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

FORM 10-Q

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

For the quarterly period ended August 2, 2003

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 the 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 (262) 703-7000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: August 26, 2003 Common Stock, Par Value $.01 per Share, 339,472,719 shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KOHL'S CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	August 2, 2003	February 1, 2003	August 3, 2002
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 107,978	$ 90,085	$ 85,039
Short-term investments	35,036	475,991	113,230
Accounts receivable, net	950,142	990,810	828,458
Merchandise inventories	1,716,763	1,626,996	1,454,419
Deferred income taxes	34,146	56,693	40,593
Other	77,285	43,519	56,373
Total current assets	2,921,350	3,284,094	2,578,112
Property and equipment, net	2,980,460	2,739,290	2,425,389
Favorable lease rights, net	186,088	180,420	171,007
Goodwill	9,338	9,338	9,338
Other assets	101,887	102,361	89,945
Total assets	$6,199,123	$6,315,503	$5,273,791
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$ 701,852	$ 694,748	$ 590,942
Accrued liabilities	295,149	315,630	246,148
Income taxes payable	57,542	142,150	69,253
Current portion of long-term debt and capital leases	12,440	355,464	11,141
Total current liabilities	1,066,983	1,507,992	917,484
Long-term debt	996,392	1,006,353	1,047,211
Capital leases	67,782	52,431	42,484
Deferred income taxes	205,257	171,951	134,847
Other long-term liabilities	69,245	64,859	52,251
Total liabilities	2,405,659	2,803,586	2,194,277
Shareholders' equity:			
Common stock	3,393	3,373	3,368
Paid-in capital	1,140,646	1,082,277	1,062,251
Retained earnings	2,649,425	2,426,267	2,013,895
Total shareholders' equity	3,793,464	3,511,917	3,079,514
Total liabilities and shareholders' equity	$6,199,123	$6,315,503	$5,273,791

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months (13 Weeks) Ended		Six Months (26 Weeks) Ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Net sales	$2,208,459	$1,921,830	$4,326,203	$3,792,418
Cost of merchandise sold	1,471,656	1,234,773	2,848,135	2,448,594
Gross margin	736,803	687,057	1,478,068	1,343,824
Operating expenses:				
Selling, general, and administrative	473,823	423,698	947,948	835,525
Depreciation and amortization	57,009	47,426	112,426	91,395
Preopening expenses	2,492	2,939	17,974	19,878
Operating income	203,479	212,994	399,720	397,026
Interest expense, net	23,208	13,013	40,974	25,628
Income before income taxes	180,271	199,981	358,746	371,398
Provision for income taxes	68,126	75,593	135,588	140,389
Net income	$ 112,145	$ 124,388	$ 223,158	$ 231,009
Net income per share:				
Basic				
Basic	$ 0.33	$ 0.37	$ 0.66	$ 0.69
Average number of shares	338,954	336,662	338,484	336,260
Diluted				
Diluted	$ 0.33	$ 0.36	$ 0.65	$ 0.67
Average number of shares	343,665	343,439	343,139	342,942

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL'S CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(In Thousands, Except Share Amounts)

	Common Stock				
	Shares	Amount	Paid-In Capital	Retained Earnings	Total
Balance at February 1, 2003	337,322,102	$3,373	$1,082,277	$2,426,267	$3,511,917
Exercise of stock options	2,007,357	20	26,697	—	26,717
Income tax benefit from exercise of stock options	—	—	31,672	—	31,672
Net income	—	—	—	223,158	223,158
Balance at August 2, 2003	339,329,459	$3,393	$1,140,646	$2,649,425	$3,793,464

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

	Six Months (26 Weeks) Ended	
	August 2, 2003	August 3, 2002
Operating activities		
Net income	$ 223,158	$ 231,009
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	119,047	91,810
Amortization of debt discount	3,468	4,658
Deferred income taxes	55,853	32,318
Changes in operating assets and liabilities:		
Accounts receivable	40,668	7,488
Merchandise inventories	(89,767)	(256,112)
Other current assets	(33,766)	(14,973)
Accounts payable	7,104	112,072
Accrued and other long-term liabilities	(16,095)	(8,119)
Income taxes	(52,936)	(20,557)
Net cash provided by operating activities	256,734	179,594
Investing activities		
Acquisition of property and equipment and favorable lease rights, net	(334,646)	(310,096)
Net sales of short-term investments	440,955	116,147
Other	(13,814)	(12,556)
Net cash provided by (used in) investing activities	92,495	(206,505)
Financing activities		
Payments of convertible and other long-term debt, net	(357,868)	(15,660)
Payments of financing fees on debt	(185)	(936)
Proceeds from stock option exercises	26,717	21,824
Net cash (used in) provided by financing activities	(331,336)	5,228
Net increase (decrease) in cash and cash equivalents	17,893	(21,683)
Cash and cash equivalents at beginning of period	90,085	106,722
Cash and cash equivalents at end of period	$ 107,978	$ 85,039

See accompanying Notes to Condensed Consolidated Financial Statements

KOHL'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

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

2. Reclassifications

Certain reclassifications have been made to the prior periods' financial statements to conform to the fiscal 2003 presentation.

3. New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 requires expanded and more prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results.

The Company has not adopted a method under SFAS No. 148 to expense stock options but rather continues to apply the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for those plans. No stock-based employee compensation expense is reflected in net income for the first or second quarters of fiscal 2003 or 2002 as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. The following table illustrates the pro forma effect on net income and earnings per share assuming the fair value recognition provisions of SFAS No. 123 would have been adopted for options granted since fiscal 1995.

	Three Months Ended		Six Months Ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
	(In Thousands, Except per Share Data)			
Net income as reported	$112,145	$124,388	$223,158	$231,009
Less total stock-based employee compensation expense determined under fair value method for all awards, net of tax	8,849	9,197	18,007	18,398
Pro forma net income	$103,296	$115,191	$205,151	$212,611
Net income per share:				
Basic-as reported	$ 0.33	$ 0.37	$ 0.66	$ 0.69
Basic-pro forma	$ 0.30	$ 0.34	$ 0.61	$ 0.63
Diluted-as reported	$ 0.33	$ 0.36	$ 0.65	$ 0.67
Diluted-pro forma	$ 0.30	$ 0.34	$ 0.60	$ 0.62

The Black-Scholes option pricing model was used to estimate the weighted-average fair values of options granted. For the three months ended August 2, 2003 and August 3, 2002, the weighted-average fair values of options granted were $20.50 and $27.13, respectively. The fair values of options granted for the six months ended August 2, 2003 and August 3, 2002, were $19.88 and $27.29, respectively. The model uses the following assumptions for all periods: risk free interest rate of 3.5%-4.0%; dividend yield of 0%; volatility factors of the Company's common stock of 32%; and a 6 year expected life of the option.

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

The Emerging Issues Task Force released Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor," in November 2002, applicable to fiscal years beginning after December 15, 2002. The Company records vendor allowances and discounts in the income statement when the purpose for which those monies were designated is fulfilled. As such, the release did not have any effect on its results of operations or financial position.

4. Merchandise Inventories

The Company uses the last–in, first-out (LIFO) method of accounting for merchandise inventories. The Company did not record a LIFO expense for the three and six months ended August 2, 2003. The Company recorded a LIFO expense of $2.3

million for the three months ended August 3, 2002 and $4.5 million for the six months ended August 3, 2002.

Inventories would have been $4,980,000 higher at August 2, 2003, and February 1, 2003, and $11,658,000 higher at August 3, 2002, if they had been valued using the first-in, first-out (FIFO) method.

5. Debt

On June 13, 2003, the holders of approximately 99.5% of the Company's outstanding Liquid Yield Option Subordinated Notes (LYONs) due 2020 exercised their options to redeem their notes, in accordance with the terms of the LYONs. The remaining LYONs were called by the Company on August 1, 2003. The Company elected to redeem these notes for cash. The total amount payable by the Company for the LYONs redeemed was $346.6 million, which was paid with available funds. In conjunction with the redemption, the Company wrote-off the remaining deferred financing costs, during the second quarter of 2003, related to the LYONs totaling $6.1 million, which is included in interest expense.

6. 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.

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7. Net Income Per Share

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

	Three Months Ended		Six Months Ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
	(In Thousands)			
Numerator for dilutive earnings per share	$ 112,145	$ 124,388	$ 223,158	$ 231,009
Denominator for basic earnings per share—weighted average shares	338,954	336,662	338,484	336,260
Impact of dilutive employee stock options (a)	4,711	6,777	4,655	6,682
Denominator for dilutive earnings per share (b)	343,665	343,439	343,139	342,942

(a) For the three months ended August 2, 2003 and August 3, 2002, 4,863,477 and 86,850 options, respectively, were not included in the earnings per share calculation as the impact of such options was antidilutive. For the six months ended August 2, 2003 and August 3, 2002, 4,923,627 and 171,650 options, respectively, were not included in the earnings per share calculation as the impact of such options was antidilutive.

(b) The convertible debt securities are not included in the computation of diluted earnings per share for the periods ended August 2, 2003 and August 3, 2002 as their impact is antidilutive.

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

Results of Operations

Store Locations

At August 2, 2003, the Company operated 492 stores compared with 420 stores at the same time last year. Total square feet of selling space increased 18.0% from 31.6 million at August 3, 2002 to 37.3 million at August 2, 2003. During the first half of the year, the Company opened 35 stores, 28 in March and 7 in April. In March, the Company opened 28 new stores in the Los Angeles, CA market. In April, the Company entered the San Antonio, TX market with three stores and opened one store each in Kalamazoo, MI; West Springfield, MA; Hooksett, NH; and Doylestown, PA.

Kohl's plans to open another 50 stores in the second half of the year, two in August and 48 in October. The Company plans to enter the Phoenix, AZ market with 10 stores, the Little Rock, AR market with three stores, the Las Vegas, NV market with three stores, the Birmingham, AL market with two stores, the Tucson, AZ market with two stores and the Flagstaff, AZ market with one store. In addition, the Company will add 11 stores in the Midwest Region, five stores in the Mid-Atlantic region, five stores in the Northeast region, four stores in the Southeast region, two stores in the Southcentral region, and two stores in the Southwest region. This raises the Company's projected new store openings for fiscal 2003 from 80 stores to 85 stores.

The Company plans to open approximately 95 new stores in fiscal 2004. The Company anticipates opening approximately half the stores in the first quarter including the Company's continued expansion in the Southwest region with entry into the Sacramento, CA market with seven stores, the San Diego, CA market with five stores, and the Fresno, CA market with three stores.

Net Sales

Net sales increased $286.7 million or 14.9% to $2,208.5 million for the three months ended August 2, 2003, from $1,921.8 million for the three months ended August 3, 2002. Net sales increased $264.9 million due to the opening of 35 new stores in 2003 and the inclusion of 75 new stores opened in 2002. The remaining $21.8 million increase is attributable to comparable store sales growth of 1.1%

Net sales increased $533.8 million or 14.1% to $4,326.2 million for the six months ended August 2, 2003, from $3,792.4 million for the six months ended August 3, 2002. Net sales increased $557.9 million due to the opening of 35 new stores in 2003 and the inclusion of 75 new stores opened in 2002. The offsetting $24.1 million decrease is attributable to a decline in comparable store sales of 0.7%

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Gross Margin

Gross margin increased $49.7 million to $736.8 million for the three months ended August 2, 2003, from $687.1 million for the three months ended August 3, 2002. Gross margin increased $73.7 million due to the opening of 35 new stores in the first half of the year and to the inclusion of a full year of operating results for the 75 stores opened in fiscal 2002. Comparable store gross margin decreased $24.0 million primarily due to a higher markdown rate than last year. Gross margin increased $134.3 million to $1,478.1 million for the six months ended August 2, 2003, from $1,343.8 million for the six months ended August 3, 2002. Gross margin increased $166.1 million due to the opening of 35 new stores in the first half of 2003 and to the inclusion of a full year of operating results for the 75 stores opened in fiscal 2002. Comparable store gross margin decreased $31.8 million primarily due to a higher markdown rate than last year as well as a slight decrease in comparable store sales. The Company’s gross margin as a percent of net sales was 33.4% for the three months ended August 2, 2003, and 35.8% for the three months ended August 3, 2002. The Company’s gross margin as a percent of net sales was 34.2% for the six months ended August 2, 2003, and 35.4% for the six months ended August 3, 2002. The decrease in the gross margin rate for the three and six months ended August 2, 2003, was due to aggressively marking down and selling seasonal merchandise to ensure the Company was properly set for the Back to School season.

Operating Expenses

Selling, general and administrative (S,G&A) 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 corporate functions, but exclude depreciation and amortization and preopening expenses. S,G&A expenses increased $50.1 million or 11.8% to $473.8 million for the three months ended August 2, 2003, from $423.7 million for the three months ended August 3, 2002. S,G&A expenses increased $112.4 million or 13.5% to $947.9 million for the six months ended August 2, 2003, from $835.5 million for the six months ended August 3, 2002. The S,G&A expenses decreased to 21.5% of net sales for the three months ended August 2, 2003, from 22.0% of net sales for the three months ended August 3, 2002, a decrease of 59 basis points. Store operating expenses as a percent of sales increased by 23 basis points, which was partially offset by a reduction in the incentive compensation accrual, and advertising costs increased by 5 basis points for the three months ended August 2, 2003. Expenses as a percent of sales related to credit operations declined by 6 basis points, distribution center costs declined by 28 basis points and other corporate expenses declined by 53 basis points, primarily due to a reduction in the incentive compensation accrual, for the three months ended August 2, 2003. The S,G&A expenses decreased to 21.9% of net sales for the six months ended August 2, 2003, from 22.0% of net sales for the six months ended August 3, 2002, a decrease of 12 basis points. Store operating expenses as a percent of sales increased by 56 basis points, which was partially offset by a reduction in the incentive compensation accrual, and advertising costs increased by 18 basis points for the six months ended August 2, 2003. Expenses as a percent of sales related to credit operations declined by 23 basis points, distribution center costs declined by 27 basis points and other corporate expenses declined by 36 basis points, primarily due to a reduction in the incentive compensation accrual for the six months ended August 2, 2003. As earnings did not increase over last year for the six months ended August 2, 2003, no bonus was earned under the plan.

Depreciation and amortization for the three months ended August 2, 2003, was $57.0 million compared to $47.4 million for the three months ended August 3, 2002. Depreciation and amortization for the six months ended August 2, 2003, was $112.4 million compared to $91.4 million for the six months ended August 3, 2002. The increase is primarily attributable to the addition of new stores and the remodeling and expansion of existing stores.

Preopening expenses are expensed as incurred and relate to the costs associated with new store openings including advertising, hiring and training costs for new employees, and processing and transporting initial merchandise. Preopening expense for the three months ended August 2, 2003, was $2.5 million compared to $2.9 million for the three months ended August 3, 2002. Preopening expense for the six months ended August 2, 2003, was $18.0 million compared to $19.9 million for the six months ended August 3, 2002. The decrease is primarily due to a decline in the number of new stores opened during the first half of the year and the timing of related expenses.

Operating Income

As a result of the above factors, operating income for the three months ended August 2, 2003, decreased $9.5 million or 4.5% from the three months ended August 3, 2002 and operating income for the six months ended August 2, 2003, increased $2.7 million or 0.7% over the six months ended August 3, 2002.

Net Interest Expense

Net interest expense for the three months ended August 2, 2003, was $23.2 million compared to $13.0 million for the three months ended August 3, 2002. Net interest expense for the six months ended August 2, 2003, was $41.0 million compared to $25.6 million for the six months ended August 3, 2002. The increase is primarily attributable to the $300 million aggregate principal amount of non-callable 6% unsecured senior debentures issued in November 2002 and the second quarter of 2003 write-off of the remaining $6.1 million of deferred financing fees related to the LYONs redeemed in 2003.

Net Income

Net income for the three months ended August 2, 2003, decreased 9.8% to $112.1 million from $124.4 million for the three months ended August 3, 2002. Earnings were $0.33 per diluted share for the three months ended August 2, 2003, compared to $0.36 per diluted share for the three months ended August 3, 2002. Net income for the six months ended August 2, 2003, decreased 3.4% to $223.2 million from $231.0 million for the six months ended August 3, 2002. Earnings were $0.65 per diluted share for the six months ended August 2, 2003, compared to $0.67 per diluted share for the six months ended August 3, 2002.

Seasonality & Inflation

The Company's business, like that of most retailers, is subject to seasonal influences, with the major portion of sales and income typically realized during the last half of each fiscal year, which includes the back-to-school and holiday seasons. Approximately 15% and 30% of sales typically occur during the back-to-school and holiday seasons, respectively. Because of the seasonality of the Company's business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. In addition, quarterly results of operations depend significantly upon the timing and amount of revenues and costs associated with the opening of new stores.

The Company does not believe that inflation has had a material effect on its results during the periods presented. However, there can be no assurance that the Company's business will not be affected by such factors in the future.

Financial Condition and Liquidity

The Company's primary ongoing cash requirements are for seasonal and new store inventory purchases, the growth in credit card accounts receivable and capital expenditures in connection with expansion and remodeling programs. The Company's primary sources of funds for its business activities are cash flow from operations and short-term trade credit. Short-term trade credit, in the form of extended payment terms for inventory purchases, 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 holiday selling season. Seasonal cash needs are met by financing secured by its proprietary accounts receivable and lines of credit available under its revolving credit facilities. In addition, the Company periodically accesses the capital markets, as needed, to finance its growth. The Company believes it has sufficient lines of credit and expects to generate adequate cash flows from operating activities to sustain current levels of operations.

Proprietary credit card sales increased to $1,507.5 million or 34.8% of net sales for the six months ended August 2, 2003, from $1,268.0 million or 33.4% of net sales for the six months ended August 3, 2002. The following table summarizes information related to the Company's proprietary credit card receivables:

	August 2, 2003	February 1, 2003	August 3, 2002
		(In Thousands)	
Gross accounts receivable	$971,853	$1,011,690	$847,453
Allowance for doubtful accounts (a)	$ 21,711	$ 20,880	$ 18,995
Allowance as a % of gross accounts receivable	2.2%	2.1%	2.2%
Accounts receivable turnover (rolling 4 quarters) (b)	3.5x	3.5x	3.3x

(a) Delinquent accounts are written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. Bad debts written off, net of recoveries and other allowances, for the six months ended August 2, 2003 were 2.2% of gross accounts receivable compared to 2.4% of gross accounts receivable for the six months ended August 3, 2002.

(b) Turnover is computed using a rolling four quarters of credit card sales divided by average quarterly gross accounts receivable.

The Company's merchandise inventories increased $262.3 million over the August 2, 2002, balance and $89.8 million over the February 1, 2003, balance. The increase in inventory is consistent with total selling square footage growth. Accounts payable increased $110.9 million from August 3, 2002, and increased $7.1 million from February 1, 2003. Fluctuations in the level of accounts payable are primarily attributable to changes in inventory levels, the timing of inventory receipts and invoice dating arrangements with vendors.

Capital expenditures for the six months ended August 2, 2003, were $334.6 million compared to the $310.1 million for the same period a year ago. The increase in expenditures is primarily attributable to the timing and number of new store openings. The Company opened 35 new stores in the first half of fiscal 2003 and will open 50 stores during the third quarter of fiscal 2003. In fiscal 2002, the Company opened 38 stores in the first half of fiscal 2002 and 37 stores in the third quarter of fiscal 2002.

Total capital expenditures for fiscal 2003 are expected to be approximately $800 to $825 million. This estimate includes new store spending as well as remodeling and base capital needs. The actual amount of the Company's future annual capital expenditures will depend primarily on the number of new stores opened and whether such stores are owned or leased and the number of existing stores remodeled or refurbished.

The Company has two unsecured revolving bank credit facilities that were executed in June, 2002, the first of which is a $532 million facility maturing July 10, 2007. The second facility is a $133 million facility, which was renewed through July 8, 2004. The Company also has a $225 million Receivable Purchase Agreement (RPA). Pursuant to the RPA, which is renewable annually at the Company's request and the RPA investors' option, the Company periodically sells, generally with recourse, an undivided interest in the Company's private label credit card receivables. No amounts were outstanding under the RPA or under the Company's revolving bank credit facilities as of August 2, 2003 and August 3, 2002.

On June 13, 2003, the holders of approximately 99.5% of the Company's outstanding (LYONs) due 2020 exercised their options to redeem their notes, in accordance with the terms of the LYONs. The remaining LYONs were called by the Company on August 1, 2003. The total amount payable by the Company for the LYONs redeemed was $346.6 million, which was paid with available funds.

Contractual Obligations

The Company has aggregate contractual obligations of $5,568.0 million related to debt repayments, capital leases and operating leases as follows:

	Fiscal Year						
	Remaining 2003	2004	2005	2006	2007	Thereafter	Total
				(In Thousands)			
Long-term debt	$ 64	$ 10,134	$ 138	$ 100,416	$ 374	$ 895,399	$ 1,006,525
Capital leases (a)	1,087	2,173	2,316	2,555	2,908	59,050	70,089
Operating leases (b)	121,338	264,960	270,069	258,087	255,665	3,321,258	4,491,377
Total	$ 122,489	$ 277,267	$ 272,523	$ 361,058	$ 258,947	$ 4,275,707	$ 5,567,991

(a) Annual commitments on capital leases are net of interest.
(b) Included in the operating lease schedule above is $1,068.1 million of minimum lease payments for stores that are scheduled to open in the third quarter of fiscal 2003 and in fiscal 2004.

The Company also has outstanding letters of credit and stand-by letters of credit that total approximately $66.0 million, at August 2, 2003. If certain conditions were met under these arrangements, the Company would be required to satisfy the obligations in cash. Due to the nature of these arrangements and based on historical experience, the Company does not expect to make any significant payments. Therefore, they have been excluded from the preceding table.

Critical Accounting Policies and Estimates

Allowance for Doubtful Accounts

The Company evaluates the collectibility of accounts receivable based on a combination of factors, namely aging and historical trends. Delinquent accounts are written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. For all other accounts, the Company recognizes reserves for bad debts based on the length of time the accounts are past due and the anticipated future write-offs based on historical experience.

Retail Inventory Method and Inventory Valuation

The Company values its inventory at the lower of cost or market with cost determined on the last-in, first-out (LIFO) basis using the retail inventory method (RIM). Under RIM, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. The use of the retail inventory method will result in inventories being valued at the lower of cost or market as markdowns are currently taken as a reduction of the retail value of inventories.

Based on a review of historical clearance markdowns, current business trends and discontinued merchandise categories, an adjustment to inventory is recorded to reflect additional markdowns which are estimated to be necessary to liquidate existing clearance inventories and reduce inventories to market value. Management believes that the Company’s inventory valuation approximates the net realizable value of clearance inventory and results in carrying inventory at the lower of cost or market.

Vendor Allowances

The Company records vendor allowances and discounts in the income statement when the purpose for which those monies were designated is fulfilled. Allowances provided by vendors generally relate to profitability of inventory recently sold and, accordingly, are reflected as reductions to cost of merchandise sold as negotiated. Vendor allowances received for advertising or fixture programs reduce the Company’s expense or expenditure for the related advertising or fixture program.

Reserve Estimates

The Company uses a combination of insurance and self-insurance for a number of risks including workers’ compensation, general liability and employee-related health care benefits, a portion of which is paid by its associates. The Company determines the estimates for the liabilities associated with these risks by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. The estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from the current assumptions and historical trends. Under its workers' compensation and general liability insurance policies, the Company retains the initial risk of $500,000 and $250,000, respectively, per occurrence.

Capital versus Operating Leases

The Company evaluates all lease agreements in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases," to determine whether a lease is operating or capital. The Company reviews the fair market value as well as the useful life of the related assets. Both of these assumptions are subject to estimation.

The senior management of the Company has discussed the development and selection of the above critical accounting estimates with the audit committee of the Company's board of directors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s primary exposure to market risk consists of changes in interest rates or borrowings. At August 2, 2003, the Company’s long-term debt, excluding capital leases, was $1,006.5 million, all of which is fixed rate debt.

Long-term fixed rate debt is utilized as a primary source of capital. When these debt instruments mature, the Company may refinance such debt at then existing market interest rates, which may be more or less than interest rates on the maturing debt. If interest rates on the existing fixed rate debt outstanding at August 2, 2003, changed by 100 basis points, the Company’s annual interest expense would change by $10.1 million.

Item 4. Controls and Procedures

As of August 2, 2003, the Company carried out an evaluation, under the supervision, and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (the “Exchange Act”). Based upon that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective in alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s Exchange Act filings in a timely manner.

There have been no significant changes in the Company’s internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

Forward Looking Statements

Items 2 and 3 of this Form 10-Q contains “forward looking statements,” subject to protections under federal law. The Company intends words such as “believes”, “anticipates”, “plans”, “may”, “will”, “should”, “expects”, and similar expressions to identify forward-looking statements. In addition, statements covering the Company’s future sales or financial performance and the Company’s plans, objectives, expectations or intentions are forward-looking statements, such as statements regarding the Company’s liquidity, planned capital expenditures, future store openings and adequacy of capital resources and reserves. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated by the forward looking statements. These risks and uncertainties include but are not limited to those described in Exhibit 99.1 to the Company’s annual report on Form 10-K filed with the SEC on March 21, 2003, which is expressly incorporated herein by reference, and such other factors as may periodically be described in the Company’s filings with the SEC.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

10.1 Extension No. 1, Waiver No. 1 and Amendment No. 1 dated as of June 30, 2003, under the 364-Day Credit Agreement dated as of July 10, 2002, among Kohl's Corporation, the lenders party thereto, Bank One, NA, as Syndication Agent, U.S. Bank, National Association, Wachovia Bank, National Association and Fleet National Bank, as Co-Documentation Agents and The Bank of New York, as Administrative Agent.

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

31.1 Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Periodic Report by Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Periodic Report by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) Reports on Form 8-K

The Company furnished or filed three reports on Form 8-K in the second fiscal quarter:

(i) on May 16, 2003, the Company furnished a report dated May 15, 2003, under Items 7 and 9, providing a press release announcing its fiscal 2003 first quarter financial results;

(ii) on June 13, 2003, the Company filed a report dated June 13, 2003, under Item 5, announcing that the holders of approximately 99.5% of its outstanding Liquid Yield Option Subordinated Notes (LYONs) due 2020 had exercised their option to redeem their notes for cash in accordance with the terms of the LYONs, that the deadline for holders to notify Kohl's of their election to redeem the LYONs had expired, that the total amount payable by the Company for the LYONs being redeemed was approximately $345 million, which would be paid by the Company from available funds, and that the remaining LYONs are callable by the Company at any time; and

(iii) on July 23, 2003, the Company filed a report dated July 22, 2003, under Items 5 and 7, providing a press release announcing that Wesley McDonald had joined the Company as Executive Vice President, Chief Financial Officer.

SIGNATURES

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

	Kohl's Corporation (Registrant)
Date: September 2, 2003	/s/ R. Lawrence Montgomery
	R. Lawrence Montgomery Chief Executive Officer and Director
Date: September 2, 2003	/s/ Arlene Meier
	Arlene Meier Chief Operating Officer and Interim Chief Financial Officer

Exhibit 10.1

<u>EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1</u>

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1 (this "<u>Extension</u>"), dated as of June 30, 2003, under the 364-Day Credit Agreement, dated as of July 10, 2002, among Kohl's Corporation (the "<u>Borrower</u>"), the Lenders party thereto, Bank One, NA, as Syndication Agent, U.S. Bank, National Association, Wachovia Bank, National Association and Fleet National Bank, as Co-Documentation Agents, and The Bank of New York, as the Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "<u>364-Day Credit Agreement</u>").

<u>RECITALS</u>

I. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the 364-Day Credit Agreement.

II. The Borrower has requested to extend the Revolving Credit Commitment Expiration Date in accordance with Section 2.14 of the 364-Day Credit Agreement.

Accordingly, in consideration of the Recitals and the terms and conditions hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereto agree as follows:

1. The Revolving Credit Commitment Expiration Date is hereby extended to July 8, 2004.

2. In connection with this Extension only, the Lenders hereby waive the requirement contained in Section 2.14(a) of the 364-Day Credit Agreement that the consent of Lenders to the Extension be received on or before the 15th day prior to the existing Revolving Credit Commitment Expiration Date, <u>provided</u> that such consent is received prior to the existing Revolving Credit Commitment Expiration Date.

3. Section 11.21 of the 364-Day Credit Agreement is hereby amended by adding the following after the period at the end thereof:

Notwithstanding anything herein to the contrary, each Credit Party may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such Credit Party relating to such tax treatment and tax structure.

4. Paragraphs 1, 2 and 3 hereof shall not be effective until such time as the following conditions are satisfied:

(a) on or before the existing Revolving Credit Commitment Expiration Date, the Administrative Agent shall have received this Extension duly executed by (i) the Borrower, and (ii) Required Lenders having aggregate Revolving Credit Commitment Amounts equal to or greater than $66,500,000;

(b) the Borrower shall have paid to the Administrative Agent, for the account of each Lender, an extension consent fee in an amount not less than 0.02% of such Lender's Revolving Credit Commitment Amount as in effect immediately after giving effect to this Extension;

(c) immediately before and after giving effect thereto, no Default shall exist; and

(d) the Administrative Agent shall have received such certificates, legal opinions and other documents as it shall reasonably request in connection herewith.

5. The Borrower (a) reaffirms and admits the validity and enforceability of each Loan Document and all of its obligations thereunder, (b) agrees and admits that it has no defense to or offset against any such obligation, and (c) represents and warrants that, as of the date of the execution and delivery hereof by the Borrower, no Default has occurred and is continuing.

6. In all other respects, the Loan Documents shall remain in full force and effect, and no waiver, consent, amendment or extension in respect of any term or condition of any Loan Document shall be deemed to be a waiver, consent, amendment or extension in respect of any other term or condition contained in any Loan Document.

7. This Extension may be executed in any number of counterparts all of which, when taken together, shall constitute one agreement. In making proof of this Extension, it shall only be necessary to produce the counterpart executed and delivered by the party to be charged.

8. THIS EXTENSION IS BEING EXECUTED AND DELIVERED IN, AND IS INTENDED TO BE PERFORMED IN, THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCEABLE IN ACCORDANCE WITH, AND BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

IN WITNESS WHEREOF, the parties hereto have caused this Extension No. 1 and Waiver to be duly executed and delivered by their proper and duly authorized persons as of the day and year first above written.

KOHL'S CORPORATION

By: /s/ Arlene Meier

Name: Arlene Meier
Title: Chief Operating Officer

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

THE BANK OF NEW YORK, individually
and as Administrative Agent

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President
(212) 635-1019

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

U.S. BANK, NATIONAL ASSOCIATION

By: /s/ Caroline V Krider

Name: Caroline V Krider
Title: Vice President & Senior Lender

BANK ONE, NA (main office Chicago)

By: /s/ Vincent R. Henchek

Name: Vincent R. Henchek
Title: Director

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Thomas M. Harper

Name: Thomas M. Harper
Title: Senior Vice President

FLEET NATIONAL BANK

By: /s/ Alexis Griffin

Name: Alexis Griffin
Title: Vice President

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

MORGAN STANLEY BANK

By: /s/ Michael Hart

Name: Michael Hart
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Temple H. Abney

Name: Temple H. Abney
Title: Vice President

KOHL’S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

COMERICA BANK

By: /s/ James B. Haeffner

Name: James B. Haeffner
Title: First Vice President

FIFTH THIRD BANK

By: /s/ Ann – Drea Burns

Name: Ann – Drea Burns
Title: Commercial Officer

M&I BANK

By: /s/ James R. Miller

Name: James R. Miller
Title: Vice President

By: /s/ Daniel A. Defnet

Name: Daniel A. Defnet
Title: Vice President

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

MERRILL LYNCH BANK USA

By: /s/ David L. Millett

Name: David L. Millett
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Timothy P. Streb

Name: Timothy P. Streb
Title: Vice President

KOHL’S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Mark H. Halldorson

Name: Mark H. Halldorson
Title: Vice President

By: /s/ Douglas A. Lindstrom

Name: Douglas A. Lindstrom
Title: Vice President
Wells Fargo Bank, National Association

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

NATIONAL CITY BANK

By: /s/ Brian T. Strayton

Name: Brian T. Strayton
Title: Vice President

KOHL'S CORPORATION

EXTENSION NO. 1, WAIVER NO. 1 AND AMENDMENT NO. 1

THE NORTHERN TRUST COMPANY

By: /s/ Edmund H. Lester

Name: Edmund H. Lester
Title: Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Pamela LeRose

Name: Pamela LeRose
Title: Vice President

UMB BANK, N.A.

By: /s/ Robert P. Elbert

Name: Robert P. Elbert
Title: Senior Vice President

Exhibit 12.1

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

	26 Weeks Ended		Fiscal Year (1)				
	August 2, 2003	August 3, 2002	2002	2001	2000	1999	1998
Earnings							
Income before income taxes	$358,746	$371,398	$1,034,374	$799,864	$605,114	$421,112	$316,749
Fixed charges	99,822	75,980	161,091	142,244	116,753	82,835	63,135
Less interest capitalized during period	(4,173)	(4,993)	(9,820)	(6,929)	(3,478)	(4,405)	(1,878)
	$454,395	$442,385	$1,185,645	$935,179	$718,389	$499,542	$378,006
Fixed Charges							
Interest (expensed or capitalized)	$ 40,327	$ 31,833	$ 68,298	$ 63,506	$ 52,305	$ 33,813	$ 24,550
Portion of rent expense representative of interest	52,874	43,732	91,822	77,964	63,943	48,769	38,385
Amortization of deferred financing fees	6,621	415	971	774	505	253	200
	$ 99,822	$ 75,980	$ 161,091	$142,244	$116,753	$ 82,835	$ 63,135
Ratio of earnings to fixed charges	4.55	5.82	7.36	6.57	6.15	6.03	5.99

(1) Fiscal 2002, 2001, 1999 and 1998 were 52 week years and fiscal 2000 was a 53 week year.

Exhibit 31.1

CERTIFICATIONS

I, Arlene Meier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kohl's Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 2, 2003

/s/ ARLENE MEIER

Arlene Meier
Chief Operating Officer and Interim Chief
Financial Officer
(Principal Financial Officer)

Exhibit 31.2

I, R. Lawrence Montgomery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kohl's Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 2, 2003

/s/ R. LAWRENCE MONTGOMERY

R. Lawrence Montgomery
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

I, Arlene Meier, Chief Operating Officer and Interim Chief Financial Officer of Kohl’s Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned’s knowledge, on the date of this Certification:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended August 2, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 2, 2003

/s/ Arlene Meier

Arlene Meier
Chief Operating Officer
Interim Chief Financial Officer

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

I, R. Lawrence Montgomery, Chief Executive Officer of Kohl's Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned's knowledge, on the date of this Certification:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended August 2, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 2, 2003

/s/ R. Lawrence Montgomery

R. Lawrence Montgomery
Chief Executive Officer and
Director