BSQUARE CORP /WA
Form SC 13D
May 18, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No.   )*

BSQUARE CORPORATION

(Name of Issuer)

Common Stock

(Title of Class of Securities)

11776U300

(CUSIP Number)

Palogic Value Management, L.P.

Attn: Ryan L. Vardeman

5310 Harvest Hill Road, Suite 110

Dallas, TX 75230

(214) 871-2700

with a copy to:

Evan Hall, Esq.

Haynes and Boone, LLP

2323 Victory Avenue, Suite 700

Dallas, Texas 75219

(214) 651-5000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

May 18, 2018

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended (***Act***) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 11776U300

1. Names of Reporting Persons

Palogic Value Management, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) (b)

3. SEC Use Only

4. Source of Funds (See Instructions)

AF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Delaware

Number of Shares Beneficially Owned by Each Reporting Person With		
	7.	Sole Voting Power **0**
	8.	Shared Voting Power **885,993**
	9.	Sole Dispositive Power **0**
	10.	Shared Dispositive Power **885,993**

11. Aggregate Amount Beneficially Owned by Each Reporting Person

885,993

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)

7.0% (1)

14. Type of Reporting Person (See Instructions)

PN; HC; IA

(1) Based upon 12,690,868 shares of Common Stock outstanding as of April 30, 2018, as disclosed in the Issuer s Quarterly Report on Form 10-Q filed by the Issuer with the SEC for the quarterly period ended March 31, 2018, that was filed on May 15, 2018.

CUSIP No. 11776U300

1. Names of Reporting Persons

   Palogic Value Fund, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)

   (a) (b)

3. SEC Use Only

4. Source of Funds (See Instructions)

   WC
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

   Delaware

Number of Shares Beneficially Owned by Each Reporting Person With	
	7. Sole Voting Power **0**
	8. Shared Voting Power **885,993**
	9. Sole Dispositive Power **0**
	10. Shared Dispositive Power **885,993**

11. Aggregate Amount Beneficially Owned by Each Reporting Person

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7.0% (1)

14. Type of Reporting Person (See Instructions)

PN

(1) Based upon 12,690,868 shares of Common Stock outstanding as of April 30, 2018, as disclosed in the Issuer s Quarterly Report on Form 10-Q filed by the Issuer with the SEC for the quarterly period ended March 31, 2018, that was filed on May 15, 2018.

CUSIP No. 11776U300

1. Names of Reporting Persons

Palogic Capital Management, LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) (b)

3. SEC Use Only

4. Source of Funds (See Instructions)

AF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Delaware

Number of Shares Beneficially Owned by Each Reporting Person With	
7. Sole Voting Power	**0**
8. Shared Voting Power	**885,993**
9. Sole Dispositive Power	**0**
10. Shared Dispositive Power	**885,993**

11. Aggregate Amount Beneficially Owned by Each Reporting Person

885,993

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)

7.0% (1)

14. Type of Reporting Person (See Instructions)

HC; OO

(1) Based upon 12,690,868 shares of Common Stock outstanding as of April 30, 2018, as disclosed in the Issuer s Quarterly Report on Form 10-Q filed by the Issuer with the SEC for the quarterly period ended March 31, 2018, that was filed on May 15, 2018.

CUSIP No. 11776U300

1. Names of Reporting Persons

Ryan L. Vardeman

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) (b)

3. SEC Use Only

4. Source of Funds (See Instructions)

AF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

United States

Number of Shares Beneficially Owned by Each Reporting Person With		
	7.	Sole Voting Power **0**
	8.	Shared Voting Power **885,993**
	9.	Sole Dispositive Power **0**
	10.	Shared Dispositive Power **885,993**

11. Aggregate Amount Beneficially Owned by Each Reporting Person

885,993

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)

7.0% (1)

14. Type of Reporting Person (See Instructions)

HC; IN

(1) Based upon 12,690,868 shares of Common Stock outstanding as of April 30, 2018, as disclosed in the Issuer s Quarterly Report on Form 10-Q filed by the Issuer with the SEC for the quarterly period ended March 31, 2018, that was filed on May 15, 2018.

Item 1. Security and the Issuer

This statement on Schedule 13D (this ***Schedule 13D***) relates to shares of common stock, no par value (the ***Common Stock***), of BSQUARE Corporation, a Washington corporation (the ***Issuer***). The address of the principal executive offices of the Issuer is located at 110 110th Avenue NE, Suite 300, Bellevue, WA 98004.

Item 2. Identity and Background

(a) This Schedule 13D is jointly filed by and on behalf of each of Palogic Value Management, L.P., a Delaware limited partnership (***Palogic Value Management***); Palogic Value Fund, L.P., a Delaware limited partnership (***Palogic Value Fund***); Palogic Capital Management, LLC, a Delaware limited liability company (***Palogic Capital Management***); and Ryan L. Vardeman (Palogic Value Management, Palogic Value Fund, Palogic Capital Management and Mr. Vardeman are collectively referred to herein as the ***Reporting Persons***). The Reporting Persons are filing this Schedule 13D jointly, and the agreement among the Reporting Persons to file jointly is attached hereto as Exhibit 99.1 and incorporated herein by reference (the ***Joint Filing Agreement***). Palogic Value Fund is the record and direct beneficial owner of the securities covered by this statement. Palogic Value Management is the general partner of, and investment manager to, Palogic Value Fund. Palogic Capital Management is the general partner of Palogic Value Management. Mr. Vardeman is the sole member of Palogic Capital Management.

Each Reporting Person declares that neither the filing of this Schedule 13D nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act, the beneficial owner of any securities covered by this Schedule 13D.

(b) The address of the principal business office of each of the Reporting Persons is, c/o Palogic Value Management, L.P., 5310 Harvest Hill Road, Suite 110, Dallas, Texas 75230, USA.

(c) The principal business of Palogic Value Fund is acquiring, holding and selling securities for investment purposes. The principal business of Palogic Value Management is serving as the general partner of, and investment manager to, Palogic Value Fund. The principal business of Palogic Capital Management is serving as the general partner of Palogic Value Management. The present principal occupation of Mr. Vardeman is serving as the sole member of Palogic Capital Management.

(d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) No Reporting Person has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such Reporting Person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) The place of organization of each Reporting Person, other than Mr. Vardeman, is listed in paragraph (a) of this Item 2. Mr. Vardeman is a citizen of the United States of America.

Item 3. Source and Amount of Funds or other Consideration

The Reporting Persons expended an aggregate of approximately $3,782,769 (including commissions) to acquire 885,993 shares of Common Stock of the Issuer in various open market transactions. The funds used for the purchase of shares of Common Stock of the Issuer reported in this Schedule 13D were derived from general working capital of Palogic Value Fund.

Item 4. Purpose of Transaction

The Reporting Persons acquired shares of Common Stock of the Issuer for investment purposes. The Reporting Persons intend to review their investment in the Issuer on a continuing basis taking into consideration various factors, including the Issuer s business, financial condition, results of operations and prospects, general economic and industry conditions, the securities markets in general and those for shares of Common Stock and the Issuer, in particular, as well

as other developments and other investment opportunities. Based upon such review, the Reporting Persons will take such actions in the future as the Reporting Persons may deem appropriate in light of the circumstances existing from time to time, which may include further acquisitions of shares of Common Stock of the Issuer or disposal of some or all of the shares of Common Stock of the Issuer owned by the Reporting Persons or otherwise acquired by the Reporting Persons, either in the open market or in privately negotiated transactions.

Any open market or privately negotiated purchases or sales, acquisition recommendations or proposals or other transactions concerning the Issuer may be made at any time without prior notice. Any alternative may depend upon a variety of factors, including, without limitation, current and anticipated future trading prices of the securities, the financial condition, results of operations and prospects of the Issuer and general industry conditions, the availability, form and terms of financing, other investment and business opportunities, general stock market and economic conditions, tax considerations and other factors. Although the foregoing reflects plans and proposals presently contemplated by each Reporting Person with respect to the Issuer, the foregoing is subject to change at any time and dependent upon contingencies and assumed and speculative conditions, and there can be no assurance that any of the actions set forth above will be taken.

The Reporting Persons have, and may in the future, engage in discussions with the Issuer s management, board of directors, and/or shareholders concerning, among other things, the Issuer s performance, the market price of the shares of the Issuer s stock relative to the value of the Issuer s assets, potential financing options for the Issuer, the Issuer s business strategy, potential transactions and other issues for the betterment of the Issuer. The Reporting Persons may have future discussion with the Issuer s management and board of directors covering a broad range of subjects relative to performance, strategic direction, shareholder value, board composition and governance of the Issuer.

Depending upon each factor discussed above and any other factor (which may be unknown at this time) that is, or may become relevant, the Reporting Persons may consider, among other things: (a) the acquisition by the Reporting Persons of additional securities of the Issuer, the disposition of securities of the Issuer, or the exercise of convertible securities of the Issuer; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries; (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries; (d) changes in the present board of directors or management of the Issuer; (e) a material change in the present capitalization or dividend policy of the Issuer; (f) any other material change in the Issuer s business or corporate structure; (g) changes in the Issuer s articles of incorporation, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person; (h) causing any class of the Issuer s securities to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; (i) a class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act; or (j) any action similar to those enumerated above.

Except to the extent that the foregoing may be deemed to be a plan or proposal, none of the Reporting Persons currently has any plans or proposals that relate to or would result in any of the actions specified in clause (a) through (j) of Item 4 of Schedule 13D. Depending upon the foregoing factors and to the extent deemed advisable in light of their general investment policies, or other factors, the Reporting Persons may, at any time and from time to time, formulate other purposes, plans or proposals regarding the Issuer or the Common Shares, or any other actions that could involve one or more of the types of transactions or have one or more of the results described in paragraphs (a) through (j) of Item 4 of Schedule 13D. The foregoing is subject to change at any time, and there can be no assurance that any of the Reporting Persons will take any of the actions set forth above.

Item 5. Interest in Securities of the Issuer

(a) The aggregate number and percentage of the class of securities identified pursuant to Item 1 beneficially owned by each Reporting Person is stated in Items 11 and 13 on the cover page(s) hereto.

Each Reporting Person declares that neither the filing of this Schedule 13D nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, the beneficial owner of any securities covered by this Schedule 13D.

Each Reporting Person may be deemed to be a member of a group with respect to the Issuer or securities of the Issuer for the purposes of Section 13(d) or 13(g) of the Act. Each Reporting Person declares that neither the filing of this Schedule 13D nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, (i) acting (or has agreed or is agreeing to act) with any other person as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of the Issuer or otherwise with respect to the Issuer or any securities of the Issuer or (ii) a member of any syndicate or group with respect to the Issuer or any securities of the Issuer.

(b) Number of shares as to which each Reporting Person has:

(i) sole power to vote or to direct the vote:
See Item 7 on the cover page(s) hereto.

(ii) shared power to vote or to direct the vote:
See Item 8 on the cover page(s) hereto.

(iii) sole power to dispose or to direct the disposition of:
See Item 9 on the cover page(s) hereto.

(iv) shared power to dispose or to direct the disposition of:
See Item 10 on the cover page(s) hereto.

Palogic Value Fund is the record and direct beneficial owner of the securities covered by this Schedule 13D. Palogic Value Fund has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the shares of Common Stock owned by it.

As the general partner of Palogic Value Fund, Palogic Value Management may be deemed to have the shared power to vote or to direct the vote of (and the shared power to dispose or direct the disposition of) any shares of Common Stock beneficially owned by Palogic Value Fund. Palogic Value Management does not own any shares of Common Stock directly and disclaims beneficial ownership of any shares of Common Stock beneficially owned by Palogic Value Fund.

As the general partner of Palogic Value Management, Palogic Capital Management may be deemed to have the shared power to vote or to direct the vote of (and the shared power to dispose or direct the disposition of) any shares of Common Stock beneficially owned by Palogic Value Management. Palogic Capital Management does not own any shares of Common Stock directly and disclaims beneficial ownership of any shares of Common Stock beneficially owned by Palogic Value Management.

As the sole member of Palogic Capital Management, Mr. Vardeman may be deemed to have the shared power to vote or to direct the vote of (and the shared power to dispose or direct the disposition of) any shares of Common Stock beneficially owned by Palogic Capital Management. Mr. Vardeman does not own any shares of Common Stock

directly and disclaims beneficial ownership of any shares of Common Stock beneficially owned by Palogic Capital Management.

As of the date hereof, no Reporting Person owns any shares of Common Stock of the Issuer other than as set forth in this Item 5.

(c) Other than as set forth on Annex A hereto, there have been no transactions in the class of securities reported on that were effected by the Reporting Persons during the past sixty days or since the most recent filing of Schedule 13D, whichever is less.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

The information set forth in Item 4 of this Schedule 13D is hereby incorporated herein by reference.

Except as otherwise described herein, in the Letter Agreement and the Joint Filing Agreement, attached hereto as Exhibit 99.1, no Reporting Person has any contract, arrangement, understanding or relationship with any person with respect to the Common Stock of the Issuer or any other securities of the Issuer.

Item 7. Material to be Filed as Exhibits

The following exhibits are filed as exhibits hereto:

Exhibit	Description of Exhibit
99.1	Joint Filing Agreement (filed herewith).

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: May 18, 2018

PALOGIC VALUE MANAGEMENT, L.P.

By: Palogic Capital Management, LLC
Its: General Partner

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

PALOGIC VALUE FUND, L.P.

By: Palogic Value Management, L.P.
Its: General Partner

By: Palogic Capital Management, LLC
Its: General Partner

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

PALOGIC CAPITAL MANAGEMENT, LLC

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

/s/ Ryan L. Vardeman
RYAN L. VARDEMAN

ANNEX A

RECENT TRANSACTIONS BY THE REPORTING PERSONS IN THE SECURITIES OF BSQUARE CORPORATION

ty	Date of Transaction	Description of Transaction	Shares Acquired	Shares Disposed	Pric Per Shar
gic Value Fund, L.P.	03/19/2018	Open Market Purchases	15,188		$ 3.9
gic Value Fund, L.P.	03/19/2018	Open Market Sales		1,000	$ 4
gic Value Fund, L.P.	03/20/2018	Open Market Purchases	3,700		$ 4.0
gic Value Fund, L.P.	03/22/2018	Open Market Purchases	3,501		$ 4
gic Value Fund, L.P.	03/23/2018	Open Market Purchases	1,900		$ 3.9
gic Value Fund, L.P.	03/23/2018	Open Market Sales		4	$ 4
gic Value Fund, L.P.	03/26/2018	Open Market Purchases	8,150		$ 4.1
gic Value Fund, L.P.	03/26/2018	Open Market Sales		487	$ 4
gic Value Fund, L.P.	03/26/2018	Open Market Sales		100	$ 4
gic Value Fund, L.P.	03/27/2018	Open Market Purchases	3,700		$ 4.
gic Value Fund, L.P.	03/27/2018	Open Market Sales		3,000	$ 4
gic Value Fund, L.P.	03/27/2018	Open Market Sales		700	$ 4.1
gic Value Fund, L.P.	03/29/2018	Open Market Purchases	8,175		$ 4.2
gic Value Fund, L.P.	04/02/2018	Open Market Purchases	9,583		$ 4.2
gic Value Fund, L.P.	04/03/2018	Open Market Purchases	5,127		$ 4
gic Value Fund, L.P.	04/03/2018	Open Market Sales		1,278	$ 4
gic Value Fund, L.P.	04/03/2018	Open Market Sales		3,215	$ 4.2
gic Value Fund, L.P.	04/04/2018	Open Market Sales		400	$ 4.1
gic Value Fund, L.P.	04/05/2018	Open Market Purchases	5,000		$ 4
gic Value Fund, L.P.	04/05/2018	Open Market Purchases	8,000		$ 4
gic Value Fund, L.P.	04/05/2018	Open Market Sales		154	$ 4
gic Value Fund, L.P.	04/06/2018	Open Market Purchases	2,300		$ 4.2
gic Value Fund, L.P.	04/06/2018	Open Market Sales		200	$ 4
gic Value Fund, L.P.	04/06/2018	Open Market Sales		1,200	$ 4.2
gic Value Fund, L.P.	04/09/2018	Open Market Purchases	900		$ 4.2
gic Value Fund, L.P.	04/10/2018	Open Market Purchases	8,400		$ 4.4
gic Value Fund, L.P.	04/13/2018	Open Market Purchases	8,897		$ 4
gic Value Fund, L.P.	04/17/2018	Open Market Purchases	5,000		$ 4.3
gic Value Fund, L.P.	04/17/2018	Open Market Sales		2	$ 4
gic Value Fund, L.P.	04/18/2018	Open Market Purchases	7,484		$ 4.3
gic Value Fund, L.P.	04/19/2018	Open Market Purchases	6,595		$ 4.3
gic Value Fund, L.P.	04/20/2018	Open Market Purchases	2,000		$ 4.
gic Value Fund, L.P.	04/23/2018	Open Market Purchases	8,428		$ 4.3
gic Value Fund, L.P.	04/24/2018	Open Market Purchases	17,100		$ 4.3
gic Value Fund, L.P.	04/26/2018	Open Market Purchases	7,900		$ 4.5
gic Value Fund, L.P.	04/30/2018	Open Market Purchases	4,200		$ 4.5
gic Value Fund, L.P.	05/02/2018	Open Market Purchases	1,300		$ 4.4
gic Value Fund, L.P.	05/03/2018	Open Market Purchases	3,100		$ 4.4
gic Value Fund, L.P.	05/04/2018	Open Market Purchases	1,920		$ 4.

ulatory and litigation developments could adversely affect our
ness operations and financial performance.
ous aspects of our operations are subject to federal, state or local
, rules and regulations, any of which may change from time to
. The costs and other effects of new or changed legal requirements
ot be determined with certainty. For example, new legislation or
lations may result in increased costs directly for our compliance or
rectly to the extent such requirements increase prices of goods and
ices, reduce the availability of raw materials or further restrict our
ty to extend credit to our customers.
continually monitor the state and federal legal/regulatory
ronment for developments that may impact us. Failure to detect
ges and comply with such laws and regulations may result in an
ion of our reputation, disruption of business and/or loss of
loyee morale. Additionally, we are regularly involved in various
ation matters that arise in the ordinary course of our business.
gation or regulatory developments could adversely affect our
ness operations and financial performance.
uthorized disclosure of sensitive or confidential customer
rmation could severely damage our reputation, expose us to risks
tigation and liability, disrupt our operations and harm our business.
art of our normal course of business, we collect, process and retain
itive and confidential customer, employee and company
rmation. The protection of this data is extremely important to us,
employees and our customers. Despite the considerable security
sures we have in place, our facilities and systems, and those of our
-party service providers, may be vulnerable to security breaches,
of vandalism, computer viruses, misplaced or lost data,
ramming and/or human errors, or other similar events. Any
rity breach involving the misappropriation, loss or other
thorized disclosure of confidential information, whether by us or
vendors, could disrupt our operations, damage our reputation and
omers' willingness to shop in our stores or on our website, violate
icable laws, regulations, orders and agreements, and subject us to
tional costs and liabilities which could be material.

1B. Unresolved Staff Comments
applicable

2. Properties
es
f February 2, 2013, we operated 1,146 stores in 49 states. Our
cal, or “prototype,” store has approximately 88,000 gross square feet
tail space and serves trade areas of 150,000 to 200,000 people.
t “small” stores are 55,000 to 68,000 square feet and serve trade
s of 100,000 to 150,000 people. Our “urban” stores, currently located
e New York and Chicago markets, serve very densely populated
s of up to 500,000 people and average approximately 125,000
s square feet of retail space.

typical lease has an initial term of 20-25 years and four to eight
wal options for consecutive five-year extension terms.
stantially all of our leases provide for a minimum annual rent that
ked or adjusts to set levels during the lease term, including
wals. Approximately one-fourth of the leases provide for
tional rent based on a percentage of sales over designated levels.

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following tables summarize key information about our stores.

	Number of Stores			Selling Square Footage 2012 (In Thousands)
	2011	Net Change	2012	
-Atlantic Region:				
ware	5	—	5	399
yland	22	1	23	1,634
nsylvania	47	1	48	3,435
inia	29	1	30	2,175
t Virginia	7	—	7	500
l Mid-Atlantic	110	3	113	8,143
west Region:				
ois	64	1	65	4,884
ana	38	—	38	2,749
a	15	1	16	1,041
higan	45	—	45	3,336
nesota	26	—	26	1,976
raska	7	—	7	479
h Dakota	3	—	3	217
o	59	(1)	58	4,250
h Dakota	3	—	3	244
consin	40	—	40	2,894
l Midwest	300	1	301	22,070
heast Region:				
necticut	18	3	21	1,474
ne	5	—	5	388
sachusetts	23	1	24	1,864
Hampshire	9	1	10	715
Jersey	38	—	38	2,901
York	50	1	51	3,844
de Island	3	—	3	227
mont	1	—	1	77
l Northeast	147	6	153	11,490
h Central Region:				
ansas	8	—	8	572
sas	11	1	12	810
siana	6	—	6	421
souri	24	2	26	1,859
ahoma	10	—	10	720
as	84	—	84	6,095
l South Central	143	3	146	10,477

	Number of Stores			Selling Square Footage 2012 (In Thousands)
	2011	Net Change	2012	
heast Region:				
oama	13	—	13	859
ida	52	1	53	3,874
rgia	34	1	35	2,554
tucky	16	—	16	1,127
sissippi	5	—	5	378
h Carolina	29	2	31	2,195
h Carolina	14	1	15	1,033
nessee	20	—	20	1,398
l Southeast	183	5	188	13,418
t Region:				
ka	1	—	1	73
ona	26	—	26	1,953
fornia	128	—	128	9,206
orado	24	—	24	1,835
o	5	—	5	328
tana	2	—	2	117
ada	12	—	12	851
Mexico	5	—	5	326
gon	10	—	10	649
n	12	—	12	874
hington	17	1	18	1,190
oming	2	—	2	98
l West	244	1	245	17,500
l Kohl's	1,127	19	1,146	83,098

	Number of Stores by Store Type		
	2011	Net Additions	2012
otype	987	—	987
ll	135	19	154
an	5	—	5
	1,127	19	1,146

	Number of Stores by Location		
	2011	Net Additions	2012
Strip centers	764	7	771
Community & regional malls	83	2	85
Freestanding	280	10	290
	1,127	19	1,146

	Number of Stores by Ownership		
	2011	Net Additions	2012
ned	403	4	407
ed*	724	15	739
	1,127	19	1,146

	Number of Stores by Building Type		
	2011	Net Additions	2012
One-story	1,035	18	1,053
Two-story	92	1	93
	1,127	19	1,146

eased includes locations where we lease the land and/or building

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ribution Centers
following table summarizes key information about each of our ibution centers.

ation	Year Opened	Square Footage	States Serviced	Approximate Store Capacity
il:				
lay, Ohio	1994	780,000	Indiana, Kentucky, Michigan, New York, Ohio, Pennsylvania, West Virginia	185
chester, inia	1997	420,000	Delaware, Maryland, New Jersey, North Carolina, Pennsylvania, Tennessee, Virginia, West Virginia	135
Springs, souri	1999	540,000	Arkansas, Colorado, Illinois, Iowa, Kansas, Kentucky, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Wyoming	110
icana, Texas	2001	540,000	Arkansas, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas	115
nakating, York	2002	605,000	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	145
Bernardino, fornia	2002	575,000	Arizona, California,	110

			Colorado, Nevada, Utah	
on, Georgia	2005	560,000	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee	150
erson, fornia	2006	360,000	Alaska, California, Idaho, Montana, Nevada, Oregon, Utah, Washington	110
wa, Illinois	2008	328,000	Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Wisconsin	155
ommerce:				
roe, Ohio	2001	1,200,000	—	—
Bernardino, fornia	2010	970,000	—	—
ewood, yland	2011	1,450,000	—	—
oto, Texas	2012	1,200,000	—	—

own all of the distribution centers except Corsicana, Texas, which ased.

porate Facilities

own our corporate headquarters in Menomonee Falls, Wisconsin. also own or lease additional buildings and office space which are by various corporate departments, including our credit operations.

3. Legal Proceedings

are not currently a party to any material legal proceedings, but are ect to certain legal proceedings and claims from time to time that ncidental to our ordinary course of business.

4. Mine Safety Disclosures

applicable

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T II

5. Market for Registrant's Common Equity, Related Stockholder
ers and Issuer Purchases of Equity Securities
Market information
Common Stock has been traded on the New York Stock Exchange
e May 19, 1992, under the symbol "KSS." The prices in the table set
below indicate the high and low sales prices of our Common
k per the New York Stock Exchange Composite Price History and
quarterly cash dividends per common share for each quarter in
2 and 2011.

	2012			2011		
	High	Low	Dividend	High	Low	Dividend
rth Quarter	$55.11	$41.81	$0.32	$56.65	$45.46	$0.25
d Quarter	53.77	49.72	0.32	55.44	42.14	0.25
ond Quarter	51.25	43.13	0.32	57.39	49.09	0.25
Quarter	52.19	45.56	0.32	55.92	50.48	0.25

have filed with the Securities and Exchange Commission ("SEC"),
xhibits 31.1 and 31.2 to this Annual Report on Form 10-K, the
anes-Oxley Act Section 302 certifications. In 2012, Kevin
sell, our Chief Executive Officer, submitted a certification with
New York Stock Exchange ("NYSE") in accordance with
ion 303A.12 of the NYSE Listed Company Manual stating that, as
e date of the certification, he was not aware of any violation by us
e NYSE's corporate governance listing standards.
February 27, 2013, our Board of Directors approved a dividend of
5 per share which will be paid on March 27, 2013 to shareholders
cord as of March 13, 2013. In 2012, we paid aggregate cash
dends of $300 million.
Holders
f March 13, 2013, there were approximately 4,450 record holders
ur Common Stock.
ecurities Authorized For Issuance Under Equity Compensation
s
the information provided in the "Equity Compensation Plan
rmation" section of the Proxy Statement for our May 16, 2013
ual Meeting of Shareholders, which information is incorporated
in by reference.

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Performance Graph

graph below compares our cumulative five-year stockholder return at of the Standard & Poor's 500 Index and the S&P 500 artment Stores Index. The S&P 500 Department Stores Index was ulated by Capital IQ, a Standard & Poor's business and includes l's; JCPenney Company, Inc.; Dillard's, Inc.; Macy's, Inc.; dstrom Inc.; and Sears Holding Corporation. The graph assumes stment of $100 on February 2, 2008 and reinvestment of dends. The calculations exclude trading commissions and taxes.

pany / Index	Feb 2, 2008	Jan 31, 2009	Jan 30, 2010	Jan 29, 2011	Jan 28, 2012	Feb 2, 2013
l's Corporation	$100.00	$79.93	$109.67	$111.47	$103.73	$105.04
' 500 Index	100.00	60.63	80.72	97.88	103.10	121.25
' 500 artment Stores x	100.00	47.24	78.97	90.57	102.42	105.59

Recent Sales of Unregistered Securities; Use of Proceeds from stered Securities

did not sell any equity securities during 2012 which were not stered under the Securities Act.

urchases of Equity Securities by the Issuer and Affiliated hasers

e first authorizing our share repurchase program in 2007, our rd of Directors have increased the authorization in 2011 and again ovember 2012. Purchases under the repurchase program may be e in the open market, through block trades and other negotiated sactions. We expect to execute the share repurchase program arily in open market transactions, subject to market conditions and omplete the program by the end of Fiscal 2015. There is no fixed ination date for the repurchase program, and the program may be ended, discontinued or accelerated at any time.

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following table contains information for shares repurchased and es acquired from employees in lieu of amounts required to satisfy mum tax withholding requirements upon the vesting of the loyees' restricted stock during the three fiscal months ended uary 2, 2013:

od	Total Number of Shares Purchased During Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In Millions)
ber 28 – November 2012	1,375,849	$ 52.23	1,373,900	$ 3,445
ember 25 – ember 29, 2012	3,884,107	44.06	3,882,828	3,274
ember 30, 2012 – uary 2, 2013	3,584,989	42.72	3,584,364	3,121
l	8,844,945	$ 44.79	8,841,092	$ 3,121

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6. Selected Consolidated Financial Data

selected consolidated financial data presented below should be in conjunction with our consolidated financial statements and ed notes included elsewhere in this document. The Statement of me and Balance Sheet Data have been derived from our audited olidated financial statements.

	2012(a)	2011	2010	2009	2008
	(Dollars in Millions, Except Per Share and Per Square Foot Data)				
ement of me Data:					
sales	$19,279	$18,804	$18,391	$17,178	$16,389
of chandise	12,289	11,625	11,359	10,680	10,334
ss margin	6,990	7,179	7,032	6,498	6,055
ng, eral and inistrative enses	4,267	4,243	4,190	3,951	3,769
reciation rtization	833	778	750	688	632
rating me	1,890	2,158	2,092	1,859	1,654
rest ense, net	329	299	304	301	275
me before me taxes	1,561	1,859	1,788	1,558	1,379
ision for me taxes	575	692	668	585	522
income	$986	$1,167	$1,120	$973	$857
income hare:					
c	$4.19	$4.33	$3.69	$3.19	$2.80
ted	$4.17	$4.30	$3.66	$3.17	$2.80
dends per e	$1.28	$1.00	—	—	—
rating :					
sales vth	2.5%	2.2%	7.1%	4.8%	(0.5)%
nparable e sales vth (b)	0.3%	0.5%	4.4%	0.4%	(6.9)%
sales per ng square (c)	$213	$220	$222	$217	$222

percent ales:					
ss margin	36.3 %	38.2 %	38.2 %	37.8 %	36.9 %
rating me	9.8 %	11.5 %	11.4 %	10.8 %	10.1 %
income	5.1 %	6.2 %	6.1 %	5.7 %	5.2 %
l square of selling e (in sands)	83,098	82,226	80,139	78,396	74,992
nber of es open of period)	1,146	1,127	1,089	1,058	1,004
rn on age eholders' ty (d)	15.8 %	16.4 %	14.1 %	13.8 %	13.8 %
nce Sheet (end of od):					
king tal	$2,184	$2,222	$2,888	$3,054	$1,849
erty and pment, net	8,872	8,905	8,692	8,506	8,402
l assets	13,905	14,148	14,891	14,502	12,620
g-term	2,492	2,141	1,894	1,894	1,893
tal lease financing gations	2,061	2,103	2,104	2,046	1,914
eholders' ty	6,048	6,508	7,850	7,595	6,499

he retail calendar for fiscal January 2013 included a fifth week, esulting in a 53-week year. During this 53rd week, total sales were 169 million; selling, general and administrative expenses were pproximately $30 million; interest was approximately $2 million; et income was approximately $15 million and diluted earnings per hare was approximately $0.06.

Comparable store sales growth is based on sales for stores ncluding relocated or remodeled stores) which were open hroughout both the full current and prior year periods and -Commerce. Fiscal 2012 comparable store sales growth compares he 52 weeks ended January 26, 2013 to the 52 weeks ended anuary 28, 2012.

let sales per selling square foot is based on stores open for the full urrent period, excluding E-Commerce. 2012 excludes the impact f the 53rd week.

verage shareholders' equity is based on a 5-quarter average for 012, 2011, and 2010, and the two most recent year-end balances or 2009 and 2008.

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

cutive Summary
l net sales for 2012 were $19.3 billion, a 2.5% increase over 2011.
parable store sales increased 0.3% over 2011. E-Commerce
nues increased over 40% to $1.4 billion. Comparable sales were
en by higher average unit prices which were substantially offset by
r transactions.
s margin declined approximately 190 basis points to 36.3% of
for 2012. The decrease reflects lower prices as we focused on
roving value to our customer during the year and due to late and
r than expected Holiday sales which resulted in deeper price cuts.
enses were well-managed during the year. Our stores organization
inues to drive payroll efficiencies. We also reported significant
rage in our corporate operations, primarily due to lower incentive
s.
2012, net income was $986 million, or $4.17 per diluted share,
pared to $1.2 billion, or $4.30 per diluted share for 2011.
operated 1,146 stores as of year-end. In 2012, we opened 21 new
s, including one relocated store, closed one store and remodeled
tores.
Outlook
current expectations for fiscal 2013 compared to 2012 are as
ws:

l sales	Increase 0 - 2%
parable store sales	Increase 0 - 2%
s margin as a percent of sales	Increase 15 - 30 bp
zA	Increase 1.5 - 3%
ings per diluted share	$4.15 - $4.45

guidance assumes share repurchases of $1 billion at an average
of $50 per share.

expect to open approximately 12 new stores in 2013 - nine in the
ng and three in the Fall. Eleven of the new stores will be “small”
s with less than 64,000 square feet of retail space. We are
porarily reducing the number of remodels to approximately 30
s in 2013 as we continue to evaluate and test different categories
space allocations in our stores.
lts of Operations
Week.

retail calendar for fiscal January 2013 included a fifth week,
lting in a 53-week year. During this 53rd week, total sales were

9 million; selling, general and administrative expenses were
oximately $30 million; interest was approximately $2 million; net
me was approximately $15 million and diluted earnings per share
approximately $0.06. Our comparable store sales in 2012 exclude
mpact of the 53rd week and compare the 52 weeks ended January
2013 to the 52 weeks ended January 28, 2012.

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sales.

	2012		2011		2010	
sales (In Millions)	$19,279		$18,804		$18,391	
s growth:						
l	2.5	%	2.2	%	7.1	%
parable stores (a)	0.3	%	0.5	%	4.4	%
sales per selling square foot (b)	$213		$220		$222	

ncludes sales for stores (including relocated or remodeled stores) ch were open throughout both the full current and prior year ods and E-Commerce. Fiscal 2012 comparable store sales growth pares the 52 weeks ended January 26, 2013 to the 52 weeks ended ary 28, 2012.
et sales per selling square foot is based on stores open for the full ent period, excluding E-Commerce. 2012 excludes the impact of 3rd week.
changes in net sales were due to the following:

	2012			2011		
	$	%		$	%	
	(Dollars in Millions)					
parable store sales:						
es	$(354)	(2.0	)%	$(175)	(1.0	)%
ommerce (a)	411	41.8	%	267	37.2	
l (b)	57	0.3	%	92	0.5	
stores and other revenues	249	—		321	—	
change before 53rd week	306	1.6	%	413	2.2	%
s in 53rd week	169	—		—	—	
ease in net sales	$475	2.5	%	$413	2.2	%

xcludes shipping and other revenues
iscal 2012 comparable store sales growth compares the 52 weeks nded January 26, 2013 to the 52 weeks ended January 28, 2012.
ers of the changes in comparable store sales were as follows:

	2012		2011	
ng price per unit	1.8	%	6.6	%
s per transaction	—		(4.9	)
rage transaction value	1.8		1.7	
ber of transactions	(1.5	)	(1.2	)
parable store sales	0.3	%	0.5	%

increases in selling price per unit are the result of changes in our ng strategy. During the Fall of 2011, we increased our prices as passed higher apparel costs on to our customers. During 2012, we ced our prices, especially in the fourth quarter as sales were below ctations, but prices remained higher than 2011. Units per saction was flat in 2012 and number of transactions declined in due to insufficient inventory levels in the first several months of 2 to meet the sales demand which resulted from the price ctions.

n a regional perspective, all regions were slightly negative for the
with no significant variations between the regions. E-Commerce
nue, which includes shipping and other revenues and the 53rd
k, increased $432 million to $1.4 billion for 2012. The increase is
arily due to increased transactions.

ate and exclusive brand penetration increased approximately 160
s points to 52% of sales for the year. Most of the penetration
ease was a result of recently-added exclusive brands, including
ifer Lopez, Marc Anthony, and Rock & Republic. FILA Sport and
Lauren Conrad also reported significantly higher sales and
ributed to the increased penetration.

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ine of business, Children's and Men's reported the strongest
parable store sales growth for the year. Children's was led by
gth in toys and Men's was led by casual sportswear and pants and
re. Footwear outperformed the Company average with the
ngest sales in women's and athletic shoes. Comparable store sales
e Accessories, Women's and Home categories declined slightly for
year. Sterling silver jewelry reported the strongest increase in the
essories business. In Women's, updated/contemporary sportswear
active were the strongest categories. Bedding had the largest
ease in the Home business.
sales per selling square foot (which is based on stores open for the
current period and excludes E-Commerce and the 53rd week in
2), decreased $7 to $213 in 2012. The decrease is primarily due to
decrease in sales at our comparable stores.
sales for 2011 increased 2.2% over 2010 and comparable store
s increased 0.5%. From a line of business perspective, Accessories
Home reported the strongest comparable store sales in 2011.
dren's and Men's outperformed the Company average for the year,
e Women's and Footwear trailed the Company average. The
heast region reported the strongest comparable store sales for
. E-Commerce revenue, which includes shipping and other
nues, increased $269 million to $1 billion in 2011.

ss margin.

	2012		2011		2010	
	(Dollars in Millions)					
ss margin	$6,990		$7,179		$7,032	
percent of net sales	36.3	%	38.2	%	38.2	%

ss margin includes the total cost of products sold, including
uct development costs, net of vendor payments other than
bursement of specific, incremental and identifiable costs;
ntory shrink; markdowns; freight expenses associated with moving
chandise from our vendors to our distribution centers; shipping and
lling expenses of E-Commerce sales; and terms cash discount. Our
s margin may not be comparable with that of other retailers
use we include distribution center costs in selling, general and
inistrative expenses while other retailers may include these
nses in cost of merchandise sold.

following table summarizes gross margin as a percent of sales by
nel:

	Stores		E-Commerce		Total	
2						
chandise margin	37.2	%	35.4	%	37.1	%
ping impact	—		(10.3	)	(0.8	)
ss margin	37.2	%	25.1	%	36.3	%

chandise margin	38.9 %	36.4 %	38.8 %
ping impact	—	(11.3)	(0.6)
ss margin	38.9 %	25.1 %	38.2 %
ease (Decrease)			
chandise margin	(176) bp	(95) bp	(166) bp
ping impact	—	88	(26)
ss margin	(176) bp	(7) bp	(192) bp

following table summarizes the drivers of the changes in gross gin as a percent of sales:

erchandise Margin:	
Stores	(168) bp
E-Commerce	(7)
-Commerce shipping	(17)
otal decrease	(192) bp

decreases in merchandise margin are primarily due to reductions lling price to drive customer traffic, especially during the holiday on, and higher apparel costs, especially in the first six months of 2, which were only partially offset by higher selling prices early in year. The decrease in gross margin attributable to E-Commerce ping are primarily due to growth in this business as shipping losses percent of sales were lower in 2012 than in 2011. Our ommerce business currently has a lower gross margin than our s due to the mix of products sold on-line and free or related ping promotions. As our E-Commerce business grows, it also has a e significant impact on our overall gross margin results.

s margin for 2011 increased $147 million, or 2%, over 2010. s margin as a percent of net sales decreased 6 basis points from to 2010 as inventory management, increased penetration of ate and exclusive brands (which have a higher gross margin rate national brands), and ongoing markdown and size optimization atives were more than offset by lower gross margin during the th quarter holiday season due to the extremely competitive scape and sales which were below expectations. Sales of private exclusive brands reached 50% of net sales in 2011, an increase of oximately 240 basis points over 2010.

ng, general and administrative expenses.

	2012	2011	2010
	(Dollars in Millions)		
ng, general, and administrative nses	$4,267	$4,243	$4,190
percent of net sales	22.1 %	22.6 %	22.8 %

ng, general and administrative expenses (“SG&A”) include pensation and benefit costs (including stores, headquarters, buying merchandising and distribution centers); occupancy and operating s of our retail, distribution and corporate facilities; freight expenses ciated with moving merchandise from our distribution centers to retail stores and among distribution and retail facilities; advertising nses, offset by vendor payments for reimbursement of specific, emental and identifiable costs; net revenues from our Kohl’s credit operations; and other administrative revenues and expenses. zA also includes the costs incurred prior to new store openings, as advertising, hiring and training costs for new employees, essing and transporting initial merchandise, and rent expense. We ot include depreciation and amortization in SG&A. The sification of these expenses varies across the retail industry.

zA for 2012 increased $24 million, or 1% over 2011. The increase
G&A is due primarily to higher distribution costs, increased
keting, investments in technology and infrastructure related to our
ommerce business and the extra week in the 2012 retail calendar.
se increases were partially offset by lower incentive costs. SG&A
percent of sales decreased, or "leveraged," by approximately 40
s points in 2012.
e payroll costs leveraged in 2012 due to continued implementation
ectronic signs and strong payroll management. Other store
enses including both rent-related expenses and variable costs, such
ectricity and remodel expenses, as a percent of net sales also
ined.
porate operations reported significant leverage, primarily due to
er incentive costs.
ribution costs totaled $245 million for 2012, $202 million for
, and $187 million for 2010 and did not leverage in 2012. The
ease in 2012 is primarily due to growth in our E-Commerce
ness. Information technology costs also did not leverage due to
inued investments in our technology infrastructure.

revenues from our credit card operations were $388 million in
2, $347 million in 2011, and $180 million in 2010. The increase in
2 compared to 2011 is due to higher average receivables which
ributed to higher revenues during the year. Offsetting these
eases in were higher costs associated with a new credit card
icing platform.

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keting costs as a percent of sales for 2012 were comparable to the
r year as 2011 included expenses to support the Jennifer Lopez and
c Anthony brand launches - the largest launches in our history. The
week in 2012 also had a positive impact on marketing costs as a
ent of sales.
zA for 2011 increased $53 million, or 1%, over 2010, but
eased as a percentage of net sales. SG&A increased primarily due
ore growth, increased advertising, and investments in technology
infrastructure related to our E-Commerce business. These
eases were partially offset by higher revenues in our credit card
folio due to higher average receivables and a more favorable
nue sharing percentage under our April 2011 agreement with
tal One, National Association ("Capital One").

r Expenses.

	2012	2011	2010
	(In Millions)		
reciation and amortization	$833	$778	$750
rest expense, net	329	299	304
ision for income taxes	575	692	668
ctive tax rate	36.8 %	37.2 %	37.4 %

increases in depreciation and amortization are primarily due to
nt computer software and hardware additions which have a short
rtization period as well as the addition of new stores, remodels and
pening of our fourth E-Commerce fulfillment center in DeSoto,
as.
interest expense, including $2 million in the 53rd week of 2012,
eased $30 million, or 10%, over 2011. The increase in interest
nse is primarily due to the net increase in our outstanding
-term debt. Net interest expense for 2011 decreased $5 million
2010. The decrease was attributable to the repayment of debt
ing $400 million in March and October 2011 and the subsequent
ance of $650 million of debt in October 2011 at a lower interest

decrease in the effective tax rate for 2012 was primarily due to
rable settlements of state tax audits in the first six months of the
.
tion
ough we expect that our operations will be influenced by general
omic conditions, including rising food, fuel and energy prices, we
ot believe that inflation has had a material effect on our results of
ations. However, there can be no assurance that our business will
be affected by such factors in the future. We experienced 10-15%
eases in apparel costs in 2011. In 2012, we saw modest increases in
rel costs in the first six months and mid-single-digit decreases in
ast six months of the year. In 2013, we expect to see modest
eases in apparel costs.

idity and Capital Resources

primary ongoing cash requirements are for capital expenditures
iew stores, remodels and IT spending and for seasonal and new
e inventory purchases. Share repurchases and dividend payments to
eholders are currently other significant usages of cash. These
nents are discretionary and can be discontinued at any time should
equire cash for other uses. Our primary sources of funds are cash
provided by operations, short-term trade credit and our lines of
it. Short-term trade credit, in the form of extended payment terms
nventory purchases, often represents a significant source of
ncing for merchandise inventories. Seasonal cash needs may be
by cash on hand and/or the line of credit available under our
lving credit facility. Our working capital and inventory levels
cally build throughout the fall, peaking during the November and
ember holiday selling season.

f February 2, 2013, we had cash and cash equivalents of $537
on. We generated $381 million of free cash flow in 2012. (See the
Cash Flow discussion later in this Liquidity and Capital
ources section for additional discussion of this non-GAAP
ncial measure.)

	2012	2011	2010
	(In Millions)		
cash provided by (used in):			
rating activities	$1,265	$2,139	$1,750
sting activities	(660)	(802)	(757)
ncing activities	(1,273)	(2,409)	(983)

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rating activities.
n provided by operations decreased 41% in 2012 to $1.3 billion.
decrease is primarily the result of lower earnings, a decrease in
rred taxes related to depreciation and higher inventory levels.

l inventory per store increased 15% over January 28, 2012.
uding E-Commerce, inventory per store increased 12% to $3.1
on per store as of February 2, 2013 compared to $2.8 million per
e as of January 28, 2012. The higher inventory levels were
nded to support holiday sales in 2012, however, the merchandise
not sell as expected.
ounts payable as a percent of inventory was 34.9% at February 2,
3, compared to 38.3% at year-end 2011. The decrease is primarily
to slower inventory turnover.
n provided by operations increased $389 million from $1.8 billion
010 to $2.1 billion in 2011. The increase was primarily due to
ges in accounts payable activities and deferred taxes related to
eciation. Accounts payable as a percent of inventory was 38.3% at
ary 28, 2012, compared to 37.3% at year-end 2010. The change is
arily due to expiration of vendor financing initiatives.

Investing activities.
cash used in investing activities decreased $142 million to $660
on in 2012, primarily due to lower capital expenditures. Capital
nditures totaled $785 million for 2012, a $142 million decrease
n 2011. This decrease is primarily due to fewer remodels and new
es, partially offset by higher technology spending.
following table summarizes expected and actual capital
nditures by major category:

	2013 Estimate		2012		2011		2010	
nputer hardware and software	38	%	33	%	18	%	17	%
ures and store improvements	24		18		7		12	
odels/relocations	19		14		26		30	
stores	11		18		27		28	
ribution centers	2		14		15		10	
er	6		3		7		3	
l	100	%	100	%	100	%	100	%

expect total capital expenditures of approximately $700 million in
l 2013. The expected decrease from 2012 is primarily due to a
ease in new store openings (approximately 12 expected in 2013
pared to 21 in 2012) and less spending on E-Commerce building
truction. These decreases will be partially offset by an expected
ease in IT spending. The actual amount of our future capital
nditures will depend primarily on the number and timing of new
es, distribution centers and E-Commerce fulfillment centers opened
remodeled; the mix of owned, leased or acquired stores; and IT
ding. We do not anticipate that our expansion plans will be limited
ny restrictive covenants in our financing agreements.

s of long-term investments generated cash of $109 million in 2012
$145 million in 2011. As of February 2, 2013, we had investments
uction rate securities ("ARS") with a par value of $83 million and an
nated fair value of $52 million. Since 2008, the market for ARS
diminished. This has limited our ability to liquidate these
stments, but we do not believe that it will have a significant impact
ur ability to fund ongoing operations and growth initiatives. To
, we have collected all interest receivable on outstanding ARS
n due and expect to continue to do so in the future. Substantially
edemptions to date were made at par.
cash used in investing activities increased $45 million to $802
ion in 2011, primarily due to an increase in capital expenditures,
ally offset by higher ARS sales. Capital expenditures totaled $927
ion for 2011, a $126 million increase over 2010. This increase is
arily due to higher capital spending for new stores, remodels,
ommerce fulfillment centers, and a call center in Texas.
ncing activities.
financing activities used cash of $1.3 billion in 2012 and $2.4
on in 2011. The decrease is primarily due to lower share
rchases.

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repurchased 26 million shares of our common stock for
oximately $1.3 billion in 2012 and 46 million shares for
oximately $2.3 billion in 2011. The shares were purchased as part
ur share repurchase program. In November 2012, our Board of
ctors increased the share repurchase authorization under our
ting share repurchase program by $3.2 billion, to $3.5 billion. We
ct to repurchase shares in open market transactions, subject to
ket conditions, over the next three years.

repaid long-term debt of $300 million in March 2011 and $100
on in October 2011. In October 2011, we issued $650 million of
% notes with semi-annual interest payments beginning in May
2. In September 2012, we issued $350 million of 3.25% notes with
-annual interest payments beginning in February 2013.
have various facilities upon which we may draw funds, including a
ar, $1 billion senior unsecured revolving credit facility which we
red into in June 2011. The credit facility includes 16 lenders which
each committed between $30 and $110 million each. The $1
on facility replaced a $900 million facility which was scheduled to
re in October 2011. We also have a demand note with availability
30 million. There were no draws on these facilities during 2012 or
.
credit ratings have been unchanged since September 2007 when
ssued $1 billion in debt. As of February 2, 2013, our ratings were
ollows:

	Moody's	Standard & Poor's	Fitch
g-term debt	Baa1	BBB+	BBB+

may from time to time seek to retire or purchase our outstanding
through open market cash purchases, privately negotiated
sactions or otherwise. Such repurchases, if any, will depend on
ailing market conditions, our liquidity requirements, contractual
ictions and other factors. The amounts involved could be material.
ng 2012, we paid cash dividends of $300 million as detailed in the
owing table:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
aration date	February 22	May 9	August 7	November 7
ord date	March 7	June 6	September 5	December 5
ment date	March 28	June 27	September 26	December 26
ount per common e	$0.32	$0.32	$0.32	$0.32

February 27, 2013 our Board of Directors approved a dividend of
5 per common share which will be paid on March 27, 2013 to
eholders of record as of March 13, 2013.
financing activities used cash of $2.4 billion in 2011 and $983
on in 2010. The increase is primarily due to treasury stock

hases in the fourth quarter of 2011.
financial ratios.
following ratios provide certain measures of our liquidity, capital
cture and return on investments.

	2012		2011		2010	
idity Ratios:						
king capital (In Millions)	$2,184		$2,222		$2,888	
ent ratio	1.86		1.85		2.03	
Cash Flow (a)	$381		$1,135		$892	
rn on Investment Ratios:						
o of earnings to fixed charges	4.1		4.8		4.6	
rn on Assets	6.9	%	8.1	%	7.4	%
rn on Gross Investment (a)	16.8	%	18.8	%	19.2	%
tal Structure Ratios:						
t/capitalization	42.9	%	39.5	%	33.7	%
usted Debt to EBITDAR (a)	2.23		1.99		1.97	

Non-GAAP financial measure

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idity ratios.

2012 working capital and current ratio were generally consistent
2011. The decrease in working capital and the current ratio as of
-end 2011 compared to year-end 2010 were primarily due to lower
balances as a result of repurchasing $2.3 billion of our common
k in 2011.

decrease in free cash flow is primarily a result of lower cash
ided by operating activities, as discussed above. Free cash flow is
n-GAAP financial measure which we define as net cash provided
perating activities and proceeds from financing obligations (which
erally represent landlord reimbursements of construction costs) less
isition of property & equipment and capital lease & financing
gation payments. Free cash flow should be evaluated in addition to,
not considered a substitute for, other financial measures such as
ncome and cash flow provided by operating activities. We believe
free cash flow represents our ability to generate additional cash
from our business operations. See the key financial ratio
ulations section below.
rn on investment ratios.

ratio of earnings to fixed charges and our return on assets were
r for 2012 than 2011 primarily due to lower earnings in 2012. Our
ratios were comparable to 2010 ratios. See Exhibit 12.1 to this
ual Report on Form 10-K for the calculation of our ratio of
ings to fixed charges and the key financial ratio calculations below
he return on assets calculation.

Return on Gross Investment ("ROI") has decreased as investments
ores, distribution centers and technology increased more than
itability. We believe that ROI is a useful financial measure in
uating our operating performance. When analyzed in conjunction
our net earnings and total assets and compared with return on
ts, it provides investors with a useful tool to evaluate our ongoing
ations and our management of assets from period to period. ROI is
n-GAAP financial measure which we define as earnings before
est, taxes, depreciation, amortization and rent ("EBITDAR") divided
verage gross investment. Our ROI calculation may not be
parable to similarly-titled measures reported by other companies.
should be evaluated in addition to, and not considered a substitute
other financial measures such as return on assets. See the key
ncial ratio calculations section below.
tal structure ratios.

debt agreements contain various covenants including limitations
dditional indebtedness and a maximum permitted leverage ratio.
f February 2, 2013, we were in compliance with all debt covenants
expect to remain in compliance during fiscal 2013. See the key

ncial ratio calculations section below for our debt covenant
ulation.

debt/capitalization ratio has increased primarily due to an increase
ur outstanding debt and lower capitalization as a result of share
rchases.

Adjusted Debt to EBITDAR ratio increased for 2012 primarily
to higher outstanding debt, including a $350 million debt issuance
eptember 2012. Our 2011 ratio was comparable to our 2010 ratio.
usted Debt to EBITDAR is a non-GAAP financial measure which
lefine as our adjusted outstanding debt balance divided by
TDAR. We believe that our debt levels are best analyzed using this
sure. Our current goals are to maintain an adjusted debt to
TDAR ratio of between 2 and 2.25, to manage debt levels to
ntain a BBB+ investment-grade credit rating and to operate with an
ient capital structure for our size, growth plans and industry. Our
usted Debt to EBITDAR calculation may not be comparable to
larly-titled measures reported by other companies. Adjusted Debt
BITDAR should be evaluated in addition to, and not considered a
titute for, other financial measures such as debt/capitalization. See
key financial ratio calculations section below for our adjusted debt
BITDAR calculation.

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financial ratio calculations.
following table reconciles net cash provided by operating
ities (a GAAP measure) to free cash flow (a non-GAAP measure).

	2012	2011	2010
	(Dollars in Millions)		
cash provided by operating activities	$1,265	$2,139	$1,750
uisition of property & equipment	(785)	(927)	(801)
tal lease & financing obligation nents	(111)	(91)	(84)
eeds from financing obligations	12	14	27
cash flow	$381	$1,135	$892

following table includes our ROI and return on assets (the most
parable GAAP measure) calculations:

	2012	2011	2010
	(Dollars in Millions)		
income	$986	$1,167	$1,120
interest	329	299	304
ision for income taxes	575	692	668
reciation and amortization	833	778	750
expense	265	265	264
TDAR	$2,988	$3,201	$3,106
rage: (a)			
l assets	$14,266	$14,434	$15,090
equivalents and long-term stments (b)	(677)	(1,421)	(2,478)
erred tax and other assets	(126)	(124)	(115)
umulated depreciation and rtization	4,943	4,473	3,980
ounts payable	(1,622)	(1,439)	(1,441)
rued liabilities	(1,079)	(1,068)	(995)
r long-term liabilities	(478)	(458)	(413)
talized rent (c)	2,573	2,598	2,546
s Investment (“AGI”)	$17,800	$16,995	$16,174
rn on Assets (“ROA”) (d)	6.9 %	8.1 %	7.4 %
rn on Gross Investment (“ROI”)	16.8 %	18.8 %	19.2 %

Represents average of 5 most recent quarter end balances
Represents excess cash not required for operations
Represents 10 times store rent and 5 times equipment/other rent
Net income divided by average total assets
EBITDAR divided by Gross Investment

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following table includes our leverage ratio calculation, as defined
ur debt agreements as of February 2, 2013:

	(Dollars in Millions)
l Debt	$ 4,561
nitted Exclusions	(8)
otal	4,553
: x 8	2,120
uded Indebtedness	$ 6,673
Worth	$ 6,048
stments (accounted for under equity method)	—
otal	6,048
uded Indebtedness	6,673
talization	$ 12,721
erage Ratio (a)	0.52
imum permitted Leverage Ratio	0.70

ncluded Indebtedness divided by Capitalization

following table includes our Adjusted Debt to EBITDAR and
/capitalization (a comparable GAAP measure) calculations:

	2012	2011	2010
	(Dollars in Millions)		
l Debt	$4,553	$4,244	$3,999
usted Rent (a)	2,120	2,117	2,111
usted Debt	$6,673	$6,361	$6,110
l Equity	$6,048	$6,508	$7,850
TDAR (b)	2,988	3,201	3,106
:/capitalization (c)	42.9 %	39.5 %	33.7 %
usted Debt to EBITDAR (d)	2.23	1.99	1.97

Represents 8 times annual rent
See details in ROI calculation above
Total debt divided by total debt and shareholders' equity
Adjusted debt divided by EBITDAR

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tractual Obligations
contractual obligations as of February 2, 2013 were as follows:

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(In Millions)				
orded contractual gations:					
g-term debt	$2,500	$—	$—	$650	$1,850
tal lease and ncing obligations	1,596	105	177	174	1,140
	4,096	105	177	824	2,990
ecorded contractual gations:					
rest payments:					
g-term debt	1,752	129	269	269	1,085
tal lease and ncing obligations	2,933	188	356	325	2,064
rating leases (a)	6,240	243	485	475	5,037
alties	326	82	139	78	27
hase obligations (b)	4,225	4,225	—	—	—
r (c)	465	115	124	92	134
	15,941	4,982	1,373	1,239	8,347
l	$20,037	$5,087	$1,550	$2,063	$11,337

ur leases typically require that we pay real estate taxes, insurance nd maintenance costs in addition to the minimum rental payments ncluded in the table above. Such costs vary from period to period nd totaled $165 million for 2012, $161 million for 2011 and $168 illion for 2010. The lease term includes cancelable option periods here failure to exercise such options would result in economic enalty.

ur purchase obligations consist mainly of purchase orders for erchandise. Amounts committed under open purchase orders for erchandise are cancelable without penalty prior to a date that recedes the vendors' scheduled shipment date.

ur other commitments include legally binding minimum lease and nterest payments for stores opening in 2013 or later, as well as ayments associated with technology agreements.

have not included $126 million of long-term liabilities for cognized tax benefits and the related interest and penalties in the ractual obligations table because we are not able to reasonably nate the timing of cash settlements. It is reasonably possible that tax positions may change within the next 12 months, primarily as ult of ongoing audits. While it is possible that one or more of e audits may be resolved in the next year, it is not anticipated that nent of any such amounts in future periods will materially affect dity and cash flows.

Balance Sheet Arrangements

have not provided any financial guarantees as of year-end 2012.
have not created, and are not party to, any special-purpose or
balance sheet entities for the purpose of raising capital, incurring
or operating our business. We do not have any arrangements or
ionships with entities that are not consolidated into the financial
ments that are reasonably likely to materially affect our financial
lition, liquidity, results of operations or capital resources.

cal Accounting Policies and Estimates
preparation of financial statements in conformity with accounting
ciples generally accepted in the United States requires us to make
nates and assumptions that affect the reported amounts. A
ussion of the more significant estimates follows. Management has
ussed the development, selection and disclosure of these estimates
assumptions with the Audit Committee of our Board of Directors.

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il Inventory Method and Inventory Valuation
value our inventory at the lower of cost or market with cost
rmined on the first-in, first-out (“FIFO”) basis using the retail
ntory method (“RIM”). Under RIM, the valuation of inventories at
and the resulting gross margins are calculated by applying a
-to-retail ratio to the retail value of the inventories. Inherent in the
l inventory method are certain management estimates that may
t the ending inventory valuation as well as gross margin.
use of RIM will generally result in inventories being valued at the
r of cost or market as permanent markdowns are taken as a
ction of the retail value of inventories. Management estimates the
for an additional markdown reserve based on a review of
orical clearance markdowns, current business trends, expected
lor funding and discontinued merchandise categories.
also record a reserve for estimated inventory shrink between the
physical inventory count and the balance sheet date. Shrink is the
rence between the recorded amount of inventory and the physical
ntory. Shrink may occur due to theft, loss, inaccurate records for
eceipt of inventory or deterioration of goods, among other things.
generally perform an annual physical inventory count at the
rity of our stores, distribution centers and E-Commerce
llment centers. The shrink reserve is based on sales and actual
k results from previous inventories.
did not make any material changes in the methodologies used to
e our inventory or to estimate the markdown and shrink reserves
ng 2012, 2011 or 2010. We believe that we have sufficient current
historical knowledge to record reasonable estimates for our
ntory reserves. Though historical reserves have approximated
al markdowns and shrink adjustments, it is possible that future
lts could differ from current recorded reserves.
use we routinely record permanent markdowns for potentially
lete merchandise, we do not believe that a markdown reserve was
ired as of February 2, 2013. Changes in the assumptions used to
nate our markdown reserve requirement would not have had a
rial impact on our financial statements. A 10 basis point change in
nated inventory shrink would also have had an immaterial impact
ur financial statements.
dor Allowances
receive allowances from many of our merchandise vendors. These
wances often are reimbursements for markdowns that we have
n in order to sell the merchandise and/or to support the gross
gins earned in connection with the sales of merchandise. The
wances generally relate to sold inventory or permanent markdowns
accordingly, are reflected as reductions to cost of merchandise
. Allowances related to merchandise that has not yet been sold are
rded in inventory.
also receive vendor allowances which represent reimbursements of
s (primarily advertising) that we have incurred to promote the
dors' merchandise. These allowances are generally netted against

rtising or the other related costs as the costs are incurred.
ertising allowances in excess of costs incurred are recorded as a
ction of merchandise costs.

t of our vendor allowance agreements are supported by signed
racts which are binding, but informal in nature. The terms and
litions of these arrangements vary significantly from vendor to
lor and are influenced by, among other things, the type of
chandise to be supported. Vendor allowances will fluctuate based
he amount of promotional and clearance markdowns necessary to
date the inventory as well as advertising and other reimbursed
s.
rance Reserve Estimates
use a combination of insurance and self-insurance for a number of
.
retain the initial risk of $500,000 per occurrence in workers'
pensation claims and $250,000 per occurrence in general liability
ns. We record reserves for workers' compensation and general
lity claims which include the total amounts that we expect to pay
fully developed loss and related expenses, such as fees paid to
neys, experts and investigators. The fully developed loss includes
unts for both reported claims and incurred, but not reported losses.
use a third-party actuary to estimate the liabilities associated with
e risks. The actuary considers historical claims experience,
ographic and severity factors and actuarial assumptions to estimate
iabilities associated with these risks. As of February 2, 2013,
nated liabilities for workers' compensation and general liability
ns, excluding administrative expenses and before pre-funding,
e approximately $86 million.
ange in claims frequency and severity of claims from historical
erience as well as changes in state statutes and the mix of states in
ch we operate could result in a change to the required reserve
ls. Changes in actuarial assumptions

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d also have an impact on estimated reserves. Historically, our
arial estimates have not been materially different from actual
lts.
are fully self-insured for employee-related health care benefits, a
on of which is paid by our associates. We use a third-party actuary
timate the liability for incurred, but not reported, health care
ns. This estimate uses historical claims information as well as
nated health care trends. As of February 2, 2013, we had recorded
oximately $14 million for medical, pharmacy and dental claims
h were incurred in 2012 and expected to be paid in 2013.
orically, our actuarial estimates have not been materially different
actual results.
ctive January 1, 2012, we are self-insured for a portion of our
erty losses. Reserves related to property losses were not
ificant as of February 2, 2013.
airment of Assets
f February 2, 2013, our investment in buildings and
rovements, before accumulated depreciation, was $14 billion. We
ew these buildings and improvements for impairment when an
t or changes in circumstances, such as decisions to close a store or
ificant operating losses, indicate the carrying value of the asset
not be recoverable.
operating stores, a potential impairment has occurred if the fair
e of a specific store is less than the net carrying amount of the
s. If required, we would record an impairment loss equal to the
unt by which the carrying amount of the asset exceeds its fair
e.
tifying impaired assets and quantifying the related impairment
if any, requires significant estimates by management. The most
ificant of these estimates is the cash flow expected to result from
se and eventual disposition of the asset. When determining the
m of projected future cash flows associated with an individual
e, management estimates future store performance including sales
th rates, gross margin and controllable expenses, such as store
oll and occupancy expense. Projected cash flows must be
nated for future periods throughout the remaining life of the
erty, which may be as many as 40 years in the future. The
racy of these estimates will be impacted by a number of factors
ding general economic conditions, changes in competitive
scape and our ability to effectively manage the operations of the
e.
have not historically experienced any significant impairment of
-lived assets. Additionally, impairment of an individual building
related improvements, net of accumulated depreciation, would not
erally be material to our financial results.
me Taxes
regularly evaluate the likelihood of realizing the benefit for income
positions we have taken in various federal and state filings by
idering all relevant facts, circumstances and information available

s. If we believe it is more likely than not that our position will be
ained, we recognize a benefit at the largest amount which we
eve is cumulatively greater than 50% likely to be realized. Our
cognized tax benefit, excluding accrued interest and penalties, was
3 million as of February 2, 2013 and $101 million as of January 28,
2.

ecognized tax benefits require significant management judgment
rding applicable statutes and their related interpretation, the status
arious income tax audits and our particular facts and
umstances. Also, as audits are completed or statutes of limitations
e, it may be necessary to record adjustments to our taxes payable,
rred tax assets, tax reserves or income tax expense. Although we
eve we have adequately reserved for our uncertain tax positions, no
rance can be given that the final tax outcome of these matters will
be different.

rating Leases

f February 2, 2013, 739 of our 1,146 retail stores were subject to
r a ground or building lease. Accounting for leased properties
ires compliance with technical accounting rules and significant
ment by management. Application of these accounting rules and
mptions made by management will determine whether we are
idered the owner for accounting purposes or whether the lease is
unted for as a capital or operating lease in accordance with ASC
"Leases."

e are considered the owner for accounting purposes or the lease is
idered a capital lease, we record the property and a related
ncing or capital lease obligation on our balance sheet. The asset is
depreciated over its expected lease term. Rent payments for these
erties are recognized as interest expense and a reduction of the
ncing or capital lease obligation.

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e lease is considered an operating lease, it is not recorded on our
nce sheet and rent expense is recognized on a straight-line basis
the expected lease term.
most significant estimates used by management in accounting for
erty leases and the impact of these estimates are as follows:
ected lease term—Our expected lease term includes both contractual
e periods and cancelable option periods where failure to exercise
options would result in an economic penalty. The expected lease
is used in determining whether the lease is accounted for as an
rating lease or a capital lease. A lease is considered a capital lease
e lease term exceeds 75% of the leased asset's useful life. The
cted lease term is also used in determining the depreciable life of
sset or the straight-line rent recognition period. Increasing the
cted lease term will increase the probability that a lease will be
idered a capital lease and will generally result in higher rent
ense for an operating lease and higher interest and depreciation
enses for a leased property recorded on our balance sheet.
emental borrowing rate—We estimate our incremental borrowing
using treasury rates for debt with maturities comparable to the
cted lease term and our credit spread. The incremental borrowing
is primarily used in determining whether the lease is accounted for
operating lease or a capital lease. A lease is considered a capital
e if the net present value of the lease payments is greater than 90%
e fair market value of the property. Increasing the incremental
owing rate decreases the net present value of the lease payments
reduces the probability that a lease will be considered a capital
e. For leases which are recorded on our balance sheet with a
ed capital lease or financing obligation, the incremental borrowing
is also used in allocating our rental payments between interest
ense and a reduction of the outstanding obligation.
market value of leased asset—The fair market value of leased retail
erty is generally estimated based on comparable market data as
ided by third-party appraisers or consideration received from the
lord. Fair market value is used in determining whether the lease is
unted for as an operating lease or a capital lease. A lease is
idered a capital lease if the net present value of the lease payments
eater than 90% of the fair market value of the property. Increasing
air market value reduces the probability that a lease will be
idered a capital lease. Fair market value is also used in
rmining the amount of property and related financing obligation to
ecognized on our balance sheet for certain leased properties which
considered owned for accounting purposes.

7A. Quantitative and Qualitative Disclosures About Market Risk
f our long-term debt at year-end 2012 is at fixed interest rates and,
efore, is not affected by changes in interest rates. When our
-term debt instruments mature, we may refinance them at then
ting market interest rates, which may be more or less than interest
on the maturing debt.

n equivalents and long-term investments earn interest at variable
s and are affected by changes in interest rates. During 2012,
age investments were $900 million and average yield was 0.3%. If
est rates on the average 2012 variable rate cash equivalents and
-term investments increased by 100 basis points, our annual
est income would also increase by approximately $9 million
ming comparable investment levels.
share in the net risk-adjusted revenue of the Kohl's credit card
folio as defined by the sum of finance charges, late fees and other
nue less write-offs of uncollectible accounts. We also share the
s of funding the outstanding receivables if interest rates were to
ed defined rates. As a result, our share of profits from the credit
portfolio may be negatively impacted by increases in interest
s. The reduced profitability, if any, will be impacted by various
ors, including our ability to pass higher funding costs on to the
it card holders and the outstanding receivable balance, and can not
easonably estimated at this time.

8. Financial Statements and Supplementary Data
financial statements are included in this report beginning on page

9. Changes In and Disagreements with Accountants on
ounting and Financial Disclosures
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9A. Controls and Procedures
valuation of Disclosure Controls and Procedures
er the supervision and with the participation of our management,
uding our Chief Executive Officer and Chief Financial Officer, we
ed out an evaluation of the effectiveness of the design and
ation of our disclosure controls and procedures (the “Evaluation”) at
sonable assurance level as of the last day of the period covered by
Report.
ed upon the Evaluation, our Chief Executive Officer and Chief
ncial Officer have concluded that our disclosure controls and
edures are effective at the reasonable assurance level. Disclosure
rols and procedures are defined by Rules 13a-15(e) of the
rities Exchange Act of 1934 (the "Exchange Act") as controls and
r procedures that are designed to ensure that information required
e disclosed in the reports that we file or submit under the Exchange
is recorded, processed, summarized and reported within the time
ods specified by the SEC's rules and forms. Disclosure controls
procedures include, without limitation, controls and procedures
gned to ensure that information required to be disclosed in the
rts that we file or submit under the Exchange Act is accumulated
communicated to our management, including our Chief Executive
cer and Chief Financial Officer, to allow timely decisions
rding required disclosures.
ould be noted that the design of any system of controls is based in
upon certain assumptions about the likelihood of future events,
there can be no assurance that any design will succeed in
eving our stated goals under all potential future conditions,
rdless of how remote.
Management’s Annual Report on Internal Control over Financial
orting
management is responsible for establishing and maintaining
uate internal control over financial reporting. Our internal control
em was designed to provide reasonable assurance to our
agement and Board of Directors regarding the preparation and fair
entation of our published financial statements.
nternal control systems, no matter how well designed, have
rent limitations. Therefore, even those systems determined to be
ctive can provide only reasonable assurance with respect to
ncial statement preparation and presentation.
management assessed the effectiveness of our internal control
financing reporting as of February 2, 2013. In making this
ssment, management used the criteria set forth by the Committee
ponsoring Organizations of the Treadway Commission (“COSO”) in
rnal Control—Integrated Framework. Based on this assessment, our
agement has concluded that as of February 2, 2013, our internal
rol over financial reporting was effective based on those criteria.
t & Young LLP, an independent registered public accounting firm,
audited the Consolidated Financial Statements included in this
ual Report on Form 10-K and, as part of its audit, has issued an

tation report, included herein, on the effectiveness of our internal
rol over financial reporting.

Changes in Internal Control Over Financial Reporting

ng the last fiscal quarter, there were no changes in our internal
rols that have materially affected or are reasonably likely to
erially affect such controls, including any corrective actions with
rd to significant deficiencies and material weaknesses.

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ort of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Kohl's Corporation

have audited Kohl's Corporation's internal control over financial
rting as of February 2, 2013, based on criteria established in
rnal Control-Integrated Framework issued by the Committee of
nsoring Organizations of the Treadway Commission (the COSO
ria). Kohl's Corporation's management is responsible for
ntaining effective internal control over financial reporting, and for
ssessment of the effectiveness of internal control over financial
rting included in the accompanying Management's Annual Report
nternal Control over Financial Reporting. Our responsibility is to
ess an opinion on the company's internal control over financial
rting based on our audit.

conducted our audit in accordance with the standards of the Public
pany Accounting Oversight Board (United States). Those
dards require that we plan and perform the audit to obtain
onable assurance about whether effective internal control over
ncial reporting was maintained in all material respects. Our audit
uded obtaining an understanding of internal control over financial
rting, assessing the risk that a material weakness exists, testing and
uating the design and operating effectiveness of internal control
d on the assessed risk, and performing such other procedures as
onsidered necessary in the circumstances. We believe that our
t provides a reasonable basis for our opinion.

ompany's internal control over financial reporting is a process
gned to provide reasonable assurance regarding the reliability of
ncial reporting and the preparation of financial statements for
rnal purposes in accordance with generally accepted accounting
ciples. A company's internal control over financial reporting
udes those policies and procedures that (1) pertain to the
ntenance of records that, in reasonable detail, accurately and fairly
ct the transactions and dispositions of the assets of the company;
provide reasonable assurance that transactions are recorded as
ssary to permit preparation of financial statements in accordance
generally accepted accounting principles, and that receipts and
enditures of the company are being made only in accordance with
orizations of management and directors of the company; and
provide reasonable assurance regarding prevention or timely
ction of unauthorized acquisition, use or disposition of the
pany's assets that could have a material effect on the financial
ments.

ause of its inherent limitations, internal control over financial
rting may not prevent or detect misstatements. Also, projections of
evaluation of effectiveness to future periods are subject to the risk

controls may become inadequate because of changes in conditions,
at the degree of compliance with the policies or procedures may
riorate.

ur opinion, Kohl's Corporation maintained, in all material respects,
ctive internal control over financial reporting as of February 2,
3, based on the COSO criteria.

also have audited, in accordance with the standards of the Public
npany Accounting Oversight Board (United States), the
olidated balance sheets of the Company as of February 2, 2013
January 28, 2012, and the related consolidated statements of
me, comprehensive income, changes in shareholders' equity, and
flows for each of the three years in the period ended February 2,
3 of Kohl's Corporation and our report dated March 22, 2013
essed an unqualified opinion thereon.

RNST & YOUNG LLP

waukee, Wisconsin
ch 22, 2013

9B. Other Information
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T III

10. Directors, Executive Officers and Corporate Governance
nformation with respect to our Directors, the Board of Directors'
it Committee and our written code of ethics, see the applicable
ons of the "Questions and Answers About our Board of Directors
Corporate Governance Matters" and "Item One: Election of
ctors" sections of the Proxy Statement for our May 16, 2013
ual Meeting of Shareholders ("our 2013 Proxy"), which information
corporated herein by reference. For information with respect to
ion 16 reports, see the information provided in the "Section 16(a)
eficial Ownership Reporting Compliance" section of our 2013
y, which information is incorporated herein by reference.
executive officers as of March 13, 2013 were as follows:

e	Age	Position
in Mansell	60	Chairman, Chief Executive Officer, President and Director
Brennan	52	Chief Merchandising Officer
Worthington	49	Chief Administrative Officer
neth Bonning	55	Senior Executive Vice President
gy Eskenasi	57	Senior Executive Vice President
ley S. Donald	50	Senior Executive Vice President, Chief Financial Officer
ard D. Schepp	52	Senior Executive Vice President, General Counsel, Secretary

Mansell is responsible for Kohl's strategic direction, long-term
th and profitability. He has served as Chairman since September
, Chief Executive Officer since August 2008 and President and
ctor since February 1999. Mr. Mansell began his retail career in
.

Brennan was promoted to Chief Merchandising Officer in
ember 2010 and is responsible for all merchandising divisions,
uct development, merchandise planning and allocation, as well as
ommerce. Previously, he had served as Senior Executive Vice
ident since September 2007. Mr. Brennan began his retail career in
.

Worthington was promoted to Chief Administrative Officer in
ember 2010 and is responsible for store operations, store
inistration, merchandise presentation, loss prevention, real estate,
rmation systems and purchasing. Previously, he had served as
or Executive Vice President since September 2007. Mr.
thington began his retail career in 1989.

Bonning was promoted to Senior Executive Vice President in May
and is responsible for logistics and information systems.
iously, he had served as Executive Vice President, Logistics,
lities and Store Planning from October 2006 to May 2011 and as
cutive Vice President, Logistics from February 2004 to October
. Mr. Bonning began his retail career in 1985.

Eskenasi was promoted to Senior Executive Vice President in
ember 2010 and oversees all product development. Previously, she
served as Executive Vice President—Product Development since
ber 2004. Ms. Eskenasi began her retail career in 1977.

McDonald was promoted to Senior Executive Vice President,
f Financial Officer in November 2010 and is responsible for
ncial planning and analysis, investor relations, financial reporting,
unting operations, tax, treasury, credit and capital investment.
iously, he had served as Executive Vice President, Chief Financial
cer since August 2003. Mr. McDonald began his retail career in
3.

Schepp was promoted to Senior Executive Vice President, General
nsel and Secretary in May 2011 and is responsible for legal affairs
internal audit. He previously served as Executive Vice
ident—General Counsel, Secretary from August 2001 to May 2011.
Schepp began his retail career in 1992.

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nbers of our Board of Directors as of March 13, 2013 were as
ows:

in Mansell
irman, President and Chief
cutive
cer,
l's Corporation

r Boneparth [b] [c]
or Advisor,
g Capital Partners

en A. Burd [b] [c]
irman and Chief Executive
cer,
way Inc.

F. Herma [a] [c]
ner Chief Operating Officer
Secretary,
l's Corporation

E. Jones [b] [c]
Chairman and Partner of
CEO and Board Practice in
Americas,
drick and Struggles

iam S. Kellogg
ner Chairman and Chief
cutive Officer,
l's Corporation

John E. Schlifske[a] [c]
Chairman and Chief Executive
Officer
Northwestern Mutual Life
Insurance
Company

Frank V. Sica [b]* [c]
Managing Partner,
Tailwind Capital

Peter M. Sommerhauser
Shareholder,
Godfrey & Kahn, S.C. Law Firm

Stephanie A. Streeter[a] [c]*
Chief Executive Officer and
Director
Libbey, Inc

Nina G. Vaca[a][c]
Chairman, Chief Executive Officer,
Pinnacle Technical Resources, Inc.

Stephen E. Watson[a]* [c]
Former President, Chief Executive
Officer of Gander Mountain, L.L.C.

Former Chairman and Chief
Executive Officer, Department
Store Division of Dayton-Hudson
Corporation

udit Committee member
ompensation Committee member
overnance & Nominating Committee member
enotes Chair

11. Executive Compensation
the information provided in the applicable portions of the
estions and Answers About our Board of Directors and Corporate
ernance Matters" and "Item One: Election of Directors" sections of
2013 Proxy, including the Compensation Discussion and Analysis,
ch information is incorporated herein by reference.

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12. Security Ownership of Certain Beneficial Owners and
agement and Related Stockholder Matters
the information provided in the "Security Ownership of Certain
eficial Owners, Directors and Management" and "Equity
pensation Plan Information" sections of our 2013 Proxy, which
rmation is incorporated herein by reference.

13. Certain Relationships and Related Transactions, and Director
pendence
the information provided in the "Independence Determinations &
ted Party Transactions" section of our 2013 Proxy, which
rmation is incorporated herein by reference.

14. Principal Accountant Fees and Services
the information provided in the "Fees Paid to Ernst & Young"
on of our 2013 Proxy, which information is incorporated herein by
rence.

T IV

15. Exhibits and Financial Statement Schedules

Documents filed as part of this report:
onsolidated Financial Statements:
"Index to Consolidated Financial Statements" on page F-1, the
ort of Independent Registered Public Accounting Firm on page F-2
the Consolidated Financial Statements beginning on page F-3, all
hich are incorporated herein by reference.
nancial Statement Schedule:
schedules have been omitted as they are not applicable.
xhibits:
"Exhibit Index" of this Form 10-K, which is incorporated herein by
rence.

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atures

uant to the requirements of Section 13 or 15 (d) of the Securities
nange Act of 1934, the Registrant has duly caused this report to be
ed on its behalf by the undersigned, thereunto duly authorized.

Kohl's Corporation

By: /S/ KEVIN MANSELL
Kevin Mansell
Chairman, President, Chief
Executive Officer and Director
(Principal Executive Officer)

/S/ WESLEY S. MCDONALD
Wesley S. McDonald
Senior Executive Vice President,
Chief Financial Officer
(Principal Financial and
Accounting Officer)

d: March 22, 2013
uant to the requirements of the Securities Exchange Act of 1934,
report has been signed below by the following persons on behalf
e Registrant and in the capacities and on the date indicated above:

KEVIN MANSELL
in Mansell
rman, President, Chief
cutive Officer and
ctor (Principal Executive
cer)

PETER BONEPARTH r Boneparth ctor	/S/ FRANK V. SICA Frank V. Sica Director
STEVEN A. BURD en A. Burd ctor	/S/ PETER M. SOMMERHAUSER Peter M. Sommerhauser Director
JOHN F. HERMA . F. Herma ctor	/S/ STEPHANIE A. STREETER Stephanie A. Streeter Director
DALE E. JONES	/S/ NINA G. VACA

E. Jones ctor	Nina G. Vaca Director
WILLIAM S. LOGG iam S. Kellogg ctor	/S/ STEPHEN E. WATSON Stephen E. Watson Director
JOHN E. SCHLIFSKE E. Schlifske ctor	

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bit nber	Description
	Amended and Restated Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 16, 2011.
	Amended and Restated Bylaws of the Company, incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on October 5, 2011.
	Credit Agreement dated as of June 23, 2011 by and among the Company, the Lenders party thereto, Bank of America, N.A., as the Administrative Agent and as an Issuing Bank and a Swing Line Lender, U.S. Bank National Association, as an Issuing Bank, a Swing Line Lender and a Syndication Agent, Wells Fargo Bank, National Association, as an Issuing Bank, a Swing Line Lender and a Syndication Agent, and Morgan Stanley Bank, N.A., as the Documentation Agent, incorporated herein by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on June 28, 2011.
	Certain other long-term debt is described in Note 2 of the Notes to Consolidated Financial Statements. The Company agrees to furnish to the Commission, upon request, copies of any instruments defining the rights of holders of any such long-term debt described in Note 2 and not filed herewith.
	Private Label Credit Card Program Agreement dated as of August 11, 2010 by and between Kohl's Department Stores, Inc and Capital One, National Association, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010.
	Amended and Restated Executive Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.*
	Kohl's Corporation 2005 Deferred Compensation Plan, as amended and restated effective January 1, 2005, incorporated herein by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006.*

Summary of Executive Medical Plan, incorporated herein by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*

Summary of Executive Life and Accidental Death and Dismemberment Plans, incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*

Kohl's Corporation Annual Incentive Plan, incorporated herein by reference to Annex B to the Proxy Statement on Schedule 14A filed on March 21, 2011 in connection with the Company's 2011 Annual Meeting of Shareholders.*

1992 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.13 of the Company's registration statement on Form S-1 (File No. 33-46883).*

1994 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1996.*

1997 Stock Option Plan for Outside Directors, incorporated herein by reference to Exhibit 4.4 of the Company's registration statement on Form S-8 (File No. 333-26409), filed on May 2, 1997.*

0

Amended and Restated 2003 Long-Term Compensation Plan, incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 2008.*

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bit ber	Description
1	Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Annex A to the Proxy Statement on Schedule 14A filed on March 26, 2010 in connection with the Company's 2010 Annual Meeting.*
2	Form of Executive Stock Option Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
3	Form of Executive Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
4	Form of Outside Director Stock Option Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
5	Form of Outside Director Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
6	Summary of Outside Director Compensation incorporated herein by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011.*
7	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Kevin Mansell dated as of April 1, 2012.*
8	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Donald Brennan dated as of April 1, 2012.*
9	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and John Worthington dated as of April 1, 2012.*

0	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Peggy Eskenasi dated as of April 1, 2012.*
1	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc.and Wesley S. McDonald dated as of April 1, 2012.*
2	Form of Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and its Senior Executive Vice Presidents.*
	Ratio of Earnings to Fixed Charges.
	Subsidiaries of the Registrant.
	Consent of Ernst & Young LLP.

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bit ber	Description
	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
INS	XBRL Instance Document
SCH	XBRL Taxonomy Extension Schema
CAL	XBRL Taxonomy Extension Calculation Linkbase
DEF	XBRL Taxonomy Extension Definition Linkbase
LAB	XBRL Taxonomy Extension Label Linkbase
PRE	XBRL Taxonomy Extension Presentation Linkbase

A management contract or compensatory plan or arrangement.

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x to Consolidated Financial Statements

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solidated Financial Statements	
ort of Independent Registered Public Accounting Firm	F-2
solidated Balance Sheets	F-3
solidated Statements of Income	F-4
solidated Statements of Comprehensive Income	F-4
solidated Statements of Changes in Shareholders' Equity	F-5
solidated Statements of Cash Flows	F-6
s to Consolidated Financial Statements	F-7

edules have been omitted as they are not applicable.

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ort of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Kohl's Corporation

have audited the accompanying consolidated balance sheets of
l's Corporation (the Company) as of February 2, 2013 and January
2012, and the related consolidated statements of income,
prehensive income, changes in shareholders' equity and cash flows
ach of the three years in the period ended February 2, 2013. These
ncial statements are the responsibility of the Company's
agement. Our responsibility is to express an opinion on these
ncial statements based on our audits.

conducted our audits in accordance with the standards of the
ic Company Accounting Oversight Board (United States). Those
dards require that we plan and perform the audit to obtain
onable assurance about whether the financial statements are free of
erial misstatement. An audit includes examining, on a test basis,
ence supporting the amounts and disclosures in the financial
ments. An audit also includes assessing the accounting principles
and significant estimates made by management, as well as
uating the overall financial statement presentation. We believe that
audits provide a reasonable basis for our opinion.

ur opinion, the financial statements referred to above present fairly,
l material respects, the consolidated financial position of Kohl's
poration at February 2, 2013 and January 28, 2012, and the
olidated results of its operations and its cash flows for each of the
e years in the period ended February 2, 2013, in conformity with
generally accepted accounting principles.

also have audited, in accordance with the standards of the Public
npany Accounting Oversight Board (United States), Kohl's
poration's internal control over financial reporting as of February 2,
3, based on criteria established in Internal Control-Integrated
nework issued by the Committee of Sponsoring Organizations of
Treadway Commission and our report dated March 22, 2013
essed an unqualified opinion thereon.

RNST & YOUNG LLP
waukee, Wisconsin
ch 22, 2013

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HL'S CORPORATION
NSOLIDATED BALANCE SHEETS
lars In Millions)

	February 2, 2013	January 28, 2012
ets		
ent assets:		
and cash equivalents	$ 537	$ 1,205
chandise inventories	3,748	3,216
erred income taxes	122	109
er	312	299
l current assets	4,719	4,829
erty and equipment, net	8,872	8,905
g-term investments	53	153
er assets	261	261
l assets	$ 13,905	$ 14,148
ilities and Shareholders' Equity		
ent liabilities:		
ounts payable	$ 1,307	$ 1,233
rued liabilities	986	1,147
me taxes payable	137	133
ent portion of capital lease and financing gations	105	94
l current liabilities	2,535	2,607
g-term debt	2,492	2,141
tal lease and financing obligations	1,956	2,009
erred income taxes	362	423
er long-term liabilities	512	460
eholders' equity:		
mon stock - 360 and 358 million shares ed	4	4
-in capital	2,454	2,339
sury stock, at cost, 138 and 111 million es	(7,243)	(5,977)
umulated other comprehensive loss	(45)	(53)
ined earnings	10,878	10,195
l shareholders' equity	6,048	6,508
l liabilities and shareholders' equity	$ 13,905	$ 14,148

accompanying Notes to Consolidated Financial Statements

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HL'S CORPORATION
NSOLIDATED STATEMENTS OF INCOME
Millions, Except per Share Data)

	2012	2011	2010
sales	$19,279	$18,804	$18,391
of merchandise sold (exclusive of eciation shown separately below)	12,289	11,625	11,359
s margin	6,990	7,179	7,032
rating expenses:			
ng, general, and administrative	4,267	4,243	4,190
reciation and amortization	833	778	750
rating income	1,890	2,158	2,092
rest expense, net	329	299	304
me before income taxes	1,561	1,859	1,788
ision for income taxes	575	692	668
income	$986	$1,167	$1,120
income per share:			
c	$4.19	$4.33	$3.69
ted	$4.17	$4.30	$3.66

accompanying Notes to Consolidated Financial Statements

HL'S CORPORATION
NSOLIDATED STATEMENTS OF COMPREHENSIVE
OME
Millions)

	2012	2011	2010
income	$986	$1,167	$1,120
r comprehensive income (loss), net of			
ealized gains (losses) on investments	5	13	(1)
rest rate derivatives:			
ealized loss arising during period	—	(30)	—
assification adjustment for interest ense included in net income	3	1	—
r comprehensive income (loss)	8	(16)	(1)
nprehensive income	$994	$1,151	$1,119

accompanying Notes to Consolidated Financial Statements

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HL'S CORPORATION
NSOLIDATED STATEMENTS OF CHANGES IN
AREHOLDERS' EQUITY
Millions, Except per Share Data)

	Common Stock		Paid-In	Treasury Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Capital	Shares	Amount	Income (Loss)	Earnings	Total
nce at ary 30,)	353	$4	$2,085	(46)	$(2,639)	$(36)	$8,181	$7,595
nprehensive me (loss)	—	—	—	—	—	(1)	1,120	1,119
k options awards	2	—	145	—	—	—	—	145
income tax act from ercise of k options	—	—	(5)	—	—	—	—	(5)
sury stock hases	—	—	—	(18)	(1,004)	—	—	(1,004)
nce at ary 29,	355	4	2,225	(64)	(3,643)	(37)	9,301	7,850
nprehensive me (loss)	—	—	—	—	—	(16)	1,167	1,151
k options awards	3	—	121	—	—	—	—	121
income tax act from ercise of k options	—	—	(7)	—	—	—	—	(7)
dends paid 00 per mon share)	—	—	—	—	2	—	(273)	(271)
sury stock hases	—	—	—	(47)	(2,336)	—	—	(2,336)
nce at ary 28, 2	358	4	2,339	(111)	(5,977)	(53)	10,195	6,508
nprehensive me	—	—	—	—	—	8	986	994
k options awards	2	—	123	—	—	—	—	123
income tax act from	—	—	(8)	—	—	—	—	(8)

xercise of k options								
idends paid 28 per mon share)	—	—	—	—	3	—	(303)	(300)
sury stock hases	—	—	—	(27)	(1,269)	—	—	(1,269)
nce at uary 2, 3	360	$4	$2,454	(138)	$(7,243)	$(45)	$10,878	$6,048

accompanying Notes to Consolidated Financial Statements

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HL’S CORPORATION
NSOLIDATED STATEMENTS OF CASH FLOWS
Millions)

	2012	2011	2010
rating activities			
income	$986	$1,167	$1,120
ustments to reconcile net income to net provided by operating activities:			
reciation and amortization	833	778	750
e-based compensation	50	57	66
ess tax benefits from share-based pensation	(4)	(2)	(3)
erred income taxes	(79)	144	39
er non-cash revenues and expenses	29	39	36
nges in operating assets and liabilities:			
chandise inventories	(523)	(160)	(107)
er current and long-term assets	(37)	(42)	(50)
ounts payable	74	96	(50)
rued and other long-term liabilities	(60)	63	12
me taxes	(4)	(1)	(63)
cash provided by operating activities	1,265	2,139	1,750
sting activities			
uisition of property and equipment	(785)	(927)	(801)
s of investments in auction rate securities	109	145	42
er	16	(20)	2
cash used in investing activities	(660)	(802)	(757)
ncing activities			
sury stock purchases	(1,293)	(2,311)	(1,004)
dends paid	(300)	(271)	—
eeds from issuance of debt	350	646	—
erred financing costs	(3)	(8)	—
rest rate hedge payment	—	(48)	—
g-term debt payments	—	(400)	—
eeds from financing obligations	12	14	27
tal lease and financing obligation ments	(111)	(91)	(84)
eeds from stock option exercises	68	58	75
ess tax benefits from share-based pensation	4	2	3
cash used in financing activities	(1,273)	(2,409)	(983)
decrease in cash and cash equivalents	(668)	(1,072)	10
n and cash equivalents at beginning of od	1,205	2,277	2,267
n and cash equivalents at end of period	$537	$1,205	$2,277
plemental information:			
rest paid, net of capitalized interest	$318	$297	$304
me taxes paid	654	550	689

-Cash Investing and Financing Activities			
erty and equipment acquired through tal lease and financing obligations	$63	$79	$107

accompanying Notes to Consolidated Financial Statements

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL STATEMENTS

usiness and Summary of Accounting Policies
ness
f February 2, 2013, Kohl's Corporation operated 1,146
ly-oriented department stores and a website (www.Kohls.com)
feature exclusive and national brand apparel, footwear,
ssories, soft home products and housewares targeted to
dle-income customers. Our stores are located in 49 states.
authorized capital stock consists of 800 million shares of $0.01 par
e common stock and 10 million shares of $0.01 par value preferred
k.
solidation
consolidated financial statements include the accounts of Kohl's
poration and its subsidiaries including Kohl's Department Stores,
its primary operating company. All intercompany accounts and
sactions have been eliminated.
ounting Period
fiscal year ends on the Saturday closest to January 31st each year.
ess otherwise stated, references to years in this report relate to
l years rather than to calendar years. The following fiscal periods
presented in this report.

al year	Ended	Number of Weeks
2	February 2, 2013	53
1	January 28, 2012	52
0	January 29, 2011	52

of Estimates
preparation of consolidated financial statements in conformity
accounting principles generally accepted in the United States
ires management to make estimates and assumptions that affect
amounts reported in the consolidated financial statements and
mpanying notes. Actual results could differ from those estimates.
n and Cash Equivalents
ldition to money market investments, cash equivalents include
mercial paper and certificates of deposit with original maturities of
e months or less. We carry these investments at cost which
oximates fair value.
o included in cash and cash equivalents are amounts due from
it card transactions with settlement terms of less than five days.
dit and debit card receivables included within cash were $84
on at February 2, 2013 and $72 million at January 28, 2012.
g-term Investments
g-term investments consist primarily of investments in auction rate
rities ("ARS") which are classified as available-for-sale securities

recorded at fair value.

chandise Inventories
chandise inventories are valued at the lower of cost or market with
determined on the first-in, first-out ("FIFO") basis using the retail
ntory method ("RIM"). Under RIM, the valuation of inventory at
and the resulting gross margins are calculated by applying a
-to-retail ratio to the retail value inventory. RIM is an averaging
nod that has been widely used in the retail industry due to its
ticality. The use of RIM will result in inventory being valued at
ower of cost or market since permanent markdowns are currently
n as a reduction of the retail value of inventory. We record an
tional reserve when the future estimated selling price is less than

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

usiness and Summary of Accounting Policies (continued)
perty and Equipment
perty and equipment consist of the following:

	Feb 2, 2013	Jan 28, 2012
	(In Millions)	
d	$1,089	$1,081
dings and improvements:		
ned	7,575	7,318
ed	1,820	1,792
e fixtures and equipment	2,517	2,367
puter hardware and software	849	700
struction in progress	130	204
l property and equipment	13,980	13,462
accumulated depreciation	(5,108)	(4,557)
	$8,872	$8,905

struction in progress includes land and improvements for locations yet opened and for the expansion and remodeling of existing tions in process at the end of each year.
perty and equipment is recorded at cost, less accumulated eciation. Depreciation is calculated using the straight-line method the estimated useful lives of the assets. Leased property and rovements to leased property are amortized on a straight-line basis the term of the lease or useful life of the asset, whichever is less. annual provisions for depreciation and amortization generally use ollowing ranges of useful lives:

dings and improvements	5-40 years
e fixtures and equipment	3-15 years
puter hardware and software	3-8 years

g-Lived Assets
property and equipment and other long-lived assets are reviewed n events or changes in circumstances indicate that the asset's ying value may not be recoverable. If such indicators are present, it termined whether the sum of the estimated undiscounted future flows attributable to such assets is less than their carrying unts. No material impairments were recorded in 2012, 2011, or) as a result of the tests performed.
rued Liabilities
rued liabilities consist of the following:

	Feb 2, 2013	Jan 28, 2012
	(In Millions)	
ous liabilities to customers	$275	$302
oll and related fringe benefits	101	202
s, property and use taxes	153	166

rued construction costs	65	105
lit card liabilities	120	79
er	272	293
	$986	$1,147

various liabilities to customers include gift cards and merchandise rn cards that have been issued but not presented for redemption.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

usiness and Summary of Accounting Policies (continued)
have corrected the presentation of $17 million of deferred revenues were previously recorded as a reduction to merchandise inventory f January 28, 2012.

-Insurance

use a combination of insurance and self-insurance for a number of including workers' compensation, general liability, and loyee-related health care benefits, a portion of which is paid by our ciates. Liabilities associated with these losses include estimates of reported losses and losses incurred but not yet reported. We use a -party actuary, which considers historical claims experience, ographic factors, severity factors and other actuarial assumptions, timate the liabilities associated with these risks. The lifetime ical payment limit of $1.5 million per plan participant was inated on December 31, 2010. Total estimated liabilities for kers' compensation, general liability and employee-related health efits, excluding administrative expenses and before pre-funding, e approximately $100 million at February 2, 2013 and $94 million nuary 28, 2012. Although these amounts are actuarially rmined based on analysis of historical trends, the amounts that we ultimately disburse could differ from these estimates.

our property portfolio, we are self-insured for the first $250,000 of laim plus 15% of additional losses up to $30 million. Effective ary 1, 2013, the deductible was reduced to 10% of additional es up to $30 million.

g-term Liabilities

r long-term liabilities consist of the following:

	Feb 2, 2013	Jan 28, 2012
	(In Millions)	
erty-related liabilities (straight-line rents and rent ntives)	$302	$285
ecognized tax benefits, including accrued interest penalties	126	118
r	84	57
	$512	$460

sury Stock

account for repurchases of common stock using the cost method common stock in treasury classified in the Consolidated Balance ts as a reduction of shareholders' equity.

umulated Other Comprehensive Loss and Other Comprehensive me (Loss)

umulated other comprehensive loss consists of the following:

	Unrealized Gains	Loss on Interest Rate	Accumulated Other Comprehensive

	(Losses) on Investments	Derivatives	Loss
	(In Millions)		
nce at January 29, 2011	$(37)	—	$ (37)
er comprehensive income)	13	(29)	(16)
nce at January 28, 2012	(24)	(29)	(53)
er comprehensive income	5	3	8
nce at February 2, 2013	$(19)	$(26)	$ (45)

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

usiness and Summary of Accounting Policies (continued)

tax effects of each component of other comprehensive income
) are as follows:

	2012	2011	2010
	(In Millions)		
ealized gains (losses) on investments:			
re-tax amounts	$9	$21	$(2)
(expense) benefit	(4)	(8)	1
r-tax amounts	5	13	(1)
est rate derivatives:			
re-tax amounts	5	(47)	—
(expense) benefit	(2)	18	—
r-tax amounts	3	(29)	—
r comprehensive income (loss)	$8	$(16)	$(1)

enue Recognition
enue from the sale of merchandise at our stores is recognized at the of sale, net of any returns. E-Commerce sales are recorded based stimated receipt of merchandise by the customer. Net sales do not ude sales tax as we are considered a pass-through conduit for ecting and remitting sales taxes.
enue from gift card sales is recognized when the gift card is emed. Gift card breakage revenue is based on historical mption patterns and represents the balance of gift cards for which elieve the likelihood of redemption by a customer is remote.
of Merchandise Sold and Selling, General and Administrative enses
following table illustrates the primary costs classified in Cost of chandise Sold and Selling, General and Administrative Expenses:

of Merchandise Sold	Selling, General and Administrative Expenses
otal cost of products sold uding product development , net of vendor payments other reimbursement of specific, emental and identifiable costs	• Compensation and benefit costs including: • Stores • Corporate headquarters, including buying and merchandising
nventory shrink	• Distribution centers
Markdowns	• Occupancy and operating costs of our retail, distribution and corporate facilities
reight expenses associated with ing merchandise from our dors to our distribution centers	• Net revenues from the Kohl's credit card program

hipping and handling expenses -Commerce sales	• Freight expenses associated with moving merchandise from our distribution centers to our retail stores, and among distribution and retail facilities
erms cash discount	• Advertising expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs
	• Costs incurred prior to new store openings, such as advertising, hiring and training costs for new employees, processing and transporting initial merchandise, and rent expense
	• Other administrative revenues and expenses

classification of these expenses varies across the retail industry.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

usiness and Summary of Accounting Policies (continued)

dor Allowances
receive consideration for a variety of vendor-sponsored programs, as markdown allowances, volume rebates and promotion and rtising support. The vendor consideration is recorded as earned r as a reduction of inventory costs or Selling, General and inistrative ("SG&A") expenses based on the application of ounting Standards Codification ("ASC") No. 605, Subtopic 50, stomer Payments and Incentives." Promotional and advertising wances are intended to offset our advertising costs to promote dors' merchandise. Markdown allowances and volume rebates are rded as a reduction of inventory costs.
es
ease certain property and equipment used in our operations. are often involved extensively in the construction of leased stores. any cases, we are responsible for construction cost over runs or standard tenant improvements (e.g. roof or HVAC systems). As a lt of this involvement, we are deemed the "owner" for accounting oses during the construction period, so are required to capitalize construction costs on our Balance Sheet. Upon completion of the ect, we perform a sale-leaseback analysis pursuant to ASC 840, ases," to determine if we can remove the assets from our Balance t. In many of our leases, we are reimbursed a portion of the truction costs via adjusted rental payments and/or cash payments ave terms which fix the rental payments for a significant entage of the leased asset's economic life. These items generally considered "continuing involvement" which precludes us from cognizing the assets from our Balance Sheet when construction is plete. In conjunction with these leases, we also record financing gations equal to the cash proceeds or fair market value of the assets ived from the landlord. At the end of the lease term, including cise of any renewal options, the net remaining financing obligation the net carrying value of the fixed asset will be recognized as a cash gain on sale of the property. We do not report rent expense he properties which are owned for accounting purposes. Rather, al payments under the lease are recognized as a reduction of the ncing obligation and interest expense.
e of our property and equipment is held under capital leases. se assets are included in property and equipment and depreciated the term of the lease. We do not report rent expense for capital es. Rather, rental payments under the lease are recognized as a ction of the capital lease obligation and interest expense.
other leases are considered operating leases in accordance with 840. Assets subject to an operating lease and the related lease ments are not recorded on our balance sheet. Rent expense is gnized on a straight-line basis over the expected lease term.

lease term for all types of leases begins on the date we become
lly obligated for the rent payments or we take possession of the
ding or land, whichever is earlier. The lease term includes
elable option periods where failure to exercise such options would
lt in an economic penalty. Failure to exercise such options would
lt in the recognition of accelerated depreciation expense of the
ed assets.

ertising
ertising costs, which include primarily television and radio
dcast, direct mail, digital, and newspaper circulars, are expensed
n the advertisement is first seen. Advertising costs, net of related
dor allowances, were as follows:

	2012	2011	2010
	(In Millions)		
s advertising costs	$1,163	$1,123	$1,017
dor allowances	(170)	(161)	(148)
advertising costs	$993	$962	$869
advertising costs as a percent of net s	5.2 %	5.1 %	4.7 %

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

usiness and Summary of Accounting Policies (continued)
me Taxes
me taxes are accounted for under the asset and liability method.
er this method, deferred tax assets and liabilities are recorded
d on differences between the amounts of assets and liabilities
gnized for financial reporting purposes and such amounts
gnized for income tax purposes. Deferred tax assets and liabilities
alculated using the enacted tax rates and laws that are expected to
effect when the differences are expected to reverse. We establish
ation allowances for deferred tax assets when we believe it is more
y than not that the asset will not be realizable for tax purposes.
recognize interest and penalty expense related to unrecognized tax
fits in our provision for income tax expense.
Income Per Share
c net income per share is net income divided by the average
ber of common shares outstanding during the period. Diluted net
me per share includes incremental shares assumed to be issued
exercise of stock options.
information required to compute basic and diluted net income per
e is as follows:

	2012	2011	2010
	(In Millions, Except per Share Data)		
erator—net income	$986	$1,167	$1,120
ominator—weighted average shares			
c	235	270	304
act of dilutive employee stock options (a)	2	1	2
ted	237	271	306
income per share:			
c	$4.19	$4.33	$3.69
ted	$4.17	$4.30	$3.66

xcludes 14 million options for 2012, 11 million options for 2011
nd 8 million options for 2010 as the impact of such options was
ntidilutive.

e-Based Awards
k-based compensation expense, including stock options and
vested stock awards, is generally recognized on a straight-line basis
the vesting period based on the fair value of awards which are
cted to vest. The fair value of all share-based awards is estimated
he date of grant.

ebt
g-term debt consists of the following non-callable and unsecured
or debt:

	February 2, 2013	January 28, 2012
uring	EffectiveOut-	EffectiveOut-

	Rate	standing	Rate	standing
	(Dollars in Millions)			
7	6.31 %	$650	6.31 %	$650
1	4.81 %	650	4.81 %	650
3	3.25 %	350	—	—
9	7.36 %	200	7.36 %	200
3	6.05 %	300	6.05 %	300
7	6.89 %	350	6.89 %	350
l senior debt	5.63 %	2,500	6.01 %	2,150
mortized debt discount		(8)		(9)
g-term debt		$2,492		$2,141

eptember 2012, we issued $350 million of 3.25% notes with
-annual interest payments beginning February 2013. The notes
ure on February 1, 2023.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

ebt (continued)

ctober 2011, we issued $650 million of 4.00% notes with
-annual interest payments beginning May 2012. The notes mature
ovember 1, 2021. In anticipation of this debt issuance, we entered
interest rate hedges in December 2010 and May 2011 to hedge our
sure to the risk of increases in interest rates on $400 million of
. In conjunction with the debt issuance, we paid $48 million, the
market value of the hedges, to settle the hedges. The unrealized
on the hedges is recognized as interest expense at a rate of $5
on per year over the ten-year life of the debt.
have various facilities upon which we may draw funds, including a
year, $1 billion senior unsecured revolving credit facility which
ntered into in June 2011. The credit facility includes 16 lenders
h have each committed between $30 million and $110 million.
also have a demand note with availability of $30 million. There
no draws on these facilities during 2012 or 2011.
debt agreements contain various covenants including limitations
dditional indebtedness and certain financial tests. As of February
13, we were in compliance with all covenants of the debt
ements.
also have outstanding trade letters of credit and stand-by letters of
it totaling approximately $76 million at February 2, 2013, issued
r uncommitted lines with two banks.

ir Value Measurements
No. 820, "Fair Value Measurements and Disclosures," requires fair
e measurements be classified and disclosed in one of the following
ng categories:

el 1:	Financial instruments with unadjusted, quoted prices listed on active market exchanges.
el 2:	Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
el 3:	Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

cash and cash equivalents are classified as a Level 1 pricing
gory. The carrying value of our cash and cash equivalents
oximates fair value because maturities are three months or less.

long-term investments consist primarily of investments in auction
securities ("ARS"). The par value of our long-term investments
$84 million as of February 2, 2013 and $193 million as
nuary 28, 2012. The estimated fair value of these securities
$53 million as of February 2, 2013 and $153 million as of
ary 28, 2012.

ARS are classified as a Level 3 pricing category. The fair value for
ARS were based on third-party pricing models which utilized a
ounted cash flow model for each of the securities as there was no
nt activity in the secondary markets in these types of securities.
 model used a combination of observable inputs which were
eloped using publicly available market data obtained from
pendent sources and unobservable inputs that reflect our own
nates of the assumptions that market participants would use in
ng the investments. Observable inputs include interest rate
ently being paid, maturity and credit ratings.

bservable inputs include expected redemption date and discount
 We assumed a seven-year redemption period in valuing our ARS.
ntend to hold our ARS until maturity or until we can liquidate
n at par value. Based on our other sources of income, we do not
eve we will be required to sell them before recovery of par value.
ome cases, holding the security until recovery may mean until
urity, which ranges from 2037 to 2039. The discount rate was
ulated using the closest match available for other insured asset
ted securities. Discount rates ranged from 8.13% to 10.83%. The
ghted-average discount rate was 9.12%. A market failure scenario
employed as recent successful auctions of these securities were
 limited. Assuming a longer redemption period and a higher
ount rate would result in a lower fair market value. Similarly,
ming a shorter redemption period and a lower discount rate would
lt in a higher fair market value.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

ir Value Measurements (continued)

following table presents a rollforward of our long-term
stments:

	2012	2011
	(In Millions)	
nce at beginning of year	$153	$277
s	(109)	(145)
ealized gains	9	21
nce at end of year	$53	$153

senior debt is classified as a Level 1 pricing category and had an
nated fair market value of $2.7 billion at February 2, 2013 and
billion at January 28, 2012.

ease Commitments

expense charged to operations was $265 million for both 2012
2011 and $264 million for 2010. In addition, we are often required
ay real estate taxes, insurance and maintenance costs. These items
not included in the rent expenses listed above. Many store leases
ude multiple renewal options, exercisable at our option, that
erally range from four to eight additional five-year periods.
re minimum lease payments at February 2, 2013 are as follows:

	Capital Lease and Financing Obligations	Operating Leases
	(In Millions)	
al year:		
3	$294	$ 243
4	276	243
5	258	242
6	255	239
7	245	236
reafter	3,201	5,037
	4,529	$ 6,240
-cash gain on future sale of property	465	
ount representing interest	(2,933)	
ent value of lease payments	$2,061	

enefit Plans

have an Employee Stock Ownership Plan ("ESOP") for the benefit
group of our non-management associates. Contributions are made
e discretion of the Board of Directors. ESOP expenses totaled $13
on for 2012, $21 million for 2011 and $20 million for 2010.
es of our stock held by the ESOP are included as shares
tanding for purposes of the net income per share computations.

also have a defined contribution savings plan covering all full-time certain part-time associates. Participants in this plan may invest up 00% of their base compensation, subject to certain statutory limits. match 100% of the first 5% of each participant's contribution. ned contribution plan expense, net of forfeitures, was $39 million 012, $36 million for 2011 and $34 million for 2010.
also offer a non-qualified deferred compensation plan to a group of utives which provides for pre-tax compensation deferrals up to % of salary and/or bonus. Deferrals and credited investment returns 00% vested. The expense for 2012, 2011, and 2010 was aterial.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

come Taxes

erred income taxes consist of the following:

	Feb 2, 2013	Jan 28, 2012
	(In Millions)	
erred tax liabilities:		
perty and equipment	$1,405	$1,480
erred tax assets:		
chandise inventories	23	19
rued and other liabilities, including stock options	217	213
tal lease and financing obligations	810	823
rued step rent liability	86	78
ealized loss on investments	12	15
ealized loss on interest rate swap	17	18
	1,165	1,166
deferred tax liability	$240	$314

have corrected the presentation of $37 million of short-term
rred tax assets that were previously recorded as long-term deferred
iabilities as of January 28, 2012.

components of the provision for income taxes are as follows:

	2012	2011	2010
	(In Millions)		
ent federal	$590	$497	$561
ent state	60	60	69
rred federal	(66)	124	35
rred state	(9)	11	3
	$575	$692	$668

provision for income taxes differs from the amount that would be
ided by applying the statutory U.S. corporate tax rate due to the
owing items:

	2012	2011	2010
ision at statutory rate	35.0 %	35.0 %	35.0 %
e income taxes, net of federal tax benefit	2.2	2.7	2.7
exempt interest income	(0.1)	—	(0.3)
eral HIRE Act tax credit	—	(0.4)	—
r Federal tax credits	(0.3)	(0.1)	—
ision for income taxes	36.8 %	37.2 %	37.4 %

have analyzed filing positions in all of the federal and state
dictions where we are required to file income tax returns, as well
l open tax years in these jurisdictions. The only federal returns
ect to examination are for the 2008 through 2012 tax years. State
rns subject to examination vary depending upon the state.
erally, the 2009 through 2012 tax years are subject to state
nination; however, in some instances, earlier periods are presently
g audited. The earliest open period is 2003. Certain states have
osed adjustments which we are currently appealing. If we do not

ail on our appeals, we do not anticipate that the adjustments would
lt in a material change in our financial position.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

come Taxes (continued)
conciliation of the beginning and ending gross amount of
cognized tax benefits is as follows:

	2012	2011
	(In Millions)	
nce at beginning of year	$101	$96
eases due to:		
positions taken in prior years	1	8
positions taken in current year	22	24
reases due to:		
positions taken in prior years	(9)	(9)
ements with taxing authorities	(1)	(12)
se of applicable statute of limitations	(6)	(6)
nce at end of year	$108	$101

included in the unrecognized tax benefits reconciliation above are
s unrecognized accrued interest and penalties of $18 million at
uary 2, 2013 and $17 million at January 28, 2012. Interest and
lty expense was $1 million for 2012 and $4 million for 2011.
total unrecognized tax benefits that, if recognized, would affect
effective tax rate were $75 million as of February 2, 2013 and $69
on as of January 28, 2012.
reasonably possible that our unrecognized tax positions may
ge within the next 12 months, primarily as a result of ongoing
ts. While it is possible that one or more of these examinations may
esolved in the next year, it is not anticipated that a significant
act to the unrecognized tax benefit balance will occur.

ock-Based Compensation
currently grant share-based compensation pursuant to the Kohl's
poration 2010 Long-Term Compensation Plan, which provides for
granting of various forms of equity-based awards, including
vested stock and options to purchase shares of our common stock,
ficers, key employees and directors. As of February 2, 2013, there
18.5 million shares authorized and 13.9 million shares available
grant under the 2010 Long-Term Compensation Plan. Options and
vested stock that are surrendered or terminated without issuance of
es are available for future grants.
ual grants of stock options and nonvested stock are typically made
e first quarter of the fiscal year. Grants to newly-hired and
noted employees and other discretionary grants are made
odically throughout the remainder of the year. We also have
tanding options which were granted under previous compensation
s.
k options
majority of stock options granted to employees since 2009 vest in
equal annual installments and the majority of stock options
ted to employees prior to 2009 vest in four equal annual

llments. Outside directors’ stock options are typically granted upon ector’s election or re-election to our Board of Directors and vest the term to which the director was elected, generally one year. tanding options granted to employees after 2005 have a term of n years. Outstanding options granted to employees prior to 2006 a term of up to 15 years. Options granted to directors have a term 0 years.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

ock-Based Compensation (continued)
stock options have an exercise price equal to the fair market value
e common stock on the date of grant. The fair value of each option
d is estimated using a Black-Scholes option valuation model and
ollowing assumptions as of the grant date:

	2012	2011	2010
idend yield	2.6%	1.8%	—
tility	33.7%	33.1%	33.5%
-free interest rate	1.0%	2.0%	2.3%
ected life in years	5.5	5.5	5.5
ghted average fair value at grant date	$11.79	$14.54	$19.07

dividend yield represents the expected dividends on our stock for
xpected term of the option. The expected volatility assumption is
d on the historical volatility of our stock. The risk-free interest rate
eriods within the life of the option is based on a blend of U.S.
sury bond rates. We use historical data to estimate the expected
f the option and the period of time that options granted are
cted to be outstanding.
following table summarizes our stock option activity for 2012,
, and 2010:

	2012		2011		2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(Shares in Thousands)					
nce at nning of year	16,564	$ 53.41	17,869	$ 53.17	19,848	$ 52.10
ted	1,458	49.00	1,056	52.60	656	54.56
cised	(1,718)	40.01	(1,349)	43.12	(1,848)	40.46
eited/expired	(1,092)	60.93	(1,012)	62.07	(787)	57.25
nce at end of	15,212	$ 53.96	16,564	$ 53.41	17,869	$ 53.17

intrinsic value of options exercised represents the excess of our
price at the time the option was exercised over the exercise price
was $20 million in 2012, $16 million in 2011 and $25 million in
).
itional information related to stock options outstanding and
cisable at February 2, 2013, segregated by exercise price range, is
marized below:

	Stock Options Outstanding			Stock Options Exercisable		
ge of rcise es	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price

	(Shares in Thousands)					
.00 – $ 0	1,027	1.7	$31.87	1,019	1.7	31.89
.51 – $ 0	86	2.7	37.42	75	2.7	37.55
.31 – $ 3	1,478	3.2	41.58	760	3.3	41.53
.64 – $ 7	1,154	2.9	43.23	1,022	2.4	43.13
.58 – $ 7	2,738	5.8	48.33	1,622	5.7	48.26
.38 – $ 1	2,045	2.7	51.32	1,752	2.1	51.34
.82 – $ 5	3,415	3.9	57.36	2,293	3.4	58.99
.26 – $ 0	1,109	3.1	68.73	1,109	3.1	68.73
.91 – $ 2	2,160	1.1	75.98	2,160	1.1	75.98
	15,212	3.3	$53.96	11,812	2.8	55.44
nsic e (in sands)	$25,033			$21,368		

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

ock-Based Compensation (continued)
intrinsic value of outstanding and exercisable stock options
esents the excess of our closing stock price on February 2, 2013
.01) over the exercise price multiplied by the applicable number of
k options.
vested stock awards
have also awarded shares of nonvested common stock to eligible
employees and to our Board of Directors. Substantially all awards
restriction periods tied primarily to employment and/or service.
vested stock awarded to employees generally vests over five years.
nning in 2011, we also grant performance-vested restricted shares
lected members of senior management. Vesting of
ormance-vested shares is contingent upon achievement of certain
ormance criteria, such as designated net income levels or sales
ls that exceed those of a group of our peers. Upon the satisfaction
e contingency, the performance-vested shares vest in accordance
a designated timetable, generally over a five-year period from the
of grant. Director awards vest over the term to which the director
elected, generally one year. In lieu of cash dividends, nonvested
k awards are granted restricted stock equivalents which vest
istently with the underlying nonvested stock awards.
fair value of nonvested stock awards is the closing price of our
mon stock on the date of grant. We may acquire shares from
loyees in lieu of amounts required to satisfy minimum tax
holding requirements upon the vesting of the employee's unvested
k award. Such shares are then designated as treasury shares.

following table summarizes nonvested stock activity, including
icted stock equivalents issued in lieu of cash dividends, for 2012,
, and 2010:

	2012		2011		2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
	(Shares in Thousands)					
nce at nning of year	1,946	$ 51.11	1,116	$ 49.30	883	$ 45.44
ted	1,038	48.86	1,198	52.34	498	55.24
ed	(492)	49.77	(308)	49.28	(219)	47.52
eited	(169)	50.04	(60)	51.31	(46)	47.75
nce at end of	2,323	$ 50.47	1,946	$ 51.11	1,116	$ 49.30

aggregate fair value of awards at the time of vesting was $24
on in 2012, $16 million in 2011 and $12 million in 2011.
r required disclosures
k-based compensation expense for both stock options and
vested stock awards is included in Selling, General and
inistrative expense in our Consolidated Statements of Income.
expense totaled $50 million for 2012, $57 million for 2011 and
million for 2010. At February 2, 2013, we had approximately $152
on of unrecognized share-based compensation expense (before
itures and capitalization), which is expected to be recognized over
ighted-average period of 3.2 years.

HL'S CORPORATION
TES TO CONSOLIDATED FINANCIAL
TEMENTS—(Continued)

ontingencies

ny time, we may be subject to investigations, legal proceedings, or
ns related to the on-going operation of our business, including
ns both by and against us. Such proceedings typically involve
ns related to various forms of liability, contract disputes,
gations of violations of laws or regulations or other actions brought
s or others including our employees, consumers, competitors,
liers or governmental agencies. We routinely assess the likelihood
ny adverse outcomes related to these matters on a case by case
, as well as the potential ranges of losses and fees. We establish
uals for our potential exposure, as appropriate, for significant
ns against us when losses become probable and reasonably
nable. Where we are able to reasonably estimate a range of
ntial losses relating to significant matters, we record the amount
in that range that constitutes our best estimate. We also disclose
nature of and range of loss for claims against us when losses are
onably possible and material. These accruals and disclosures are
rmined based on the facts and circumstances related to the
vidual cases and require estimates and judgments regarding the
pretation of facts and laws, as well as the effectiveness of
egies or other factors beyond our control.

uarterly Financial Information (Unaudited)

quarterly period below was a 13-week accounting period, with
exception of the fourth quarter of 2012, which was a 14-week
od.

	2012			
	First	Second	Third	Fourth
	(In Millions, Except per Share Data)			
sales	$4,243	$4,205	$4,490	$6,342
s margin	$1,524	$1,642	$1,712	$2,112
income	$154	$240	$215	$378
c shares	243	238	233	227
c net income per share	$0.63	$1.01	$0.92	$1.66
ted shares	245	239	235	228
ted net income per share	$0.63	$1.00	$0.91	$1.66

	2011			
	First	Second	Third	Fourth
	(In Millions, Except per Share Data)			
sales	$4,162	$4,248	$4,376	$6,018
s margin	$1,586	$1,728	$1,688	$2,177
income	$201	$299	$211	$455
c shares	288	276	264	251

c net income per share	$0.70	$1.08	$0.80	$1.82
ted shares	290	278	265	252
ted net income per share	$0.69	$1.08	$0.80	$1.81

to changes in stock prices during the year and timing of issuance
hares, the sum of quarterly net income per share may not equal the
ual net income per share.
Related Party Transactions
of our directors is also a shareholder of a law firm which performs
l services for us.
have agreements with Blackhawk Network, Inc. ("Blackhawk")
uant to which Blackhawk distributes our prepaid gift cards for sale
arious retail outlets and to which we sell prepaid gift cards for
r retailers in our stores. We pay Blackhawk a fee for Kohl's gift
s which are sold at other retailers and we receive a fee for selling
cards for other retailers in our stores. Blackhawk is a subsidiary of
way Inc. ("Safeway") and one of our directors is Chairman and
ef Executive Officer of Safeway. This director also holds a small
ority ownership interest in Blackhawk. The Blackhawk agreements
e entered into in the ordinary course of our business, and our
ctor was not involved in any negotiations. Blackhawk is a leading
ider of gift card marketing services in the retail industry, and
way has confirmed that the terms of our agreements with
ckhawk are substantially similar to the terms of Blackhawk's
ements with other similarly situated national retailers.