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KOHL'S Corp
Form 10-K
March 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended February 1, 2014

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 incorporation or
organization)

(I.R.S. Employer 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$.01 Par Value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the
Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained
herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting
company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒.

At August 2, 2013, the aggregate market value of the voting stock of the Registrant held by stockholders who were not affiliates of the Registrant was approximately \$11.7 billion (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At March 12, 2014, the Registrant had outstanding an aggregate of 208,557,520 shares of its Common Stock.

Documents Incorporated by Reference:

Portions of the Proxy Statement for the Registrant's Annual Meeting of Shareholders to be held on May 15, 2014 are incorporated into Parts II and III.

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PART I

Item 1. Business

Kohl's Corporation (the "Company" or "Kohl's") was organized in 1988 and is a Wisconsin corporation. As of February 1, 2014, we operated 1,158 family-focused, value-oriented department stores and a website (www.Kohls.com) that sell moderately priced exclusive and national brand apparel, footwear, accessories, beauty and home products. Our stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. Our website includes merchandise which is available in our stores, as well as merchandise which is available only on-line. Our fiscal year ends on the Saturday closest to January 31st each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. The following fiscal periods are presented in this report.

Fiscal Year	Ended	Number of Weeks
2013	February 1, 2014	52
2012	February 2, 2013	53
2011	January 28, 2012	52

For discussion of our financial results, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Merchandise

Our merchandise mix by line of business and brand type over the last three years are reflected in the table below:

	2013		2012		2011	
Line of Business						
Women's	31	%	31	%	31	%
Men's	19	%	19	%	19	%
Home	18	%	18	%	19	%
Children's	13	%	13	%	13	%
Accessories	10	%	10	%	10	%
Footwear	9	%	9	%	8	%
Total	100	%	100	%	100	%
Brand						
Private and Exclusive	52	%	52	%	50	%
National	48	%	48	%	50	%
Total	100	%	100	%	100	%

Our private brands generally are at lower price-points than our other brands. Most of our private brands are well-known established brands such as Apt. 9, Croft & Barrow, Jumping Beans, SO and Sonoma Life + Style. Exclusive brands generally are at higher price-points and are developed and marketed through agreements with nationally-recognized brands. Examples of our exclusive brands include Food Network, Jennifer Lopez, Marc Anthony, Rock & Republic and Simply Vera Vera Wang.

We frequently launch new brands in order to maintain freshness in our inventory assortment and drive customer traffic to our stores and website. In 2013, we launched an assortment of over 20 new national beauty and fragrance brands in over 250 stores and on-line. In Spring 2014, we plan to combine the magic of Disney, one of the most recognizable brands in the world, with our highly successful Jumping Beans brand. We also plan to launch the next designer in our limited-time Designation series. In Fall 2014, we expect to begin selling IZOD menswear and Juicy Couture.

Omni-Channel Shopping Experience

Practical, easy shopping is about convenience. It's about providing customers the options which allow them to shop when they want and from where they want.

At Kohl's, in-store convenience includes a neighborhood location close to home, convenient parking, easily-accessible entry, knowledgeable and friendly associates, wide aisles, a functional store layout, shopping carts/strollers and fast,

centralized

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checkouts. Though our stores have fewer departments than traditional, full-line department stores, the physical layout of the store and our focus on strong in-stock positions in style, color and size is aimed at providing a convenient shopping experience for an increasingly time-starved customer.

On-line convenience begins with an easy-to-navigate, on-line shopping experience for the growing percentage of our customers that prefer shopping on-line. Kohls.com was launched in 2001 and has experienced substantial growth, growing at an annual growth rate of approximately 20% in 2013 and over 40% in 2012 and 2011. On-line sales, including shipping revenues, were \$1.7 billion and accounted for approximately 9% of our total sales in 2013. Our website currently carries significantly more product offerings than our stores, with a primary focus on extended sizes, product line extensions, and web-exclusive product lines.

We also are expanding our ability to meet the ever-changing needs of an increasingly technologically-savvy customer. Our in-store kiosks allow customers to order items from our stores and have them shipped to their homes with no shipping charges. All of our stores are equipped with Wi-Fi. We continue to improve our digital and mobile sales platforms. During 2013, we shipped selected on-line orders from approximately 200 of our stores and expect to have this capability in approximately 500 stores by the end of 2014. We are also building the infrastructure which will allow our customers to order on-line and pick up from our stores.

Stores

As of year-end 2013, we operated 1,158 stores. We have stores in all 48 of the continental United States and Alaska. Our stores are located in every large and intermediate sized market in the United States. During 2013, we opened 12 new stores. In 2014, we expect to increase our store count to 1,163. Substantially all of our recent store openings have been "small" stores with less than 64,000 square feet of retail space.

Low-Cost Operating Structure

An important aspect of our pricing strategy and overall profitability is a culture focused on maintaining a low-cost structure. Critical elements of this low-cost structure are our unique store format, lean staffing levels, sophisticated management information systems and operating efficiencies which are the result of centralized buying, advertising and distribution.

We remain focused on providing the solid infrastructure needed to ensure consistent, low-cost execution. We proactively invest in distribution capacity and regional management to facilitate growth in new and existing markets as well as on-line. Our central merchandising organization tailors merchandise assortments to reflect regional climates and preferences. Technological systems and improvements support our low-cost culture by enhancing productivity and providing the information needed to make key merchandising decisions.

Distribution

We receive substantially all of our store merchandise at our nine retail distribution centers. A small amount of our merchandise is delivered directly to the stores by vendors or their distributors. The retail distribution centers, which are strategically located throughout the United States, ship merchandise to each store by contract carrier several times a week. We also operate four fulfillment centers that service our E-Commerce business. Some of our E-Commerce sales are shipped directly to our customers by third-party vendors.

See Item 2, "Properties," for additional information about our distribution centers.

Employees

As of February 1, 2014, we employed approximately 137,000 associates, including approximately 31,000 full-time and 106,000 part-time associates. The number of associates varies during the year, peaking during the back-to-school and holiday seasons. None of our associates are represented by a collective bargaining unit. We believe our relations with our associates are very good.

Competition

The retail industry is highly competitive. Management considers style, quality and price to be the most significant competitive factors in the industry. Merchandise mix, brands, service, customer experience and convenience are also key competitive factors. Our primary competitors are traditional department stores, upscale mass merchandisers, off-price retailers, specialty stores and on-line only retailers. Our specific competitors vary from market to market.

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Merchandise Vendors

We purchase merchandise from numerous domestic and foreign suppliers. We have Terms of Engagement requirements which set forth the basic minimum requirements all business partners must meet in order to do business with us. Our Terms of Engagement include provisions regarding laws and regulations, employment practices, ethical standards, environmental and legal requirements, communication, monitoring/compliance, record keeping, subcontracting and corrective action. Our expectation is that all business partners will comply with these Terms of Engagement and quickly remediate any deficiencies, if noted, in order to maintain our business relationship. Approximately 30% of the merchandise we sell is sourced through a third-party purchasing agent. None of our vendors individually accounted for more than 5% of our net purchases during 2013. We have no significant long-term purchase commitments or arrangements with any of our suppliers, and believe that we are not dependent on any one supplier. We believe we have good working relationships with our suppliers.

Seasonality

Our business, like that of most retailers, is subject to seasonal influences. The majority of our sales and income are typically realized during the second half of each fiscal year. The back-to-school season extends from August through September and represents approximately 15% of our annual sales. Approximately 30% of our annual sales occur during the holiday season in the months of November and December. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the fiscal year. Revenues and costs associated with the opening of new stores may also affect our quarterly results.

Trademarks and Service Marks

The name “Kohl’s” is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has over 200 additional registered trademarks, trade names and service marks, most of which are used in our private label program.

Available Information

Our corporate website is www.KohlsCorporation.com. Through the “Investor Relations” portion of this website, we make available, free of charge, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports as soon as reasonably practicable after such material has been filed with, or furnished to, the Securities and Exchange Commission (“SEC”).

The following have also been posted on our website, under the caption “Investor Relations-Corporate Governance”: Committee charters of our Board of Directors’ Audit Committee, Compensation Committee and Governance & Nominating Committee

Report to Shareholders on Social Responsibility

Corporate Governance Guidelines

Code of Ethics

Any amendment to or waiver from the provisions of the Code of Ethics that is applicable to our Chief Executive Officer, Chief Financial Officer or other key finance associates will be disclosed on the “Corporate Governance” portion of the website.

Information contained on our website is not part of this Annual Report on Form 10-K. Paper copies of any of the materials listed above will be provided without charge to any shareholder submitting a written request to our Investor Relations Department at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051 or via e-mail to Investor.Relations@Kohls.com.

Item 1A. Risk Factors

Forward-Looking Statements

This Form 10-K contains “forward-looking statements” made within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believes,” “anticipates,” “plans,” “may,” “intends,” “will,” “should,” “expects” and similar expressions are intended to identify forward-looking statements. In addition, statements covering our future sales or financial performance and our plans, performance and other objectives, expectations or intentions are forward-looking

statements, such as statements regarding our liquidity, debt service requirements, planned capital expenditures, future store openings, adequacy of capital resources and reserves and statements contained in the "2014 Outlook" section of Management's Discussion and Analysis of Financial Condition and Results of Operations. There are a number of important factors that could

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cause our results to differ materially from those indicated by the forward-looking statements including, among others, those risk factors described below. Forward-looking statements relate to the date made, and we undertake no obligations to update them.

Our sales, gross margin and operating results could be negatively impacted by a number of factors including, but not limited to those described below. Many of these risk factors are outside of our control. If we are not successful in managing these risks, they could have a negative impact on our sales, gross margin and/or operating results.

- Declines in general economic conditions, consumer spending levels and other conditions could lead to reduced consumer demand for our merchandise.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels.

Recent economic conditions have caused disruptions and significant volatility in financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which has led to decreased levels of consumer spending, particularly on discretionary items. A continued or incremental slowdown in the U.S. economy and the uncertain economic outlook could continue to adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. As all of our stores are located in the United States, we are especially susceptible to deteriorations in the U.S. economy.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers.

- Actions by our competitors.

The retail business is highly competitive. We compete for customers, associates, locations, merchandise, services and other important aspects of our business with many other local, regional and national retailers. Those competitors, some of which have a greater market presence than Kohl's, include traditional store-based retailers, internet and catalog businesses and other forms of retail commerce. Unanticipated changes in the pricing and other practices of those competitors may adversely affect our performance.

- Our inability to offer merchandise our customers want and failure to successfully manage our inventory levels.

Our business is dependent on our ability to anticipate fluctuations in consumer demand for a wide variety of merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could create inventory imbalances and adversely affect our performance and long-term relationships with our customers. Additionally, failure to accurately predict changing consumer tastes may result in excess inventory, which could result in additional markdowns and adversely affect our operating results.

- We may be unable to source merchandise in a timely and cost-effective manner.

Approximately 30% of the merchandise we sell is sourced through a third-party purchasing agent. The remaining merchandise is sourced from a wide variety of domestic and international vendors. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, and the ability to access suitable merchandise on acceptable terms are beyond our control and could adversely impact our performance.

If any of our significant vendors were to become subject to bankruptcy, receivership or similar proceedings, we may be unable to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as current terms, which could adversely affect our sales and operating results.

- Failure of our vendors to adhere to our Terms of Engagement and applicable laws.

A substantial portion of our merchandise is sourced by our vendors and by us from outside of the United States. We require all suppliers to comply with our Terms of Engagement for Kohl's Business Partners and all applicable local and national laws, rules and regulations pertaining to all aspects of factory operations in the jurisdictions they conduct

business. From time to time, suppliers may not be in compliance with these standards or applicable laws. Significant or continuing noncompliance with such standards and laws by one or more suppliers could have a negative impact on our reputation and our results of operations.

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•Increases in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods.

We could again experience inflation in our merchandise, raw materials, fuel and labor costs as we did during 2011. The cost of cotton, which is a key raw material in many of our products, had the most dramatic increase in 2011. The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. Fluctuations in the price and availability of fuel, labor and raw materials, such as cotton, could again affect our cost of goods and an inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our profitability; while any related pricing actions might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

•Ineffective marketing.

We believe that differentiating Kohl's in the marketplace is critical to our success. We design our marketing programs to increase awareness of our brands, which we expect will create and maintain customer loyalty, increase the number of customers that shop our stores and website and increase our sales. If our marketing programs are not successful, our sales and profitability could be adversely affected.

•Damage to the reputation of the Kohl's brand or our private and exclusive brands.

We believe the Kohl's brand name and many of our private and exclusive brand names are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. We develop and promote private and exclusive brands that have generated national recognition. In some cases, the brands or the marketing of such brands are tied to or affiliated with well-known individuals. Damage to the reputations (whether or not justified) of our brand names or any affiliated individuals, could arise from product failures, litigation or various forms of adverse publicity, especially in social media outlets, and may generate negative customer sentiment, potentially resulting in a reduction in sales, earnings, and shareholder value.

•Product safety concerns.

If our merchandise offerings do not meet applicable safety standards or our customers' expectations regarding safety, we could experience lost sales, experience increased costs and/or be exposed to legal and reputational risk. Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action and/or private litigation. Reputational damage caused by real or perceived product safety concerns, could have a negative impact on our sales.

•Disruptions in our information systems.

The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage sales, distribution, merchandise planning and allocation functions. We also generate sales through the operations of our Kohls.com website. The failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

•Weather conditions could adversely affect consumer shopping patterns.

Because a significant portion of our business is apparel and subject to weather conditions in our markets, our operating results may be adversely affected by severe or unexpected weather conditions. Frequent or unusually heavy snow, ice or rain storms; natural disasters such as earthquakes, tornadoes, floods and hurricanes; or extended periods of unseasonable temperatures in our markets could adversely affect our performance by affecting consumer shopping patterns, diminishing demand for seasonal merchandise and/or causing physical damage to our properties.

•Inability to successfully develop and maintain a relevant omni-channel experience for our customers.

Omni-channel retailing is rapidly evolving as our customers become increasingly technologically savvy. Computers, mobile phones, tablets and other similar devices are progressively becoming a more important aspect of the shopping experience. Additionally, the Internet and other new technologies facilitate competitive entry and comparison shopping. We strive to offer an omni-channel shopping experience for our customers and use social media as a way to

interact with our customers and enhance their shopping experiences.

Our ability to compete with other retailers and to meet our customer expectations may suffer if we are unable to maintain or improve relevant customer-facing technology in a timely manner or if we or our third-party shipping and

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delivery vendors are unable to effectively and efficiently fulfill and deliver orders, especially during the holiday season when sales volumes are especially high. Consequently, our results of operations could be adversely affected. Our revenues, operating results and cash requirements are affected by the seasonal nature of our business.

Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back-to-school and holiday seasons. This seasonality causes our operating results and cash needs to vary considerably from quarter to quarter.

Growth in our E-Commerce business could adversely affect some of our operating metrics.

In recent years, we have experienced significant growth in our E-Commerce business. Some of this growth has resulted in lower sales in our stores. Though this has no impact on our consolidated sales, it has had a negative effect on our net income as a percentage of sales as our stores are currently more profitable than our E-Commerce business. This profitability variance is due to a variety of factors including, but not limited to, a higher mix of lower margin merchandise in our E-Commerce business, shipping costs, and investments to provide the infrastructure necessary to grow the E-Commerce business. Though we are aggressively working to improve the profitability of our E-Commerce business, there can be no assurances that our E-Commerce business will become as profitable as our stores.

Our inability to raise additional capital and maintain bank credit on favorable terms could adversely affect our business and financial condition.

We have historically relied on the public debt markets to raise capital to partially fund our operations and growth. We have also historically maintained lines of credit with financial institutions. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to these potential sources of future liquidity. Our continued access to these liquidity sources on favorable terms depends on multiple factors, including our operating performance and maintaining strong debt ratings. If our credit rating were lowered, our ability to access the debt markets and our cost of funds for new debt issuances could be adversely impacted. Additionally, if unfavorable capital market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms and on a timely basis (if at all). If our access to capital were to become significantly constrained or costs of capital increased significantly due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, then our financial condition, results of operations and cash flows could be adversely affected.

Inefficient or ineffective allocation of capital could adversely affect our operating results and/or shareholder value.

Our goal is to invest capital to maximize our overall long-term returns. This includes spending on inventory, capital projects and expenses, managing debt levels, and periodically returning value to our shareholders through share repurchases and dividends. To a large degree, capital efficiency reflects how well we manage our other key risks. The actions taken to address other specific risks may affect how well we manage the more general risk of capital efficiency. If we do not properly allocate our capital to maximize returns, we may fail to produce optimal financial results and we may experience a reduction in shareholder value.

Changes in our credit card operations could adversely affect our sales and/or profitability.

Our credit card operations facilitate merchandise sales and generate additional revenue from fees related to extending credit. The proprietary Kohl's credit card accounts have been sold to an unrelated third-party, but we share in the net risk-adjusted revenue of the portfolio, which is defined as 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 if interest rates exceed defined amounts. Though management currently believes that increases in funding costs will be largely offset by increases in finance charge revenue, increases in funding costs could adversely impact the profitability of this program.

Changes in credit card use, payment patterns and default rates may also result from a variety of economic, legal, social and other factors that we cannot control or predict with certainty. Changes that adversely impact our ability to extend credit and collect payments could negatively affect our results.

An inability to attract and retain quality employees could result in higher payroll costs and adversely affect our operating results.

Our performance is dependent on attracting and retaining a large number of quality associates. Many of those associates are in entry level or part-time positions with historically high rates of turnover. Our ability to meet our labor

needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance.

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Regulatory and litigation developments could adversely affect our business operations and financial performance. Various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. The costs and other effects of new or changed legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs directly for our compliance or indirectly to the extent such requirements increase prices of goods and services, reduce the availability of raw materials or further restrict our ability to extend credit to our customers.

We continually monitor the state and federal legal/regulatory environment for developments that may impact us. Failure to detect changes and comply with such laws and regulations may result in an erosion of our reputation, disruption of business and/or loss of employee morale. Additionally, we are regularly involved in various litigation matters that arise out of the conduct of our business. Litigation or regulatory developments could adversely affect our business operations and financial performance.

Unauthorized disclosure of sensitive or confidential customer information could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

As part of our normal course of business, we collect, process and retain sensitive and confidential customer, employee and company information. The protection of this data is extremely important to us, our employees and our customers. Despite the considerable security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our vendors, could disrupt our operations, damage our reputation and customers' willingness to shop in our stores or on our website, violate applicable laws, regulations, orders and agreements, and subject us to additional costs and liabilities which could be material.

Item 1B. Unresolved Staff Comments

Not applicable

Item 2. Properties

Stores

As of February 1, 2014, we operated 1,158 stores in 49 states. Our typical, or “prototype,” store has approximately 88,000 gross square feet of retail space and serves trade areas of 150,000 to 200,000 people. Most “small” stores are 55,000 to 68,000 gross square feet and serve trade areas of 100,000 to 150,000 people.

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

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The following tables summarize key information about our stores.

	Number of Stores			Selling Square Footage 2013 (In Thousands)
	2012	Net Change	2013	
Mid-Atlantic Region:				
Delaware	5	—	5	399
Maryland	23	—	23	1,634
Pennsylvania	48	2	50	3,556
Virginia	30	—	30	2,175
West Virginia	7	—	7	500
Total Mid-Atlantic	113	2	115	8,264
Midwest Region:				
Illinois	65	1	66	4,930
Indiana	38	1	39	2,794
Iowa	16	2	18	1,131
Michigan	45	—	45	3,336
Minnesota	26	—	26	1,976
Nebraska	7	—	7	479
North Dakota	3	1	4	263
Ohio	58	—	58	4,250
South Dakota	3	—	3	244
Wisconsin	40	—	40	2,894
Total Midwest	301	5	306	22,297
Northeast Region:				
Connecticut	21	—	21	1,474
Maine	5	—	5	388
Massachusetts	24	1	25	1,907
New Hampshire	10	1	11	761
New Jersey	38	—	38	2,901
New York	51	—	51	3,844
Rhode Island	3	—	3	227
Vermont	1	—	1	77
Total Northeast	153	2	155	11,579
South Central Region:				
Arkansas	8	—	8	572
Kansas	12	—	12	810
Louisiana	6	—	6	421
Missouri	26	—	26	1,859
Oklahoma	10	—	10	720
Texas	84	1	85	6,140
Total South Central	146	1	147	10,522

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	Number of Stores			Selling Square Footage 2013 (In Thousands)
	2012	Net Change	2013	
Southeast Region:				
Alabama	13	1	14	904
Florida	53	—	53	3,874
Georgia	35	—	35	2,554
Kentucky	16	—	16	1,127
Mississippi	5	—	5	378
North Carolina	31	—	31	2,195
South Carolina	15	—	15	1,033
Tennessee	20	—	20	1,398
Total Southeast	188	1	189	13,463
West Region:				
Alaska	1	—	1	73
Arizona	26	—	26	1,953
California	128	—	128	9,206
Colorado	24	—	24	1,835
Idaho	5	—	5	328
Montana	2	—	2	117
Nevada	12	—	12	851
New Mexico	5	—	5	326
Oregon	10	1	11	695
Utah	12	—	12	874
Washington	18	—	18	1,190
Wyoming	2	—	2	98
Total West	245	1	246	17,546
Total Kohl's	1,146	12	1,158	83,671

	Number of Stores by Store Type				Number of Stores by Ownership		
	2012	Net Additions	2013		2012	Net Additions	2013
Prototype	992	1	993	Owned	407	4	411
Small	154	11	165	Leased*			
	1,146	12	1,158	Operating lease	312	4	316
				On-balance sheet	427	4	431
				Total leased	739	8	747
					1,146	12	1,158
				* Includes locations where we lease the land and/or building			
	Number of Stores by Location						
	2012	Net Additions	2013				
Strip centers	771	6	777				
Community & regional malls	85	—	85				
Freestanding	290	6	296				
	1,146	12	1,158				

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Distribution Centers

The following table summarizes key information about each of our distribution centers.

Location	Year Opened	Square Footage	States Served	Approximate Store Capacity
Retail:				
Findlay, Ohio	1994	780,000	Indiana, Kentucky, Michigan, New York, Ohio, Pennsylvania, West Virginia	185
Winchester, Virginia	1997	420,000	Delaware, Maryland, New Jersey, North Carolina, Pennsylvania, Tennessee, Virginia, West Virginia	135
Blue Springs, Missouri	1999	540,000	Arkansas, Colorado, Illinois, Iowa, Kansas, Kentucky, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Wyoming	110
Corsicana, Texas	2001	540,000	Arkansas, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas	115
Mamakating, New York	2002	605,000	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	145
San Bernardino, California	2002	575,000	Arizona, California, Colorado, Nevada, Utah	110
Macon, Georgia	2005	560,000	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee	150
Patterson, California	2006	360,000	Alaska, California, Idaho, Montana, Nevada, Oregon, Utah, Washington	110
Ottawa, Illinois	2008	328,000	Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Wisconsin	155
E-Commerce:				
Monroe, Ohio	2001	1,200,000		
San Bernardino, California	2010	970,000		
Edgewood, Maryland	2011	1,450,000		
DeSoto, Texas	2012	1,200,000		

We own all of the distribution centers except Corsicana, Texas, which is leased.

Corporate Facilities

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

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings, but are subject to certain legal proceedings and claims from time to time that arise out of the conduct of our business.

Item 4. Mine Safety Disclosures

Not applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market information

Our Common Stock has been traded on the New York Stock Exchange since May 19, 1992, under the symbol "KSS." The prices in the table set forth below indicate the high and low sales prices of our Common Stock per the New York Stock Exchange Composite Price History and our quarterly cash dividends per common share for each quarter in 2013 and 2012.

	2013			2012		
	High	Low	Dividend	High	Low	Dividend
Fourth Quarter	\$58.47	\$49.97	\$0.35	\$55.11	\$41.81	\$0.32
Third Quarter	57.04	49.84	0.35	53.77	49.72	0.32
Second Quarter	54.16	47.00	0.35	51.25	43.13	0.32
First Quarter	49.32	45.21	0.35	52.19	45.56	0.32

We have filed with the Securities and Exchange Commission ("SEC"), as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K, the Sarbanes-Oxley Act Section 302 certifications. In 2013, Kevin Mansell, our Chief Executive Officer, submitted a certification with the New York Stock Exchange ("NYSE") in accordance with Section 303A.12 of the NYSE Listed Company Manual stating that, as of the date of the certification, he was not aware that we had violated any of the NYSE's corporate governance listing standards.

On February 26, 2014, our Board of Directors approved a dividend of \$0.39 per share which will be paid on March 26, 2014 to shareholders of record as of March 12, 2014. In 2013, we paid aggregate cash dividends of \$302 million.

(b) Holders

As of March 12, 2014, there were approximately 4,400 record holders of our Common Stock.

(c) Securities Authorized For Issuance Under Equity Compensation Plans

See the information provided in the "Equity Compensation Plan Information" section of the Proxy Statement for our May 15, 2014 Annual Meeting of Shareholders, which information is incorporated herein by reference.

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(d) Performance Graph

The graph below compares our cumulative five-year shareholder return to that of the Standard & Poor's 500 Index and a Peer Group Index that is consistent with the retail peer group used in the Compensation Discussion & Analysis section of our Proxy Statement for our May 15, 2014 Annual Meeting of Shareholders. The Peer Group Index was calculated by Capital IQ, a Standard & Poor's business and includes Bed, Bath & Beyond Inc.; The Gap, Inc.; J.C. Penney Company, Inc.; Limited Brands, Inc.; Macy's, Inc.; Nordstrom, Inc.; Ross Stores, Inc.; Sears Holding Corporation; Target Corporation; and The TJX Companies, Inc. The Peer Group Index is weighted by the market capitalization of each component company at the beginning of each period. The graph assumes an investment of \$100 on January 31, 2009 and reinvestment of dividends. The calculations exclude trading commissions and taxes.

Company / Index	Jan 31, 2009	Jan 30, 2010	Jan 29, 2011	Jan 28, 2012	Feb 2, 2013	Feb 1, 2014
Kohl's Corporation	\$100.00	\$137.21	\$139.47	\$129.78	\$131.42	\$148.60
S&P 500 Index	100.00	133.14	161.44	170.04	199.98	240.58
Peer Group Index	100.00	183.36	217.01	257.88	311.11	343.50

(e) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not sell any equity securities during 2013 which were not registered under the Securities Act.

(f) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Since first authorizing our share repurchase program in 2007, our Board of Directors has increased the authorization in 2011 and again in November 2012. Purchases under the repurchase program may be made in the open market, through block trades and other negotiated transactions. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions and to complete the program in early fiscal 2016. There is no fixed termination date for the repurchase program, and the program may be suspended, discontinued or accelerated at any time.

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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 February 1, 2014:

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	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (Dollars In Millions)
November 3 – November 30, 2013	550,943	\$54.94	549,082	\$ 2,542
December 1, 2013 – January 4, 2014	1,909,447	55.12	1,908,334	2,437
January 5 – February 1, 2014	2,184,134	52.40	2,179,209	2,322
Total	4,644,524	\$53.82	4,636,625	\$ 2,322

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Item 6. Selected Consolidated Financial Data

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

	2013	2012(a)	2011	2010	2009		
	(Dollars in Millions, Except Per Share and Per Square Foot Data)						
Statement of Income Data:							
Net sales	\$19,031	\$19,279	\$18,804	\$18,391	\$17,178		
Cost of merchandise sold	12,087	12,289	11,625	11,359	10,680		
Gross margin	6,944	6,990	7,179	7,032	6,498		
Selling, general and administrative expenses	4,313	4,267	4,243	4,190	3,951		
Depreciation and amortization	889	833	778	750	688		
Operating income	1,742	1,890	2,158	2,092	1,859		
Interest expense, net	338	329	299	304	301		
Income before income taxes	1,404	1,561	1,859	1,788	1,558		
Provision for income taxes	515	575	692	668	585		
Net income	\$889	\$986	\$1,167	\$1,120	\$973		
Net income per share:							
Basic	\$4.08	\$4.19	\$4.33	\$3.69	\$3.19		
Diluted	\$4.05	\$4.17	\$4.30	\$3.66	\$3.17		
Dividends per share	\$1.40	\$1.28	\$1.00	—	—		
Operating Data:							
Net sales growth	(1.3	)% 2.5	% 2.2	% 7.1	% 4.8	%	
Comparable sales growth (b)	(1.2	)% 0.3	% 0.5	% 4.4	% 0.4	%	
Net sales per selling square foot (c)	\$207	\$213	\$220	\$222	\$217		
As a percent of sales:							
Gross margin	36.5	% 36.3	% 38.2	% 38.2	% 37.8	%	
Operating income	9.2	% 9.8	% 11.5	% 11.4	% 10.8	%	
Net income	4.7	% 5.1	% 6.2	% 6.1	% 5.7	%	
Total square feet of selling space (in thousands)	83,671	83,098	82,226	80,139	78,396		
Number of stores open (end of period)	1,158	1,146	1,127	1,089	1,058		
Return on average shareholders' equity (d)	14.8	% 15.8	% 16.4	% 14.1	% 13.8	%	
Balance Sheet Data (end of period):							
Working capital	\$2,556	\$2,184	\$2,222	\$2,888	\$3,054		
Property and equipment, net	8,745	8,872	8,905	8,692	8,506		
Total assets	14,378	13,905	14,148	14,891	14,502		
Long-term debt	2,792	2,492	2,141	1,894	1,894		
Capital lease and financing obligations	2,069	2,061	2,103	2,104	2,046		
Shareholders' equity	5,978	6,048	6,508	7,850	7,595		

Fiscal 2012 was a 53-week year. During the 53rd week, total sales were \$169 million; selling, general and (a) administrative expenses were approximately \$30 million; interest was approximately \$2 million; net income was approximately \$15 million and diluted earnings per share was approximately \$0.06.

Comparable sales growth is based on sales for stores (including relocated or remodeled stores) which were open throughout both the full current and prior year periods and E-Commerce. Fiscal 2013 comparable sales growth (b) compares the 52 weeks ended February 1, 2014 to the 52 weeks ended January 26, 2013. Fiscal 2012 comparable sales growth compares the 52 weeks ended January 26, 2013 to the 52 weeks ended January 28, 2012.

(c)

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

- (d) Average shareholders' equity is based on a 5-quarter average for 2013, 2012, 2011, and 2010, and the two most recent year-end balances for 2009.

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

Executive Summary

As of February 1, 2014, we operated 1,158 family-focused, value-oriented department stores and a website (www.Kohls.com) that sell moderately priced exclusive and national brand apparel, footwear, accessories, beauty and home products. Our stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. Our website includes merchandise which is available in our stores, as well as merchandise which is available only on-line.

The following table summarizes our recent financial results:

	2013	2012	2011
	(Dollars and Shares in Millions)		
Net sales	\$19,031	\$19,279	\$18,804
Change in:			
Net sales	(1.3)%	2.5 %	2.2 %
Comparable sales	(1.2)%	0.3 %	0.5 %
Gross margin as a percent of net sales	36.5 %	36.3 %	38.2 %
Selling, general and administrative expenses	\$4,313	\$4,267	\$4,243
Net income	\$889	\$986	\$1,167
Net income per diluted share	\$4.05	\$4.17	\$4.30
Shares repurchased	15	26	46
Treasury stock purchases	\$799	\$1,259	\$2,331
Cash flow from operations	\$1,884	\$1,265	\$2,139

For additional details about our financial results, see Results of Operations and Liquidity and Capital Resources.

Our main business objective is to profitably increase sales. In order to increase sales, we believe that we need to continue to increase transactions per store, which is our primary sales driver. We have a number of initiatives which we believe will increase transactions per store.

• We continue to improve the quality of our merchandise and to offer items at great values. We are pleased with the progress we have made in these areas, but believe that we have additional opportunities to improve.

• We continue to focus on creating excitement for our customers to increase customer traffic to our stores and website.

In fiscal 2014, we expect to launch several new brands, including Juicy Couture, IZOD, and a Jumping Beans collection featuring Disney characters. The Juicy Couture assortment will include women's and girl's apparel, footwear, accessories, bedding, and home accessories. The IZOD assortment will be one of the largest men's launches in our history and will feature men's sportswear and dress apparel, including golf separates, woven sport shirts, sweaters, knit shirts, shorts, suit separates, dress shirts, and dress pants. The Jumping Beans collection will combine Disney, one of the most recognizable brands in the world, and our own highly-successful Jumping Beans brand. We will also launch the next DesigNation designer, our limited-time special collection.

Approximately 280 of our stores had renovated beauty departments at the end of fiscal 2013. We expect to renovate the beauty department in approximately another 200 stores in 2014. We are testing three different beauty renovations - new fixtures with expanded and/or relocated floor space, new fixtures with no change to department size or location, and existing fixtures with acrylic retrofits. Initial test results are showing a significant increase in beauty sales in the renovated stores.

• We are designing a rewards system to increase customer loyalty, especially for customers who do not have a Kohl's-branded credit card. The program allows enrolled customers to earn various rewards or discounts based upon the volume of their purchases. The loyalty program is currently available in approximately 30% of our stores. Initial results have been very positive and we expect this loyalty program to be available in all stores by the end of fiscal

2014.

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We are also making significant investments to create an exciting omni-channel shopping experience for our customers. Whether they are shopping in one of our stores, from their phones or from their laptops, we are creating a consistent experience to ensure that they can connect with us wherever and however they wish.

We remain committed to meeting the changing shopping needs of our customer, to strengthening our omni-channel experience and to investing in our future in a strategic and profitable manner.

2014 Outlook

Our current expectations for fiscal 2014 compared to 2013 including estimated impacts of these initiatives are as follows:

Total sales	Increase 0.5 - 2.5%
Comparable sales	Increase 0 - 2%
Gross margin as a percent of sales	Increase 10 - 30 bps
SG&A	Increase 1.5 - 2.5%
Earnings per diluted share	\$4.05 - \$4.45

Our earnings per diluted share expectation assumes share repurchases of \$1 billion at an average price of \$50 per share.

Results of Operations

53rd Week.

Fiscal 2012 was a 53-week year. During the 53rd week, total sales were \$169 million; selling, general and administrative expenses were approximately \$30 million; interest was approximately \$2 million; net income was approximately \$15 million and diluted earnings per share was approximately \$0.06. Our comparable sales in both 2013 and 2012 exclude the impact of the 53rd week.

Net Sales.

Comparable sales include sales for stores (including relocated or remodeled stores) which were open during both the current and prior year periods. We also include E-Commerce sales in our comparable sales. Omni-channel sales are recorded as store or E-Commerce sales based on the fulfillment channel. For example, customer purchases from our in-store kiosks are generally recognized as E-Commerce sales as the orders are shipped from our E-Commerce fulfillment centers and on-line orders which are shipped from our stores are recognized as store sales. Merchandise returns reduce sales at the location of the return. As a result, store sales are reduced by merchandise purchased on-line, but returned to a store.

The following table summarizes net sales:

	2013	2012	2011
Net sales (In Millions)	\$ 19,031	\$ 19,279	\$ 18,804
Sales growth:			
Total	(1.3)%	2.5 %	2.2 %
Comparable stores (a)	(1.2)%	0.3 %	0.5 %
Net sales per selling square foot (b)	\$ 207	\$ 213	\$ 220

(a)Includes sales for stores (including relocated or remodeled stores) which were open throughout both the full current and prior year periods and E-Commerce. 2013 compares the 52 weeks ended February 1, 2014 to the 52 weeks ended January 26, 2013. 2012 compares the 52 weeks ended January 26, 2013 to the 52 weeks ended January 28, 2012.

(b)Net sales per selling square foot is based on stores open for the full current period, excluding E-Commerce. 2012 excludes the impact of the 53rd week.

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The following table summarizes the changes in net sales:

	2013			2012		
	\$	%		\$	%	
Comparable sales:	(Dollars in Millions)					
Stores	\$(517	) (3.0	)%	(354	) (2.0	)%
E-Commerce	284	20.4	%	411	41.8	%
Total (a)	(233	) (1.2	)%	57	0.3	%
New stores and other revenues	154	—		249	—	
Net change before 53rd week	(79	) (0.4	)%	306	1.6	%
Net sales in 53rd week	(169	) —		169	—	
Increase (decrease) in net sales	\$(248	) (1.3	)%	\$475	2.5	%

(a)2013 compares the 52 weeks ended February 1, 2014 to the 52 weeks ended January 26, 2013. 2012 compares the 52 weeks ended January 26, 2013 to the 52 weeks ended January 28, 2012.

Drivers of the changes in comparable sales were as follows:

	2013		2012	
Selling price per unit	(0.4	)%	1.8	%
Units per transaction	1.5	—		
Average transaction value	1.1		1.8	
Number of transactions	(2.3	)	(1.5	)
Comparable sales	(1.2	)%	0.3	%

The decrease in selling price per unit was primarily due to slightly deeper discounts and clearance merchandise which represented a slightly higher percentage of our total sales than in the prior year periods. Units per transaction increased as customers purchased more items in response to the lower prices. Increases in the number of E-Commerce transactions were more than offset by decreases in our stores. Transactions in 2013 were also negatively impacted by an unseasonably cold spring and winter which reduced customer visits throughout the year.

From a regional perspective, the West, which reported sales consistent with 2012, was the strongest region in 2013. All other regions reported low to mid single-digit sales decreases. E-Commerce revenue, which includes shipping and other revenues and the 53rd week in 2012, increased \$286 million to \$1.7 billion for 2013. The increase is primarily due to increased transactions and units per transaction.

We have renewed our emphasis on national brands in 2013 in an effort to drive customer traffic and maximize sales growth. In the last 6 months of 2013, national brands had improved sales results and represented a growing percentage of our sales. This focus will continue into 2014, as we continue to rebalance our mix between private and exclusive brands and national brands to drive sales growth.

By line of business, all categories reported low single-digit sales decreases in 2013. Children's, Men's and Home outperformed the Company average and Women's was consistent with the Company average. Toys was the strongest category in Children's. Outerwear and active were the strongest categories in both the Men's and the Women's businesses. Electrics and luggage reported the highest sales increases in the Home business. Comparable sales in the Accessories and Footwear categories were below the Company average. Bath and beauty reported the strongest increase in the Accessories business as a result of our beauty remodel program. In Footwear, athletic shoes reported the highest sales increase.

Net sales per selling square foot (which is based on stores open for the full current period and excludes E-Commerce and the 53rd week in 2012), decreased \$6 to \$207 in 2013. The decrease is primarily due to a 3% decrease in sales at our comparable stores.

Net sales for 2012 increased 2.5% over 2011 and comparable sales increased 0.3%. From a line of business perspective, Children's and Men's reported the strongest comparable sales in 2012. Footwear outperformed the

Company average for the year, with a low single-digit increase. Comparable sales in the Accessories, Women's and Home businesses declined slightly for the year. All regions reported modest comparable sales decreases. E-Commerce revenue, which includes shipping and other revenues and the 53rd week, increased \$432 million to \$1.4 billion in 2012.

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Gross margin.

	2013	2012	2011
	(Dollars in Millions)		
Gross margin	\$6,944	\$6,990	\$7,179
As a percent of net sales	36.5 %	36.3 %	38.2 %

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 percentage of sales increased approximately 20 basis points over 2012. The increase includes a 45 basis point increase in our merchandise sales margin. This increase was primarily due to modest decreases in apparel costs in 2013. Partially offsetting this increase were higher shipping losses in our on-line business. The losses were due to higher costs to ship merchandise during the fourth quarter holiday season and to growth in our on-line business.

Gross margin as a percent of net sales decreased approximately 190 basis points from 2012 to 2011 due to reductions in selling price to drive customer traffic and higher apparel costs, especially in the first six months of 2012, which were only partially offset by higher selling prices early in the year.

Selling, general and administrative expenses.

	2013	2012	2011
	(Dollars in Millions)		
Selling, general, and administrative expenses	\$4,313	\$4,267	\$4,243
As a percent of net sales	22.7 %	22.1 %	22.6 %

Selling, general and administrative expenses ("SG&A") include compensation and benefit costs (including stores, headquarters, buying and merchandising and distribution centers); 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 revenues and expenses. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

The following table summarizes the changes in SG&A by expense type:

	2013	2012
	(Dollars In Millions)	
Distribution costs	\$27	\$42
Corporate expenses	32	(10)
Store expenses	27	(11)
Marketing costs, excluding credit card operations	9	14
Net revenues from credit card operations	(19)	(41)
SG&A in 53rd week	(30)	30
Total increase	\$46	\$24

Many of our expenses, including store payroll and distribution costs, are variable in nature. These costs generally increase as sales increase and decrease as sales decrease. We measure both the change in these variable expenses and the expense as a percent of sales. If the expense as a percent of sales decreased from the prior year, the expense

“leveraged” and indicates that the expense was well-managed or effectively generated additional sales. If the expense as a percent of sales increased over the prior year, the expense "deleveraged" and indicates that sales growth was less than expense growth. SG&A as a percent of sales increased, or "deleveraged," by approximately 60 basis points in 2013.

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Distribution costs increased in 2013 due to higher distribution and fulfillment costs related to our growing on-line business, particularly in the fourth quarter.

IT spending, which is included in corporate expenses, increased over 2012 due to growth and infrastructure investments related to our omni-channel strategy.

The increases in store expenses are the result of higher store payroll, higher rent-related expenses due to new stores, increases in real estate taxes, and higher controllable expenses including repairs and maintenance.

Marketing costs were higher in 2013 as we increased our spending in digital and broadcast and added additional markets to our loyalty program pilot.

The increases in net revenues from credit card operations are the result of higher finance charge revenues and late fees due to growth in the portfolio. Partially offsetting these increases were higher bad debt expenses and operational costs. The increased operating costs were primarily due to growth in the portfolio.

SG&A for 2012 increased \$24 million, or 1% over 2011. As a percentage of sales, SG&A decreased, or "leveraged", by approximately 40 basis points in 2012. The increase in SG&A is due primarily to higher distribution costs, increased marketing, investments in technology and infrastructure related to our E-Commerce business and the extra week in the 2012 retail calendar. These increases were partially offset by lower incentive costs.

Other Expenses.

	2013	2012	2011
	(Dollars In Millions)		
Depreciation and amortization	\$889	\$833	\$778
Interest expense, net	338	329	299
Provision for income taxes	515	575	692
Effective tax rate	36.7	% 36.8	% 37.2 %

The increase in depreciation and amortization in 2013 was primarily due to our E-Commerce fulfillment centers and IT amortization. The increase in depreciation and amortization in 2012 was primarily due to recent computer and hardware additions which have a short amortization period as well as the addition of new stores, remodels and the opening of our fourth E-Commerce fulfillment center in DeSoto, Texas.

Net interest expense, including \$2 million in the 53rd week of 2012, increased \$9 million, or 3%, in 2013 and increased \$30 million in 2012. The increases in interest expense are primarily due to the increases in our outstanding long-term debt.

The decreases in the effective tax rate for 2013 and 2012 were primarily due to favorable settlements of state tax audits in the first six months of both years.

Inflation

Although we expect that our operations will be influenced by general economic conditions, 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 experienced 10-15% increases in apparel costs in 2011. We saw modest increases in apparel costs in the first six months of 2012 and modest decreases in the last six months of 2012 and in 2013. In 2014, we expect to see modest increases in apparel costs.

Liquidity and Capital Resources

Our primary ongoing cash requirements are for capital expenditures for new stores, remodels and IT spending and for seasonal and new store inventory purchases. Share repurchases and dividend payments to shareholders are currently

other significant usages of cash. These payments are discretionary and can be discontinued at any time should we require cash for other uses. Our primary source of funds is cash flow provided by operations. Short-term trade credit, in the form of extended payment terms for inventory purchases, often represents a significant source of financing for merchandise inventories. We also have a line of credit available under our revolving credit facility which could be used to meet cash needs. Our working capital and inventory levels typically build throughout the fall, peaking during the November and December holiday selling season.

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As of February 1, 2014, we had cash and cash equivalents of \$971 million. We generated \$1.1 billion of free cash flow in 2013. (See the Free Cash Flow discussion later in this Liquidity and Capital Resources section for additional discussion of this non-GAAP financial measure.)

	2013	2012	2011
	(In Millions)		
Net cash provided by (used in):			
Operating activities	\$1,884	\$1,265	\$2,139
Investing activities	(623)	) (660	) (802)
Financing activities	(827)	) (1,273	) (2,409)

Operating activities.

Cash provided by operations increased \$619 million, or 49%, in 2013 to \$1.9 billion. The increase was primarily due to reduced inventory growth and to lower bonus and other payroll-related liability payments in 2013.

Inventory units per store, excluding E-commerce, as of year-end 2013 were 4% lower than year-end 2012. At cost, inventory per store, excluding E-Commerce, was approximately 1% higher than year-end 2012. The increase in cost per store is primarily due to our renewed focus on national brands which generally have a higher cost than our private and exclusive brands.

Accounts payable as a percent of inventory was 35.2% at February 1, 2014, compared to 34.9% at year-end 2012. The increase reflects lower markdowns and extended payment terms; partially offset by slower inventory turn.

Cash provided by operations decreased \$874 million from \$2.1 billion in 2011 to \$1.3 billion in 2012. The decrease was primarily due to lower earnings, a decrease in deferred taxes related to depreciation and higher inventory levels.

Investing activities.

Net cash used in investing activities decreased \$37 million to \$623 million in 2013. The decrease reflects a \$142 million decrease in capital expenditures which was substantially offset by a \$108 million decrease in auction rate securities sales.

Capital expenditures totaled \$643 million for 2013, a \$142 million decrease from 2012. The decrease reflects multiple changes in our capital expenditures including fewer remodels and new stores and lower spending on E-Commerce fulfillment centers, partially offset by higher IT spending.

The following table summarizes expected and actual capital expenditures by major category:

	2014 Estimate	2013	2012	2011
Computer hardware and software	39 %	45 %	33 %	18 %
Fixtures and store improvements	30	25	18	7
Remodels/relocations	13	10	14	26
New stores	6	9	18	27
Other	12	9	3	7
Distribution centers	—	2	14	15
Total	100 %	100 %	100 %	100 %

We expect total capital expenditures of approximately \$725 million in fiscal 2014. The expected increase over 2013 reflects higher spending for corporate expansion and IT, partially offset by fewer new store openings. The actual amount of our future capital expenditures will depend on the number and timing of new stores and remodels, distribution centers and E-Commerce fulfillment centers opened and remodeled; the mix of owned, leased or acquired stores; and IT spending. We do not anticipate that our capital expenditures will be limited by any restrictive covenants in our financing agreements.

Net cash used in investing activities decreased \$142 million to \$660 million in 2012. The decrease reflects lower capital expenditures primarily due to fewer remodels and new stores, partially offset by higher technology spending.

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Financing activities.

Our financing activities used cash of \$827 million in 2013 and \$1.3 billion in 2012. The decrease is primarily due to lower share repurchases.

We repurchased 15 million shares of our common stock for \$799 million in 2013 and 26 million shares for \$1.3 billion in 2012. Share repurchases are discretionary in nature. The timing and amount of repurchases is based upon available cash balances, our stock price and other factors. The shares were purchased as part of our share repurchase program. We have \$2.3 billion of authorized share repurchases remaining from the \$3.5 billion program approved by our Board of Directors in November 2012. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions, and to complete the program in early fiscal 2016.

In September 2013, we issued \$300 million of 4.75% notes with semi-annual interest payments beginning in December 2013. In September 2012, we issued \$350 million of 3.25% notes with semi-annual interest payments beginning in February 2013.

We have various facilities upon which we may draw funds, including a 5-year, \$1 billion senior unsecured revolving credit facility. In June 2013, we amended the revolving line of credit that we finalized in June 2011. The amendment extended the remaining term from June 2016 to June 2018 and changed the debt ratio covenant. There were no draws on these facilities during 2013 or 2012.

Our credit ratings have been unchanged since September 2007 when we issued \$1 billion in debt. As of February 1, 2014, our ratings were as follows:

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

We may from time to time seek to retire or purchase our outstanding debt through open market cash purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved could be material.

During 2013, we paid cash dividends of \$302 million as detailed in the following table:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Declaration date	February 27	May 15	August 13	November 13
Record date	March 13	June 12	September 11	December 11
Payment date	March 27	June 26	September 25	December 24
Amount per common share	\$0.35	\$0.35	\$0.35	\$0.35

On February 26, 2014 our Board of Directors approved a dividend of \$0.39 per common share which will be paid on March 26, 2014 to shareholders of record as of March 12, 2014.

Our financing activities used cash of \$1.3 billion in 2012 and \$2.4 billion in 2011. The decrease is primarily due to lower treasury stock purchases.

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Key financial ratios.

The following ratios provide certain measures of our liquidity, return on investments, and capital structure.

	2013	2012	2011	
	(Dollars in Millions)			
Liquidity Ratios:				
Working capital	\$2,556	\$2,184	\$2,222	
Current ratio	1.93	1.86	1.85	
Free Cash Flow (a)	\$1,127	\$381	\$1,135	
Return on Investment Ratios:				
Ratio of earnings to fixed charges	3.7	4.1	4.8	
Return on Assets	6.2	% 6.9	% 8.1	%
Return on Gross Investment (a)	15.5	% 16.8	% 18.8	%
Capital Structure Ratios:				
Debt/capitalization	44.8	% 42.9	% 39.5	%
Adjusted Debt to EBITDAR (a)	2.42	2.23	1.99	
(a) Non-GAAP financial measure				
Liquidity ratios.				

Working capital increased \$372 million and our current ratio increased 7 basis points over year-end 2012. The increases were primarily due to higher cash balances. The 2012 working capital and current ratio were generally consistent with 2011.

We generated \$1.1 billion of free cash flow in 2013; an increase of \$746 million over 2012. As discussed above, the increase is primarily the result of higher cash provided by operating activities, and lower capital expenditures in fiscal 2013. 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 acquisition of property & equipment and capital lease & 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 operating activities. We believe that free cash flow represents our ability to generate additional cash flow from our business operations. See the key financial ratio calculations section below.

Return on investment ratios.

Lower earnings resulted in decreases in all three of our return on investment ratios - ratio of earnings to fixed charges, return on assets and return on gross investment ("ROI"). See Exhibit 12.1 to this Annual Report on Form 10-K for the calculation of our ratio of earnings to fixed charges and the key financial ratio calculations below for the return on assets calculation.

We believe that ROI is a useful financial measure in evaluating our operating performance. When analyzed in conjunction with our net earnings and total assets and compared with return on assets, it provides investors with a useful tool to evaluate our ongoing operations and our management of assets from period to period. ROI is a non-GAAP financial measure which we define as earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") divided by average gross investment. Our ROI calculation may not be comparable to similarly-titled measures reported by other companies. ROI should be evaluated in addition to, and not considered a substitute for, other financial measures such as return on assets. See the key financial ratio calculations section below.

Capital structure ratios.

Our debt agreements contain various covenants including limitations on additional indebtedness and a maximum permitted debt ratio. As of February 1, 2014, we were in compliance with all debt covenants and expect to remain in compliance during fiscal 2014. See the key financial ratio calculations section below for our debt covenant calculation.

Our debt/capitalization ratio was 44.8% at year-end 2013, 42.9% at year-end 2012 and 39.5% at year-end 2011. The increases are primarily due to higher debt levels and lower capitalization as a result of share repurchases.

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Our Adjusted Debt to EBITDAR ratio was 2.42 for 2013, 2.23 for 2012 and 1.99 for 2011. The increases are primarily due to higher debt levels. Adjusted Debt to EBITDAR is a non-GAAP financial measure which we define as our adjusted outstanding debt balance divided by EBITDAR. We believe that our debt levels are best analyzed using this measure. Our current goals are to maintain an Adjusted Debt to EBITDAR ratio of approximately 2.25, to manage debt levels to maintain a BBB+ investment-grade credit rating and to operate with an efficient capital structure for our size, growth plans and industry. We exceeded our target goal in 2013 to take advantage of a favorable, low interest rate debt environment. We expect to manage our business and debt levels to get our overall ratio back to our target goal over the next several years. Our Adjusted Debt to EBITDAR calculation may not be comparable to similarly-titled measures reported by other companies. Adjusted Debt to EBITDAR should be evaluated in addition to, and not considered a substitute for, other financial measures such as debt/capitalization. See the key financial ratio calculations section below for our Adjusted Debt to EBITDAR calculation.

Key financial ratio calculations.

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

	2013	2012	2011
	(Dollars in Millions)		
Net cash provided by operating activities	\$1,884	\$1,265	\$2,139
Acquisition of property & equipment	(643)	(785)	(927)
Capital lease & financing obligation payments	(115)	(111)	(91)
Proceeds from financing obligations	1	12	14
Free cash flow	\$1,127	\$381	\$1,135

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

	2013	2012	2011
	(Dollars in Millions)		
Net income	\$889	\$986	\$1,167
Net interest	338	329	299
Provision for income taxes	515	575	692
Depreciation and amortization	889	833	778
Rent expense	270	265	265
EBITDAR	\$2,901	\$2,988	\$3,201
Average: (a)			
Total assets	\$14,335	\$14,266	\$14,434
Cash equivalents and long-term investments (b)	(321)	(677)	(1,421)
Deferred tax and other assets	(149)	(126)	(124)
Accumulated depreciation and amortization	5,457	4,943	4,473
Accounts payable	(1,556)	(1,622)	(1,439)
Accrued liabilities	(1,082)	(1,079)	(1,068)
Other long-term liabilities	(538)	(478)	(458)
Capitalized rent (c)	2,625	2,573	2,598
Gross Investment ("AGI")	\$18,771	\$17,800	\$16,995
Return on Assets ("ROA") (d)	6.2	% 6.9	% 8.1
Return on Gross Investment ("ROI") (e)	15.5	% 16.8	% 18.8

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

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The following table includes our debt ratio calculation, as defined by our debt agreements as of February 1, 2014:

	(Dollars in Millions)
Included Indebtedness	
Total debt	\$ 4,869
Permitted exclusions	(8)
Subtotal	4,861
Rent x 8	2,160
Included Indebtedness	\$ 7,021
Adjusted Debt Compliance EBITDAR	
Net income	\$ 889
Rent expense	270
Depreciation and amortization	889
Net interest	338
Provision for income taxes	515
EBITDAR	2,901
Stock based compensation	55
Other non-cash revenues and expenses	24
Adjusted Debt Compliance EBITDAR	\$ 2,980
Debt Ratio (a)	2.36
Maximum permitted Debt Ratio	3.75
(a) Included Indebtedness divided by Adjusted Debt Compliance EBITDAR	

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

	2013	2012	2011	
	(Dollars in Millions)			
Total Debt	\$4,861	\$4,553	\$4,244	
Adjusted Rent (a)	2,160	2,120	2,117	
Adjusted Debt	\$7,021	\$6,673	\$6,361	
Total Equity	\$5,978	\$6,048	\$6,508	
EBITDAR (b)	\$2,901	\$2,988	\$3,201	
Debt/capitalization (c)	44.8	% 42.9	% 39.5	%
Adjusted Debt to EBITDAR (d)	2.42	2.23	1.99	
(a) Represents 8 times annual rent				
(b) See details in ROI calculation above				
(c) Total debt divided by total debt and shareholders' equity				
(d) Adjusted debt divided by EBITDAR				

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Contractual Obligations

Our contractual obligations as of February 1, 2014 were as follows:

	Maturing in:				
	Total	2014	2015 and 2016	2017 and 2018	2019 and after
	(Dollars In Millions)				
Recorded contractual obligations:					
Long-term debt	\$2,800	\$—	\$—	\$650	\$2,150
Capital lease and financing obligations	1,611	127	200	194	1,090
	4,411	127	200	844	3,240
Unrecorded contractual obligations:					
Interest payments:					
Long-term debt	1,765	149	297	263	1,056
Capital lease and financing obligations	2,844	187	350	317	1,990
Operating leases (a)	5,973	245	482	474	4,772
Royalties	330	90	142	83	15
Purchase obligations (b)	4,032	4,032	—	—	—
Other (c)	432	150	114	74	94
	15,376	4,853	1,385	1,211	7,927
Total	\$19,787	\$4,980	\$1,585	\$2,055	\$11,167

Our leases typically require that we pay real estate taxes, insurance and maintenance costs in addition to the minimum rental payments included in the table above. Such costs vary from period to period and totaled \$175 million for 2013, \$165 million for 2012 and \$161 million for 2011. The lease term includes cancelable option periods where failure to exercise such options would result in economic penalty.

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

Our other commitments include legally binding minimum lease and interest payments for stores opening in 2014 or later, as well as payments associated with technology and marketing agreements.

We have not included \$146 million of long-term liabilities for unrecognized tax benefits and the related interest and penalties in the contractual obligations table because we are not able to reasonably estimate the timing of cash settlements. It is reasonably possible that such tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these audits may be resolved in the next year, it is not anticipated that payment of any such amounts in future periods will materially affect liquidity and cash flows.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of year-end 2013.

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 the financial statements that are reasonably likely to materially affect our financial condition, liquidity, results of operations or 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 the reported amounts. A discussion of the more significant estimates follows. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of our Board of Directors.

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Retail Inventory Method and Inventory Valuation

We value our inventory at the lower of cost or market with cost determined on the first-in, first-out (“FIFO”) basis using the retail inventory method (“RIM”). Under RIM, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value of the inventories. Inherent in the retail inventory method are certain management estimates that may affect the ending inventory valuation as well as gross margin.

The use of RIM will generally result in inventories being valued at the lower of cost or market as permanent markdowns are taken as a reduction of the retail value of inventories. Management estimates the need for an additional markdown reserve based on a review of historical clearance markdowns, current business trends, expected vendor funding and discontinued merchandise categories.

We also record a reserve for estimated inventory shrink between the last physical inventory count and the balance sheet date. Shrink is the difference between the recorded amount of inventory and the physical inventory. Shrink may occur due to theft, loss, inaccurate records for the receipt of inventory or deterioration of goods, among other things. We generally perform an annual physical inventory count at the majority of our stores, distribution centers and E-Commerce fulfillment centers. The shrink reserve is based on sales and actual shrink results from previous inventories.

We did not make any material changes in the methodologies used to value our inventory or to estimate the markdown and shrink reserves during 2013, 2012 or 2011. We believe that we have sufficient current and historical knowledge to record reasonable estimates for our inventory reserves. Though historical reserves have approximated actual markdowns and shrink adjustments, it is possible that future results could differ from current recorded reserves.

Because we routinely record permanent markdowns for potentially obsolete merchandise, we do not believe that a markdown reserve was required as of February 1, 2014. Changes in the assumptions used to estimate our markdown reserve requirement would not have had a material impact on our financial statements. A 10 basis point change in estimated inventory shrink would also have had an immaterial impact on our financial statements.

Vendor Allowances

We receive allowances from many of our merchandise vendors. These allowances often are reimbursements for markdowns that we have taken in order to sell the merchandise and/or to support the gross margins earned in connection with the sales of merchandise. The allowances generally relate to sold inventory or permanent markdowns and, accordingly, are reflected as reductions to cost of merchandise sold. Allowances related to merchandise that has not yet been sold are recorded in inventory.

We also receive vendor allowances which represent reimbursements of costs (primarily advertising) that we have incurred to promote the vendors’ merchandise. These allowances are generally netted against advertising or the other related costs as the costs are incurred. Advertising allowances in excess of costs incurred are recorded as a reduction of merchandise costs.

Most of our vendor allowance agreements are supported by signed contracts which are binding, but informal in nature. The terms of these arrangements vary significantly from vendor to vendor and are influenced by, among other things, the type of merchandise to be supported. Vendor allowances will fluctuate based on the amount of promotional and clearance markdowns necessary to liquidate the inventory as well as advertising and other reimbursed costs.

Insurance Reserve Estimates

We use a combination of insurance and self-insurance for a number of risks.

We retain the initial risk of \$500,000 per occurrence in workers’ compensation claims and \$250,000 per occurrence in general liability claims. We record reserves for workers’ compensation and general liability claims which include the total amounts that we expect to pay for a fully developed loss and related expenses, such as fees paid to attorneys, experts and investigators. The fully developed loss includes amounts for both reported claims and incurred, but not reported losses.

We use a third-party actuary to estimate the liabilities associated with these risks. The actuary considers historical claims experience, demographic and severity factors and actuarial assumptions to estimate the liabilities associated with these risks. As of February 1, 2014, estimated liabilities for workers’ compensation and general liability claims were approximately \$34 million.

A change in claims frequency and severity of claims from historical experience as well as changes in state statutes and the mix of states in which we operate could result in a change to the required reserve levels. Changes in actuarial assumptions

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could also have an impact on estimated reserves. Historically, our actuarial estimates have not been materially different from actual results.

We are fully self-insured for employee-related health care benefits, a portion of which is paid by our associates. We use a third-party actuary to estimate the liability for incurred, but not reported, health care claims. This estimate uses historical claims information as well as estimated health care trends. As of February 1, 2014, we had recorded approximately \$13 million for medical, pharmacy and dental claims which were incurred in 2013 and expected to be paid in 2014. Historically, our actuarial estimates have not been materially different from actual results.

Impairment of Assets

As of February 1, 2014, our investment in buildings and improvements, before accumulated depreciation, was \$10 billion. We review these buildings and improvements for impairment when an event or changes in circumstances, such as decisions to close a store or significant operating losses, indicate the carrying value of the asset may not be recoverable.

For operating stores, a potential impairment has occurred if the fair value of a specific store is less than the net carrying amount of the assets. If required, we would record an impairment loss equal to the amount by which the carrying amount of the asset exceeds its fair value.

Identifying impaired assets and quantifying the related impairment loss, if any, requires significant estimates by management. The most significant of these estimates is the cash flow expected to result from the use and eventual disposition of the asset. When determining the stream of projected future cash flows associated with an individual store, management estimates future store performance including sales growth rates, gross margin and controllable expenses, such as store payroll and occupancy expense. Projected cash flows must be estimated for future periods throughout the remaining life of the property, which may be as many as 40 years in the future. The accuracy of these estimates will be impacted by a number of factors including general economic conditions, changes in competitive landscape and our ability to effectively manage the operations of the store.

We have not historically experienced any significant impairment of long-lived assets. Additionally, impairment of an individual building and related improvements, net of accumulated depreciation, would not generally be material to our financial results.

Income Taxes

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal and state filings by considering all relevant facts, circumstances and information available to us. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount which we believe is cumulatively greater than 50% likely to be realized. Our unrecognized tax benefit, excluding accrued interest and penalties, was \$125 million as of February 1, 2014 and \$108 million as of February 2, 2013.

Unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred tax assets, tax reserves or income tax expense. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different.

Operating Leases

As of February 1, 2014, 747 of our 1,158 retail stores were subject to either a ground or building lease. Accounting for leased properties requires compliance with technical accounting rules and significant judgment by management. Application of these accounting rules and assumptions made by management will determine whether we are considered the owner for accounting purposes or whether the lease is accounted for as a capital or operating lease in accordance with ASC 840, "Leases."

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

If the lease is considered an operating lease, it is not recorded on our balance sheet and rent expense is recognized on a straight-line basis over the expected lease term.

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The most significant estimates used by management in accounting for property leases and the impact of these estimates are as follows:

Expected lease term—Our expected lease term includes both contractual lease periods and cancelable option periods where failure to exercise such options would result in an economic penalty. The expected lease term is used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the lease term exceeds 75% of the leased asset's useful life. The expected lease term is also used in determining the depreciable life of the asset or the straight-line rent recognition period. Increasing the expected lease term will increase the probability that a lease will be considered a capital lease and will generally result in higher rent expense for an operating lease and higher interest and depreciation expenses for a leased property recorded on our balance sheet.

Incremental borrowing rate—We estimate our incremental borrowing rate using treasury rates for debt with maturities comparable to the expected lease term and our credit spread. The incremental borrowing rate is primarily used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the net present value of the lease payments is greater than 90% of the fair market value of the property. Increasing the incremental borrowing rate decreases the net present value of the lease payments and reduces the probability that a lease will be considered a capital lease. For leases which are recorded on our balance sheet with a related capital lease or financing obligation, the incremental borrowing rate is also used in allocating our rental payments between interest expense and a reduction of the outstanding obligation.

Fair market value of leased asset—The fair market value of leased retail property is generally estimated based on comparable market data as provided by third-party appraisers or consideration received from the landlord. Fair market value is used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the net present value of the lease payments is greater than 90% of the fair market value of the property. Increasing the fair market value reduces the probability that a lease will be considered a capital lease. Fair market value is also used in determining the amount of property and related financing obligation to be recognized on our balance sheet for certain leased properties which are considered owned for accounting purposes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

All of our long-term debt at year-end 2013 is at fixed interest rates and, therefore, is not affected by changes in interest rates. When our long-term debt instruments mature, we may refinance them at then existing market interest rates, which may be more or less than interest rates on the maturing debt.

Cash equivalents and long-term investments earn interest at variable rates and are affected by changes in interest rates. During 2013, average investments were \$750 million and average yield was 0.25%. If interest rates on the average 2013 variable rate cash equivalents and long-term investments increased by 100 basis points, our annual interest income would also increase by approximately \$7.5 million assuming comparable investment levels.

We share in the net risk-adjusted revenue of the Kohl's credit card portfolio as defined by the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. We also share the costs of funding the outstanding receivables if interest rates were to exceed defined rates. As a result, our share of profits from the credit card portfolio may be negatively impacted by increases in interest rates. The reduced profitability, if any, will be impacted by various factors, including our ability to pass higher funding costs on to the credit card holders and the outstanding receivable balance, and cannot be reasonably estimated at this time.

Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page F-3.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

None

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Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-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.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of our published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of February 1, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (1992 Framework). Based on this assessment, our management has concluded that as of February 1, 2014, our internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control Over Financial Reporting

During the last fiscal quarter, there were no changes in our internal controls 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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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Kohl's Corporation

We have audited Kohl's Corporation's internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Kohl's Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Kohl's Corporation maintained, in all material respects, effective internal control over financial reporting as of February 1, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of February 1, 2014 and February 2, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended February 1, 2014 of Kohl's Corporation and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin

March 21, 2014

Item 9B. Other Information

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

For information with respect to our Directors, the Board of Directors' Audit Committee and our written code of ethics, see the applicable portions of the "Questions and Answers About our Board of Directors and Corporate Governance Matters" and "Item One: Election of Directors" sections of the Proxy Statement for our May 15, 2014 Annual Meeting of Shareholders ("our 2014 Proxy"), which information is incorporated herein by reference. For information with respect to Section 16 reports, see the information provided in the "Section 16(a) Beneficial Ownership Reporting Compliance" section of our 2014 Proxy, which information is incorporated herein by reference.

Our executive officers as of February 1, 2014 were as follows:

Name	Age	Position
Kevin Mansell	61	Chairman, Chief Executive Officer and President
Don Brennan	53	Chief Merchandising Officer
Michelle Gass	45	Chief Customer Officer
Kenneth Bonning	56	Senior Executive Vice President
Peggy Eskenasi	58	Senior Executive Vice President
Wesley S. McDonald	51	Senior Executive Vice President, Chief Financial Officer
Richard D. Schepp	53	Senior Executive Vice President

Mr. Mansell is responsible for Kohl's strategic direction, long-term growth and profitability. He has served as Chairman since September 2009, Chief Executive Officer since August 2008 and President and Director since February 1999. Mr. Mansell began his retail career in 1975.

Mr. Brennan was promoted to Chief Merchandising Officer in December 2010 and is responsible for all merchandising divisions, product development, merchandise planning and allocation. Previously, he had served as Senior Executive Vice President since September 2007. Mr. Brennan began his retail career in 1982.

Ms. Gass joined Kohl's in June 2013 as Chief Customer Officer and is responsible for our overall customer engagement strategy, including our digital, marketing, public relations, and social responsibility efforts, as well as our E-Commerce business. Previously, she had served as President, Starbucks Europe, Middle East and Africa. Ms. Gass began her retail career in 1991.

Mr. Bonning was promoted to Senior Executive Vice President in May 2011 and is responsible for logistics, store planning and construction and information systems. Previously, he had served as Executive Vice President, Logistics, Facilities and Store Planning from October 2006 to May 2011. Mr. Bonning began his retail career in 1985.

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

Mr. McDonald was promoted to Senior Executive Vice President, Chief Financial Officer in December 2010 and is responsible for financial planning and analysis, investor relations, financial reporting, accounting operations, tax, treasury, credit and capital investment. Previously, he had served as Executive Vice President, Chief Financial Officer since August 2003. Mr. McDonald began his retail career in 1988.

Mr. Schepp was promoted to Senior Executive Vice President in May 2011 and is responsible for legal affairs, real estate, human resources, and internal audit. Mr. Schepp assumed responsibility for our Human Resource department in April 2012. He previously served as Executive Vice President—General Counsel, Secretary from August 2001 to May 2011. Mr. Schepp began his retail career in 1992.

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Members of our Board of Directors as of February 1, 2014 were as follows:

Kevin Mansell
Chairman, President and Chief Executive
Officer,
Kohl's Corporation

Frank V. Sica (b)* (c)
Managing Partner,
Tailwind Capital

Peter Boneparth (b) (c)
Senior Advisor,
Irving Place Capital Partners

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

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

Stephanie A. Streeter(a) (c)*
Chief Executive Officer and Director
Libbey, Inc.

Dale E. Jones (b) (c)
President,
Diversified Search

Nina G. Vaca(a)(c)
Chairman, Chief Executive Officer,
Pinnacle Technical Resources, Inc.

John E. Schlifske(a) (c)
Chairman, President and Chief Executive Officer,
Northwestern Mutual Life Insurance Company

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

(a)Audit Committee member

(b)Compensation Committee member

(c)Governance & Nominating Committee member

* Denotes Chair

Item 11. Executive Compensation

See the information provided in the applicable portions of the "Questions and Answers About our Board of Directors and Corporate Governance Matters" and "Item One: Election of Directors" sections of our 2014 Proxy, including the Compensation Discussion & Analysis, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the information provided in the "Security Ownership of Certain Beneficial Owners, Directors and Management" and "Equity Compensation Plan Information" sections of our 2014 Proxy, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the information provided in the "Independence Determinations & Related Party Transactions" section of our 2014 Proxy, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

See the information provided in the “Fees Paid to Ernst & Young” section of our 2014 Proxy, which information is incorporated herein by reference.

PART IV

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Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. Consolidated Financial Statements:

See “Index to Consolidated Financial Statements” on page F-1, the Report of Independent Registered Public Accounting Firm on page F-2 and the Consolidated Financial Statements beginning on page F-3, all of which are incorporated herein by reference.

2. Financial Statement Schedule:

All schedules have been omitted as they are not applicable.

3. Exhibits:

See “Exhibit Index” of this Form 10-K, which is incorporated herein by reference.

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Signatures

Pursuant to the requirements of Section 13 or 15 (d) 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.

By:

Kohl's Corporation

/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)

Dated: March 21, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated above:

/S/ KEVIN MANSELL

Kevin Mansell

Chairman, President, Chief Executive Officer and
Director (Principal Executive Officer)

/S/ PETER BONEPARTH

Peter Boneparth

Director

/S/ PETER M. SOMMERHAUSER

Peter M. Sommerhauser

Director

/S/ STEVEN A. BURD

Steven A. Burd

Director

/S/ STEPHANIE A. STREETER

Stephanie A. Streeter

Director

/S/ DALE E. JONES

Dale E. Jones

Director

/S/ NINA G. VACA

Nina G. Vaca

Director

/S/ JOHN E. SCHLIFSKE

John E. Schlifske

Director

/S/ STEPHEN E. WATSON

Stephen E. Watson

Director

/S/ FRANK V. SICA

Frank V. Sica

Director

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Exhibit Index

Exhibit Number	Description
3.1	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.
3.2	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.
4.1	Credit Agreement Amendment dated as of June 21, 2013 by and among the Company, the Lenders party thereto, Bank of America, N.A., as the Administrative Agent and as a Continuing Lender and as an Issuing Bank and a Swing Line Lender, U.S Bank National Association, as a Continuing Lender, an Issuing Bank, and a Swing Line Lender, and Wells Fargo Bank, National Association, as a Continuing Lender, an Issuing Bank, and a Swing Line Lender, incorporated herein by reference to Item 4.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 3, 2013.
4.2	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.
10.1	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.
10.2	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.*
10.3	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.*
10.4	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.*
10.5	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.*
10.6	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.*
10.7	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.*
10.8	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.*

- 10.9 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.*
- 10.10 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.*

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Exhibit Number	Description
10.11	Form of Executive Performance Share Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated as of January 13, 2014.*
10.12	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.*
10.13	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 10, 2010.*
10.14	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.*
10.15	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.*
10.16	Summary of Outside Director Compensation. *
10.17	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Kevin Mansell dated as of April 1, 2012, incorporated herein by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*
10.18	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Donald Brennan dated as of April 1, 2012, incorporated herein by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*
10.19	Employment Agreement dated as of May 20, 2014 by and between Kohl's Corporation and Kohl's Department Stores, Inc. and Michelle Gass.*
10.20	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and John Worthington dated as of April 1, 2012, incorporated herein by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*
10.21	Agreement dated as of May 20, 2013 by and between John Worthington and Kohl's Department Stores, Inc., incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended May 4, 2013.*
10.22	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Peggy Eskenasi dated as of April 1, 2012, incorporated herein by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*
10.23	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, incorporated herein by reference to

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Exhibit 10.21 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*

10.24 Amended and Restated Employment Agreement dated as of April 1, 2012 by and between Kohl's Corporation and Kohl's Department Stores, Inc. and Richard D. Schepp.*

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Exhibit Number	Description
10.25	Form of Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and its Senior Executive Vice Presidents, incorporated herein by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.*
12.1	Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant, incorporated herein by reference to Exhibit 21.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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.
32.2	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.
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

* A management contract or compensatory plan or arrangement.

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Consolidated Financial Statements	
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<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Income</u>	F-4
<u>Consolidated Statements of Comprehensive Income</u>	F-4
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7
Schedules have been omitted as they are not applicable.	

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Kohl's Corporation

We have audited the accompanying consolidated balance sheets of Kohl's Corporation (the "Company") as of February 1, 2014 and February 2, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended February 1, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kohl's Corporation at February 1, 2014 and February 2, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 1, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kohl's Corporation's internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
March 21, 2014

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KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars In Millions)

	February 1, 2014	February 2, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 971	\$ 537
Merchandise inventories	3,874	3,748
Deferred income taxes	142	122
Other	305	312
Total current assets	5,292	4,719
Property and equipment, net	8,745	8,872
Long-term investments	64	53
Other assets	277	261
Total assets	\$ 14,378	\$ 13,905
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,365	\$ 1,307
Accrued liabilities	1,138	986
Income taxes payable	94	137
Current portion of capital lease and financing obligations	139	105
Total current liabilities	2,736	2,535
Long-term debt	2,792	2,492
Capital lease and financing obligations	1,930	1,956
Deferred income taxes	382	362
Other long-term liabilities	560	512
Shareholders' equity:		
Common stock - 364 and 360 million shares issued	4	4
Paid-in capital	2,598	2,454
Treasury stock, at cost, 153 and 138 million shares	(8,052)	(7,243)
Accumulated other comprehensive loss	(34)	(45)
Retained earnings	11,462	10,878
Total shareholders' equity	5,978	6,048
Total liabilities and shareholders' equity	\$ 14,378	\$ 13,905
See accompanying Notes to Consolidated Financial Statements		

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KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except per Share Data)

	2013	2012	2011
Net sales	\$19,031	\$19,279	\$18,804
Cost of merchandise sold	12,087	12,289	11,625
Gross margin	6,944	6,990	7,179
Operating expenses:			
Selling, general and administrative	4,313	4,267	4,243
Depreciation and amortization	889	833	778
Operating income	1,742	1,890	2,158
Interest expense, net	338	329	299
Income before income taxes	1,404	1,561	1,859
Provision for income taxes	515	575	692
Net income	\$889	\$986	\$1,167
Net income per share:			
Basic	\$4.08	\$4.19	\$4.33
Diluted	\$4.05	\$4.17	\$4.30
Dividends declared and paid per share	\$1.40	\$1.28	\$1.00
See accompanying Notes to Consolidated Financial Statements			

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	2013	2012	2011
Net income	\$889	\$986	\$1,167
Other comprehensive income (loss), net of tax:			
Unrealized gains on investments	8	5	13
Interest rate derivatives:			
Unrealized loss arising during period	—	—	(30)
Reclassification adjustment for interest expense included in net income	3	3	1
Other comprehensive income (loss)	11	8	(16)
Comprehensive income	\$900	\$994	\$1,151
See accompanying Notes to Consolidated Financial Statements			

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KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Millions, Except per Share Data)

	Common Stock		Paid-In	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Capital	Shares	Amount			
Balance at January 29, 2011	355	\$4	\$2,225	(64)	\$(3,643)	\$ (37)	\$9,301	\$7,850
Comprehensive income (loss)	—	—	—	—	—	(16)	1,167	1,151
Stock options and awards, net of tax	3	—	114	—	(5)	—	—	109
Dividends paid (\$1.00 per common share)	—	—	—	—	2	—	(273)	(271)
Treasury stock purchases	—	—	—	(47)	(2,331)	—	—	(2,331)
Balance at January 28, 2012	358	4	2,339	(111)	(5,977)	(53)	10,195	6,508
Comprehensive income	—	—	—	—	—	8	986	994
Stock options and awards, net of tax	2	—	115	—	(9)	—	—	106
Dividends paid (\$1.28 per common share)	—	—	—	—	3	—	(303)	(300)
Treasury stock purchases	—	—	—	(27)	(1,260)	—	—	(1,260)
Balance at February 2, 2013	360	4	2,454	(138)	(7,243)	(45)	10,878	6,048
Comprehensive income	—	—	—	—	—	11	889	900
Stock options and awards, net of tax	4	—	144	—	(13)	—	—	131
Dividends paid (\$1.40 per common share)	—	—	—	—	3	—	(305)	(302)
Treasury stock purchases	—	—	—	(15)	(799)	—	—	(799)
Balance at February 1, 2014	364	\$4	\$2,598	(153)	\$(8,052)	\$ (34)	\$11,462	\$5,978
See accompanying Notes to Consolidated Financial Statements								

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KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	2013	2012	2011
Operating activities			
Net income	\$889	\$986	\$1,167
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	889	833	778
Share-based compensation	55	50	57
Excess tax benefits from share-based compensation	(3)	(4)	(2)
Deferred income taxes	(7)	(79)	144
Other non-cash expenses, net	43	29	39
Changes in operating assets and liabilities:			
Merchandise inventories	(116)	(523)	(160)
Other current and long-term assets	(11)	(37)	(42)
Accounts payable	58	74	96
Accrued and other long-term liabilities	149	(60)	63
Income taxes	(62)	(4)	(1)
Net cash provided by operating activities	1,884	1,265	2,139
Investing activities			
Acquisition of property and equipment	(643)	(785)	(927)
Sales of investments in auction rate securities	1	109	145
Other	19	16	(20)
Net cash used in investing activities	(623)	(660)	(802)
Financing activities			
Treasury stock purchases	(799)	(1,284)	(2,306)
Shares withheld for taxes on vested restricted shares	(13)	(9)	(5)
Dividends paid	(302)	(300)	(271)
Proceeds from issuance of debt	300	350	646
Deferred financing costs	(4)	(3)	(8)
Interest rate hedge payment	—	—	(48)
Long-term debt payments	—	—	(400)
Proceeds from financing obligations	1	12	14
Capital lease and financing obligation payments	(115)	(111)	(91)
Proceeds from stock option exercises	102	68	58
Excess tax benefits from share-based compensation	3	4	2
Net cash used in financing activities	(827)	(1,273)	(2,409)
Net increase (decrease) in cash and cash equivalents	434	(668)	(1,072)
Cash and cash equivalents at beginning of period	537	1,205	2,277
Cash and cash equivalents at end of period	\$971	\$537	\$1,205
Supplemental information:			
Interest paid, net of capitalized interest	\$326	\$318	\$297
Income taxes paid	561	654	550
Non-Cash Investing and Financing Activities			
Property and equipment acquired through capital lease and financing obligations	\$121	\$63	\$79
See accompanying Notes to Consolidated Financial Statements			

KOHL'S CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Accounting Policies

Business

As of February 1, 2014, Kohl's Corporation operated 1,158 family-oriented department stores and a website (www.Kohls.com) that feature exclusive and national brand apparel, footwear, accessories, soft home products and housewares targeted to middle-income customers. Our stores are located in 49 states.

Our authorized capital stock consists of 800 million shares of \$0.01 par value common stock and 10 million shares of \$0.01 par value preferred stock.

Consolidation

The consolidated financial statements include the accounts of Kohl's Corporation and its subsidiaries including Kohl's Department Stores, Inc., its primary operating company. All intercompany accounts and transactions have been eliminated.

Accounting Period

Our fiscal year ends on the Saturday closest to January 31st each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. The following fiscal periods are presented in this report.

Fiscal year	Ended	Number of Weeks
2013	February 1, 2014	52
2012	February 2, 2013	53
2011	January 28, 2012	52

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

In addition to money market investments, cash equivalents include commercial paper and certificates of deposit with original maturities of three months or less. We carry these investments at cost which approximates fair value.

Also included in cash and cash equivalents are amounts due from credit card transactions with settlement terms of less than five days. Credit and debit card receivables included within cash were \$89 million at February 1, 2014 and \$84 million at February 2, 2013.

Long-term Investments

Long-term investments consist of investments in auction rate securities ("ARS") which are classified as available-for-sale securities and recorded at fair value.

Merchandise Inventories

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

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Business and Summary of Accounting Policies (continued)

Property and Equipment

Property and equipment consist of the following:

	Feb 1, 2014	Feb 2, 2013
	(Dollars In Millions)	
Land	\$ 1,095	\$ 1,089
Buildings and improvements:		
Owned	7,713	7,575
Leased	1,845	1,820
Store fixtures and equipment	2,147	2,517
Computer hardware and software	1,033	779
Construction in progress	291	200
Total property and equipment, at cost	14,124	13,980
Less accumulated depreciation	(5,379)	(5,108)
Property and equipment, net	\$ 8,745	\$ 8,872

Construction in progress includes land, building and improvements, and computer hardware and software which is not ready for its intended use.

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leased property and improvements to leased property are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is less. The annual provisions for depreciation and amortization generally use the following ranges of useful lives:

Buildings and improvements	5-40 years
Store fixtures and equipment	3-15 years
Computer hardware and software	3-8 years

Long-Lived Assets

All property and equipment and other long-lived assets are reviewed when events or changes in circumstances indicate that the asset's carrying value may not be recoverable. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. No material impairments were recorded in 2013, 2012, or 2011 as a result of the tests performed.

Accrued Liabilities

Accrued liabilities consist of the following:

	Feb 1, 2014	Feb 2, 2013
	(Dollars In Millions)	
Various liabilities to customers	\$ 296	\$ 275
Payroll and related fringe benefits	112	101
Sales, property and use taxes	166	153
Credit card liabilities	109	120
Other	455	337
Accrued liabilities	\$ 1,138	\$ 986

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

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Business and Summary of Accounting Policies (continued)

Self-Insurance

We use a combination of insurance and self-insurance for a number of risks including workers' compensation, general liability, and employee-related health care benefits, a portion of which is paid by our associates. Liabilities associated with these losses include estimates of both reported losses and losses incurred but not yet reported. We use a third-party actuary, which considers historical claims experience, demographic factors, severity factors and other actuarial assumptions, to estimate the liabilities associated with these risks. Total estimated liabilities for workers' compensation, general liability and employee-related health benefits were approximately \$47 million at February 1, 2014 and \$42 million at February 2, 2013. Although these amounts are actuarially determined based on analysis of historical trends, the amounts that we will ultimately disburse could differ from these estimates.

As of January 1, 2014, our self insurance exposure differs based on the type of claim. For catastrophic claims like earthquakes, floods and windstorms, we are self insured for 5% of the insurance claim. For other standard claims like fire and building damages, we are self insured for the first \$250,000 of property loss claims plus 10% of additional losses up to \$30 million.

Treasury Stock

We account for repurchases of common stock and shares withheld in lieu of taxes when restricted stock vests using the cost method with common stock in treasury classified in the Consolidated Balance Sheets as a reduction of shareholders' equity.

Accumulated Other Comprehensive Loss and Other Comprehensive Income (Loss)

Accumulated other comprehensive loss consists of the following:

	Unrealized Gains (Losses) on Investments (Dollars In Millions)	Loss on Interest Rate Derivatives	Accumulated Other Comprehensive Loss
Balance at January 28, 2012	\$(24)	\$(29)	\$(53)
Other comprehensive income	5	3	8
Balance at February 2, 2013	(19)	(26)	(45)
Other comprehensive income	8	3	11
Balance at February 1, 2014	\$(11)	\$(23)	\$(34)

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

	2013	2012	2011
	(Dollars In Millions)		
Unrealized gains on investments:			
Before-tax amounts	\$12	\$9	\$21
Tax expense	(4)	(4)	(8)
After-tax amounts	8	5	13
Interest rate derivatives:			
Before-tax amounts	5	5	(47)
Tax (expense) benefit	(2)	(2)	18
After-tax amounts	3	3	(29)
Other comprehensive income (loss)	\$11	\$8	\$(16)

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Business and Summary of Accounting Policies (continued)

Revenue Recognition

Revenue from the sale of merchandise at our stores is recognized at the time of sale, net of any returns. Sales of merchandise shipped to our customers are recorded based on estimated receipt of merchandise by the customer. Net sales do not include sales tax as we are considered a pass-through conduit for collecting and remitting sales taxes. Revenue from Kohl's gift card sales is recognized when the gift card is redeemed. Gift card breakage revenue is based on historical redemption patterns and represents the balance of gift cards for which we believe the likelihood of redemption by a customer is remote.

Cost of Merchandise Sold and Selling, General and Administrative Expenses

The following table illustrates the primary costs classified in Cost of Merchandise Sold and Selling, General and Administrative Expenses:

Cost of Merchandise Sold

- 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
- Terms cash discount

Selling, General and Administrative Expenses

- Compensation and benefit costs including:
- Stores
- Corporate headquarters, including buying and merchandising
- Distribution centers
- Occupancy and operating costs of our retail, distribution and corporate facilities
- Net revenues from the Kohl's credit card program
- 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
- Other administrative revenues and expenses

The classification of these expenses varies across the retail industry.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Business and Summary of Accounting Policies (continued)

Vendor Allowances

We receive consideration for a variety of vendor-sponsored programs, such as markdown allowances, volume rebates and promotion and advertising support. The vendor consideration is recorded as earned either as a reduction of inventory costs or Selling, General and Administrative ("SG&A") expenses based on the application of Accounting Standards Codification ("ASC") No. 605, Subtopic 50, "Customer Payments and Incentives." Promotional and advertising allowances are intended to offset our advertising costs to promote vendors' merchandise. Markdown allowances and volume rebates are recorded as a reduction of inventory costs.

Leases

We lease certain property and equipment used in our operations.

We are often involved extensively in the construction of leased stores. In many cases, we are responsible for construction cost over runs or 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 Sheet. Upon completion of the project, we perform a sale-leaseback analysis pursuant to ASC 840, "Leases," 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 payments 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 generally are considered "continuing involvement" which precludes us from derecognizing the assets from our Balance Sheet when construction is complete. In conjunction with these leases, we also record financing obligations equal to the cash proceeds or fair market value of the assets received from the landlord. At the end of the lease term, including exercise of any renewal options, the net remaining financing obligation over the net carrying value of the fixed asset will be recognized as a non-cash gain on sale of the property. We do not report rent expense for the properties which are owned for accounting purposes. Rather, rental payments under the lease are recognized as a reduction of the financing obligation and interest expense.

Some of our property and equipment is held under capital leases. These assets are included in property and equipment and depreciated over the term of the lease. We do not report rent expense for capital leases. Rather, rental payments under the lease are recognized as a reduction of the capital lease obligation and interest expense.

All other leases are considered operating leases in accordance with ASC 840. Assets subject to an operating lease and the related lease payments are not recorded on our balance sheet. Rent expense is recognized on a straight-line basis over the expected lease term.

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

Advertising

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

	2013	2012	2011
	(Dollars In Millions)		
Gross advertising costs	\$1,185	\$1,163	\$1,123
Vendor allowances	(172)	(170)	(161)
Net advertising costs	\$1,013	\$993	\$962
Net advertising costs as a percent of net sales	5.3 %	5.2 %	5.1 %

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1. Business and Summary of Accounting Policies (continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recorded based on differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. Deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We establish valuation allowances for deferred tax assets when we believe it is more likely than not that the asset will not be realizable for tax purposes.

We recognize interest and penalty expense related to unrecognized tax benefits in our provision for income tax expense.

Net Income Per Share

Basic net income per share is net income divided by the average number of common shares outstanding during the period. Diluted net income per share includes incremental shares assumed to be issued upon exercise of stock options. The information required to compute basic and diluted net income per share is as follows:

	2013	2012	2011
	(In Millions, Except per Share Data)		
Numerator—net income	\$889	\$986	\$1,167
Denominator—weighted average shares			
Basic	218	235	270
Impact of dilutive employee stock options (a)	2	2	1
Diluted	220	237	271
Net income per share:			
Basic	\$4.08	\$4.19	\$4.33
Diluted	\$4.05	\$4.17	\$4.30

(a) Excludes 10 million share-based awards for 2013, 14 million share-based awards for 2012 and 11 million share-based awards for 2011 as the impact of such awards was antidilutive.

Share-Based Awards

Stock-based compensation expense, including stock options and nonvested stock awards, is generally recognized on a straight-line basis over the vesting period based on the fair value of awards which are expected to vest. The fair value of all share-based awards is estimated on the date of grant.

To conform to the current year presentation, in our Consolidated Statements of Changes in Shareholders' Equity, we have reclassified shares withheld for taxes on vested restricted shares from "Treasury stock purchases" to "Stock options and rewards, net of tax". The reclass was \$9 million for 2012 and \$5 million for 2011.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Debt

Long-term debt consists of the following unsecured senior debt:

Maturing	Effective Rate	Coupon Rate	Outstanding February 1, 2014 (Dollars in Millions)	February 2, 2013
2017	6.31	% 6.25	% \$650	\$650
2021	4.81	% 4.00	% 650	650
2023	3.25	% 3.25	% 350	350
2023	4.78	% 4.75	% 300	—
2029	7.36	% 7.25	% 200	200
2033	6.05	% 6.00	% 300	300
2037	6.89	% 6.88	% 350	350
Total senior debt	5.54	%	2,800	2,500
Unamortized debt discount			(8	) (8
Long-term debt			\$2,792	\$2,492

In September 2013, we issued \$300 million of 4.75% notes with semi-annual interest payments beginning December 2013. The notes mature on December 15, 2023.

In September 2012, we issued \$350 million of 3.25% notes with semi-annual interest payments beginning February 2013. The notes mature on February 1, 2023.

In June 2013, we amended the \$1 billion senior unsecured revolving line of credit that we finalized in June 2011. The amendment extended the remaining term from June 2016 to June 2018 and changed the debt ratio covenant. There were no outstanding borrowings on this line of credit in 2013 or 2012.

Our various debt agreements contain covenants including limitations on additional indebtedness and certain financial tests. As of February 1, 2014, we were in compliance with all covenants of the various debt agreements.

We also have outstanding trade letters of credit and stand-by letters of credit totaling approximately \$64 million at February 1, 2014, issued under uncommitted lines with two banks.

3. Fair Value Measurements

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

The following table summarizes our financial instruments:

February 1, 2014 Cost	February 2, 2013 Cost
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	Pricing Category		Fair Value		Fair Value
		(In Millions)			
Cash and cash equivalents	Level 1	\$ 971	\$ 971	\$ 537	\$ 537
Long-term investments	Level 3	82	64	84	53
Debt	Level 1	2,792	2,988	\$ 2,492	2,702

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Fair Value Measurements (continued)

Our long-term investments consist primarily of investments in auction rate securities ("ARS"). The fair value for our ARS were based on third-party pricing models which utilized a discounted cash flow model for each of the securities as there was no recent activity in the secondary markets in these types of securities. This model used a combination of observable inputs which were developed using publicly available market data obtained from independent sources and unobservable inputs that reflect our own estimates of the assumptions that market participants would use in pricing the investments. Observable inputs include interest rate currently being paid, maturity and credit ratings.

Unobservable inputs include expected redemption date and discount rate. We assumed a seven-year redemption period in valuing our ARS. We intend to hold our ARS until maturity or until we can liquidate them at par value. Based on our other sources of income, we do not believe we will be required to sell them before recovery of par value. In some cases, holding the security until recovery may mean until maturity, which ranges from 2037 to 2039. The discount rate was calculated using the closest match available for other insured asset backed securities. Discount rates ranged from 7.34% to 7.79%. A market failure scenario was employed as recent successful auctions of these securities were very limited. Assuming a longer redemption period and a higher discount rate would result in a lower fair market value. Similarly, assuming a shorter redemption period and a lower discount rate would result in a higher fair market value.

The following table presents a rollforward of our long-term investments:

	2013	2012
	(Dollars In Millions)	
Balance at beginning of year	\$53	\$153
Sales	(1)	(109)
Unrealized gains	12	9
Balance at end of year	\$64	\$53

4. Lease Commitments

Rent expense charged to operations was \$270 million for 2013 and \$265 million for both 2012 and 2011. In addition, we are often required to pay real estate taxes, insurance and maintenance costs. These items are not included in the rent expenses listed above. Many store leases include multiple renewal options, exercisable at our option, that generally range from four to eight additional five-year periods.

Future minimum lease payments at February 1, 2014 were as follows:

	Capital Lease and Financing Obligations (Dollars In Millions)	Operating Leases
Fiscal year:		
2014	\$314	\$245
2015	277	243
2016	273	239
2017	262	237
2018	249	237
Thereafter	3,080	4,772
	4,455	\$5,973
Non-cash gain on future sale of property	458	
Amount representing interest	(2,844)	)

Present value of lease payments	\$2,069
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5. Benefit Plans

We have a defined contribution savings plan covering all full-time and certain part-time associates. Participants in this plan may invest up to 100% of their base compensation, subject to certain statutory limits. We match 100% of the first 5% of each participant's contribution.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Benefit Plans (continued)

We also have an Employee Stock Ownership Plan ("ESOP") for the benefit of a group of our non-management associates. Contributions are made at the discretion of the Board of Directors. Shares of our stock held by the ESOP are included as shares outstanding for purposes of the net income per share computations.

We also offer a non-qualified deferred compensation plan to a group of executives which provides for pre-tax compensation deferrals up to 100% of salary and/or bonus. Deferrals and credited investment returns are 100% vested.

The total costs for these benefit plans were \$49 million for 2013, \$53 million for 2012, and \$57 million for 2011.

6. Income Taxes

Deferred income taxes consist of the following:

	Feb 1, 2014	Feb 2, 2013
	(Dollars In Millions)	
Deferred tax liabilities:		
Property and equipment	\$1,416	\$1,405
Deferred tax assets:		
Merchandise inventories	24	23
Accrued and other liabilities, including stock options	223	217
Capital lease and financing obligations	813	810
Accrued step rent liability	94	86
Unrealized loss on investments	7	12
Unrealized loss on interest rate swap	15	17
	1,176	1,165
Net deferred tax liability	\$240	\$240

On September 13, 2013, Treasury and the Internal Revenue Service issued final regulations regarding the deduction and capitalization of expenditures related to tangible property. We are currently analyzing the expected impact of the new regulations and we do not believe the impact will be material to our financial position or results of operations.

The components of the provision for income taxes as follows:

	2013	2012	2011
	(Dollars In Millions)		
Current federal	\$469	\$590	\$497
Current state	45	60	60
Deferred federal	10	(66)	) 124
Deferred state	(9	) (9	) 11
	\$515	\$575	\$692

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

	2013		2012		2011	
Provision at statutory rate	35.0	%	35.0	%	35.0	%
State income taxes, net of federal tax benefit	2.2		2.2		2.7	
Tax-exempt interest income	(0.2	)	(0.1	)	—	
Federal HIRE Act tax credit	—		—		(0.4	)
Other Federal tax credits	(0.3	)	(0.3	)	(0.1	)
Provision for income taxes	36.7	%	36.8	%	37.2	%

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Income Taxes (continued)

We have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The only federal returns subject to examination are for the 2008 through 2013 tax years. State returns subject to examination vary depending upon the state. Generally, the 2010 through 2013 tax years are subject to state examination; however, in some instances, earlier periods are presently being audited. The earliest open period is 2003. Certain states have proposed adjustments which we are currently appealing. If we do not prevail on our appeals, we do not anticipate that the adjustments would result in a material change in our financial position.

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

	2013	2012
	(Dollars In Millions)	
Balance at beginning of year	\$ 108	\$ 101
Increases due to:		
Tax positions taken in prior years	6	1
Tax positions taken in current year	21	22
Decreases due to:		
Tax positions taken in prior years	(4	) (9
Settlements with taxing authorities	(3	) (1
Lapse of applicable statute of limitations	(3	) (6
Balance at end of year	\$ 125	\$ 108

Not included in the unrecognized tax benefits reconciliation above are gross unrecognized accrued interest and penalties of \$21 million at February 1, 2014 and \$18 million at February 2, 2013. Interest and penalty expense was \$3 million for 2013 and \$1 million for 2012.

Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were \$88 million as of February 1, 2014 and \$75 million as of February 2, 2013.

It is reasonably possible that our unrecognized tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these examinations may be resolved in the next year, it is not anticipated that a significant impact to the unrecognized tax benefit balance will occur.

7. Stock-Based Compensation

We currently grant share-based compensation pursuant to the Kohl's Corporation 2010 Long-Term Compensation Plan, which provides for the granting of various forms of equity-based awards, including nonvested stock, performance share units and options to purchase shares of our common stock, to officers, key employees and directors. As of February 1, 2014, there were 18.5 million shares authorized and 12.1 million shares available for grant under the 2010 Long-Term Compensation Plan. Options and nonvested stock that are surrendered or terminated without issuance of shares are available for future grants.

Annual grants of stock options and nonvested stock are typically made 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. We also have outstanding options which were granted under previous compensation plans.

Stock options

The majority of stock options granted to employees typically vest in five equal annual installments. Outstanding options granted to employees after 2005 have a term of seven years. Outstanding options granted to employees prior to 2006 have a term of up to 15 years. Options granted to directors have a term of 10 years.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Stock-Based Compensation (continued)

All stock options have an exercise price equal to the fair market value of the common stock on the date of grant. The fair value of each option award is estimated using a Black-Scholes option valuation model and the following assumptions as of the grant date:

	2013	2012	2011
Dividend yield	2.9%	2.6%	1.8%
Volatility	32.7%	33.7%	33.1%
Risk-free interest rate	0.9%	1.0%	2.0%
Expected life in years	5.5	5.5	5.5
Weighted average fair value at grant date	\$10.68	\$11.79	\$14.54

The dividend yield represents the expected dividends on our stock for the expected term of the option. The expected volatility assumption is based on the historical volatility of our stock. The risk-free interest rate for periods within the life of the option is based on a blend of U.S. Treasury bond rates. We use historical data to estimate the expected life of the option and the period of time that options granted are expected to be outstanding.

The following table summarizes our stock option activity for 2013, 2012, and 2011:

	2013		2012		2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(Shares in Thousands)					
Balance at beginning of year	15,212	\$53.96	16,564	\$53.41	17,869	\$53.17
Granted	575	47.86	1,458	49.00	1,056	52.60
Exercised	(2,494)	41.02	(1,718)	40.01	(1,349)	43.12
Forfeited/expired	(1,918)	56.59	(1,092)	60.93	(1,012)	62.07
Balance at end of year	11,375	\$56.05	15,212	\$53.96	16,564	\$53.41

The intrinsic value of options exercised represents the excess of our stock price at the time the option was exercised over the exercise price and was \$30 million in 2013, \$20 million in 2012 and \$16 million in 2011.

Additional information related to stock options outstanding and exercisable at February 1, 2014, segregated by exercise price range, is summarized below:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable		
	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)					
\$ 17.00 – \$ 35.50	313	1.1	\$34.70	313	1.1	\$34.70
\$ 35.51 – \$ 38.30	37	1.7	37.65	37	1.7	37.65
\$ 38.31 – \$ 41.63	948	2.3	41.58	634	2.4	41.55
\$ 41.64 – \$ 45.57	776	2.7	43.57	571	1.5	43.14
\$ 45.58 – \$ 50.37	2,529	4.9	48.25	1,401	4.6	48.44
\$ 50.38 – \$ 51.81	851	4.7	50.87	586	4.3	50.69
\$ 51.82 – \$ 66.25	2,979	3.2	57.24	2,162	2.8	58.51
\$ 66.26 – \$ 75.90	989	2.2	68.68	989	2.2	68.68
\$ 75.91 – \$ 77.62	1,953	0.2	75.99	1,953	0.2	75.99
	11,375	2.9	\$56.05	8,646	2.3	\$58.25

Intrinsic value (in thousands)	\$25,656	\$18,660
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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Stock-Based Compensation (continued)

The intrinsic value of outstanding and exercisable stock options represents the excess of our closing stock price on February 1, 2014 (\$50.63) over the exercise price multiplied by the applicable number of stock options.

Nonvested stock awards

We have also awarded shares of nonvested common stock to eligible key employees and to our Board of Directors. Substantially all awards have restriction periods tied primarily to employment and/or service. Nonvested stock awarded to employees generally vests over four or five years. In 2013, 2012, and 2011, we also granted performance-vested restricted shares to selected members of senior management. Vesting of performance-vested shares is contingent upon achievement of certain performance criteria, such as designated net income levels or sales levels that exceed those of a group of our peers. Upon the satisfaction of the contingency, the performance-vested shares vest in accordance with a designated timetable, generally over a five-year period from the date of grant. Director awards vest over the term to which the director was elected, generally one year. In lieu of cash dividends, nonvested stock awards are granted restricted stock equivalents which vest consistently with the underlying nonvested stock awards.

The fair value of nonvested stock awards is the closing price of our common stock on the date of grant. We may acquire shares from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employee's unvested stock award. Such shares are then designated as treasury shares.

The following table summarizes nonvested stock activity, including restricted stock equivalents issued in lieu of cash dividends, for 2013, 2012, and 2011:

	2013		2012		2011	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
	(Shares in Thousands)					
Balance at beginning of year	2,323	\$50.47	1,946	\$51.11	1,116	\$49.30
Granted	1,189	49.22	1,038	48.86	1,198	52.34
Vested	(706)	48.00	(492)	49.77	(308)	49.28
Forfeited	(153)	50.48	(169)	50.04	(60)	51.31
Balance at end of year	2,653	\$50.56	2,323	\$50.47	1,946	\$51.11

The aggregate fair value of awards at the time of vesting was \$34 million in 2013, \$24 million in 2012 and \$16 million in 2011.

Performance share units

In January 2014, we granted performance-based restricted stock units ("performance share units") to certain executives. The performance measurement period for these performance share units is fiscal years 2014 through 2016. The fair market value of the grant was \$57.37 per unit and was determined using a Monte-Carlo valuation on the date of grant. The performance share units cover a target of 230,000 shares. The actual number of shares which will be earned at the end of the three-year vesting period will vary based on our cumulative financial performance over the vesting period. The number of performance share units earned will be modified up or down based on Kohl's Relative Total Shareholder Return against a defined peer group during the vesting period. The payouts, if earned, will be settled in Kohl's common stock after the end of each multi-year performance period.

Other required disclosures

Stock-based compensation expense is included in Selling, General and Administrative expense in our Consolidated Statements of Income. Such expense totaled \$55 million for 2013, \$50 million for 2012 and \$57 million for 2011. At February 1, 2014, we had approximately \$178 million of unrecognized share-based compensation expense (before forfeitures and capitalization), which is expected to be recognized over a weighted-average period of 3 years.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Contingencies

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

9. Quarterly Financial Information (Unaudited)

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

	2013			
	First	Second	Third	Fourth
	(In Millions, Except per Share Data)			
Net sales	\$4,199	\$4,289	\$4,444	\$6,099
Gross margin	\$1,528	\$1,676	\$1,666	\$2,075
Net income	\$147	\$231	\$177	\$334
Basic shares	222	220	216	213
Basic net income per share	\$0.66	\$1.05	\$0.82	\$1.57
Diluted shares	223	222	218	215
Diluted net income per share	\$0.66	\$1.04	\$0.81	\$1.56
	2012			
	First	Second	Third	Fourth
	(In Millions, Except per Share Data)			
Net sales	\$4,243	\$4,205	\$4,490	\$6,342
Gross margin	\$1,524	\$1,642	\$1,712	\$2,112
Net income	\$154	\$240	\$215	\$378
Basic shares	243	238	233	227
Basic net income per share	\$0.63	\$1.01	\$0.92	\$1.66
Diluted shares	245	239	235	228
Diluted net income per share	\$0.63	\$1.00	\$0.91	\$1.66

Due to changes in stock prices during the year and timing of share repurchases and issuances, the sum of quarterly net income per share may not equal the annual net income per share.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Related Party Transactions

One of our directors is also a shareholder of a law firm which performs legal services for us.

We have agreements with Blackhawk Network, Inc. ("Blackhawk") pursuant to which Blackhawk distributes our prepaid gift cards for sale in various retail outlets and to which we sell prepaid gift cards for other retailers in our stores. We pay Blackhawk a fee for Kohl's gift cards which are sold at other retailers and we receive a fee for selling gift cards for other retailers in our stores. Blackhawk is a subsidiary of Safeway Inc. ("Safeway") and one of our directors was the Chairman and Chief Executive Officer of Safeway until May 14, 2013. This director also holds a small minority ownership interest in Blackhawk. The Blackhawk agreements were entered into in the ordinary course of our business, and our director was not involved in any negotiations. Blackhawk is a leading provider of gift card marketing services in the retail industry, and Safeway has confirmed that the terms of our agreements with Blackhawk are substantially similar to the terms of Blackhawk's agreements with other similarly situated national retailers.

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