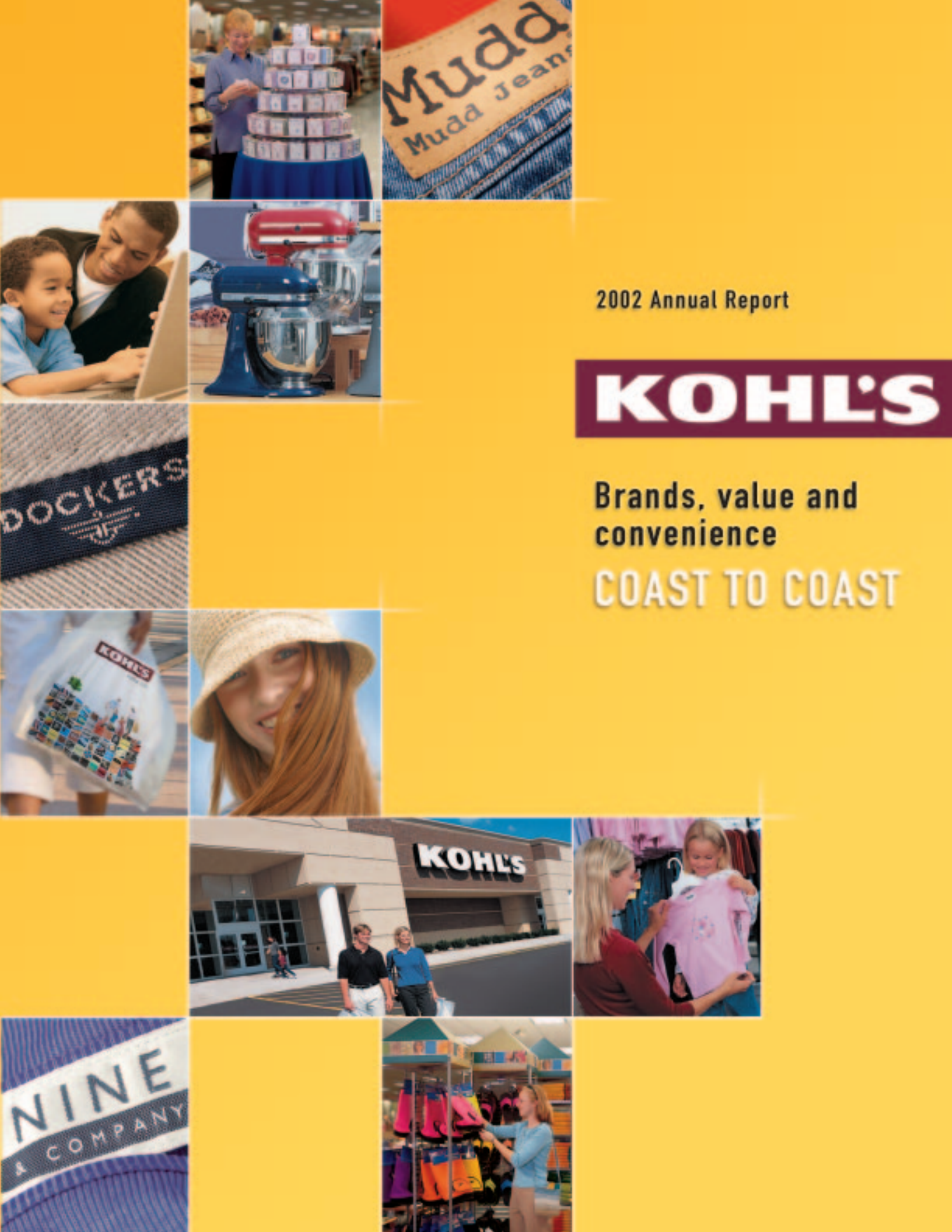




Kohl's Corporation  
N56 W17000 Ridgewood Drive  
Menomonee Falls, WI 53051-5660  
(262) 703-7000  
[www.kohls.com](http://www.kohls.com)



2002 Annual Report

**KOHL'S**

Brands, value and  
convenience

COAST TO COAST



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## PROFILE

As of April 1, 2003, Kohl's operates 485 family-focused, value-oriented department stores in 34 states. The company's stores offer moderately priced national brand apparel, shoes, accessories and home products targeted to middle income customers shopping for their families and homes. Kohl's focuses on providing convenient shopping at neighborhood locations close to where our customers live and work.



# FINANCIAL HIGHLIGHTS

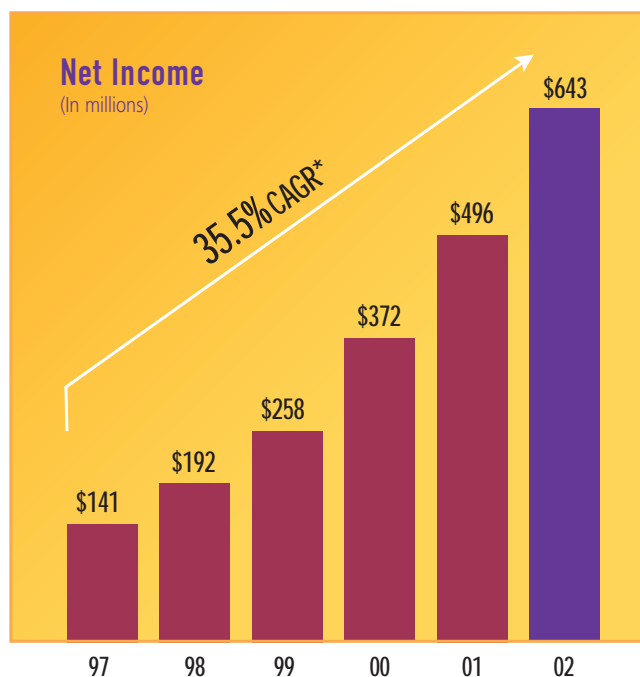
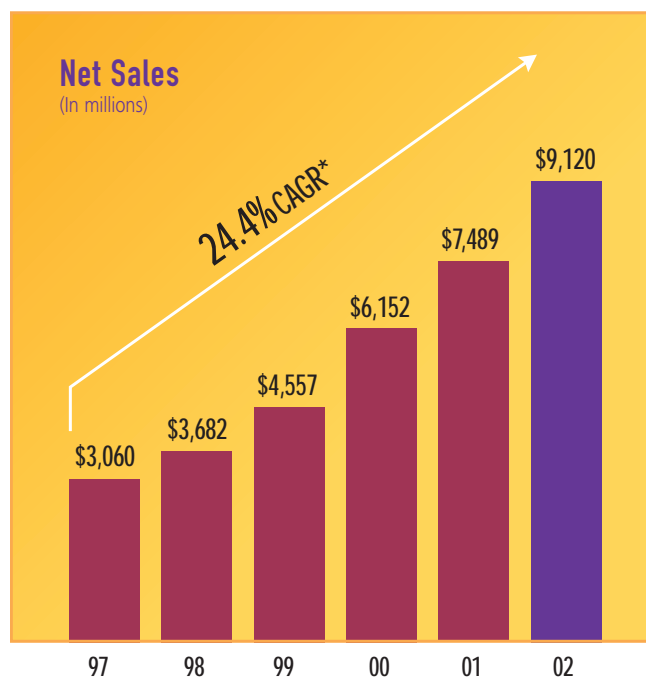
	2002	2001	
<b>Net Sales</b> (In millions of dollars)	<b>\$9,120</b>	\$7,489	<b>UP 22%</b>
<b>Operating Income</b> (In millions of dollars)	<b>\$1,090</b>	\$ 850	<b>UP 28%</b>
<b>Net Income</b> (In millions of dollars)	<b>\$ 643</b>	\$ 496	<b>UP 30%</b>
<b>Diluted Net Income Per Share</b>	<b>\$ 1.87</b>	\$ 1.45	<b>UP 29%</b>
<b>Total Square Feet of Selling Space</b> (At year end in thousands)	<b>34,507</b>	28,576	<b>UP 21%</b>

## Another Record Year

In a challenging retail and economic environment, we demonstrated our ability to deliver both top and bottom line results. Total sales increased 21.8% over the prior year, while comparable store sales increased 5.3%. Operating income increased 28.3% and the operating margin reached an all-time high of 12.0% of sales. Bottom line, net income increased 29.8% over last year. This follows six consecutive years of earnings growth in excess of 30%.

Over the past five years, Kohl's sales have increased 24.4% on a compounded annual growth rate. At the same time, net income has grown 35.5% on a compounded annual growth rate.

Kohl's record of consistently strong financial performance provides a solid foundation for our future growth.



\*Compounded annual growth rate.

# DEAR SHAREHOLDERS:

Without question, fiscal 2002 was a challenging year. The continued soft economy, layoffs and the impact of a potential war combined to dampen consumer spending for retailers in all segments of the market. In this difficult environment, Kohl's delivered a 29.8% increase in earnings, exceeding our goal of a 20% increase each year and outperforming the vast majority of our competitors.

Net sales for fiscal 2002 increased 21.8% to a record \$9.1 billion and net income reached \$643 million or \$1.87 per diluted share. Comparable store sales rose 5.3% in 2002, as we continued to increase our market share.

We believe our ability to succeed while many others struggled is a direct reflection of our business model and the hard work of our dedicated Associates. We offer the national brand merchandise our customers want at prices they can afford, which is especially attractive in a difficult economy. And we continue to focus on increasing productivity across all areas of the business, resulting in effective expense management. Selling, general and administrative expenses (SG&A) as a percent of sales decreased to 19.9% in 2002, an improvement of 47 basis points over the prior year.

## Coast-to-coast expansion

We opened 75 stores in 2002, ending the year with a total of 457 stores, and created 15,000 new jobs in communities across the country. We successfully introduced the Kohl's concept to new customers in the Houston, Boston, Nashville and Providence markets. We also added 36 new prototype stores in markets we already serve and opened four stores as part of a small-store test. In addition to opening new stores, we continued our emphasis on keeping our established stores fresh and current. From remodeling and expanding existing stores to updating our merchandise presentations, our goal is to drive increases in same-store sales by continually enhancing the Kohl's shopping experience.

We will continue to build on this momentum with the opening of approximately 80 stores in 2003 and 95 - 100 stores in 2004. The new store openings will be a combination of new market entries and fill-ins in markets we already serve.

Our 2003 expansion has already begun. With the help of 4,500 new Associates, we successfully opened 28 new stores in the greater Los Angeles area in March. This expansion into the Southwest is significant because it gives Kohl's a major presence in markets across the United States, moving us from a regional to a national retailer.



Arlene Meier, Kevin Mansell and Larry Montgomery.

The Southwest region provides significant growth opportunities for Kohl's. To support the expansion into this region, we opened a new distribution center in San Bernardino, California, in December 2002. Building on our new Southern California base, we will further expand our presence in this region with the opening of new stores in the Phoenix, Las Vegas and Tucson markets in the fall.

The fact that we were able to successfully open 28 stores in a new West Coast market all on the same day is one more example of our thorough and disciplined approach to expansion, as well as our ability to consistently execute our strategies.

## Framework for growth

The framework for our growth is the infrastructure we have developed and refined over the past 10 years, as we grew from our Midwestern base of 76 stores to become a major national retailer. Our regional management structure and market solutions group facilitate our expansion into new areas of the country with different style preferences and climates. Our distribution centers are strategically located to serve the existing stores in each region, as well as to support future expansion. We are continually improving our systems and programs to further increase productivity, efficiency and customer satisfaction. And with our coast-to-coast expansion comes new opportunities for national advertising and increased marketing to build the Kohl's brand among consumers across the country.

We are financially strong and our capital structure is well positioned to support our growth. Internally generated cash flow continues to be our most important source of capital. A new \$665 million revolving credit facility will be used primarily to support our seasonal working capital needs. It replaces a \$300 million facility that would have matured in June 2003. We maintained our long-term debt ratings of A3 by Moody's and A- by Standard & Poor's.



## Brands, value and convenience

Our success in both new and existing markets is due to our continued focus on brands, value and convenience. We understand that our key customer is a busy mom shopping for her home and family. We've designed the Kohl's shopping experience around national brands, deep in-stock selection, an efficient store layout and fast check-out. Convenience at Kohl's also means an on-line store for those who prefer to shop from home.

Kohl's proprietary credit card provides added savings for our customers. Our high quality credit card portfolio functions as a loyalty program that drives sales by bringing customers into our stores through direct mail promotions, special discounts and other benefits.

There are many attributes that differentiate Kohl's from the competition and position us for continued growth. None of them would be possible without our outstanding team of Associates. Our Associates are exceptional people who care about their customers, each other and their company. Our Associates have always been, and will continue to be, the driving force behind our success, because whether they work in our stores, distribution centers or corporate office, it is our people who truly set Kohl's apart.

## Commitment to our shareholders

Our Board of Directors takes its responsibility to shareholders very seriously. In anticipation of the new financial reporting and disclosure requirements of the Sarbanes-Oxley Act, we revised our Board committee structure for 2003. We expanded the role of our Nominating Committee to include corporate governance oversight. The new Governance and Nominating Committee has adopted corporate governance guidelines that define how we conduct our business. This committee, as well as our Compensation and Audit Committees, provide independent oversight and compliance functions for the key areas of our business. Our Board also monitors compliance with our code of ethics, which applies to every Kohl's Associate.

To provide information to our shareholders more quickly, we have accelerated the timetable for our 10-K and 10-Q filings with the Securities and Exchange Commission. Our 10-K will be filed within 60 days of year-end and our 10-Qs will be filed 35 days after the end of each quarter.

As in the past, we will continue to manage our business both ethically and responsibly, and with a commitment to representing the best interests of our shareholders.

## More milestones ahead

When we went public in 1992, we said our goal was to be a major national retailer. We achieved that goal with our March 2003 entry into Southern California. But for every milestone we reach, there's a new one on the horizon. There are many untapped new markets that offer excellent growth potential for Kohl's. We have the infrastructure and financial strength to continue our steady expansion and we have a solid track record on which we can build.

Most of all, we have exceptional Associates, loyal customers, quality vendors and supportive shareholders who share our vision of continued growth and improved performance by bringing brands, value and convenience to customers from coast to coast.



Larry Montgomery  
Chairman and  
Chief Executive Officer

Kevin Mansell  
President

Arlene Meier  
Chief Operating Officer

## Board of Directors Changes

In February 2003, Larry Montgomery was elected chairman of the board, succeeding Bill Kellogg. Larry will continue to serve as chief executive officer, a position he has held since 1999. A 32-year veteran of the retail industry, Larry joined Kohl's in 1988, was promoted to executive vice president in 1993, joined the Board of Directors in 1994 and became vice chairman in 1996.

Bill Kellogg, who retired from day-to-day operations in January 2001, will continue as a member of the Board and will serve as presiding director of non-management Board meetings.

In addition, we are pleased to welcome Judith Sprieser, president and CEO of Transora, Inc., to our Board of Directors. Her extensive experience in corporate finance, accounting and operations will be of great value to the Board.

Herb Simon, a director since 1988, has retired from the Board. Herb provided tremendous guidance through the years in the development and execution of our growth strategy. We wish Herb well and thank him for his many contributions to our success.

# EXPANDING FROM COAST TO COAST

Kohl's expansion strategy is to increase square footage by approximately 18-20% per year. This strategy is designed to achieve consistent, controlled growth by expanding into both new and contiguous markets and adding additional stores in markets we already serve.

## New in 2002

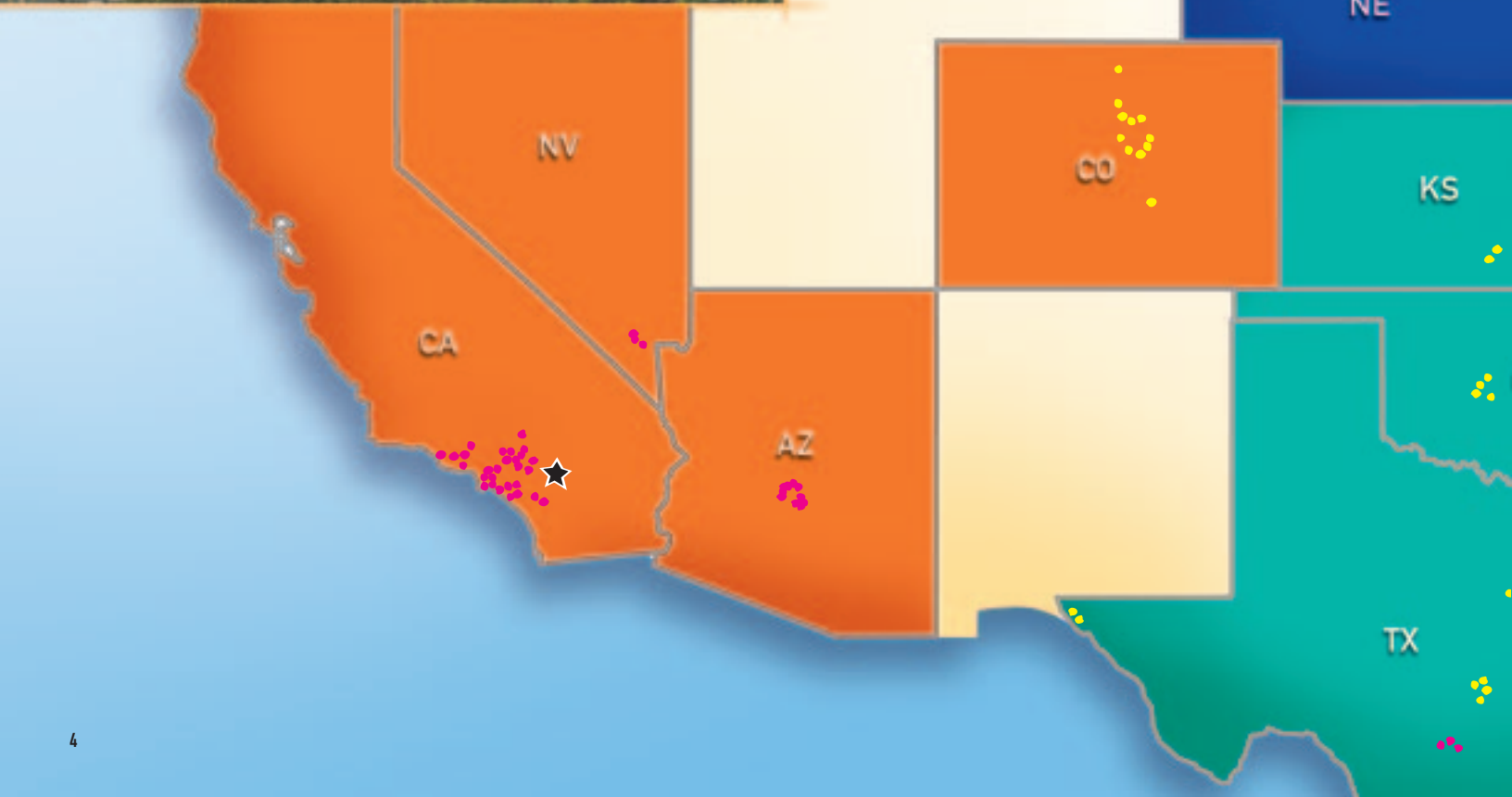
We opened 75 stores in 2002 – 71 prototype stores and four smaller test stores. We opened 35 stores in new markets including our entries into Boston, Massachusetts; Houston, Texas; Providence, Rhode Island; and Nashville, Tennessee. At the same time, we opened 40 fill-in stores throughout the regions we currently serve, bringing our total number of stores to 457 at year end.

From a regional perspective, we substantially increased our presence in the Northeast, growing from 47 to 77 stores during the year. Our new market entry into Boston with 15 stores included 12 stores that were previously operated by Bradlees and were converted to the Kohl's format. We entered the Providence market with four new stores and opened 11 additional stores in the region, continuing our fill-in strategy in existing markets.

We increased our presence in the South Central region, growing from 52 to 67 stores. Twelve of the 15 new stores represented our entry into the Houston market, which brought us to a total of 39 stores in the state of Texas.



Kohl's became a national retailer with the opening of 28 stores in Southern California in March 2003.



Our Southeast region increased from 40 to 49 stores, including our entry into Nashville with four stores. We also added two stores in the Mid-Atlantic region and 19 stores in the Midwest, significantly increasing market share in our most mature region.

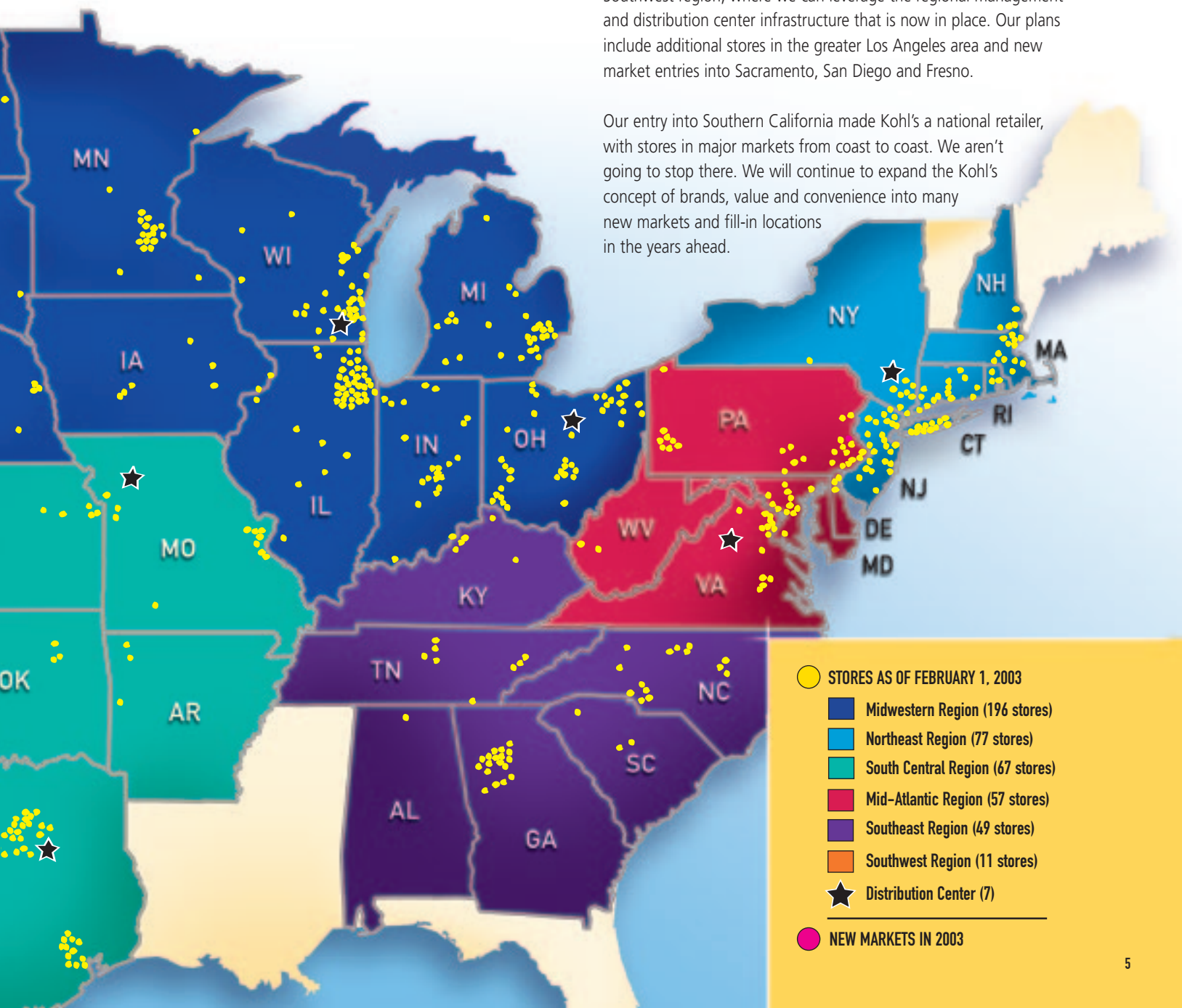
### Expansion in 2003 and 2004

We plan to open approximately 80 stores in 2003, including our March 2003 entry into the greater Los Angeles area with 28 stores. Additionally, we will open seven stores in April, including our entry into San Antonio with three stores and four fill-in stores in markets we already serve.

We will open approximately 45 stores in the fall, including our entries into Phoenix with 10 stores, Tucson with two stores, Flagstaff with one store and Las Vegas with three stores. Together, the Southern California, Arizona and Nevada entries will account for half of our new store openings in 2003, an indication of the strategic significance of these new markets. A new distribution center in San Bernardino, California, which opened in December 2002, supports our major expansion into the Southwest.

In 2004, we plan to open approximately 95 - 100 stores. These stores will be a combination of new stores in new markets and fill-in stores in existing markets. We will continue to expand our presence in the Southwest region, where we can leverage the regional management and distribution center infrastructure that is now in place. Our plans include additional stores in the greater Los Angeles area and new market entries into Sacramento, San Diego and Fresno.

Our entry into Southern California made Kohl's a national retailer, with stores in major markets from coast to coast. We aren't going to stop there. We will continue to expand the Kohl's concept of brands, value and convenience into many new markets and fill-in locations in the years ahead.





# ENTERING NEW MARKETS

Kohl's stores are located in growing suburban areas, close to where our customers live and work. We prefer free-standing locations or power strip malls that provide visibility, ample parking and easy access. We enter major new markets with a critical mass of stores that enables us to establish a presence and leverage marketing, regional management and distribution expenses. Once established, we add fill-in stores to further build market share. Typically, we target trade areas of 150,000 people or more and build an 89,000 square foot store to serve our customers.

## Preparing for new market entries

Kohl's process for opening new stores and new markets has been developed and refined over the last 10 years through the opening of more than 400 stores. Preparations for new market entries begin a number of years before the first store opens.

As an example, our March 2003 entry into Southern California began with the identification of locations in 2000. This long lead-time enabled us to thoroughly research and understand the market from every aspect, including site locations, store designs and logistics.

The hiring of key regional and district managers for our Southern California entry began nearly two years ago, enabling them to gain firsthand experience by working in existing stores and participating in

other major new market entries. The store management teams were identified and hired in 2002, ensuring that new Associates would receive on-the-job training in existing stores and that the Kohl's culture and operating principles remain consistent throughout the organization.

Our merchandise and market solutions teams researched the market over the past two years to develop a merchandise mix that is tailored to the Southern California climate and lifestyle.

Construction of a new distribution center in San Bernardino to support this region began in 2001, with Associates hired in 2002. The new distribution center began receiving merchandise for the new stores three months before the stores opened.

Our advertising started two months before the opening, initially introducing the Kohl's concept to our future customers, and then intensifying as the grand opening approached. A combination of television, radio, outdoor, newspaper inserts, magazines and localized community programs, in both English and Spanish, customized our already successful marketing strategies to this new West Coast market.

## Small-store test

In response to feedback from customers, in 2002 we initiated a small-store test to serve trade areas of 100,000 or less in population. The test consists of one store each in Wisconsin, Iowa, Michigan and North Carolina. The stores have a layout that is similar to our larger prototype stores and includes all departments, but with an edited merchandise assortment. We will be evaluating all aspects of these test locations over the next few years. In the meantime, we will continue to focus on increasing the number of our traditional prototype stores that have been so enthusiastically received in every market that we enter.



**A new distribution center in San Bernardino, California, supports Kohl's expansion into the Southwest.**



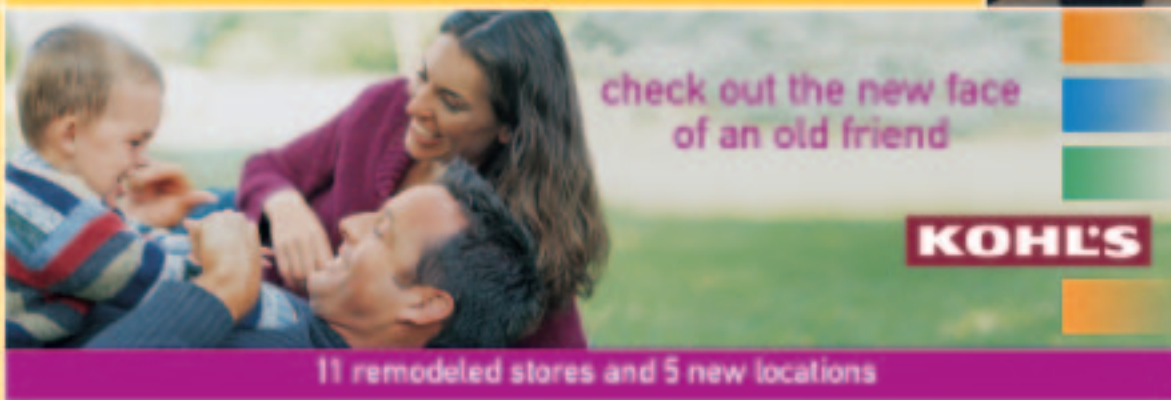
# KEEPING STORES FRESH AND CURRENT

The most visible part of our growth strategy is our new store openings and new market entries. Equally important is our focus on keeping our established stores looking fresh and current. This is accomplished through both our remodeling program and enhanced fixture and graphic presentations throughout our stores. This strategy strengthens customer relationships, as reflected in our consistently solid increases in comparable store sales.

## Focus on remodeling

Historically, our selection of stores to be remodeled each year was simply focused on the age of our stores, with a goal of updating each store every seven or eight years. When a store was remodeled, it was updated with all of the latest fixture presentations used in our newly

Milwaukee grand reopening events included shopping sprees and a grand prize vacation getaway.



built stores. Because we continually add stores in the major markets that we serve, this approach resulted in stores of varying ages and with different presentation packages within a market. To ensure consistency in the Kohl's shopping experience, we decided that we needed to modify the strategy for our remodeling program.

Our first test of a new concept was in the Columbus, Ohio, market. We evaluated the entire market as a whole, and then store by store. We looked at opportunities to add new stores and evaluated the size and current location of each existing store to determine how we could best serve our customers. Upon completion, we celebrated all of the remodels and expansions in the entire market with a grand reopening in the fall of 2001.

In 2002, we improved on this concept and followed the same process in evaluating the Milwaukee market. We remodeled 11 stores, including three store expansions, and opened five new locations. In addition to updating the interiors of the remodeled stores, in many cases we also updated the exteriors. The grand reopening of the market in October 2002 had all of the promotional elements and excitement of a new market entry. Extensive print, radio, television and direct mail advertising encouraged customers to "check out the new face of an old friend."

Our experience with the Columbus and Milwaukee markets provides valuable insights as we continue to refine our remodeling program. We believe this strategy has excellent potential to increase awareness and excitement in our established markets. We have identified the markets that will undergo remodeling and grand reopenings each year and will continue our focus on keeping all of our markets updated and current.

## Evolving presentations

Bringing freshness and excitement to our stores is not totally dependent upon our remodeling program. We bring newness into all of our stores through continually evolving fixture and graphic presentation packages. Concepts tested in new stores that enhance presentation and capacity are rolled out to all stores, if they can be accomplished without remodeling the existing store. For example, new fixtures were rolled out to all stores in 2002 to improve the attractiveness, presentation and shopability of our misses apparel.

Our *Get It!* and table & tower presentations are powerful merchandising tools that change with the season and with our customer's needs. These programs are consistent across all of our stores, although specific merchandise assortments can vary by region. Maintaining consistency in the Kohl's brand across our entire store base builds customer loyalty by meeting our customer's expectations and creating excitement in whatever location she chooses to shop.





“We listen to our customers and continually identify opportunities to better serve customers of all ages.”





# ENHANCING THE SHOPPING EXPERIENCE

"Shop Happy. Leave Happy." describes the Kohl's shopping experience.

A multitude of features and services enable our customers to "shop happy," from our merchandise selection to our convenient locations, store layout and customer-focused Associates. Major national brands are a main attraction, as we continue to fine-tune our assortment to offer the brands our customers want for their home and family. We carefully manage our selection of moderately priced national brands, with an emphasis on adding desirable new brands and increasing sales of our most successful existing brands.

## Expanding national brands

We are always evaluating our brand strategies. We listen to our customers and continually identify opportunities to better serve customers of all ages. In 2002, we launched *Oshkosh* playwear for children and immediately became the largest retailer of this popular line outside of the company's own stores. We also introduced the *Calphalon* line of cookware for the home.

Other new brands and brand expansions are part of a major initiative aimed at introducing apparel brands that are more contemporary and

sophisticated in design and feature current styles, fabrics and detailing. They enhance our traditional and classic apparel selection with a higher fashion look for both women and men.

## Focus on updated fashions

For our female customers, we expanded the *Nine & Company* line which we introduced in 2001. This successful assortment is now offered storewide in apparel, shoes, handbags, watches, costume jewelry and sleepwear. In 2002, we introduced the exciting new *Axcess* line and added *Jantzen* swimwear for women. We will launch the new *Havana Jack's Café* assortment of tropical-themed apparel in spring 2003 and will further expand the *Nine & Company* line with special sizes in women's apparel in all stores by year end.

We enhanced our men's selection in 2002 with the introduction of the *Savane* pant line. Several new brands will further increase our appeal to this customer beginning in 2003, including *Axcess/men*, *Havana Jack's Café* and *A(x)ist*. In addition, we will expand *Jantzen* into men's swimwear and golf apparel.

Together these new lines, many produced by leading designer apparel manufacturers, will broaden our apparel selection and increase customer satisfaction. With the right brands at the right prices, it's easy to see why Kohl's customers "leave happy" and return again and again.



New contemporary apparel brands for men include *Axcess/men*, *A(x)ist* and *Havana Jack's Café*.



# ADDING CONVENIENCE

While national brands attract customers to our stores, our emphasis on convenience keeps them coming back. In survey after survey, our customers tell us they enjoy the Kohl's shopping experience. Our stores are located close to where our customers live and work, with easy access and ample parking. Wide aisles, an efficient layout, attractive displays, specially designed stroller carts and fast check-out make it easy for customers to make their purchases and get home to their families. Extended store hours and hassle-free returns make shopping at Kohl's both easy and enjoyable.

The Kohl's shopping experience is continually evolving, as we seek new and creative ways to add convenience. Recent enhancements at the check-out include adding debit cards as a form of payment and faster credit approval for new accounts. Streamlined processes help to keep our floor fully stocked and reduce transaction time at the customer service desk. Even wider aisles in our new and remodeled stores make shopping more efficient and redesigned fixtures increase capacity and make our stores easier to shop.

## Successful promotions

Our in-store presentations are also designed to meet the needs of our busy customers. Our *Get It!* key item program offers great merchandise at real values, with a broad selection of sizes and colors in stock.

There's always something new in our table & tower presentation, which expands the capacity of our selling floor with special seasonal, gift and impulse items. This concept was enhanced in 2002 with a very successful promotion of key basic categories such as socks, underwear and sleepwear.

Our on-line store meets the needs of customers who prefer to shop at home, with the added convenience of in-store exchanges or returns. Our bridal registry, called Kohl's Bridal Aisle™, can also be found on-line. Now, Kohl's customers can select that perfect wedding gift either at our in-store kiosks or from the convenience of their home.

## Credit card loyalty program

Our credit card program is a loyalty program that provides our frequent customers with advance notification of sales and special discounts on their purchases 10 times a year. Our "Most Valued Customer" (MVC) program continues to grow as our best customers enjoy additional benefits designed just for them. And our gift card program experienced extraordinary growth in 2002, as more customers recognized that everyone can find something they like at Kohl's.



The successful *Nine & Company* line will be further expanded in 2003.



“The Kohl’s shopping experience is continually evolving, as we seek new and creative ways to add convenience.”





# INCREASING COMMUNITY INVOLVEMENT

As Kohl's continues to grow, so does our involvement in our communities.

## Children's Hospital program

The Kohl's Cares for Kids® Children's Hospital program is our community involvement initiative that emphasizes our focus on families by partnering with children's hospitals in the communities we serve. This program has now grown to include 50 children's hospitals, with major affiliations in our newest markets of Boston,



Kohl's supports the work of designated children's hospitals across the country, including The Children's Hospital at Carolinas Medical Center.

Houston and Los Angeles. The Children's Hospital program is supported through the sale of special Kohl's Cares for Kids® items. The funds raised support the ongoing work of our children's hospital partners through the funding of needs identified by the local hospitals. Initiatives supported by Kohl's include the purchase of medical equipment, renovations and child life programs.



## Supporting youth organizations

Our Kohl's Cares for Kids® Fundraising Card program continues to grow as more and more schools and nonprofit youth organizations recognize how easy it is to raise money with help from Kohl's. Groups purchase the gift cards at a discount, resell them at face value and use the profits for items such as equipment, uniforms and trips. In 2002, the Kohl's Cares for Kids® Fundraising Card program helped more than 2,220 schools and nonprofit organizations provide programs and activities that support the youth in their communities.

Building on our commitment to the families in our communities, Kohl's became the official department store sponsor of U.S. Youth Soccer in 2002, a move that brings together a leading national retailer with the country's largest grassroots youth sports organization.

## Recognizing volunteers

Our national Kohl's Kids Who Care® program provides recognition for young people who volunteer their time in their communities. Nearly 9,000 outstanding youth were nominated for recognition through this program in 2002, with 746 selected as store-level winners and 76 chosen as regional winners.

Ten national winners each received \$5,000 scholarships for their post-secondary education. The variety of volunteer activities of the youth who were nominated for this award is impressive and ranges from youth who founded their own nonprofit organizations to students who serve as caregivers and peer educators.



Our Associates are also involved in their communities. In some communities, Kohl's Associates read to children in their local schools. In others, Associates volunteer their time with nonprofit organizations focused on enriching the lives of children. Our volunteer teams select the nonprofit children's organization they want to support and Kohl's matches their participation with corporate grants given directly to the charity. We're very proud of all of our Associate volunteers.

Kohl's donated 40,000 hardcover books to Milwaukee-area kindergartners to help celebrate our 40th anniversary.

# VALUING ASSOCIATES

We didn't become a major national retailer by merely constructing new buildings and adding new merchandise. It takes people to make it happen, and ours are exceptional. We are proud of all of our Associates, who every day and in every location have an important role in our success.

We added over 15,000 new Associates in 2002, bringing our total number of Associates to more than 75,000. Kohl's Associates are committed to their company, thrive on our culture and take pride in pulling together as a winning team. Their attention to detail, friendly personalities and positive attitudes keep our stores, distribution centers and corporate office running smoothly and our customers coming back time after time. Their commitment to our customers is underscored by our consistently high rankings in customer service. As an example, Kohl's topped all other department stores in the fourth quarter 2002 American Customer Satisfaction Index issued by the American Society for Quality.

## An outstanding place to work

Our ability to attract and retain the people that drive our success revolves around making Kohl's a great place to work. Our retention rates are consistently higher than many others in our industry, giving us the competitive advantage of increased productivity and lower costs.

Kohl's steady expansion provides excellent growth opportunities for our Associates. Our national internship and college recruitment programs feed our management training program. Once they are on our team, we encourage and nurture our Associates through a variety of training programs designed to help them grow both personally and professionally as they build their career with Kohl's.

The numbers tell the story. Over 200 Associates and college students entered our executive training programs in our stores and corporate office in 2002, 60% through internal promotions and the remainder through our campus recruiting program. Over 70% of our current store managers attained their positions through internal promotions.

## Great ideas from great Associates

We value our Associates for their many contributions to the company, including their great ideas. At least one Associate from each of our stores is invited to attend our annual meeting each year. We gather these Associates together and ask them for their suggestions and ideas on how we can make Kohl's even better. Their creative and well thought-out suggestions have resulted in new systems and programs that streamline our in-store processes and improve internal communications to better serve our customers.

**"We value our Associates for their many contributions to the company, including their great ideas."**

Kohl's Associates share in our financial success through our Employee Stock Ownership Plan (ESOP). Started with an initial contribution of \$1 million in 1992, the ESOP was valued at over \$87 million at the end of 2002.

From Boston on the East Coast to Los Angeles on the West, Kohl's success is due to the talent and contributions of our Associates in every location and in every market. Together, we look forward to continued success in the years ahead.



# FINANCIAL SUMMARY

Fiscal Year	2002	2001	2000	1999	1998	1997
<b>Summary of Operations</b> (In millions)						
Net sales	\$9,120	\$7,489	\$6,152	\$4,557	\$3,682	\$3,060
Gross margin	3,139	2,565	2,096	1,543	1,235	1,014
Selling, general & administrative expenses	1,818	1,527	1,282	975	810	679
Non-recurring charges	—	—	—	—	—	—
Preopening expenses	39	31	35	31	16	19
Depreciation and amortization	192	157	127	89	70	57
Operating income	1,090	850	651	448	338	259
Interest expense, net	56	50	46	27	21	24
Income before income taxes	1,034	800	605	421	317	235
Net income	643	496	372	258	192	141
<b>Diluted Earnings Per Share</b> (c)						
	\$ 1.87	\$ 1.45	\$ 1.10	\$ .77	\$ .59	\$ .45
<b>Financial Position Data</b> (Dollars in millions)						
Working capital	\$1,776	\$1,584	\$1,199	\$ 732	\$ 559	\$ 525
Property and equipment, net	2,739	2,199	1,727	1,353	933	750
Total assets	6,316	4,930	3,855	2,931	1,936	1,620
Long-term debt	1,059	1,095	803	495	311	310
Shareholders' equity	3,512	2,791	2,203	1,686	1,163	955
Return on average shareholders' equity	20.4 %	19.9 %	19.1 %	18.1 %	18.2 %	19.2 %
<b>Other Data</b>						
Comparable store sales growth	5.3 %	6.8 %	9.0 %	7.9 %	7.9 %	10.0 %
Net sales per selling square foot	\$ 284	\$ 283	\$ 281	\$ 270	\$ 265	\$ 267
Gross margin (percentage of net sales)	34.4 %	34.3 %	34.1 %	33.9 %	33.5 %	33.1 %
SG&A (percentage of net sales)	19.9 %	20.4 %	20.8 %	21.4 %	22.0 %	22.2 %
Stores open at year end	457	382	320	259	213	182
Total square feet of selling space (In thousands)	34,507	28,576	23,610	18,757	15,111	12,533
Market price (c): High	\$78.74	\$72.24	\$72.20	\$40.63	\$33.88	\$18.84
Low	44.00	42.00	34.06	30.75	17.03	9.72

(a) Includes a non-recurring incentive compensation charge of \$17.7 million (\$10.6 million after-tax) or \$.04 per share.

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

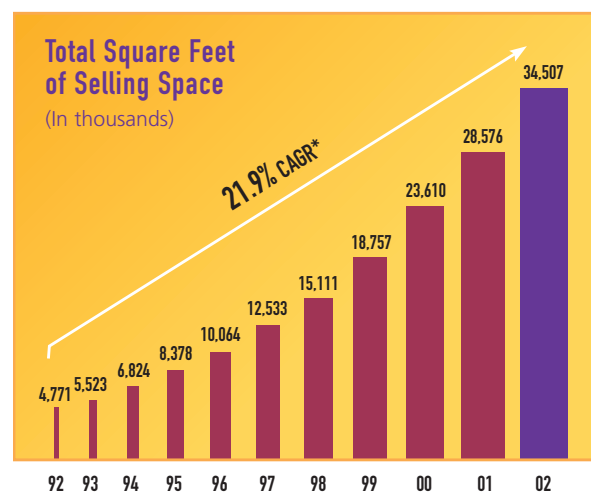
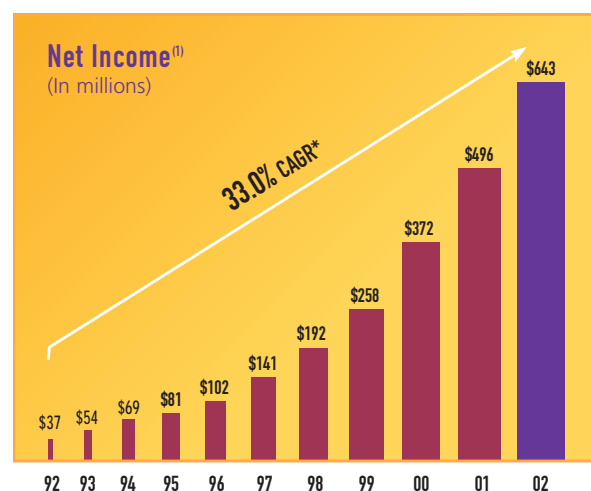
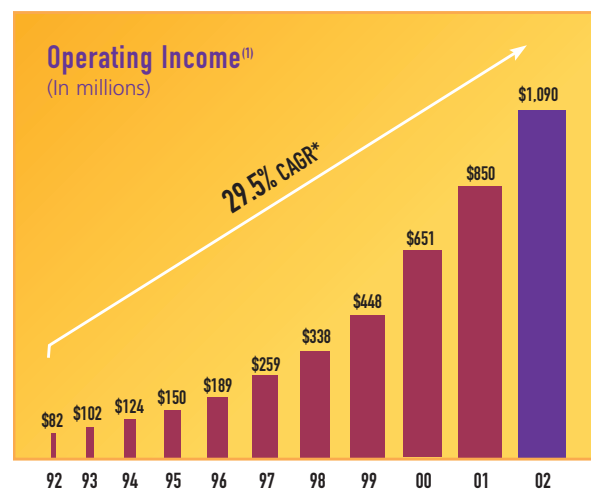
(c) Adjusted for stock splits in 1996, 1998 and 2000.



1996	1995	1994	1993	1992
\$2,388	\$1,926	\$1,554	\$1,306	\$1,097
780	631	516	437	374
536	436	357	306	269
—	14 (b)	—	—	18 (a)
10	11	8	5	3
44	34	27	23	20
189	136 (b)	124	102	65 (a)
18	13	6	8	18
171	123	118	94	46
102	73 (b)	69	54	27 (a)
\$ .34	\$ .24 (b)	\$ .23	\$ .18	\$ .10 (a)
\$ 229	\$ 175	\$ 115	\$ 87	\$106
596	409	299	187	141
1,123	805	659	469	445
312	188	109	52	95
518	411	334	263	207
22.1 %	21.7 %	23.0 %	23.7 %	n/a
11.3 %	5.9 %	6.1 %	8.3 %	10.5 %
\$ 261	\$ 257	\$ 258	\$ 255	\$ 239
32.7 %	32.8 %	33.2 %	33.5 %	34.1 %
22.4 %	22.6 %	23.0 %	23.4 %	24.5 %
150	128	108	90	79
10,064	8,378	6,824	5,523	4,771
\$10.50	\$ 7.28	\$ 6.91	\$ 6.52	\$ 4.36
6.69	5.00	4.75	3.88	1.66

## Forward-Looking Statements

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



\*Compounded annual growth rate.  
(1) Excludes non-recurring charges.

# REPORT OF MANAGEMENT

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

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management authorization and are appropriately recorded in order to permit preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived.

The consolidated financial statements and related notes have been audited by Ernst & Young LLP, independent auditors, whose report is based on audits conducted in accordance with generally accepted auditing standards. As part of its audit, the firm performed a review of the Company's system of internal controls and conducted such tests and employed such procedures as considered necessary to render its opinion on the consolidated financial statements. The Company's consolidated financial statements including the Report of the Independent Auditors is included in the Company's Form 10-K for the year ended February 1, 2003.

The Audit Committee of the Board of Directors is composed of four independent Directors. The Committee is responsible for assisting the Board in its oversight of Kohl's financial accounting and reporting practices. The Audit Committee also recommends the independent certified public accounting firm to be retained for the coming year, subject to shareholder approval. The Audit Committee meets periodically with the independent auditors, as well as with management, to review accounting, auditing, internal accounting control and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee.



Larry Montgomery  
Chairman and Chief Executive Officer



Patricia Johnson  
Executive Vice President – Chief Financial Officer

## EXECUTIVE OFFICERS

Kohl's executive management team (left to right).

Top photo: Gary Vasques, Jack Moore, Don Brennan and Rick Leto

Bottom photos: (left) Rick Schepp, John Lesko and Patti Johnson;

(right) Beryl Buley and Don Sharpin



# CORPORATE INFORMATION

## Directors

**Jay H. Baker** – Retired President, Kohl's Corporation

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

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

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

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

**William S. Kellogg** – Retired Chairman and Chief  
Executive Officer, Kohl's Corporation

**Kevin Mansell** – President, Kohl's Corporation

**Arlene Meier** – Chief Operating Officer,  
Kohl's Corporation

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

**Frank V. Sica** – Managing Partner, Soros Private  
Equity Partners LLC (b) (c)

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

**Judith Sprieser** – President and Chief Executive  
Officer, Transora, Inc. (a) (c)

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

(a) 2003 Audit Committee

(b) 2003 Compensation and Stock Option Committee

(c) 2003 Governance and Nominating Committee

## Executive Officers

**Donald A. Brennan** – Executive Vice President -  
Planning and Allocation

**Beryl Buley** – Executive Vice President - Stores

**Patricia Johnson** – Executive Vice President -  
Chief Financial Officer

**John J. Lesko** – Executive Vice President -  
Administration

**Rick Leto** – Executive Vice President -  
General Merchandise Manager and  
Product Development

**Kevin Mansell** – President

**Arlene Meier** – Chief Operating Officer

**R. Lawrence Montgomery** – Chairman and  
Chief Executive Officer

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

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

**Don Sharpin** – Executive Vice President -  
Human Resources

**Gary Vasques** – Executive Vice President -  
Marketing

## Corporate Headquarters

Kohl's Corporation  
N56 W17000 Ridgewood Drive  
Menomonee Falls, Wisconsin 53051-5660  
(262) 703-7000  
Web site: [www.kohls.com](http://www.kohls.com)

## Transfer Agent and Registrar

The Bank of New York  
Shareholder Relations Dept.  
P.O. Box 11258  
Church Street Station  
New York, New York 10286  
(800) 524-4458  
Web site: [www.stockbny.com](http://www.stockbny.com)

## Annual Meeting

The Kohl's 2003 Annual Meeting of  
Shareholders will be held on Thursday,  
May 1, 2003 at 10:30 a.m. at the Midwest  
Airlines Center, Milwaukee, Wisconsin.

## Investor Information/ Quarterly Reports

For quarterly earnings reports and other  
investor information, please visit our  
Web site at [www.kohls.com](http://www.kohls.com) or direct your  
inquiries to the company, Attention:  
Shareholder Relations.

## Form 10-K

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

## Common Stock

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

## Shareholders

As of March 5, 2003, there were 6,424  
holders of record of Kohl's common stock.

## Thank You

Thank you to the Kohl's Associates who are  
pictured throughout this report.

## Common Stock Price Range

Fiscal 2002	High	Low	Fiscal 2001	High	Low
First Quarter	\$76.10	\$64.00	First Quarter	\$72.24	\$48.70
Second Quarter	78.74	56.25	Second Quarter	67.95	55.00
Third Quarter	73.75	44.00	Third Quarter	60.12	42.00
Fourth Quarter	71.70	51.10	Fourth Quarter	71.85	58.10