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 July 30, 2005

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 by check mark whether the registrant is a shell company (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 31, 2005 Common Stock, Par Value $0.01 per Share, 344,665,544 shares outstanding.

KOHL'S CORPORATION
INDEX

PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements:	
	Condensed Consolidated Balance Sheets at July 30, 2005, January 29, 2005, and July 31, 2004	3
	Condensed Consolidated Statements of Income for the Three Months and Six Months Ended July 30, 2005, and July 31, 2004	4
	Condensed Consolidated Statement of Changes in Shareholders' Equity for the Six Months Ended July 30, 2005	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended July 30, 2005, and July 31, 2004	6
	Notes to Condensed Consolidated Financial Statements	7-10
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	11-21
Item 3	Quantitative and Qualitative Disclosures about Market Risk	22
Item 4	Controls and Procedures	23
PART II	OTHER INFORMATION	
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 6	Exhibits	24
	Signatures	25

Table of Contents

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

	July 30, 2005	January 29, 2005 (restated - see Note 3)	July 31, 2004 (restated - see Note 3)
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	**$ 110,319**	$ 116,717	$ 105,173
Short-term investments	**140,014**	88,767	164,043
Accounts receivable, net	**1,296,406**	1,389,632	1,093,455
Merchandise inventories	**2,197,331**	1,946,977	1,776,212
Deferred income taxes	**7,013**	54,050	37,804
Other	**82,319**	47,294	82,501
Total current assets	**3,833,402**	3,643,437	3,259,188
Property and equipment, net	**4,288,054**	3,987,945	3,657,880
Favorable lease rights, net	**218,577**	224,903	230,533
Goodwill	**9,338**	9,338	9,338
Other assets	**114,665**	113,676	106,660
Total assets	**$8,464,036**	$7,979,299	$7,263,599
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	**$ 966,572**	$ 704,655	$ 788,707
Accrued liabilities	**487,100**	570,757	443,348
Income taxes payable	**82,102**	177,182	107,243
Current portion of long-term debt and capital leases	**105,539**	3,464	2,843
Total current liabilities	**1,641,313**	1,456,058	1,342,141
Long-term debt and capital leases	**1,036,172**	1,103,441	1,091,421
Deferred income taxes	**224,255**	229,381	178,694
Other long-term liabilities	**167,494**	156,521	144,412
Shareholders' equity:			
Common stock	**3,443**	3,433	3,411
Paid-in capital	**1,550,546**	1,501,572	1,428,043
Retained earnings	**3,840,813**	3,528,893	3,075,477
Total shareholders' equity	**5,394,802**	5,033,898	4,506,931
Total liabilities and shareholders' equity	**$8,464,036**	$7,979,299	$7,263,599

See accompanying Notes to Condensed Consolidated Financial Statements

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	
	July 30, 2005	July 31, 2004 (restated - see Note 3)	July 30, 2005	July 31, 2004 (restated - see Note 3)
Net sales	**$ 2,888,078**	$ 2,497,858	**$5,630,916**	$ 4,878,031
Cost of merchandise sold	**1,819,493**	1,587,809	**3,579,131**	3,120,545
Gross margin	**1,068,585**	910,049	**2,051,785**	1,757,486
Operating expenses:				
Selling, general, and administrative	**672,470**	582,822	**1,345,385**	1,163,447
Depreciation and amortization	**82,623**	71,382	**162,629**	138,035
Preopening expenses	**4,092**	4,689	**16,671**	24,109
Operating income	**309,400**	251,156	**527,100**	431,895
Interest expense, net	**16,303**	14,983	**33,465**	29,987
Income before income taxes	**293,097**	236,173	**493,635**	401,908
Provision for income taxes	**105,911**	89,273	**181,715**	151,924
Net income	**$ 187,186**	$ 146,900	**$ 311,920**	$ 249,984
Net income per share:				
Basic				
Basic	**$ 0.54**	$ 0.43	**$ 0.91**	$ 0.73
Average number of shares	**344,066**	341,030	**343,796**	340,732
Diluted				
Diluted	**$ 0.54**	$ 0.43	**$ 0.90**	$ 0.73
Average number of shares	**346,772**	344,195	**346,586**	343,981

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Common Stock				
	Shares	Amount	Paid-In Capital	Retained Earnings	Total
Balance at January 29, 2005 (previously reported)	343,345	$3,433	$1,258,326	$3,704,969	$4,966,728
Cumulative effect of restatement on prior years (see Note 3)	—	—	243,246	(176,076)	67,170
Balance at January 29, 2005 (restated)	343,345	$3,433	$1,501,572	$3,528,893	$5,033,898
Exercise of stock options	1,028	10	18,241	—	18,251
Income tax benefit from exercise of stock options	—	—	9,606	—	9,606
Share-based compensation expense	—	—	21,127	—	21,127
Net income	—	—	—	311,920	311,920
Balance at July 30, 2005	344,373	$3,443	$1,550,546	$3,840,813	$5,394,802

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

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

	Six Months (26 Weeks) Ended	
	July 30, 2005	**July 31, 2004 (restated - see Note 3)**
Operating activities		
Net income	**$ 311,920**	$ 249,984
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**162,995**	138,393
Amortization of debt discount	**108**	108
Share-based compensation	**21,040**	23,354
Excess tax benefits from share-based compensation	**(9,606)**	(3,473)
Deferred income taxes	**41,911**	43,833
Changes in operating assets and liabilities:		
Accounts receivable, net	**93,226**	56,702
Merchandise inventories	**(250,354)**	(169,222)
Other current assets	**(35,025)**	(11,607)
Accounts payable	**261,917**	256,108
Accrued and other long-term liabilities	**(72,684)**	12,040
Income taxes	**(85,474)**	(22,505)
Net cash provided by operating activities	**439,974**	573,715
Investing activities		
Acquisition of property and equipment and favorable lease rights	**(404,231)**	(443,317)
Net purchases of short-term investments	**(51,247)**	(129,758)
Other	**(16,316)**	(16,359)
Net cash used in investing activities	**(471,794)**	(589,434)
Financing activities		
Excess tax benefits from share-based compensation	**9,606**	3,473
Payments of other long-term debt	**(2,435)**	(11,559)
Payments of financing fees on debt	—	(62)
Proceeds from stock option exercises	**18,251**	16,292
Net cash provided by financing activities	**25,422**	8,144
Net decrease in cash and cash equivalents	**(6,398)**	(7,575)
Cash and cash equivalents at beginning of period	**116,717**	112,748
Cash and cash equivalents at end of period	**$ 110,319**	$ 105,173
Supplemental information:		
Interest paid, net of capitalized interest	**$ 34,435**	$ 30,715
Income taxes paid	**$ 225,674**	$ 130,656

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

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 2005 presentation.

3. Stock Based Compensation

As of July 30, 2005, the Company has three long-term compensation plans. The Company's 1994 and 2003 long-term compensation plans provide for the granting of various forms of equity-based awards, including restricted stock and options to purchase shares of the Company's common stock, to officers and key employees. The 1997 Stock Option Plan for Outside Directors provides for granting of equity-based awards to outside directors.

The following table presents the number of options and restricted stock initially authorized and available to grant under each of the plans:

	1994 Plan	1997 Plan	2003 Plan	Total
Options and restricted stock initially authorized	24,000,000	400,000	15,000,000	39,400,000
Options and restricted stock available for grant:				
January 29, 2005	—	267,000	14,208,750	14,475,750
July 30, 2005	—	244,500	11,831,575	12,076,075

The majority of options granted vest in four equal annual installments. Remaining options granted vest in five to ten year increments. Outside directors' stock options vest in three equal annual installments. The restricted stock vests in three equal annual installments. Options that are surrendered or terminated without issuance of shares are available for future grants.

Table of Contents

On January 30, 2005, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-based Payments," requiring the Company to recognize expense related to the fair value of its employee stock option awards. The Company adopted the "modified retrospective" method, which requires the prior period financial statements to be restated under the provisions of SFAS No. 123(R) to recognize compensation cost in the amounts previously reported in the pro forma footnote disclosures. For additional information related to the Company's adoption of SFAS No. 123(R), refer to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2005.

As a result of adopting SFAS No. 123(R), total compensation cost recognized related to stock-based compensation for the quarter ended July 30, 2005 and July 31, 2004 are $11.5 million and $11.0 million, respectively. Total compensation cost recognized related to stock-based compensation for the six months ended July 30, 2005 and July 31, 2004 are $21.1 million and $23.4 million, respectively. Stock compensation cost is recognized for new, modified and unvested stock option awards, measured at fair value and recognized as compensation expense over the vesting period. These amounts were expensed and included in selling, general and administrative (S,G & A) expenses in the accompanying Condensed Consolidated Statements of Income. The Black-Scholes option valuation model was used to estimate the fair value of each option award based on the following assumptions:

	Fiscal Year	
	2005	2004
Dividend Yield	0%	0%
Volatility	0.342	0.339
Risk-free interest rate	4%	4%
Expected life in years	6.5	6.2
Weighted average fair value at grant date	$19.90	$19.16

The following is a summary of the adjustments to the condensed consolidated financial statements as a result of these restatements.

	July 31, 2004		
(In thousands)	As previously restated*	Share-based Compensation	As restated
Selected Balance Sheet Data:			
Deferred income tax liabilities	$ 245,358	$ (66,664)	$ 178,694
Paid-in capital	1,197,756	230,287	1,428,043
Retained earnings	3,239,100	(163,623)	3,075,477

	January 29, 2005		
(In thousands)	As previously restated*	Share-based Compensation	As restated
Selected Balance Sheet Data:			
Deferred income tax liabilities	$ 296,551	$ (67,170)	$ 229,381
Paid-in capital	1,258,326	243,246	1,501,572
Retained earnings	3,704,969	(176,076)	3,528,893

Table of Contents

(In thousands, except per share data)	Three Months Ended July 31, 2004		
	As previously restated*	Share-based Compensation	As restated
Selected Statement of Income Data:			
Net income	$ 153,727	$ (6,827)	$146,900
Basic net income per share	0.45	(0.02)	0.43
Diluted net income per share	0.45	(0.02)	0.43

(In thousands, except per share data)	Six Months Ended July 31, 2004		
	As previously restated*	Share-based Compensation	As restated
Selected Statement of Income Data:			
Net income	$ 264,510	$ (14,526)	$249,984
Basic net income per share	0.78	(0.05)	0.73
Diluted net income per share	0.77	(0.04)	0.73

* restated for lease accounting adjustment as discussed in the Company’s 10-K for the period ending January 29, 2005

The Company has awarded restricted shares of common stock to eligible key employees. All awards have restriction periods tied primarily to employment and/or service. The awards vest over three years. The awards are expensed on a straight-line basis over the vesting period.

4. Merchandise Inventories

The Company changed its method of accounting for inventory from the last in, first out method (LIFO) to the first in, first out (FIFO) method during the quarter ended July 30, 2005. The Company believes that adopting the FIFO method will provide more transparent financial reporting and is consistent with the Company’s changing business environment with respect to the sourcing of goods and the nature of its inventory. The cumulative effect of the change recorded in the quarter ended July 30, 2005, was a $2.4 million increase to gross margin. Because the accounting change was not material to the Company’s financial statements for any of the periods presented, no retroactive restatement of prior years’ financial statements was made.

5. 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.

[Table of Contents](#)

6. 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	
	July 30, 2005	July 31, 2004 (restated- see Note 3)	July 30, 2005	July 31, 2004 (restated- see Note 3)
	(In Thousands)			
Numerator for basic and dilutive net income per share	$187,186	$146,900	$311,920	$249,984
Denominator for basic net income per share – weighted average shares	344,066	341,030	343,796	340,732
Impact of dilutive employee stock options and restricted stock (a)	2,706	3,165	2,790	3,249
Denominator for diluted net income per share	346,772	344,195	346,586	343,981

(a) For the three months ended July 30, 2005 and July 31, 2004, 4,218,736 and 8,016,431 options, respectively, were not included in the net income per share calculation as the impact of such options was antidilutive. For the six months ended July 30, 2005 and July 31, 2004, 4,441,661 and 7,906,231 options, respectively, were not included in the net income per share calculation as the impact of such options was antidilutive.

Table of Contents

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

Executive Summary

The Company continues to target mid-single digit comparable store sales increases as it focuses on attracting new customers and encouraging existing customers to shop more frequently. The Company achieved a 5.1% comparable store sales increase in the second quarter, which consisted of a 1.3% increase in transactions per store and a 3.8% improvement in average transaction value.

The Company's initiatives have been focused on appealing to customers' different lifestyles with the introduction of new brands, more exciting marketing and an improved in-store experience.

The Company completed the rollout of beauty to all stores in August 2005. The beauty business consists of exclusive lines of makeup, skin care and skin treatment products that were developed in partnership with the Estee Lauder companies. In addition to the three initial brands, American Beauty, Flirt and Good Skin!, a fourth brand, Grassroots, was launched in August 2005. In addition, a new fragrance, Wonderful, will be launched in September 2005.

During the second quarter, the Candie's brand was launched in juniors and girls, accessories and shoes. In women's sportswear, casual assortments from Axcess were launched in all stores in spring 2005 and Nine & Company casual wear was tested in 150 stores during the spring season with an expected rollout to the remaining stores in fall 2005. In fall 2005, apt. 9 will also be expanded into casual sportswear and Nine & Company will be expanded into home.

In spring 2006, the Company will introduce Chaps for women and boys in partnership with Polo Ralph Lauren, and, Tony Hawk, in partnership with Quiksilver, will be introduced in young men's and boys. In addition, Stamp 10, an exclusive contemporary brand in partnership with Liz Claiborne, Inc., will be launched in men's and women's. The Company will also extend the apt. 9 and Candie's brands into home in spring 2006.

The Company is focused on using the new launches and extension of successful contemporary and updated brands to build awareness with our existing customers and drive more frequent trips as well as gain new customers. In order to achieve this goal, the Company has developed a fully integrated marketing approach using circulars, direct mail, radio, magazines, internet and television to brand Kohl's. The Company will increase its advertising investment in the third quarter to continue the launch of Candie's for back-to-school, promote trial in beauty to support its rollout to all stores and build on the success of last year's fall fashion initiatives. These investments are intended to help the Company not only in the third quarter, but in the holiday season and beyond.

The Company continues to be committed to maintaining appropriate inventory levels and to ensuring a fun and exciting in-store experience for its customers. The Company's average inventory per store at July 30, 2005 increased approximately 9% from the July 31, 2004 average due to a shift in the back-to-school kickoff circular from the first week of August to the last week of July. As a result of the shift, Candie's and other fashion merchandise was received earlier than last year. The Company remains committed to being in-stock on basics and key item programs. By flowing goods more frequently, the Company expects to be able to adjust inventory levels by reducing the flow of slow-selling products or increasing the flow of receipts based on rate of sale. This is intended to result in lower clearance levels and improved gross margins.

The fiscal 2005 year to date financial performance with a total sales increase of 15.4% and a comparable store sales increase of 4.4%, resulting in net income growth of 24.8%, gives the Company confidence that the strategies it is employing will provide continued success in the fall season.

In August 2005, senior management announced the Company's financial objectives for fiscal years 2006 to 2010. These objectives include: adding 500 stores over the five year period resulting in total store count of more than 1200 stores in 2010, reaching sales of approximately $24 billion, doubling fiscal 2004's total sales, and net income of approximately $1.9 billion, more than 2.5 times the 2004 level. Assumptions include modest annual gross margin improvement through inventory management and leverage in selling, general and administrative (S,G&A) expenses, depreciation and pre-opening expenses.

Results of Operations

Expansion Update

At July 30, 2005, the Company operated 670 stores compared with 589 stores at the same time last year. Total square feet of selling space increased 14.5% from 45.3 million at July 31, 2004 to 51.8 million at July 30, 2005. During the first half of the year, the Company successfully opened 33 stores, including entering the Buffalo, New York market with three new stores. In addition, the Company opened seven stores in the Southeast region, seven stores in the Midwest region, and four stores each in the Mid-Atlantic, Northeast, South Central and Southwest regions.

The Company plans to open another 62 stores in the third quarter of fiscal 2005, four in August and 58 in October. The Company plans to enter the Orlando, FL market with seven stores and the Jacksonville, FL market with three stores. In addition, the Company will add 15 stores in the Midwest region, nine stores each in the South Central and the Southwest regions, eight stores in the Mid-Atlantic region, seven stores in the Northeast region and four stores in the Southeast region. In total, the Company plans to open 95 stores in fiscal 2005.

Net Sales

Net sales increased $390.2 million, or 15.6%, to $2,888.1 million for the three months ended July 30, 2005, from $2,497.9 million for the three months ended July 31, 2004. Net sales increased $263.1 million due to the opening of 33 new stores in the first six months of 2005 and to the inclusion of 48 new stores opened in fall 2004. The remaining $127.1 million increase is attributable to an increase in comparable store sales of 5.1%. 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 fiscal year. The Accessories business led the Company for the quarter, while the Children's business was the most difficult. All regions had a positive comparable store sales performance, with the Southwest region having the strongest performance.

Net sales increased $752.9 million, or 15.4%, to $5,630.9 million for the six months ended July 30, 2005, from $4,878.0 million for the six months ended July 31, 2004. Net sales increased $551.9 million due to the opening of 33 new stores in 2005 and to the inclusion of 95 new stores opened in fiscal 2004. The remaining $201.0 million increase is attributable to an increase in comparable store sales of 4.4%. The Accessories business led the Company for the first six months, while the Children's business was the most difficult. All regions had a positive comparable store sales performance, with the Southwest region having the strongest performance.

Gross Margin

Gross margin increased $158.6 million to $1,068.6 million for the three months ended July 30, 2005, from $910.0 million for the three months ended July 31, 2004. Gross margin increased $92.4 million due to the opening of 33 new stores in the first six months of 2005 and to the inclusion of 48 new stores opened in fall 2004. Comparable store gross margin increased $66.2 million. The Company's gross margin as a percent of net sales was 37.0% for the three months ended July 30, 2005, compared to 36.4% for the three months ended July 31, 2004, an increase of 57 basis points.

Gross margin increased $294.3 million to $2,051.8 million for the six months ended July 30, 2005, from $1,757.5 million for the six months ended July 31, 2004. Gross margin increased $184.0 million due to the opening of 33 new stores in 2005 and to the inclusion of 95 new stores opened in fiscal 2004. Comparable store gross margin increased $110.3 million. The Company's gross margin as a percent of net sales was 36.4% for the six months ended July 30, 2005, and 36.0% for the six months ended July 31, 2004, an increase of 41 basis points. The improvement in gross margin for the three and six months ended July 30, 2005, was the result of having better merchandise content and improved inventory flow, which resulted in lower clearance levels. All lines of business had increased margin rates over last year for the three and six months ended July 30, 2005.

In addition, the Company changed its method of accounting for inventory from the last in, first out method (LIFO) to the first in, first out (FIFO) method during the quarter ended July 30, 2005. The Company believes that adopting the FIFO method will provide more transparent financial reporting and is consistent with the Company's changing business environment with respect to the sourcing of goods and the nature of its inventory. The cumulative effect of the change was a $2.4 million increase to gross margin. Because the accounting change was not material to the Company's financial statements for any of the periods presented, no retroactive restatement of prior years' financial statements was made.

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 $89.7 million, or 15.4%, to $672.5 million for the three months ended July 30, 2005, from $582.8 million for the three months ended July 31, 2004. S,G&A expenses decreased 5 basis points from last year and were 23.3% of net sales for the three months ended July 30, 2005. As a percent of sales, the Company leveraged advertising, distribution, credit and corporate expenses for the three months ended July 30, 2005. Store operating expenses increased 16.5% for the three months ended July 30, 2005, due to the Company's square footage growth, the rollout of cosmetics in March 2005 to 311 stores and the acceleration of back-to-school and fashion merchandise receipts.

S,G&A expenses increased $182.0 million, or 15.6%, to $1,345.4 million for the six months ended July 30, 2005, from $1,163.4 million for the six months ended July 31, 2004. S,G&A expenses increased 4 basis points from last year and were 23.9% of net sales for the six months ended July 30, 2005. As a percent of sales, the Company leveraged advertising, distribution, credit and corporate expenses for the six months ended July 30, 2005. Store operating expenses increased 17.3% for the six months ended July 30, 2005, due to the Company's square footage growth, the rollout of cosmetics in March 2005 to 311 stores and the acceleration of back-to-school and fashion merchandise receipts.

Depreciation and amortization for the three months ended July 30, 2005, was $82.6 million compared to $71.4 million for the three months ended July 31, 2004. Depreciation and amortization for the six months ended July 30, 2005, was $162.6 million compared to $138.0 million for the six months ended July 31, 2004. 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 July 30, 2005, was $4.1 million compared to $4.7 million for the three months ended July 31, 2004. The decrease is primarily due to the opening of four stores in August 2005 compared to seven stores in August 2004. Preopening expense for the six months ended July 30, 2005, was $16.7 million compared to $24.1 million for the six months ended July 31, 2004. The decrease is primarily due to a decrease in the number of new stores opened during the first six months of the year. The Company opened 33 new stores during the six months ended July 30, 2005, compared to 47 new stores opened during the six months ended July 31, 2004.

Operating Income

As a result of the above factors, operating income for the three months ended July 30, 2005, was $309.4 million, or 10.7%, of net sales compared to $251.2 million, or 10.1%, of net sales for the three months ended July 31, 2004, an increase of 23.2% from last year. Operating income for the six months ended July 30, 2005, was $527.1 million, or 9.4%, of net sales compared to $431.9 million, or 8.9%, of net sales for the six months ended July 31, 2004, an increase of 22.0% from last year.

Net Interest Expense

Net interest expense for the three months ended July 30, 2005, was $16.3 million compared to $15.0 million for the three months ended July 31, 2004. Net interest expense for the six months ended July 30, 2005, was $33.5 million compared to $30.0 million for the six months ended July 31, 2004.

Provision for Income Taxes

The Company’s effective income tax rate was 37.8% in 2004 and the first quarter of 2005. The effective tax rate for the second quarter of fiscal 2005 was 36.1%, which is less than the Company’s underlying estimated annual effective tax rate. The change in the effective tax rate was due to a tax adjustment of $4.9 million in the quarter due to the favorable resolution of certain state tax matters. The effective tax rate is expected to return to 37.8% for the third and fourth quarters.

Net Income

Net income for the three months ended July 30, 2005, was $187.2 million compared to $146.9 million for the three months ended July 31, 2004, an increase of 27.4% from last year. Earnings were $0.54 per diluted share for the three months ended July 30, 2005, compared to $0.43 per diluted share for the three months ended July 31, 2004. Net income for the six months ended July 30, 2005, was $311.9 million compared to $250.0 million for the six months ended July 31, 2004, an increase of 24.8% from last year. Earnings were $0.90 per diluted share for the six months ended July 30, 2005, compared to $0.73 per diluted share for the six months ended July 31, 2004.

Table of Contents

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 capital expenditures in connection with the expansion and remodeling programs, seasonal and new store inventory purchases, and the growth in proprietary credit card accounts receivable. The Company's primary sources of funds for its business activities are cash flow from operations, short-term trade credit and its lines of credit.

Operating Activities. Cash flow provided by operations was $440.0 million for the six months ended July 30, 2005 compared to $573.7 million for the six months ended July 31, 2004. The primary sources of cash flow for the six months ended July 30, 2005, were net income of $311.9 million and a $261.9 million increase in accounts payable offset by an increase in merchandise inventory of $250.4 million. Short-term trade credit, in the form of extended payment terms for inventory purchases, represents a significant source of financing for merchandise inventories. Seasonal cash needs are met by financing secured by proprietary accounts receivable and lines of credit available under its revolving credit facilities.

Key financial ratios that provide certain measures of the Company's liquidity are as follows:

	July 30, 2005	January 29, 2005	July 31, 2004 (restate-see Note 3)
Working Capital (In Thousands)	$2,192,089	$2,187,379	$1,917,047
Current Ratio	2.34:1	2.50:1	2.43:1
Debt/Capitalization	17.5%	18.0%	19.5%

The Company's net accounts receivable balance at July 30, 2005 decreased $93.2 million from the January 29, 2005 balance due to the seasonality of the Company's business. The accounts receivable balance typically peaks during the holiday season and decreases during the first and second quarter as balances are paid. The July 30, 2005 net accounts receivable balance increased $203.0 million over the July 31, 2004 balance. The increase is primarily due to a 22.2% increase in proprietary credit card sales, offset by increased payment rates. Write-offs decreased to 1.0% of Kohl's charge sales for the six months ended July 30, 2005, compared to 1.1% last year. As a result, the allowance for doubtful accounts was reduced to 1.9% of gross accounts receivable at July 30, 2005 from 2.0% at July 31, 2004. The following table summarizes information related to the Company's proprietary credit card receivables:

	July 30, 2005	January 29, 2005	July 31, 2004
		(In Thousands)	
Gross accounts receivable	$1,321,012	$ 1,414,289	$1,115,845
Allowance for doubtful accounts (a)	$ 24,606	$ 24,657	$ 22,390
Allowance as a % of gross accounts receivable	1.9%	1.7%	2.0%
Accounts receivable turnover (b)	3.8x	3.8x	3.6x
Proprietary credit card share (c)	39.6%	39.2%	37.4%
Accounts over 60 days past due	2.9%	2.5%	3.0%

(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, for the six months ended July 30, 2005 were 1.8% of gross accounts receivable compared to 1.9% of gross accounts receivable for the six months ended July 31, 2004.

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

(c) Proprietary credit card share is calculated for the six months ended July 30, 2005 and July 31, 2004 and the twelve months ended as of January 29, 2005.

The Company's merchandise inventories increased $421.1 million, or 23.7% from the July 31, 2004 balance, primarily due to the opening of 48 additional stores in fall 2004 and 33 additional stores in spring 2005. Merchandise inventory increased $250.4 million, or 12.9%, from the January 29, 2005 balance due to normal business seasonality and the opening of 33 additional stores. On an average store basis, the inventory at July 30, 2005 increased approximately 9% over the same time last year, primarily due to the timing of back-to-school and fashion merchandise receipts. Accounts payable increased

$177.9 million from July 31, 2004, and increased $261.9 million from January 29, 2005. Accounts payable as a percent of inventory at July 30, 2005 was 44.0%, compared to 44.4% at July 31, 2004.

Investing Activities. Capital expenditures include costs for new store openings, store remodels, distribution center openings and other base capital needs. The Company's capital expenditures, including favorable lease rights for the six months ended July 30, 2005, were $404.2 million compared to the $443.3 million for the same period a year ago. The decrease in expenditures is primarily attributable to the timing and number of new store openings. The Company opened 33 new stores in the first six months of fiscal 2005 compared to 47 new stores in the first six months of fiscal 2004.

Total capital expenditures for fiscal 2005 are expected to be approximately $875 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, the mix of owned, leased or acquired stores, the number of stores remodeled and the timing of opening distribution centers.

Financing Activities. 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. The Company has two unsecured revolving bank credit facilities ("revolvers") totaling $665 million. The Company also has a $225 million Receivable Purchase Agreement (RPA) under which the Company periodically sells an undivided interest in its private label credit card receivables. For financial reporting purposes, receivables sold are treated as secured borrowings. At July 30, 2005 and at July 31, 2004, no amounts were outstanding under the RPA or the Company's revolvers.

Contractual Obligations

The Company has aggregate contractual obligations of $10,592.9 million related to debt repayments, capital leases, operating leases and royalties as follows:

	Fiscal Year						
	Remaining 2005	2006	2007	2008	2009	Thereafter	Total
	(In Thousands)						
Long-term debt (a)	$ 32,816	$162,543	$ 59,144	$ 59,104	$ 58,775	$1,809,949	$ 2,182,331
Capital leases (a)	8,255	16,511	16,599	16,777	15,527	197,768	271,437
Operating leases	162,830	334,996	332,562	327,014	326,941	6,576,667	8,061,010
Royalties	2,588	6,786	14,087	15,500	17,950	21,188	78,099
Total	$206,489	$520,836	$422,392	$418,395	$419,193	$8,605,572	$10,592,877

(a) Annual commitments on long-term debt and capital leases are inclusive of related interest costs which total $1,185.6 million and $126.4 million, respectively.

The Company has entered into future capital lease commitments for buildings that total approximately $7.6 million at July 30, 2005, which have not been recorded as the related buildings are under construction.

The Company also has outstanding letters of credit and stand-by letters of credit that total approximately $100.2 million, at July 30, 2005. 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.

The various debt agreements contain certain covenants that limit, among other things, additional indebtedness, as well as requiring the Company to meet certain financial tests. As of July 30, 2005, the Company was in compliance with all financial covenants of the debt agreements.

Off-Balance Sheet Arrangements

The Company has not provided any financial guarantees as of July 30, 2005. All purchase obligations are cancelable and therefore are not included in the above table.

The Company has not created, and is not party to, any special-purpose or off- balance sheet entities for the purpose of raising capital, incurring debt or operating the Company's business. The Company does not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect the Company's liquidity or the availability of capital resources.

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts. A discussion of the more significant estimates follows. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of the Board of Directors.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts as an estimate of the accounts receivable balance that may not be collected. The Company evaluates the collectibility of accounts receivable based on the aging of accounts, historical write-off experience and specific review for potential bad debts. 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.

Factors that would cause this allowance to increase primarily relate to increased customer bankruptcies or other difficulties that make further collection unlikely. Conversely, improved write-off experience and aging of receivables would result in a decrease in the provision.

Retail Inventory Method and Inventory Valuation

The Company values its inventory at the lower of cost or market with cost determined on the first-in, first-out (FIFO) basis using the retail inventory method (RIM). Under RIM, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value 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, expected vendor funding 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 the lower of cost or market. 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 print advertising or fixture programs reduce the Company’s expense or expenditure for the related advertising or fixture program. Vendor allowances will fluctuate based on the amount of promotional and clearance markdowns necessary to liquidate the inventory.

Insurance 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. A change in claims frequency and severity of claims from historical experience as well as changes in state statutes and the mix of states in which the Company operates could result in a change in the required reserve levels. Under its workers' compensation and general liability insurance policies, the Company retains the initial risk of $500,000 and $250,000, respectively, per occurrence. The Company also has a lifetime medical payment limit of $1 million.

Impairment of Assets and Closed Store Reserves

The Company has a significant investment in property and equipment and favorable lease rights. The related depreciation and amortization is computed using estimated useful lives of up to 50 years. The Company reviews long-lived assets held for use (including favorable lease rights) for impairment annually or whenever an event, such as decisions to close a store, indicate the carrying value of the asset may not be recoverable. The Company has historically not experienced any significant impairment of long-lived assets or closed store reserves. Decisions to close a store can also result in accelerated depreciation over the revised useful life. If the store is leased, a reserve is set up for the discounted difference between the rent and the expected sublease rental income when the location is no longer in use. A significant change in cash flows, market valuation, demand for real estate or other factors, could result in an increase or decrease in the reserve requirement or impairment charge.

Income Taxes

The Company pays income taxes based on tax statutes, regulations and case law of the various jurisdictions in which it operates. At any one time, multiple tax years are subject to audit by the various taxing authorities.

Operating Leases

The Company leases retail stores under operating leases. Many lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. The Company recognizes rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. The Company uses a time period for its straight-line rent expense calculation that equals or exceeds the time period used for depreciation of the related leasehold improvements. In addition, the commencement date of the lease term is the earlier of the date when the Company becomes legally obligated for the rent payments or the date when the Company takes possession of the building for the initial setup of fixtures and merchandise.

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 July 30, 2005, the Company's fixed rate long-term debt, excluding capital leases, was $996.7 million.

Fixed rate long-term 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 July 30, 2005, changed by 100 basis points, the Company's annual interest expense would change by $10.0 million.

During the first six months of 2005, average borrowings under the Company's variable rate credit facilities, the revolvers and the RPA, were $44.1 million. If interest rates on the average fiscal 2005 variable rate debt changed by 100 basis points, the Company's interest expense would change by $441,000 assuming comparable borrowing levels.

Table of Contents

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of these disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 18, 2005, which is expressly incorporated herein by reference, and such other factors as may periodically be described in the Company's filings with the SEC.

Table of Contents

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended July 30, 2005, the Company did not sell any equity securities which were not registered under the Securities Act or repurchase any of its equity securities.

Item 6. Exhibits

10.1	Extension No. 3 and Amendment No. 3 under the July 10, 2002, 364-Day Credit Agreement 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
18.0	Letter Regarding Change in Accounting Principle
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Periodic Report by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Periodic Report by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

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

Kohl's Corporation
(Registrant)

Date: September 2, 2005 — /s/ R. Lawrence Montgomery

R. Lawrence Montgomery
Chief Executive Officer and Director

Date: September 2, 2005 — /s/ Wesley S. McDonald

Wesley S. McDonald
Chief Financial Officer

EXHIBIT 10.1

AMENDMENT NO. 3

AMENDMENT NO. 3 (this "Amendment"), dated as of June 29, 2005, under the 364-Day Credit Agreement, dated as of July 10, 2002, among Kohl's Corporation (the "Borrower"), 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 modified by (i) Extension No. 1, Waiver No. 1 And Amendment No. 1, dated as of June 30, 2003 and (ii) Extension No. 2 and Amendment No. 2, dated as of June 22, 2004 (as amended, supplemented or otherwise modified from time to time, the "364-Day Credit Agreement").

RECITALS

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 Revolving Credit Commitment Expiration Date, without giving effect to this Amendment, is July 8, 2005. The Borrower has requested that the Lenders agree to amend the Revolving Credit Commitment Expiration Date from July 8, 2005 to October 7, 2005.

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 definition of "Revolving Credit Commitment Expiration Date" contained in Section 1.1 of the Credit Agreement is hereby amended by replacing the reference to "July 8, 2005" with "October 7, 2005".

2. Paragraph 1 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 Amendment duly executed by (i) the Borrower, and (ii) all Lenders; and

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

3. 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.

4. 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.

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

6. THIS AMENDMENT 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

AMENDMENT NO. 3

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 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/ Wes McDonald

Name: Wes McDonald
Title: EVP-CFO

KOHL'S CORPORATION

AMENDMENT NO. 3

THE BANK OF NEW YORK, individually
and as Administrative Agent

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

U.S. BANK, NATIONAL ASSOCIATION

By: /s/ Timothy J. Santarius

Name: Timothy J. Santarius
Title: AVP

JPMORGAN CHASE BANK, NA

By: /s/ Barry Bergman

Name: Barry Bergman
Title: Managing Director

KOHL'S CORPORATION

AMENDMENT NO. 3

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Anthony D. Braxton

Name: Anthony D. Braxton
Title: Director

MORGAN STANLEY BANK

By: /s/ Daniel Twenge

Name: Daniel Twenge
Title: Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

COMERICA BANK

By: /s/ Heather A. Whiting

Name: Heather A. Whiting
Title: Account Officer

KOHL'S CORPORATION

AMENDMENT NO. 3

FIFTH THIRD BANK

By: /s/ Ann – Drea Burns

Name: Ann – Drea Burns
Title: AVP

M&I BANK

By: /s/ Leo D. Freeman

Name: Leo D. Freeman
Title: Vice President

By: /s/ James R. Miller

Name: James R. Miller
Title: Vice President

MERRILL LYNCH BANK USA

By: /s/ Louis Alder

Name: Louis Alder
Title: Director

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Ching Lim

Name: Ching Lim
Title: Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Mark H. Halldorson

Name: Mark H. Halldorson
Title: Vice President

By: /s/ James D. Heinz

Name: James D. Heinz
Title: Senior Vice President

NATIONAL CITY BANK

By: /s/ Brian T. Strayton

Name: Brian T. Strayton
Title: Senior Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

THE NORTHERN TRUST COMPANY

By: /s/ Roger McDougal

Name: Roger McDougal
Title: Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

THE HUNTINGTON NATIONAL BANK

By: /s/ Steven P. Clemens

Name: Steven P. Clemens
Title: Vice President

KOHL'S CORPORATION

AMENDMENT NO. 3

UMB BANK, N.A.

By: /s/ Robert P. Elbert

Name: Robert P. Elbert
Title: Senior Vice President

Exhibit 18

August 22, 2005

Mr. Wesley S. McDonald
Executive Vice President- Chief Financial Officer
Kohl's Corporation
N56 W17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051

Dear Mr. McDonald:

Note 4 of the notes to condensed consolidated financial statements of Kohl's Corporation (the Company) included in its quarterly report on Form 10-Q for the quarterly period ended July 30, 2005, describes a change in the Company's method of accounting for inventory from the simplified last-in, first out (LIFO) method to the first-in, first-out (FIFO) method. There are no authoritative criteria for determining a 'preferable' inventory accounting method based on the particular circumstances; however, we conclude that such change in the method of accounting is to an acceptable alternative method which, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances. We have not conducted an audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) of any financial statements of the Company as of any date or for any period subsequent to January 29, 2005, and therefore we do not express any opinion on any financial statements of Kohl's Corporation subsequent to that date.

Very truly yours,

Ernst & Young LLP
Milwaukee, Wisconsin

Exhibit 31.1

CERTIFICATIONS

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 a 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. 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
    d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 (or persons performing the equivalent functions):

    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, 2005

/s/ R. Lawrence Montgomery

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

Exhibit 31.2

I, Wesley S. McDonald, 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 a 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. 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
    d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 (or persons performing the equivalent functions):

    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, 2005

/s/ Wesley S. McDonald

Wesley S. McDonald
Chief Financial Officer

Exhibit 32.1

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 July 30, 2005 (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, 2005

/s/ R. Lawrence Montgomery

R. Lawrence Montgomery
Chief Executive Officer and Director

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

I, Wesley S. McDonald, 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 July 30, 2005 (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, 2005

/s/ Wesley S. McDonald

Wesley S. McDonald
Chief Financial Officer