

KOHL'S

Brands
Value
Convenience



Profile

Kohl's mission is to be the leading family-focused, value-oriented, specialty department store offering national brand merchandise to the customer in an environment that is clean, friendly and convenient.

Kohl's operates from coast to coast. As of April 1, 2004, we serve customers in 37 states through 563 stores and Kohl's.com.



Financial Highlights



	2003	2002
Net Sales <i>(in millions of dollars)</i>	\$ 10,282	\$ 9,120
Operating Income <i>(in millions of dollars)</i>	\$ 1,023	\$ 1,090
Percent of Sales	10.0%	12.0%
Net Income <i>(in millions of dollars)</i>	\$ 591	\$ 643
Percent of Sales	5.7%	7.1%
Cash Provided by Operating Activities <i>(in millions of dollars)</i>	\$ 754	\$ 670



* Compounded annual growth rate.



Kevin Mansell,
Arlene Meier and
Larry Montgomery

“While many department store chains try to imitate us, there is only one Kohl’s. The foundation for our success is our well-established concept of brands, value and convenience.”

Dear Shareholders:

Without question, 2003 was a very difficult year for Kohl’s. Although we achieved record sales for our twelfth consecutive year as a public company, our earnings performance was a disappointment.

Net sales crossed the \$10 billion milestone, increasing 12.7% to \$10.3 billion. Net income, however, decreased 8.1% to \$591 million or \$1.72 per diluted share in fiscal 2003 and comparable store sales were down 1.6%. Clearly, we did not achieve our goal of 20% earnings growth. Profitably increasing our comparable store sales is our number-one priority.

How Did it Happen?

We could take the easy way out and blame it on external factors such as the weather, the war and the economy. The reality is we did not execute to our normally high standards. We got off track, and we are responsible for getting things back on track.

We did not execute to our standards in three key areas: inventory levels and content, the customer shopping experience and marketing. Our stores were over-stocked and difficult to shop. Our assortment in misses and women’s was not what our customer was looking for. And, our marketing was no longer unique in a highly promotional retail environment.

To validate our conclusions, we conducted extensive customer research, both quantitative and qualitative. This research verified our analysis. At the same time, our customer confirmed that our mission statement is what she’s looking for, a value-oriented department store offering national brand merchandise in a clean, friendly, convenient

environment. We’ve learned from our mistakes and are taking the actions needed to correct them. We recognize that we need to restore her trust in us.

We are confident that our business model is sound and we are positioned to increase market share. We have reduced our inventory levels appropriately and made modifications to our merchandise assortment. We are encouraged by the start to the spring season. That being said, we will remain conservative in our inventory levels and rely upon our strong vendor partnerships to replenish seasonal product based upon rate of sale.

Financially Strong

Although we were extremely disappointed with our performance in 2003, Kohl’s continues to be financially strong. Our sales per square foot are among the highest in the industry. Our operating margin of 10% in 2003 is also one of the highest in the industry. Our capital structure is well positioned to continue to support our expansion plans. Internally generated cash flows will continue to be the primary source of the funding required for our future growth.

As always, we remain committed to managing our business both ethically and responsibly and to representing the best interest of our shareholders through good corporate governance. After thorough review by its Governance and Nominating Committee, the Board of Directors believes the company is in full compliance with all applicable corporate governance rules of the Securities and Exchange Commission and the New York Stock Exchange.

Expanding Profitably

Since becoming a public company in 1992, Kohl's has been focused on consistent expansion and earnings growth. Our goal has been to increase both top-line sales and bottom-line earnings 20% each year. The sales increase is a combination of comparable store sales increases and square footage expansion. We have been increasing square footage approximately 20% a year and at the same time, building the infrastructure required to support a national retailer.

Our 2003 expansion into the Southwest moved us from a regional to a national retailer. We increased our store base from 457 to 542 stores in 2003, adding 85 new stores including our entry into the greater Los Angeles area with 28 stores. We further strengthened our presence in the Southwest with our entries into Phoenix, Tucson, Flagstaff and Las Vegas. At the same time, we opened additional stores in the regions we had previously served.

In 2004, we will open approximately 95 new stores, increasing square footage by approximately 18.5%. In 2005, we plan to open another 95 new stores, increasing square footage another 15%. We will expand our presence in the Southwest, leveraging the infrastructure built to service this new region in 2003. We will also continue to expand our presence in our established markets. At this reduced rate of square footage growth, we remain committed to increasing earnings by 20% per year.

We have the infrastructure in place to support this growth. Our distribution centers are strategically located to serve our existing stores and accommodate future expansion. Our systems for merchandise planning and allocation enable us to get the right merchandise to the right stores at the right time. We are experts at leveraging technology to reduce operating costs, while at the same time increasing store productivity and customer satisfaction.

As always, the secret to our success is our Associates. We are committed to having the best talent in retail. We welcomed over 10,000 new Associates to Kohl's in 2003. Together, our new Associates and our loyal Associates who have been with us for many years are an outstanding team that has what it takes to provide exceptional service for our customers and continually improve our business.

Focused on Brands, Value and Convenience

While many department store chains try to imitate us, there is only one Kohl's. The foundation for our success is our well-established concept of brands, value and convenience.

We remain focused on our core customer – a busy mom shopping for her home and family. We offer the national brands she wants and, in 2004, will further enhance the shopping experience with a new color and skin care line being developed through a strategic alliance with The Estée Lauder Companies Inc. This is a very exciting opportunity to add a new category to our stores and to meet a need identified by our customers who don't want to make a special trip to purchase beauty products at another store.

We continued to expand our national brand selection in early 2004 with new brands including *Laura Ashley* and *Gloria Vanderbilt* for the home and *Daisy Fuentes* for misses. Also in 2004, we will introduce the *everGirl* brand by Nickelodeon for young girls. In addition, we repositioned our private brands, *Sonoma* and *Croft & Barrow*, and will be introducing new private brands in 2004.

Convenience continues to be a top reason why our customers love Kohl's. From our strong in-stock position and broad merchandise selection to our ample parking, wide aisles, stroller carts, fast check-out and hassle-free returns, the Kohl's shopping experience is designed around customer needs and preferences. Add to that a strong credit card loyalty program, great values throughout the store, e-commerce for customers who prefer to shop from home and exceptional Associates, and it's easy to see why there's no other national department store chain with the unique appeal of Kohl's.

Opportunities Ahead

We look ahead to 2004 as an exciting new year with a wealth of opportunities to grow our business and improve our financial performance. We're making improvements where they are needed, but above all, we're going to continue to focus on the key elements that have driven our success: our proven concept of brands, value and convenience. We'll utilize our strong financial position to continue our steady expansion into both new and existing markets.

More than ever, we remain committed to our Associates, to our customers, to our shareholders, to our communities – and to our future.



Larry Montgomery
Chairman and
Chief Executive Officer

Kevin Mansell
President

Arlene Meier
Chief Operating Officer

Brands, Value and Convenience



Popular national brands like *Carter's* project quality and value and have wide appeal with our customers.

Kohl's mission is to be the leading family-focused, value-oriented, specialty department store offering national brand merchandise to the customer in an environment that is clean, friendly and convenient. Execution of this strategy is what keeps Kohl's customers coming to our stores again and again.

Brands

The introduction of new brands and the extension of existing brands are instrumental to Kohl's continued success. Our customer is constantly looking for excitement and newness in products. In 2003, we launched the new *Havana Jack's Café* assortment of tropical-themed apparel for our female customer and further expanded the *Nine & Company* line with special sizes for women. We enhanced our men's selection with several new brands including *Axxess*, *Havana Jack's Café* and *A(x)ist* and expanded *Jantzen* into men's swimwear and golf apparel.

In juniors, we expanded our assortment to include *Doll House* and *Soffé*. At the same time, we introduced *P. Miller*, *Dickies*, *Gotcha*, *U.S. Polo* and *FUBU* into young men's and boys.

We also expanded many of our successful clothing brands into other departments such as jewelry, accessories and home.

New in 2004

An exciting launch in 2004 will be our exclusive line of beauty products developed by The Estée Lauder Companies Inc. We are proud to partner with the beauty industry leader, whose world-class brands are among the most respected in the cosmetics industry, in introducing name brand color and skin care products to Kohl's.

Early in 2004, we introduced *Laura Ashley* and *Gloria Vanderbilt* for the home, with initial offerings including decorative bedding and solid color sheets, bath towels and bath rugs. In the fall, we will further expand both brands. For misses, we launched an exclusive fashion line by *Daisy Fuentes* in selected stores.

Later in 2004, we will become the exclusive retailer for the *everGirl* brand, a new line of clothing for young girls from Nickelodeon.

We are continually evaluating our private brand program to meet changing customer needs. As a result, we repositioned our *Sonoma* and *Croft & Barrow* brands and will introduce additional new private brands in 2004.

Value

Value is about saving our customers both time and money. We offer great prices in a setting that is quick and easy to shop, recognizing that today's mom is a very busy person. Kohl's value is also about quality, updated assortments and a broad selection of colors and sizes all in stock.

Value means recognizing and rewarding our most loyal customers with special offers available only to them. Kohl's credit card program is a loyalty program that provides credit card customers with special discounts on sale-priced merchandise at selected times throughout the year. Customers with Most Valued Customer (MVC) status receive even more benefits. The number of MVC customers continues to increase, an indicator of the strength of our customer base.

Convenience

Like value, convenience is a combination of many factors and is more important than ever to our busy customer as she juggles home, work and family. Our stores are located close to where our customers live and work, with easy access and ample parking. Wide aisles, an efficient layout, effective merchandise presentation, specially designed stroller carts and fast check-out make it easy for our customers to make their purchases and get home to their families. Extended store hours and hassle-free returns further enhance the shopping experience and provide added convenience.

Our coast-to-coast expansion provides new opportunities to build customer awareness and communicate the many benefits of the Kohl's concept of brands, value and convenience. We added national broadcast and national magazine advertising to our marketing program in 2003, increasing our visibility among consumers across the country. Newspaper inserts, direct mail, radio and television continue to be primary drivers. Our marketing strategies are always evolving as we seek new and creative ways to reach our customers.



World-Class Beauty Coming to Kohl's

Adding powerful momentum to our ongoing effort to meet our customers' needs is the addition of a new beauty department with exclusive color and skin care products developed for Kohl's by The Estée Lauder Companies Inc. We will create a new department within our stores that features a distinctive look and attractive open-sell product displays, along with personal assistance available from trained Associates. This exciting alliance introduces a new category to our stores and provides added value and convenience for customers who want to add beauty items to their Kohl's shopping cart.

We will launch the new brands in approximately 280 stores in fall 2004. The rollout will continue throughout 2005, with completion in the fall.

ESTÉE
LAUDER
COMPANIES

Profitable Expansion

Kohl's continues to concentrate on profitable expansion. We increased square footage by 20% in fiscal 2003, ending the year with 542 stores compared with 457 stores at the same time last year. And, there is a lot more growth ahead of us!

A Successful National Retailer

We opened 85 stores in fiscal 2003 and entered several major new markets. In the spring, we entered the greater Los Angeles area with 28 stores and San Antonio with three stores. In the fall, we opened 13 stores simultaneously in Arizona, our 35th state. They include 10 stores in the greater Phoenix area, two in Tucson and one in Flagstaff. We made our debut in Nevada with three stores in Las Vegas. We also entered Little Rock, Arkansas, with the opening of three stores and Birmingham, Alabama, with two stores.

In addition to our entries into new markets, we made shopping more convenient and introduced new customers to the Kohl's shopping experience in our existing markets. We opened 33 stores in markets we already serve, including 12 stores in the Midwest region, six stores in the Mid-Atlantic region, seven stores in the Northeast region, four stores in the Southeast region, two stores in the South Central region and two stores in the Southwest region.

At the same time, we continued to remodel our existing stores to keep them fresh and new. In 2003, we remodeled, and in some cases expanded, stores in Cincinnati, Dayton and Indianapolis, to enhance our customers' shopping experience. In 2004, we will remodel our existing stores in Minneapolis and Kansas City.

More Growth Ahead in 2004 and 2005

With our entry into California in 2003, we moved from being a regional to a national retailer. Our focus for the next two years is to increase our presence in all of the regions we now serve.

In 2004, we plan to open approximately 95 new stores. In March 2004, we opened 21 new stores including

seven stores in Sacramento, three stores in Memphis and two stores in Bakersfield, California. In April, we will open 26 new stores including five stores in San Diego and three stores in Fresno. New market entries in fall 2004 include Salt Lake City with five stores and San Francisco with 11 stores. The remaining new stores will be opened in existing markets spread across all regions of the country.

In 2005, we plan to open another 95 stores. We will continue to increase our presence throughout the Southwest, as well as in the other regions in which we currently operate.

Solid Infrastructure

We have the infrastructure in place to support our expansion. In 2003, we continued to invest in our systems to further improve customer convenience and store productivity. Throughout our corporate office, distribution and credit operations, new systems and enhancements provided additional productivity and tools to help drive the business. Our IT programs are continually evolving, as we develop new programs and features designed to leverage expenses while increasing capacity and improving efficiency and customer satisfaction.

Our seven distribution centers are strategically located to support our existing stores, as well as further expansion in the regions we currently operate. In 2005, a new distribution center will open in Macon, Georgia, to serve our growing Southeast region.

Kohl's is on the map as a national retailer. With our well-planned expansion strategy, proven ability to successfully enter new markets and solid infrastructure, we look forward to bringing the Kohl's concept to many new customers in the years ahead.



Stores as of 1/31/04

Outstanding Associates

Associates at Work

We are committed to having the best talent in retail and to recruiting and developing the right people to continue to successfully execute our expansion plan.

All of our growth and expansion would not be possible without the hard work and dedication of our Associates. From our stores to our distribution centers to our corporate offices, every Associate in every job helps to drive our success. We thank all of our Associates for their commitment to Kohl's, our customers and our communities.

Kohl's steady expansion provides excellent opportunities for people to join our team of Associates. Our new store openings created over 10,000 new jobs in 2003 and we had the programs in place to successfully recruit and train Associates to fill them.

We provide training and development programs for Associates at every level and in every location. We offer both one-on-one training and computer-based training to help Associates learn new systems and procedures that improve customer service and satisfaction.

There are many opportunities for Associates who want to build a career with Kohl's. In 2003, a majority of store executives were promoted internally. Our recruitment efforts at colleges and universities across the country bring talented graduates into our store and corporate training programs. And our internship programs help us to identify talented young people while they are still in school.

Our retention rates continue to be consistently higher than many others in our industry, a strong indicator that our Associates enjoy working at Kohl's as much as we value their important role in our success.



Kohl's Associates at every level participate in training and development programs that help them learn and grow.

Associates in the Community

At Kohl's, we strongly believe in supporting the communities we serve and encouraging others to become involved. And so do our Associates.

Through the Kohl's A Team program, our Associates make a significant impact in their communities by volunteering their time to youth-focused charities. Their volunteer efforts are further enhanced by corporate grants given directly to the charities. On June 21, 2003, over 3,500 Kohl's Associates from more than 350 locations volunteered a combined 12,000 hours in their communities as part of Join Hands Day. We are proud to have been the largest corporate volunteer effort supporting this national event.

Our support of Children's Hospitals helps us reach more children and families by funding outreach programs that nurture and protect the health and well being of children. We donate 100% of the profits from the sale of our Kohl's Cares for Kids® items to support programs at 57 Children's Hospitals across the country.

The Kohl's Kids Who Care® program encourages kids to get involved by recognizing young people who volunteer in their communities. In 2003, we recognized over 900 outstanding kids through this program.

Kohl's Cares for Kids® Fundraising Card program makes it easy for schools and nonprofit organizations in our communities to raise money. In 2003, we helped over 2,400 schools and nonprofit organizations that support kids.



Associate Gina Jenkins volunteered to help a community children's organization make gifts for hospitalized children during Join Hands Day.

Financial Summary

Fiscal Year	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
-------------	------	------	------	------	------	------	------	------	------	------	------

Summary of Operations (In millions)

Net sales	\$10,282	\$9,120	\$7,489	\$6,152	\$4,557	\$3,682	\$3,060	\$2,388	\$1,926	\$1,554	\$1,306
Gross margin	3,395	3,139	2,565	2,096	1,543	1,235	1,014	780	631	516	437
Selling, general & administrative expenses	2,091	1,818	1,527	1,282	975	810	679	536	436	357	306
Non-recurring charges	—	—	—	—	—	—	—	—	14(a)	—	—
Preopening expenses	44	39	31	35	31	16	19	10	11	8	5
Depreciation and amortization	237	192	157	127	89	70	57	44	34	27	23
Operating income	1,023	1,090	850	651	448	338	259	189	136(a)	124	102
Interest expense, net	73	56	50	46	27	21	24	18	13	6	8
Income before income taxes	950	1,034	800	605	421	317	235	171	123	118	94
Net income	591	643	496	372	258	192	141	102	73(a)	69	54

Diluted Earnings Per Share (b)

\$ 1.72	\$ 1.87	\$ 1.45	\$ 1.10	\$.77	\$.59	\$.45	\$.34	\$.24(a)	\$.23	\$.18
---------	---------	---------	---------	--------	--------	--------	--------	-----------	--------	--------

Financial Position Data (Dollars in millions)

Working capital	\$ 1,902	\$1,776	\$1,584	\$1,199	\$ 732	\$ 559	\$ 525	\$ 229	\$ 175	\$ 115	\$ 87
Property and equipment, net	3,324	2,739	2,199	1,727	1,353	933	750	596	409	299	187
Total assets	6,698	6,316	4,930	3,855	2,931	1,936	1,620	1,123	805	659	469
Long-term debt	1,076	1,059	1,095	803	495	311	310	312	188	109	52
Shareholders' equity	4,191	3,512	2,791	2,203	1,686	1,163	955	518	411	334	263
Return on average shareholders' equity	15.3%	20.4%	19.9%	19.1%	18.1%	18.2%	19.2%	22.1%	21.7%	23.0%	23.7%

Other Data

Comparable store sales growth	(1.6)%	5.3%	6.8%	9.0%	7.9%	7.9%	10.0%	11.3%	5.9%	6.1%	8.3%
Net sales per selling square foot	\$ 268	\$ 284	\$ 283	\$ 281	\$ 270	\$ 265	\$ 267	\$ 261	\$ 257	\$ 258	\$ 255
Stores open at year end	542	457	382	320	259	213	182	150	128	108	90
Total square feet of selling space (In thousands)	41,447	34,507	28,576	23,610	18,757	15,111	12,533	10,064	8,378	6,824	5,523

(a) Includes a non-recurring credit operations charge of \$14.1 million (\$8.3 million after-tax) or \$.03 per share.

(b) Adjusted for stock splits in 1996, 1998 and 2000.

Report of Management

The management of Kohl's Corporation is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report, including the consolidated financial statements covered by the Report of the Independent Auditors. These statements were prepared in conformity with generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

The consolidated financial statements and related notes have been audited by Ernst & Young LLP, independent auditors, whose report is based on audits conducted in accordance with generally accepted auditing standards. As part of its audit, the firm performed a review of the Company's system of internal controls and conducted such tests and employed such procedures as considered necessary to render its opinion on the consolidated financial statements. The Company's consolidated financial statements including the Report of the Independent Auditors is included in the Company's Form 10-K for the year ended January 31, 2004.

The Audit Committee of the Board of Directors is composed of four independent Directors. The Committee is responsible for assisting the Board in its oversight of Kohl's financial accounting and reporting practices. The Audit Committee is directly responsible for the compensation, appointment and oversight of the Company's independent auditors. The Audit Committee meets periodically with the independent auditors, as well as with management, to review accounting, auditing, internal accounting control and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee.



Larry Montgomery
Chairman and
Chief Executive Officer



Wesley S. McDonald
Executive Vice President -
Chief Financial Officer

Corporate Information

Directors

Jay H. Baker Retired President, Kohl's Corporation (c)

Steven A. Burd Chairman, President and Chief Executive Officer, Safeway Inc. (b) (c)

Wayne Embry Consultant to the Cleveland Cavaliers (a) (c)

James D. Ericson Retired Chairman, President and Chief Executive Officer, Northwestern Mutual Life Insurance Company (b) (c)

John F. Herma Retired Chief Operating Officer, Kohl's Corporation (a) (c)

William S. Kellogg Retired Chief Executive Officer, Kohl's Corporation (c)

Kevin Mansell President, Kohl's Corporation

Arlene Meier Chief Operating Officer, Kohl's Corporation

R. Lawrence Montgomery Chairman and Chief Executive Officer, Kohl's Corporation

Frank V. Sica Senior Advisor, Soros Fund Management, LLC (b) (c)

Peter M. Sommerhauser Shareholder in the law firm of Godfrey & Kahn, S.C.

Judith Spriester President and Chief Executive Officer, Transora, Inc. (a) (c)

R. Elton White Retired President, NCR Corporation (a) (c)

Executive Officers

Ken Bonning Executive Vice President - Logistics

Donald A. Brennan Executive Vice President - Planning and Allocation

Telvin Jeffries Executive Vice President - Human Resources

John J. Lesko Executive Vice President - Administration

Kevin Mansell President

Wesley S. McDonald Executive Vice President - Chief Financial Officer

Arlene Meier Chief Operating Officer

R. Lawrence Montgomery Chairman and Chief Executive Officer

Jack E. Moore, Jr. Executive Vice President - General Merchandise Manager

Richard D. Schepp Executive Vice President - General Counsel and Secretary

Gary Vasques Executive Vice President - Marketing

(a) 2004 Audit Committee (b) 2004 Compensation and Stock Option Committee (c) 2004 Governance and Nominating Committee

Corporate Headquarters

Kohl's Corporation
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 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
Web site: www.stockbny.com

Annual Meeting

The Kohl's 2004 Annual Meeting of Shareholders will be held on Wednesday, April 28, 2004 at 10:30 a.m. at the Midwest Airlines Center, 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: Investor 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.

Forward-Looking Statements

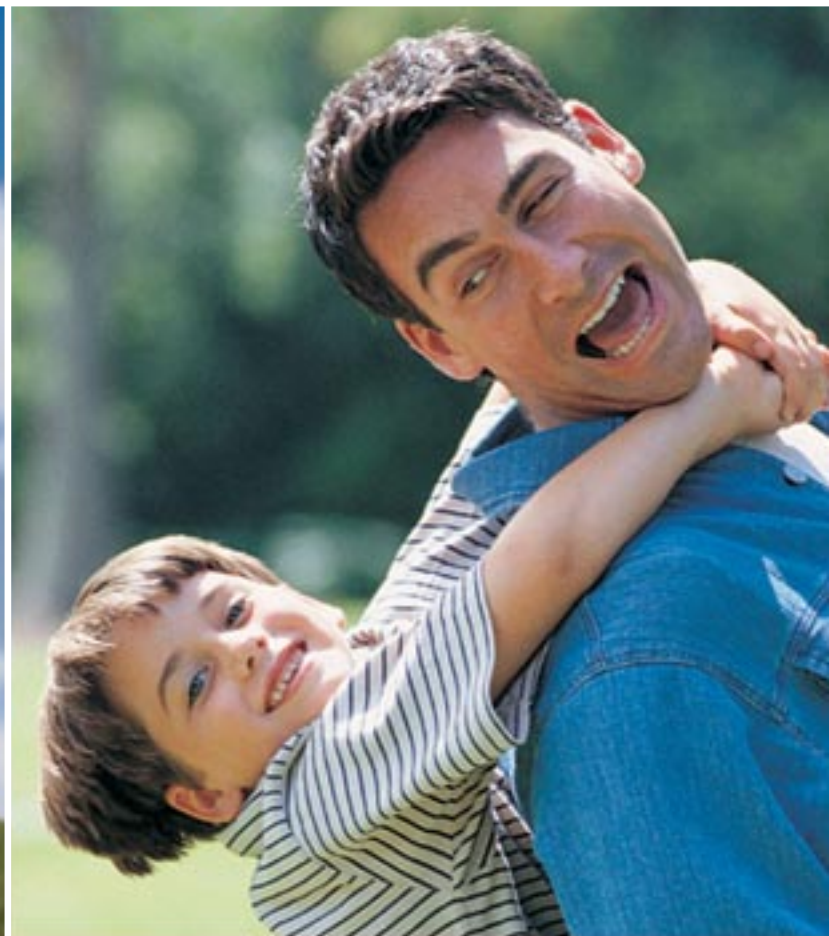
Certain statements made within this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect management's current views of future events and financial performance. These statements are subject to certain risks and uncertainties which could cause Kohl's actual results to differ materially from those anticipated by the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Exhibit 99.1 to Kohl's annual report on Form 10-K and other factors as may periodically be described in Kohl's filings with the SEC.

Common Stock Price Range

Fiscal 2003	High	Low	Fiscal 2002	High	Low
First Quarter	\$60.55	\$46.18	First Quarter	\$76.10	\$64.00
Second Quarter	60.26	48.04	Second Quarter	78.74	56.25
Third Quarter	65.44	50.49	Third Quarter	73.75	44.00
Fourth Quarter	56.30	40.83	Fourth Quarter	71.70	51.10

Stock Listing/Shareholders

Kohl's common stock is listed on the New York Stock Exchange under the symbol KSS. As of March 3, 2004, there were 5,655 holders of record of Kohl's common stock.



Kohl's Corporation
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051-5660
www.kohls.com