KOHLS Corp
Form 10-Q/A
September 13, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-11084

KOHL S CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	**39-1630919**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
N56 W17000 Ridgewood Drive,	
Menomonee Falls, Wisconsin	**53051**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (262) 703-7000

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: May 28, 2011 Common Stock, Par Value $0.01 per Share, 281,089,311 shares outstanding.

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KOHL S CORPORATION

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends the Quarterly Report on Form 10-Q of Kohl s Corporation (the Company) for the quarterly period ended April 30, 2011 as originally filed with the Securities and Exchange Commission (the SEC) on June 1, 2011 (the Original Filing). This Form 10-Q/A amends the Original Filing to correct the Company s accounting for certain leased assets as more fully described in Note 2 to the Condensed Consolidated Financial Statements contained in this Amendment No. 1. For ease of reference, this Amendment No. 1 amends and restates the Original Filing in its entirety. Revisions to the Original Filing have been made to the following sections:

Item 1 Financial Statements

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

Item 4 Controls and Procedures

In addition, the Company s principal executive officer and principal financial officer have provided new certifications in connection with this Amendment No. 1 (Exhibits 31.1, 31.2, 32.1 and 32.2).

Except as described above, no other amendments have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosure contained herein to reflect events that have occurred since the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Company s other filings made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KOHL S CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)

	April 30, 2011 (Restated)	January 29, 2011	May 1, 2010 (Restated)
Assets			
Current assets:			
Cash and cash equivalents	**$ 1,668**	$ 2,277	$ 2,388
Merchandise inventories	**3,193**	3,036	3,017
Deferred income taxes	**87**	77	91
Other	**253**	252	209
Total current assets	**5,201**	5,642	5,705
Property and equipment, net	**8,718**	8,692	8,579
Long-term investments	**250**	277	318
Other assets	**189**	168	154
Total assets	**$ 14,358**	$ 14,779	$ 14,756
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	**$ 1,397**	$ 1,138	$ 1,412
Accrued liabilities	**970**	1,030	897
Income taxes payable	**85**	127	113
Current portion of long-term debt	**100**	400	300
Current portion of capital lease and financing obligations	**84**	86	82
Total current liabilities	**2,636**	2,781	2,804
Long-term debt	**1,494**	1,494	1,594
Capital lease and financing obligations	**1,996**	2,018	1,963
Deferred income taxes	**283**	256	212
Other long-term liabilities	**387**	380	349
Shareholders' equity:			
Common stock	**4**	4	4
Paid-in capital	**2,251**	2,225	2,133
Treasury stock, at cost	**(4,092)**	(3,643)	(2,642)
Accumulated other comprehensive loss	**(31)**	(37)	(36)
Retained earnings	**9,430**	9,301	8,375
Total shareholders' equity	**7,562**	7,850	7,834
Total liabilities and shareholders' equity	**$ 14,358**	$ 14,779	$ 14,756

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL S CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In Millions, Except per Share Data)

(Restated)

	Three Months (13 Weeks) Ended April 30, 2011 (Restated)	May 1, 2010 (Restated)
Net sales	**$ 4,162**	$ 4,035
Cost of merchandise sold (exclusive of depreciation shown separately below)	**2,576**	2,498
Gross margin	**1,586**	1,537
Operating expenses:		
Selling, general, and administrative	**1,004**	973
Depreciation and amortization	**191**	176
Operating income	**391**	388
Interest expense, net	**76**	77
Income before income taxes	**315**	311
Provision for income taxes	**114**	116
Net income	**$ 201**	$ 195
Net income per share:		
Basic:		
Basic	**$ 0.70**	$ 0.63
Average number of shares	**288**	307
Diluted:		
Diluted	**$ 0.69**	$ 0.63
Average number of shares	**290**	309

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL S CORPORATION

CONDENSED CONSOLIDATED STATEMENT

OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In Millions)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Treaury Stock Shares	Treaury Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 29, 2011	355	$ 4	$ 2,225	(64)	$ (3,643)	$ (37)	$ 9,301	$ 7,850
Net income (Restated)							201	201
Other comprehensive income:								
Unrealized gain (loss) on:								
Investments, net of tax of $6						8		8
Interest rate derivative, net of tax of $1						(2)		(2)
Total comprehensive income								207
Stock options and awards	2		28					28
Net income tax impact from exercise of stock options			(2)					(2)
Dividends paid ($0.25 per share)							(72)	(72)
Treasury stock purchases				(10)	(449)			(449)
Balance at April 30, 2011 (Restated)	**357**	**$ 4**	**$ 2,251**	**(74)**	**$ (4,092)**	**$ (31)**	**$ 9,430**	**$ 7,562**

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL S CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Millions)

(Restated)

	Three Months (13 Weeks) Ended	
	April 30, 2011	May 1, 2010
Operating activities		
Net income	**$ 201**	$ 195
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**191**	176
Share-based compensation	**15**	14
Excess tax benefits from share-based compensation	**1**	2
Deferred income taxes	**13**	(21)
Other non-cash revenues and expenses	**6**	8
Changes in operating assets and liabilities:		
Merchandise inventories	**(156)**	(92)
Other current and long-term assets	**(21)**	12
Accounts payable	**260**	224
Accrued and other long-term liabilities	**(95)**	(146)
Income taxes	**(46)**	(70)
Net cash provided by operating activities	**369**	302
Investing activities		
Acquisition of property and equipment	**(221)**	(192)
Sales of investments in auction rate securities	**41**	4
Other		(1)
Net cash used in investing activities	**(180)**	(189)
Financing activities		
Treasury stock purchases	**(416)**	(3)
Long-term debt payments	**(300)**	
Capital lease and financing obligation payments	**(22)**	(19)
Dividends paid	**(72)**	
Proceeds from stock option exercises	**13**	32
Excess tax benefits from share-based compensation	**(1)**	(2)
Net cash (used in) provided by financing activities	**(798)**	8
Net (decrease) increase in cash and cash equivalents	**(609)**	121
Cash and cash equivalents at beginning of period	**2,277**	2,267
Cash and cash equivalents at end of period	**$ 1,668**	$ 2,388

Supplemental information:				
Interest paid, net of capitalized interest	**$**	**61**	$	59
Income taxes paid		**149**		207
Non-Cash Investing and Financing Activities				
Property and equipment acquired through capital lease and financing obligations	**$**	**9**	$	17

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL S CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for fiscal year end financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and related footnotes included in our Form 10-K/A for the fiscal year ended January 29, 2011 (Commission File No. 1-11084) as filed with the Securities and Exchange Commission on September 13, 2011.

Due to the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. In addition, quarterly results of operations are impacted by the timing and amount of sales and costs associated with the opening of new stores.

We operate as a single business unit.

Certain reclassifications have been made to the prior period financial statements to conform to the 2011 presentation.

2. Restatement

On September 13, 2011, we filed an amended Annual Report on Form 10-K/A for the fiscal year ended January 29, 2011. We are also restating herein our previously issued consolidated financial statements for the periods ended April 30, 2011 and May 1, 2010 to correct various errors in our accounting for leases.

The most significant of the corrections resulted from improper application of the sale-leaseback provisions of ASC 840, Leases. We are often involved extensively in the construction of leased stores. In many cases, we are responsible for construction cost over runs or construct non-standard tenant improvements (e.g. roof or HVAC systems). As a result of this involvement, we are deemed the owner for accounting purposes during the construction period, so are required to capitalize the construction costs on our Balance Sheets. Upon completion of the project, we must perform a sale-leaseback analysis pursuant to ASC 840 to determine if we can remove the assets from our Balance Sheet. In many of our leases, we are reimbursed a portion of the construction costs via adjusted rental and/or cash payments or have terms which fix the rental payments for a significant percentage of the leased asset s economic life. These items are generally considered continuing involvement which preclude us from derecognizing the constructed assets from our Balance Sheet when construction is complete.

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Additionally, certain store and equipment leases were improperly recorded as operating leases, rather than capital leases.

To correct the accounting errors, we have recorded additional property and the related capital lease and financing obligations on our Balance Sheets. In our Statements of Income, lease payments related to these properties are now recognized as depreciation and interest expense, rather than rent expense (which we record in Selling, General and Administrative Expense). The corrections impact the classification of cash flows from operations, financing activities and investing activities, but have no impact on the net increase or decrease in cash and cash equivalents reported in our Statements of Cash Flows.

The following tables summarize the corrections by financial statement line item.

	April 30, 2011			May 1, 2010		
	Previously Reported (1)	Adjust-ments	Restated	Previously Reported (1)	Adjust-ments	Restated
			(In Millions)			
Assets						
Current assets:						
Cash and cash equivalents	**$ 1,668**	**$**	**$ 1,668**	$ 2,388	$	$ 2,388
Merchandise inventories	**3,193**		**3,193**	3,017		3,017
Deferred income taxes	**87**		**87**	91		91
Other	**257**	**(4)**	**253**	209		209
Total current assets	**5,205**	**(4)**	**5,201**	5,705		5,705
Property and equipment, net	**7,325**	**1,393**	**8,718**	7,109	1,470	8,579
Long-term investments	**250**		**250**	318		318
Other assets	**406**	**(217)**	**189**	334	(180)	154
Total assets	**$ 13,186**	**$ 1,172**	**$ 14,358**	$ 13,466	$ 1,290	$ 14,756
Liabilities and Shareholders Equity						
Current liabilities:						
Accounts payable	**$ 1,397**	**$**	**$ 1,397**	$ 1,412	$	$ 1,412
Accrued liabilities	**971**	**(1)**	**970**	895	2	897
Income taxes payable	**85**		**85**	113		113
Current portion of long-term debt	**100**		**100**	300		300
Current portion of capital lease and financing obligations	**18**	**66**	**84**	18	64	82
Total current liabilities	**2,571**	**65**	**2,636**	2,738	66	2,804
Long-term debt	**1,494**		**1,494**	1,594		1,594
Capital lease and financing obligations	**171**	**1,825**	**1,996**	160	1,803	1,963
Deferred income taxes	**452**	**(169)**	**283**	380	(168)	212
Other long-term liabilities	**674**	**(287)**	**387**	497	(148)	349
Shareholders equity	**7,824**	**(262)**	**7,562**	8,097	(263)	7,834
Total liabilities and shareholders equity	**$ 13,186**	**$ 1,172**	**$ 14,358**	$ 13,466	$ 1,290	$ 14,756

(1) Includes certain reclassifications to conform to the current presentation.

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	Three Months (13 Weeks) Ended					
	April 30, 2011			May 1, 2010		
	Previously Reported	Adjust-ments	Restated	Previously Reported	Adjust-ments	Restated
	(In Millions, Except per Share Data)					
Sales	**$ 4,162**	**$**	**$ 4,162**	$ 4,035	$	$ 4,035
Cost of merchandise sold	**2,576**		**2,576**	2,498		2,498
Gross margin	**1,586**		**1,586**	1,537		1,537
Operating expenses:						
Selling, general, and administrative	**1,068**	**(64)**	**1,004**	1,035	(62)	973
Depreciation and amortization	**156**	**35**	**191**	151	25	176
Operating income	**362**	**29**	**391**	351	37	388
Interest expense, net	**29**	**47**	**76**	31	46	77
Income before income taxes	**333**	**(18)**	**315**	320	(9)	311
Provision for income taxes	**122**	**(8)**	**114**	121	(5)	116
Net income	**$ 211**	**$ (10)**	**$ 201**	$ 199	$ (4)	$ 195
Net income per share:						
Basic	**$ 0.73**	**(0.03)**	**$ 0.70**	$ 0.65	$ (0.02)	$ 0.63
Diluted	**$ 0.73**	**(0.04)**	**$ 0.69**	$ 0.64	(0.01)	$ 0.63

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	Three Months (13 Weeks) Ended					
	April 30, 2011			May 1, 2010		
	Previously Reported	Adjust-ments	Restated	Previously Reported	Adjust-ments	Restated
	(In Millions)					
Operating activities						
Net income	**$ 211**	**(10)**	**$ 201**	$ 199	(4)	$ 195
Adjustments to reconcile net income to net cash provided by operating activites:						
Depreciation and amortization	**156**	**35**	**191**	151	25	176
Share-based compensation	**15**		**15**	14		14
Excess tax benefits from share-based compensation	**1**		**1**	2		2
Deferred income taxes	**20**	**(7)**	**13**	(16)	(5)	(21)
Other non-cash revenues and expenses	**5**	**1**	**6**	9	(1)	8
Changes in operating assets and liabilities:						
Merchandise inventories	**(156)**		**(156)**	(92)		(92)
Other current and long-term assets	**(21)**		**(21)**	12		12
Accounts payable	**260**		**260**	224		224
Accrued and other long-term liabilities	**(88)**	**(7)**	**(95)**	(146)		(146)
Income taxes	**(46)**		**(46)**	(70)		(70)
Net cash provided by operating activities	**357**	**12**	**369**	287	15	302
Investing activities						
Acquisition of property and equipment	**(226)**	**5**	**(221)**	(191)	(1)	(192)
Sales of investments in auction rate securities	**41**		**41**	4		4
Other				(1)		(1)
Net cash used in investing activities	**(185)**	**5**	**(180)**	(188)	(1)	(189)
Financing activities						
Treasury stock purchases	**(416)**		**(416)**	(3)		(3)
Long-term debt payments	**(300)**		**(300)**			
Capital lease and financing obligation payments	**(5)**	**(17)**	**(22)**	(5)	(14)	(19)
Dividends paid	**(72)**		**(72)**			
Proceeds from stock option exercises	**13**		**13**	32		32
Excess tax benefits from share-based compensation	**(1)**		**(1)**	(2)		(2)
Net cash (used in) provided by financing activities	**(781)**	**(17)**	**(798)**	22	(14)	8
Net (decrease) increase in cash and cash equivalents	**(609)**		**(609)**	121		121
Cash and cash equivalents at beginning of period	**2,277**		**2,277**	2,267		2,267
Cash and cash equivalents at end of period	**$ 1,668**	**$**	**$ 1,668**	$ 2,388	$	$ 2,388

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3. Long-term Debt

Long-term debt consists of the following non-callable and unsecured senior debt:

Maturing	Weighted Average Effective Rate	April 30, 2011	January 29, 2011	May 1, 2010
		(Dollars in Millions)		
Non-callable and unsecured senior debt:				
March 2011		$	$ 300	$ 300
October 2011	**7.41%**	**100**	100	100
2017	**6.31%**	**650**	650	650
2029	**7.36%**	**200**	200	200
2033	**6.05%**	**300**	300	300
2037	**6.89%**	**350**	350	350
Total senior debt	**6.59%**	**1,600**	1,900	1,900
Unamortized debt discount		**(6)**	(6)	(6)
Less current portion		**(100)**	(400)	(300)
Long-term debt		**$ 1,494**	$ 1,494	$ 1,594

4. Fair Value Measurements

ASC No. 820, Fair Value Measurements and Disclosures, requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 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.

Level 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.

Our cash and cash equivalents and long-term debt are financial instruments classified as a Level 1 pricing category. The carrying value of our cash and cash equivalents approximates fair value because maturities are three months or less. As of April 30, 2011, our long-term debt had a carrying value of $1.6 billion and a fair value of $1.8 billion.

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We repaid $300 million of long-term debt in March 2011. An additional $100 million of long-term debt will be paid in October 2011. We expect to replace this debt with new debt financing in the third quarter of 2011. In anticipation of the debt refinancing, we entered into interest rate swaps in December 2010 and May 2011 to hedge our exposure to the risk of increases in interest rates on $400 million of debt we expect to issue. The interest rate swaps have a ten-year term. Amounts related to these financial instruments were not material.

As of April 30, 2011, the par value of our long-term investments was $297 million and the estimated fair value was $250 million. Our long-term investments consist primarily of investments in auction rate securities (ARS), which are long-term debt instruments with interest rates which originally reset through periodic short-term auctions.

We intend to hold these ARS until maturity or until we can liquidate them at par value. Based on our other sources of liquidity, we do not believe we will be required to sell them before recovery of par value. Therefore, impairment charges are considered temporary and have been included in Accumulated Other Comprehensive Loss within our Consolidated Balance Sheet. In certain cases, holding the investments until recovery may mean until maturity, which ranges from 2015 to 2056. The weighted-average maturity date is 2035.

The fair value for our ARS is based on third-party pricing models and is classified as a Level 3 pricing category. We utilized a discounted cash flow model to estimate the current fair market value for each of the securities we owned as there was no recent activity in the secondary markets in these types of securities. This model used unique inputs for each security including discount rate, interest rate currently being paid and maturity. The discount rate was calculated using the closest match available for other insured asset backed securities. A market failure scenario was employed as recent successful auctions of these securities were very limited.

The following table presents a rollforward of our ARS, all of which are measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2011	2010
	(In Millions)	
Balance at beginning of year	**$ 276**	$ 320
Sales	**(41)**	(4)
Unrealized gains	**14**	1
Balance at end of quarter	**$ 249**	$ 317

5. Share-Based Compensation

We currently grant share-based compensation, including options to purchase shares of our common stock and nonvested stock, pursuant to the Kohl s Corporation 2010 Long-Term Compensation Plan. Annual grants of stock options and nonvested stock are generally made to eligible employees in the first quarter of the fiscal year. Grants to newly-hired and promoted employees and other discretionary grants are made periodically throughout the remainder of the year.

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The Black-Scholes option valuation model was used to estimate the fair value of each option award during the first quarter of the respective fiscal year based on the following assumptions:

	2011	2010
Volatility	**33.1%**	33.6%
Risk-free interest rate	**2.2%**	2.5%
Expected life in years	**5.4**	5.4
Dividend yield	**1.8%**	0%
Weighted-average fair value at grant date	**$ 14.81**	$ 19.51

The following table summarizes our stock option activity for the first three months of 2011 and 2010:

	2011		2010	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
	(Shares in Thousands)			
Balance at beginning of year	**17,869**	**$ 53.17**	19,848	$ 52.10
Granted	**749**	**52.78**	458	55.66
Exercised	**(286)**	**45.05**	(872)	36.27
Forfeited/expired	**(482)**	**63.77**	(139)	54.06
Balance at end of quarter	**17,850**	**$ 53.00**	19,295	$ 52.89

The following table summarizes our nonvested stock activity for the first three months of 2011 and 2010:

	2011		2010	
	Shares	**Weighted Average Grant Date Fair Value**	Shares	Weighted Average Grant Date Fair Value
	(Shares in Thousands)			
Balance at beginning of year	**1,116**	**$ 49.30**	883	$ 45.44
Granted (1)	**978**	**52.11**	430	55.74
Vested	**(246)**	**49.23**	(177)	47.41
Forfeited	**(6)**	**54.28**	(2)	42.89
Balance at end of quarter	**1,842**	**$ 50.79**	1,134	$ 49.03

(1) Includes 469 thousand shares granted in March 2011 which include both performance and service vesting conditions.

Total share-based compensation expense was $15 million for the three months ended April 30, 2011 and $14 million for the three months ended May 1, 2010.

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At April 30, 2011, we had approximately $166 million of unrecognized share-based compensation expense (before forfeitures and capitalization), which is expected to be recognized over a weighted average period of 3.6 years.

6. Contingencies

We are involved in various legal matters arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material adverse impact on our consolidated financial statements.

7. Net Income Per Share

The calculations of the numerator and denominator for basic and diluted net income per share are summarized as follows:

	Three Months Ended	
	April 30, 2011	May 1, 2010
	(In Millions)	
	(Restated)	
Numerator - Net income	**$ 201**	$ 195
Denominator - Weighted average shares:		
Basic	**288**	307
Impact of dilutive employee stock options (a)	**2**	2
Diluted	**290**	309

(a) Excludes 9 million weighted-average shares for both the three months ended April 30, 2011 and May 1, 2010 as the impact of such shares was antidilutive.

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

For purposes of the following discussion, all references to the first quarter of 2011 or 2011 are for the 13-week fiscal period ended April 30, 2011 and all references to the first quarter of 2010 or 2010 are for the 13-week fiscal period ended May 1, 2010.

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in our 2010 Annual Report on Form 10-K/A, as amended and restated on September 13, 2011 (our 2010 Form 10-K/A). The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed elsewhere in this report and in our 2010 Form 10-K/A (particularly in Risk Factors).

Executive Summary

We believe that consumers will remain focused on value throughout 2011. We intend to continue to be flexible in our sales and inventory planning and in our expense management in order to react to changes in consumer demand. Additionally, merchandise costs in all apparel categories are expected to be up approximately 10% to 15% overall for Fall 2011 due to inflation in the cost of raw materials, labor and fuel. Specific increases are dependent on the category and the related fabric content. We have been preparing for these cost increases for some time and are working diligently to minimize the impact of these higher costs on a consumer that is still buying cautiously and, therefore, less open to paying higher prices for discretionary goods.

Diluted earnings per share increased 10% to $0.69 in the first quarter of 2011, compared to $0.63 in the first quarter of 2010. Net income was $201 million for the quarter compared to $195 million in the prior-year quarter.

Total sales for the first quarter were $4.2 billion this year, an increase of 3.1 percent over last year. Comparable store sales for the quarter increased 1.3 percent, driven by a 1.1 percent increase in transactions per store. Average transaction value was up 0.2 percent reflecting a 2.9 percent increase in average unit retail that was largely offset by a 2.7 percent decrease in units per transaction. E-Commerce sales increased 47% for the quarter and contributed approximately 150 basis points to the increase in our comparable store sales.

Gross margin as a percent of net sales increased 3 basis points in the quarter. Selling, general and administrative expenses increased $31 million, or 3%, compared to the prior-year quarter.

We operated 1,097 stores as of April 30, 2011 and 1,067 as of May 1, 2010. Selling square footage was 81 million at April 30, 2011 and 79 million at May 1, 2010.

We opened nine new stores this quarter and plan to open another 31 stores in the fall season. We expect to remodel 100 stores in 2011; significantly more than the 85 stores in 2010 and the 51 stores in 2009.

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We have installed electronic signs in approximately 100 stores. We expect to have installed electronic signs in approximately 400 stores by the end of fiscal 2011 and in all stores by Holiday 2012.

On April 1, 2011, Capital One, National Association (Capital One) acquired the right, title and interest in approximately 20 million proprietary Kohl s credit card accounts and the outstanding balances associated with these accounts from Chase Bank USA, National Association (Chase). Transfer of these accounts marked the commencement of the seven-year private label credit card program agreement with Capital One which we entered into on August 11, 2010. Pursuant to this agreement, Capital One will offer private label credit cards to new and existing customers of Kohl s (the Program). We will continue to handle all customer service functions and will continue to be responsible for all advertising and marketing related to our credit card customers. Kohl s and Capital One will share in the net risk-adjusted revenue of the portfolio as defined by the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. Changes in funding costs related to interest rate fluctuations will be shared similar to the revenue.

Results of Operations

Net Sales

Total net sales increased 3.1% from $4.0 billion in the first quarter of 2010 to $4.2 billion in the first quarter of 2011. Comparable store sales increased 1.3 percent. The increases in comparable store sales and total net sales were due to the following:

	2011		2010	
	(Dollars in Millions)			
Comparable store sales:				
Stores	**$ (7)**	**(0.2)%**	$ 222	6.3%
E-commerce	**59**	**46.5**	43	50.2
Total	**52**	**1.3**	265	7.4
Sales from new stores	**75**		132	
Total net sales increase	**$ 127**	**3.1%**	$ 397	10.90%

Drivers of the changes in comparable store sales, which are sales from stores (including E-Commerce sales and relocated or remodeled stores) open throughout the full current and prior fiscal year periods, were as follows:

	2011	2010
Selling price per unit	**2.9%**	(1.8)%
Units per transaction	**(2.7)**	0.4
Average transaction value	**0.2**	(1.4)
Number of transactions	**1.1**	8.8
Comparable store sales	**1.3%**	7.4%

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From a line of business perspective, Home reported the strongest comparable store sales for the quarter, on strong sales in tabletop, food preparation, electrics and bedding. Men s and Accessories also outperformed the company average. Men s was driven by active, dress clothing, and basics and Accessories was led by watches and sterling silver jewelry. Children s and Women s also achieved positive comparable sales for the quarter. Children s had strength in toys and infant/toddlers. Strong performers in Women s included active, updated sportswear and intimate.

Footwear, which has consistently outperformed the overall company in recent years, reported a low single-digit comparable sales decrease. Women s shoes were the strongest category in the footwear business. Athletic shoes were the most difficult, driven by declines in the toning category.

The Southeast region reported the strongest comparable store sales for the fifth consecutive quarter. The South-Central, Mid-Atlantic and West regions posted positive comparable store sales for the quarter. The Midwest region reported the lowest comparable sales for the quarter with a negative single-digit decline.

Private and exclusive brands as a percentage of total sales increased approximately 240 basis points to 50% of sales for the quarter. Private brands such as Sonoma, So., and Apt. 9 performed well. Exclusive brands like FILA, Food Network, Lauren Conrad, Simply Vera Vera Wang and Candies continued their strong double-digit sales increases in the quarter.

E-Commerce sales increased approximately 47% for the quarter to $187 million. The sales growth is primarily the result of an increased number of transactions. We expect our E-Commerce business to generate $1 billion of sales in fiscal 2011.

Gross Margin

			Increase	
	2011	2010	$	%
	(Dollars in Millions)			
Gross margin	**$ 1,586**	$ 1,537	$ 49	3%
Gross margin as a percent of net sales	**38.1%**	38.1%		

Gross margin includes the total cost of products sold, including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs; inventory shrink; markdowns; freight expenses associated with moving merchandise from our vendors to our distribution centers; shipping and handling expenses of E-Commerce sales; and terms cash discount. Our gross margin may not be comparable with that of other retailers because we include distribution center costs in selling, general and administrative expenses while other retailers may include these expenses in cost of merchandise sold.

Gross margin as a percent of net sales increased three basis points to 38.1% for the first quarter of 2011. Inventory management, increased penetration of private and exclusive brands, and our ongoing markdown and size optimization initiatives contributed to the increased margin. Inventory per store decreased two percent in units and increased three percent in dollars. Clearance inventory per store decreased approximately 20% in units and 30% in dollars.

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Selling, General and Administrative Expenses

	2011	2010	Increase $	%
	(Dollars in Millions)			
		(Restated)		
S,G&A	**$ 1,004**	$ 973	$ 31	3%
S,G&A as a percent of net sales	**24.1%**	24.1%		

Selling, general and administrative expenses (SG&A) include compensation and benefit costs (including stores, headquarters, buying and merchandising and distribution centers); rent expense and other occupancy and operating costs of our retail, distribution and corporate facilities; freight expenses associated with moving merchandise from our distribution centers to our retail stores and among distribution and retail facilities; advertising expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs; net revenues from our Kohl s credit card operations; and other administrative costs. SG&A also includes the 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. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

SG&A increased three percent over the prior-year quarter. SG&A as a percentage of net sales was flat for the quarter. Credit expenses leveraged over the prior-year quarter, primarily driven by lower bad debt expense and increased net revenue from the transition of our credit card portfolio to Capital One. Store payroll expenses also leveraged during the quarter. Increased remodeling costs contributed to deleveraging in store controllable expenses. Advertising, distribution centers and IT also did not leverage during the quarter.

Depreciation and Amortization

Depreciation and amortization increased nine percent from $176 million in the first quarter of 2010 to $191 million in the current-year quarter. The increase is primarily attributable to new stores and remodels.

Operating Income

	2011	2010	Increase $	%
	(Dollars in Millions)			
		(Restated)		
Operating income	**$ 391**	$ 388	$ 3	1%
Operating income as a percent of net sales	**9.4%**	9.6%		

Operating income as a percent of net sales decreased approximately 20 basis points from the prior-year quarter.

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Interest Expense, Net

Interest expense of $76 million for the first quarter of 2011 was comparable to $77 million in the first quarter of 2010 as increases in interest on capital lease and financing obligations due to new stores were largely offset by a decrease attributable to the $300 million of debt repaid in March 2011.

Provision for Income Taxes

Our effective tax rate was 36.3% for the first quarter of 2011, compared to 37.4% for the prior-year quarter. The decrease is primarily due to resolution of state tax audits during the current period.

Seasonality & Inflation

Our business, like that of most retailers, is subject to seasonal influences, with the major portion of sales and income typically realized during the second half of each fiscal year, which includes the back-to-school and holiday seasons. Approximately 15% of annual sales typically occur during the back-to-school season and 30% during the holiday season. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. In addition, quarterly results of operations are impacted by the timing and amount of sales and costs associated with the opening of new stores.

Although we expect that our operations will be influenced by general economic conditions affecting consumers, including rising food, fuel and energy prices, we do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by such factors in the future.

We are, however, beginning to experience increases in our merchandise costs due to inflation, raw materials, labor and fuel. We are seeing low to mid single-digit increases throughout the first six months of 2011. In our private and exclusive brands, where we have more control over the production and manufacture of the merchandise, we have historically been able to minimize inflationary pressures through measures such as committing earlier for fabric and certain other raw materials and shifting production to lower cost markets. Our third-party brand vendors are also facing the same inflationary pressures. We will continue to work with these vendors, as possible, to minimize the impact of inflation on our merchandise costs and our selling prices.

Financial Condition and Liquidity

Our primary ongoing cash requirements are for capital expenditures in connection with our expansion and remodeling programs and seasonal and new store inventory purchases. Share repurchases and dividend payments to shareholders are currently another significant usage of cash. Our primary source of funds for our business activities are cash flow from operations, short-term trade credit and our lines of credit.

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We anticipate that we will be able to satisfy our working capital requirements, planned capital expenditures, dividend payments, planned share repurchases and debt service requirements with available cash and cash equivalents, proceeds from cash flows from operations, short-term trade credit and seasonal borrowings under our revolving credit facility.

			Increase (Decrease) in Cash	
	2011	2010	$	%
	(Dollars in Millions)			
		(Restated)		
Net cash provided by (used in):				
Operating activities	**$ 369**	$ 302	$ 67	22%
Investing activities	**(180)**	(189)	9	5
Financing activities	**(798)**	8	(806)	(+100)

Operating Activities. Operating activities generated $369 million of cash in 2011, compared to $302 million in 2010.

Merchandise inventories per store were $2.9 million at April 30, 2011 and $2.8 million at May 1, 2010, an increase of three percent. Inventory per store decreased two percent in units.

Accounts payable as a percent of inventory was 43.8% at April 30, 2011, compared to 46.8% at May 1, 2010. Lower inventory turns contributed to the decrease.

Investing Activities. Net cash used in investing activities reflects a $37 million increase in auction rate securities sales and a $29 million increase in capital spending due to new stores and remodels.

Financing Activities. Financing activities used cash of $798 million in 2011 and generated cash of $8 million in 2010.

In the first quarter of 2011, we repurchased 8.3 million shares of our common stock for $445 million (including $34 million of shares which were purchased, but not settled, at quarter end). The shares were purchased as part of our $3.5 billion share repurchase program. Pursuant to this program, we may repurchase shares from time to time in open market transactions, accelerated stock repurchase programs, tender offers, privately negotiated transactions or by other means. Subject to market conditions, we expect to complete the program by the end of Fiscal 2013.

We repaid $300 million of long-term debt which was due in March 2011. An additional $100 million of long-term debt will be due in October 2011. We expect to replace this debt with new debt financing in the third quarter of 2011. In anticipation of the this debt issuance, we entered into 10-year interest rate swaps in December 2010 and May 2011 to hedge our exposure to the risk of increases in interest rates on $400 million of debt we expect to issue. Amounts related to these financial instruments were not material.

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We have various facilities upon which we may draw funds, including a $900 million senior unsecured revolving facility and two demand notes with aggregate availability of $50 million. The $900 million revolving facility expires in October 2011. The co-leads of this facility, The Bank of New York Mellon and Bank of America, have each committed $100 million. The remaining 12 lenders have each committed between $30 and $130 million. There were no draws on these facilities during 2011 or 2010. We expect to replace the $900 million revolving facility in the second quarter of 2011.

We paid our first quarterly dividend on March 30, 2011. The $0.25 per share dividend was paid to all shareholders of record as of March 9, 2011. On May 11, 2011, our Board of Directors approved a quarterly dividend of $0.25 per share which will be paid on June 29, 2011 to shareholders of record as of June 8, 2011.

Key Financial Ratios. Key financial ratios that provide certain measures of our liquidity are as follows:

	April 30, 2011 (Restated)	January 29, 2011	May 1, 2010 (Restated)
Working capital (In Millions)	**$ 2,565**	$ 2,861	$ 2,901
Current ratio	**1.97:1**	2.03:1	2.03:1
Debt/capitalization	**32.7%**	33.7%	33.5%

The decrease in working capital and the current ratio as of April 30, 2011 compared to May 1, 2010 was primarily due to lower cash and cash equivalents, primarily related to $1.4 billion of share repurchases in the first quarter of 2011 and the fourth quarter of 2010. The decrease in the debt/capitalization ratio reflects the repayment of $300 million of debt in March 2011, offset by lower capitalization, primarily due to share repurchases in 2011.

Debt Covenant Compliance. As of April 30, 2011, we were in compliance with all debt covenants and expect to remain in compliance during fiscal 2011.

		(Dollars in Millions) (Restated)
	Total Debt per Balance Sheet	$ 3,674
	Other Debt	
	Subtotal	3,674
	Rent x 8	2,108
A	Included Indebtedness	5,782
	Net Worth	$ 7,562
	Investments (accounted for under equity method)	
	Subtotal	7,562
	Included Indebtedness	5,782
B	Capitalization	13,344
	Leverage Ratio (A/B)	0.43
	Maximum permitted Leverage Ratio	0.70

Free Cash Flow. We generated free cash flow of $126 million in 2011 compared to $91 million in 2010. The increase in free cash flow is primarily a result of higher cash provided by operating activities, as discussed above.

Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities and proceeds from financing obligations (which generally represent landlord reimbursements of construction costs) less capital expenditures and capital lease and financing obligation payments. Free cash flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as net income and cash flow provided by operations. We believe that free cash flow represents our ability to generate additional cash flow from our business operations.

The following table reconciles net cash provided by operating activities, a GAAP measure, to free cash flow, a non-GAAP measure.

	2011	2010
	(In Millions) (Restated)	
Net cash provided by operating activities	**$ 369**	$ 302
Acquisition of property and equipment	**(221)**	(192)
Capital lease and financing obligation payments	**(22)**	(19)
Proceeds from financing obligations		
Free cash flow	**$ 126**	$ 91

Contractual Obligations

There have been no significant changes in the contractual obligations disclosed in our 2010 Form 10-K/A.

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Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of April 30, 2011. We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts. Management has discussed the development, selection and disclosure of its estimates and assumptions with the Audit Committee of our Board of Directors. There have been no significant changes in the critical accounting policies and estimates discussed in our 2010 Form 10-K/A.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risks described in our 2010 Form 10-K/A.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*

Prior to the filing of our original Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2011 and under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the Evaluation) at a reasonable assurance level as of the last day of the period covered by this Report.

Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act) as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions, regardless of how remote.

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Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that our disclosure controls and procedures were effective at the reasonable assurance level. Subsequently, during the second quarter of Fiscal 2011, we identified a material weakness in our controls over the accounting for leases. As a result of this discovery, our Chief Executive Officer and Chief Financial Officer have now concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of the last day of the period covered by this Report.

The principal factor that contributed to this material weakness was the misinterpretation of complex standards related to leases where we, as the lessee, are involved in asset construction pursuant to ASC 840, Leases. This material weakness resulted in a number of errors in our accounting for leases and contributed to our restatement of previously issued financial statements as more fully described in Note 2 to the Consolidated Financial Statements. In management s opinion, the remedial actions described below relating to the material weakness in our internal control over financial reporting will also address the ineffectiveness of our disclosure controls and procedures.

(b) *Planned Remediation Efforts to Address Material Weakness*

To remediate the material weakness described above, we have implemented or plan to implement remedial measures including a review of all of our leases to correct instances where we were not complying with generally accepted accounting principles. In addition, we are developing updated procedures to reflect the technical guidance for lease accounting and will institute additional management review to confirm the proper implementation of accounting standards going forward. However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We expect that the remediation of the material weakness related to controls over the accounting for leases will be completed prior to the fiscal year end January 28, 2012. However, we cannot make any assurances that we will successfully remediate this material weakness within the anticipated timeframe and thus reduce to remote the likelihood that material misstatements concerning lease accounting will not be prevented or detected in a timely manner.

(c) *Changes in Internal Control Over Financial Reporting*

Except as otherwise discussed above, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect such controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no significant changes in our risk factors from those described in our 2010 Form 10-K/A.

Forward-looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Those statements relate to developments, results, conditions or other events we expect or anticipate will occur in the future. Words such as believes, anticipates, plans, expects and similar expressions are intended to identify forward-looking statements. Without limiting the foregoing, these statements may relate to future outlook, revenues, earnings, store openings, planned capital expenditures, market conditions, new strategies and the competitive environment. Forward-looking statements are based on our management s then current views and assumptions and, as a result, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Any such forward-looking statements are qualified by the important risk factors, described in Item 1A of our 2010 Form 10-K/A, that could cause actual results to differ materially from those predicted by the forward-looking statements. Forward-looking statements relate to the date initially made, and we undertake no obligation to update them. An investment in our common stock or other securities carries certain risks. Investors should carefully consider the risks as stated in our Form 10-K/A and other risks which may be disclosed from time to time in our filings with the SEC before investing in our securities.

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

We did not sell any securities during the quarter ended April 30, 2011, which were not registered under the Securities Act.

In February 2011, our Board of Directors increased the remaining share repurchase authorization under our existing share repurchase program by $2.6 billion, from $900 million to $3.5 billion. Pursuant to this program, we may repurchase shares from time to time in open market transactions, accelerated stock repurchase programs, tender offers, privately negotiated transactions or by other means. Subject to market conditions, we expect to complete the program by the end of Fiscal 2013.

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The following table contains information for shares repurchased and shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees restricted stock during the three fiscal months ended April 30, 2011:

Period	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	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
January 30 February 26, 2011	5,601	$ 52.01		$ 3,500
February 27 April 2, 2011	5,209,923	$ 53.37	5,125,194	3,275
April 3 April 30, 2011	4,104,151	$ 53.43	4,104,130	3,055
Total	9,319,675	$ 53.40	9,229,324	$ 3,055

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Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1	Certification of Periodic Report by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Periodic Report by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

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

Kohl s Corporation

(Registrant)

Date: September 13, 2011

/s/ Wesley S. McDonald

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