

KOHL'S
expect great things[®]



GROWTH. Innovation. Success.

2006 Annual Report



Company Profile

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

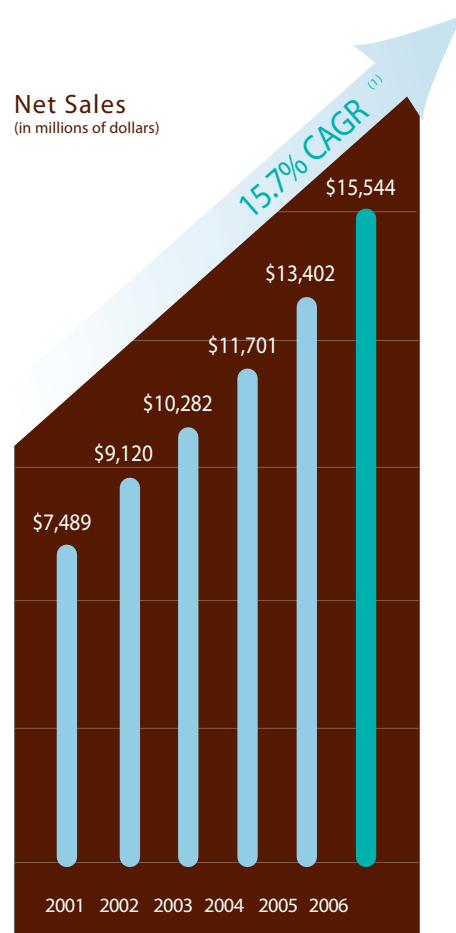
Kohl's operates from coast to coast. At the end of fiscal 2006, we served customers in 45 states through 817 stores and Kohls.com.

Financial Highlights

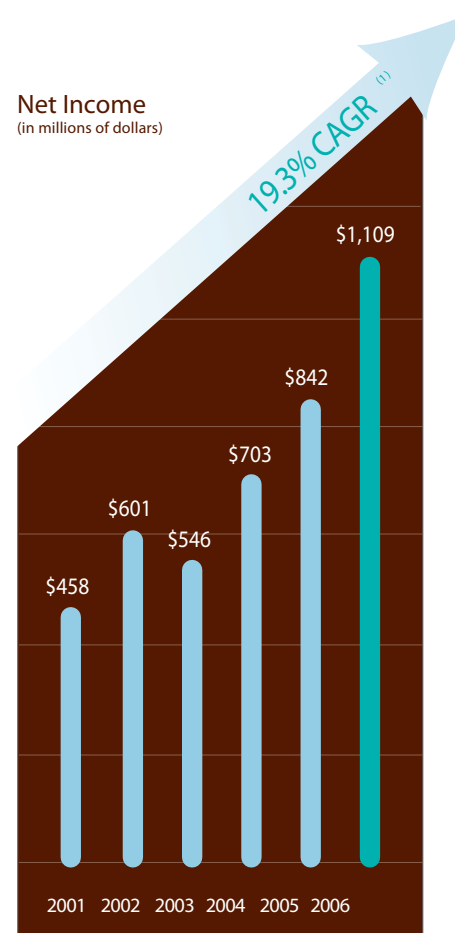
(dollars in millions)

	2006	2005	
Net Sales	\$ 15,544	\$ 13,402	up 16%
Gross Margin	\$ 5,654	\$ 4,763	up 19%
Percent of Sales	36.4%	35.5%	up 0.9%
SG&A	\$ 3,401	\$ 2,964	up 15%
Percent of Sales	21.9%	22.1%	down 0.2%
Operating Income	\$ 1,815	\$ 1,416	up 28%
Percent of Sales	11.7%	10.6%	up 1.1%
Net Income	\$ 1,109	\$ 842	up 32%
Percent of Sales	7.1%	6.3%	up 0.8%

Net Sales
(in millions of dollars)



Net Income
(in millions of dollars)



⁽¹⁾ Compounded Annual Growth Rate.

Candie's

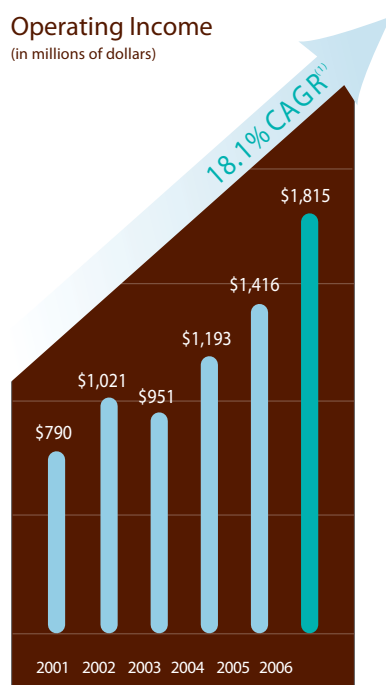
Results

Larry Montgomery, Chairman and Chief Executive Officer; Kevin Mansell, President; and Tom Kingsbury, Senior Executive Vice President



Dear Shareholder,

Operating Income
(in millions of dollars)



(1) Compounded Annual Growth Rate.

Our fiscal 2006 performance can best be described in one word: growth. We delivered solid top- and bottom-line performance. We opened 85 exciting new stores and we successfully executed on our four strategic initiatives.

Strong Financial Growth

Our sales have grown by 50% over the past three years, from \$10 billion in 2003 to a record \$15.5 billion this year. No other major department store has a growth rate that comes even close. For this year, comparable store sales rose 5.9%, increasing in all regions and all four quarters, boosting us to the top of the rankings among our peer group.

Operating income grew 28% to \$1.8 billion and the operating margin reached an all-time high of 11.7%. This puts us well on our way to achieving our goal of 12.5% operating margin by 2010.

Net income increased 32% to a record \$1.1 billion or \$3.31 per diluted share, driven by strong improvement in our gross margin and prudent expense management. Our balance sheet remained strong and we again generated significant flow from operations.

In April, we completed the sale of our proprietary credit card business to JPMorgan Chase and entered into a multi-year agreement with Chase to share in the profitability of the credit card portfolio. We used the net proceeds to begin our authorized \$2 billion share repurchase program, purchasing 27 million shares in fiscal 2006

Growth across the Nation

We continue to deliver on our real estate growth strategy. Our ability to successfully add new stores and new markets reached new heights with the grand opening of 65 stores across the country on a single day in October, the largest one-day grand opening in our history.

Looking ahead, we see many more opportunities for strategic, profitable growth. By the end of 2010, we expect to be operating more than 1,200 stores and to generate approximately \$24 billion in sales and \$1.9 billion in net income. We believe these goals are both realistic and achievable.

Growth throughout the Business

Our strategic initiatives are the roadmap for our future growth. These initiatives focus on merchandise content, marketing, inventory management and the in-store shopping experience.

Vision

"Our sales have grown by 50% over the past three years, from \$10 billion in 2003 to a record \$15.5 billion this year. No other major department store has a growth rate that comes even close."

Our focus on lifestyle merchandising is designed to meet our objective of increasing market share by expanding our appeal to a broader range of customers. Brands such as Chaps continue to attract our core classic customer. In the updated and contemporary categories, daisy fuentes, apt. 9, Candie's, Tony Hawk and Casa Cristina are just a few of our new brands and brand extensions.

In 2007, we'll add even more variety and innovation to our merchandise through exclusive licensing agreements for Simply Vera Vera Wang, ELLE and Food Network collections. Together, these will be the largest number and by far the largest volume of new and expanded offerings we have ever launched. To support our growing portfolio of world-class brands, we will open a design office in the heart of New York's garment district in spring of 2007.

Our marketing program is designed to differentiate our stores in the marketplace. The program uses a strategically selected variety of media to build awareness and desire for our national, private and exclusive brands, and to increase traffic and sales. Our marketing statement, "Only at Kohl's," distinguishes our stores and our exclusive brands, giving customers an even more compelling reason to shop our stores.

Our focus on inventory management includes activities to improve inventory flow and increase speed-to-market. As always, our goal is to meet customer expectations for in-stock merchandise in a broad range of sizes and colors.

Enhancing the in-store shopping experience revolves around making our stores more visually exciting and easier to shop. Introduced in 2006, our new innovation store design is aimed squarely at broadening customer appeal. From the exterior showcase windows displaying the latest fashions to creative merchandise displays highlighting the newest trends, our innovation stores encourage shoppers to browse every department. Of the 85 stores we opened in 2006, approximately half were innovation stores. We plan to incorporate elements of this format into all new and remodeled stores in 2007.

For us, growth is an all-encompassing and never-ending process. Through ongoing innovation across the business, we are converting our core concepts of brands, value and convenience into sustained long-term growth and profitability. The significant increase in our stock price in 2006 reflects our success in achieving these goals.

The People behind our Growth

It's no secret that the key to our success has always been the talent within our organization and our 114,000 dedicated Associates who make our customers their first priority. Our commitment to our great team of Associates was underscored in 2006 with our selection by Business Week magazine as one of the top 50 companies to launch a career.

We wish to extend a deep and heartfelt thank you to Arlene Meier and Jay Baker. Arlene retired after 16 years with the company, serving for the past six years as chief operating officer and a director.

She retired from the Board in February 2007. Jay was one of the three principals who built the solid foundation for our success, serving as president for 13 years. Jay will retire from the Board in May 2007.

Stephen E. Watson joined our Board of Directors in 2006, bringing his 30 years of retail industry experience, including 23 years with Target Corporation. We also welcomed Tom Kingsbury as a principal in the newly created position of senior executive vice president.

Coming off another outstanding year, it is appropriate that we again thank the people who made it happen – our Associates, shareholders, customers and business partners. With their help, you can continue to expect great things from Kohl's.




Larry Montgomery
Chairman and Chief Executive Officer



Kevin Mansell
President



Tom Kingsbury
Senior Executive Vice President



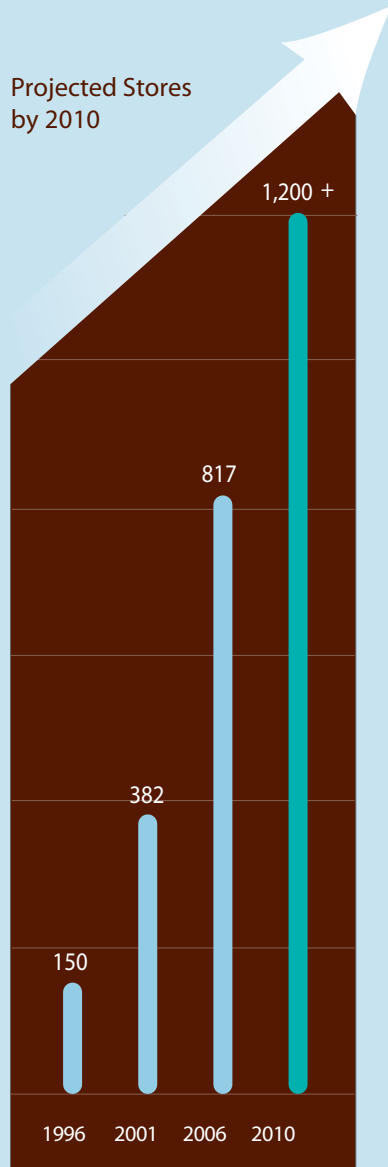
GROWTH. Innovation. Success.

Our success in growth and innovation
has made Kohl's a major force in
retailing across the nation.

■ apt.9®



Projected Stores
by 2010



GROWTH Across the Nation

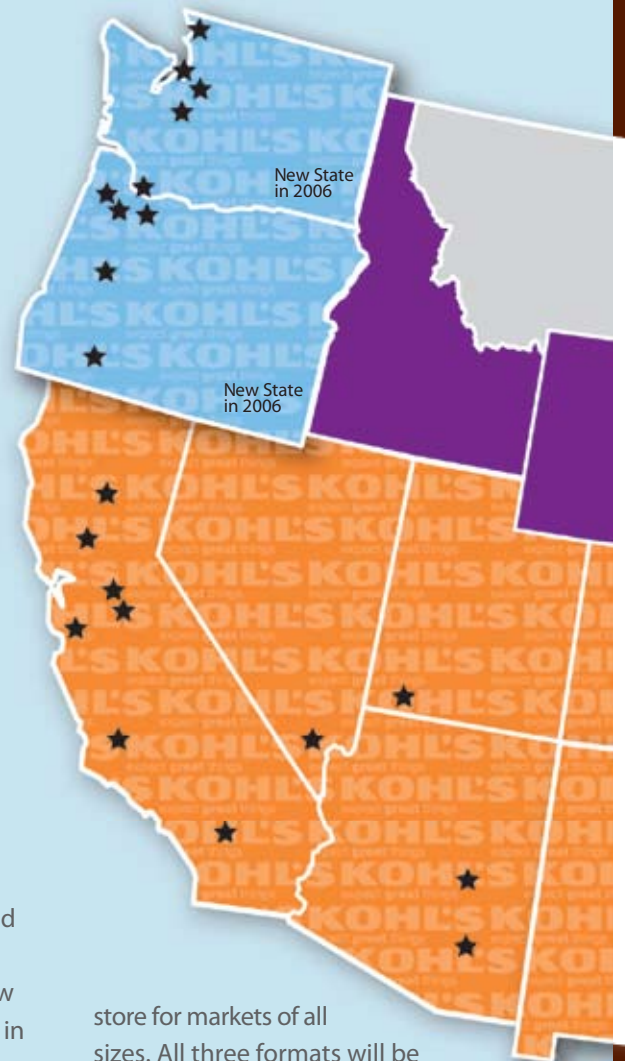
We continue to deliver successful, profitable growth. In the last 10 years alone, we've grown from 150 stores in 16 states in 1996, to 817 stores in 45 states at the end of fiscal 2006. By the end of 2010, we expect to be operating more than 1,200 stores – a strategically developed and very achievable target.

Growing our Regions

In addition to significantly increasing our number of stores, over the past 10 years we have also expanded from our Midwestern base to become a major national retailer. In 2006, we entered the Northwest with new stores in Oregon and Washington. We now operate in every region of the country. To support this new region, as well as our continuing growth in the Southwest, we opened a distribution center in Patterson, California, with the capacity to support 110 stores.

Successful Strategy

We've proven that our growth strategy works. With our three formats: suburban, small and urban, we have the right-sized

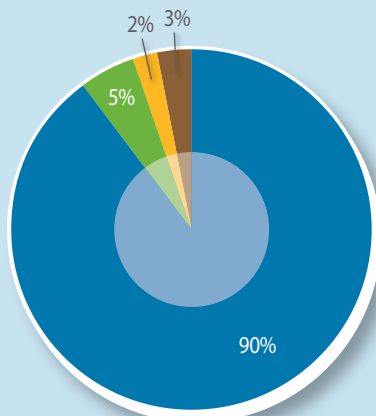


store for markets of all sizes. All three formats will be part of our expansion, with our 88,000 square-foot suburban store remaining the predominant format. We will also continue to remodel our existing stores, with all of the remodels in 2007 incorporating key elements of our new innovation store concept.

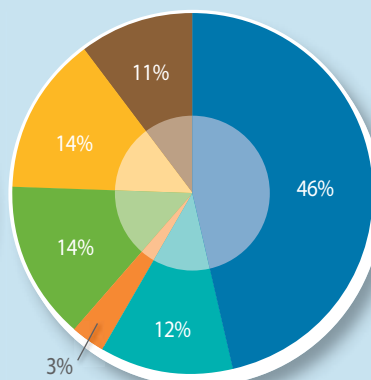
"By the end of 2010, we expect to be operating more than 1,200 stores – a strategically developed and very achievable target."

Number of Stores
by Region

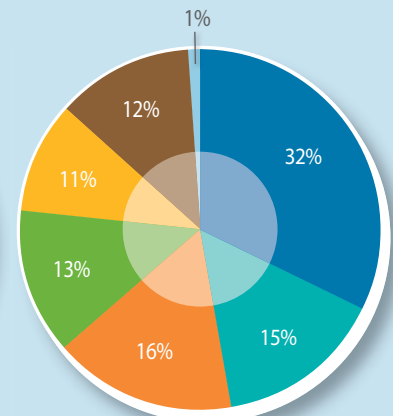
These charts show the successful expansion from our Midwestern base into every region across the country.



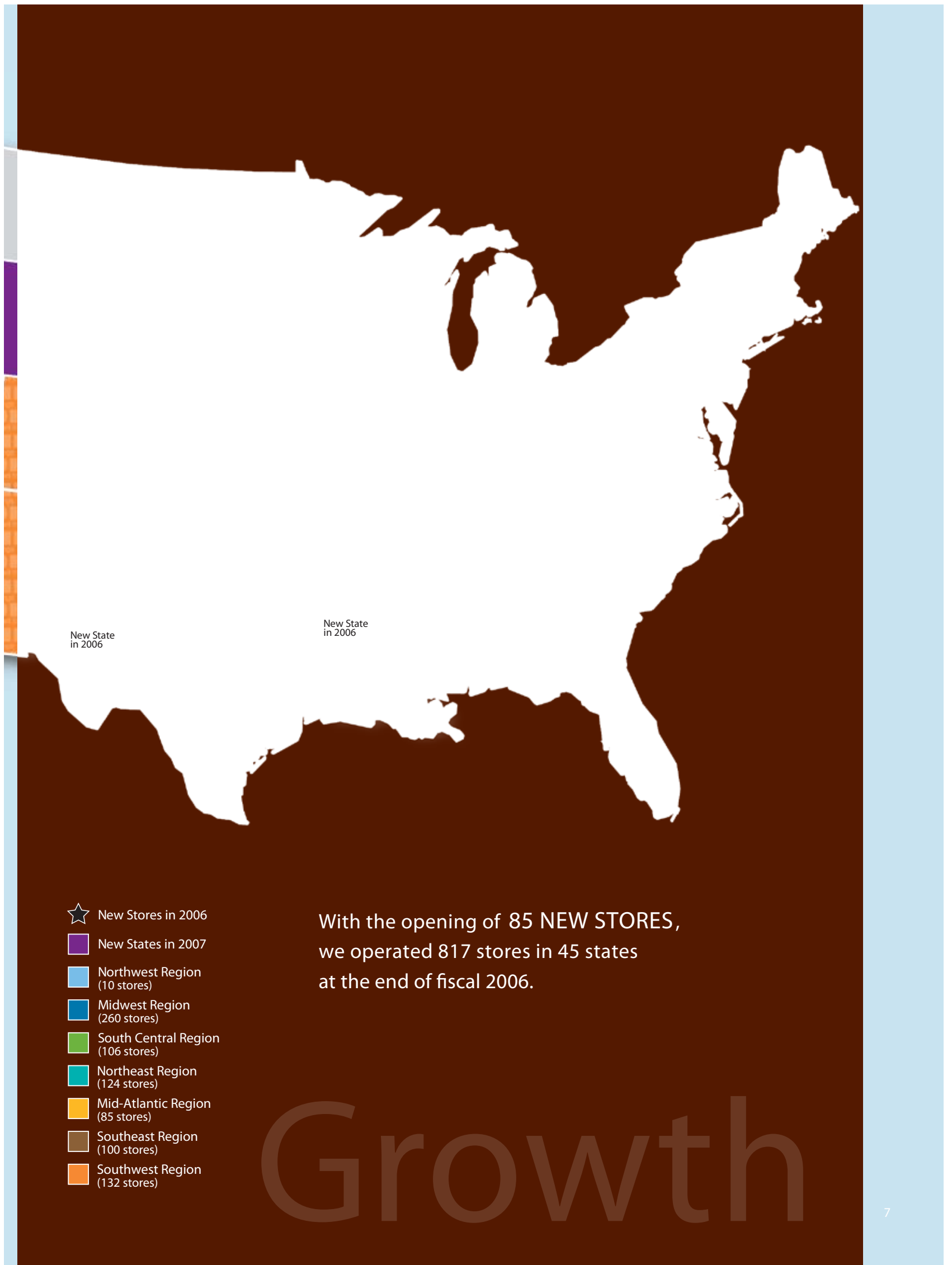
1996



2001



2006





INNOVATION with Impact

Making our stores more visually exciting and easier to shop took a bold step forward with the introduction of our new innovation store design. The innovation begins with the storefront, with bright white columns and large windows showcasing products and lifestyles to give customers a glimpse of the great merchandise inside.

Enhancing the Customer Experience
Inside, the new store design is aimed squarely at broadening customer appeal and reach through an enhanced shopping

experience. Higher ceilings, attractive carpeting and soft wall colors create a more open, spacious environment. Large signs make departments easy to find. High-impact graphics highlight merchandise for every lifestyle. Eye-catching displays provide apparel and accessory ideas and stately wooden hutches showcase our home merchandise.

Innovation throughout the store also includes a comfortable and luxurious residential look in our fitting rooms and

restrooms. The spacious fitting rooms have three-way mirrors and lounge areas, with laminate wood flooring, sofas and decorative wall art. The streamlined customer service desk is more inviting and redesigned customer check-out stations improved flow and speed up the check-out process.

Our friendly and knowledgeable Associates are always nearby to provide the shopping assistance and courteous service that make our stores a destination for shoppers across the U.S.

erience

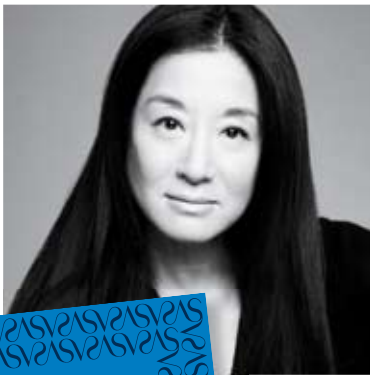


In 2006, Kohl's Cares for Kids merchandise included Sandra Boynton's fun-filled, special edition books, sing-along CDs and snuggly plush animals.



“Developing exclusive collections of world-class brands is a key growth strategy.”

SUCCESS with Style



In 2006, we gave our customer even more of what she's looking for with new world-class brands and brand extensions. We introduced West End and AB Studio in misses' and Stamp 10 in both misses' and men's. In young men's and boys', we launched the Tony Hawk brand. Chaps is now in misses', men's, boys', footwear and infants'/toddlers' and will expand into women's, girls' and home in 2007.

Top-Fashion Apparel in 2007

Developing exclusive collections of world-class brands is a key growth strategy. Our most significant initiative for 2007, and the largest launch in our history, is the introduction of the Simply Vera Vera Wang premium fashion and lifestyle brand, beginning in fall 2007. The collection spans the store, including misses', accessories, jewelry, footwear, intimate apparel and soft home. Vera Wang is one of the most respected designers in the world, making her collection a strong addition to our exclusive brand selection.

We've also teamed up with ELLE magazine, the world's largest fashion magazine, to

develop another new brand available “Only at Kohl's.” The ELLE line of misses' apparel will feature contemporary, runway-inspired looks that appeal to the younger segment of our core customer base. The line, which launches in selected stores in spring 2007, demonstrates a speed-to-market strategy that will bring new ELLE fashions into our stores every month.

Expanding in Home

Food preparation is one of the fastest growing areas in our home assortment. In 2006, we added the Rachael Ray line of cookware. We also formed an exclusive relationship with Food Network, the undisputed authority in cooking and entertainment, to develop a Food Network-branded line of home goods. We will introduce this brand in fall 2007.

We also introduced a new home furnishings line, Casa Cristina, by Cristina Saralegui, an influential role model in today's Hispanic community. This line will ultimately expand across several home categories in 2007. Other extensions in 2007 include daisy fuentes and Chaps in soft home.

World-Class



CHAPS
EST. 1978





GROWTH through Differentiation

Growth through differentiation means enabling our customer to find everything she wants for her home, her family and herself – in a single shopping trip. We've captured market share by expanding our merchandise assortment to reach a broader group of customers. While classic American families continue to be our primary customer, we are adding brands and merchandise targeted to various lifestyles.

Lifestyle Merchandising

To appeal to this expanded customer base, we've reorganized departments to reflect different customer lifestyles: classic, updated and contemporary. Whether she is a busy mom with young children, a recent college graduate on her way up the career ladder or an empty nester, we have the look she wants, in the sizes and colors she needs.

Our goal is to deliver a consistent experience for every customer, in every store, every time. We made shopping our stores more

exciting than ever by adding inspiring strikepoints and large graphic displays. These new visuals showcase different lifestyle brands and provide wardrobe suggestions, complete with accessories such as jewelry, shoes and handbags. Lifestyle merchandising also includes specialty departments for our important special-size customers.

With the addition of fine fragrances, we have all the elements in place to launch the "Kohl's Beauty Dept.," creating awareness for the total beauty category – cosmetics, skincare, bath & body and fragrance.

Exceptional Customer Service

Of course, it is our Associates who make the shopping experience truly exceptional. We value and appreciate all of the Associates behind our recognition for Top 10 achievement in customer service for 2006 by the National Retail Federation and American Express Research.



KOHL'S
BEAUTY Dept.
cosmetics, skincare, bath & body, fragrance.

Lifestyle



The District 16 A-Team in western Michigan won the "Kohl's Award of Excellence" three years in a row.

"Our Associates are leading by example, following their hearts, inspiring others and making a real difference for children in our communities."



INNOVATION with Spirit

We believe that caring for our friends, neighbors and families is what communities are all about. From the volunteer support of our Associates to our corporate financial contributions, we want to have a positive impact in each community we serve. In 2006, we provided approximately \$33 million to support our communities across the U.S.

Our Associates are leading by example, following their hearts, inspiring others and making a real difference for children in our communities through the Kohl's A-Team. As A-Team members, our Associates choose youth-focused non-profit organizations they want to support. After they have given the gift of time and talent to the organization, they become eligible for a corporate grant given directly to their charity.

We are proud of our Associates and their commitment to their communities.

In 2006, A-Team members volunteered over 57,800 hours, a 171% increase over 2005, raising over \$1.2 million.

Kohl's Cares for Kids is a promise of hope for a brighter, healthier future for children in our communities. Throughout the year, we sell special Kohl's Cares for Kids merchandise with 100% of the net profits supporting health and educational opportunities for children. Our well-established Kohl's Cares for Kids children's hospital program continues to grow. In 2006, we partnered with 143 hospitals in 45 states.

Our annual Kohl's Kids Who Care scholarship program gives us the opportunity to recognize and reward youth who volunteer in their communities. In 2006, we recognized 152 young volunteers with Kohl's Kids Who Care scholarships totaling more than \$200,000.

Inspiration

Strength

SUCCESS through Performance

Fiscal Year	2006	2005	2004	2003	2002	2001
Summary of Operations (In millions)						
Net sales	\$ 15,544	\$ 13,402	\$ 11,701	\$ 10,282	\$ 9,120	\$ 7,489
Gross margin	5,654	4,763	4,114	3,395	3,139	2,565
Selling, general & administrative expenses	3,401	2,964	2,584	2,158	1,884	1,583
Preopening expenses	50	44	49	47	41	33
Depreciation and amortization	388	339	288	239	193	159
Operating income	1,815	1,416	1,193	951	1,021	790
Interest expense, net	41	70	63	73	56	50
Income before income taxes	1,774	1,346	1,130	878	965	740
Net income	1,109	842	703	546	601	458
Diluted Earnings Per Share	\$ 3.31	\$ 2.43	\$ 2.04	\$ 1.59	\$ 1.75	\$ 1.35
Financial Position Data (Dollars in millions)						
Working capital	\$ 1,482	\$ 2,520	\$ 2,187	\$ 1,902	\$ 1,776	\$ 1,584
Property and equipment, net	5,353	4,616	4,063	3,390	2,806	2,253
Total assets	9,041	9,153	7,979	6,691	6,311	4,927
Long-term debt	1,040	1,046	1,103	1,076	1,059	1,095
Shareholders' equity	5,603	5,957	5,034	4,212	3,532	2,803
Return on average shareholders' equity	19.2%	15.3 %	15.2 %	14.1 %	19.0 %	18.3 %
Other Data						
Comparable store sales growth	5.9%	3.4 %	0.3 %	(1.6)%	5.3 %	6.8 %
Net sales per selling square foot	\$ 256	\$ 252	\$ 255	\$ 268	\$ 284	\$ 283
Stores open at year end	817	732	637	542	457	382
Total square feet of selling space (In thousands)	62,357	56,625	49,201	41,447	34,507	28,576

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 Independent Registered Public Accounting Firm. These statements were prepared in conformity with U.S. generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

We remain committed to managing our business both ethically and responsibly and to representing the best interest of our shareholders through good corporate governance. After thorough review by its Governance and Nominating Committee, the Board of Directors believes Kohl's is in full compliance with all applicable corporate governance rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE). Accordingly, in 2006, Kohl's provided the NYSE with an unqualified Annual CEO Certification of Compliance, and has filed with the SEC, as an exhibit to our Annual Report on Form 10-K for the fiscal year 2006, the Sarbanes-Oxley Act Section 302 certification regarding the quality of the company's public disclosure.

The consolidated financial statements and related notes have been audited by Ernst & Young LLP, independent registered public accounting firm, whose report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Company's consolidated financial statements including the Report of Independent Registered Public Accounting Firm are included in the Company's Form 10-K for the year ended February 3, 2007.

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



Larry Montgomery
Chairman and Chief Executive Officer



Wesley S. McDonald
Executive Vice President - Chief Financial Officer



Corporate Information

Corporate Headquarters

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

Transfer Agent and Registrar

The Bank of New York
Shareholder Relations Dept. 12-E
P.O. Box 11258
Church Street Station
New York, New York 10286
(800) 524-4458
Web site: www.stockbny.com

Annual Meeting

The Kohl's 2007 Annual Meeting of Shareholders will be held on Wednesday, May 2, 2007 at 10:00 a.m. at the Midwest Airlines Center, Milwaukee, Wisconsin.

Investor Information/Quarterly Reports

For quarterly earnings reports and other investor information, please visit our Web site at www.kohls.com or direct your inquiries to the company, Attention: Investor Relations.

Form 10-K

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

Forward-Looking Statement

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.

Executive Committee

Kenneth Bonning
Executive Vice President – Logistics

Jack Boyle
Executive Vice President – General Merchandise Manager, Women's Apparel and Accessories

Donald A. Brennan
Executive Vice President – General Merchandise Manager, Men's and Children's

Peggy Eskenasi
Executive Vice President – Product Development

Julie Gardner
Executive Vice President – Chief Marketing Officer

Janelle Havner
Executive Vice President – Office of Store Administration/Merchandise Presentation

Telvin Jeffries
Executive Vice President – Human Resources

Thomas Kingsbury
Senior Executive Vice President

John J. Lesko
Executive Vice President – Administration

Kevin Mansell
President

Wesley McDonald
Executive Vice President – Chief Financial Officer

R. Lawrence Montgomery
Chairman and Chief Executive Officer

Jon Nordeen
Executive Vice President – Planning & Allocation

Richard D. Schepp
Executive Vice President – General Counsel, Secretary

Rick Seeger
Executive Vice President – General Merchandise Manager, Home and Footwear

John Worthington
Executive Vice President – Director of Stores

Directors

Jay H. Baker
Retired President, Kohl's Corporation (b) (c)
(Retiring from Board of Directors in May 2007)

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

Wayne Embry
Senior Advisor to the General Manager of the Toronto Raptors (a) (c)*

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

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

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

Kevin Mansell
President, Kohl's Corporation

Arlene Meier
Retired Chief Operating Officer, Kohl's Corporation
(Retired from Board of Directors in February 2007)

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

Frank V. Sica
President, Menemsha Capital Partners, Ltd. (b) (c)

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

Stephen E. Watson
Retired President and CEO, Gander Mountain, L.L.C.
(a) (c)

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

(a) 2006 Audit Committee
(b) 2006 Compensation and Stock Option Committee
(c) 2006 Governance and Nominating Committee
* Denotes Chair

Common Stock Price Range

Fiscal 2006	High	Low	Fiscal 2005	High	Low
First Quarter	\$56.00	\$44.13	First Quarter	\$53.86	\$45.26
Second Quarter	59.82	52.93	Second Quarter	58.90	46.50
Third Quarter	73.58	56.61	Third Quarter	57.44	43.63
Fourth Quarter	73.97	66.25	Fourth Quarter	50.96	42.78

Stock Listing

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

KOHL'S
expect **great** things

N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051-5660
www.kohls.com

