TJX COMPANIES INC /DE/
Form 10-Q
November 30, 2016

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 October 29, 2016

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)

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

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

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

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

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

The number of shares of registrant s common stock outstanding as of October 29, 2016: 651,900,739

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

THE TJX COMPANIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirteen Weeks Ended	
	October 29, 2016	October 31, 2015
Net sales	$ 8,291,688	$ 7,753,495
Cost of sales, including buying and occupancy costs	5,843,873	5,506,899
Selling, general and administrative expenses	1,462,574	1,292,401
Loss on early extinguishment of debt	51,773	
Pension settlement charge	31,173	
Interest expense, net	12,462	13,005
Income before provision for income taxes	889,833	941,190
Provision for income taxes	340,047	353,934
Net income	$ 549,786	$ 587,256
Basic earnings per share:		
Net income	$ 0.84	$ 0.88
Weighted average common shares basic	653,559	671,154
Diluted earnings per share:		
Net income	$ 0.83	$ 0.86
Weighted average common shares diluted	661,721	680,844
Cash dividends declared per share	$ 0.26	$ 0.21

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

THE TJX COMPANIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirty-Nine Weeks Ended October 29, 2016	Thirty-Nine Weeks Ended October 31, 2015
Net sales	$ 23,716,097	$ 21,982,863
Cost of sales, including buying and occupancy costs	16,778,977	15,646,331
Selling, general and administrative expenses	4,190,872	3,708,596
Loss on early extinguishment of debt	51,773	
Pension settlement charge	31,173	
Interest expense, net	33,918	35,437
Income before provision for income taxes	2,629,384	2,592,499
Provision for income taxes	1,009,078	981,307
Net income	$ 1,620,306	$ 1,611,192
Basic earnings per share:		
Net income	$ 2.46	$ 2.38
Weighted average common shares basic	657,746	676,220
Diluted earnings per share:		
Net income	$ 2.43	$ 2.35
Weighted average common shares diluted	666,632	686,072
Cash dividends declared per share	$ 0.78	$ 0.63

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	
	October 29, 2016	October 31, 2015
Net income	$ 549,786	$ 587,256
Additions to other comprehensive income:		
Foreign currency translation adjustments, net of related tax benefit of $14,123 in fiscal 2017 and provision of $727 in fiscal 2016	(94,590)	(12,859)
Recognition of net gains/losses on benefit obligations, net of related tax benefit of $47,051 in fiscal year 2017	(71,525)	
Reclassifications from other comprehensive income to net income:		
Pension settlement charge, net of related tax provision of $12,369 in fiscal 2017	18,804	
Amortization of prior service cost and deferred gains/losses, net of related tax provision of $3,462 in fiscal 2017 and provision of $2,935 in fiscal 2016	5,263	4,460
Amortization of loss on cash flow hedge, net of related tax provisions of $112 in fiscal 2017 and $112 in fiscal 2016	171	171
Other comprehensive income (loss), net of tax	(141,877)	(8,228)
Total comprehensive income	$ 407,909	$ 579,028

	Thirty-Nine Weeks Ended	
	October 29, 2016	October 31, 2015
Net income	$ 1,620,306	$ 1,611,192
Additions to other comprehensive income:		
Foreign currency translation adjustments, net of related tax provision of $17,241 in fiscal 2017 and benefit of $12,306 in fiscal 2016	(93,304)	(6,695)
Recognition of net gains/losses on benefit obligations, net of related tax benefit of $47,051 in fiscal year 2017	(71,525)	
Reclassifications from other comprehensive income to net income:		
Pension settlement charge, net of related tax provision of $12,369 in fiscal 2017	18,804	
Amortization of prior service cost and deferred gains/losses, net of related tax provision of $7,517 in fiscal 2017 and provision of $10,126 in fiscal 2016	11,427	15,392
Amortization of loss on cash flow hedge, net of related tax provisions of $337 in fiscal 2017 and $337 in fiscal 2016	513	513

Other comprehensive income (loss), net of tax	(134,085)	9,210
Total comprehensive income	$ 1,486,221	$ 1,620,402

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

	October 29, 2016	January 30, 2016	October 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,375,532	$ 2,095,473	$ 1,723,336
Short-term investments	450,804	352,313	399,714
Accounts receivable, net	306,426	238,072	273,856
Merchandise inventories	4,384,171	3,695,113	4,441,989
Prepaid expenses and other current assets	409,986	380,530	372,509
Federal, state, and foreign income taxes recoverable	15,415	11,059	15,878
Total current assets	7,942,334	6,772,560	7,227,282
Net property at cost	4,318,829	4,137,575	4,066,987
Non-current deferred income taxes, net	3,624	13,831	17,317
Other assets	258,223	222,669	205,852
Goodwill and tradename, net of amortization	343,826	343,796	342,058
TOTAL ASSETS	$ 12,866,836	$ 11,490,431	$ 11,859,496
LIABILITIES			
Current liabilities:			
Accounts payable	$ 2,686,845	$ 2,203,050	$ 2,696,601
Accrued expenses and other current liabilities	2,155,587	2,069,659	1,957,389
Federal, state and foreign income taxes payable	52,082	129,521	76,088
Total current liabilities	4,894,514	4,402,230	4,730,078
Other long-term liabilities	1,098,491	881,021	907,093
Non-current deferred income taxes, net	317,107	285,102	257,335
Long-term debt	2,226,913	1,615,003	1,614,529
Commitments and contingencies			
SHAREHOLDERS EQUITY			
Preferred stock, authorized 5,000,000 shares, par value $1, no shares issued			
Common stock, authorized 1,200,000,000 shares, par value $1, issued and outstanding 651,900,739; 663,495,715 and 669,529,129 respectively	651,901	663,496	669,529
Additional paid-in capital			
Accumulated other comprehensive income (loss)	(801,557)	(667,472)	(545,175)

Retained earnings	4,479,467	4,311,051	4,226,107
Total shareholders equity	4,329,811	4,307,075	4,350,461
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 12,866,836	$ 11,490,431	$ 11,859,496

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

THE TJX COMPANIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

IN THOUSANDS

	Thirty-Nine Weeks Ended	
	October 29, 2016	October 31, 2015
Cash flows from operating activities:		
Net income	$ 1,620,306	$ 1,611,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	492,395	453,706
Loss on property disposals and impairment charges	1,648	2,096
Deferred income tax provision (benefit)	52,629	(39,875)
Share-based compensation	77,380	71,063
Excess tax benefits from share-based compensation	(60,332)	(54,294)
Loss on early extinguishment of debt	51,773	
Pension settlement charge	31,173	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(72,487)	(60,172)
(Increase) in merchandise inventories	(758,601)	(1,197,845)
(Increase) in taxes recoverable	(4,356)	(3,403)
(Increase) in prepaid expenses and other current assets	(38,174)	(41,293)
Increase in accounts payable	524,981	677,227
Increase in accrued expenses and other liabilities	232,910	201,630
(Decrease) increase in income taxes payable	(19,000)	5,022
Other	(44,951)	31,510
Net cash provided by operating activities	2,087,294	1,656,564
Cash flows from investing activities:		
Property additions	(767,197)	(650,667)
Purchase of investments	(533,807)	(642,685)
Sales and maturities of investments	432,046	501,618
Acquisition of Trade Secret	(2,324)	(57,104)
Net cash (used in) investing activities	(871,282)	(848,838)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	992,540	
Cash payments for extinguishment of debt	(425,584)	
Cash payments for repurchase of common stock	(1,175,000)	(1,296,104)
Cash payments for debt issuance expenses	(9,921)	
Cash payment for rate lock agreement	(3,150)	
Proceeds from issuance of common stock	110,902	81,377

Excess tax benefits from share-based compensation	60,332	54,294
Cash dividends paid	(481,859)	(404,094)
Net cash (used in) financing activities	(931,740)	(1,564,527)
Effect of exchange rate changes on cash	(4,213)	(13,638)
Net increase (decrease) in cash and cash equivalents	280,059	(770,439)
Cash and cash equivalents at beginning of year	2,095,473	2,493,775
Cash and cash equivalents at end of period	$ 2,375,532	$ 1,723,336

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

THE TJX COMPANIES, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(UNAUDITED)

IN THOUSANDS

	Common Stock Shares	Common Stock Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, January 30, 2016	663,496	$ 663,496	$	$ (667,472)	$ 4,311,051	$ 4,307,075
Net income					1,620,306	1,620,306
Other comprehensive income (loss), net of tax				(134,085)		(134,085)
Cash dividends declared on common stock					(512,131)	(512,131)
Recognition of share-based compensation			77,380			77,380
Issuance of common stock under Stock Incentive Plan and related tax effect	3,795	3,795	142,471			146,266
Common stock repurchased and retired	(15,390)	(15,390)	(219,851)		(939,759)	(1,175,000)
Balance, October 29, 2016	651,901	$ 651,901	$	$ (801,557)	$ 4,479,467	$ 4,329,811

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

THE TJX COMPANIES, INC.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note A. Summary of Significant Accounting Policies

Basis of Presentation: The consolidated interim financial statements are unaudited and, in the opinion of management, reflect all normal recurring adjustments, accruals and deferrals among periods required to match costs properly with the related revenue or activity, considered necessary by The TJX Companies, Inc. (together with its subsidiaries, TJX) for a fair statement of its financial statements for the periods reported, all in conformity with accounting principles generally accepted in the United States of America (GAAP) consistently applied. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes, contained in TJX s Annual Report on Form 10-K for the fiscal year ended January 30, 2016 (fiscal 2016).

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

The January 30, 2016 balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Fiscal Year: TJX s fiscal year ends on the Saturday nearest to the last day of January of each year. The current fiscal year ends January 28, 2017 (fiscal 2017) and is a 52-week fiscal year. Fiscal 2016 was also a 52-week fiscal year.

Share-Based Compensation: TJX accounts for share-based compensation by estimating the fair value of each award on the date of grant. TJX uses the Black-Scholes option pricing model for stock options awarded and uses the market price on the grant date for performance-based restricted stock awards. Total share-based compensation expense was $27.5 million for the quarter ended October 29, 2016 and $27.3 million for the quarter ended October 31, 2015. Total share-based compensation expense was $77.4 million for the nine months ended October 29, 2016 and $71.1 million for the nine months ended October 31, 2015. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 0.7 million shares of common stock exercised during the quarter ended October 29, 2016 and options to purchase 4.0 million shares of common stock exercised during the nine months ended October 29, 2016. There were options outstanding to purchase 28.7 million shares of common stock as of October 29, 2016. As of October 29, 2016, there was $100.7 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under TJX s stock incentive plan.

Cash and Cash Equivalents: TJX generally considers highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents. As of October 29, 2016, TJX s cash and cash equivalents held by its foreign subsidiaries were $1,138.2 million, of which $253.3 million was held in countries where TJX has the intention to reinvest any undistributed earnings indefinitely.

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

Merchandise Inventories: Inventories are stated at the lower of cost or market. TJX uses the retail method for valuing inventories at all of its businesses, except at Sierra Trading Post (STP) and Trade Secret. The businesses that utilize the retail method have some inventory that is initially valued at cost before the retail method is applied as it has not been fully processed for sale (e.g. inventory in transit and unprocessed inventory in our distribution centers). Under the retail method, TJX utilizes a permanent markdown strategy and lowers the cost value of the inventory that is subject to markdown at the time the retail prices are lowered in the stores. TJX accrues for inventory obligations at the time title transfers, which is typically at the time when inventory is shipped. As a result, merchandise inventories on TJX s balance sheet include an accrual for in-transit inventory of $785.0 million at October 29, 2016, $690.3 million at January 30, 2016 and $816.6 million at October 31, 2015. Comparable amounts were reflected in accounts payable at those dates.

Leases: TJX begins to record rent expense when it takes possession of a store, which is typically 30 to 60 days prior to the opening of the store and generally occurs before the commencement of the lease term, as specified in the lease. Lease agreements involving property built to our specifications are reviewed to determine if our involvement in the construction project requires that we account for the project costs as if we were the owner for accounting purposes. We have entered into several lease agreements where we are deemed the owner of a construction project for accounting purposes. Thus, during construction of the facility the construction costs incurred by the lessor are included as a construction in progress asset along with a related liability of the same amount on our balance sheet. Upon completion of the project, a sale-leaseback analysis is performed to determine if the Company should record a sale to remove the related asset and related obligation and record the lease as either an operating or capital lease obligation. If the Company is precluded from derecognizing the asset when construction is complete, due to continuing involvement beyond a normal leaseback, the lease is accounted for as a financing transaction and the recorded asset and related financing obligation remain on the Consolidated Balance Sheets. Accordingly, the asset is depreciated over its estimated useful life in accordance with the Company s policy and a portion of the lease payments is allocated to ground rent and treated as an operating lease. The portion of the lease payment allocated to ground rental expense is based on the fair value of the land at the commencement of construction. Lease payments allocated to the non-land asset are recognized as reductions to the financing obligation and interest expense.

New Accounting Standards: In March 2016, a pronouncement was issued that aims to simplify several aspects of accounting and reporting for share-based payment transactions. One provision requires that excess income tax benefits and tax deficiencies related to share-based payments be recognized within income tax expense in the statement of income, rather than within additional paid-in capital on the balance sheet. The Company is currently evaluating the potential impact that this provision, which is to be applied prospectively, will have on its financial statements. The Company does not expect the other provisions within the pronouncement will have a material impact on its financial statements. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods, with early adoption permitted.

In August 2016, a pronouncement was issued that addresses diversity in how certain cash receipts and cash payments are presented in the statement of cash flows. The new guidance provides clarity around the cash flow classification for eight specific issues in an effort to reduce the current and potential future diversity in practice. The standard, which is to be applied retrospectively, will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted. TJX is in the process of evaluating this guidance to determine the impact it will have on our financial statements.

In October 2016, a pronouncement was issued that aims to reduce the diversity in practice and complexity associated with accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new pronouncement stipulates that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, with early adoption permitted in the first interim period only. The amendments are to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. TJX is in the process of evaluating this guidance to determine the impact it will have on our financial statements.

In May 2014, a pronouncement was issued that creates common revenue recognition guidance for GAAP. The new guidance supersedes most preexisting revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard was originally scheduled to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In April 2015, the Financial Accounting Standards Board proposed an update to this rule which deferred its effective date for one year. The proposed update stipulates the new standard would be effective for annual reporting periods beginning after December 15, 2017, and interim periods therein, with an option to adopt the standard on the originally scheduled effective date. The standard shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. For TJX, the standard will be effective in the first quarter of the fiscal year ending January 26, 2019. TJX is currently evaluating the impact of the new pronouncement on its consolidated financial statements.

In February 2016, a pronouncement was issued that aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. The new standard is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods; early adoption is permitted and modified retrospective application is required. TJX is in the process of evaluating this guidance to determine the impact it will have on our financial statements.

In April 2015, a pronouncement was issued that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For TJX, the standard was effective in the first quarter of fiscal 2017. As a result, we have recast the January 30, 2016 consolidated balance sheet to conform to the current period presentation. The adoption of this standard reduced previously-presented other assets by $9.1 million and reduced long-term debt by $9.1 million as of January 30, 2016. In addition, we have also recast the October 31, 2015 consolidated balance sheet to conform to the current period presentation. The adoption of this standard reduced previously-presented other assets by $9.5 million and reduced long-term debt by $9.5 million as of October 31, 2015.

In November 2015, a pronouncement was issued that requires entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. It simplified then existing guidance, which required entities to separately present DTAs and DTLs as current or noncurrent in a classified balance sheet. TJX adopted this guidance as of January 30, 2016, and applied it retrospectively. The impact on the October 31, 2015 consolidated balance sheet was to reduce previously-presented current DTAs by $120.9 million, decreased long-term DTAs by $2.6 million and reduced long-term DTLs by $123.5 million as of October 31, 2015.

Note B. Acquisition of Trade Secret

On October 24, 2015, TJX purchased Trade Secret, an off-price retailer that operates 35 stores in Australia, for AUD$83.3 million (US$59.4 million).

The following table presents the final allocation of the purchase price to the assets and liabilities acquired based on their estimated fair values as of October 24, 2015 (in thousands):

Current assets	$ 25,899
Property and equipment	10,184
Goodwill and intangible assets	37,416
Less liabilities assumed	(14,071)
Net assets acquired	$ 59,428

Goodwill and intangible assets include goodwill of $25 million and identified intangible assets of $12 million for the value of the tradename Trade Secret which is being amortized over 10 years.

The operating results of Trade Secret have been included in TJX s consolidated financial statements from the date of acquisition and Trade Secret is now part of the TJX International segment along with our European operations. Pro forma results of operation assuming the acquisition of Trade Secret occurred as of the beginning of fiscal 2015 have not been presented as the inclusion of the results of operations for the acquired business would not have produced a material impact on TJX s sales, net income or earnings per share as reported.

Note C. Accumulated Other Comprehensive Income (Loss)

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

In thousands	Foreign Currency Translation	Deferred Benefit Costs	Cash Flow Hedge on Debt	Accumulated Other Comprehensive Income (Loss)
Balance, January 30, 2016	$ (439,192)	$ (224,654)	$ (3,626)	$ (667,472)
Additions to other comprehensive income:				
Foreign currency translation adjustments (net of taxes of $17,241)	(93,304)			(93,304)
Recognition of net gains/losses on benefit obligations,(net of taxes of $47,051)		(71,525)		(71,525)
Pension settlement charge (net of taxes of $12,369)		18,804		18,804
Reclassifications from other comprehensive income to net income:				
Amortization of prior service cost and deferred gains/losses (net of taxes of $7,517)		11,427		11,427
Amortization of loss on cash flow hedge (net of taxes of $337)			513	513
Balance, October 29, 2016	$ (532,496)	$ (265,948)	$ (3,113)	$ (801,557)

Note D. Capital Stock and Earnings per Share

Capital Stock: TJX repurchased and retired 5.2 million shares of its common stock at a cost of $400.0 million during the quarter ended October 29, 2016, on a trade date basis. During the nine months ended October 29, 2016, TJX repurchased and retired 15.4 million shares of its common stock at a cost of $1.2 billion, on a trade date basis. TJX reflects stock repurchases in its financial statements on a settlement date or cash basis. TJX had cash expenditures under repurchase programs of $1.2 billion for the nine months ended October 29, 2016 and $1.3 billion for the nine months ended October 31, 2015.

In February 2015, TJX announced that its Board of Directors had approved a stock repurchase program that authorized the repurchase of up to an additional $2.0 billion of TJX common stock from time to time. Under this program, on a trade date basis through October 29, 2016, TJX repurchased 22.7 million shares of common stock at a cost of $1.7 billion. At October 29, 2016, $315.8 million remained available for purchase under this program.

In February 2016, TJX announced that its Board of Directors had approved another stock repurchase program that authorized the repurchase of up to an additional $2.0 billion of TJX common stock from time to time, all of which remained available at October 29, 2016.

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

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

	Thirteen Weeks Ended	
In thousands, except per share data	October 29, 2016	October 31, 2015
Basic earnings per share		
Net income	$ 549,786	$ 587,256
Weighted average common shares outstanding for basic EPS	653,559	671,154
Basic earnings per share	$ 0.84	$ 0.88
Diluted earnings per share		
Net income	$ 549,786	$ 587,256
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	653,559	671,154
Assumed exercise/vesting of:		
Stock options and awards	8,162	9,690
Weighted average common shares outstanding for diluted EPS	661,721	680,844
Diluted earnings per share	$ 0.83	$ 0.86

	Thirty-Nine Weeks Ended	
In thousands, except per share data	October 29, 2016	October 31, 2015
Basic earnings per share		
Net income	$ 1,620,306	$ 1,611,192
Weighted average common shares outstanding for basic EPS	657,746	676,220
Basic earnings per share	$ 2.46	$ 2.38
Diluted earnings per share		
Net income	$ 1,620,306	$ 1,611,192
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	657,746	676,220
Assumed exercise/vesting of:		
Stock options and awards	8,886	9,852
Weighted average common shares outstanding for diluted EPS	666,632	686,072
Diluted earnings per share	$ 2.43	$ 2.35

The weighted average common shares for the diluted earnings per share calculation exclude the impact of outstanding stock options if the assumed proceeds per share of the option is in excess of the related fiscal period s average price of TJX s common stock. Such options are excluded because they would have an antidilutive effect. There were 4.3 million such options excluded for the thirteen weeks and thirty-nine weeks ended October 29, 2016. There were 4.2 million options excluded for the thirteen weeks and thirty-nine weeks ended October 31, 2015.

Note E. Financial Instruments

As a result of its operating and financing activities, TJX is exposed to market risks from changes in interest and foreign currency exchange rates and fuel costs. These market risks may adversely affect TJX s operating results and financial position. When and to the extent deemed appropriate, TJX seeks to minimize risk from changes in interest and foreign currency exchange rates and fuel costs through the use of derivative financial instruments. TJX does not use derivative financial instruments for trading or other speculative purposes and does not use any leveraged derivative financial instruments. TJX recognizes all derivative instruments as either assets or liabilities in the statements of financial position and measures those instruments at fair value. The fair values of the derivatives are classified as assets or liabilities, current or non-current, based upon valuation results and settlement dates of the individual contracts. Changes to the fair value of derivative contracts that do not qualify for hedge accounting are reported in earnings in the period of the change. For derivatives that qualify for hedge accounting, changes in the fair value of the derivatives are either recorded in shareholders equity as a component of other comprehensive income or are recognized currently in earnings, along with an offsetting adjustment against the basis of the item being hedged. TJX does not hedge its net investments in foreign subsidiaries.

Diesel Fuel Contracts: When and to the extent deemed appropriate, 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 2016 and fiscal 2017, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for fiscal 2017. In addition, during fiscal 2017, TJX entered into agreements to hedge a portion of its estimated notional diesel requirements for the first nine months of fiscal 2018. The hedge agreements outstanding at October 29, 2016 relate to approximately 51% of TJX s estimated notional diesel requirements for the remainder of fiscal 2017 and approximately 50% of TJX s estimated notional diesel requirements for the first nine months of fiscal year 2018. These diesel fuel hedge agreements will settle throughout the remainder of fiscal 2017 and the first ten months of fiscal 2018. TJX elected not to apply hedge accounting rules to these contracts.

Foreign Currency Contracts: When and to the extent deemed appropriate, 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 Europe (United Kingdom, Ireland, Germany, Poland, Austria and The Netherlands), TJX Canada (Canada), Marmaxx (U.S.) and HomeGoods (U.S.) in currencies other than their respective functional currencies. These contracts typically have a term of twelve months or less. The contracts outstanding at October 29, 2016 cover a portion of such actual and anticipated merchandise purchases throughout the remainder of fiscal 2017 and the first two quarters of the fiscal year ending February 3, 2018, (fiscal 2018). Additionally, TJX s operations in Europe are subject to foreign currency exposure as a result of their buying function being centralized in the United Kingdom. All merchandise is purchased centrally in the U.K. and then shipped and billed to the retail entities in other countries. This intercompany billing to TJX s European businesses Euro denominated operations creates exposure to the buying entity for changes in the exchange rate between the Euro and British Pound. The inflow of Euros to the central buying entity provides a natural hedge for merchandise purchased from third-party vendors that is denominated in Euros. However, with the growth of TJX s Euro denominated retail operations, the intercompany billings committed to the Euro denominated operations is generating Euros in excess of those needed to meet merchandise commitments to outside vendors. TJX calculates this excess Euro exposure each month and enters into forward contracts of approximately 30 days duration to mitigate the exposure. TJX elected not to apply hedge accounting rules to these contracts.

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

The following is a summary of TJX s derivative financial instruments, related fair value and balance sheet classification at October 29, 2016:

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 October 29, 2016
Fair value hedges:									
Intercompany balances, primarily debt and related interest									
	zł	57,073	C$	19,606	0.3435	Prepaid Exp	$ 199	$	$ 199
	zł	45,000	£	7,403	0.1645	(Accrued Exp)		(2,357)	(2,357)
		61,000	£	47,211	0.7740	(Accrued Exp)		(9,681)	(9,681)
	U.S.$	77,957	£	55,000	0.7055	(Accrued Exp)		(10,999)	(10,999)
	£	25,000	C$	41,123	1.6449	Prepaid Exp	45		45
Economic hedges for which hedge accounting was not elected:									
Diesel contracts		Fixed on 2.1M 2.3M gal per month		Float on 2.1M 2.3M gal per month	N/A	Prepaid Exp	1,485		1,485
Intercompany billings in Europe, primarily merchandise related		88,000	£	79,577	0.9043	Prepaid Exp	186		186
Merchandise purchase commitments									
	C$	461,631	U.S.$	355,350	0.7698	Prepaid Exp	10,434		10,434
	C$	21,643		14,900	0.6885	Prepaid Exp	217		217
	£	191,518	U.S.$	252,600	1.3189	Prepaid Exp / (Accrued Exp)	18,824	(626)	18,198
	U.S.$	675	£	468	0.6934	(Accrued Exp)		(106)	(106)
	zł	258,005	£	50,292	0.1949	Prepaid Exp / (Accrued Exp)	1	(3,875)	(3,874)
	U.S.$	49,288		43,819	0.8891	Prepaid Exp / (Accrued Exp)	19	(1,122)	(1,103)
Total fair value of financial instruments							$ 31,410	$ (28,766)	$ 2,644

The following is a summary of TJX s derivative financial instruments, related fair value and balance sheet classification at October 31, 2015:

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 October 31, 2015
Fair value hedges:									
Intercompany balances, primarily debt and related interest									
	zł	87,073	C$	29,560	0.3395	Prepaid Exp / (Accrued Exp)	$ 270	$ (198)	$ 72
	zł	35,000	£	6,279	0.1794	Prepaid Exp	635		635
		45,000	£	33,294	0.7399	Prepaid Exp	1,726		1,726
		19,850	U.S.$	22,647	1.1409	Prepaid Exp	762		762
	U.S.$	83,400	£	55,000	0.6595	Prepaid Exp	1,424		1,424
Economic hedges for which hedge accounting was not elected:									
Diesel contracts		Fixed on 975K 3.0M gal per month		Float on 975K 3.0M gal per month	N/A	(Accrued Exp)		(10,437)	(10,437)
Merchandise purchase commitments									
	C$	530,307	U.S.$	410,904	0.7748	Prepaid Exp / (Accrued Exp)	6,470	(906)	5,564
	C$	18,574		12,700	0.6838	Prepaid Exp / (Accrued Exp)	2	(224)	(222)
	£	160,365	U.S.$	247,900	1.5458	Prepaid Exp / (Accrued Exp)	1,218	(689)	529
	zł	213,967	£	36,670	0.1714	Prepaid Exp	1,275		1,275
	U.S.$	29,338		26,318	0.8971	Prepaid Exp / (Accrued Exp)	19	(379)	(360)
Total fair value of financial instruments							$ 13,801	$ (12,833)	$ 968

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

In thousands	Location of Gain (Loss) Recognized in Income by Derivative	Amount of Gain (Loss) Recognized in Income by Derivative Thirteen Weeks Ended October 29, 2016	October 31, 2015
Fair value hedges:			
Intercompany balances, primarily debt and related interest	Selling, general and administrative expenses	$ (10,549)	$ (730)
Economic hedges for which hedge accounting was not elected:			
Diesel fuel contracts	Cost of sales, including buying and occupancy costs	4,241	(2,405)
Intercompany billings in Europe, primarily merchandise related	Cost of sales, including buying and occupancy costs	(5,911)	
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	23,105	5,311
Gain / (loss) recognized in income		$ 10,886	$ 2,176

In thousands	Location of Gain (Loss) Recognized in Income by Derivative	Amount of Gain (Loss) Recognized in Income by Derivative Thirty-Nine Weeks Ended October 29, 2016	October 31, 2015
Fair value hedges:			
Intercompany balances, primarily debt and related interest	Selling, general and administrative expenses	$ (23,835)	$ 6,978
Economic hedges for which hedge accounting was not elected:			
Diesel fuel contracts	Cost of sales, including buying and occupancy costs	3,012	(11,696)
Intercompany billings in Europe, primarily merchandise related	Cost of sales, including buying and occupancy costs	(14,987)	
Merchandise purchase commitments	Cost of sales, including buying and occupancy costs	15,826	12,854
Gain / (loss) recognized in income		$ (19,984)	$ 8,136

Note F. Disclosures about Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or exit price. The inputs used to measure fair value are generally classified into the following hierarchy:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
Level 3: Unobservable inputs for the asset or liability

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

In thousands	October 29, 2016	January 30, 2016	October 31, 2015
Level 1			
Assets:			
Executive Savings Plan investments	$ 185,042	$ 155,847	$ 164,970
Level 2			
Assets:			
Short-term investments	$ 450,804	$ 352,313	$ 399,714
Foreign currency exchange contracts	29,925	28,643	13,801
Diesel fuel contracts	$ 1,485		
Liabilities:			
Foreign currency exchange contracts	$ 28,766	$ 3,455	$ 2,396
Diesel fuel contracts		13,952	10,437

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.

Short-term investments, foreign currency exchange contracts and diesel fuel contracts are valued using broker quotations which include observable market information. TJX s investments are primarily high-grade commercial paper, institutional money market funds and time deposits with major banks. TJX does not make adjustments to quotes or prices obtained from brokers or pricing services but does assess the credit risk of counterparties and will adjust final valuations when appropriate. Where independent pricing services provide fair values, TJX obtains an understanding of the methods used in pricing. As such, these instruments are classified within Level 2.

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 October 29, 2016 was $2.2 billion compared to a carrying value of $2.2 billion. The fair value of long-term debt as of January 30, 2016 was $1.7 billion compared to a carrying value of $1.6 billion. The fair value of long-term debt as of October 31, 2015 was $1.7 billion compared to a carrying value of $1.6 billion. These estimates do not necessarily reflect provisions or restrictions in the various debt agreements that might affect TJX s ability to settle these obligations.

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

Note G. Segment Information

TJX operates four main business segments. The Marmaxx segment (T.J. Maxx, Marshalls and tjmaxx.com) and the HomeGoods segment both operate in the United States, the TJX Canada segment operates Winners, HomeSense and Marshalls in Canada, and the TJX International segment operates T.K. Maxx, HomeSense and tkmaxx.com in Europe and Trade Secret in Australia. TJX also operates Sierra Trading Post (STP), an off-price Internet retailer that operates sierratradingpost.com and a small number of stores in the U.S. The results of STP are included in the Marmaxx segment. The former TJX Europe segment was renamed TJX International in the fourth quarter of fiscal 2016 to reflect the acquisition of Trade Secret in Australia.

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 and interest expense, net. Segment profit or loss, as defined by TJX, may not be comparable to similarly titled measures used by other entities. The terms segment margin or segment profit margin are used to describe segment profit or loss as a percentage of net sales. These measures of performance should not be considered alternatives to net income or cash flows from operating activities as an indicator of TJX s performance or as a measure of liquidity.

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

	Thirteen Weeks Ended	
In thousands	October 29, 2016	October 31, 2015
Net sales:		
In the United States:		
Marmaxx	$ 5,252,815	$ 4,926,507
HomeGoods	1,078,373	959,844
TJX Canada	855,473	753,630
TJX International	1,105,027	1,113,514
	$ 8,291,688	$ 7,753,495
Segment profit:		
In the United States:		
Marmaxx	$ 703,092	$ 678,343
HomeGoods	149,739	134,550
TJX Canada	142,491	113,152
TJX International	87,821	115,290
	1,083,143	1,041,335
General corporate expense	97,902	87,140
Loss on early extinguishment of debt	51,773	
Pension settlement charge	31,173	
Interest expense, net	12,462	13,005
Income before provision for income taxes	$ 889,833	$ 941,190

In thousands	Thirty-Nine Weeks Ended October 29, 2016	Thirty-Nine Weeks Ended October 31, 2015
Net sales:		
In the United States:		
Marmaxx	$ 15,217,188	$ 14,227,800
HomeGoods	3,075,472	2,735,415
TJX Canada	2,297,831	2,073,189
TJX International	3,125,606	2,946,459
	$ 23,716,097	$ 21,982,863
Segment profit:		
In the United States:		
Marmaxx	$ 2,154,238	$ 2,046,192
HomeGoods	415,996	367,984
TJX Canada	321,942	278,005
TJX International	145,047	192,519
	3,037,223	2,884,700
General corporate expense	290,975	256,764
Loss on early extinguishment of debt	51,773	
Pension settlement charge	31,173	
Interest expense, net	33,918	35,437
Income before provision for income taxes	$ 2,629,384	$ 2,592,499

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	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Service cost	$ 11,360	$ 11,453	$ 293	$ (215)
Interest cost	14,023	12,885	793	533
Expected return on plan assets	(17,633)	(19,546)		
Recognized actuarial losses	7,943	8,048	783	211
Expense related to current period	15,693	12,840	1,869	529
Pension settlement charge	31,173			
Total expense	$ 46,866	$ 12,840	$ 1,869	$ 529

	Funded Plan		Unfunded Plan	
	Thirty-Nine Weeks Ended		Thirty-Nine Weeks Ended	
In thousands	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Service cost	$ 33,778	$ 37,561	$ 1,376	$ 1,172
Interest cost	42,747	38,783	2,543	2,275
Expected return on plan assets	(53,503)	(58,532)		
Recognized actuarial losses	22,362	25,142	2,512	2,969
Net periodic pension cost	45,384	42,954	6,431	6,416
Pension settlement charge	31,173			
Total expense	$ 76,557	$ 42,954	$ 6,431	$ 6,416

TJX s policy with respect to the funded plan is to fund, at a minimum, the amount required to maintain a funded status of 80% of the applicable pension liability (the funding target pursuant to the Internal Revenue Code section 430) or such other amount sufficient to avoid restrictions with respect to the funding of TJX s nonqualified plans under the Internal Revenue Code. TJX does not anticipate any required funding in fiscal 2017 for the funded plan. TJX anticipates making payments of $3.3 million to provide current benefits coming due under the unfunded plan in fiscal 2017.

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

During the third quarter, TJX offered eligible, former TJX Associates, who had not yet commenced receiving their pension benefit, an opportunity to receive a lump sum payout of their vested pension benefit. On October 21, 2016 the Company s pension plan paid $103.2 million from pension plan assets to those who accepted this offer, thereby reducing its pension benefit obligations. The transaction had no cash impact on TJX but did result in a non-cash pre-tax pension settlement charge of $31.2 million, which is reported separately on the consolidated statements of income. As a result of the lump sum payout the Company re-measured the funded status of its pension plan as of September 30, 2016. The assumptions for pension expense presented above includes a discount rate of 4.80% through the measurement date and 3.80% thereafter. The expected rate of return on plan assets is 6.50% through the measurement date and 6.00% thereafter. The discount rate for determining the obligation at the measurement date is 3.80%. Presented below is the funded status of the plan as a result of this measurement and lump sum payment:

In thousands	
Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	$ 1,213,000
Service cost	28,337
Interest cost	38,754
Actuarial (gains) losses	231,636
Benefits paid including lump sum payment	(122,029)
Expenses paid	(2,980)
Projected benefit obligation at measurement date	$ 1,386,718
Change in plan assets:	
Fair value of plan assets at beginning of year	$ 1,119,842
Actual return on plan assets	159,787
Employer contribution	
Benefits paid including lump sum payment	(122,029)
Expenses paid	(2,980)
Fair value of plan assets at measurement date	$ 1,154,620
Funded status:	
Projected benefit obligation at measurement date	$ 1,386,718
Fair value of plan assets at measurement date	1,154,620
Funded status excess obligation at measurement date	$ 232,098
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (loss):	
Prior service cost	$ 2,438
Accumulated actuarial losses	416,873
Amounts included in accumulated other comprehensive income (loss)	$ 419,311

TJX also has an unfunded postretirement medical plan which was closed to new benefits in fiscal 2006. The amendment to the plan benefits in fiscal 2006 resulted in a negative plan amendment which was being amortized to income over the estimated average remaining life of the eligible plan participants.

During the first quarter of fiscal 2017, TJX terminated the unfunded postretirement medical plan and made a discretionary lump sum payment to participants. The settlement of the liability and the recognition of the remaining negative plan amendment resulted in a pre-tax benefit of $5.5 million in the first quarter of fiscal 2017. Amortization from other comprehensive income to net income was $864,000 for the quarter ended October 31, 2015 and $2.6 million for the thirty-nine weeks ended October 31, 2015.

Note I. Long-Term Debt and Credit Lines

The table below presents long-term debt, exclusive of current installments, as of October 29, 2016, January 30, 2016 and October 31, 2015. All amounts are net of unamortized debt discounts.

In thousands	October 29, 2016	January 30, 2016	October 31, 2015
General corporate debt:			
6.95% senior unsecured notes, redeemed on October 12, 2016 (effective interest rate of 6.98% after reduction of unamortized debt discount of $223 at January 30, 2016 and $240 at October 31, 2015)	$	$ 374,777	$ 374,760
2.50% senior unsecured notes, maturing May 15, 2023 (effective interest rate of 2.51% after reduction of unamortized debt discount of $289 at October 29, 2016, $323 at January 30, 2016 and $335 at October 31, 2015)	499,711	499,677	499,665
2.75% senior unsecured notes, maturing June 15, 2021 (effective interest rate of 2.76% after reduction of unamortized debt discount of $344 at October 29, 2016, $400 at January 30, 2016 and $418 at October 31, 2015)	749,656	749,600	749,582
2.25% senior unsecured notes, maturing September 15, 2026 (effective interest rate of 2.32% after reduction of unamortized debt discount of $7,336 at October 29, 2016)	992,664		
Debt issuance cost	(15,118)	(9,051)	(9,478)
Long-term debt	$ 2,226,913	$ 1,615,003	$ 1,614,529

On September 12, 2016, TJX issued $1.0 billion aggregate principal amount of 2.25% ten-year notes due September 2026 all of which was outstanding at October 29, 2016. TJX entered into a rate-lock agreement to hedge $700 million of the 2.25% notes. The cost of these agreements are being amortized to interest expense over the term of the notes resulting in an effective fixed rate of 2.36%. On October 12, 2016, TJX used a portion of the proceeds for the 2.25% ten-year notes to redeem all outstanding 6.95% ten-year notes and recorded a pre-tax loss on the early extinguishment of debt of $51.8 million, which includes $50.6 million of redemption premium and $1.2 million to write off unamortized debt expenses and discount.

At October 29, 2016, TJX also had outstanding $500 million aggregate principal amount of 2.50% ten-year notes due May 2023 and $750 million aggregate principal amount of 2.75% seven-year notes, due June 2021. TJX entered into rate-lock agreements to hedge the underlying treasury rate of $250 million of the 2.50% notes. The costs of these agreements are being amortized to interest expense over the term of the respective notes, resulting in an effective fixed interest rate of 2.57% for the 2.50% notes. TJX also entered into rate-lock agreements to hedge the underlying treasury rate of all of the 2.75% notes prior to their issuance. The agreements were accounted for as cash flow hedges and the pre-tax realized loss of $7.9 million was recorded as a component of other comprehensive income and is being amortized to interest expense over the term of the notes, resulting in an effective fixed interest rate of 2.91%.

At October 29, 2016, TJX had two $500 million revolving credit facilities, one which matures in March 2020 and one which matures in March 2021. At January 30, 2016 and October 31, 2015, TJX had two $500 million revolving credit facilities, one which was scheduled to mature in May 2016 and one which was scheduled to mature in June 2017. In March 2016, the $500 million revolving credit facility scheduled to mature in May 2016 was replaced with a new five-year $500 million revolving credit facility maturing in March 2021 and the $500 million revolving credit facility scheduled to mature in June 2017 was replaced with a new four-year $500 million revolving credit facility maturing in March 2020. The terms and covenants under the new revolving credit facilities are similar to those in the terminated facilities and require quarterly payments of 6.0 basis points per annum on the committed amounts for both agreements. This rate is based on the credit ratings of TJX s long-term debt and would vary with specified changes in the credit ratings. These agreements had no compensating balance requirements and had various covenants. Each of these facilities required TJX to maintain a ratio of funded debt and four-times consolidated rentals to consolidated earnings before interest, taxes, depreciation and amortization, and consolidated rentals (EBITDAR) of not more than 2.75 to 1.00 on a rolling four-quarter basis. TJX was in compliance with all covenants related to its credit facilities at October 29, 2016, January 30, 2016 and October 31, 2015. As of October 29, 2016, January 30, 2016 and October 31, 2015, and during the quarters and year then ended, there were no amounts outstanding under any of these facilities.

As of October 29, 2016, January 30, 2016 and October 31, 2015, 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 October 29, 2016, January 30, 2016 and October 31, 2015, there were no amounts outstanding on the Canadian credit line for operating expenses. As of October 29, 2016, January 30, 2016, and October 31, 2015, our European business at TJX International had an uncommitted credit line of £5 million. As of October 29, 2016, January 30, 2016, and October 31, 2015, and during the quarters and year then ended, there were no amounts outstanding on the European credit line.

Note J. Property at Cost

Presented below are the components of property at cost as of October 29, 2016, January 30, 2016 and October 31, 2015:

In thousands	October 29, 2016	January 30, 2016	October 31, 2015
Land and buildings	$ 1,118,739	$ 1,013,247	$ 917,651
Leasehold costs and improvements	2,936,777	2,943,191	2,950,635
Furniture, fixtures and equipment	5,469,647	5,112,229	5,056,946
Total property at cost	$ 9,525,163	$ 9,068,667	$ 8,925,232
Less accumulated depreciation and amortization	5,206,334	4,931,092	4,858,245
Net property at cost	$ 4,318,829	$ 4,137,575	$ 4,066,987

Depreciation expense was $484.5 million for the nine months ended October 29, 2016 and $453.0 for the nine months ended October 31, 2015. Depreciation expense was $612.8 million for the twelve months ended January 30, 2016.

Note K. Income Taxes

The effective income tax rate was 38.2% for the fiscal 2017 third quarter and 37.6% for the fiscal 2016 third quarter. The effective income tax rate for the nine months ended October 29, 2016 was 38.4% as compared to 37.9% for last year s comparable period. The increase in the effective income tax rate was primarily due to the jurisdictional mix of income and the increase in valuation allowance on foreign net operating losses. In addition, the fiscal 2016 effective income tax rates benefitted from a reduction in our reserve for uncertain tax positions related to our adoption of the new Tangible Property Regulations during the third quarter of that year.

TJX had net unrecognized tax benefits of $37.4 million as of October 29, 2016, $34.1 million as of January 30, 2016 and $31.4 million as of October 31, 2015.

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., fiscal years through 2010 are no longer subject to examination. In Canada, fiscal years through 2008 are no longer subject to examination. In all other jurisdictions, fiscal years through 2009 are no longer subject to examination.

TJX s accounting policy classifies interest and penalties related to income tax matters as part of income tax expense. The total accrued amount on the balance sheets for interest and penalties was $7.8 million as of October 29, 2016, $7.0 million as of January 30, 2016 and $6.8 million as of October 31, 2015.

Based on the outcome of tax examinations or judicial or administrative proceedings, or as a result of the expiration of statute of limitations in specific jurisdictions, it is reasonably possible that unrecognized tax benefits for certain tax positions taken on previously filed tax returns may change materially from those presented in the financial statements. During the next 12 months, it is reasonably possible that tax examinations of prior years tax returns or judicial or administrative proceedings that reflect such positions taken by TJX may be finalized. As a result, the total net amount of unrecognized tax benefits may decrease, which would reduce the provision for taxes on earnings, by a range of zero to $12 million.

Note L. Contingent Obligations and Contingencies

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

TJX also has contingent obligations in connection with certain assigned or sublet properties that TJX is able to estimate. We estimate that the undiscounted obligations of (i) leases of former operations not included in our reserve for former operations and (ii) properties of our former operations if the subtenants do not fulfill their obligations, are approximately $43 million as of October 29, 2016. We believe that most or all of these contingent obligations will not revert to us and, to the extent they do, will be resolved for substantially less due to mitigating factors including our expectation to further sublet.