UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 1998

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 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	39-1630919 (I.R.S. EMPLOYER IDENTIFICATION NO.)
N56 W17000 RIDGEWOOD DRIVE MENOMONEE FALLS, WISCONSIN (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	53051 (ZIP CODE)

Registrant's telephone number, including area code (414) 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 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. X 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. [X]

At April 2, 1998, the aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates of the registrant was $6,711,929,375 (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At April 2, 1998 the registrant had issued and outstanding an aggregate of 78,963,875 shares of its Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of Registrant's Proxy Statement dated April 20, 1998 are incorporated into Part III.

PART I

ITEM 1. BUSINESS

The Company currently operates 197 family oriented, specialty department stores primarily in the Midwest and Mid-Atlantic areas of the United States that feature quality, national brand merchandise which provides exceptional value to customers. The Company's stores sell moderately priced apparel, shoes, accessories, soft home products and housewares targeted to middle-income customers shopping for their families and homes. Kohl's stores have fewer departments than traditional, full-line department stores, but offer customers dominant assortments of merchandise displayed in complete selections of styles, colors and sizes. Central to the Company's pricing strategy and overall profitability is a culture focused on maintaining a low cost structure. Critical elements of this low cost structure are the Company's unique store format, lean staffing levels, sophisticated management information systems and operating efficiencies resulting from centralized buying, advertising and distribution.

As used herein, the term the "Company" and "Kohl's" refer to Kohl's Corporation, its consolidated subsidiaries and predecessors. The Company's fiscal year ends on the Saturday closest to January 31. Fiscal 1997 ended on January 31, 1998 and was a 52 week year.

EXPANSION

Since 1986, the Company has expanded from 40 stores to the current total of 197 stores both by acquiring and converting pre-existing stores and by opening new stores. Management believes there is substantial opportunity for further growth and intends to open approximately 32 new stores in fiscal 1998. Seven opened in March 1998: three stores in Knoxville, Tennessee; three stores in the Winston-Salem/Greensboro, North Carolina market and a store in Shawnee, Kansas. Eight stores opened in April: three stores in Richmond, Virginia; two additional stores in the Pittsburgh, Pennsylvania market; a store in Fairfax, Virginia; a store in Turnersville, New Jersey and a store in Muncie, Indiana. The remaining stores will open in the second half of the year.

As demonstrated on the following page, Kohl's expansion strategy is to open additional stores in existing markets, where it can leverage advertising, purchasing, transportation and other regional overhead expenses; in contiguous markets, where it can extend regional operating efficiencies; and in new markets which offer similar opportunity to successfully implement the Kohl's retailing strategy.

STORE EXPANSION

MARKET AREA	TOTAL AT JANUARY 29, 1994	FISCAL 1994 NEW	FISCAL 1995 NEW	FISCAL 1996 NEW	FISCAL 1997 NEW	TOTAL AT JANUARY 31, 1998	ANNOUNCED FISCAL 1998
Chicago, IL............	21	2	1	1	--	25	3
Milwaukee, WI..........	11	1	--	--	--	12	--
Minneapolis/St. Paul, MN....................	6	2	2	1	--	11	--
Detroit, MI............	10	--	(2)(a)	--	--	8	2
Cleveland, OH..........	--	--	4	3	--	7	--
Indianapolis, IN........	6	--	--	--	--	6	--
Columbus, OH...........	6	--	--	--	--	6	2
Cincinnati, OH.........	--	3	2	--	--	5	--
Kansas City, KS, MO.....	--	--	3	1	--	4	1

Dayton, OH.............	--	3	--	--	--	3	--
Madison, WI............	2	1	--	--	--	3	--
Charlotte, NC..........	--	--	--	3	--	3	2
Philadelphia, PA.......	--	--	--	--	12	12	3
Pittsburgh, PA.........	--	--	--	--	3	3	2
Washington, DC.........	--	--	--	--	9	9	4
Winston Salem/Greensboro, NC...	--	--	--	--	--	--	3
Richmond, VA...........	--	--	--	--	--	--	3
Knoxville, TN..........	--	--	--	--	--	--	3
Other..................	28	6	10	13	8	65	4
Total..............	90	18	20	22	32	182	32

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(a)The Company closed two underperforming stores

Kohl's retailing strategy has proven to be readily transferable to new markets. For example, Kohl's has successfully opened new stores in small markets such as Kalamazoo, Michigan; intermediate markets such as Kansas City, and large markets such as Chicago, Illinois. In addition, the Kohl's concept has been successful in retailing formats such as strip shopping centers, community and regional malls and free-standing stores. Management believes the transferability of the Kohl's retailing strategy, the Company's experience in acquiring and converting pre-existing stores and in opening new stores, and the Company's substantial investment in management information systems, centralized distribution and headquarters functions provide a solid foundation for further expansion.

In determining where to open new stores, the Company evaluates: demographic information, the availability of prime real estate locations, existing and potential competitors, and the potential impact on existing stores. In addition, the Company develops pro forma projections that take into account the economies of scale available in advertising, distribution and regional expenses.

MERCHANDISING

Kohl's stores feature moderately priced, department store national brands which provide exceptional value to customers. Kohl's merchandise is targeted to appeal to middle-income customers shopping for their families and homes. All of the Company's stores carry a consistent merchandise assortment. The Company's stores emphasize apparel and shoes for children, women and men, soft home products, such as towels, sheets and pillows, and housewares. The Company eliminated its electronics business in fiscal 1996, which is included in Hardlines in the table below. This business was 0.3% of the total net sales in fiscal 1996 and 2.1% in fiscal 1995. The Company's merchandise mix is reflected by the following table:

MERCHANDISE MIX
(PERCENT OF NET SALES)

	FISCAL YEAR		
	1997	1996	1995
Apparel..	61.2%	60.6%	58.2%
Accessories/Shoes....................................	18.8%	19.1%	19.2%
Soft Home/Housewares.................................	12.2%	12.5%	12.5%
Hardlines..	7.8%	7.8%	10.1%

DISTRIBUTION

The Company receives 99% of its merchandise at three distribution centers, with the balance delivered directly to the stores by vendors or their distributors. The distribution centers ship merchandise to each store by contract carrier several times a week. The three existing facilities are capable of supporting 250-300 store locations.

The Menomonee Falls, Wisconsin distribution center opened in 1981. This 500,000 square foot facility services the Company's stores in Chicago, Illinois, Wisconsin, Minnesota, Kansas, Iowa, Missouri, Nebraska, North Dakota and South Dakota.

The Company opened its second distribution center in August 1994. This 650,000 square foot facility, located in Findlay, Ohio services the Company's stores in Central Illinois, Ohio, Michigan, Indiana, Kentucky, Tennessee and West Virginia.

The Company opened its third distribution center in Winchester, Virginia in the summer of 1997. This 350,000 square foot facility services the Company's stores in New York, North Carolina, Pennsylvania, Virginia, Maryland, Delaware and New Jersey.

EMPLOYEES

As of January 31, 1998, the Company had approximately 32,200 employees, including approximately 9,200 full-time and approximately 23,000 part-time associates. The number of associates varies during the year, peaking during the "back-to-school" and Christmas holiday seasons. None of the Company's associates is represented by a collective bargaining unit. The Company believes its relations with its associates are very good.

COMPETITION

The retail industry is highly competitive. Management considers quality, value, merchandise mix, service and convenience to be the most significant competitive factors in the industry. The Company's primary competitors are traditional department stores, up-scale mass merchandisers and specialty stores. The Company's specific competitors vary from market to market.

TRADEMARKS AND SERVICE MARKS

The name "Kohl's", written in its distinctive block style, is a registered service mark of the Company, and the Company considers this mark and the accompanying name recognition to be valuable to its business. The Company has approximately 40 additional trademarks, trade names and service marks, most of which are used in its private label program.

ITEM 2. PROPERTIES

As of January 31, 1998, the Company operated 182 stores in 21 states. The Company owned 44 stores, owned 30 stores with ground leases and leased 108 stores under operating leases. The typical ground lease has an initial term of between 15 and 25 years, with 2 to 6 renewal periods of 5 to 10 years each, exercisable at the Company's option. The typical operating lease has an initial term of between 15 and 20 years, with 2 to 6 renewal periods of 5 to 10 years each, exercisable at the Company's option.

Substantially all of the Company's leases provide for a minimum annual rent that is fixed or adjusts to set levels during the lease term, including renewals. Approximately 40% of the leases provide for additional rent based on a percentage of sales to be paid when designated sales levels are achieved. At January 31, 1998, the average minimum annual rent of the 108 leased stores was $6.05 per square foot, and the average minimum annual rent of the 30 stores operated under ground leases was $2.55 per square foot.

The Company's stores are located in strip shopping centers (99), community and regional malls (44), and as free standing units (39). Of the Company's stores, 156 are one story facilities and 26 are two story facilities.

	NUMBER OF STORES AT JANUARY 31, 1998

Illinois	31
Wisconsin	28
Ohio	27
Pennsylvania	15
Michigan	14
Indiana	14
Minnesota	13
Kansas	5
Maryland	5
Virginia	5
Iowa	4
North Carolina	3
Missouri	3
Nebraska	3
New Jersey	3
Kentucky	3
Delaware	2
South Dakota	1
North Dakota	1
New York	1
West Virginia	1
Total	182

The Company owns its distribution centers in Menomonee Falls, Wisconsin; Findlay, Ohio and Winchester, Virginia. The Company also owns its corporate headquarters in Menomonee Falls, Wisconsin.

ITEM 3. LEGAL PROCEEDINGS

See Note 9 to the Company's Consolidated Financial Statements concerning routine legal matters and a certain audit of the Company's Federal income tax returns.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of fiscal 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Market information

The Common Stock has been traded on the New York Stock Exchange since May 19, 1992, under the symbol "KSS." On March 9, 1998, the Company's Board of Directors declared a 2 for 1 stock split to be effected in the form of a stock dividend on the Company's common stock. The record date for the stock split was April 10, 1998. Distribution of the additional shares will be made on or about April 27, 1998. The prices in the table set forth below indicate the high and low prices of the Common Stock for each quarter in fiscal 1997 and 1996, as reported on the New York Stock Exchange Composite Tape adjusted by the Company to give effect retroactively to the stock split.

	PRICE RANGE	
	HIGH	LOW
FISCAL 1997		
First Quarter	$25 9/16	$19 7/16
Second Quarter	31 9/16	24 7/8
Third Quarter	37 3/8	29
Fourth Quarter	37 11/16	31 5/16
FISCAL 1996		
First Quarter	$17 3/4	$14 3/16

Second Quarter	18 9/16	13 3/8
Third Quarter	20 1/2	16 3/16
Fourth Quarter	21	18 1/16

(b) Holders

At April 2, 1998, there were 4,840 holders of record of the Common Stock.

(c) Dividends

The Company has never paid a cash dividend, has no current plans to pay dividends on its Common Stock and intends to retain all earnings for investment in and growth of the Company's business. In addition, financial covenants and other restrictions in the Company's financing agreements limit the payment of dividends on the Common Stock. The payment of future dividends, if any, will be determined by the Board of Directors in light of existing conditions, including the Company's earnings, financial condition and requirements, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below should be read in conjunction with the consolidated financial statements of the Company and related notes included elsewhere in this document. The selected consolidated financial data, except for the operating data, has been derived from the audited consolidated financial statements of the Company, which have been audited by Ernst & Young LLP, independent auditors.

	FISCAL YEAR ENDED				
	JANUARY 31, 1998	FEBRUARY 1, 1997	FEBRUARY 3, 1996(A)	JANUARY 28, 1995	JANUARY 29, 1994
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND PER SQUARE FOOT DATA)				
STATEMENT OF OPERATIONS DATA:					
Net sales	$3,060,065	$2,388,221	$1,925,669	$1,554,100	$1,305,746
Cost of merchandise sold	2,046,468	1,608,688	1,294,653	1,037,740	869,236
Gross margin	1,013,597	779,533	631,016	516,360	436,510
Selling, general and administrative expenses	678,793	536,226	436,442	356,893	305,547
Depreciation and amortization	57,380	44,015	33,931	27,402	23,201
Preopening expenses	18,589	10,302	10,712	8,190	5,360
Credit operations, non-recurring(b)	--	--	14,052	--	--
Operating income	258,835	188,990	135,879	123,875	102,402
Interest expense, net	23,772	17,622	13,150	6,424	5,711
Income before income taxes and extraordinary items	235,063	171,368	122,729	117,451	96,691
Income taxes	93,790	68,890	50,077	48,939	41,029
Income before extraordinary item	141,273	102,478	72,652	68,512	55,662
Extraordinary item(c)	--	--	--	--	(1,769)
Net income	$ 141,273	$ 102,478	$ 72,652	$ 68,512	$ 53,893

Per share(d):

Basic	$ 0.93	$ 0.69	$ 0.49	$ 0.47	$ 0.37
Diluted	$ 0.91	$ 0.68	$ 0.49	$ 0.46	$ 0.36
OPERATING DATA:					
Comparable store sales growth(e)	10.0%	11.3%	5.9%	6.1%	8.3%
Net sales per selling square foot(f)	$ 267	$ 261	$ 257	$ 258	$ 255
Total square feet of selling space (in thousands; end of period)	12,533	10,064	8,378	6,824	5,523
Number of stores open (end of period)	182	150	128	108	90
Capital expenditures including capitalized leases	$ 202,735	$ 223,423	$ 138,797	$ 132,800	$ 64,813
BALANCE SHEET DATA (END OF PERIOD):					
Working capital	$ 525,251	$ 229,339	$ 175,368	$ 114,637	$ 86,856
Property and equipment, net	749,649	596,227	409,168	298,737	186,626
Total assets	1,619,721	1,122,483	805,385	658,717	469,289
Total long-term debt	310,366	312,031	187,699	108,777	51,852
Shareholders' equity	954,782	517,471	410,638	334,249	262,502

See footnotes on next page

(footnotes for Consolidated Financial Data)

(a) Fiscal 1995 contained 53 weeks.

(b) Effective September 1, 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operation. In connection with this transaction, the Company incurred a one-time charge of $14.1 million ($8.3 million after-tax). See Note 3 of Notes to Consolidated Financial Statements.

(c) The extraordinary item reflects an after-tax charge of $1.8 million to write-off unamortized deferred financing costs in connection with the termination of certain credit facilities in January 1994.

(d) All per share data has been adjusted to reflect the 2 for 1 stock split declared by the Company's Board of Directors on March 9, 1998 and to be distributed on or about April 27, 1998. Excluding the extraordinary item for the fiscal year ended January 29, 1994, basic and diluted earnings per share were $0.38.

(e) Comparable store sales for each period are based on sales of stores (including relocated or expanded stores) open throughout the full period and throughout the full prior period. Comparable store sales growth for fiscal 1996 compares the 52 weeks of fiscal 1996 versus the same 52 week calendar in fiscal 1995 and excludes the discontinued electronics business. Comparable store sales growth for fiscal 1995 has been adjusted to reflect the elimination of the 53rd week in fiscal 1995.

(f) Net sales per selling square foot is calculated using net sales of stores that have been open for the full period, divided by their square footage of selling space.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Sales

Net sales for the last three years, number of stores, sales growth and net sales per selling square foot by year were as follow:

FISCAL YEAR

	1997	1996	1995
Net sales (in thousands)	$3,060,065	$2,388,221	$1,925,669
Number of stores open (end of period)	182	150	128
Sales growth--all stores	28.1%	24.0%	23.9%
Sales growth--comparable stores(a)	10.0%	11.3%	5.9%
Net sales per selling square foot(b)	$ 267	$ 261	$ 257

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(a) Comparable store sales growth for each period is based on sales of stores (including relocated or expanded stores) open throughout the full period and throughout the full prior period. Comparable sales growth for fiscal 1996 compares the 52 weeks of fiscal 1996 versus the same 52 week calendar in fiscal 1995 and excludes the discontinued electronics business. Comparable sales growth for fiscal 1995 has been adjusted to reflect the elimination of the 53rd week in fiscal 1995.
(b) Net sales per selling square foot is calculated using net sales of stores that have been open for the full year divided by their square footage of selling space.

Increases in net sales primarily reflect new store openings and comparable store sales growth. Net sales increased $671.8 million, or 28.1%, from $2,388.2 million in fiscal 1996 to $3,060.1 million in fiscal 1997. Of the increase, $455.8 million is attributable to the opening of 32 new stores in fiscal 1997 and to the inclusion of a full year of operating results for 22 stores opened in fiscal 1996. The remaining $216.0 million is attributable to the increase in comparable store sales.

Net sales increased $462.5 million, or 24.0%, from $1,925.7 million in fiscal 1995 to $2,388.2 million in fiscal 1996. Of the increase, $312.4 million is attributable to the opening of 22 new stores in fiscal 1996 and to the inclusion of a full year of operating results for 22 stores opened in fiscal 1995 (net of two underperforming stores closed in 1995). The remaining $150.1 million is attributable to the increase in comparable store sales.

Components of Earnings

The following table sets forth statement of operations data as a percentage of net sales for each of the last three years:

	FISCAL YEAR		
	1997	1996	1995
Net sales	100.0%	100.0%	100.0%
Cost of merchandise sold	66.9	67.4	67.2
Gross margin	33.1	32.6	32.8
Selling, general and administrative expenses	22.2	22.5	22.7
Depreciation and amortization	1.8	1.8	1.7
Preopening expenses	.6	.4	.6
Credit operations, non-recurring	--	--	.7
Operating income	8.5	7.9	7.1
Interest expense, net	.8	.7	.7
Income before income taxes	7.7	7.2	6.4
Income taxes	3.1	2.9	2.6
Net income	4.6%	4.3%	3.8%

Gross Margin. The Company's gross margin has increased from 32.8% in fiscal 1995 to 33.1% in fiscal 1997. This increase is primarily attributable to a change in merchandise mix.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include all direct store expenses such as payroll, occupancy and store supplies and all costs associated with the Company's distribution centers, advertising and headquarters functions, but exclude depreciation and amortization. Although the total amount of selling, general, and administrative expenses increased from fiscal 1995 to fiscal 1997 due to the addition of new stores, such expenses decreased as a percent of net sales. Selling, general and administrative expenses decreased from 22.7% in fiscal 1995 to 22.2% in fiscal 1997. This decline reflects the leveraging of store payroll, distribution, advertising and headquarters expenses as a result of the increased sales.

Depreciation and Amortization. The total amount of depreciation and amortization increased from fiscal 1995 to fiscal 1997 due to the addition of new stores, the remodeling of existing stores, the opening of the distribution center in Winchester, Virginia and the opening of the new corporate office. Depreciation and amortization increased as a percentage of net sales from 1.7% in fiscal 1995 to 1.8% in fiscal 1997.

Preopening. The Company incurred $18.6 million of preopening expenses associated with the opening of 32 stores in fiscal 1997, $10.3 million with the opening of 22 stores in fiscal 1996 and $10.7 million with the opening of 22 stores in fiscal 1995. These expenses relate to the costs associated with new store openings, including hiring and training costs for new employees, Kohl's charge account solicitation and processing and transporting initial merchandise. The Company's recent experience is that preopening expenses for a new store are approximately $0.5 million.

Credit Operations, Non-Recurring. In fiscal 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operations. In connection with this transaction, the Company incurred a one-time charge of $14.1 million which included contractual amounts due to CRS, establishment of an initial allowance for doubtful accounts for the receivables acquired and other costs related to the credit operation.

Operating Income. Operating income increased $69.8 million, or 37.0%, in fiscal 1997 and increased $53.1 million, or 39.1% in fiscal 1996 due to the factors described above. Excluding the $14.1 million non-recurring credit operations charge in fiscal 1995, operating income increased $39.0 million or 26.1% in fiscal 1996 compared to fiscal 1995.

Interest Expense. Net interest expense increased $6.2 million to $23.8 million in fiscal 1997 and increased $4.5 million to $17.6 million in fiscal 1996. The increase in fiscal 1997 was due primarily to the $100 million non-callable 7.375% unsecured senior notes issued in October 1996. The increase in fiscal 1996 was due primarily to higher interest rates associated with $100 million non-callable 6.7% unsecured senior notes issued in February 1996 and the $100 million non-callable 7.375% unsecured senior notes issued in October 1996 and increased spending on capital and working capital requirements of new stores. Although the current plan is to open 32 new stores in 1998, the Company does not expect interest expense to increase in fiscal 1998. Interest expense on the $60 million senior notes issued in March 1994, the $200 million non-callable senior notes issued in 1996 and $52.3 million capital lease debt is fixed and known until maturity.

Income Taxes. The Company's effective tax rate was 39.9% in fiscal 1997, 40.2% in fiscal 1996, and 40.8% in fiscal 1995. The overall decline in the effective tax rates in fiscal 1997 and fiscal 1996 was primarily due to the decrease in state income taxes, net of federal tax benefits and non-deductible goodwill amortization as a percentage of income before taxes.

IMPACT OF YEAR 2000

The Company changed its date routine standards to incorporate four digits for all new systems development a number of years ago. As a result, there are many systems that need only to be certified and have their interfaces reviewed and tested. There are, however, a number of legacy and package financial systems that are not Year 2000 compliant. The Company has assessed these systems and presently believes that with modification to

existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems. The Company will utilize both internal and external resources to reprogram, or replace and test the software for Year 2000 modifications. The Company anticipates completing the necessary project code modifications within one year and completion of all testing in 1999.

The Company has initiated formal communications with all of its significant suppliers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. The Company's total Year 2000 project cost and estimates to complete include the impact of third party Year 2000 issues based on presently available information. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

The total cost of the Year 2000 project is estimated at $10 million and is being funded through operating cash flows. Of the total project cost, approximately $6 million is attributable to the purchase of new software and hardware which will be capitalized. The remaining $4 million of reprogramming and testing costs will be expensed as incurred and is not expected to have a material effect on the results of operations. Of the capital, approximately $4 million is for a new financial system. The new financial system was a previously planned project that supports the company growth, provides significant business enablement and eliminates a substantial Year 2000 effort. To date, the Company has incurred approximately $1.5 million ($200,000 expensed and $1.3 million capitalized) related to the assessment of, and preliminary efforts on, its Year 2000 project and the development of a modification plan, purchase of new systems and systems modifications.

The costs of the project and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. In addition to the Company's reliance on certain third parties to remediate their own Year 2000 issues, specific factors that might cause such material differences include, but are not limited to, the continued availability and cost of personnel trained in this area and the ability to locate and correct all relevant computer codes.

SEASONALITY AND INFLATION

The Company's business is seasonal, reflecting increased consumer buying in the "back-to-school" and Christmas seasons. The Company's net sales and income are also affected by the timing of new store openings. Inflation did not materially affect the Company's net income during the periods presented.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary ongoing cash requirements are for inventory purchases, capital expenditures in connection with expansion and remodeling programs and preopening expenses. The Company's primary sources of funds for its business activities are cash flow from operations, sale of its proprietary accounts receivable, borrowings under its revolving credit facility and short-term trade credit. Short-term trade credit, in the form of extended payment terms for inventory purchases or third-party factor financing, represents a significant source of financing for merchandise inventories. The Company's working capital and inventory levels typically build throughout the fall, peaking during the Christmas selling season.

The Company's working capital increased to $525.3 million at January 31, 1998 from $229.3 million at February 1, 1997. Of this increase, $212.9 million is attributable to higher credit card receivables as the Company internally financed a much larger percentage of receivables in fiscal 1997. The remaining increase was primarily the result of higher merchandise levels required to support existing stores and incremental new store locations offset in part by increased accounts payable.

Cash used in operating activities was $50.2 million for fiscal 1997 as compared to cash provided by operating activities of $103.9 million for fiscal 1996 and $27.3 million for fiscal 1995. Excluding changes in operating assets and liabilities, cash provided by operating activities was $199.0 million for fiscal 1997, $153.4 million for fiscal 1996 and $118.5 million for fiscal 1995.

The Company's capital expenditures were $202.7 million (no additional assets under capital leases) during fiscal 1997, $223.4 million (no additional assets under capital leases) during fiscal 1996, and $138.8 million (including $6.4 million of assets under capital leases) during fiscal 1995. The decrease in expenditures from fiscal 1996 to fiscal 1997 is primarily attributable to the amount of spending for 1997's new stores incurred in 1996 and to the completion of its corporate office construction in 1996. The increase in expenditures from fiscal 1995 to fiscal 1996 is attributable to new store spending for 1996 new stores, 1997 new stores in the Washington, D.C. and Philadelphia markets, the completion of the corporate office and the start of the third distribution center in Winchester, Virginia.

Total capital expenditures for fiscal 1998 are currently expected to be approximately $220 million (excluding assets under capital leases). The actual amount of the Company's future annual capital expenditures will depend primarily on the number of new stores opened, whether such stores are owned or leased by the Company and the number of existing stores remodeled or refurbished.

The Company plans to open approximately 32 new stores in fiscal 1998. The total cash outlay required for a newly constructed leased store, including capital expenditures, preopening expenses and net working capital, is approximately $5.0 million. The additional cash outlay required for new owned stores will vary depending upon land and sitework costs, but is expected to be approximately $7.5 million per location. The Company does not anticipate that its planned expansion will be limited by any restrictive covenants in its financing agreements.

In August, 1997, the Company issued 9,140,600 shares (after adjusting for the March 9, 1998 stock split) of its common stock to the public. Net proceeds of approximately $282.9 million were used for general corporate purposes, including financing the Company's continued store growth and paydown of debt.

In June 1996, the Financial Accounting Standards Board issued SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which provides accounting and reporting standards for sales, securitizations and servicing of receivables and other financial assets. SFAS No. 125 was effective for all transactions occurring after December 31, 1996.

In conjunction with the adoption of SFAS No. 125, the Company established Kohl's Receivable Corporation (KRC), a wholly owned subsidiary of the Company. KRC is a special purpose entity and its assets are legally isolated from the Company. KRC entered into an agreement with a bank, renewable at KRC's request and bank's option, under which it periodically sells, generally with recourse, an undivided interest in a revolving pool of the Company's private label credit card receivables up to a maximum of $225 million. At January 31, 1998, a $43.5 million interest had been sold under this agreement and reflected as a reduction of accounts receivable as this sale met the requirements of SFAS No. 125.

The Company anticipates that it will be able to satisfy its current operating needs, planned capital expenditures and debt service requirements with current working capital, cash flows from operations, seasonal borrowings under its $300 million revolving credit facility, short-term trade credit and other lending facilities.

Information in this document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to debt service requirements and planned capital expenditures. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "plans", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon. No assurance can be given that the future results covered by the forward-looking statements will be achieved.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For analysis of the Company's market risk, see discussion of interest rates under Results of Operations in Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. EXECUTIVE OFFICERS OF REGISTRANT

The information set forth under "Election of Directors" on pages 1-2 and under "Compliance with Sec. 16(a) of the Exchange Act" on page 5 of Registrant's Proxy Statement dated April 20, 1998 is incorporated herein by reference. The executive officers of the Company are as follows:

NAME	AGE	POSITION
Jay H. Baker	63	President and Director
Caryn Blanc	40	Executive Vice President--Distribution and Store Administration
John F. Herma	50	Chief Operating Officer, Secretary and Director
William S. Kellogg	54	Chairman, Chief Executive Officer and Director
John Lesko	45	Executive Vice President--Chief Information Officer
Richard Leto	46	Executive Vice President--General Merchandise Manager
Kevin Mansell	45	Executive Vice President--General Merchandise Manager
Arlene Meier	46	Executive Vice President--Chief Financial Officer
R. Lawrence Montgomery	49	Vice Chairman and Director
Jeffrey Rusinow	43	Executive Vice President--Regional Manager of Stores
Gary Vasques	50	Executive Vice President--Marketing

Mr. Baker has served as President since 1986. In this capacity, Mr. Baker oversees the Company's general merchandising and marketing functions. Mr. Baker has 35 years of experience in the retail industry.

Ms. Blanc has served as Executive Vice President--Distribution and Store Administration since 1991 and in other management positions with the Company since 1988. Ms. Blanc joined the Company in 1978, and has 20 years of experience in the retail industry.

Mr. Herma has served as Chief Operating Officer since 1986. Mr. Herma joined the Company as Director of Human Resources in 1980 and has 27 years of experience in the retail industry.

Mr. Kellogg has served as Chairman and Chief Executive Officer since 1979. Mr. Kellogg joined the Company in 1967, and has 31 years of experience in the retail industry.

Mr. Lesko joined the Company in November 1997. From January 1997 to November 1997, Mr. Lesko served as Senior Vice President, Information Systems of Jack Eckerd Corporation, a division of the J.C. Penney Company. Prior to 1997, Mr. Lesko served as Executive Vice President, Marketing and Information Systems for Thrift Drug, a wholly owned subsidiary of J.C. Penney Company. Mr. Lesko has 23 years of experience in the retail industry.

Mr. Leto has served as Executive Vice President--General Merchandise Manager since July 1996. Prior to joining the Company, Mr. Leto served as Executive Vice President, Merchandising for the R. H. Macy Corporation. Mr. Leto has 25 years of experience in the retail industry.

Mr. Mansell has served as Executive Vice President--General Merchandise Manager since 1987. Mr. Mansell joined the Company as a Divisional Merchandise Manager in 1982, and has 23 years of experience in the retail industry.

Ms. Meier has served as Executive Vice President--Chief Financial Officer since October 1994. Ms. Meier joined the Company as Vice President--Controller in 1989. Ms. Meier has 22 years of experience in the retail industry.

Mr. Montgomery was appointed Vice Chairman in March 1996. Mr. Montgomery served as Executive Vice President of Stores from February 1993 to February 1996. Mr. Montgomery joined the Company as Senior Vice President--Director of Stores in 1988. Mr. Montgomery has 27 years of experience in the retail industry.

Mr. Rusinow has served as Executive Vice President--Regional Manager of Stores since January 1998 and in other management positions with the Company since joining the Company in 1994. Prior to joining the Company, Mr. Rusinow served as Executive Vice President, Stores and Merchandising for the department store division of Hudson's Bay Company, based in Toronto, Canada. Mr. Rusinow has 20 years of experience in the retail industry.

Mr. Vasques has served as Executive Vice President--Marketing since December 1995. Prior to joining the Company, Mr. Vasques served as Senior Vice President--Marketing of Caldor from 1991 to November 1995. Mr. Vasques has 28 years of experience in the retail industry.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" on pages 6-9 of Registrant's Proxy Statement dated April 20, 1998 is incorporated herein by reference. Compensation of directors as set forth under "Director Committees and Compensation" on page 3 of Registrant's Proxy Statement dated April 20, 1998 is incorporated herein by reference.

ITEM 12. BENEFICIAL OWNERSHIP OF STOCK

The information set forth under "Beneficial Ownership of Shares" on pages 4-5 of Registrant's Proxy Statement dated April 20, 1998 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Compensation Committee Interlocks and Insider Participation" on page 3, and "Other Agreements" on page 9 of Registrant's Proxy Statement dated April 20, 1998 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

		PAGE
(a) 1.	Consolidated Financial Statements of Kohl's Corporation	
	Report of Independent Auditors	F-2
	Consolidated Balance Sheets	F-3
	Consolidated Statements of Income	F-4
	Consolidated Statements of Changes in Shareholders' Equity	F-5
	Consolidated Statements of Cash Flows	F-6
	Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedules
Schedules are not included because they are not applicable or required.

3. Exhibits

The exhibits to this report are listed in the exhibit index elsewhere herein.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended

January 31, 1998.

CONSOLIDATED FINANCIAL STATEMENTS OF KOHL'S CORPORATION

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Kohl's Corporation

We have audited the accompanying consolidated balance sheets of Kohl's Corporation and subsidiaries (the Company) as of January 31, 1998 and February 1, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended January 31, 1998. 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 generally accepted auditing standards. 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 the Company at January 31, 1998 and February 1, 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
March 9, 1998

KOHL'S CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	

Current assets:		
Cash and cash equivalents	$ 44,161	$ 8,906
Accounts receivable trade, net	239,617	26,711
Merchandise inventories	515,790	423,207
Deferred income taxes	6,615	--
Other	5,259	6,403
Total current assets	811,442	465,227
Property and equipment, at cost	926,534	725,082
Less accumulated depreciation	176,885	128,855
	749,649	596,227
Other assets	12,643	7,615
Favorable lease rights	15,849	18,076
Goodwill	30,138	35,338
Total assets	$1,619,721	$1,122,483

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 150,679	$ 126,361
Accrued liabilities	95,185	79,850
Income taxes payable	38,482	25,470
Deferred income taxes	--	2,544
Current portion of long-term debt	1,845	1,663
Total current liabilities	286,191	235,888
Long-term debt	310,366	312,031
Deferred income taxes	45,104	38,731
Other long-term liabilities	23,278	18,362
Shareholders' equity:		
Common stock--$.01 par value, 400,000,000 shares authorized, 157,757,956 and 147,840,554 issued at January 31, 1998 and February 1, 1997, respectively	1,578	1,478
Paid-in capital	488,550	192,612
Retained earnings	464,654	323,381
Total shareholders' equity	954,782	517,471
Total liabilities and shareholders' equity	$1,619,721	$1,122,483

See accompanying notes

KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	FISCAL YEAR ENDED		
	JANUARY 31, 1998	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales	$3,060,065	$2,388,221	$1,925,669
Cost of merchandise sold	2,046,468	1,608,688	1,294,653
Gross margin	1,013,597	779,533	631,016
Operating expenses:			
Selling, general and administrative	678,793	536,226	436,442
Depreciation and			

amortization..........	52,180	38,815	28,731
Goodwill amortization...	5,200	5,200	5,200
Preopening expenses.....	18,589	10,302	10,712
Credit operations, non-recurring.............	--	--	14,052
Total operating expenses..	754,762	590,543	495,137
Operating income..........	258,835	188,990	135,879
Other (income) expense:			
Interest expense........	24,261	17,745	13,487
Amortization of deferred financing costs........	344	201	77
Interest income.........	(833)	(324)	(414)
Income before income taxes...................	235,063	171,368	122,729
Provision for income taxes...................	93,790	68,890	50,077
Net income...............	$ 141,273	$ 102,478	$ 72,652
Net income per share:			
Basic...................	$ 0.93	$ 0.69	$ 0.49
Diluted.................	$ 0.91	$ 0.68	$ 0.49

See accompanying notes

KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK				
	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	(IN THOUSANDS)				
Balance at January 28, 1995.....	147,020	$1,470	$184,528	$148,251	$334,249
Exercise of stock options.......	453	5	2,416	--	2,421
Income tax benefit of stock options......................	--	--	1,316	--	1,316
Net income.....................	--	--	--	72,652	72,652
Balance at February 3, 1996.....	147,473	1,475	188,260	220,903	410,638
Exercise of stock options.......	367	3	3,102	--	3,105
Income tax benefit of stock options......................	--	--	1,250	--	1,250
Net income.....................	--	--	--	102,478	102,478
Balance at February 1, 1997.....	147,840	1,478	192,612	323,381	517,471
Issuance of common shares	9,141	92	282,776	--	282,868
Exercise of stock options.......	777	8	7,062	--	7,070
Income tax benefit of stock options......................	--	--	6,100	--	6,100
Net income.....................	--	--	--	141,273	141,273
Balance at January 31, 1998.....	157,758	$1,578	$488,550	$464,654	$954,782

See accompanying notes

KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEAR ENDED		
	JANUARY 31, 1998	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income	$ 141,273	$102,478	$ 72,652
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	57,724	44,216	34,008
Deferred income taxes	(2,786)	4,870	10,650
Other noncash charges	2,784	1,843	1,215
Changes in operating assets and liabilities:			
Accounts receivable trade	(212,906)	(26,181)	(530)
Merchandise inventories	(92,583)	(102,635)	(72,359)
Other current assets	1,144	231	1,361
Accounts payable	24,318	56,904	(29,535)
Accrued and other long-term liabilities	17,795	18,339	2,423
Income taxes payable	13,012	3,842	7,450
Net cash provided by (used in) operating activities	(50,225)	103,907	27,335
INVESTING ACTIVITIES			
Acquisition of property and equipment	(202,735)	(223,423)	(132,409)
Proceeds from sale of property and equipment	295	752	1,577
Other	(6,534)	(2,063)	(524)
Net cash used in investing activities	(208,974)	(224,734)	(131,356)
FINANCING ACTIVITIES			
Proceeds from public debt offering	--	200,000	--
Net borrowings (repayments) under Credit Facility	--	(74,000)	74,000
Payment of financing fees on debt	(101)	(2,011)	--
Repayment of other long-term debt	(1,483)	(1,430)	(1,303)
Net proceeds from issuance of common shares	296,038	4,355	3,737
Net cash provided by financing activities	294,454	126,914	76,434
Net increase (decrease) in cash and cash equivalents	35,255	6,087	(27,587)
Cash and cash equivalents at beginning of period	8,906	2,819	30,406
Cash and cash equivalents at end of period	$ 44,161	$ 8,906	$ 2,819

See accompanying notes

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1998

1. BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

BUSINESS

Kohl's Corporation (the Company) operates family oriented, specialty department stores primarily in the Midwest and Mid-Atlantic areas of the United States that feature national brand apparel, shoes, accessories, soft home products and housewares targeted to middle-income customers.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

ACCOUNTING PERIOD

The Company's fiscal year end is the Saturday closest to January 31. The financial statements reflect the results of operations and cash flows for the fiscal years ended January 31, 1998 (fiscal 1997), February 1, 1997 (fiscal 1996) and February 3, 1996 (fiscal 1995), which include 52 weeks, 52 weeks and 53 weeks, respectively.

CASH EQUIVALENTS

Cash equivalents represent short-term investments with an original maturity of three months or less, which are held to maturity. Short-term investments are stated at cost which approximates market.

INVENTORIES

Merchandise inventories are valued at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Inventories would have been $4,783,000 higher at January 31, 1998, and $4,876,000 higher at February 1, 1997 if they had been valued using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

The cost of property and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the assets. Property rights under capital leases and improvements to leased property are amortized on a straight-line basis over the term of the lease or useful life of the assets, whichever is less. The annual provisions for depreciation and amortization have been principally computed using the following ranges of useful lives:

Buildings and improvements...	18-40 years
Store fixtures and equipment.	3-20 years
Property under capital leases.....................	20-40 years

Construction in progress includes land and improvements for locations not yet opened at the end of each fiscal year.

FAVORABLE LEASE RIGHTS

Favorable lease rights are being amortized over a composite average life, including options, of 20 years and reflect accumulated amortization of $17,350,000 at January 31, 1998 and $15,307,000 at February 1, 1997.

1. BUSINESS AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill is being amortized on a straight-line basis over 15 years. Accumulated amortization was $47,266,000 at January 31, 1998 and $42,066,000 at February 1, 1997.

LONG-LIVED ASSETS

The Company annually considers whether indicators of impairment of long-lived assets held for use (including favorable leasehold rights and goodwill) are present and determines that if such indicators are present whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. The Company evaluated the ongoing value of its property and equipment and other long-lived assets as of January 31, 1998, and determined that there was no significant impact on the Company's results of operations.

PREOPENING COSTS

Costs associated with the opening of new stores are accumulated for the period prior to opening and expensed in conjunction with the grand opening period. The expenses relate to the costs associated with new store openings, including hiring and training costs for new employees, Kohl's charge account solicitation and processing and transporting initial merchandise.

ADVERTISING

Advertising costs are expensed as incurred and totaled $117,879,000, $90,660,000 and $73,011,000 in fiscal 1997, 1996 and 1995, respectively.

INCOME TAXES

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

NET INCOME PER SHARE

In February, 1997 the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings per Share", which specifies the computation, presentation and disclosure requirements of earnings per share. All net income per share amounts for all periods have been presented to conform to SFAS No. 128 disclosure requirements. The numerator for the calculation of basic and diluted net income per share is net income. The denominator is summarized as follows (in thousands):

	FISCAL YEAR		
	1997	1996	1995
Denominator for basic earnings per share-- weighted average shares	152,471	147,705	147,170
Employee stock options	3,606	2,300	1,158
Denominator for diluted earnings per share	156,077	150,005	148,328

Shareholders' equity, share and per share amounts for all periods presented have been adjusted for the 2 for 1 stock split declared by the Company's Board of Directors on March 9, 1998, effected in the form of a stock dividend.

1. BUSINESS AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform to the fiscal 1997 presentation.

2. SELECTED BALANCE SHEET INFORMATION

Property and equipment consist of the following:

	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	
Land	$ 78,332	$ 48,438
Buildings and improvements	389,665	235,346
Store fixtures and equipment	334,068	275,632
Property under capital leases	58,569	58,569
Construction in progress	65,900	107,097
	$926,534	$725,082

Accrued liabilities consist of the following:

	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	
Payroll and related fringe benefits	$ 22,007	$ 20,364
Sales and property taxes	30,717	20,963
Other accruals	42,461	38,523
	$ 95,185	$ 79,850

3. ACCOUNTS RECEIVABLE FINANCING

Effective September 1, 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operation. In connection with this transaction, the Company incurred a one-time charge of $14.1 million ($8.3 million after-tax), which included contractual amounts due to CRS ($5.4 million), establishment of an initial allowance for doubtful accounts for the receivables acquired ($3.6 million), and other costs related to the credit operation ($5.1 million).

Concurrent with the September 1, 1995 termination agreement with CRS, the Company entered into a one year agreement with a bank, renewable at the Company's request and bank's option, under which it periodically sold, generally with recourse, an undivided interest in a revolving pool of its private label credit card receivables.

In 1996, the FASB issued SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which provides accounting and reporting standards for sales, securitizations and

3. ACCOUNTS RECEIVABLE FINANCING (CONTINUED)

servicing of receivables and other financial assets. The adoption of SFAS No. 125, which was effective for all transactions occurring after December 31, 1996, did not have a material effect on the Company.

In conjunction with the adoption of SFAS No. 125, the Company established Kohl's Receivable Corporation (KRC), a wholly owned subsidiary of the Company. KRC is a special purpose entity and its assets are legally isolated from the Company. On January 30, 1997, the Company repurchased the private label credit card receivables previously sold to a bank. The Company then sold or contributed all of its receivables to KRC. Similar to the agreement the Company previously had with a bank, KRC entered into an agreement with the same bank, renewable at KRC's request and bank's option, under which it periodically sells, generally with recourse, an undivided interest in a revolving pool of the Company's private label credit card receivables up to a maximum of $225 million. The agreement contains certain covenants which require the Company to maintain a minimum portfolio quality.

At January 31, 1998 and at February 1, 1997, a $43.5 million interest and a $191 million interest, respectively, had been sold under this agreement and reflected as a reduction of accounts receivable; as the respective sales met the requirements of SFAS No. 125. The Company maintains an allowance for doubtful accounts for retained receivables based upon management's estimates of the Company's risk of credit loss which totaled $4.7 million at January 31, 1998.

The cost of the credit program, net of finance charge income is summarized below and is included in selling, general and administrative expenses in the accompanying consolidated statements of income. From September 1, 1995 through February 3, 1996 and in fiscal 1996, the Company has reflected the entire balances of income and expense in the schedule. Subsequent to January 30, 1997, this income and expense is presented only for receivables not sold by KRC to the bank as described above.

	FISCAL YEAR 1997	FISCAL YEAR 1996	SEPTEMBER 1, 1995 THROUGH FEBRUARY 3, 1996
	(IN THOUSANDS)		
Finance charges and other income......	$16,528	$33,859	$10,376
Operating expenses:			
Cost of financing program..........	--	10,816	4,452
Provision for doubtful accounts.....	4,502	11,493	3,161
Other credit and collection expenses.........................	5,477	11,375	3,433
Total operating expenses..........	9,979	33,684	11,046
Net revenue (cost) of credit program included in selling, general and administrative expenses.............	6,549	175	(670)
Pro forma cost to finance the receivables not sold to KRC (unaudited)........................	5,130	--	--
Pro forma net revenue (cost) of credit program (unaudited).................	$ 1,419	$ 175	$ (670)

For fiscal years 1997, 1996 and from September 1, 1995 through February 3, 1996, the average interest in receivables sold to the bank was $154 million, $168 million and $165 million, respectively. This represents 64%, 88% and 97% of the average receivables outstanding during the respective periods. To aid in comparability of the net (cost) revenue of the credit program, the Company has provided an unaudited pro forma adjustment in fiscal 1997 to reflect the cost of internally financing a larger percentage of receivables than in prior periods.

4. DEBT

Debt consists of the following:

	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	
Senior notes	$ 60,000	$ 60,000
Public offered debt	200,000	200,000
Capital leases	50,827	52,297
Other	1,384	1,397
Total debt	312,211	313,694
Less current portion	1,845	1,663
Total long-term debt	$310,366	$312,031

On March 31, 1994 the Company issued $60 million of 6.57% unsecured senior notes. The notes will mature in 2004, with required prepayments due each year beginning March 31, 2000. The notes contain various covenants that limit, among other things, additional indebtedness and payment of dividends, as well as requiring the Company to meet certain financial tests.

On February 6, 1996, the Company issued $100 million of non-callable 6.70% unsecured senior notes which mature on February 1, 2006. On October 15, 1996, the Company issued another $100 million of non-callable 7.375% unsecured senior notes which mature on October 15, 2011. The proceeds were used to repay borrowings under the Credit Facility and support Company growth.

The Company, using discounted cash flow analyses, based upon the Company's current incremental borrowing rates for similar types of borrowing arrangements, estimates the fair value of the senior and publicly offered notes to be approximately $61 million and $208 million, respectively, at January 31, 1998.

The Company has a $300 million unsecured revolving bank credit facility (the Credit Facility) which matures on June 13, 2002. The Credit Facility can be extended each year for an additional one year with the banks' consents provided that the Company meets certain financial covenants. Depending on the type of advance, amounts borrowed bear interest at competitive bid rates; the LIBOR plus a margin, depending on the Company's long-term unsecured debt rating; or the agent bank's base rate. A facility fee of 0.07% to 0.225%, depending on the Company's long-term unsecured debt rating, is charged on the entire commitment. As of January 31, 1998, the facility fee was 0.09%. The Credit Facility contains various covenants that limit, among other things, additional indebtedness and payment of dividends, as well as requiring the Company to meet certain financial tests. No amounts were outstanding under this facility at January 31, 1998 or February 1, 1997.

During fiscal 1995, the Company entered into capital leases having minimum lease payments with a present value at inception totaling $6,388,000. There were no new capital leases entered into in fiscal 1996 or 1997.

Interest payments were $24,158,000, $11,754,000 and $13,575,000 in fiscal 1997, 1996 and 1995, respectively.

Annual maturities of long-term debt, excluding capital lease obligations, for the next five years are: $256,000 in 1998; $271,000 in 1999; $287,000 in 2000; $10,250,000 in 2001 and $15,251,000 in 2002.

5. COMMITMENTS

The Company leases property and equipment. Many of the store leases obligate the Company to pay real estate taxes, insurance and maintenance costs, and contain multiple renewal options, exercisable at the Company's option, that range from two additional five-year periods to five ten-year periods.

Rent expense charged to operations was $72,286,000, $52,848,000 and $39,357,000 in fiscal 1997, 1996 and 1995, respectively. Rent expense includes contingent rents, based on sales, of $3,847,000, $3,485,000 and $4,250,000 in fiscal 1997, 1996 and 1995, respectively.

Rent expense incurred on store leases with various entities owned by a director of the Company and his affiliates, which are included in the total rent expense above, were $3,789,000, $3,741,000 and $3,196,000 in fiscal 1997, 1996 and 1995, respectively.

Leased property under capital leases consists of the following:

	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	
Buildings and improvements	$58,569	$58,569
Less accumulated amortization	14,750	12,322
	$43,819	$46,247

Future minimum lease payments at January 31, 1998, under leases that have initial or remaining noncancellable terms in excess of one year, are as follows:

	CAPITAL LEASES	OPERATING LEASES
	(IN THOUSANDS)	
Fiscal year:		
1998	$ 7,047	$ 77,700
1999	6,809	79,843
2000	6,619	74,619
2001	6,477	73,082
2002	6,264	72,281
Thereafter	89,260	976,002
	122,476	$1,353,527
Less amount representing interest	71,649	
Present value of minimum lease payments	$ 50,827	

Included in the operating lease schedule above is $332,213,000 of minimum lease payments for stores that will open in 1998.

6. BENEFIT PLANS

The Company has an Employee Stock Ownership Plan (ESOP) for the benefit of its associates other than executive officers. Contributions are made at the discretion of the Board of Directors. The Company recorded expenses of $2,610,000, $1,734,000 and $1,700,000 in fiscal 1997, 1996 and 1995, respectively. Shares of Company common stock held by the ESOP are included as shares outstanding for purposes of the income per share computations.

6. BENEFIT PLANS (CONTINUED)

The Company also has a defined contribution savings plan covering all full-time and certain part-time associates which provides for monthly employer contributions based on a percentage of qualifying contributions made by participating associates. Total expense was $2,221,000, $1,755,000 and $1,296,000 in fiscal 1997, 1996 and 1995, respectively. In addition, beginning in 1996 the Company made defined annual contributions to the savings plan on the behalf of all qualifying full-time and part-time associates based on a percentage of qualifying payroll earnings. Total expense was $2,978,000 and $2,395,000 in fiscal 1997 and 1996, respectively.

On April 12, 1996, the Company terminated a defined benefit pension plan, and subsequently settled the accumulated benefit obligation. Employees were offered the choice of transferring the lump sum value of pension benefits to the Kohl's savings plan or having a nonparticipant annuity contract purchased for them. Defined benefits are not provided under any successor plan and the plan ceased to exist as an entity. As a result of the termination, the Company recognized a gain of $1,540,000 in fiscal 1996. Pension expense, exclusive of the gain on termination, totalled $470,000 and $1,816,000 in fiscal 1996 and 1995, respectively.

7. INCOME TAXES

Deferred income taxes consist of the following:

	JANUARY 31, 1998	FEBRUARY 1, 1997
	(IN THOUSANDS)	
Deferred tax liabilities:		
Merchandise inventories	$ --	$ 7,934
Property and equipment	53,034	40,333
Other	--	3,799
	53,034	52,066
Deferred tax assets:		
Merchandise inventories	1,013	--
Accrued and other liabilities	10,936	6,830
Incentive plan liabilities	2,596	3,961
	14,545	10,791
Net deferred tax liability	$38,489	$41,275

The components of the provision for income taxes are as follows:

	FISCAL YEAR		
	1997	1996	1995
	(IN THOUSANDS)		
Current Federal	$82,184	$53,105	$31,565
Current State	14,392	10,915	7,862
Deferred	(2,786)	4,870	10,650
	$93,790	$68,890	$50,077

7. INCOME TAXES (CONTINUED)

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:

	FISCAL YEAR		
	1997	1996	1995
Provision at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.2	4.5	4.9
Goodwill amortization	0.8	1.1	1.5
Other	(.1)	(.4)	(.6)
Provision for income taxes	39.9%	40.2%	40.8%
Amounts paid for income taxes (In Thousands)	$74,826	$58,230	$30,877

8. PREFERRED AND COMMON STOCK

The Company's authorized capital stock includes 10,000,000 shares of $.01 par value preferred stock of which none have been issued.

On March 9, 1998, the Company's Board of Directors declared a 2 for 1 stock split to be effected in the form of a stock dividend on the Company's common stock. The record date for the stock split is April 10, 1998. Distribution of the additional shares will be made on or about April 27, 1998. Shareholders' equity, and all share and per share amounts have been retroactively adjusted to reflect this dividend.

The 1992 and 1994 Long-Term Compensation Plans provide for the granting of options to purchase shares of the Company's common stock to officers and key employees. The 1997 Stock Option Plan provides for granting of similar stock options to outside directors. The following table presents the number of options initially authorized and options available to grant under each of the plans:

	1992 PLAN	1994 PLAN	1997 PLAN	TOTAL
Options initially authorized	11,400,000	12,000,000	200,000	23,600,000
Options available for grant:				
February 1, 1997	440,298	10,790,900	--	11,231,198
January 31, 1998	235,548	9,089,050	160,000	9,484,598

8. PREFERRED AND COMMON STOCK (CONTINUED)

The following table summarizes the Company's stock options at January 31, 1998, February 1, 1997 and February 3, 1996 and the changes for the years then ended:

	NUMBER OF OPTIONS	EXERCISE PRICE PER SHARE
Balance at January 28, 1995	7,288,192	$ 3.500-13.437
Granted	2,254,800	$10.062-13.437
Surrendered	(169,072)	$ 3.500-13.437
Exercised	(453,068)	$ 3.500-12.312
Balance at February 3, 1996	8,920,852	$ 3.500-13.437
Granted	2,828,450	$14.281-20.000
Surrendered	(439,512)	$ 3.500-13.437
Exercised	(367,214)	$ 3.500-13.437
Balance at February 1, 1997	10,942,576	$ 3.500-20.000
Granted	2,225,910	$19.625-36.719
Surrendered	(279,310)	$ 8.656-22.375
Exercised	(776,802)	$ 3.500-18.500
Balance at January 31, 1998	12,112,374	$ 3.500-36.719

The weighted-average exercise price for all options outstanding is $15.58, $11.57 and $9.56 at January 31, 1998, February 1, 1997 and February 3, 1996, respectively. The weighted-average remaining contractual life of the options at January 31, 1998 is 8.2 years.

Generally, 25% of the options become exercisable one year after their respective grant date and another 25% becomes exercisable each succeeding year. Options which are surrendered or terminated without issuance of shares are available for future grants. There were approximately 5,522,000, 4,281,000 and 2,648,000 options exercisable at January 31, 1998, February 1, 1997 and February 3, 1996, respectively.

The Company continues to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

As required by SFAS No. 123, Accounting for Stock-Based Compensation, the Company did calculate the pro forma effect on net income and net income per share of accounting for employee stock options under the fair value method proscribed by SFAS No. 123 in the table below. The weighted-average fair values of options granted during fiscal 1997, 1996 and 1995 were estimated using a Black-Scholes option pricing model to be $15.19, $7.42 and $5.30, respectively. The model used the following assumptions for all years: risk free interest rate of 5.0%; dividend yield 0%; volatility factors of the Company's common stock of 30%; and a 7 year expected life of the option.

	FISCAL YEAR		
	1997	1996	1995
Pro forma net income	$137,320	$100,814	$72,241
Pro forma net income per share:			
Basic	$ 0.90	$ 0.68	$ 0.49
Diluted	$ 0.89	$ 0.68	$ 0.49

The SFAS No. 123 expense reflected above only includes options granted since fiscal 1995 and, therefore, may not be representative of future expense.

9. CONTINGENCIES

The Company is involved in various legal matters arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material adverse impact on the Company's financial position or results of operations.

The Internal Revenue Service (the IRS) audited the Company's federal income tax returns for fiscal years August, 1986-1991. The Company and IRS came to final resolution on the audit of the aforementioned years in September, 1997. The resolution did not have a material adverse impact on the Company's results of operations or liquidity.

10. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FISCAL YEAR 1997				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales	$600,547	$623,937	$757,773	$1,077,808	$3,060,065
Gross margin	203,170	208,085	253,881	348,461	1,013,597
Net income	15,308	20,841	32,526	72,598	141,273
Basic net income per share	.10	.14	.21	.46	.93
Diluted net income per share	.10	.14	.20	.45	.91

	FISCAL YEAR 1996				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales	$468,638	$474,598	$598,052	$ 846,933	$2,388,221
Gross margin	156,802	156,558	198,480	267,693	779,533
Net income	13,761	14,828	21,917	51,972	102,478
Basic net income per share	.09	.10	.15	.35	.69
Diluted net income per share	.09	.10	.15	.35	.68

Due to changes in stock prices during the year and timing of issuance of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

The Company uses the LIFO method of accounting for merchandise inventory because it results in a better matching of costs and revenues. The following information is provided to show the effects of the LIFO provision on each quarter, as well as to provide users with the information to compare to other companies not on LIFO.

	FISCAL YEAR	
LIFO (CREDIT) EXPENSE	1997	1996
	(IN THOUSANDS)	
Quarter		
First	$ 1,501	$1,171
Second	1,560	1,184
Third	1,895	1,495

Fourth	(5,049)	1,365
Total year	$ (93)	$5,215

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.

Kohl's Corporation

/s/ William S. Kellogg
By: ________________________________
William S. Kellogg
Chairman, Chief Executive Officer
(Principal Executive Officer) and
Director

Dated:

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED:

/s/ William S. Kellogg William S. Kellogg Chairman, Chief Executive Officer and Director	Frank V. Sica Director
/s/ Jay H. Baker Jay H. Baker President and Director	Herbert Simon Director
/s/ John F. Herma John F. Herma Chief Operating Officer and Director	/s/ Peter M. Sommerhauser Peter M. Sommerhauser Director
/s/ R. Lawrence Montgomery R. Lawrence Montgomery Vice Chairman--Director	R. Elton White Director
/s/ Arlene Meier Arlene Meier Chief Financial Officer (Principal Financial and Accounting Officer)	/s/ James Ericson James Ericson Director

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 3, 1996.

3.2 Bylaws of the Company, incorporated herein by reference to Exhibit 10.14 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1996.

4.1 Revolving Credit Agreement dated as of June 13, 1997 among Kohl's Corporation, Kohl's Department Stores, Inc., various commercial banking institutions, The Bank of New York, as Administrative Agent, and The First National Bank of Chicago, as Syndication Agent, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 1997.

4.2 Indenture dated as of December 1, 1995 between the Company and The Bank of New York, as Trustee, incorporated herein by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996.

4.3 Certain other long-term debt is described in Note 4 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 4 and not filed herewith.

10.1 Employment Agreement between the Company and William S. Kellogg, incorporated herein by reference to Exhibit 10.6 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.2 Employment Agreement between the Company and Jay H. Baker, incorporated herein by reference to Exhibit 10.7 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.3 Employment Agreement between the Company and John F. Herma, incorporated herein by reference to Exhibit 10.8 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.4 Employment Agreement between the Company and R. Lawrence Montgomery.*

10.5 Executive Medical Plan, incorporated herein by reference to Exhibit 10.9 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.6 Executive Life Insurance Plan, incorporated herein by reference to Exhibit 10.10 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.7 Executive Accidental Death and Dismemberment Plan, incorporated herein by reference to Exhibit 10.11 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.8 Executive Committee Bonus Plan, incorporated herein by reference to Exhibit 10.12 of the Company's registration statement on Form S-1 (File No. 33-46883).*

10.9 1992 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.13 of the Company's registration statement on Form S-1 (File No. 33-46883).*

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* A management contract or compensatory plan or arrangement.

Exhibit Number	Description
10.10	1994 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 April 30, 1994.
10.11	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.*
10.12	Amended and Restated Agreements dated December 10, 1995 between the Company and Ms. Blanc, incorporated herein by reference to Exhibit

10.11 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996.*

10.13 Amended and Restated Agreements dated December 10, 1995 between the Company and Mr. Mansell, incorporated herein by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996.*

10.14 Amended and Restated Agreements dated December 10, 1995 between the Company and Mr. Montgomery, incorporated herein by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996.*

10.15 Receivables Sale Agreement dated as of January 31, 1997 by and between Kohl's Department Stores, Inc. and Kohl's Receivables Corporation, incorporated herein by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997.

10.16 Receivables Purchase Agreement dated as of January 31, 1997 by and among Kohl's Receivables Corporation, Preferred Receivables Funding Corporation and The First National Bank of Chicago, as agent, incorporated herein by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997.

10.17 Amendment 2 to Receivables Purchase Agreement, dated as of May 3, 1997, incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 1997.

10.18 Amendment 3 to Receivables Purchase Agreement, dated as of July 24, 1997, incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 1997.

10.19 Amendment 4 to Receivables Purchase Agreement, dated as of January 29, 1998.

12.1 Statement regarding calculation of ratio of earnings to fixed charges.

13.1 1997 Annual Report.

21.1 Subsidiaries of the Registrant.

24.1 Consent of Ernst & Young LLP.

27.1 Financial Data Schedule - Article 5 of Regulation S-X.

27.2 Financial Data Schedule - Article 5 of Regulation S-X, 12 Months ended February 1, 1997, (restated).

27.3 Financial Data Schedule - Article 5 of Regulation S-X, 12 Months ended February 3, 1996, (restated).

27.4 Financial Data Schedule - Article 5 of Regulation S-X, 3 Months ended May 3, 1997, (restated).

27.5 Financial Data Schedule - Article 5 of Regulation S-X, 6 Months ended August 2, 1997, (restated).

27.6 Financial Data Schedule - Article 5 of Regulation S-X, 9 Months ended November 1, 1997, (restated).

27.7 Financial Data Schedule - Article 5 of Regulation S-X, 3 Months ended May 4, 1996, (restated).

27.8 Financial Data Schedule - Article 5 of Regulation S-X, 6 Months ended August 3, 1996, (restated).

27.9 Financial Data Schedule - Article 5 of Regulation S-X, 9 Months ended November 2, 1996, (restated).

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* A management contract or compensatory plan or arrangement.

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of the 31st day of January, 1998, by and between KOHL'S DEPARTMENT STORES, INC., a Delaware corporation ("Corporation"), and R. Lawrence Montgomery ("Executive").

W I T N E S S E T H :

WHEREAS, the Corporation desires to employ the Executive in the capacity and under the terms set forth herein and the Executive desires to be employed by the Corporation on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation and the Executive agree as follows:

ARTICLE I

Employment Duties

During the term of the Executive's employment hereunder, the Corporation shall employ the Executive and the Executive shall serve as Vice Chairman of the Corporation. Subject to the authority and direction of the Chairman and Chief Executive Officer and Board of Directors of the Corporation, the Executive shall have supervision and control over, and responsibility for, the general management and day-to-day operation of the Corporation. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Board of Directors of the Corporation; provided, however, that such duties are reasonably consistent with the duties normally performed by a Vice Chairman. The Executive's principal place of employment shall be at the Corporation's headquarters in Menomonee Falls, Wisconsin; provided, however, that the Executive acknowledges and agrees that he may from time to time be required to travel outside Milwaukee, Wisconsin on behalf of the Corporation. The Executive shall devote his entire working time and efforts to the business affairs of the Corporation and its affiliates and shall faithfully and to the best of his ability perform his duties hereunder, provided that Executive may take reasonable amounts of time to serve on corporate, civil or charitable boards or committees if such activities do not interfere with the performance of Executive's duties hereunder. The Executive hereby agrees to serve as an officer of the Corporation and of affiliates of the Corporation as part of his contemplated duties hereunder without additional compensation therefor.

ARTICLE II

Term

The term of the Executive's employment (the "Employment Term") under this Agreement shall commence as of the date first above written (the "Anniversary Date"), and shall, except as it may otherwise be subject to termination hereunder, continue thereafter until the third anniversary of such Anniversary Date; provided, however, that at the end of each day during the Employment Term the Employment Term shall be automatically extended for one (1) day unless either party shall give written

notice to the other not less than thirty (30) days prior thereto that the Employment Term shall not be so extended.

ARTICLE III

Compensation

3.1. Salary. The Corporation shall pay to the Executive an annual base salary in the amount of Four Hundred Sixty Thousand, Twenty-four Dollars ($460,024) during the Employment Term ("Annual Base Salary"). The Executive's Annual Base Salary shall be payable in equal installments not less frequently than monthly. Executive's Annual Base Salary shall be reviewed by the Board of Directors of the Corporation at least annually and may be increased by such amount as the Board of Directors, in its sole discretion, may determine, taking into consideration the profitability of the Corporation relative to its business plan and such other factors as the Board of Directors may deem relevant for that purpose. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.

3.2. Bonuses. The Executive shall participate in bonus plans established for the executive officers of the Corporation on terms no less favorable than those applicable to other employees of the Corporation of comparable status with the Executive.

ARTICLE IV

Termination of Employment

4.1. Causes for Termination. Notwithstanding the term set forth in Article II, above, Executive's employment hereunder may be terminated prior to the expiration of such term upon occurrence of any of the following events:

4.11. Death. The Executive's employment shall terminate upon the Executive's death.

4.12. Disability. The Executive's employment shall terminate in the event of the Disability of the Executive. For purposes of this Agreement, the term "Disability" shall be defined as the inability of the Executive to perform his normal duties as a full-time employee of the Corporation for a continuous period of two hundred seventy (270) consecutive days by reason of physical or mental illness or incapacity, or for periods of physical or mental illness or incapacity aggregating two hundred fifteen (215) business days in any consecutive twelve (12) month period. If the Corporation determines in good faith that the Disability of Executive has occurred it may give the Executive written notice of its intention to terminate the Executive's employment. In such event, Executive's employment with the Corporation shall terminate on the thirtieth (30th) day after receipt of such notice by the Executive unless within such thirty (30) day period Executive shall have returned to full-time performance of

his duties or Executive shall deliver written notice to the Corporation disagreeing that a Disability has occurred. If there is any dispute as to whether Executive is disabled, such question shall be submitted to a licensed physician for the purpose of making such determination. An examination of the Executive shall be made within thirty (30) days after written notice by the Corporation to the Executive by a licensed physician appointed by the Corporation. The Executive shall submit to such examination and provide such information as such physician may request. If the Executive shall disagree with the determination of the physician appointed by the Corporation, he may request an examination to be conducted by a physician of his own choosing. If the two (2) physicians shall disagree, the two (2) physicians shall jointly appoint an independent physician, whose determination shall be binding and conclusive on all parties concerned for purposes of this Agreement. The termination shall be deemed effective as of the date of the final determination of Disability.

4.13. Cause. The Corporation may terminate the Executive for "Cause." A termination for Cause is a termination upon (a) the continued failure by Executive to substantially perform his duties with the Corporation (other than any such failure resulting from termination by Executive for Good Reason) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which the Corporation believes that Executive has not substantially performed his duties, and Executive has failed to resume substantial performance of his duties on a continuous basis within sixty (60) days after receiving such demand; (b) the willful engaging by Executive in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise; (c) any dishonest or fraudulent conduct which results or is intended to result in gain to Executive or Executive's personal enrichment at the expense of the Corporation; or (d) Executive's conviction of a felony, misdemeanor or criminal offense (other than traffic violations and other minor offenses).

4.14. Good Reason. The Executive may terminate his employment for "Good Reason." "Good Reason" shall mean the occurrence of any of the following:

(a) A change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, does not represent a promotion from his status, title, position or responsibilities as in effect immediately prior thereto; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title, position or responsibilities in effect immediately prior to such assignment; or any

removal of the Executive from or failure to reappoint or reelect him to any position, except in connection with the termination of his employment for Disability, Cause, as a result of his death or by the Executive other than for Good Reason.

(b) The insolvency or the filing (by any party, including the Corporation) of a petition for bankruptcy of the Corporation.

(c) Any material breach by the Corporation of this Agreement.

(d) Any purported termination of the Executive's employment for Cause by the Corporation which does not comply with the terms of this Agreement.

(e) The failure of the Corporation to obtain an agreement, satisfactory to the Executive, from any successor or assign of the Corporation, to assume and agree to perform this Agreement, as contemplated in Section 9.4 hereof.

Provided, however, that no termination shall be for Good Reason until the Corporation shall have had at least thirty (30) days to cure any conduct alleged to have caused Good Reason after a written demand shall have been delivered to the Corporation specifying the alleged conduct.

The Executive's right to terminate his employment pursuant to this Section 4.14 shall not be affected by his incapacity due to physical or mental illness. The

Executive's continued employment or failure to give Notice of Termination shall not constitute consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason hereunder.

Subject to the thirty (30) day cure period set forth above, any good faith determination of Good Reason made by the Executive shall be conclusive.

4.15. Voluntary. The Executive's employment shall terminate upon the Executive's voluntary resignation as an employee of the Corporation.

4.2. Notice of Termination. Any purported termination by the Corporation or by the Executive (other than by death of the Executive) shall be communicated by Notice of Termination to the other. For purposes of this Agreement, a "Notice of

Termination" shall mean a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the Termination Date. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

4.3. Termination Date, etc. "Termination Date" shall mean in the case of the Executive's death, his date of death, in the event of Executive's Disability, the date set forth in

Paragraph 4.12, or in all other cases, the date specified in the Notice of Termination subject to the following:

(a) If the Executive's employment is terminated by the Corporation, the date specified in the Notice of Termination shall be at least thirty (30) days after the date the Notice of Termination is given to the Executive, Provided, however, that in the case of Disability, the Executive shall not have returned to the full-time performance of his duties during such period of at least thirty (30) days.

(b) If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall not be less than thirty (30) nor more than sixty (60) days after the date the Notice of Termination is given to the Corporation.

(c) Except in the case of a termination for Disability subject to the provisions of Paragraph 4.12, in the event that within thirty (30) days following the date of receipt of the Notice of Termination, one party notifies the other that a dispute exists concerning the basis for termination, the Executive's employment hereunder shall not be terminated except after the dispute is finally resolved and a Termination Date is determined either by a mutual written agreement of the parties, or by a binding and final judgment order or decree of a court of competent

jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

ARTICLE V

Obligations of the Corporation Upon Termination

5.1. Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Term, the Corporation shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(a) The Corporation shall pay to the Executive in a lump sum in cash within ten (10) days after the Termination Date the aggregate of the following amounts:

(1) The sum of:

(i) The Executive's Annual Base Salary through the Termination Date to the extent not theretofore paid.

(ii) The product of (x) the sum of the average bonuses paid or payable, including any amounts that were deferred, and the average value of any stock options and stock appreciation rights awarded (computed solely by reference to the difference between the value of the stock to which it relates and the exercise price or base value thereof) to the Executive in respect of the three (3) fiscal years immediately preceding the fiscal year in which the Effective Date occurs (the

"Recent Average Bonus") and (y) a fraction, the numerator of which is the number of days completed in the current fiscal year through the Termination Date, and the denominator of which is 365; and

(iii) Except as provided in Paragraph 5.1(b), any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid.

The sum of the amounts described in clauses (i), (ii) and (iii)shall be hereinafter referred to as the "Accrued Obligations";

(2) The amount equal to the product of (i) the number of days remaining in the Employment Term as of the Termination Date had the Executive's employment not been terminated (the "Remaining Employment Term") divided by 365, and (ii) the sum of (x) the Executive's Annual Base Salary (increased for this purpose by any Section 401(k) deferrals, cafeteria plan elections, or other deferrals that would have increased Executive's Annual Base Salary if paid in cash to Executive when earned) and (y) the Executive's Recent Average Bonus.

(b) To the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive

after a termination of Employment under any plan, program, Policy or practice or contract or agreement of the Corporation (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

5.2. Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Term, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, except that the Corporation shall pay or provide the Accrued Obligations, six (6) months of Annual Base Salary, and the other Benefits. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within thirty (30) days of the Termination Date. The six (6) months of Annual Base Salary shall be paid during the six (6) month period following the Termination Date on a monthly basis. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this section shall include, and the Executive's family shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Corporation to surviving families of peer executives of the Corporation.

5.3. Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Term, this Agreement shall terminate without further obligations to the Executive, except that the Company shall pay or provide the Accrued Obligations, six (6) months of Annual Base

Salary (subject to reduction as provided below) and the Other Benefits. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days of the Termination Date. The six (6) months of Annual Base Salary shall be paid during the six (6) month period following the termination on a monthly basis. The six (6) months of Annual Base Salary shall be reduced by any amounts paid to the Executive for such six (6) month period under any disability insurance or program paid by the Corporation. With respect to the provision of other Benefits, the term Other Benefits as utilized in this section shall include, and the Executive shall be entitled to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Corporation to disabled executives and/or their families to other peer executives and their families.

5.4. Cause; Other Than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Term, or if the Executive voluntarily terminates employment during the Employment Term for other than Good Reason, this Agreement (other than Paragraph 7.3, if applicable, and Article VIII thereof) shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, any other amounts earned or accrued through the Termination Date, and the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid;

provided that if Executive voluntarily terminates Executive shall receive the benefits normally provided upon normal or early retirement with respect to other peer Executives and their families to the extent he qualifies therefore. All salary or compensation hereunder shall be paid to the Executive in a lump sum in cash within thirty (30) days of the Date of Termination.

5.5. Delinquent Payments. If any of the payments referred to in this Article V are not paid within the time specified after the Termination Date (hereinafter a "Delinquent Payment"), in addition to such principal sum, the Corporation will pay to the Executive interest on all such Delinquent Payments computed at the prime rate as announced from time to time by Bankers Trust Company, New York, New York, or its successor, compounded monthly.

5.6. No Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced (except to the extent expressly set forth herein) whether or not the Executive obtains other employment.

5.7. Excise Tax Payments.

(a) Notwithstanding anything contained in this Agreement to the contrary, in the event that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with,

or arising out of, his employment with the Corporation (a "Payment" or "Payments"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code")), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) A determination shall be made as to whether and when Gross-Up Payment is required pursuant to this Section 5.7 and the amount of such Gross-Up Payment, such determination to be made within fifteen (15) business days of the Termination Date, or such other time as requested by the Corporation or by the Executive (provided the Executive reasonably believes that any of the Payments may be subject to the Excise Tax) . Such determination shall be made by a national independent accounting firm selected by the Executive (the "Accounting Firm"). All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by

the Corporation and the Corporation shall pay such fees, costs and expenses as they become due. The Accounting Firm shall provide detailed supporting calculations, acceptable to the Executive, both to the Company and the Executive. The Gross-Up Payment, if any, as determined pursuant to this Section 5.7(b) shall be paid by the Corporation to the Executive within five (5) business days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive with respect to a Payment or Payments, it shall furnish the Executive with an unqualified opinion that no Excise Tax will be imposed with respect to any such Payment or Payments. Any such initial determination by the Accounting Firm of the Gross-Up Payment shall be binding upon the Corporation and the Executive subject to the application of Section 5.7 (c).

(c) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Overpayment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an 'Underpayment"). An Underpayment shall be deemed to have occurred upon notice (formal or informal) to the Executive from any governmental taxing authority that the tax liability of the Executive (whether in respect of the then current taxable year of the

Executive or in respect of any prior taxable year of the Executive) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment. An Overpayment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments with respect to which the Executive had previously received a Gross-Up Payment. A Final Determination shall be deemed to have occurred when the Executive has received from the applicable governmental taxing authority a refund of taxes or other reduction in his tax liability by reason of the Overpayment and upon either (i) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Executive and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (ii) the expiration of the statute of limitations with respect to the Executive's applicable tax return. If an Underpayment occurs, the Executive shall promptly notify the Corporation and the Corporation shall pay to the Executive at least five (5) business days prior to the date on which the applicable

governmental taxing authority has requested payment, an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties imposed on the Underpayment. If an Overpayment occurs, the amount of the Overpayment shall be treated as a loan by the Corporation to the Executive and the Executive shall, within ten (10) business days of the occurrence of such Overpayment, pay to the Corporation the amount of the Overpayment plus interest at an annual rate equal to the rate provided for in Section 1274 (b)(2)(B) of the Code from the date the Gross-Up Payment (to which the Overpayment relates) was paid to the Executive.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event it is determined that an Excise Tax will be imposed on any Payment or Payments, the Corporation shall pay to the applicable governmental taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Corporation has actually withheld from the Payment or Payments.

ARTICLE VI

Expenses

During the term of the Executive's employment hereunder, the Corporation shall promptly pay or reimburse the Executive for all reasonable and necessary business expenses

incurred by the Executive in the interest of the Corporation. The Executive shall be required to submit an itemized account of such expenditures and such proof as may be reasonably necessary to establish to the satisfaction of the Corporation that the expenses incurred by the Executive were ordinary and necessary business expenses incurred on behalf of the Corporation.

ARTICLE VII

Fringe Benefits

7.1. Benefits. During the term of the Executive's employment hereunder, the Executive shall be entitled to participate in any benefit plans and programs which the Corporation may from time to time make available to its executive employees, including, without limitation (i) health and dental insurance (family plan); (ii) supplemental executive medical plan (without maximum limit); (iii) long term disability insurance; (iv) annual physical; (v) business travel accident insurance; and (vi) financial consulting (up to Three Thousand Five Hundred Dollars ($3,500.00) per year). The Executive acknowledges that he shall have no vested rights in any such programs except as expressly provided under the terms thereof and that such programs may be terminated, modified, altered or reduced as well as supplemented.

7.2. Life Insurance. During the term of the Executive's employment hereunder, the Corporation shall provide the Executive with term life insurance equal to not less than three (3) times the annual salary of the Executive; provided,

however, that the Executive shall have the option to purchase, at his own expense, additional insurance equal to his annual salary under such term life insurance policy.

7.3. Health Insurance. Notwithstanding anything contained herein to the contrary, in the event the Executive's employment with the Corporation is terminated (i) at the expiration of the Employment Term, or (ii) prior to such date for any reason other than (A) a termination for Cause, or (B) a voluntary termination by the Executive for any reason other than "Good Reason" or other than approved by the Board of Directors of the Corporation, the Corporation shall continue, until the Executive's death, to provide the Executive and his spouse and dependents with health insurance and a supplemental executive medical plan (with coverage similar to that received by the Executive at the time of such termination and covering the Executive, his spouse and his dependents (as defined in such insurance and medical plan), provided such insurance is reasonably available to the Corporation with respect to the Executive.

7.4. Automobile. The Executive shall be provided with an automobile of a quality and value comparable to the automobile provided to Executive as of the date of this Agreement for the Executive's use during the term of this Agreement. Every two (2) years during the term of this Agreement, the Executive shall be entitled to exchange the automobile then in his possession for a new automobile of a quality and value comparable to the vehicle

being replaced. The Corporation shall provide or reimburse the Executive for all reasonable insurance and maintenance for such automobile, including repairs, gas and oil.

7.5. Vacation. The Executive shall be entitled to such vacation time as the Corporation may from time to time make available to its executive employees.

ARTICLE VIII

Non-Competition and Confidential Information

8.1. Non-Competition. The Executive agrees that he shall not at any time while he is employed hereunder or at any time during the Restricted Period (as hereinafter defined), for any reason, either directly or indirectly, whether as agent, stockholder (except as the holder of not more than five percent (5%) of the stock of a publicly held company, provided the Executive does not participate in the business of such company or render advice or assistance to it), employee, officer, director, trustee, partner, consultant, proprietor or otherwise:

(i) Engage in, render advice or assistance to, or in any way be connected with any Competitive Entity (as hereinafter defined) located in the Restricted Area (as hereinafter defined).

(ii) Except on behalf of the Corporation, entice or attempt to entice any of the suppliers or customers of the Corporation, so as to cause, or attempt to cause, any of said suppliers or customers not to do business with the

Corporation or to reduce or adversely change the nature of the business done with the Corporation.

(iii) For purposes of this Paragraph 8, the following definitions shall apply:

(A) A "Competitive Entity" shall be defined as any business, person, firm, association, partnership, corporation or other entity which (x) is engaged directly or indirectly in the retail department store business or (y) which competes with the business of the Corporation as such business is conducted from time to time during the course of the Executive's employment hereunder.

(B) The term "Restricted Area" shall be defined during the Executive's employment as fifty (50) miles from any store operated by the Corporation from time to time during the course of the Executive's employment, and after the termination of the Executive's employment it shall be defined as fifty (50) miles from any store operated by the Corporation during the one (1) year period prior to the termination of the Executive's employment or during the Restricted Period.

(C) The term Restricted Period" shall be defined as two (2) years from the date of termination of the Executive's employment hereunder; provided, hereunder, that the Restricted Period shall be extended

for the period during which it is determined that the Executive is in violation of the provisions of this Paragraphs 8.1 or 8.2.

8.2. Confidential Information. The Executive agrees that he shall not, at any time while he is employed hereunder and during the Restricted Period, disclose to any person who is not at the time of such disclosure, a person to whom such disclosure has been authorized by the Board or Chief Executive officer any confidential information regarding the Corporation or its business obtained by the Executive while in the employ of the Corporation, including without limitation, financial information, marketing information and pricing information (the "Confidential Information"). The Executive acknowledges that he also understands and agrees that the foregoing shall not constitute a waiver by the Corporation of any right to protect its trade secrets, including rights under Section 134.90 of the Wisconsin Statutes and any successor provision thereto.

8.3. Return of Material. The Executive agrees upon termination of his employment with the Corporation immediately to surrender to the Corporation all correspondence, letters, contracts, manuals, mailing lists, marketing data, ledgers, supplies, and all other materials or records of any kind relating to the Corporation or its business then in his possession or under his control, as well as all copies of any of the foregoing.

8.4. Specific Performance. The Executive recognizes that irrevocable injury may result to the Corporation and its

business and properties, in the event of a breach by him of the restrictions imposed by this Article VIII and that the Executive's acceptance of such restrictions was a material factor in the Corporation's decision to enter into this Agreement. The Executive agrees that if he shall engage in any acts in violation of this Article VIII, the Corporation shall be entitled, in addition to such other remedies and damages as may be available to it, to an injunction prohibiting Executive from engaging in any such acts.

ARTICLE IX

Miscellaneous

9.1. Insurance. The Executive agrees to perform all acts and execute all instruments necessary in connection with the obtaining by the Corporation of life insurance or disability insurance on the Executive.

9.2. Waiver of Breach. No waiver by either party hereto of any breach of any provision of this Agreement shall be deemed a waiver by such party of any subsequent breach.

9.3. Notice. Any notice required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given and received in all respects when personally delivered or when deposited in the United States mail, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

IF TO THE CORPORATION: Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051
Attention: Chairman

With a Copy to: Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051
Attention: General Counsel

IF TO THE EXECUTIVE: R. Lawrence Montgomery
6360 North Lake Drive
Whitefish Bay, WI 53217

9.4. Assignment. This Agreement shall not be assignable by the Corporation without the written consent of the Executive, except that if the Corporation shall merge or consolidate with or into or transfer all or substantially all of its assets, including goodwill, to another corporation or other form of business organization, the Corporation shall require any successor corporation in such merger, consolidation or transfer to assume and perform this Agreement. The Executive may not assign, pledge or encumber any interest in this Agreement or any part thereof without the written consent of the Corporation.

9.5. Complete Agreement; Amendment. once the term of this Agreement commences, this Agreement shall contain the full and complete understanding and agreement of the parties and supersede all prior agreements and understandings between the parties with respect to the subject matter hereof. This Agreement may not be modified, amended, terminated or discharged orally.

9.6. Fees and Expenses. The Corporation shall pay all legal fees and related expenses (including the costs of experts, evidence and counsel) reasonably incurred by the Executive as they become due as a result of a position taken in good faith by the Executive with respect to (i) the Executive's termination of

employment.(including all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment), (ii) the Executive's hearing before the Board as contemplated in Section 4.13 of this Agreement, (iii) the Executive's seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Corporation under which the Executive is or may be entitled to receive benefits or (iv) a dispute between the Executive and the Internal Revenue Service (or any other taxing authority) with regard to an "Underpayment" (as defined in Section 5.7 of this Agreement).

9.7. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

9.8. Withholding Taxes. The Corporation shall deduct from all payments to the Executive hereunder any federal, state or local withholding or other taxes or charges which the Corporation is from time to time required to deduct under applicable law, and all amounts payable to the Executive hereunder are stated herein before any such deduction. The Corporation shall have the right to rely upon written opinion of legal counsel, which may be independent legal counsel or legal counsel regularly employed by the Corporation, if any questions should arise as to any such deductions.

9.9. Governing Law. This Agreement and all questions or its interpretation, performance, enforceability and the rights and remedies of the parties hereto shall be governed by and determined in accordance with the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month and year first above written.

KOHL'S DEPARTMENT STORES, INC.

By:/s/ William S. Kellogg

William S. Kellogg, CEO

EXECUTIVE:

/s/ R. Lawrence Montgomery

R. Lawrence Montgomery

EXHIBIT 10.19

AMENDMENT NO. 4 TO
RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT NO. 4 (this "Amendment"), is entered into as of January 29, 1998, by and among KOHL'S RECEIVABLES CORPORATION, a Wisconsin corporation (the "Seller"), the INVESTORS, PREFERRED RECEIVABLES FUNDING CORPORATION ("PREFCO"), and THE FIRST NATIONAL BANK OF CHICAGO, as Agent (in such capacity, the "Agent"), with respect to the RECEIVABLES PURCHASE AGREEMENT, dated as of January 31, 1997, by and among the Seller, the Investors, PREFCO and the Agent (the "Receivables Purchase Agreement"). Unless defined elsewhere herein, capitalized terms used in this Amendment shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

PRELIMINARY STATEMENT

The parties desire to amend the Receivables Purchase Agreement to extend the Liquidity Termination Date as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to as follows:

SECTION 1. AMENDMENT. Subject to the terms and conditions hereinafter set forth, and in reliance on the representations and warranties set forth in Section 2 hereof, each of the parties hereby agrees that the definition of "Liquidity Termination Date" as set forth in Exhibit I to the Agreement is hereby amended and restated in its entirety to read as follows:

"Liquidity Termination Date" means January 28, 1999 or such later date to which the Agent and the Purchasers may agree in accordance with Section 1.1(d).

SECTION 2. REPRESENTATIONS AND WARRANTIES.

2.1. Seller Representations. As of the date hereof, the Seller represents and warrants to the Agent and the Purchasers that:

(a) Corporate Existence and Power. Each of the Seller and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted, except for such failures which will not, individually or in the aggregate, have a Material Adverse Effect.

(b) No Conflict. The execution, delivery and performance by the Seller of this Amendment, and the Seller's use of the proceeds of purchases made under the Receivables Purchase Agreement, as amended hereby, are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of the Seller (except created under the Receivables Purchase Agreement); and no transaction contemplated by the Receivables Purchase Agreement, as amended hereby, requires compliance with any bulk sales act or similar law. This Amendment, and each of the Transaction Documents to which the Seller is a party, have been duly executed and delivered by the Seller.

(c) Governmental Authorization. Other than the filing of the financing statements required under the Receivables Purchase Agreement, all of which filings have previously been made, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Seller of the Receivables Purchase Agreement, as amended hereby.

(d) Binding Effect. The Receivables Purchase Agreement, as amended hereby, constitutes the legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally or general equitable principles.

(e) Absence of Certain Events. No Servicer Default, Potential Servicer Default, Termination Event or Potential Termination Event exists and is continuing as of the date hereof.

2.2. Investor Representations. As of the date hereof, each of the Investors represents and warrants to the other parties hereto that:

(a) Due Execution. This Amendment has been duly executed and delivered by such Investor.

(b) Binding Effect. The Receivables Purchase Agreement, as amended hereby, constitutes the legal, valid and binding obligation of such Investor, enforceable against it in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally or general equitable principles.

SECTION 3. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date first above written only upon receipt by the Agent of counterparts of this Amendment duly executed by each of the parties hereto.

SECTION 4. MISCELLANEOUS.

4.1. Choice of Law. This Amendment shall be construed in accordance with the internal laws (and not the law of conflicts) of the State of Illinois.

4.2. Counterparts; Severability. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.3. Ratification. Except as expressly amended hereby, each of the Transaction Documents shall remain unaltered and in full force and effect and is hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date hereof.

KOHL'S RECEIVABLES CORPORATION

By: /s/Arlene Meier

Name: Arlene Meier

Title: Chief Financial Officer

3

PREFERRED RECEIVABLES FUNDING CORPORATION

By: /s/ Mark R. Matthews

Authorized Signatory

THE FIRST NATIONAL BANK OF CHICAGO,
as an Investor and as Agent

By: /s/ Mark R. Matthews

Authorized Signatory

4

THE BANK OF NEW YORK

By: /s/ William A. Kerr

Name: William A. Kerr

Title: SVP

5

BANKBOSTON, N.A.

By: /s/ Peter L. Griswold

Name: Peter L. Griswold

Title: Director

6

COMERICA BANK

By: /s/ Gregory N. Block

Name: Gregory N. Block

Title: Vice President

7

CORESTATES BANK N.A.

By: /s/ Anne Marie Fitzsimmons-Hughes

Name: Anne Marie Fitzsimmons-Hughes

Title: Vice President

Exhibit 12.1

Kohl's Corporation
Ratio of Earnings to Fixed Charges
($000s)

	Fiscal Year (1)					
	1997	1996	1995	1994	1993	1992
Earnings						
Income before income taxes and extraordinary items	$235,063	$171,368	$122,729	$117,451	$96,691	$50,134
Fixed charges	57,683	44,054	30,770	19,758	16,144	21,503
Less interest capitalized during period	(2,043)	(2,829)	(1,287)	(603)	(376)	0
	$290,703	$212,593	$152,212	$136,606	$112,459	$71,637
Fixed Charges						
Interest (expensed or capitalized)	$ 26,541	$ 21,822	$ 14,895	$ 7,911	$ 6,253	$13,648
Portion of rent expense representative of interest	30,798	22,031	15,798	11,777	9,113	6,794
Amortization of deferred financing fees	344	201	77	70	778	1,061
	$ 57,683	$ 44,054	$ 30,770	$ 19,758	$ 16,144	$21,503
Ratio of earnings to fixed charge	5.04	4.83	4.95 (2)	6.91	6.97	3.33

(1) Fiscal 1997, 1996, 1994, 1993 and 1992 are 52 week years and fiscal 1995 is 53 week year.

(2) Excluding the credit operations non-recurring expense of $14,052, the ratio of earnings to fixed charges would be 5.40.

Exhibit 21.1

Subsidiaries

Name	State of Incorporation
Kohl's Department Stores, Inc.	Delaware
Kohl's Investment Corporation	Delaware
Kohl's Illinois Corporation*	Nevada
Kohl's Receivables Corporation*	Wisconsin
Kohl's Pennsylvania, Inc.*	Pennsylvania

*These subsidiaries are wholly owned subsidiaries of Kohl's Department Stores, Inc.

Exhibit 24.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 #33-46883) pertaining to the Long Term Compensation Plan and the Registration Statement (Form S-3 #33-80323) pertaining to the 1996 Debt Offering of Kohl's Corporation of our report dated March 9, 1998, with respect to the consolidated financial statements of Kohl's Corporation included in the Annual Report (Form 10-K) for the year ended January 31, 1998.

Milwaukee, Wisconsin
April 16, 1998

ERNST & YOUNG LLP

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<CURRENT-LIABILITIES>                         155,256
<BONDS>                                       187,699
<PREFERRED-MANDATORY>                               0
<PREFERRED>                                         0
<COMMON>                                          737
<OTHER-SE>                                    409,901
<TOTAL-LIABILITY-AND-EQUITY>                  805,385
<SALES>                                     1,925,669
<TOTAL-REVENUES>                            1,925,669
<CGS>                                       1,294,653
<TOTAL-COSTS>                               1,789,790
<OTHER-EXPENSES>                                    0
<LOSS-PROVISION>                                    0
<INTEREST-EXPENSE>                             13,150
<INCOME-PRETAX>                               122,729
<INCOME-TAX>                                   50,077
<INCOME-CONTINUING>                            72,652
<DISCONTINUED>                                      0
<EXTRAORDINARY>                                     0
<CHANGES>                                           0
<NET-INCOME>                                   72,652
<EPS-PRIMARY>                                     .49
<EPS-DILUTED>                                     .49
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<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	JAN-31-1998
<PERIOD-START>	FEB-02-1997
<PERIOD-END>	MAY-03-1997
<CASH>	2,191
<SECURITIES>	0
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	537,887
<CURRENT-ASSETS>	559,689
<PP&E>	787,858
<DEPRECIATION>	139,801
<TOTAL-ASSETS>	1,267,318
<CURRENT-LIABILITIES>	282,651
<BONDS>	390,173
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	740
<OTHER-SE>	534,150
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<SALES>	600,547
<TOTAL-REVENUES>	600,547
<CGS>	397,377
<TOTAL-COSTS>	569,240
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	5,836
<INCOME-PRETAX>	25,471
<INCOME-TAX>	10,163
<INCOME-CONTINUING>	15,308
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	15,308
<EPS-PRIMARY>	0.10
<EPS-DILUTED>	0.10

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<PERIOD-TYPE>                   6-MOS
<FISCAL-YEAR-END>                         JAN-31-1998
<PERIOD-START>                            FEB-02-1997
<PERIOD-END>                              AUG-02-1997
<CASH>                                          2,205
<SECURITIES>                                        0
<RECEIVABLES>                                       0
<ALLOWANCES>                                        0
<INVENTORY>                                   553,242
<CURRENT-ASSETS>                              571,853
<PP&E>                                        828,148
<DEPRECIATION>                                151,125
<TOTAL-ASSETS>                              1,306,910
<CURRENT-LIABILITIES>                         284,950
<BONDS>                                       404,262
<PREFERRED-MANDATORY>                               0
<PREFERRED>                                         0
<COMMON>                                          741
<OTHER-SE>                                    556,556
<TOTAL-LIABILITY-AND-EQUITY>                1,306,910
<SALES>                                     1,224,484
<TOTAL-REVENUES>                            1,224,484
<CGS>                                         813,229
<TOTAL-COSTS>                               1,151,514
<OTHER-EXPENSES>                                    0
<LOSS-PROVISION>                                    0
<INTEREST-EXPENSE>                             12,822
<INCOME-PRETAX>                                60,148
<INCOME-TAX>                                   23,999
<INCOME-CONTINUING>                            36,149
<DISCONTINUED>                                      0
<EXTRAORDINARY>                                     0
<CHANGES>                                           0
<NET-INCOME>                                   36,149
<EPS-PRIMARY>                                    0.24
<EPS-DILUTED>                                    0.24
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<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		JAN-31-1998
<PERIOD-START>		FEB-02-1997
<PERIOD-END>		NOV-01-1997
<CASH>		8,366
<SECURITIES>		0
<RECEIVABLES>		0
<ALLOWANCES>		0
<INVENTORY>		752,227
<CURRENT-ASSETS>		824,770
<PP&E>		887,769
<DEPRECIATION>		163,750
<TOTAL-ASSETS>		1,607,068
<CURRENT-LIABILITIES>		356,761
<BONDS>		310,932
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		788
<OTHER-SE>		873,773
<TOTAL-LIABILITY-AND-EQUITY>		1,607,068
<SALES>		1,982,257
<TOTAL-REVENUES>		1,982,257
<CGS>		1,317,121
<TOTAL-COSTS>		1,849,584
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		18,405
<INCOME-PRETAX>		114,268
<INCOME-TAX>		45,593
<INCOME-CONTINUING>		68,675
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		68,675
<EPS-PRIMARY>		0.46
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<FISCAL-YEAR-END>                          FEB-01-1997
<PERIOD-START>                             FEB-04-1996
<PERIOD-END>                               MAY-04-1996
<CASH>                                           1,832
<SECURITIES>                                         0
<RECEIVABLES>                                        0
<ALLOWANCES>                                         0
<INVENTORY>                                    397,190
<CURRENT-ASSETS>                               410,259
<PP&E>                                         542,846
<DEPRECIATION>                                 101,223
<TOTAL-ASSETS>                                 916,637
<CURRENT-LIABILITIES>                          212,448
<BONDS>                                        225,369
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                           738
<OTHER-SE>                                     424,513
<TOTAL-LIABILITY-AND-EQUITY>                   916,637
<SALES>                                        468,638
<TOTAL-REVENUES>                               468,638
<CGS>                                          311,836
<TOTAL-COSTS>                                  441,330
<OTHER-EXPENSES>                                     0
<LOSS-PROVISION>                                     0
<INTEREST-EXPENSE>                               4,102
<INCOME-PRETAX>                                 23,206
<INCOME-TAX>                                     9,445
<INCOME-CONTINUING>                             13,761
<DISCONTINUED>                                       0
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                    13,761
<EPS-PRIMARY>                                     0.09
<EPS-DILUTED>                                     0.09
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<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	FEB-01-1997
<PERIOD-START>	FEB-04-1996
<PERIOD-END>	AUG-03-1996
<CASH>	4,650
<SECURITIES>	0
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	440,541
<CURRENT-ASSETS>	457,551
<PP&E>	586,496
<DEPRECIATION>	109,681
<TOTAL-ASSETS>	997,507
<CURRENT-LIABILITIES>	231,229
<BONDS>	269,532
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	738
<OTHER-SE>	440,658
<TOTAL-LIABILITY-AND-EQUITY>	997,507
<SALES>	943,236
<TOTAL-REVENUES>	943,236
<CGS>	629,876
<TOTAL-COSTS>	887,284
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	7,742
<INCOME-PRETAX>	48,210
<INCOME-TAX>	19,621
<INCOME-CONTINUING>	28,589
<DISCONTINUED>	0
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<CHANGES>	0
<NET-INCOME>	28,589
<EPS-PRIMARY>	0.19
<EPS-DILUTED>	0.19

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<PERIOD-TYPE> 9-MOS
<FISCAL-YEAR-END> FEB-01-1997
<PERIOD-START> FEB-04-1996
<PERIOD-END> NOV-02-1996
<CASH> 1,950
<SECURITIES> 0
<RECEIVABLES> 0
<ALLOWANCES> 0
<INVENTORY> 587,090
<CURRENT-ASSETS> 597,304
<PP&E> 670,622
<DEPRECIATION> 119,314
<TOTAL-ASSETS> 1,210,316
<CURRENT-LIABILITIES> 293,079
<BONDS> 395,686
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 739
<OTHER-SE> 463,316
<TOTAL-LIABILITY-AND-EQUITY> 1,210,316
<SALES> 1,541,288
<TOTAL-REVENUES> 1,541,288
<CGS> 1,029,448
<TOTAL-COSTS> 1,443,366
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 13,089
<INCOME-PRETAX> 84,833
<INCOME-TAX> 34,327
<INCOME-CONTINUING> 50,506
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 50,506
<EPS-PRIMARY> 0.34
<EPS-DILUTED> 0.34