that any amounts paid in respect of such Award in connection with the Change of Control be placed in escrow or otherwise made subject to such restrictions as the Committee deems appropriate. For the avoidance of doubt, if the per share exercise or purchase price (or base value) of an Award or portion thereof is equal to or greater than the fair market value of one share of Stock, as determined by the Committee, such Award or portion may be cancelled with no payment due hereunder or otherwise in respect thereof.

(c) *Acceleration of Certain Awards*. The Committee may provide that any Award requiring exercise will become exercisable, in full or in part, and/or that the delivery of any shares of Stock remaining deliverable under any outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated, in full or in part, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Committee, following the exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Change of Control.

(d) *Termination of Awards upon Consummation of Change of Control*. Except as the Committee may otherwise determine, each Award will automatically terminate (and in the case of outstanding shares of Restricted Stock, will automatically be forfeited) immediately upon the consummation of the Change of Control, other than (i) any Award that is assumed, continued or substituted for pursuant to Section 12(a) and (ii) any Award that by its terms, or as a result of action taken by the Committee, continues following the Change of Control.

(e) *Uniform Treatment*. For the avoidance of doubt, the Committee need not treat Participants or Awards (or portions thereof) in a uniform manner, and may treat different Participants and/or Awards differently, in connection with a Change of Control.

The Committee may at any time prior to or after a Change of Control accelerate the exercisability of any Stock Options and may waive restrictions, limitations and conditions on Other Stock-based Awards (including without limitation Restricted Stock) and Performance Awards to the extent it shall in its sole discretion determine.

SECTION 13. GENERAL PROVISIONS.

(a) *No Distribution; Compliance with Legal Requirements, etc*. The Committee may require each person acquiring shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other applicable legal and stock exchange requirements have been satisfied as determined by the Committee. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate. The Committee reserves the right to impose such requirements on participation in the Plan and any Award hereunder or shares of Stock acquired hereunder to the extent the Company determines it is necessary or advisable to comply with applicable law or facilitate the administration of the Plan.

(b) *References to Employment*. Wherever reference is made herein to “employee,” “employment” (or correlative terms), except in Section 4, the term shall include, if so determined by the Committee, both common law employees and others.

(c) *Other Compensation Arrangements; No Employment Rights*. Nothing contained in this Plan shall prevent the Board or the Committee from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. Neither the adoption of the Plan nor the grant of any Award hereunder shall (i) confer upon any employee any right to continued employment or service with the Company or a Subsidiary or to receive other Awards under the Plan, or (ii) interfere in any way with the right of the Company or a Subsidiary to terminate, or alter the terms of, the employment of any of its employees at any time. In no event shall any Awards be considered part of a Participant’s employment contract, be taken into account for purposes of any pension or retirement entitlement (except as expressly set forth in the plan providing for such pension or retirement entitlement) or result in the inclusion of the value of any grants of any Awards in the calculation of any severance payments upon a termination of employment.

(d) *Tax Withholding, etc*. Each Participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the Participant for U.S. Federal or other income tax purposes or as wages subject to employment taxes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any national, federal, state, or local taxes of any kind required by law to be withheld with respect to such income or wages. The Company in its discretion may, but need not, satisfy any withholding obligation by withholding a portion of the shares of Stock to be delivered to a Participant hereunder up to the maximum extent permitted under the Plan. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes, or other legally or contractually required withholdings, from any payment of any kind otherwise due to the Participant. The Company may withhold or otherwise administer the Plan to comply with tax obligations under any applicable foreign laws. The Company is under no obligation to structure the terms of any Award to reduce or eliminate a Participant’s liability for taxes or other amounts due to achieve any particular tax result.

The Committee may provide, in respect of any transfer of Stock under an Award, that if and to the extent withholding of any national, state or local tax is required in respect of such transfer or vesting, the Participant may elect, at such time and in such manner as the Committee shall prescribe, to (i) surrender to the Company Stock not then subject to restrictions under any Company plan or (ii) have the Company hold back from the transfer or vesting Stock having a value calculated to satisfy such withholding obligation. The amount of any Stock surrendered under clause (i) or held back by the Company under clause (ii) shall be subject to any limitations required to avoid adverse accounting treatment under applicable accounting principles (including FASB ASC Topic 718 or any successor provision).

Except as otherwise expressly provided by the Committee in any case, all Awards under the Plan that are not exempt from the requirements of Section 409A of the Code shall be construed to comply with the requirements of Section 409A of the Code and any discretionary authority of the Committee or the Company with respect to an Award that is intended to be exempt from or in compliance with the requirements of Section 409A of the Code shall be exercised in a manner that is consistent with such intent. Notwithstanding the foregoing, neither the Company nor any Subsidiary, nor any officer, director or employee of the Company or any Subsidiary, nor the Board or the Committee or any member of either, shall be liable to the Participant or any beneficiary of a Participant by reason of any additional tax (whether or not under Section 409A of the Code), including any interest or penalty, or any other adverse tax or other consequence (A) resulting from any exercise of discretion or other action or failure to act by any of the Company, any Subsidiary, any such officer, director or employee, or the Board or the Committee, including without limitation, any acceleration of vesting under Section 6(b), settlement of a Stock Option under Section 6(f) or acceleration, waiver or amendment of an Award under Section 7(c) or 8(e), or (B) by reason of the failure of an Award to qualify for an exemption from, or to comply with the requirements of, Section 409A of the Code, or for any cost or expense incurred in connection with any action by any taxing authority related to any of the foregoing.

(e) *Deferral of Awards*. Participants may elect to defer receipt of Awards or vesting of Awards in such cases and to such extent, if any, as the Committee may determine at or after the grant date

(f) *Transfer and Other Restrictions*. In addition to the restrictions on transfer that apply to Stock Options under Section 6(d), no Award may be sold, assigned, transferred (except for transfers by will or by the laws of descent and distribution), pledged, or otherwise encumbered or disposed of except as specifically provided herein or as otherwise permitted by the Committee. In addition, all Awards shall be subject to applicable prohibitions under Company policy regarding the use of Awards for pledging (including, for the avoidance of doubt, as collateral for a loan or in a margin account) or in any hedging or derivative transactions.

(g) *Acceptance of Terms and Conditions*. The Committee may condition the grant, vesting, exercisability or other full enjoyment of any Award under the Plan on the Participant's acceptance of all the terms and conditions thereto on the timeframe specified by, and in such form as is acceptable to, the Committee.

(h) *Governing Law*. Awards and shares of Stock will be granted, issued and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case, as determined by the Committee. Except as otherwise provided herein or by the express terms of an Award, the provisions of the Plan and of Awards and the rights and obligations of the Company, Subsidiaries and Participants hereunder and thereunder shall be governed by and construed in accordance with the domestic substantive laws of the Commonwealth of Massachusetts without giving effect to any choice or conflict of laws provision or any rule that would result in the application of the domestic substantive laws of any other jurisdiction. Any legal action related to the Plan or an Award shall be brought only in a federal or state court located in the Commonwealth of Massachusetts

(i) *Waiver of Jury Trial*. By accepting or being deemed to have accepted an Award under the Plan, each Participant waives (or will be deemed to have waived), to the maximum extent permitted under applicable law, any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan or any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees (or will be deemed to have agreed) that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting (or being deemed to have accepted) an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit any dispute arising under the terms of the Plan or any Award to binding arbitration or as limiting the ability of the Company to require any individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.

(j) *Forfeiture and Recoupment*. Awards shall be subject to forfeiture and/or repayment to the Company to the extent and in the manner required (i) under the terms of the Company's Policy for Recovery of Executive Officer Incentive Compensation, to the extent applicable to the Participant, or under the terms of such compensation recovery or recoupment policy, if any, as may be adopted by the Company and applicable to the Participant; and (ii) under such other forfeiture and/or recoupment provisions set forth in an Award agreement, or other terms of an Award, under the Plan.

(k) *Data Privacy*. Subject to any specific data privacy terms set out in an applicable Award agreement, by accepting or being deemed to have accepted an Award under the Plan, each Participant hereby consents to the collection, use and transfer, in electronic or other form, of the Participant's Personal Data (as described below) by and among, as applicable, the Company and any Subsidiary or third parties as may be selected by the Company, for the exclusive purpose of implementing, administering, and managing the Participant's participation in the Plan. The Company and any Subsidiary or designated third parties may hold personal information about a Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company or any Subsidiary, details of all Awards or Stock awarded, canceled, vested, settled, unvested or outstanding in the Participant's favor ("Personal Data"). Each Participant understands that Personal Data may be transferred to any Subsidiary or third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Participant's country. In particular, the Company may transfer Personal Data to the broker or stock plan administrator assisting with the Plan, to its legal counsel and tax/accounting advisor(s), and to the Subsidiary that is the Participant's employer and its payroll provider.

SECTION 14. DEFINITIONS.

The following terms shall be defined as set forth below:

(a) "Account" means a bookkeeping account established and maintained under Section 7(e) in the name of each Eligible Director to which Annual Deferred Stock Awards, Additional Deferred Stock Awards, and Dividend Awards are credited hereunder.

(b) "Act" means the Securities Exchange Act of 1934.

(c) "Additional Deferred Stock Award" means an Award granted to an Eligible Director pursuant to Section 7(e)(v).

(d) "Annual Deferred Stock Award" means an Award granted to an Eligible Director pursuant to Section 7(e)(iv).

(e) "Annual Meeting" shall mean the annual meeting of stockholders of the Company.

(f) "Award" or "Awards" except where referring to a particular category of grant under the Plan shall include Stock Options, SARs, Other Stock-based Awards and Performance Awards.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means (i) as to any Participant who at the relevant time is party to an employment, severance, or similar agreement with the Company or a Subsidiary that is approved by the Committee and contains a definition of "cause" (including any similar term used in connection with a for-cause involuntary termination), the definition set forth in such agreement, and (ii) in every other case, except as provided by the Committee or as set forth in an Award agreement under the Plan, a felony conviction of a Participant or the failure of a Participant to contest prosecution for a felony, or a Participant's willful misconduct or dishonesty, any of which is directly harmful to the business or reputation of the Company or any Subsidiary. A termination for Cause shall also be deemed to have occurred in circumstances that in the sole determination of the Committee would have constituted grounds for the Participant's employment to be terminated for Cause.

(i) “Code” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

(j) “Committee” means the Committee referred to in Section 2.

(k) “Company” is defined in Section 1.

(l) “Director” means a member of the Board.

(m) “Disability” means disability as determined in accordance with standards and procedures similar to those used under the Company’s long term disability program. The Committee shall have the authority to deem an inactive employee as having been terminated by reason of Disability.

(n) “Dividend Award” means an Award granted to an Eligible Director pursuant to Section 7(e)(vi).

(o) “Effective Date” is defined in Section 1.

(p) “Eligible Director” means a Director who is not employed by the Company or by any Subsidiary.

(q) “Fair Market Value” on any given date means the last sale price regular way at which Stock is traded on such date as reflected in the New York Stock Exchange Composite Index (or any successor index determined by the Committee) or, where applicable, the value of a share of Stock as determined by the Committee in accordance with the applicable provisions of the Code.

(r) “Full Value Award” means an Award other than a Stock Option or an SAR.

(s) “Independent Director” means a Director who is a Non-Employee Director and an “independent director” within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual (or any successor rule) or under such other applicable standard as the New York Stock Exchange (or any successor exchange) may establish pursuant to its rule-making authority.

(t) “ISO” means a Stock Option intended to be and designated as an “incentive stock option” as defined in the Code.

(u) “Non-Employee Director” shall have the meaning set forth in Rule 16b-3(b)(3) promulgated under the Act, or any successor definition under the Act.

(v) “NSO” means any Stock Option that is not an ISO.

(w) “Normal Retirement” means, subject to and in accordance with such rules that may be prescribed by the Committee, retirement from active employment with the

Company and its Subsidiaries at or after age 65 with at least five years of service for the Company and its Subsidiaries. For purposes of determining whether a retirement is a Normal Retirement, years of service shall be determined by the Committee; provided, that, except as otherwise provided by the Committee, periods of service for an entity prior to the date the entity becomes a Subsidiary will not be treated as service.

(x) “Other Stock-based Award” means an Award of one of the types described in Section 7.

(y) “Participant” means a participant in the Plan.

(z) “Performance Award” means an Award described in Section 8.

(aa) “Performance Criteria” means specified criteria, other than the mere continuation of employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. Performance Criteria may be based on any one or any combination of the criteria described in this definition. Each Performance Criterion and any targets with respect thereto need not be based upon an increase, a positive or improved result or avoidance of loss and may be applied to a Participant individually, or to a business unit or division of the Company or to the Company as a whole. Each Performance Criterion may be based on objectively determinable or qualitative measures of performance, may be measured on an absolute basis or relative to one or more comparators, including one or more companies or indices, and may be determined on a consolidated, divisional, line of business, project, geographical or individual responsibilities basis. Each Performance Criterion may also be based on strategic objectives, individual performance and/or subjective performance criteria. The Committee may provide that one or more of the Performance Criteria applicable to such Award will be adjusted in a manner to reflect events (for example, but without limitation, acquisitions or dispositions, divestitures, extraordinary items, other unusual or non-recurring items and/or changes in accounting principles) occurring during the performance period that affect the applicable Performance Criterion or Criteria. Nothing herein shall be construed as limiting the Committee’s authority to reduce or eliminate a Performance Award (including, without limitation, by restricting vesting under any such Award) that would otherwise be deemed to have been earned.

(bb) “Plan” is defined in Section 1.

(cc) “Restricted Stock” is defined in Section 7(a).

(dd) “SAR” means an Award described in Section 6(g).

(ee) “Stock Unit” is defined in Section 7(a).

(ff) “Share Limit” is defined in Section 3(a).

(gg) “Special Service Retirement” means, subject to and in accordance with such rules that may be prescribed by the Committee, retirement from active employment with the

Company and its Subsidiaries (i) at or after age 60 with at least twenty years of service for the Company and its Subsidiaries, or (ii) at or after age 65 with at least ten years of service for the Company and its Subsidiaries. For purposes of determining whether a retirement is a Special Service Retirement, years of service shall be determined by the Committee; provided, that, except as otherwise provided by the Committee, periods of service for an entity prior to the date the entity becomes a Subsidiary will not be treated as service.

(hh) "Stock" means the Common Stock, $1.00 par value, of the Company, subject to adjustments pursuant to Section 3.

(ii) "Stock Option" means any option to purchase shares of Stock granted pursuant to Section 6.

(jj) "Subsidiary" means any corporation or other entity (other than the Company) in an unbroken chain beginning with the Company if each of the entities (other than the last entity in the unbroken chain) owns stock or other interests possessing 50% or more of the total combined voting power of all classes of stock or other interest in one of the other corporations or other entities in the chain.

EXHIBIT A

DEFINITION OF "CHANGE OF CONTROL"

"Change of Control" shall mean the occurrence of any one of the following events:

(a) there occurs a change of control of the Company of a nature that would be required to be reported in response to Item 5.01 of the Current Report on Form 8-K (as amended in 2004) pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") or in any other filing under the Exchange Act; provided, however, that if the Participant or a Participant Related Party is the Person or a member of a group constituting the Person acquiring control, a transaction shall not be deemed to be a Change of Control as to a Participant unless the Committee shall otherwise determine prior to such occurrence; or

(b) any Person other than the Company, any wholly-owned subsidiary of the Company, or any employee benefit plan of the Company or such a subsidiary becomes the owner of 20% or more of the Company's Common Stock and thereafter individuals who were not directors of the Company prior to the date such Person became a 20% owner are elected as directors pursuant to an arrangement or understanding with, or upon the request of or nomination by, such Person and constitute a majority of the Board; provided, however, that unless the Committee shall otherwise determine prior to the acquisition of such 20% ownership, such acquisition of ownership shall not constitute a Change of Control as to a Participant if the Participant or a Participant Related Party is the Person or a member of a group constituting the Person acquiring such ownership; or

(c) there occurs any solicitation or series of solicitations of proxies by or on behalf of any Person other than the Board and thereafter individuals who were not directors of the Company prior to the commencement of such solicitation or series of solicitations are elected as directors pursuant to an arrangement or understanding with, or upon the request of or nomination by, such Person and constitute a majority of the Board; or

(d) the Company executes an agreement of acquisition, merger or consolidation which contemplates that (i) after the effective date provided for in such agreement, all or substantially all of the business and/or assets of the Company shall be owned, leased or otherwise controlled by another Person and (ii) individuals who are directors of the Company when such agreement is executed shall not constitute a majority of the board of directors of the survivor or successor entity immediately after the effective date provided for in such agreement; provided, however, that unless otherwise determined by the Committee, no transaction shall constitute a Change of Control as to a Participant if, immediately after such transaction, the Participant or any Participant Related Party shall own equity securities of any surviving corporation ("Surviving Entity") having a fair value as a percentage of the fair value of the equity securities of such Surviving Entity greater than 125% of the fair value of the equity securities of the Company owned by the Participant and any Participant Related Party immediately prior to such transaction, expressed as a percentage of the fair value of all equity securities of the Company immediately prior to such transaction (for purposes of this paragraph ownership of equity securities shall be determined in the same manner as ownership of Common Stock); and provided, further, that, for purposes of this paragraph (d), if such agreement requires as a condition precedent approval by the Company's shareholders of the agreement or transaction, a Change of Control shall not be deemed to have taken place unless and until the acquisition, merger, or consolidation contemplated by such agreement is consummated (but immediately prior to the consummation of such acquisition, merger, or consolidation, a Change of Control shall be deemed to have occurred on the date of execution of such agreement).

In addition, for purposes of this Exhibit A the following terms have the meanings set forth below:

"Common Stock" shall mean the then outstanding Common Stock of the Company plus, for purposes of determining the stock ownership of any Person, the number of unissued shares of Common Stock which such Person has the right to acquire (whether such right is exercisable immediately or only after the passage of time) upon the exercise of conversion rights, exchange rights, warrants or options or otherwise. Notwithstanding the foregoing, the term Common Stock shall not include shares of Preferred Stock or convertible debt or options or warrants to acquire shares of Common Stock (including any shares of Common Stock issued or issuable upon the conversion or exercise thereof) to the extent that the Board shall expressly so determine in any future transaction or transactions.

A Person shall be deemed to be the "owner" of any Common Stock:

(i) of which such Person would be the "beneficial owner," as such term is defined in Rule 13d-3 promulgated by the Securities and Exchange Commission (the "Commission") under the Exchange Act, as in effect on March 1, 1989; or

(ii) of which such Person would be the "beneficial owner" for purposes of Section 16 of the Exchange Act and the rules of the Commission promulgated thereunder, as in effect on March 1, 1989; or

(iii) which such Person or any of its affiliates or associates (as such terms are defined in Rule 12b-2 promulgated by the Commission under the Exchange Act, as in effect on March 1, 1989) has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise.

"Person" shall have the meaning used in Section 13(d) of the Exchange Act, as in effect on March 1, 1989.

A "Participant Related Party" shall mean, with respect to a Participant, any affiliate or associate of the Participant other than the Company or a Subsidiary of the Company. The terms "affiliate" and "associate" shall have the meanings ascribed thereto in Rule 12b-2 under the Exchange Act (the term "registrant" in the definition of "associate" meaning, in this case, the Company).

Notwithstanding the foregoing, in any case where the occurrence of a Change of Control could affect the vesting of or payment under an Award subject to the requirements of Section 409A of the Code, the term “Change of Control” shall mean an occurrence that both (i) satisfies the requirements set forth above in this Exhibit A, and (ii) is a “change in control event” as that term is defined in the regulations under Section 409A of the Code.

Rules for UK Employees
As amended April 7, 2009 and as further amended 17 September, 2018 and 30 January 2022

THE TJX COMPANIES, INC.

THE TJX COMPANIES, INC. STOCK INCENTIVE PLAN

RULES FOR UK EMPLOYEES

Approved by HM Revenue & Customs on August 19, 2009

Amended plan effective as of 30 January 2022

I hereby state and affirm that the Executive Compensation Committee ("the Committee") of the Board of Directors of The TJX Companies, Inc. ("TJX"), a company organised under the laws of the State of Delaware, administers The TJX Companies, Inc. Stock Incentive Plan, as amended ("the Plan") and that the following provisions are applicable in the administration of the Plan with regard to such Options to which these rules are expressed to extend at the time when the Option is granted. Unless the context requires otherwise, all expressions used in these rules have the same meaning as in the Plan; provided that all words and terms not otherwise defined shall have the meaning attributed by Schedule 4 which for the purposes hereof (but for no other purpose) shall take precedence. References in these rules to "Schedule 4" mean Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA 2003") and references to any statutory enactment shall be construed as a reference to that enactment as for the time being amended or re-enacted. The Plan, as supplemented by these rules, is referred to hereinafter as the "Sub-Plan". References in these rules to "Key Feature" shall mean a provision of the Sub-Plan which is necessary in order to meet the requirements of Schedule 4.

1. The Stock over which Options may be granted under the Sub-Plan form part of the ordinary share capital (as defined in section 989 Income Taxes Act 2007 ("ITA 2007") of TJX and will at all times comply with the requirements of paragraphs 16-18 (inclusive) and 20 of Schedule 4.

2. The companies participating in the Sub-Plan are TJX and all companies controlled by TJX within the meaning of section 719 of ITEPA 2003 and which have been nominated by TJX to participate for the time being in the Sub-Plan.

3. The Stock is quoted on a recognized stock exchange as defined in paragraph 1 of Schedule 26 of ITA 2007.

4. The Stock to be acquired on exercise of the Options will:

   (a) be fully paid up; and

   (b) not be redeemable.

5. If the Stock to be acquired on exercise of the Options is subject to any restrictions, the details of the restrictions shall be stated in the option certificate at the date of grant of the Option. For the purposes of this Sub-Plan, the term restrictions includes restrictions which are deemed to attach to the shares under any contract, agreement, arrangement or condition as referred to in paragraph 36(3) of Schedule 4.

6. No Option will be granted to an employee or director under the Sub-Plan, or where an Option has previously been granted no Option shall be exercised by the Optionee if at that time he has, or at any time within the preceding 12 months has had, a material interest for the purposes of Schedule 4 in either TJX being a close company (as defined in section 439

of the CorporationTax Act 2010 ("CTA 2010") or in a company being a close company which has control (as defined in section 719 of ITEPA 2003) of TJX, or in a company being a close company and a member of a consortium (as defined in paragraph 36(2) of Schedule 4) which owns TJX. In determining whether a company is a close company for this purpose section 442(a) of the CTA 2010 (exclusion of companies not resident in the United Kingdom) and sections 446 and 447 of CTA 2010 (exclusion of certain companies with listed shares) shall be disregarded.

7. For the purposes of this Sub-Plan "Fair Market Value" shall be as defined in Section 14(r) of the Plan except that (i) in the event that the Stock is not traded on the New York Stock Exchange, the Fair Market Value shall be subject to agreement with HM Revenue & Customs and (ii) in respect of Options granted on or after 17 July 2013, the Fair Market Value of a share of Stock subject to a restriction shall be determined as if it were not subject to the restriction.

8. (a) At the discretion of the Committee, an alteration or amendment to a Key Feature of the Sub-Plan shall either (i) take effect only from the day on which HM Revenue & Customs receive the notification and declaration required by paragraph 28B of Schedule 4, or (ii) take effect immediately.

   (b) For the purposes of the Sub-Plan (notwithstanding anything contained in Section 3(b) of the Plan) no adjustment pursuant to any of the provisions of the Plan shall be made to any Option which has been granted under the Sub-Plan unless such adjustment would be permitted under paragraph 22 of Schedule 4.

   (c) Terms and conditions imposed on Options shall be stated at the date of grant of the Option and the powers of the Committee to impose terms and conditions as set out in Section 2 of the Plan shall be construed accordingly. Terms and conditions in connection with performance may be amended or waived if an event(s) occurs which causes the Committee to consider that such terms and conditions cease to be appropriate. Any amendment to the terms and conditions may be made by the Committee acting fairly and reasonably and provided that the amended terms and conditions are objective and are no more difficult to achieve.

   (d) For the purposes of the Sub-Plan, the reference in Section 2(b) of the Plan to different forms of settlement does not apply to Options under this Sub-Plan. Options under this Sub-Plan may only be settled in shares of Stock.

   (e) For the purposes of the Sub-Plan, Section 13(e) of the Plan which refers to participant deferrals of awards shall not form part of and shall therefore be disregarded for the purposes of the Sub-Plan.

9. For the avoidance of doubt it is stated that TJX is and will be the grantor; and TJX is and will be the scheme organiser as defined in paragraph 2 (2) of Schedule 4.

10. (a) No Option shall be granted to an employee or director under this Sub-Plan if the grant of that Option would cause the aggregate market value of Stock (determined at the time prescribed by paragraph 6 of Schedule 4 and calculated in accordance with the provisions of Schedule 4) which they can acquire under this Sub-Plan and any other scheme approved under Schedule 4 and established by the grantor or by any associated company (as defined in paragraph 35 of Schedule 4) of the grantor (and not exercised) to exceed the limits prescribed by paragraph 6 of Schedule 4. For the purposes of this Sub-Plan, the United Kingdom Sterling equivalent of the market value of a share of Stock on any day shall be determined by taking the highest buying of the spread for that day as shown in the Financial Times.

    (b) To the extent that any purported grant of an Option exceeds the limit prescribed in this Rule 10 it shall be deemed to comprise such number of shares of Stock as may be equal to, but not exceed, such limit.

11. An Option will only be granted under the Sub-Plan to an employee (other than a director) of the Company or a company participating in the Sub-Plan whose hours of work are at least 20 hours per week or a full-time director of TJX (or a company participating in the Sub-Plan) whose hours of work exceed 25 hours per week, in both cases exclusive of meal breaks.

12. Upon exercise of an Option, TJX shall, as promptly as practicable but not later than 30 days thereafter mail or deliver to the Optionee a stock certificate or certificates representing the Stock then purchased subject to any delay necessary to complete (a) the listing of such Stock on any stock exchange upon which Stock of the same class is then listed, (b) such registration or other qualification of such Stock under any state or federal law, rule or regulation as TJX may determine to be necessary or advisable, and (c) the making of provision for the payment or withholding of any taxes required to be withheld pursuant to any applicable law, in respect of the exercise of such Option. Such Stock shall be identical and shall carry the same rights and restrictions which attach to all shares of Common Stock then in issue and the last sentence in Section 6(e) of the Plan shall not form part of and shall therefore be disregarded for the purposes of the Sub-Plan.

13. The price of shares of Stock shall be paid for in cash or by cheque or by funds provided on loan by a broker or bank or other person as the case may be and Section 6(c) of the Plan shall for the purposes of the Sub-Plan be construed accordingly. For the avoidance of doubt the price of shares of Stock shall not be paid for on the exercise of an Option granted under this Sub-Plan by shares or other securities under the Plan.

14. Section 12 of the Plan is, to the extent applicable, included for the purposes of this Sub-Plan under paragraph 25A(1) and 25A(7) (as applicable) of Schedule 4.

15. For the avoidance of doubt no Option granted under this Sub-Plan shall be exercisable later than 10 years after the date of grant and for the purposes of the Sub-Plan Section 5(a) and Section 5(b) of the Plan shall be construed accordingly.

16. The following provisions of the Plan shall not form part of and shall therefore be disregarded for the purposes of the Sub-Plan:

(a) save as provided in Section 12 of the Plan, the facility to accelerate exercise of the Option wherever it appears in the Plan;

(b) the transfer of Options by will or laws of descent and distribution or gratuitous transfers of Options during the Optionee’s lifetime as permitted by the Committee, but personal representatives of the deceased may exercise Options within 12 months of the date of death of the Optionee. Sections 6(b) and 6(d) shall be construed accordingly; and

(c) Sections 3(c), 6(f), 6(g), 7 and 8 inclusive. For the avoidance of doubt this Sub-Plan shall only apply to Stock Options.

17. The Committee shall act fairly and reasonably in exercising their discretion wherever it so provides in respect of Options to which this Sub-Plan applies.

Signed:
THE TJX COMPANIES, INC.

/s/ Scott Goldenberg
Scott Goldenberg, Authorised Signatory

7 June 2022
Date

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: August 26, 2022

/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: August 26, 2022

/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 July 30, 2022 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 July 30, 2022 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: August 26, 2022

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 July 30, 2022 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 July 30, 2022 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: August 26, 2022