Kohl’s Corporation
2000 Annual Report

that’s more like it

more growth
more expansion
more brands
more convenience
more value

KOHL’S
Kohl’s is a family-oriented department store.

As of April 2001, Kohl’s operates 354 family-oriented, specialty department stores in 28 states that feature quality, national brand merchandise priced to provide exceptional value to customers. The company’s stores sell moderately priced brand-name apparel, shoes, accessories and home products targeted to middle income consumers shopping for their families and homes. Kohl’s focuses on providing convenient shopping in neighborhood locations close to where our customers live and work.
Financial Highlights

Net Sales
(In millions of dollars)

- 2000: $6,152
- 1999: $4,557
- Up 35%

Operating Income
(In millions of dollars)

- 2000: $651
- 1999: $448
- Up 45%

Net Income
(In millions of dollars)

- 2000: $372
- 1999: $258
- Up 44%

Diluted Net Income Per Share\(^{(1)}\)

- 2000: $1.10
- 1999: $0.77
- Up 43%

Number of Stores

- 2000: 320
- 1999: 259
- Up 24%

Total Square Feet of Selling Space
(At year end in thousands)

- 2000: 23,610
- 1999: 18,757
- Up 26%

Another Record Year

Since going public in 1992, Kohl's has established a record of consistently strong financial performance. On a compounded growth rate basis (excluding non-recurring charges), our net income has increased 38 percent over the last five years and 33 percent since 1992. Net income increased 44 percent in 2000. This was the highest percentage increase in the last five years and our fifth consecutive year of earnings growth exceeding 30 percent.


\(^{(2)}\) Compounded annual growth rate.

\(^{(3)}\) Diluted Net Income Per Share\(^{(1)}\)
Fiscal 2000 was an outstanding year for Kohl’s. Our increases in sales and income were some of our highest ever and once again, our record-breaking results far outpaced many other retailers.

Our ability to deliver this consistently strong performance is the result of our focus on convenience and value for our customers, the successful execution of our expansion strategy, and most importantly, the best Associates in retail. Put these together and you have the ‘more’ behind “That’s more like it” and the essence of all that we do.

Consistently Strong Performance
From a performance standpoint, ‘more’ means exceeding our goal to increase sales and earnings by at least 20 percent each year. In 2000, net sales increased 35 percent to $6.2 billion. Net income rose 44 percent to $372.2 million or $1.10 per diluted share. Kohl’s also had an excellent holiday season. Fourth quarter net sales rose 38 percent and net income increased 48 percent.

Comparable store sales increased nine percent in 2000, consistent with our average over the past five years and well above the performance of our direct competitors. We remain focused on increasing our market share and successfully opening new stores.

Our outstanding performance has resulted in more value for our shareholders. Our stock price increased from $34.41 per share at the end of 1999 to $68.48 at the end of 2000. Cumulatively, a $1,000 investment in Kohl’s initial public offering in 1992 had grown to over $39,000 at the end of fiscal 2000.

Fast-Paced Growth
‘More’ also describes our expansion strategy. We opened 61 stores in 2000 to end the year with 320 stores. This includes our successful entry into the tri-state market of New York, New Jersey and Connecticut with 35 stores. Our success in this market has exceeded our initial expectations and we plan to continue adding fill-in stores to further strengthen our presence in this region.

This year, we plan to open approximately 60 additional stores. In March and April, we opened 34 stores, including our entries into Atlanta with 15 stores, Hartford/New Haven with four stores and Fayetteville/Ft. Smith, Arkansas, with three stores. This fall, we will open approximately 26 stores and enter the new markets of El Paso, Austin and Oklahoma City.
In 2002, we plan to open approximately 70 stores. We will expand further into the Northeast with a major entry into the Boston market and will enter the Houston market for the first time. In 2003, we plan to begin a major expansion into the Southwest with a significant entry into Los Angeles, giving us the coast-to-coast coverage that will move us from a regional to a national retailer. Plans are also currently underway for further entries into Southern California, Arizona and Nevada in 2003 and 2004.

Focus on Convenience

Convenience is very important to our customer. Our ample and well-lit parking, handy stroller carts, functional store layout, in-stock position and central check-out make shopping at Kohl’s fast and easy.

In 2001, we will add on-line shopping for those customers who want the convenience of shopping from home. Our entry into e-commerce has been well researched and deliberately planned to ensure our customers the same level of service they have come to expect from our stores. A new fulfillment center has been built in Ohio specifically to service these customers. Effective utilization and leverage of our established corporate functions provides a financially sound foundation for our on-line shopping business. Although e-commerce will contribute only a small percentage of total sales in its first year, it will complement our existing stores and provide an added service for our busy customers.

Outstanding Associates

Of course, no report on the year is complete without a thank you to the people who made it happen – our Associates. In our business, success is more than buildings and merchandise. It takes great people, and whether they work in our stores, distribution centers or corporate office, our Associates are the driving force behind all of our achievements. We are proud of this outstanding group of people whose friendly service and caring attitude have made Kohl’s the company to watch in retailing today.

With coast-to-coast expansion on the horizon, the years ahead will be an exciting time for Kohl’s. We want to thank all of our Associates, shareholders, customers and vendors for their continuing confidence and support as we take Kohl’s to the next level.

To My Fellow Associates:

I would like to take this opportunity to thank all of the Associates I have worked with over the years at Kohl’s. It is because of your efforts that Kohl’s is the tremendous success it is today. I have always believed that Kohl’s Associates are exceptional. Your hard work and commitment to our customers and your company have created a unique culture that thrives on the growth of our people as well as our performance.

To our customers, you are Kohl’s. Whether you welcome customers to your store with a smile and a friendly hello, provide critical store support as part of our distribution center team or help to keep things running as a member of our corporate staff, you have an important role in our success. The credit for our many achievements belongs to all of you.

While I will continue to serve as Chairman of the Board, I am proud that the management transition process we began in 1998 was completed in a smooth and seamless manner. With the leadership of Larry Montgomery as chief executive officer, Kevin Mansell as president and Arlene Meier as chief operating officer, we are well positioned to continue our expansion strategy.

Thank you all for a great 33 years.

Bill Kellogg
Chairman of the Board
Expansion Strategy

Kohl’s objective is to be a national retailer. Our approach is very deliberate, expanding step-by-step into contiguous states and filling in existing markets. We enter major new markets with a critical mass of stores that enables us to establish a presence and leverage marketing, regional management and distribution expenses. Once established, we add additional stores to further strengthen our market share.

Many of Kohl’s stores are located in the growing suburban areas of large metropolitan markets, close to the neighborhoods where our customers live and work. In developing new stores, we generally focus on free-standing locations or power strip malls that provide the visibility, parking and ease of entry that our customers prefer.

Kohl’s Targets the Northeast

The opening of 35 stores in the tri-state market of New York, New Jersey and Connecticut in 2000 was highly successful, with results that substantially exceeded our initial projections. With this strong start, Kohl’s has captured a solid share of one of the most attractive retail markets in the country.

Building on this base, we will expand into the Hartford/New Haven market in 2001 and make a major entry into New England in 2002. Our New England entry will be through the acquisition of 12 former Bradlees stores in the Boston market and three stores in New Jersey, which we will remodel and reconfigure to the Kohl’s prototype. The acquisition provides an excellent opportunity to bring the Kohl’s shopping experience to customers in this major Northeast metropolitan area.

We will support our Northeast expansion with a new distribution center in New York state. Opening at the end of this year, the new center will have the capacity to serve up to 100 stores.

New Stores in Atlanta and Arkansas

In spring 2001, we opened 34 stores, including our entry into the fast-growing Atlanta market with 15 stores. As a major population center, Atlanta has the ideal demographics for Kohl’s. We also entered Arkansas for the first time with three stores, further strengthening our presence in the South Central United States.
Expansion Plans

Over the next three years, Kohl’s expansion plans will move the company from a regional retailer to a national chain, with stores from coast to coast.

We carefully research new markets to be certain we can be successful in both merchandising and operations. When we enter a new market, new store openings are preceded by an aggressive marketing program that positions Kohl’s as a brand, drives sales through highly promotional events, and supports these activities with extensive television, radio and print advertising. These highly effective targeted marketing activities have proven to be instrumental in quickly achieving the performance objectives of new stores.

Growth in South Central States

In fall 2001, Kohl’s will enter the new markets of El Paso and Austin, Texas, and Oklahoma City, Oklahoma. We will enter Houston with a major presence in 2002. In addition to expanding into new regions, we will continue to fill in existing markets including the Midwest and Mid-Atlantic regions.

Moving Westward

Looking ahead, we plan to begin a major expansion into the Southwest, beginning with our entry into the Los Angeles market in 2003. We plan to build on this base with additional entries in Southern California, Arizona and Nevada in 2003 and 2004. Plans are also underway for a sixth distribution center to support this growth. Our coast-to-coast presence will put Kohl’s on the map as a major national retailer.
The Brands Customers Want

When you look at the many attributes that make Kohl’s popular with customers, brand names are at the top of the list. With national brands accounting for the majority of our merchandise, customers know they can find the brand names they want, in today’s popular styles and colors.

In 2000, we strengthened our merchandise mix with two major new brands. The Arrow line of men’s dress and sport shirts, as well as casual pants, was introduced in spring and is now available in every store. The well-known Columbia brand of outerwear and sportswear for both men and women was a hit with customers from its introduction in spring to its expansion into kids in the fall. In 2001, the Columbia brand will be included in almost every major apparel and accessory classification throughout the store. Kohl’s own Sonoma and Croft & Barrow brands complement our brand-name merchandise in many departments throughout the store.

Wide Selection of Colors and Sizes

Not only do customers want brand names, they also want them in a variety of sizes and colors, all in stock. Kohl’s sophisticated merchandise management program ensures that our customers find the sizes and colors they need in the style they want. Because our merchandise selection varies by geographic area, seasonal items are in the stores in anticipation of customer needs. And whether it’s basic apparel or home merchandise, key items are prominently displayed for added convenience.

Extra Services Make a Difference

For busy Kohl’s shoppers, the extras make a difference. Kohl’s gift cards are perfect for birthdays, anniversaries or that person who has everything. Gift receipts make returns and exchanges fast and easy. Our gift registry helps newlyweds in furnishing their first home and provides shopping ideas for other special events.

Kohl’s strong credit card program enables customers to track their purchases and provides extra benefits such as advance notice of major sales and additional savings during eight special events each year. Our “Most Valued Customer” (MVC) program continues to grow, further expanding our base of loyal customers.
more brands and value

Kohl’s focuses on women shopping for themselves and their families.

Popular National Brand Names

What differentiates Kohl’s from many of its competitors is our emphasis on brand-name merchandise. From well-known women’s apparel lines to popular athletic shoes, quality cookware and home goods, Kohl’s has the brands our customers want.
Centralized check-out gets busy customers quickly on their way.

**Focusing on Customer Needs**

What does convenience really mean to a Kohl’s customer? It means we’ve helped to make her shopping a lot more efficient and her life a little easier. It means she can find the brand names and selection she wants in a pleasant shopping environment close to home. It means she has more time to spend on her family, herself, or her community. Now, that’s more like it!

Wide aisles and stroller carts enhance the Kohl’s shopping experience.
A Pleasant Shopping Experience

Our market research and customer feedback confirms what we’ve always known: customers love the convenience of Kohl’s. That’s why we’re continually looking at new ways to make the Kohl’s shopping experience even better.

Why Customers Shop Kohl’s

At Kohl’s, convenience begins before the customer enters the store, with a neighborhood location close to home. Ample, well-lit parking and an easily accessible entry make customers feel welcome. Inside the store, carts that double as strollers make it easy to select a variety of quality brand-name merchandise from different departments. Wide aisles and a functional store layout help customers to quickly locate the departments and merchandise they’re looking for. Friendly, helpful Associates and clean, accessible fitting rooms further enhance the shopping experience. Fast, centralized check-out gets customers on their way, and when a size or color isn’t right, our no hassle return policy ensures a smooth exchange or refund.

Customers frequently plan their shopping trip around ideas found in our newspaper inserts. The inserts, along with our television and radio advertising, provide an exciting overview of our featured merchandise and special promotions. With all advertising centered around our “That’s more like it” positioning, customers know Kohl’s is a unique experience.

E-Commerce Adds Convenience

In 2001, Kohl’s will introduce on-line shopping on our existing Web site: www.kohls.com. Designed as an added service for customers who prefer to shop from their homes, the Web site will offer popular key items and best-selling family apparel and home merchandise. The site is designed to provide an easy-to-navigate on-line shopping environment that complements the company’s in-store focus on convenience. An added benefit for Kohl’s on-line shoppers is the ability to easily return or exchange items at any Kohl’s store.

The site will be fully integrated into other marketing activities, including our weekly newspaper inserts and advertising. Staffing will be similar to a new market entry, blending outside people who have e-commerce expertise with Kohl’s Associates who understand our philosophy and culture.
Associate Volunteer Program

Building on Kohl's commitment to Associates and their communities, the company's new Associate Volunteer Program encourages Associates to volunteer as teams to support local non-profit organizations that enrich the lives of children in their communities. In addition to the volunteer time contributed by Associates, the organizations also receive a matching grant from Kohl's.

Kohl's Associates Becky England and Wyndell Bitner worked on holiday art projects with patients at the Carol Jo Vecchie Women and Children's Center at St. John's Children's Hospital in Springfield, Missouri.

Supporting Children's Hospitals

This program features special seasonal merchandise, with all profits being donated to children's hospitals in Kohl's local communities. More than 1.3 million items were purchased through these promotions in fall and holiday 2000.

Fundraising Gift Cards

A second component of "Kohl's Cares for Kids" is a fundraising card program. Schools and non-profit youth organizations sell special "Kohl's Cares for Kids" gift cards, with up to five percent of the total purchase price going back to the community youth organization.

"Kohl's Kids Who Care"

Knowing that kids, too, have an important role in making their communities a better place, the "Kohl's Kids Who Care" program recognizes and rewards kids who contribute to their communities in special ways. Customers can nominate a special kid for recognition and awards, ranging from a $50 gift card for store-level winners to post-secondary education scholarships for regional and national winners.

Kohl's focus on kids includes working with local children's centers. Enjoying a recent visit to a center are Associates (from left) Lisa Loewus, Robert Patterson, Sue Schwenk and Sheila Schultz.
Training Programs Help Build Careers

With our fast-paced expansion, Kohl’s is a great place for people who want to gain experience and advance their career. As part of the Kohl’s team, our Associates have opportunities to grow both personally and professionally.

We continue to invest in computer-based training, adding to programs focusing on customer service, productivity and execution of our best practices. Computer-based training programs have also been introduced at the executive levels, giving managers rapid access to training as they need it.

A Great Place to Grow

Because Kohl’s Associates are so important to our success, we strive to provide a work environment that encourages them to stay and grow with the company. In 2000, over 70 percent of our management trainees were from within the company. Our college recruitment program now includes over 45 colleges and universities.

Kohl’s training programs also provide opportunities for growth. In 2000, over 40,000 Associates participated in these programs. As a result of our fast-paced growth, we have focused on further developing our management teams and preparing executives and Associates to efficiently open new stores in new markets.

Commitment to Associates

Kohl’s is committed to sharing its success with all Associates, both full- and part-time. Our benefit programs provide opportunities to share financial rewards as well as offer added security and personal convenience.

In 2000, we introduced a new medical flexible spending account to help Associates reduce their medical expenses. We also implemented a low cost medical insurance program for part-time Associates in recognition of their significant contribution to our success. And our Associate scholarship program will award more than 40 scholarships for the 2001-2002 school year.

Kohl’s Employee Stock Ownership Plan (ESOP) continues to be one of our most significant benefits. The ESOP, which was started in 1992, is now valued at over $100 million, underscoring the fact that at Kohl’s, our Associates truly do make a difference.

Kohl’s Core Values

As Kohl’s continues to grow in size and scope, management recognized the need to formalize the core values that communicate the company’s goals and priorities to all of our Associates across a broad geographic base. Kohl’s ideals are encompassed in three basic values:

Associates - Our Associates are our partners in the success of the company.
Customers - We always want to ensure convenience, brand names and value.
Performance - Driving the top line and managing expenses produces exceptional results.

The three values, which are equal in importance, have been, and will continue to be, the drivers behind Kohl’s success.


## Financial Highlights

### Summary of Operations (in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Sales</th>
<th>Gross Margin</th>
<th>Selling, General &amp; Administrative Expenses</th>
<th>Non-Recurring Charges</th>
<th>Preopening Expenses</th>
<th>Depreciation and Amortization</th>
<th>Operating Income</th>
<th>Interest Expense, Net</th>
<th>Income Before Income Taxes</th>
<th>Income Before Extraordinary Items</th>
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<tbody>
<tr>
<td>2000</td>
<td>$ 6,152</td>
<td>$ 2,096</td>
<td>$ 1,282</td>
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<td>$ 35</td>
<td>$ 127</td>
<td>$ 651</td>
<td>$ 46</td>
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<td>$ 338</td>
<td>$ 21</td>
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<td>$ 18</td>
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<td>$ 3</td>
<td>$ 65 (a)</td>
<td>$ 14</td>
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(a) The year ended January 30, 1993, includes a non-recurring incentive compensation charge of $17.7 million ($10.6 million after-tax) or $.04 per share.
(b) The year ended February 3, 1996, includes a non-recurring credit operations charge of $14.1 million ($8.3 million after-tax) or $.03 per share.

### Diluted Earnings Per Share (c)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Income Before Extraordinary Items</th>
<th>Diluted Earnings Per Share</th>
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<tbody>
<tr>
<td>2000</td>
<td>$ 372</td>
<td>$ 1.10</td>
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<td>$ 69</td>
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<td>1993</td>
<td>$ 56</td>
<td>.19</td>
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<tr>
<td>1992</td>
<td>$ 29 (a)</td>
<td>.11 (a)</td>
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### Financial Position Data (Dollars in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Working Capital</th>
<th>Property and Equipment, net</th>
<th>Total Assets</th>
<th>Long-term Debt</th>
<th>Shareholders’ Equity</th>
<th>Return on Average Shareholders’ Equity</th>
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<tbody>
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<td>$ 1,199</td>
<td>$ 1,727</td>
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<td>$ 803</td>
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<td>$ 2,931</td>
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<td>$ 1,936</td>
<td>$ 311</td>
<td>$ 1,163</td>
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<td>$ 750</td>
<td>$ 1,620</td>
<td>$ 310</td>
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### Other Data

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<tr>
<th>Fiscal Year</th>
<th>Comparable Store Sales Growth</th>
<th>Net Sales per Selling Square Foot</th>
<th>Gross Margin (percentage of net sales)</th>
<th>SG&amp;A (percentage of net sales)</th>
<th>Stores Open at Year End</th>
<th>Total Square Feet of Selling Space (in thousands)</th>
<th>Market Price (c): High</th>
<th>Market Price (c): Low</th>
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<tbody>
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<td>9.0%</td>
<td>$ 281</td>
<td>34.1%</td>
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<td>$ 239</td>
<td>34.1%</td>
<td>24.5%</td>
<td>79</td>
<td>4,771</td>
<td>$ 4.36</td>
<td>$ 1.66</td>
</tr>
</tbody>
</table>

(a) The year ended January 30, 1993, includes a non-recurring incentive compensation charge of $17.7 million ($10.6 million after-tax) or $.04 per share.
(b) The year ended February 3, 1996, includes a non-recurring credit operations charge of $14.1 million ($8.3 million after-tax) or $.03 per share.

### Forward-Looking Statements

Certain statements made within this report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “believes”, “expects”, “may”, “will”, “should”, or “anticipates” or the negative thereof or other variations thereof. Such statements are subject to certain risks and uncertainties which could cause Kohl’s actual results to differ materially from those anticipated by the forward-looking statements. These factors include, but are not limited to: competition, fluctuations in consumer demand, seasonal business trends, economic conditions, government activities and other factors as may periodically be described in Kohl’s filings with the Securities and Exchange Commission.
Corporate Headquarters
Kohl’s Corporation
N 56 W 17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051-5660
(262) 703-7000
Web site: www.kohls.com

Transfer Agent and Registrar
The Bank of New York
Shareholder Relations Dept. 11-E
P.O. Box 11258
Church Street Station
New York, New York 10286
(800) 524-4458

Annual Meeting
The 2001 Kohl’s Annual Meeting of Shareholders will be held on Thursday, May 31, at 10:00 a.m. at the Four Points Sheraton Hotel, Milwaukee, Wisconsin.

Investor Information/Quarterly Reports
For quarterly earnings reports and other investor information, please visit our web site at www.kohls.com or direct your inquiries to the company, Attention: Shareholder Relations.

Form 10-K
Parts I–III of Kohl’s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, are included with this report for all shareholders.

Common Stock
Kohl’s common stock is listed on the New York Stock Exchange under the symbol KSS.

Common Stock Price Range
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$54.78</td>
<td>$34.06</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>66.50</td>
<td>44.00</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>64.75</td>
<td>49.06</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>72.20</td>
<td>48.44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$39.00</td>
<td>$31.38</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>40.63</td>
<td>31.75</td>
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<tr>
<td>Third Quarter</td>
<td>39.97</td>
<td>30.75</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>39.22</td>
<td>31.47</td>
</tr>
</tbody>
</table>

Shareholders
As of March 19, 2001, there were 6,128 holders of record of Kohl’s common stock.

Directors
Jay H. Baker — Retired President, Kohl’s Corporation
Wayne Embry — Consultant to the Cleveland Cavaliers (a) (c)
James D. Ericson — President and Chief Executive Officer, Northwestern Mutual Life Insurance Company (b) (c)
John F. Herma — Retired Chief Operating Officer, Kohl’s Corporation
William S. Kellogg — Chairman of the Board, Kohl’s Corporation (c)
Kevin Mansell — President, Kohl’s Corporation
Arlene Meier — Chief Operating Officer, Kohl’s Corporation
R. Lawrence Montgomery — Chief Executive Officer, Kohl’s Corporation
Frank V. Sica — Managing Director, Soros Fund Management LLC (a) (b) (c)
Herbert Simon — Co-Chairman, Simon Property Group, Inc. and Melvin Simon & Associates (b)
Peter M. Sommerhauser — Shareholder in the law firm of Godfrey & Kahn, S.C.
R. Elton White — Retired President, NCR Corporation (a) (c)

Executive Officers
John J. Lesko — Executive Vice President—Administration
Rick Leto — Executive Vice President—General Merchandise Manager and Product Development
Kevin Mansell — President
Arlene Meier — Chief Operating Officer
R. Lawrence Montgomery — Chief Executive Officer
Jack E. Moore, Jr. — Executive Vice President—General Merchandise Manager
Don Sharpin — Executive Vice President—Human Resources
Gary Vasques — Executive Vice President—Marketing

(a) Audit Committee
(b) Compensation and Stock Option Committee
(c) Nominating Committee

* Compounded annual growth rate
Excludes non-recurring charges and extraordinary items.