UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 28, 2017

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from ____________ to ___________

Commission file number 1-11084

KOHL'S CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	**39-1630919**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin	**53051**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(262) 703-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes__X__ No______.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes______ No__X__.

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__X__ No______.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes__X__ No______.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.____.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer__X__Accelerated filer______Non-accelerated filer______(Do not check if a smaller reporting company) Smaller reporting company______

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes______ No__X__.

At July 29, 2016, the aggregate market value of the voting stock of the Registrant held by stockholders who were not affiliates of the Registrant was approximately $7.5 billion (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At March 8, 2017, the Registrant had outstanding an aggregate of 172,356,294 shares of its Common Stock.

Documents Incorporated by Reference:

Portions of the Proxy Statement for the Registrant's Annual Meeting of Shareholders to be held on May 10, 2017 are incorporated into Part III.

KOHL'S CORPORATION
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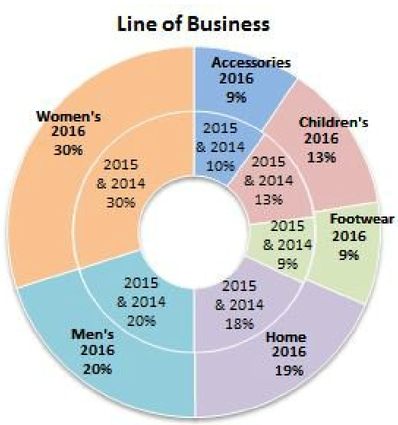
PART I

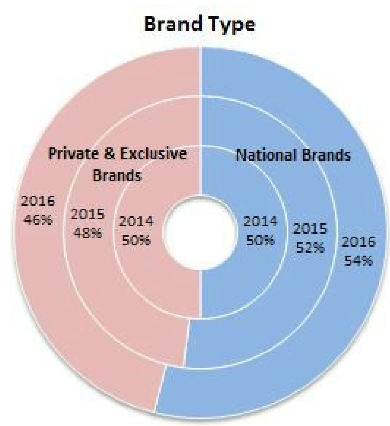
Item 1. Business

Kohl’s Corporation (the “Company," “Kohl’s,” "we," "our" or "us") was organized in 1988 and is a Wisconsin corporation. As of January 28, 2017, we operated 1,154 Kohl's department stores, a website (www.Kohls.com), 12 FILA outlets, and three Off-Aisle clearance centers. Our Kohl's stores and website sell moderately-priced private label, exclusive and national brand apparel, footwear, accessories, beauty and home products. Our Kohl's stores generally carry a consistent merchandise assortment with some differences attributable to local preferences. Our website includes merchandise that is available in our stores, as well as merchandise that is available only on-line.

Our merchandise mix includes both national brands and private and exclusive brands that are available only at Kohl's. National brands generally have higher selling prices, but lower gross margins, than private and exclusive brands. Most of our private brands are well-known established brands such as Apt. 9, Croft & Barrow, Jumping Beans, SO and Sonoma Goods for Life. Despite having lower selling prices, private brands generally have higher gross margins than exclusive and national brands. Exclusive brands are developed and marketed through agreements with nationally-recognized brands. Examples of our exclusive brands include Food Network, Jennifer Lopez, Marc Anthony, Rock & Republic and Simply Vera Vera Wang. Exclusive brands have selling prices that are generally lower than national brands, but higher than private brands. Their gross margins are generally higher than national brands, but lower than private brands.

The following tables summarize our sales penetration by line of business and brand type over the last three years:





Our fiscal year ends on the Saturday closest to January 31st each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. The following fiscal periods are presented in this report.

Fiscal Year	Ended	Number of Weeks
2016	January 28, 2017	52
2015	January 30, 2016	52
2014	January 31, 2015	52

For discussion of our financial results, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Distribution

We receive substantially all of our store merchandise at our nine retail distribution centers. A small amount of our merchandise is delivered directly to the stores by vendors or their distributors. The retail distribution centers, which are strategically located throughout the United States, ship merchandise to each store by contract carrier several times a week. On-line sales may be picked up in our stores or are shipped from a Kohl’s fulfillment center, retail distribution center or store; by a third-party fulfillment center; or directly by a third-party vendor.

See Item 2, “Properties,” for additional information about our distribution centers.

Employees

As of January 28, 2017, we employed approximately 138,000 associates, including approximately 32,000 full-time and 106,000 part-time associates. The number of associates varies during the year, peaking during the back-to-school and holiday seasons. None of our associates are represented by a collective bargaining unit. We believe our relations with our associates are very good.

Competition

The retail industry is highly competitive. Management considers style, quality and price to be the most significant competitive factors in the industry. Merchandise mix, brands, service, loyalty programs, credit availability, and customer experience and convenience are also key competitive factors. Our primary competitors are traditional department stores, upscale mass merchandisers, off-price retailers, specialty stores, internet and catalog businesses and other forms of retail commerce. Our specific competitors vary from market to market.

Merchandise Vendors

We purchase merchandise from numerous domestic and foreign suppliers. All business partners must meet certain requirements in order to do business with us. Our Terms of Engagement include provisions regarding laws and regulations, employment practices, ethical standards, environmental and legal requirements, communication, monitoring/compliance, record keeping, subcontracting and corrective action. Our expectation is that all business partners will comply with these Terms of Engagement and quickly remediate any deficiencies, if noted, in order to maintain our business relationship.

Approximately 30% of the merchandise we sell is sourced through a third-party purchasing agent. No vendors individually accounted for more than 5% of our net purchases during fiscal 2016. We have no significant long-term purchase commitments or arrangements with any of our suppliers, and believe that we are not dependent on any one supplier. We believe we have good working relationships with our suppliers.

Seasonality

Our business, like that of most retailers, is subject to seasonal influences. The majority of our sales and income are typically realized during the second half of each fiscal year. The back-to-school season extends from August through September and represents approximately 15% of our annual sales. Approximately 30% of our annual sales occur during the holiday season in the months of November and December. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the fiscal year.

Trademarks and Service Marks

The name “Kohl’s” is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has over 190 additional registered trademarks, trade names and service marks, most of which are used in connection with our private label program.

Available Information

Our corporate website is https://corporate.kohls.com. Through the “Investors” portion of this website, we make available, free of charge, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports as soon as reasonably practicable after such material has been filed with, or furnished to, the Securities and Exchange Commission (“SEC”).

The following have also been posted on our website, under the caption “Investors” and sub-caption "Corporate Governance":

- Committee charters of our Board of Directors’ Audit Committee, Compensation Committee and Governance & Nominating Committee
- Corporate Governance Guidelines
- Code of Ethics
- Corporate Social Responsibility Report

Any amendment to or waiver from the provisions of the Code of Ethics that is applicable to our Chief Executive Officer, Chief Financial Officer or other key finance associates will be disclosed on the “Corporate Governance” portion of the website.

Information contained on our website is not part of this Annual Report on Form 10-K. Paper copies of any of the materials listed above will be provided without charge to any shareholder submitting a written request to our Investor Relations Department at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051 or via e-mail to Investor.Relations@Kohls.com.

Item 1A. Risk Factors

This Form 10-K contains “forward-looking statements” made within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "plans," "may," "intends," "will," "should," "expects" and similar expressions are intended to identify forward-looking statements. Forward-looking statements also include comments about our future sales or financial performance and our plans, performance and other objectives, expectations or intentions, such as statements regarding our liquidity, debt service requirements, planned capital expenditures, future store initiatives, adequacy of capital resources and reserves and statements contained in the "2017 Outlook" and "Liquidity and Capital Resources - Investing Activities" sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations". There are a number of important factors that could cause our results to differ materially from those indicated by the forward-looking statements including, among others, those risk factors described below. Forward-looking statements relate to the date made, and we undertake no obligation to update them.

Our sales, gross margin and operating results could be negatively impacted by a number of factors including, but not limited to those described below. Many of these risk factors are outside of our control. If we are not successful in managing these risks, they could have a negative impact on our sales, gross margin and/or operating results.

Macroeconomic and Industry Risks

Declines in general economic conditions, consumer spending levels and other conditions could lead to reduced consumer demand for our merchandise.

Consumer spending habits, including spending for the merchandise that we sell, are affected by many factors including prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy and fuel costs, income tax rates and policies, consumer confidence, consumer perception of economic conditions, and the consumer’s disposable income, credit availability and debt levels. The moderate income consumer, which is our core customer, is especially sensitive to these factors. A continued or incremental slowdown in the U.S. economy and the uncertain economic outlook could continue to adversely affect consumer spending habits. As all of our stores are located in the United States, we are especially susceptible to deteriorations in the U.S. economy.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers.

Actions by our competitors.

The retail industry is highly competitive. We compete for customers, associates, locations, merchandise, services and other important aspects of our business with many other local, regional and national retailers. Those competitors include traditional department stores, upscale mass merchandisers, off-price retailers, specialty stores, internet and catalog businesses and other forms of retail commerce.

We consider style, quality and price to be the most significant competitive factors in our industry. The continuing migration and evolution of retailing to on-line and mobile channels has increased our challenges in differentiating ourselves from other retailers especially as it relates to national brands. In particular, consumers are able to quickly and conveniently comparison shop with digital tools, which can lead to decisions based solely on price. Unanticipated changes in the pricing and other practices of our competitors may adversely affect our performance.

Changes in tax and trade policies.

Uncertainty with respect to tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries has recently increased. We source the majority of our merchandise from manufacturers located outside of the United States, primarily in Asia. Major developments in tax policy or trade relations, such as the disallowance of tax deductions for imported merchandise and certain interest expense and the imposition of unilateral tariffs on imported products, could have a material adverse effect on our business, results of operations and liquidity.

Operational Risks

Our inability to offer merchandise that resonates with existing customers and helps to attract new customers and failure to successfully manage our inventory levels.

Our business is dependent on our ability to anticipate fluctuations in consumer demand for a wide variety of merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could create inventory imbalances and adversely affect our performance and long-term relationships with our customers. Additionally, failure to accurately predict changing consumer tastes may result in excess inventory, which could result in additional markdowns and adversely affect our operating results.

We may be unable to source merchandise in a timely and cost-effective manner.

Approximately 30% of the merchandise we sell is sourced through a third-party purchasing agent. The remaining merchandise is sourced from a wide variety of domestic and international vendors. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult for goods sourced outside the United States, substantially all of which is shipped by ocean to ports in the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, work stoppages, port strikes, port congestion and delays and other factors relating to foreign trade are beyond our control and could adversely impact our performance.

Increases in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of merchandise sold. The price and availability of raw materials may fluctuate substantially, depending on a variety of factors, including demand, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. An inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our profitability. Any related pricing actions might cause a decline in our sales volume. Additionally, a decrease in the availability of raw materials could impair our ability to meet our production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

If any of our significant vendors were to become subject to bankruptcy, receivership or similar proceedings, we may be unable to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as current terms, which could adversely affect our sales and operating results.

Failure of our vendors to adhere to our Terms of Engagement and applicable laws.

A substantial portion of our merchandise is received from vendors and factories outside of the United States. We require all of our suppliers to comply with all applicable local and national laws and regulations and our Terms of Engagement for Kohl's Business Partners. These Terms of Engagement include provisions regarding laws and regulations, employment practices, ethical standards, environmental and legal requirements, communication, monitoring/compliance, record keeping, subcontracting and corrective action. From time to time, suppliers may not be in compliance with these standards or applicable laws. Significant or continuing noncompliance with such standards and laws by one or more suppliers could have a negative impact on our reputation and our results of operations.

Ineffective marketing.

We believe that differentiating Kohl's in the marketplace is critical to our success. We design our marketing and loyalty programs to increase awareness of our brands and to build personalized connections with our customers. We believe these programs will strengthen customer loyalty, increase the number and frequency of customers that shop our stores and website and increase our sales. If our marketing and loyalty programs are not successful, our sales and operating results could be adversely affected.

Damage to the reputation of the Kohl's brand or our private and exclusive brands.

We believe the Kohl's brand name and many of our private and exclusive brand names are powerful sales and marketing tools. We devote significant resources to promoting and protecting them. We develop and promote private and exclusive brands that have generated national recognition. In some cases, the brands or the marketing of such brands are tied to or affiliated with well-known individuals. Damage to the reputations (whether or not justified) of the Kohl’s brand, our private and exclusive brand names or any affiliated individuals, could arise from product failures; concerns about human rights, working conditions and other labor rights and conditions where merchandise is produced; perceptions of our pricing and return policies; litigation; vendor violations of our Terms of Engagement; or various other forms of adverse publicity, especially in social media outlets. Damage to our reputation may generate negative customer sentiment, potentially resulting in a reduction in sales, earnings, and shareholder value.

Product safety concerns.

If our merchandise offerings do not meet applicable safety standards or our customers' expectations regarding safety, we could experience lost sales, experience increased costs and/or be exposed to legal and reputational risk. Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action and/or private litigation. Reputational damage caused by real or perceived product safety concerns, could have a negative impact on our sales and operating results.

Disruptions in our information systems or an inability to adequately maintain and update those systems.

The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage sales, distribution, and merchandise planning and allocation functions. We also generate sales though the operations of our Kohls.com website. We frequently make investments that will help maintain and update our existing information systems. The potential problems and interruptions associated with implementing technology initiatives or the failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

Weather conditions could adversely affect consumer shopping patterns.

A significant portion of our business is apparel and is subject to weather conditions. As a result, our operating results may be adversely affected by severe or unexpected weather conditions. Frequent or unusually heavy snow, ice or rain storms; natural disasters such as earthquakes, tornadoes, floods and hurricanes; or extended periods of unseasonable temperatures could adversely affect our performance by affecting consumer shopping patterns, diminishing demand for seasonal merchandise and/or causing physical damage to our properties.

Inability to successfully execute a profitable omni-channel strategy.

Our business has evolved from an in-store only shopping experience to an omni-channel experience which includes in-store, on-line, mobile, social media and/or other interactions. We strive to offer a desirable omni-channel shopping experience for our customers and use social media as a way to interact with our customers and enhance their shopping experiences.

Customer expectations about the methods by which they purchase and receive products or services are also evolving. Customers are increasingly using technology and mobile devices to rapidly compare products and prices and to purchase products. Once products are purchased, customers are seeking alternate options for delivery of those products. We must continually anticipate and adapt to these changes in the purchasing process. Our ability to compete with other retailers and to meet our customer expectations may suffer if we are unable to provide relevant customer-facing technology. Our ability to compete may also suffer if Kohl’s, our suppliers, or our third-party shipping and delivery vendors are unable to effectively and efficiently fulfill and deliver orders, especially during the holiday season when sales volumes are especially high. Consequently, our results of operations could be adversely affected.

Our omni-channel business currently generates a lower operating margin than we have historically reported when we were primarily a store-only retailer. This profitability variance is due to a variety of factors including, but not limited to, an increase in the volume of lower margin merchandise, especially home products; costs to ship merchandise to our customers; and investments to provide the infrastructure necessary to expand our omni-channel strategy. There has been rapid growth in penetration of these less profitable omni-channel sales. There can be no assurances that future profitability will return to historical levels.

Our revenues, operating results and cash requirements are affected by the seasonal nature of our business.

Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back-to-school and holiday seasons.

If we do not properly stock or restock popular products, particularly during the back-to-school and holiday seasons, we may fail to meet customer demand, which could affect our revenue and our future growth. If we overstock products, we may be required to take significant inventory markdowns or write-offs, which could reduce profitability.

We may experience an increase in costs associated with shipping on-line orders due to complimentary upgrades, split shipments, and additional long-zone shipments necessary to ensure timely delivery for the holiday season. If too many customers access our website within a short period of time, we may experience system interruptions that make our website unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we sell and the attractiveness of our products and services. Also, third-party delivery and direct ship vendors may be unable to deliver merchandise on a timely basis.

This seasonality causes our operating results and cash needs to vary considerably from quarter to quarter. Additionally, any decrease in sales or profitability during the second half of the fiscal year could have a disproportionately adverse effect on our results of operations.

Changes in our credit card operations could adversely affect our sales and/or profitability.

Our credit card operations facilitate merchandise sales and generate additional revenue from fees related to extending credit. The proprietary Kohl's credit card accounts are owned by an unrelated third-party, but we share in the net risk-adjusted revenue of the portfolio, which is defined as the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. Changes in funding costs related to interest rate fluctuations are shared similar to the revenue when interest rates exceed defined amounts. Though management currently believes that increases in funding costs will be largely offset by increases in finance charge revenue, increases in funding costs could adversely impact the profitability of this program.

Changes in credit card use, payment patterns and default rates may also result from a variety of economic, legal, social and other factors that we cannot control or predict with certainty. Changes that adversely impact our ability to extend credit and collect payments could negatively affect our results.

An inability to attract and retain quality associates could result in higher payroll costs and adversely affect our operating results.

Our performance is dependent on attracting and retaining a large number of quality associates. Many of those associates are in entry level or part-time positions with historically high rates of turnover. Many of our strategic initiatives require that we hire and/or develop associates with appropriate experience. Our staffing needs are especially high during the holiday season. Competition for these associates is intense. We cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel in future periods.

Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, actions by our competitors in compensation levels and changing demographics. Competitive and regulatory pressures have already significantly increased our labor costs. Further changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance and/or profitability. In addition, changes in federal and state laws relating to employee benefits, including, but not limited to, sick time, paid time off, leave of absence, wage-and-hour, overtime, meal-and-break time and joint/co-employment could cause us to incur additional costs, which could negatively impact our profitability.

Capital Risks

Our inability to raise additional capital and maintain bank credit on favorable terms could adversely affect our business and financial condition.

We have historically relied on the public debt markets to raise capital to partially fund our operations and growth. We have also historically maintained lines of credit with financial institutions. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to these potential sources of future liquidity. Our continued access to these liquidity sources on favorable terms depends on multiple factors, including our operating performance and maintaining strong debt ratings. If our credit ratings fall below desirable levels, our ability to access the debt markets and our cost of funds for new debt issuances could be adversely impacted. Additionally, if unfavorable capital market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms and on a timely basis (if at all). If our access to capital was to become significantly constrained or our cost of capital was to increase significantly, our financial condition, results of operations and cash flows could be adversely affected.

Inefficient or ineffective allocation of capital could adversely affect our operating results and/or shareholder value.

Our goal is to invest capital to maximize our overall long-term returns. This includes spending on inventory, capital projects and expenses, managing debt levels, and periodically returning value to our shareholders through share repurchases and dividends. To a large degree, capital efficiency reflects how well we manage our other key risks. The actions taken to address other specific risks may affect how well we manage the more general risk of capital efficiency. If we do not properly allocate our capital to maximize returns, we may fail to produce optimal financial results and we may experience a reduction in shareholder value.

Legal and Regulatory Risks

Regulatory and litigation developments could adversely affect our business operations and financial performance.

Various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. The costs and other effects of new or changed legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs directly for our compliance or indirectly to the extent such requirements increase prices of goods and services, reduce the availability of raw materials or further restrict our ability to extend credit to our customers.

We continually monitor the state and federal legal/regulatory environment for developments that may impact us. Failure to detect changes and comply with such laws and regulations may result in an erosion of our reputation, disruption of business and/or loss of associate morale. Additionally, we are regularly involved in various litigation matters that arise out of the conduct of our business. Litigation or regulatory developments could adversely affect our business operations and financial performance.

Unauthorized disclosure of sensitive or confidential customer, associate or company information could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

As part of our normal course of business, we collect, process and retain sensitive and confidential customer, associate and company information. The protection of this data is extremely important to us, our associates and our customers. Despite the considerable security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our vendors, could disrupt our operations, damage our reputation and customers' willingness to shop in our stores or on our website, violate applicable laws, regulations, orders and agreements, and subject us to additional costs and liabilities which could be material.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Stores

As of January 28, 2017, we operated 1,154 Kohl's department stores with 82.8 million selling square feet in 49 states. Our typical, or "prototype," store has approximately 88,000 gross square feet of retail space and serves trade areas of 150,000 to 200,000 people. Most "small" stores are 55,000 to 68,000 gross square feet and serve trade areas of 100,000 to 150,000 people. We also operate three Off-Aisle clearance centers and 12 FILA outlets.

Our typical store lease has an initial term of 20-25 years and four to eight renewal options for consecutive five-year extension terms. Substantially all of our leases provide for a minimum annual rent that is fixed or adjusts to set levels during the lease term, including renewals. Approximately one-fourth of the leases provide for additional rent based on a percentage of sales over designated levels.

The following tables summarize key information about our Kohl's stores as of January 28, 2017:

Number of Stores by State					
Mid-Atlantic Region:		**Northeast Region:**		**South Central Region:**	
Delaware	5	Connecticut	22	Arkansas	8
Maryland	23	Maine	5	Kansas	12
Pennsylvania	50	Massachusetts	25	Louisiana	8
Virginia	31	New Hampshire	11	Missouri	27
West Virginia	7	New Jersey	37	Oklahoma	11
Total Mid-Atlantic	116	New York	51	Texas	84
Midwest Region:		Rhode Island	3	Total South Central	150
Illinois	67	Vermont	2	**West Region:**	
Indiana	39	Total Northeast	156	Alaska	1
Iowa	18	**Southeast Region:**		Arizona	26
Michigan	46	Alabama	14	California	116
Minnesota	27	Florida	51	Colorado	24
Nebraska	7	Georgia	32	Idaho	5
North Dakota	4	Kentucky	17	Montana	3
Ohio	58	Mississippi	5	Nevada	12
South Dakota	4	North Carolina	30	New Mexico	5
Wisconsin	41	South Carolina	16	Oregon	11
Total Midwest	311	Tennessee	20	Utah	12
		Total Southeast	185	Washington	19
				Wyoming	2
				Total West	236

Store Type		Location		Ownership	
Prototype	969	Strip centers	777	Owned	412
Small	185	Community & regional malls	83	Leased	505
		Freestanding	294	Ground leased	237

Distribution Centers

The following table summarizes key information about each of our distribution centers.

	Year Opened	Square Footage
Store distribution centers:		
Findlay, Ohio	1994	780,000
Winchester, Virginia	1997	420,000
Blue Springs, Missouri	1999	540,000
Corsicana, Texas	2001	540,000
Mamakating, New York	2002	605,000
San Bernardino, California	2002	575,000
Macon, Georgia	2005	560,000
Patterson, California	2006	360,000
Ottawa, Illinois	2008	328,000
On-line fulfillment centers:		
Monroe, Ohio	2001	1,200,000
San Bernardino, California	2010	970,000
Edgewood, Maryland	2011	1,450,000
DeSoto, Texas	2012	1,200,000
Plainfield, Indiana	Expected 2017	936,000

We own all of the distribution centers except Corsicana, Texas, which is leased.

Corporate Facilities

We own our corporate headquarters in Menomonee Falls, Wisconsin. We also own or lease additional buildings and office space, which are used by various corporate departments, including our credit operations.

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings, but are subject to certain legal proceedings and claims from time to time that arise out of the conduct of our business.

Item 4. Mine Safety Disclosures

Not applicable.

Item 4A. Executive Officers

Our executive officers as of January 28, 2017 were as follows:

Name	Age	Position
Kevin Mansell	64	Chairman, Chief Executive Officer and President
Sona Chawla	49	Chief Operating Officer
Michelle Gass	48	Chief Merchandising and Customer Officer
Wesley S. McDonald	54	Chief Financial Officer
Richard D. Schepp	56	Chief Administrative Officer

Mr. Mansell is responsible for Kohl’s strategic direction, long-term growth and profitability. He has served as Chairman since September 2009, Chief Executive Officer since August 2008 and President and Director since February 1999. Mr. Mansell began his retail career in 1975.

Ms. Chawla joined Kohl's in November 2015 as Chief Operating Officer and is responsible for Kohl's full omni-channel operations. She oversees all store operations, logistics and supply chain network, information and digital technology, and omni-channel strategy, planning and operations. Previously, she had served with Walgreens as

President of Digital and Chief Marketing Officer from February 2014 to November 2015 and President, E-Commerce from January 2011 to February 2014. Ms. Chawla began her retail and digital career in 2000.

Ms. Gass joined Kohl's in June 2013 as Chief Customer Officer and was named Chief Merchandising and Customer Officer in June 2015. She is responsible for all of Kohl's merchandising, planning and allocation, and product development functions as well as the company's overall customer engagement strategy, including marketing, public relations, social media and philanthropic efforts. Previously, she served in a variety of management positions with Starbucks Coffee Company since 1996, most recently as President, Starbucks Coffee EMEA (Europe, Middle East, Russia and Africa) from 2011 to May 2013. Ms. Gass began her retail career in 1991. From April 2014 to February 2017, Ms. Gass served as a director of Cigna Corporation, a global health service company.

Mr. McDonald was promoted to the principal officer position of Chief Financial Officer in June 2015 and is responsible for financial planning and analysis, investor relations, financial reporting, accounting operations, tax, treasury, non-merchandise purchasing, credit and capital investment. Previously, he had served as Senior Executive Vice President, Chief Financial Officer since December 2010. Mr. McDonald began his retail career in 1988. Mr. McDonald announced his retirement in November 2016, but will remain as Chief Financial Officer until a date to be mutually agreed upon by himself and the Company, but no later than July 2017. He is currently a director of Wingstop Inc., a restaurant operator and franchisor.

Mr. Schepp was promoted to the principal officer position of Chief Administrative Officer in June 2015 and is responsible for Kohl's human resources, legal, risk management and compliance, real estate, business development and store construction and design functions. He previously served as Senior Executive Vice President, Human Resources, General Counsel and Secretary from April 2013 to June 2015, Senior Executive Vice President General Counsel and Secretary from May 2011 to April 2013 and Executive Vice President, General Counsel and Secretary from August 2001 to May 2011. Mr. Schepp began his retail career in 1992.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market information

Our Common Stock has been traded on the New York Stock Exchange ("NYSE") since May 19, 1992, under the symbol "KSS." The prices in the table set forth below indicate the high and low sales prices of our Common Stock per the New York Stock Exchange Composite Price History and our quarterly cash dividends per common share for each quarter in 2016 and 2015.

	2016			2015		
	High	Low	Dividend	High	Low	Dividend
Fourth Quarter	**$59.43**	**$39.00**	**$0.50**	$50.86	$42.85	$0.45
Third Quarter	**46.15**	**37.70**	**0.50**	61.60	44.06	0.45
Second Quarter	**45.07**	**34.49**	**0.50**	74.51	61.17	0.45
First Quarter	**51.13**	**39.69**	**0.50**	79.07	61.44	0.45

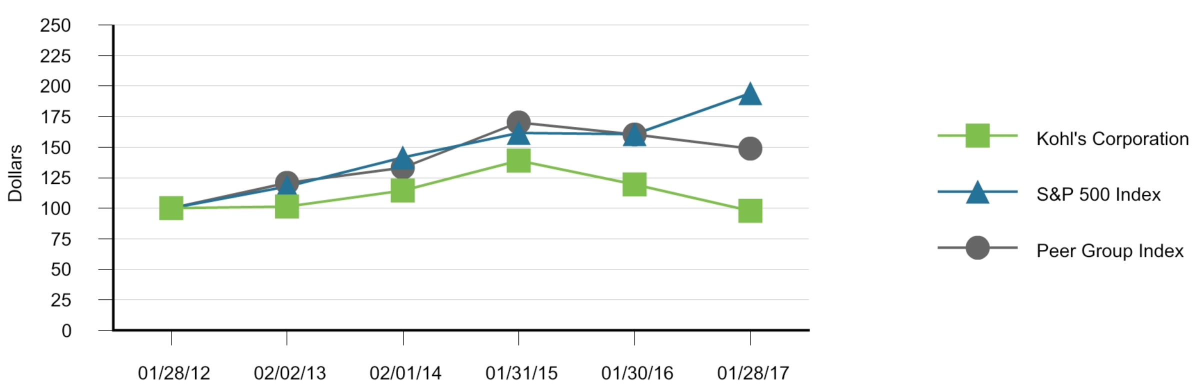
On February 22, 2017, our Board of Directors approved a 10% increase in our dividend to $0.55 per common share. The dividend will be paid on March 22, 2017 to shareholders of record as of March 8, 2017. In 2016, we paid aggregate cash dividends of $358 million.

Holders

As of March 8, 2017, there were approximately 4,000 record holders of our Common Stock.

Performance Graph

The graph below compares our cumulative five-year shareholder return to that of the Standard & Poor's 500 Index and a Peer Group Index that is consistent with the retail peer group used in the Compensation Discussion & Analysis section of our Proxy Statement for our May 10, 2017 Annual Meeting of Shareholders. The Peer Group Index was calculated by S&P Global, a Standard & Poor's business and includes Bed, Bath & Beyond Inc.; The Gap, Inc.; J.C. Penney Company, Inc.; L Brands, Inc.; Macy's, Inc.; Nordstrom, Inc.; Ross Stores, Inc.; Sears Holding Corporation; Target Corporation; and The TJX Companies, Inc. The Peer Group Index is weighted by the market capitalization of each component company at the beginning of each period. The graph assumes an investment of $100 on January 28, 2012 and reinvestment of dividends. The calculations exclude trading commissions and taxes.



Company / Index	Jan 28, 2012	Feb 2, 2013	Feb 1, 2014	Jan 31, 2015	Jan 30, 2016	Jan 28, 2017
Kohl's Corporation	$100.00	$101.27	$114.50	$138.87	$119.39	$97.81
S&P 500 Index	100.00	117.61	141.49	161.61	160.54	194.04
Peer Group Index	100.00	120.64	133.20	170.06	160.37	148.61

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not sell any equity securities during 2016 that were not registered under the Securities Act.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In November 2016, our Board of Directors increased the remaining share repurchase authorization under our existing share repurchase program to $2.0 billion. Purchases under the repurchase program may be made in the open market, through block trades and other negotiated transactions. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions. There is no fixed termination date for the repurchase program, and the program may be suspended, discontinued or accelerated at any time.

The following table contains information for shares repurchased and shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees' restricted stock during the three fiscal months ended January 28, 2017:

Period	Total Number of Shares Purchased During Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (Dollars in Millions)
October 30 – November 26, 2016	498,349	$43.60	495,607	$2,000
November 27 – December 31, 2016	378,960	50.53	356,899	1,982
January 1 – January 28, 2017	1,865,261	41.14	1,847,000	1,906
Total	2,742,570	$42.88	2,699,506	$1,906

Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document.

(Dollars in Millions, Except per Share and per Square Foot Data)	2016	2015	2014	2013	2012 (e)
Net sales					
Dollars	$18,686	$ 19,204	$19,023	$19,031	$ 19,279
Net sales increase (decrease)	(2.7)%	1.0%	0.0 %	(1.3)%	2.5%
Comparable sales (a)	(2.4)%	0.7%	(0.3)%	(1.2)%	0.3%
Per selling square foot (b)	$ 224	$ 228	$ 226	$ 227	$ 231
Gross margin					
Dollars	$ 6,742	$ 6,939	$ 6,925	$ 6,944	$ 6,990
As a percent of sales	36.1%	36.1%	36.4%	36.5%	36.3%
Selling, general and administrative expenses					
Dollars	$ 4,435	$ 4,452	$ 4,350	$ 4,313	$ 4,267
As a percent of sales	23.7%	23.2%	22.9%	22.7%	22.1%
Operating income					
Dollars					
Reported (GAAP)	$ 1,183	$ 1,553	$ 1,689	$ 1,742	$ 1,890
Excluding non-recurring items (Non-GAAP) (c)	$ 1,369	$ 1,553	$ 1,689	$ 1,742	$ 1,890
As a percent of sales					
Reported (GAAP)	6.3%	8.1%	8.9%	9.2%	9.8%
Excluding non-recurring items (Non-GAAP) (c)	7.3%	8.1%	8.9%	9.2%	9.8%
Net income					
Reported (GAAP)	$ 556	$ 673	$ 867	$ 889	$ 986
Excluding non-recurring items (Non-GAAP) (c)	$ 673	$ 781	$ 867	$ 889	$ 986
Diluted earnings per share					
Reported (GAAP)	$ 3.11	$ 3.46	$ 4.24	$ 4.05	$ 4.17
Excluding non-recurring items (Non-GAAP) (c)	$ 3.76	$ 4.01	$ 4.24	$ 4.05	$ 4.17
Dividends per share	$ 2.00	$ 1.80	$ 1.56	$ 1.40	$ 1.28
Balance sheet					
Total assets	$13,574	$ 13,606	$14,333	$14,228	$ 13,761
Working capital	$ 2,273	$ 2,362	$ 2,721	$ 2,412	$ 2,061
Long-term debt	$ 2,795	$ 2,792	$ 2,780	$ 2,777	$ 2,478
Capital lease and financing obligations	$ 1,816	$ 1,916	$ 1,968	$ 2,069	$ 2,061
Shareholders' equity	$ 5,177	$ 5,491	$ 5,991	$ 5,978	$ 6,048
Cash flow					
Cash flow from operations	$ 2,148	$ 1,474	$ 2,024	$ 1,884	$ 1,265
Capital expenditures	$ 768	$ 690	$ 682	$ 643	$ 785
Free cash flow (d)	$ 1,264	$ 671	$ 1,234	$ 1,127	$ 381
Return on average shareholders' equity					
Reported (GAAP)	10.6%	11.8%	14.7%	14.8%	15.8%
Excluding non-recurring items (Non-GAAP) (c)	12.5%	13.5%	14.7%	14.8%	15.8%
Kohl's store information					
Number of stores	1,154	1,164	1,162	1,158	1,146
Total square feet of selling space (in thousands)	82,757	83,810	83,750	83,671	83,098

(a) Comparable sales include sales for stores (including relocated or remodeled stores), which were open during both the current and prior year periods. We also include on-line sales in our comparable sales. Fiscal 2013 compares the 52 weeks ended February 1, 2014 and February 2, 2013. Fiscal 2012 compares the 52 weeks ended January 26, 2013 and January 28, 2012.

(b) Net sales per selling square foot includes on-line sales and stores open for the full current period. 2012 excludes the impact of the 53rd week.

(c) Non-recurring items include $186 million ($117 million, net of tax) of impairments, store closing, and other costs in 2016, and $169 million ($108 million, net of tax) of debt extinguishment losses in 2015. See GAAP to Non-GAAP reconciliation in Results of Operations.

(d) Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities and proceeds from financing obligations less capital expenditures and capital lease and financing obligation payments. See GAAP to Non-GAAP reconciliation in Liquidity and Capital Resources.

(e) Fiscal 2012 was a 53-week year. During the 53rd week, total sales were $169 million; selling, general and administrative expenses were approximately $30 million; interest was approximately $2 million; net income was approximately $15 million and diluted earnings per share was approximately $0.06.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

As of January 28, 2017, we operated 1,154 Kohl's department stores, a website (www.Kohls.com), 12 FILA outlets, and three Off-Aisle clearance centers. Our Kohl's stores and website sell moderately-priced private label, exclusive and national brand apparel, footwear, accessories, beauty and home products. Our Kohl's stores generally carry a consistent merchandise assortment with some differences attributable to local preferences. Our website includes merchandise which is available in our stores, as well as merchandise that is available only on-line.

Sales were $18.7 billion for 2016, 2.7% lower than 2015. On a comparable store basis, sales decreased 2.4%. The decrease was primarily driven by fewer transactions in our stores partially offset by higher average transaction value.

Inventory, gross margin and expenses were well-managed in a challenging sales environment.

- Inventory per store decreased 5%.
- Gross margin as a percentage of sales decreased 6 basis points to 36.1% driven by fewer promotional markdowns which were offset by higher shipping costs.
- Sales, general and administrative expenses ("SG&A") decreased $17 million on strong expense management against the lower sales volume.

Net income for the year was $556 million, or $3.11 per diluted share. Excluding impairments, store closing and other costs in 2016 and loss on extinguishment of debt in 2015, net income was $673 million, or $3.76 per diluted share, 6% lower than last year.

See "Results of Operations" and "Liquidity and Capital Resources" for additional details about our financial results, how we define comparable sales, the impairment, store closing and other costs in 2016 and the loss on extinguishment of debt in 2015.

2017 Outlook

Our current expectations for 2017 are as follows:

	Including 53rd Week	Excluding 53rd Week
Net sales	Decrease (1.3) - Increase 0.7%	Decrease (2) - 0%
Comparable sales	Decrease (2) - 0%	Decrease (2) - 0%
Gross margin as a percent of sales	Increase 10 - 15 bps	Increase 10 - 15 bps
Selling, general and administrative expenses	Increase 0.5 - 2%	Increase 0 - 1.5%
Depreciation and amortization	$960 million	$960 million
Interest expense, net	$300 million	$297 million
Effective tax rate	37.5%	37.5%
Earnings per diluted share	$3.50 - $3.80	$3.40 - $3.70
Capital expenditures	$700 million	$700 million
Share repurchases	$350 million	$350 million

Results of Operations - 2016 compared to 2015

Net Sales

As our omni-channel strategy continues to mature, it is increasingly difficult to distinguish between a "store" sale and an "on-line" sale. Below is a list of some omni-channel examples:

- Stores increase on-line sales by providing customers opportunities to view, touch and/or try on physical merchandise before ordering on-line.
- On-line purchases can easily be returned in our stores.
- Kohl's Cash coupons and Yes2You rewards can be earned and redeemed on-line or in store regardless of where they were earned.
- In-store customers can order from on-line kiosks in our stores.
- Buy on-line and pick-up in store is available in all stores.
- Customers who utilize our mobile app while in the store may receive mobile coupons to use when they check out.
- On-line orders may be shipped from a dedicated on-line fulfillment center, a store, a retail distribution center, direct ship vendors or any combination of the above.
- More than 75% of our on-line customers also shop in our stores.

Because we do not have a clear distinction between "store" sales and "on-line" sales, we do not separately report on-line sales.

Comparable sales include sales for stores (including relocated or remodeled stores) which were open during both the current and prior year periods. We also include on-line sales in our comparable sales.

The following table summarizes net sales:

	2016	2015	Change
Net sales (in Millions)	**$ 18,686**	$ 19,204	(2.7)%
Net sales per selling square foot (a)	**$ 224**	$ 228	(1.8)%

(a) Net sales per selling square foot includes on-line sales and stores open for the full current period.

Drivers of the 2.4% decrease in comparable sales were as follows:

Selling price per unit	**1.5 %**
Units per transaction	**1.6**
Average transaction value	**3.1**
Number of transactions	**(5.5)**
Comparable sales	**(2.4)%**

From a regional perspective, the West, Southeast, and Midwest outperformed the Company average in 2016. The South Central, Mid-Atlantic and Northeast underperformed the Company average for the year.

By line of business, Footwear and Men's outperformed the Company average in 2016. All other categories underperformed the Company average for the year.

Net sales per selling square foot decreased 2% to $224 in 2016, which is consistent with the decrease in comparable sales.

Gross Margin

(Dollars in Millions)	2016	2015	Change
Gross margin	**$ 6,742**	$ 6,939	$ (197)
As a percent of net sales	**36.1%**	36.1%	6 bp

Gross margin includes the total cost of products sold, including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs; inventory shrink; markdowns; freight expenses associated with moving merchandise from our vendors to our distribution centers; shipping and handling expenses of on-line sales; and terms cash discount. Our gross margin may not be comparable with that of other retailers because we include distribution center and buying costs in selling, general and administrative expenses while other retailers may include these expenses in cost of merchandise sold.

Gross margin as a percent of sales was consistent with 2015, as higher merchandise margin was substantially offset by higher shipping costs.

Selling, General and Administrative Expenses

(Dollars in Millions)	2016	2015	Change
SG&A	**$ 4,435**	$ 4,452	$ (17)
As a percent of net sales	**23.7%**	23.2%	55 bp

SG&A expenses include compensation and benefit costs (including stores, headquarters, buying and merchandising and distribution centers); occupancy and operating costs of our retail, distribution and corporate facilities; freight expenses associated with moving merchandise from our distribution centers to our retail stores and among distribution and retail facilities; marketing expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs; net revenues from our Kohl's credit card operations; and other administrative revenues and expenses. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

The following table summarizes the increases and (decreases) in SG&A by expense type:

(Dollars in Millions)	
Store expenses	**$ (4)**
Corporate expenses	**(2)**
Distribution costs	**2**
Marketing costs, excluding credit card operations	**15**
Increase in net earnings from credit card operations	**(28)**
Total decrease	**$ (17)**

Many of our expenses, including store payroll and distribution costs, are variable in nature. These costs generally increase as sales increase and decrease as sales decrease. We measure both the change in these variable expenses and the expense as a percent of sales. If the expense as a percent of sales decreased from the prior year, the expense "leveraged" and indicates that the expense was well-managed or effectively generated additional sales. If the expense as a percent of sales increased over the prior year, the expense "deleveraged" and indicates that sales growth was less than expense growth. SG&A as a percent of sales increased, or "deleveraged," by 55 basis points in 2016.

The decrease in store expenses includes reductions in store controllable expense, partially offset by higher store payroll due to on-going wage pressure and omni-channel support of ship-from-store and buy on-line, pick-up in store operations.

The decrease in corporate expenses reflects higher technology spending which was more than offset by expense management in other corporate areas.

Distribution costs, which exclude payroll related to on-line originated orders that were shipped from our stores, were $280 million for 2016, $2 million higher than 2015. Distribution costs increased due to higher fulfillment costs related to our growing on-line business partially offset by lower store distribution costs.

Marketing costs increased in 2016 as we increased our spending on digital media.

Earnings from our credit card operations, net of servicing and other credit-related expenses, were $484 million in 2016, $28 million higher than 2015. The increase is due to higher finance charges and late fees due to growth in the portfolio. Additionally, lower marketing costs were partially offset by higher servicing costs.

Other Expenses

(Dollars in Millions)	2016	2015	Change
Depreciation and amortization	**$ 938**	$ 934	$ 4
Interest expense, net	**308**	327	(19)
Impairments, store closing and other costs	**186**	—	186
Provision for income taxes	**319**	384	(65)
Effective tax rate	**36.5%**	36.3%	27 bp

The increase in depreciation and amortization reflects higher information technology ("IT") amortization which was partially offset by lower store depreciation due to maturing of our stores and store closures.

The decrease in net interest expense is due to lower interest on capital leases as the portfolio matures and stores were closed as well as favorable interest rates achieved during our $1.1 billion debt refinancing in 2015.

Impairments, store closing and other costs includes the following costs related to closing 18 stores in 2016 and the organizational realignment at our corporate office:

(Dollars in Millions)	
Store leases:	
Record future obligations	**$ 114**
Write-off net obligations	**(21)**
Impairments:	
Software licenses	**23**
Buildings and other store assets	**53**
Severance and other	**17**
Total	**$ 186**

The increase in the effective tax rate is due to favorable state tax audit settlements in 2015 that were not repeated in 2016.

Net Income and Earnings Per Diluted Share

(Dollars in Millions, Except per Share Data)	2016		
	Income before Taxes	Net Income	Earnings per Diluted Share
GAAP	**$ 875**	**$ 556**	**$ 3.11**
Impairments, store closing and other costs	**186**	**117**	**0.65**
Adjusted (Non-GAAP)	**$ 1,061**	**$ 673**	**$ 3.76**

We believe adjusted results are useful because they provide enhanced visibility into our results for the periods excluding the impact of impairments, store closing and other costs in 2016. However, these non-GAAP financial measures are not intended to replace GAAP measures.

Results of Operations - 2015 compared to 2014

Net Sales

The following table summarizes net sales:

	2015	2014	Change
Net sales (in Millions)	**$ 19,204**	$ 19,023	1.0%
Net sales per selling square foot (a)	**$ 228**	$ 226	0.9%

(a) Net sales per selling square foot includes on-line sales and stores open for the full current period.

Drivers of the 0.7% increase in comparable sales were as follows:

Selling price per unit	**1.3%**
Units per transaction	**(0.4)**
Average transaction value	**0.9**
Number of transactions	**(0.2)**
Comparable sales	**0.7%**

From a regional perspective, the West, Southeast, and Midwest outperformed the Company average in 2015. The South Central, Mid-Atlantic and Northeast underperformed the Company average.

By line of business, Footwear and Home outperformed the Company average in 2015. Men's and Women's were consistent with the Company average. Children's and Accessories both underperformed the Company average.

Net sales per selling square foot increased 0.9% to $228 in 2015, which is consistent with the increase in comparable sales.

Gross Margin

(Dollars in Millions)	2015	2014	Change
Gross margin	**$ 6,939**	$ 6,925	$ 14
As a percent of net sales	**36.1%**	36.4%	(27) bp

The decrease in gross margin as a percent of sales is due to an increase in shipping costs resulting from growth in on-line originated sales, partially offset by an increase in our merchandise margin.

Selling, General and Administrative Expenses

(Dollars in Millions)	2015	2014	Change
SG&A	**$ 4,452**	$ 4,350	$ 102
As a percent of net sales	**23.2%**	22.9%	(32) bp

The following table summarizes the increases and (decreases) in SG&A by expense type:

(Dollars in Millions)	
Store expenses	**$ 77**
Corporate expenses	**46**
Distribution costs	**6**
Marketing costs, excluding credit card operations	**(4)**
Increase in net earnings from credit card operations	**(23)**
Total increase	**$ 102**

The increase in store expenses is primarily attributable to higher store payroll due to on-going wage pressure and omni-channel support of ship-from-store and buy on-line, pick-up in store operations. Property taxes and common area maintenance also increased.

Corporate expense increased due to technology and infrastructure investments related to our omni-channel strategy and other various corporate costs.

Distribution costs, which exclude payroll related to on-line originated orders that were shipped from our stores, were $278 million for 2015, $6 million higher than 2014. The increase is due to higher fulfillment costs related to our growing on-line business which were partially offset by lower store distribution costs.

Marketing costs decreased in 2015 as we decreased our spending in newspaper inserts and direct mail through optimized circulation and shifted spending to digital media.

Earnings from our credit card operations, net of servicing and other credit-related expenses, were $456 million, $23 million higher than 2014. The increase is due to higher finance charge revenues and late fees, partially offset by higher bad debt expense, all which were the result of growth in the portfolio. Additionally, lower marketing spend was partially offset by increased servicing costs.

Other Expenses

(Dollars in Millions)	2015	2014	Change
Depreciation and amortization	**$ 934**	$ 886	$ 48
Interest expense, net	**327**	340	(13)
Loss on extinguishment of debt	**169**	—	169
Provision for income taxes	**384**	482	(98)
Effective tax rate	**36.3%**	35.7%	(60) bp

The increase in depreciation and amortization was due to higher IT amortization which was partially offset by lower store depreciation due to maturing of our stores.

The decrease in net interest expense was the result of refinancing our debt at lower interest rates during 2015.

During 2015, we completed a cash tender offer and redemption for $1,085 million of senior unsecured debt. We recognized a $169 million loss on extinguishment of debt which included a $163 million bond tender premium paid to holders of the debt and a $6 million non-cash write-off of deferred financing costs and original issue discounts associated with the extinguished debt.

Changes in our effective tax rate were primarily due to favorable state audit settlements during 2014.

Net Income and Earnings Per Diluted Share

	2015		
(Dollars in Millions, Except per Share Data)	Income before Taxes	Net Income	Earnings per Diluted Share
GAAP	**$ 1,057**	**$ 673**	**$ 3.46**
Loss on extinguishment of debt	**169**	**108**	**0.55**
Adjusted (Non-GAAP)	**$ 1,226**	**$ 781**	**$ 4.01**

We believe adjusted results are useful because they provide enhanced visibility into our results for the periods excluding the loss on extinguishment of debt in 2015. However, these non-GAAP financial measures are not intended to replace GAAP measures.

Inflation

Although we expect that our operations will be influenced by general economic conditions, including food, fuel and energy prices, and by costs to source our merchandise, we do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be impacted by such factors in the future.

Liquidity and Capital Resources

The following table presents our primary cash requirements and sources of funds.

Cash Requirements	Sources of Funds
• Operational needs, including salaries, rent, taxes and other costs of running our business • Capital expenditures • Inventory (seasonal and new store) • Share repurchases • Dividend payments	• Cash flow from operations • Short-term trade credit, in the form of extended payment terms • Line of credit under our revolving credit facility

Our working capital and inventory levels typically build throughout the fall, peaking during the November and December holiday selling season.

The following table includes cash balances and changes.

(Dollars in Millions)	2016	2015	2014
Cash and cash equivalents	**$ 1,074**	$ 707	$ 1,407
Net cash provided by (used in):			
Operating activities	**$ 2,148**	$ 1,474	$ 2,024
Investing activities	**(756)**	(681)	(593)
Financing activities	**(1,025)**	(1,493)	(995)

Operating Activities

Net cash provided by operations increased $674 million to $2.1 billion in 2016. The increase reflects a 5% decrease in inventory per store as a result of our inventory reduction initiatives and increases in accounts payable due to timing of spring merchandise receipts and negotiations which extended payment terms with many of our vendors. The decrease in inventory and increase in accounts payable increased our accounts payable as a percent of inventory ratio to 39.7%, an 870 basis point increase over the prior year ratio.

Net cash provided by operations decreased $550 million to $1.5 billion in 2015. The decrease is due to increases in our inventory balances and decreases in our accounts payable balance, due in part to the port strike in 2014.

Investing Activities

Net cash used in investing activities increased $75 million to $756 million in 2016, primarily due to higher spending for a fifth E-Commerce fulfillment center which we expect to open in 2017.

Net cash used in investing activities increased $88 million to $681 million in 2015. Substantially all of the increase is due to proceeds from our final auction rate securities sales in 2014. Despite the non-liquid nature of these investments following market conditions that arose in 2008, we were able to sell substantially all of our investments at par.

The following table summarizes expected and actual capital expenditures by major category as a percentage of total capital expenditures:

	2017 Estimate	2016	2015	2014
Information technology	50%	46%	44%	45%
Store strategies	20	28	36	33
Base capital	30	26	20	22
Total	100%	100%	100%	100%

We expect total capital expenditures of approximately $700 million in fiscal 2017. The actual amount of our future capital expenditures will depend on the number and timing of new stores and refreshes; expansion and renovations to distribution centers; the mix of owned, leased or acquired stores; and IT and corporate spending. We do not anticipate that our capital expenditures will be limited by any restrictive covenants in our financing agreements.

Financing Activities

Net cash used in financing activities decreased $468 million to $1.0 billion in 2016, primarily due to lower treasury stock repurchases. We paid cash for treasury stock repurchases of $557 million in 2016 and $1.0 billion in 2015. Share repurchases are discretionary in nature. The timing and amount of repurchases is based upon available cash balances, our stock price and other factors.

Net cash used in financing activities increased $498 million to $1.5 billion in 2015. The increase was due to a $324 million increase in treasury share repurchases and $160 million net cash used for the debt refinancing in 2015.

During 2015, we completed a cash tender offer and redemption for $1.1 billion of our higher coupon senior unsecured debt. We recognized a $169 million loss on extinguishment of debt which included a $163 million bond tender premium paid to holders of the debt and a $6 million non-cash write-off of deferred financing costs and original issue discounts associated with the extinguished debt.

In July 2015, we issued $650 million of 4.25% notes due in July 2025 and $450 million of 5.55% notes due in July 2045. Both notes include semi-annual, interest-only payments beginning January 17, 2016. Proceeds of the issuances and cash on hand were used to pay the principal, premium and accrued interest of the acquired and redeemed debt.

On July 1, 2015, we entered into an Amended and Restated Credit Agreement with various lenders which provides for $1.0 billion senior unsecured five-year revolving credit facility that will mature in June 2020. Among other things, the agreement includes a maximum leverage ratio financial covenant (which is consistent with the ratio under our prior credit agreement) and restrictions on liens and subsidiary indebtedness.

Though we have no current plans to do so, we may again seek to retire or purchase our outstanding debt through open market cash purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved could be material.

As of January 28, 2017, our credit ratings were as follows:

	Moody's	Standard & Poor's	Fitch
Long-term debt	Baa2	BBB-	BBB

During 2016, we paid cash dividends of $358 million as detailed in the following table:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Declaration date	February 25	May 12	August 11	November 11
Record date	March 9	June 8	September 7	December 7
Payment date	March 23	June 22	September 21	December 21
Amount per common share	$0.50	$0.50	$0.50	$0.50

On February 22, 2017, our Board of Directors approved a 10% increase in our dividend to $0.55 per common share. The dividend will be paid on March 22, 2017 to shareholders of record as of March 8, 2017.

Liquidity Ratios

The following table provides additional measures of our liquidity.

(Dollars in Millions)	2016	2015
Working capital	**$2,273**	$2,362
Current ratio	**1.76**	1.87
Free cash flow (a)	**$1,264**	$671

(a) Non-GAAP financial measure

Liquidity measures our ability to meet short-term cash needs. In 2016, working capital decreased $89 million and our current ratio decreased 11 basis points from year-end 2015 due to a decrease in inventory and an increase in accounts payable, which was partially offset by an increase in cash.

We generated $1.3 billion of free cash flow for 2016; an increase of $593 million over 2015. As discussed above, the increase is primarily the result of a decrease in inventory and an increase in accounts payable. Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities and proceeds from financing obligations (which generally represent landlord reimbursements of construction costs) less capital expenditures and capital lease and financing obligation payments. Free cash flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as net income and cash flow provided by operations. We believe that free cash flow represents our ability to generate additional cash flow from our business operations. See the key financial ratio calculations section above.

Return on Investment Ratios

The following table provides additional measures of our return on investments.

	2016	2015	2014
Ratio of earnings to fixed charges	**2.8**	3.1	3.6
Return on assets	**4.1%**	4.7%	6.1%
Return on gross investment ("ROI") (a)	**12.6%**	14.5%	15.2%

(a) Non-GAAP financial measure

Lower earnings, including impairments, store closing and other costs in 2016 and loss on extinguishment of debt in 2015, caused decreases in all three of our return on investment ratios. See Exhibit 12.1 to this Annual Report on Form 10-K for the calculation of our ratio of earnings to fixed charges and the key financial ratio calculations below for the return on assets and ROI calculations.

We believe that ROI is a useful financial measure in evaluating our operating performance. When analyzed in conjunction with our net earnings and total assets and compared with return on assets, it provides investors with a useful tool to evaluate our ongoing operations and our management of assets from period to period. ROI is a non-GAAP financial measure which we define as earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") divided by average gross investment. Our ROI calculation may not be comparable to similarly-titled measures reported by other companies. ROI should be evaluated in addition to, and not considered a substitute for, other financial measures such as return on assets.

Capital Structure Ratios

The following table provides additional measures of our capital structure.

	2016	2015	2014
Debt/capitalization	**47.2%**	46.3%	44.3%
Adjusted Debt to Adjusted EBITDAR (a)	**2.65**	2.52	2.45

(a) Non-GAAP financial measure

Our debt agreements contain various covenants including limitations on additional indebtedness and a maximum permitted debt ratio. As of January 28, 2017, we were in compliance with all debt covenants and expect to remain in compliance during 2017. See the key financial ratio calculations section below for our debt covenant calculation.

The increases in our debt/capitalization ratios are primarily due to treasury stock repurchases in both years.

The increases in our Adjusted Debt to Adjusted EBITDAR ratio were primarily due to lower Adjusted EBITDAR. Adjusted Debt to Adjusted EBITDAR is a non-GAAP financial measure which we define as our adjusted outstanding debt balance divided by Adjusted EBITDAR. We believe that our debt levels are best analyzed using this measure. Our current goals are to maintain an Adjusted Debt to Adjusted EBITDAR ratio that demonstrates our commitment to an investment grade rating and allows us to operate with an efficient capital structure for our size, growth plans and industry. We are currently exceeding our target goal to take advantage of a favorable, low interest rate debt environment. We currently have no plans for new debt in 2017. Our Adjusted Debt to Adjusted EBITDAR calculation may not be comparable to similarly-titled measures reported by other companies. Adjusted Debt to Adjusted EBITDAR should be evaluated in addition to, and not considered a substitute for, other financial measures such as debt/capitalization. See the key financial ratio calculations section below for our Adjusted Debt to Adjusted EBITDAR calculation.

Key Financial Ratio Calculations

The following table reconciles net cash provided by operating activities (a GAAP measure) to free cash flow (a non-GAAP measure).

(Dollars in Millions)	2016	2015	2014
Net cash provided by operating activities	**$ 2,148**	$ 1,474	$ 2,024
Acquisition of property and equipment	**(768)**	(690)	(682)
Capital lease and financing obligation payments	**(127)**	(114)	(114)
Proceeds from financing obligations	**11**	1	6
Free cash flow	**$ 1,264**	$ 671	$ 1,234

The following table includes our ROI and return on assets calculations:

(Dollars in Millions)	2016	2015	2014
Operating income	**$ 1,183**	$ 1,553	$ 1,689
Depreciation and amortization	**938**	934	886
Rent expense	**276**	279	277
EBITDAR	**$ 2,397**	$ 2,766	$ 2,852
Average: (a)			
Total assets	**$ 13,584**	$ 14,288	$ 14,286
Cash equivalents and long-term investments (b)	**(476)**	(703)	(647)
Other assets	**(35)**	(40)	(32)
Accumulated depreciation and amortization	**6,558**	6,203	5,743
Accounts payable	**(1,515)**	(1,623)	(1,624)
Accrued liabilities	**(1,188)**	(1,175)	(1,119)
Other long-term liabilities	**(620)**	(556)	(551)
Capitalized rent (c)	**2,654**	2,672	2,667
Gross Investment (“AGI”)	**$ 18,962**	$ 19,066	$ 18,723
Return on Assets (“ROA”) (d)	**4.1%**	4.7%	6.1%
Return on Gross Investment (“ROI”) (e)	**12.6%**	14.5%	15.2%

(a) Represents average of 5 most recent quarter end balances

(b) Represents excess cash not required for operations

(c) Represents 10 times store rent and 5 times equipment/other rent

(d) Net income divided by average total assets

(e) EBITDAR divided by Gross Investment

The following table includes our debt ratio calculation, as defined by our debt agreements, as of January 28, 2017:

(Dollars in Millions)	
Included Indebtedness	
Total debt	**$ 4,631**
Less unamortized debt discount	**(5)**
Subtotal	**4,626**
Rent x 8	**2,208**
Included Indebtedness	**$ 6,834**
Debt Compliance Adjusted EBITDAR	
Net income	**$ 556**
Rent expense	**276**
Depreciation and amortization	**938**
Net interest	**308**
Provision for income taxes	**319**
EBITDAR	**2,397**
Impairments, store closing and other costs	**186**
Adjusted EBITDAR	**2,583**
Stock based compensation	**41**
Other non-cash revenues and expenses	**14**
Debt Compliance Adjusted EBITDAR	**$ 2,638**
Debt Ratio (a)	**2.59**
Maximum permitted Debt Ratio	**3.75**

(a) Included Indebtedness divided by Adjusted Debt Compliance EBITDAR

The following table includes our Adjusted Debt to Adjusted EBITDAR and debt/capitalization calculations:

(Dollars in Millions)	2016	2015	2014
Total Debt (net of discount)	**$4,626**	$4,726	$4,761
Rent x 8	**2,208**	2,232	2,216
Adjusted Debt	**$6,834**	$6,958	$6,977
Total Equity	**$5,177**	$5,491	$5,991
Adjusted EBITDAR as calculated above	**$2,583**	$2,766	$2,852
Debt/capitalization (a)	**47.2%**	46.3%	44.3%
Adjusted Debt to Adjusted EBITDAR (b)	**2.65**	2.52	2.45

(a) Total debt divided by total debt and total equity

(b) Adjusted debt divided by Adjusted EBITDAR

Contractual Obligations

Our contractual obligations as of January 28, 2017 were as follows:

(Dollars in Millions)	Total	Maturing in: 2017	2018 and 2019	2020 and 2021	2022 and after
Recorded contractual obligations:					
Long-term debt	$ 2,815	$ —	$ —	$ 650	$ 2,165
Capital lease and financing obligations	1,345	123	225	194	803
	4,160	123	225	844	2,968
Unrecorded contractual obligations:					
Interest payments:					
Long-term debt	1,716	132	263	263	1,058
Capital lease and financing obligations	2,300	163	302	266	1,569
Operating leases (a)	5,309	253	503	486	4,067
Other (b)	1,075	294	322	225	234
	10,400	842	1,390	1,240	6,928
Total	$14,560	$ 965	$ 1,615	$ 2,084	$ 9,896

(a) Our leases typically require that we pay real estate taxes, insurance and maintenance costs in addition to the minimum rental payments included in the table above. Such costs vary from period to period and totaled $177 million for 2016, $179 million for 2015 and $175 million for 2014. The lease term includes cancelable option periods where failure to exercise such options would result in an economic penalty.

(b) Other includes royalties, legally binding minimum lease and interest payments for stores opening in 2017 or later, as well as payments associated with technology and marketing agreements.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of year-end 2016.

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our financial condition, liquidity, results of operations or capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of our Board of Directors. There have been no significant changes in the critical accounting policies and estimates discussed in our 2015 Form 10-K.

Retail Inventory Method and Inventory Valuation

We value our 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 of the inventories. The use of RIM will generally result in inventories being valued at the lower of cost or market as permanent markdowns are taken as a reduction of the retail value of inventories.

RIM inherently requires management judgment and estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margin. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise, fashion trends and weather conditions.

Inventory shrinkage is estimated as a percent of sales for the period between the last physical inventory count and the balance sheet date. Shrink is the difference between the recorded amount of inventory and the physical inventory. We generally perform an annual physical inventory count at the majority of our stores and distribution centers. The shrinkage rate from the most recent physical inventory, in combination with current events and historical experience, is used as the standard for the shrinkage accrual rate for the next inventory cycle. Historically, our actual physical inventory count results have shown our estimates to be reliable.

Vendor Allowances

We frequently receive allowances from our vendors for discounts that we have taken in order to sell the vendor’s merchandise and/or to support gross margins earned on those sales. This markdown support generally relates to sold inventory or permanent markdowns and, accordingly, is reflected as a reduction to cost of merchandise sold. Markdown support related to merchandise that has not yet been sold is recorded in inventory.

We also receive support from vendors for marketing and other costs that we have incurred to sell the vendors’ merchandise. To the extent the reimbursements are for specific, incremental and identifiable costs incurred to sell the vendor's products and do not exceed the costs incurred, they are recognized as a reduction of selling, general, and administrative expenses. If these criteria are not met, the support is recorded in inventory and reflected as a reduction of costs of merchandise sold when the related merchandise is sold.

Insurance Reserve Estimates

We are primarily self-insured for costs related to workers’ compensation, general liability, and employee-related health care benefits. We use a third-party actuary to estimate the liabilities associated with these risks. The actuary considers historical claims experience, demographic and severity factors, health care trends, and actuarial assumptions to estimate the liabilities associated with these risks. Historically, our actuarial estimates have not been materially different from actual results.

Impairment of Long-Lived Assets

We review our long-lived assets for impairment when events or changes in circumstances, such as decisions to close a store or significant operating losses, indicate the carrying value of the asset may not be recoverable. All long-lived assets are reviewed for impairment at least annually.

If our evaluations, which are performed on an undiscounted cash flow basis, indicate that the carrying amount of the asset may be not be recoverable, the potential impairment is measured as the excess of carrying value over the fair value of the impaired asset.

Identifying impaired assets and quantifying the related impairment loss, if any, requires significant estimates by management. The most significant of these estimates is the cash flow expected to result from the use and eventual disposition of the asset. When determining the stream of projected future cash flows associated with an individual store, management estimates future store performance including sales growth rates, gross margin, and controllable expenses, such as store payroll and occupancy expense. Projected cash flows must be estimated for future periods throughout the remaining life of the property, which may be as many as 40 years in the future. The accuracy of these estimates will be impacted by a number of factors including general economic conditions, changes in competitive landscape and our ability to effectively manage the operations of the store.

Other than the stores which we closed in 2016, we have not historically experienced any significant impairment of long-lived assets. Additionally, impairment of an individual building and related improvements, net of accumulated depreciation, would not generally be material to our financial results.

Store Closure Reserve

In 2016, we closed numerous leased stores prior to their scheduled lease expiration. In addition to future rent obligations, the closed store reserve includes estimates for operating and other expenses expected to be incurred over the remaining lease term, some of which extend through January 2030.

Income Taxes

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal and state filings by considering all relevant facts, circumstances and information available to us. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount which we believe is cumulatively greater than 50% likely to be realized.

Unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred tax assets, tax reserves or income tax expense. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different.

Leases

Accounting for leased properties requires compliance with technical accounting rules and significant judgment by management. Application of these accounting rules and assumptions made by management will determine whether we are considered the owner for accounting purposes or whether the lease is accounted for as a capital or operating lease.

If we are considered the owner for accounting purposes or the lease is considered a capital lease, we record the property and a related financing or capital lease obligation on our balance sheet. The asset is then depreciated over its expected lease term. Rent payments for these properties are recognized as interest expense and a reduction of the financing or capital lease obligation.

If the lease is considered an operating lease, it is not recorded on our balance sheet and rent expense is recognized on a straight-line basis over the expected lease term.

The most significant estimates used by management in accounting for property leases and the impact of these estimates are as follows:

- **Expected lease term**—Our expected lease term includes both contractual lease periods and cancelable option periods where failure to exercise such options would result in an economic penalty. The expected lease term is used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the lease term exceeds 75% of the leased asset's useful life. The expected lease term is also used in determining the depreciable life of the asset or the straight-line rent recognition period. Increasing the expected lease term will increase the probability that a lease will be considered a capital lease and will generally result in higher rent expense for an operating lease and higher interest and depreciation expenses for a leased property recorded on our balance sheet.
- **Incremental borrowing rate**—We estimate our incremental borrowing rate using treasury rates for debt with maturities comparable to the expected lease term and our credit spread. The incremental borrowing rate is primarily used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the net present value of the lease payments is greater than 90% of the fair market value of the property. Increasing the incremental borrowing rate decreases the net present value of the lease payments and reduces the probability that a lease will be considered a capital lease. For leases which are recorded on our balance sheet with a related capital lease or financing obligation, the incremental borrowing rate is also used in allocating our rental payments between interest expense and a reduction of the outstanding obligation.
- **Fair market value of leased asset**—The fair market value of leased retail property is generally estimated based on comparable market data as provided by third-party appraisers or consideration received from the landlord. Fair market value is used in determining whether the lease is accounted for as an operating lease or a capital lease. A lease is considered a capital lease if the net present value of the lease payments is greater than 90% of the fair market value of the property. Increasing the fair market value reduces the probability that a lease will be considered a capital lease. Fair market value is also used in determining the amount of property and related financing obligation to be recognized on our balance sheet for certain leased properties which are considered owned for accounting purposes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

All of our long-term debt at year-end 2016 is at fixed interest rates and, therefore, is not affected by changes in interest rates. When our long-term debt instruments mature, we may refinance them at then existing market interest rates, which may be more or less than interest rates on the maturing debt.

We share in the net risk-adjusted revenue of the Kohl's credit card portfolio as defined by the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. We also share the costs of funding the outstanding receivables as interest rates exceed defined rates. As a result, our share of profits from the credit card portfolio may be negatively impacted by increases in interest rates. The reduced profitability, if any, will be impacted by various factors, including our ability to pass higher funding costs on to the credit card holders and the outstanding receivable balance, and cannot be reasonably estimated at this time.

Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page F-3.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the “Evaluation”) at a reasonable assurance level as of the last day of the period covered by this Report.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. "Disclosure controls and procedures" is defined by Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions, regardless of how remote.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of our published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financing reporting as of January 28, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework (2013 Framework). Based on this assessment, our management has concluded that as of January 28, 2017, our internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

During the last fiscal quarter, there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect such controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Kohl's Corporation

We have audited Kohl’s Corporation’s internal control over financial reporting as of January 28, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Kohl’s Corporation’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Kohl’s Corporation maintained, in all material respects, effective internal control over financial reporting as of January 28, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kohl’s Corporation as of January 28, 2017 and January 30, 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended January 28, 2017 of Kohl’s Corporation and our report dated March 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin
March 17, 2017

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

For information with respect to our Directors, the Board of Directors' committees and our written code of ethics, see the applicable portions of the "Questions and Answers About our Board of Directors and Corporate Governance Matters" and "Item One: Election of Directors" sections of the Proxy Statement for our May 10, 2017 Annual Meeting of Shareholders ("our 2017 Proxy"), which information is incorporated herein by reference. For information with respect to Section 16 reports, see the information provided in the "Section 16(a) Beneficial Ownership Reporting Compliance" section of our 2017 Proxy, which information is incorporated herein by reference.

See also Item 4A, Executive Officers of Part 1 hereof.

Item 11. Executive Compensation

See the information provided in the applicable portions of the "Questions and Answers About our Board of Directors and Corporate Governance Matters" and "Item One: Election of Directors" sections of our 2017 Proxy, including the "Compensation Committee Report" and "Compensation Discussion & Analysis", which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the information provided in the "Security Ownership of Certain Beneficial Owners, Directors and Management" and "Equity Compensation Plan Information" sections of our 2017 Proxy, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the information provided in the "Independence Determinations & Related Person Transactions" section of our 2017 Proxy, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

See the information provided in the "Fees Paid to Ernst & Young" section of our 2017 Proxy, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of this report

1. Consolidated Financial Statements:

   See “Index to Consolidated Financial Statements” on page F-1, the Report of Independent Registered Public Accounting Firm on page F-2 and the Consolidated Financial Statements beginning on page F-3, all of which are incorporated herein by reference.

2. Financial Statement Schedule:

   All schedules have been omitted as they are not applicable.

3. Exhibits:

   See “Exhibit Index” of this Form 10-K, which is incorporated herein by reference.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kohl's Corporation

By: /S/ KEVIN MANSELL
Kevin Mansell
Chairman, Chief Executive Officer, President and Director
(Principal Executive Officer)

/S/ WESLEY S. MCDONALD
Wesley S. McDonald
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: March 17, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated above:

/S/ KEVIN MANSELL
Kevin Mansell
Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)

/S/ PETER BONEPARTH
Peter Boneparth
Director

/S/ JONAS PRISING
Jonas Prising
Director

/S/ STEVEN A. BURD
Steven A. Burd
Director

/S/ STEPHANIE A. STREETER
Stephanie A. Streeter
Director

/S/ Adrianne Shapira
Adrianne Shapira
Director

/S/ NINA G. VACA
Nina G. Vaca
Director

/S/ JOHN E. SCHLIFSKE
John E. Schlifske
Director

/S/ STEPHEN E. WATSON
Stephen E. Watson
Director

/S/ FRANK V. SICA
Frank V. Sica
Director

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 16, 2011.
3.2	Amended and Restated Bylaws of the Company, incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on November 13, 2015.
4.1	Amended and Restated Credit Agreement dated as of July 1, 2015 by and among the Company, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, an Issuing Bank and a Swing Line Lender, U.S. Bank National Association and Wells Fargo Bank, National Association, as Issuing Banks, Swing Line Lenders and Syndication Agents, Morgan Stanley Senior Funding, Inc., as Documentation Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, U.S. Bank National Association and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Bookrunners, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on July 2, 2015.
4.2	Certain other long-term debt is described in Note 3 of the Notes to Consolidated Financial Statements. The Company agrees to furnish to the Commission, upon request, copies of any instruments defining the rights of holders of any such long-term debt described in Note 3 and not filed herewith.
10.1(a)	Form of Chief Executive Officer Restricted Stock Agreement Pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2016.*
10.1(b)	Private Label Credit Card Program Agreement dated as of August 11, 2010 by and between Kohl's Department Stores, Inc. and Capital One, National Association, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010.
10.1(c)	Amendment to Private Label Credit Card Program Agreement dated as of May 13, 2014 by and between Kohl's Department Stores, Inc. and Capital One, National Association, incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2014.
10.2	Amended and Restated Executive Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.*
10.3	Kohl's Corporation 2005 Deferred Compensation Plan, as amended and restated effective January 1, 2005, incorporated herein by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006.*
10.4	Summary of Executive Medical Plan, incorporated herein by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*
10.5	Summary of Executive Life and Accidental Death and Dismemberment Plans, incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*
10.6	Kohl's Corporation Annual Incentive Plan, incorporated herein by reference to Annex B to the Proxy Statement on Schedule 14A filed on March 24, 2016 in connection with the Company's 2016 Annual Meeting of Shareholders.*

Exhibit Number	Description
10.7	1994 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1996.*
10.8	1997 Stock Option Plan for Outside Directors, incorporated herein by reference to Exhibit 4.4 of the Company's registration statement on Form S-8 (File No. 333-26409), filed on May 2, 1997.*
10.9	Amended and Restated 2003 Long-Term Compensation Plan, incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 2008.*
10.10	Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Annex A to the Proxy Statement on Schedule 14A filed on March 24, 2016 in connection with the Company's 2016 Annual Meeting.*
10.11	Form of Executive Performance Share Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on January 15, 2014.*
10.12	Form of Executive Stock Option Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.13(a)	Form of Executive Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan (5-year vesting), incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.13(b)	Form of Executive Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan (4-year vesting), incorporated herein by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K filed on January 15, 2014.*
10.13(c)	Form of Executive Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan (2-year vesting), incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2014.*
10.14	Form of Outside Director Stock Option Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.15	Form of Outside Director Restricted Stock Agreement pursuant to the Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.16	Summary of Outside Director Compensation.*
10.17	Amended and Restated Employment Agreement between Kohl's Corporation and Kohl's Department Stores, Inc. and Kevin Mansell dated as of November 14, 2014, incorporated herein by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on November 14, 2014.*
10.18	Amended and Restated Employment Agreement between Kohl's Department Stores, Inc. and Kohl's Corporation and Michelle Gass effective as of June 10, 2015, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 12, 2015.*

Exhibit Number	Description
10.19(a)	Amended and Restated Employment Agreement between Kohl’s Department Stores, Inc. and Kohl’s Corporation and Wesley S. McDonald effective as of June 10, 2015, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on June 12, 2015.*
10.19(b)	Agreement dated as of November 9, 2016 by and between Kohl's Department Stores, Inc., Kohl's Corporation and Wesley S. McDonald.*
10.20	Amended and Restated Employment Agreement between Kohl’s Department Stores, Inc. and Kohl’s Corporation and Richard D. Schepp effective as of June 10, 2015, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on June 12, 2015.*
10.22	Employment Agreement dated as of November 16, 2015 by and between Kohl's Department Stores, Inc., Kohl's Corporation and Sona Chawla, incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016.*
12.1	Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant, incorporated by reference to Exhibit 21.1 of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* A management contract or compensatory plan or arrangement.

Index to Consolidated Financial Statements

Schedules have been omitted as they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Kohl's Corporation

We have audited the accompanying consolidated balance sheets of Kohl’s Corporation (the Company) as of January 28, 2017 and January 30, 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended January 28, 2017. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kohl’s Corporation at January 28, 2017 and January 30, 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kohl’s Corporation’s internal control over financial reporting as of January 28, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated March 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin
March 17, 2017

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)	January 28, 2017	January 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,074**	$ 707
Merchandise inventories	**3,795**	4,038
Other	**378**	331
Total current assets	**5,247**	5,076
Property and equipment, net	**8,103**	8,308
Other assets	**224**	222
Total assets	**$ 13,574**	$ 13,606
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 1,507**	$ 1,251
Accrued liabilities	**1,224**	1,206
Income taxes payable	**112**	130
Current portion of capital lease and financing obligations	**131**	127
Total current liabilities	**2,974**	2,714
Long-term debt	**2,795**	2,792
Capital lease and financing obligations	**1,685**	1,789
Deferred income taxes	**272**	257
Other long-term liabilities	**671**	563
Shareholders' equity:		
Common stock - 371 and 370 million shares issued	**4**	4
Paid-in capital	**3,003**	2,944
Treasury stock, at cost, 197 and 184 million shares	**(10,338)**	(9,769)
Accumulated other comprehensive loss	**(14)**	(17)
Retained earnings	**12,522**	12,329
Total shareholders' equity	**5,177**	5,491
Total liabilities and shareholders' equity	**$ 13,574**	$ 13,606

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions, Except per Share Data)	2016	2015	2014
Net sales	**$ 18,686**	$ 19,204	$ 19,023
Cost of merchandise sold	**11,944**	12,265	12,098
Gross margin	**6,742**	6,939	6,925
Operating expenses:			
Selling, general and administrative	**4,435**	4,452	4,350
Depreciation and amortization	**938**	934	886
Impairments, store closing and other costs	**186**	—	—
Operating income	**1,183**	1,553	1,689
Interest expense, net	**308**	327	340
Loss on extinguishment of debt	**—**	169	—
Income before income taxes	**875**	1,057	1,349
Provision for income taxes	**319**	384	482
Net income	**$ 556**	$ 673	$ 867
Net income per share:			
Basic	**$ 3.12**	$ 3.48	$ 4.28
Diluted	**$ 3.11**	$ 3.46	$ 4.24

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Millions)	2016	2015	2014
Net income	**$ 556**	$ 673	$ 867
Other comprehensive income, net of tax:			
Reclassification adjustment for interest expense on interest rate derivatives included in net income	**3**	3	3
Unrealized gains on investments	**—**	—	11
Other comprehensive income	**3**	3	14
Comprehensive income	**$ 559**	$ 676	$ 881

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in Millions, Except per Share Data)	Common Stock		Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance at February 1, 2014	364	$ 4	$ 2,598	(153)	$ (8,052)	$(34)	$ 11,462	$ 5,978
Comprehensive income	—	—	—	—	—	14	867	881
Stock options and awards, net of tax	3	—	145	(1)	(19)	—	—	126
Dividends paid ($1.56 per common share)	—	—	—	—	4	—	(321)	(317)
Treasury stock purchases	—	—	—	(12)	(677)	—	—	(677)
Balance at January 31, 2015	367	4	2,743	(166)	(8,744)	(20)	12,008	5,991
Comprehensive income	—	—	—	—	—	3	673	676
Stock options and awards, net of tax	3	—	201	(1)	(27)	—	—	174
Dividends paid ($1.80 per common share)	—	—	—	—	3	—	(352)	(349)
Treasury stock purchases	—	—	—	(17)	(1,001)	—	—	(1,001)
Balance at January 30, 2016	**370**	**4**	**2,944**	**(184)**	**(9,769)**	**(17)**	**12,329**	**5,491**
Comprehensive income	**—**	**—**	**—**	**—**	**—**	**3**	**556**	**559**
Stock options and awards, net of tax	**1**	**—**	**59**	**—**	**(17)**	**—**	**—**	**42**
Dividends paid ($2.00 per common share)	**—**	**—**	**—**	**—**	**5**	**—**	**(363)**	**(358)**
Treasury stock purchases	**—**	**—**	**—**	**(13)**	**(557)**	**—**	**—**	**(557)**
Balance at January 28, 2017	**371**	**$ 4**	**$ 3,003**	**(197)**	**$(10,338)**	**$(14)**	**$ 12,522**	**$ 5,177**

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)	2016	2015	2014
Operating activities			
Net income	**$ 556**	$ 673	$ 867
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**938**	934	886
Share-based compensation	**41**	48	48
Excess tax benefits from share-based compensation	**(5)**	(10)	(3)
Deferred income taxes	**13**	(38)	49
Other non-cash expenses, net	**30**	24	31
Loss on extinguishment of debt	**—**	169	—
Impairments, store closing and other costs	**57**	—	—
Changes in operating assets and liabilities:			
Merchandise inventories	**249**	(215)	68
Other current and long-term assets	**(45)**	43	(30)
Accounts payable	**256**	(260)	146
Accrued and other long-term liabilities	**81**	53	30
Income taxes	**(23)**	53	(68)
Net cash provided by operating activities	**2,148**	1,474	2,024
Investing activities			
Acquisition of property and equipment	**(768)**	(690)	(682)
Sales of investments in auction rate securities	**—**	—	82
Other	**12**	9	7
Net cash used in investing activities	**(756)**	(681)	(593)
Financing activities			
Treasury stock purchases	**(557)**	(1,001)	(677)
Shares withheld for taxes on vested restricted shares	**(17)**	(27)	(19)
Dividends paid	**(358)**	(349)	(317)
Proceeds from issuance of debt, net	**—**	1,088	—
Reduction of long-term borrowings	**—**	(1,085)	—
Premium paid on redemption of debt	**—**	(163)	—
Capital lease and financing obligation payments	**(127)**	(114)	(114)
Proceeds from stock option exercises	**18**	147	123
Excess tax benefits from share-based compensation	**5**	10	3
Proceeds from financing obligations	**11**	1	6
Net cash used in financing activities	**(1,025)**	(1,493)	(995)
Net increase (decrease) in cash and cash equivalents	**367**	(700)	436
Cash and cash equivalents at beginning of period	**707**	1,407	971
Cash and cash equivalents at end of period	**$ 1,074**	$ 707	$ 1,407
Supplemental information			
Interest paid, net of capitalized interest	**$ 299**	$ 318	$ 329
Income taxes paid	**314**	372	502
Non-Cash investing and financing activities			
Property and equipment acquired through additional liabilities	**$ 54**	$ 63	$ 41

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Accounting Policies

Business

As of January 28, 2017, we operated 1,154 department stores, a website (www.Kohls.com), 12 FILA outlets, and three Off-Aisle clearance centers. Our Kohl's stores and website sell moderately-priced private label, exclusive and national brand apparel, footwear, accessories, beauty and home products. Our Kohl's stores generally carry a consistent merchandise assortment with some differences attributable to local preferences. Our website includes merchandise which is available in our stores, as well as merchandise which is available only on-line.

Our authorized capital stock consists of 800 million shares of $0.01 par value common stock and 10 million shares of $0.01 par value preferred stock.

Consolidation

The consolidated financial statements include the accounts of Kohl's Corporation and its subsidiaries including Kohl's Department Stores, Inc., its primary operating company. All intercompany accounts and transactions have been eliminated.

Accounting Period

Our fiscal year ends on the Saturday closest to January 31st each year. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. The following fiscal periods are presented in this report.

Fiscal year	Ended	Number of Weeks
2016	January 28, 2017	52
2015	January 30, 2016	52
2014	January 31, 2015	52

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

In addition to money market investments, cash equivalents include commercial paper and certificates of deposit with original maturities of three months or less. We carry these investments at cost which approximates fair value.

Also included in cash and cash equivalents are amounts due from credit card transactions with settlement terms of less than five days. Credit and debit card receivables included within cash were $81 million at January 28, 2017 and $92 million at January 30, 2016.

Merchandise Inventories

Merchandise inventories are valued 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 inventory at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value inventory. RIM is an averaging method that has been widely used in the retail industry due to its practicality. The use of RIM will result in inventory being valued at the lower of cost or market since permanent markdowns are currently taken as a reduction of the retail value of inventory. We would record an additional reserve if the future estimated selling price is less than cost.

1. Business and Summary of Accounting Policies (continued)

Property and Equipment

Property and equipment consist of the following:

(Dollars in Millions)	Jan 28, 2017	Jan 30, 2016
Land	**$ 1,118**	$ 1,110
Buildings and improvements:		
Owned	**8,004**	7,999
Leased	**1,801**	1,848
Store fixtures and equipment	**1,711**	1,804
Computer hardware and software	**1,939**	1,590
Construction in progress	**318**	167
Total property and equipment, at cost	**14,891**	14,518
Less accumulated depreciation and amortization	**(6,788)**	(6,210)
Property and equipment, net	**$ 8,103**	$ 8,308

Construction in progress includes buildings, building improvements, and computer hardware and software which is not ready for its intended use.

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leased property and improvements to leased property are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is less.

The annual provisions for depreciation and amortization generally use the following ranges of useful lives:

Buildings and improvements	5-40 years
Store fixtures and equipment	3-15 years
Computer hardware and software	3-8 years

Long-Lived Assets

All property and equipment and other long-lived assets are reviewed for potential impairment when events or changes in circumstances indicate that the asset's carrying value may not be recoverable. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than the carrying value of the assets. A potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. An impairment relating to store closures was recorded in 2016. No material impairments were recorded in 2015 or 2014 as a result of the tests performed.

1. Business and Summary of Accounting Policies (continued)

Accrued Liabilities

Accrued liabilities consist of the following:

(Dollars in Millions)	Jan 28, 2017	Jan 30, 2016
Gift cards and merchandise return cards	**$ 329**	$ 323
Sales, property and use taxes	**183**	184
Payroll and related fringe benefits	**147**	117
Accrued capital	**102**	64
Marketing	**82**	77
Credit card liabilities	**67**	88
Other	**314**	353
Accrued liabilities	**$ 1,224**	$ 1,206

Self-Insurance

We use a combination of insurance and self-insurance for a number of risks.

We retain the initial risk of $500,000 per occurrence in workers' compensation claims and $250,000 per occurrence in general liability claims. We record reserves for workers' compensation and general liability claims which include the total amounts that we expect to pay for a fully developed loss and related expenses, such as fees paid to attorneys, experts and investigators.

We are fully self-insured for employee-related health care benefits, a portion of which is paid by our associates.

We use a third-party actuary to estimate the liabilities associated with workers' compensation, general liability and employee-related health care risks. These liabilities include amounts for both reported claims and incurred, but not reported losses. Total liabilities for these risks were $65 million as of January 28, 2017 and $58 million as of January 30, 2016.

Our self-insured retention for property losses differs based on the type of claim. For catastrophic claims such as earthquakes, floods and windstorms, the retained amount varies from 2 - 5% of the insurance claim. For other standard claims, such as fire and building damages, we are self-insured for the first $250,000 per occurrence of the property loss.

Treasury Stock

We account for repurchases of common stock and shares withheld in lieu of taxes when restricted stock vests using the cost method with common stock in treasury classified in the Consolidated Balance Sheets as a reduction of shareholders' equity.

1. Business and Summary of Accounting Policies (continued)

Other Comprehensive Income

The tax effects of each component of other comprehensive income are as follows:

(Dollars in Millions)	2016	2015	2014
Interest rate derivatives:			
Before-tax amounts	**$ 5**	$ 5	$ 5
Tax expense	**(2)**	(2)	(2)
After-tax amounts	**3**	3	3
Unrealized gains on investments:			
Before-tax amounts	**—**	—	18
Tax expense	**—**	—	(7)
After-tax amounts	**—**	—	11
Other comprehensive income	**$ 3**	$ 3	$ 14

Revenue Recognition

Revenue from the sale of merchandise at our stores is recognized at the time of sale, net of any returns. Sales of merchandise shipped to our customers are recorded based on estimated receipt of merchandise by the customer. Net sales do not include sales tax as we are considered a pass-through conduit for collecting and remitting sales taxes.

Revenue from Kohl's gift card sales is recognized when the gift card is redeemed. Gift card breakage revenue is recognized based on historical redemption patterns and represents the balance of gift cards for which we believe the likelihood of redemption by a customer is remote.

Cost of Merchandise Sold and Selling, General and Administrative Expenses

The following table illustrates the primary costs classified in Cost of Merchandise Sold and Selling, General and Administrative Expenses:

Cost of Merchandise Sold	Selling, General and Administrative Expenses

• Total cost of products sold including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs
• Inventory shrink
• Markdowns
• Freight expenses associated with moving merchandise from our vendors to our distribution centers
• Shipping and handling expenses of on-line sales
• Terms cash discount
	• Compensation and benefit costs including:
	  • Stores
	  • Corporate headquarters, including buying and merchandising
	  • Distribution centers
	• Occupancy and operating costs of our retail, distribution and corporate facilities
	• Net revenues from the Kohl's credit card program
	• Freight expenses associated with moving merchandise from our distribution centers to our retail stores and between distribution and retail facilities
	• Marketing expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs
	• Other administrative revenues and expenses

The classification of these expenses varies across the retail industry.

1. Business and Summary of Accounting Policies (continued)

Vendor Allowances

We receive consideration for a variety of vendor-sponsored programs, such as markdown allowances, volume rebates and promotion and marketing support. The vendor consideration is recorded as earned either as a reduction of inventory costs or Selling, General and Administrative Expenses. Promotional and marketing allowances are intended to offset our marketing costs to promote vendors' merchandise. Markdown allowances and volume rebates are recorded as a reduction of inventory costs.

Loyalty Program

We maintain a customer loyalty program in which customers earn points based on their spending and other promotional activities. Upon accumulating certain point levels, customers receive rewards to apply to future purchases. We accrue the cost of anticipated redemptions related to the program when the points are earned at the initial purchase. The costs of the program are recorded in Cost of Merchandise Sold.

Fair Value

Fair value measurements are required to be classified and disclosed in one of the following pricing categories:

Level 1:	Financial instruments with unadjusted, quoted prices listed on active market exchanges.
Level 2:	Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3:	Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

Current assets and liabilities are reported at cost, which approximate fair value.

Leases

We lease certain property and equipment used in our operations.

We are often involved extensively in the construction of leased stores. In many cases, we are responsible for construction cost over runs or non-standard tenant improvements (e.g. roof or HVAC systems). As a result of this involvement, we are deemed the "owner" for accounting purposes during the construction period, so are required to capitalize the construction costs on our Balance Sheet. Upon completion of the project, we perform a sale-leaseback analysis to determine if we can remove the assets from our Balance Sheet. In many of our leases, we are reimbursed a portion of the construction costs via adjusted rental payments and/or cash payments or have terms which fix the rental payments for a significant percentage of the leased asset's economic life. These items generally are considered "continuing involvement" which precludes us from derecognizing the assets from our Balance Sheet when construction is complete. In conjunction with these leases, we also record financing obligations equal to the cash proceeds or fair market value of the assets received from the landlord. At the end of the lease term, including exercise of any renewal options, the net remaining financing obligation over the net carrying value of the fixed asset will be recognized as a non-cash gain on sale of the property. We do not report rent expense for the properties which are owned for accounting purposes. Rather, rental payments under the lease are recognized as a reduction of the financing obligation and interest expense.

Some of our property and equipment is held under capital leases. These assets are included in property and equipment and depreciated over the term of the lease. We do not report rent expense for capital leases. Rather, rental payments under the lease are recognized as a reduction of the capital lease obligation and interest expense.

1. Business and Summary of Accounting Policies (continued)

All other leases are considered operating leases. Assets subject to an operating lease and the related lease payments are not recorded on our Balance Sheet. Rent expense is recognized on a straight-line basis over the expected lease term.

The lease term for all types of leases begins on the date we become legally obligated for the rent payments or we take possession of the building or land, whichever is earlier. The lease term includes cancelable option periods where failure to exercise such options would result in an economic penalty. Failure to exercise such options would result in the recognition of accelerated depreciation expense of the related assets.

Marketing

Marketing costs are expensed when the marketing is first seen. Marketing costs, net of related vendor allowances, are as follows:

(Dollars in Millions)	2016	2015	2014
Gross marketing costs	**$ 1,164**	$ 1,171	$ 1,189
Vendor allowances	**(148)**	(160)	(165)
Net marketing costs	**$ 1,016**	$ 1,011	$ 1,024
Net marketing costs as a percent of net sales	**5.4%**	5.3%	5.4%

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recorded based on differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. Deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We establish valuation allowances for deferred tax assets when we believe it is more likely than not that the asset will not be realizable for tax purposes. We recognize interest and penalty expense related to unrecognized tax benefits in our provision for income tax expense.

Net Income Per Share

Basic net income per share is net income divided by the average number of common shares outstanding during the period. Diluted net income per share includes incremental shares assumed for share-based awards.

The information required to compute basic and diluted net income per share is as follows:

(Dollars in Millions, Except per Share Data)	2016	2015	2014
Numerator—net income	**$ 556**	$ 673	$ 867
Denominator—weighted average shares			
Basic	**178**	193	203
Impact of dilutive employee stock options (a)	**1**	2	1
Diluted	**179**	195	204
Net income per share:			
Basic	**$ 3.12**	$ 3.48	$ 4.28
Diluted	**$ 3.11**	$ 3.46	$ 4.24

(a) Excludes 3 million share-based awards for 2016, 1 million share-based awards for 2015 and 3 million share-based awards for 2014 as the impact of such awards was antidilutive.

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1. Business and Summary of Accounting Policies (continued)

Share-Based Awards

Stock-based compensation expense is generally recognized on a straight-line basis over the vesting period based on the fair value of awards which are expected to vest. The fair value of all share-based awards is estimated on the date of grant.

Recent Accounting Pronouncements

The following table provides a brief description of issued, but not yet effective, accounting standards:

Standard	Description	Effect on our Financial Statements
Compensation - Stock Compensation (ASC Topic 718) Issued March 2016 Effective Q1 2017	The new standard modifies several aspects of accounting and reporting for share-based payment transactions. Under the new standard, we will recognize excess income tax benefits and tax deficiencies related to share-based payments as income tax expense in our income statement, rather than as additional paid-in capital on our balance sheet. The new standard also allows us to change the way we account for forfeitures and for shares withheld from employees to satisfy income tax obligations.	Generally, the new standard will result in higher tax expense when our stock price declines and lower tax expense when our stock price increases. Based on options and restricted shares outstanding as of year-end, every $1 change in our stock price would change our effective tax rate by approximately 3 basis points. We do not expect to change our accounting for forfeitures or shares withheld for taxes.
Revenue from Contracts with Customers (ASC Topic 606) Issued May 2014 Effective Q1 2018	The standard eliminates the transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replaces it with a principles-based approach for revenue recognition and disclosures.	The standard will change the way we account for sales returns, our loyalty program and certain promotional programs. Based on current estimates, we do not expect these provisions of the standard will have a material impact on our financial statements. We are currently evaluating the impact other provisions of the standard may have on our financial statements, including principal vs agent considerations and presentation of net earnings of our credit card operations. Under current accounting, substantially all merchandise sales are reported gross as we are considered the principal in the transaction and net credit card earnings are reported in Selling, General and Administrative Expenses. We will elect an adoption methodology after we have evaluated the impact that all provisions of the standard will have on our financial statements.
Leases (ASC Topic 842) Issued February 2016 Effective Q1 2019	Among other things, the new standard requires us to recognize a right of use asset and a lease liability on our balance sheet for leases. It also changes the presentation and timing of lease-related expenses.	Approximately 5% of our store leases and all of our land leases are not currently recorded on our balance sheet. Recording right of use assets and liabilities for these and other non-store leases is expected to have a material impact on our balance sheet. We are also evaluating the impact that recording right of use assets and liabilities will have on our income statement and the financial statement impact that the standard will have on leases which are currently recorded on our balance sheet.

2. Impairments, Store Closing and Other Costs

During 2016, we closed 18 underperforming stores and recorded the following costs related to the store closures and the organizational realignment at our corporate office:

(Dollars in Millions)	
Store leases:	
Record future obligations	**$ 114**
Write-off net obligations	**(21)**
Impairments:	
Software licenses	**23**
Buildings and other store assets	**53**
Severance and other	**17**
Impairments, store closing and other costs	**$ 186**

The store lease future obligation charge represents the discounted value of rents and other lease liabilities under non-cancelable lease terms and will be paid over the next 13 years. All of the severance will be paid out within two years. The remaining charge is primarily non-cash write-offs of assets and liabilities that were previously recorded on our Balance Sheet.

The following table summarizes changes in the store closure and restructure reserve during 2016:

(Dollars in Millions)	Store Lease Obligations	Severance	Total
Charges	$ 114	$ 15	129
Payments	(11)	(12)	(23)
Balance at end of year	$ 103	$ 3	$ 106

3. Debt

Long-term debt includes the following unsecured senior debt as of January 28, 2017 and January 30, 2016:

Maturity (Dollars in Millions)	Effective Rate	Coupon Rate	Outstanding
2021	4.81%	4.00%	**$ 650**
2023	3.25%	3.25%	**350**
2023	4.78%	4.75%	**300**
2025	4.25%	4.25%	**650**
2029	7.36%	7.25%	**99**
2033	6.05%	6.00%	**166**
2037	6.89%	6.88%	**150**
2045	5.57%	5.55%	**450**
	4.88%		**$ 2,815**

Long-term debt is net of unamortized debt discounts and deferred financing costs of $20 million at January 28, 2017 and $23 million at January 30, 2016.

Our long-term debt is classified as Level 1, financial instruments with unadjusted, quoted prices listed on active market exchanges. The estimated fair value of our long-term debt was $2.7 billion at January 28, 2017 and $2.8 billion at January 30, 2016.

During 2015, we completed a cash tender offer and redemption for $1,085 million of senior unsecured debt. We recognized a $169 million loss on extinguishment of debt which included a $163 million bond tender premium paid to holders of the debt and a $6 million non-cash write-off of deferred financing costs and original issue discounts associated with the extinguished debt.

3. Debt (continued)

We have various facilities upon which we may draw funds, including a 5-year, $1 billion senior unsecured revolving credit facility which matures in June 2020.

Our various debt agreements contain covenants including limitations on additional indebtedness and certain financial tests. As of January 28, 2017, we were in compliance with all covenants of the various debt agreements.

We also have outstanding trade letters of credit and stand-by letters of credit totaling approximately $54 million at January 28, 2017, issued under uncommitted lines with two banks.

4. Lease Commitments

Rent expense charged to operations was $276 million for 2016, $279 million for 2015, and $277 million for 2014. In addition to rent payments, we are often required to pay real estate taxes, insurance and maintenance costs on leased properties. These items are not included in the future minimum lease payments listed below. Many store leases include multiple renewal options, exercisable at our option, that generally range from four to eight additional five-year periods.

Future minimum lease payments at January 28, 2017 were as follows:

(Dollars in Millions)	Capital Lease and Financing Obligations	Operating Leases
Fiscal year:		
2017	$ 286	$ 253
2018	272	254
2019	255	249
2020	238	245
2021	222	241
Thereafter	2,372	4,067
	3,645	$ 5,309
Non-cash gain on future sale of property	471	
Amount representing interest	(2,300)	
Present value of lease payments	$ 1,816	

5. Benefit Plans

We have a defined contribution savings plan covering all full-time and certain part-time associates. Participants in this plan may invest up to 100% of their base compensation, subject to certain statutory limits. We match 100% of the first 5% of each participant's contribution, subject to certain statutory limits.

We also offer a non-qualified deferred compensation plan to a group of executives which provides for pre-tax compensation deferrals up to 100% of salary and/or bonus. Deferrals and credited investment returns are 100% vested.

The total costs for these benefit plans were $47 million for 2016, $49 million for 2015, and $43 million for 2014.

6. Income Taxes

Deferred income taxes consist of the following:

(Dollars in Millions)	Jan 28, 2017	Jan 30, 2016
Deferred tax liabilities:		
Property and equipment	**$ 1,226**	$ 1,319
Merchandise inventories	**95**	—
Total deferred tax liabilities	**1,321**	1,319
Deferred tax assets:		
Capital lease and financing obligations	**711**	752
Accrued and other liabilities, including stock-based compensation	**194**	151
Accrued step rent liability	**111**	106
Federal benefit on state tax reserves	**47**	45
Unrealized loss on interest rate swap	**9**	11
Merchandise inventories	**—**	24
Total deferred tax assets	**1,072**	1,089
Net deferred tax liability	**$ 249**	$ 230

Deferred tax assets included in other long-term assets totaled $23 million as of January 28, 2017 and $27 million as of January 30, 2016.

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

(Dollars in Millions)	2016	2015	2014
Current federal	**$ 272**	$ 397	$ 400
Current state	**25**	34	36
Deferred federal	**16**	(35)	48
Deferred state	**6**	(12)	(2)
Provision for income taxes	**$ 319**	$ 384	$ 482

Our effective tax rate differs from the amount that would be provided by applying the federal statutory tax rate due to the following items:

	2016	2015	2014
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**2.4**	2.1	1.3
Other federal tax credits	**(0.9)**	(0.8)	(0.6)
Effective tax rate	**36.5%**	36.3%	35.7%

We have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The only federal returns subject to examination are for the 2009 through 2016 tax years. State returns subject to examination vary depending upon the state. Generally, the 2013 through 2016 tax years are subject to state examination. The earliest open period is 2005. Certain states have proposed adjustments which we are currently appealing. If we do not prevail on our appeals, we do not anticipate that the adjustments would result in a material change in our financial position.

6. Income Taxes (continued)

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

(Dollars in Millions)	2016	2015
Balance at beginning of year	**$ 139**	$ 123
Increases due to:		
Tax positions taken in prior years	**3**	16
Tax positions taken in current year	**15**	19
Decreases due to:		
Tax positions taken in prior years	**—**	(6)
Settlements with taxing authorities	**(6)**	(10)
Lapse of applicable statute of limitations	**(2)**	(3)
Balance at end of year	**$ 149**	$ 139

Not included in the unrecognized tax benefits reconciliation above are gross unrecognized accrued interest and penalties of $29 million at January 28, 2017 and $23 million at January 30, 2016. We had $6 million in interest and penalty expense for 2016, none for 2015, and $2 million for 2014.

Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $110 million as of January 28, 2017 and $101 million as of January 30, 2016. It is reasonably possible that our unrecognized tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these examinations may be resolved in the next year, it is not anticipated that a significant impact to the unrecognized tax benefit balance will occur.

We have both payables and receivables for current income taxes recorded on our Balance Sheet. Receivables included in other current assets totaled $27 million as of January 28, 2017 and $26 million as of January 30, 2016.

7. Stock-Based Compensation

We currently grant share-based compensation pursuant to the Kohl's Corporation 2010 Long-Term Compensation Plan, which provides for the granting of various forms of equity-based awards, including nonvested stock, performance share units and options to purchase shares of our common stock, to officers, key employees and directors. As of January 28, 2017, there were 18.5 million shares authorized and 7.3 million shares available for grant under the 2010 Long-Term Compensation Plan. Options and nonvested stock that are surrendered or terminated without issuance of shares are available for future grants. We also have outstanding options which were granted under previous compensation plans.

Annual grants are typically made in the first quarter of the fiscal year. Grants to newly-hired and promoted employees and other discretionary grants are made periodically throughout the remainder of the year.

Stock Options

The majority of stock options granted to employees vest in five equal annual installments. Outstanding options granted to employees after 2005 have a term of seven years. Outstanding options granted to employees prior to 2006 have a term of up to 15 years. Outstanding options granted to directors have a term of 10 years.

All stock options have an exercise price equal to the fair market value of the common stock on the date of grant. The fair value of each option award was estimated using a Black-Scholes option valuation model. The weighted average fair value of options granted in 2014 was $12.23.

7. Stock-Based Compensation (continued)

The following table summarizes our stock option activity:

	2016		2015		2014	
(Shares in Thousands)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance at beginning of year	**3,076**	**$ 52.65**	6,211	$ 52.95	11,375	$ 56.05
Granted	**—**	**—**	—	—	186	54.69
Exercised	**(410)**	**46.86**	(2,815)	52.79	(2,647)	46.87
Forfeited/expired	**(316)**	**55.39**	(320)	57.36	(2,703)	72.21
Balance at end of year	**2,350**	**$ 53.29**	3,076	$ 52.65	6,211	$ 52.95

The intrinsic value of options exercised represents the excess of our stock price at the time the option was exercised over the exercise price and was $2 million in 2016, $52 million in 2015 and $30 million in 2014.

Additional information related to stock options outstanding and exercisable at January 28, 2017, segregated by exercise price range, is summarized below:

(Shares in Thousands)	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$ 41.08 – $ 50.00	831	2.4	$ 47.76	623	2.3	$ 47.79
$ 50.01 – $ 60.00	1,170	1.6	53.26	1,026	1.3	53.25
$ 60.01 – $ 77.62	349	0.3	66.56	349	0.3	66.56
Balance at end of year	2,350	1.7	$ 53.29	1,998	1.4	$ 53.88

All of our outstanding or exercisable stock options had exercise prices in excess of our stock price on January 28, 2017 ($39.00).

Nonvested Stock Awards

We have also awarded shares of nonvested common stock to eligible key employees and to our Board of Directors. Substantially all awards have restriction periods tied primarily to employment and/or service. Employee awards generally vest over five years. Director awards vest over the term to which the director was elected, generally one year. In lieu of cash dividends, holders of nonvested stock awards are granted restricted stock equivalents which vest consistently with the underlying nonvested stock awards.

The fair value of nonvested stock awards is the closing price of our common stock on the date of grant. We may acquire shares from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employee's unvested stock award. Such shares are then designated as treasury shares.

7. Stock-Based Compensation (continued)

The following table summarizes nonvested stock activity, including restricted stock equivalents issued in lieu of cash dividends:

(Shares in Thousands)	2016 Shares	2016 Weighted Average Grant Date Fair Value	2015 Shares	2015 Weighted Average Grant Date Fair Value	2014 Shares	2014 Weighted Average Grant Date Fair Value
Balance at beginning of year	**2,211**	**$ 57.37**	2,431	$ 52.29	2,653	$ 50.56
Granted	**1,128**	**46.61**	955	65.02	910	56.13
Vested	**(935)**	**55.54**	(957)	52.61	(818)	50.69
Forfeited	**(241)**	**55.54**	(218)	55.16	(314)	51.47
Balance at end of year	**2,163**	**$ 52.75**	2,211	$ 57.37	2,431	$ 52.29

The aggregate fair value of awards at the time of vesting was $52 million in 2016, $50 million in 2015 and $41 million in 2014.

Performance Share Units

We grant performance-based restricted stock units ("performance share units") to certain executives. The performance measurement period for these performance share units is three fiscal years. The fair market value of the grants are determined using a Monte-Carlo valuation on the date of grant.

The actual number of shares which will be earned at the end of the three-year vesting periods will vary based on our cumulative financial performance over the vesting periods. The number of performance share units earned will be modified up or down based on Kohl’s Relative Total Shareholder Return against a defined peer group during the vesting periods. The payouts, if earned, will be settled in Kohl's common stock after the end of each multi-year performance periods.

The following table summarizes performance share unit activity by year of grant:

(Shares in Thousands)	2016 Shares	2016 Weighted Average Grant Date Fair Value	2015 Shares	2015 Weighted Average Grant Date Fair Value	2014 Shares	2014 Weighted Average Grant Date Fair Value
Balance at beginning of year	**357**	**$ 63.58**	221	$ 56.76	300	$ 55.33
Granted	**309**	**47.89**	177	70.50	18	60.76
Vested	**—**	**—**	—	—	(34)	50.72
Forfeited	**(154)**	**59.74**	(41)	56.71	(63)	54.41
Balance at end of year	**512**	**$ 57.82**	357	$ 63.58	221	$ 56.76

Other Required Disclosures

Stock-based compensation expense, other than that included in Impairments, store closing and other costs, is included in Selling, General and Administrative Expenses in our Consolidated Statements of Income. Stock-based compensation expense totaled $44 million for 2016 and $48 million for both 2015 and 2014. At January 28, 2017, we had approximately $79 million of unrecognized share-based compensation expense, which is expected to be recognized over a weighted-average period of 2 years.

8. Contingencies

At any time, we may be subject to investigations, legal proceedings, or claims related to the on-going operation of our business, including claims both by and against us. Such proceedings typically involve claims related to various forms of liability, contract disputes, allegations of violations of laws or regulations or other actions brought by us or others including our employees, consumers, competitors, suppliers or governmental agencies. We routinely assess the likelihood of any adverse outcomes related to these matters on a case by case basis, as well as the potential ranges of losses and fees. We establish accruals for our potential exposure, as appropriate, for significant claims against us when losses become probable and reasonably estimable. Where we are able to reasonably estimate a range of potential losses relating to significant matters, we record the amount within that range that constitutes our best estimate. We also disclose the nature of and range of loss for claims against us when losses are reasonably possible and material. These accruals and disclosures are determined based on the facts and circumstances related to the individual cases and require estimates and judgments regarding the interpretation of facts and laws, as well as the effectiveness of strategies or other factors beyond our control.

9. Quarterly Financial Information (Unaudited)

	2016			
(Dollars in Millions, Except per Share Data)	**First**	**Second**	**Third**	**Fourth**
Net sales	**$ 3,972**	**$ 4,182**	**$ 4,327**	**$ 6,205**
Gross margin	**$ 1,412**	**$ 1,650**	**$ 1,607**	**$ 2,072**
Selling, general and administrative expenses	**$ 1,008**	**$ 986**	**$ 1,080**	**$ 1,360**
Impairments, store closing and other costs	**$ 64**	**$ 128**	**$ (6)**	**—**
Net income	**$ 17**	**$ 140**	**$ 146**	**$ 252**
Basic shares	**183**	**180**	**177**	**174**
Basic net income per share	**$ 0.09**	**$ 0.77**	**$ 0.83**	**$ 1.45**
Diluted shares	**184**	**181**	**177**	**175**
Diluted net income per share	**$ 0.09**	**$ 0.77**	**$ 0.83**	**$ 1.44**

	2015			
(Dollars in Millions, Except per Share Data)	**First**	**Second**	**Third**	**Fourth**
Net sales	$ 4,123	$ 4,267	$ 4,427	$ 6,387
Gross margin	$ 1,523	$ 1,662	$ 1,643	$ 2,112
Selling, general and administrative expenses	$ 1,016	$ 1,005	$ 1,099	$ 1,332
Loss on extinguishment of debt	—	$ 131	$ 38	—
Net income	$ 127	$ 130	$ 120	$ 296
Basic shares	200	196	191	187
Basic net income per share	$ 0.64	$ 0.66	$ 0.63	$ 1.58
Diluted shares	202	197	192	187
Diluted net income per share	$ 0.63	$ 0.66	$ 0.63	$ 1.58

Due to changes in stock prices during the year and timing of share repurchases and issuances, the sum of quarterly net income per share may not equal the annual net income per share.

OUTSIDE DIRECTOR COMPENSATION

Pursuant to our 2016 Non-Employee Director Compensation Program, directors who are not our employees or employees of our subsidiaries receive an annual retainer fee of $100,000. The independent Lead Director receives an additional retainer fee of $40,000. Chairpersons of the Compensation Committee and the Audit Committee receive an additional $20,000 retainer fee, and the Chairperson of the Governance & Nominating Committee receives an additional $15,000 retainer fee. Non-employee directors also receive retainer fees for membership on the Board of Directors' standing committees and Executive Committee. Committee member retainers are $5,000 for Governance & Nominating Committee members, $10,000 for Compensation Committee members and $15,000 for Audit Committee and Executive Committee members. Directors receive no additional compensation for participation in Board of Directors' or committee meetings. Directors are, however, reimbursed for travel and other expenses related to attendance at these meetings as well as travel and other expenses related to attendance at educational seminars approved in advance by the Governance & Nominating Committee.

Equity awards are granted to non-employee Directors from time to time pursuant to our 2010 Long Term Compensation Plan. These grants are typically made following a Director's initial election to the Board and each time the Director is re-elected by the shareholders to serve a new term. The annual awards, which are comprised of restricted shares, typically have a "grant date fair value" of approximately $110,000, calculated in accordance with FASB ASC Topic 718. The restricted shares vest on the first anniversary of the date of grant.

AGREEMENT DATED AS OF NOVEMBER 9, 2016 BY AND BETWEEN KOHL'S DEPARTMENT STORES, INC., KOHL'S CORPORATION AND WESLEY S. MCDONALD

THIS LETTER AGREEMENT (the "Letter Agreement") shall serve to memorialize our agreements with respect to the terms of your retirement and as an amendment of certain specific terms of the June 10, 2015 Amended and Restated Employment Agreement (the "Employment Agreement") between you and Kohl's Department Stores, Inc. and Kohl's Corporation (collectively referred to as "Company"). In the event of any conflict between this Letter Agreement and the Employment Agreement, this Letter Agreement shall control.

1. Retirement on Transition Date.

Pursuant to your request, we have agreed that you will retire from full-time day to day service as Company's Chief Financial Officer ("CFO") on a future date which shall be mutually agreed upon, but no later than July 1, 2017 (such date as agreed upon is referred to in this Letter Agreement as the "Transition Date"). Except as expressly set forth in this Letter Agreement, you formally resign from all offices, positions, titles and capacities you now hold or have held with Company and its affiliates, effective on the Transition Date. Company hereby accepts this resignation. You acknowledge and agree that, provided you do not voluntarily terminate your employment with Company or Company does not terminate your employment for Cause (as defined in the Employment Agreement) prior to the Transition Date, (1) your retirement shall be considered a "Termination by Resignation" pursuant to Section 3.1(e) of the Employment Agreement and (2) for purposes of Company's nonqualified deferred compensation plans, the Transition Date shall be the date of your "separation from service" as determined under Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). From the date of this Letter Agreement until the Transition Date, you will continue in your current capacity as Chief Financial Officer and an Executive Officer, managing the business and your team in a "business as usual" manner. As of the date of this Letter Agreement, you agree and acknowledge that the terms of this Letter Agreement supersede and replace any rights you may have upon a termination of employment under Section 3.2 of your Employment Agreement and as of the Transition Date, the term of your employment as CFO under the Employment Agreement shall expire.

2. Transition Period.

Notwithstanding the expiration of your term of employment as CFO under the Employment Agreement on the Transition Date, for a period of one (1) year beyond the Transition Date (the "Transition Period") you will continue to be an employee of Company as a non-executive Senior Advisor. During the Transition Period, you agree to be available for reasonable periods of time to provide transitional assistance or to work on special projects, all at the discretion of the Chief Executive Officer of Company. For as long as you provide such assistance and work on special projects as requested during the Transition Period, you will continue to earn and receive your current level of salary and benefits during the Transition Period, except as otherwise provided in this Letter Agreement. To the extent you provide the services requested during the Transition Period, you will be eligible for full, non-prorated participation in the Fiscal 2016 and 2017 Annual Incentive Plans. You will not be eligible to participate in the Annual Incentive Plan for Fiscal 2018 or for any year thereafter. Except as otherwise provided in this Letter Agreement, you will continue to be treated as an employee for purposes of all of Company's benefit plans during the Transition Period except for Company's nonqualified deferred compensation plans. At the end of the Transition Period your employment with Company will end and you will be entitled to no further compensation or benefits but for those provided by this Letter Agreement. At the end of the Transition Period or, if earlier, upon request by Company, you agree to immediately return to Company all documents, records, and materials belonging and/or relating to Company, and all copies of all such materials. At the end of the Transition Period, or if earlier, upon request Company, you further agree to destroy such records maintained by you on your own computer equipment.

3. Equity Awards.

From the date of this Letter Agreement, you will no longer be eligible for any equity awards such as stock options, performance share units or restricted shares under Company's Long-Term Compensation Plans. Provided you remain employed until the Transition Date in accordance with Paragraph 1 above and that you provide the services requested during the Transition Period in accordance with Paragraph 2 above, Company will treat your retirement as an "early retirement" for purposes of all of your outstanding stock options and as an "retirement" for purposes of all of your outstanding performance share units held by you on the Transition Date, where the last day of your employment and your retirement date for purposes of those awards will be the last date of the Transition Period. In addition, provided that you remain employed until the Transition Date in accordance with Paragraph 1 above, any of your restricted shares that are scheduled to vest during the Transition Period shall immediately vest on the Transition Date. From the date of this Letter Agreement until the Transition Date, any provisions in your restricted share award agreements and the Long Term Incentive Plans regarding accelerated vesting in the event of a termination of your employment by Company without cause or by you for good reason or in the event of a change of control of Company shall not apply to your outstanding restricted shares.

In the event of your death or Disability or in the event of a Change of Control (all terms as defined in the Long-Term Compensation Plans or applicable award agreements) during the Transition Period, no accelerated vesting under any awards shall occur as a result of any such event and instead, the vesting that would apply in the event you had continued to perform services during the Transition Period will apply to such awards (i.e., as a retirement). Except as otherwise provided in this Paragraph 3, all other terms and conditions of your equity awards under Company's Long-Term Compensation Plans shall be as provided in the applicable award agreements.

4. Health Insurance Benefits.

Provided you remain employed until the Transition Date in accordance with Paragraph 1 above and that you provide the services requested during the Transition Period in accordance with Paragraph 2 above, for an unlimited period of time following the Transition Period you may continue to participate in Company's executive health insurance program and supplemental executive medical plan, as provided to Company's executives from time to time (the "Health Insurance Benefits"). In the event of your death, the Health Insurance Benefits shall continue to be available to your eligible dependents, in each case for as long as each individual would have continued to qualify as an eligible dependent under the terms of the applicable insurance and medical plans had you been living.

Company's responsibility to provide the Health Insurance Benefits described in the preceding paragraph shall at all times be contingent upon:

(1) The Health Insurance Benefits being reasonably available to Company with respect to you and your eligible dependents, as the case may be; and

(2) You or your eligible dependents, as the case may be, shall reimburse Company for all premiums paid for the Health Insurance Benefits, as determined by Company in good faith from time to time. Company shall provide a quarterly invoice for such reimbursement. The current premium for your Health Insurance Benefits is $1,208.51 per month.

Company's responsibility to provide the Health Insurance Benefits described in this Letter Agreement will cease forever on the date on which you first become eligible for health insurance coverage under another employer's group health insurance plan. You shall inform Company in writing within five (5) calendar days of your becoming eligible for such coverage.

In no event will the Health Insurance Benefits in one taxable year affect the amount of Health Insurance Benefits to be provided in any other taxable year, nor will your right to Health Insurance Benefits be subject to liquidation or exchange for another benefit.

5. Release of Claims.

(1) In exchange for the benefits provided to you upon execution of this Letter Agreement and throughout the Transition Period, which you acknowledge are greater in their totality than those which you would receive absent this Letter Agreement, you agree, on behalf of yourself, your heirs, successors and assigns, to release Company, its parents, subsidiaries, affiliates, and related entities and their respective past and present officers, directors, stockholders, managers, members, partners, agents, and employees ("Released Parties"), from any claims arising on or before the date you sign this Letter Agreement. This release includes, but is not limited to, giving up any claims related in any way to your employment by Company, your resignation and transition of employment with Company and wages and other remuneration, including, but not limited to, any current or former severance, bonus or other incentive plans or programs offered by Company, except as explicitly provided for in this

Letter Agreement. This release of claims includes any claims, whether they are presently known or unknown, or anticipated or unanticipated by you, and includes, but is not limited to, all matters in law, in equity, in contract, or in tort, or pursuant to statute, including damages, attorneys' fees, costs, and expenses, and, without limiting the generality of the foregoing, all claims arising under Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Equal Pay Act, the Employee Retirement Income Security Act (with respect to unvested benefits), the Civil Rights Act of 1991, the Wisconsin Fair Employment Act, the Wisconsin Wage Claim and Payment Law, the Wisconsin Cessation of Health Care Benefits Law, the Wisconsin Family and Medical Leave Law, the Wisconsin Personnel Records Statute, the Wisconsin Employment Peace Act, all as amended, or any other federal, state or local law, statute or ordinance affecting your employment with or transition from employment with Company.

However, this release of claims does not apply to any claims that may arise after the date you execute this Letter Agreement, nor does this release of claims apply to or affect any claim that controlling law clearly states may not be released, including by settlement. This general release does not apply to any vested rights that you may have in Company's 401(k) plan. Likewise, this release shall not prevent, restrict or in any way limit your right to file a charge or complaint with a government agency (including, without limitation, the Equal Employment Opportunity Commission or the Securities and Exchange Commission) or participate in an investigation or proceeding initiated or conducted by a government agency; provided, however, this release of claims does prevent you from making any personal recovery against Company or the Released Parties, including the recovery of money damages, as a result of filing a charge or complaint with a government agency against Company and/or any of the Released Parties.

(2) In exchange for the benefits provided to you under this Letter Agreement at the completion of and following the Transition Period, which you acknowledge are greater in their totality than those which you would receive absent this Letter Agreement, you agree to sign and return the Complete and Permanent Release ("Release") which is attached hereto as **Exhibit A**; provided, however, that you may not sign the Release until after the last day of the Transition Period, and the signed Release must be delivered to Company on or before the twenty-one (21st) day following the last day of the Transition Period. You acknowledge and agree that upon your failure to sign and return the Release to Company in a timely manner or your revocation of the Release as specified in **Exhibit A**, Company's obligation to furnish the benefits provided to you under this Letter Agreement at the completion of and following the Transition Period, will automatically be terminated.

6. Confidentiality. You acknowledge and agree that, as an integral part of its business, Company has expended a great deal of time, money and effort to develop and maintain confidential, proprietary and trade secret information to compete against similar businesses and that this information, if misused or disclosed, would be harmful to Company's business and competitive position in the marketplace. You further acknowledge and agree that in your position with Company, Company provided and continues to provide you with access to its confidential, proprietary and trade secret information, strategies and other confidential business information that would be of considerable value to competitive businesses. As a result, you acknowledge and agree that the following restrictions contained in this Paragraph 6 are reasonable, appropriate and necessary for the protection of Company's confidential, proprietary and trade secret information. For purposes of this Paragraph 6, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates.

(1) From the date you sign this Letter Agreement and thereafter, you will not directly or indirectly use or disclose any Trade Secrets. The term "Trade Secret" shall have that meaning set forth under applicable law. This term is deemed by the Company to specifically include all of Company's computer source, object or other code and confidential information received from a third party with whom the Company has a binding agreement restricting disclosure of such confidential information. Nothing in this Letter Agreement shall limit or supersede any common law, statutory or other protections of trade secrets where such protections provide Company with greater rights or protections for a longer duration than provided in this Letter Agreement. With respect to the disclosure of a Trade Secret and in accordance with 18 U.S.C. § 1833, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, provided that, the information is disclosed solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other

document filed in a lawsuit or other proceeding filed under seal so that it is not disclosed to the public. You are further notified that if you file a lawsuit for retaliation by Company for reporting a suspected violation of law, you may disclose Company's Trade Secrets to your attorney and use the Trade Secret information in the court proceeding, provided that, you file any document containing the Trade Secret under seal so that it is not disclosed to the public, and does not disclose the Trade Secret, except pursuant to court order.

(2) From the date you sign this Letter Agreement through the Transition Period and for a period of two (2) years following the end of the Transition Period, you will not directly or indirectly use or disclose any Confidential Information, unless such information ceases to be deemed Confidential Information by means of one of the exclusions set forth below. The term "Confidential Information" shall mean all non-Trade Secret information of, about or related to Company, whether created by, for or provided to Company, which is not known to the public or Company's competitors, generally, including, but not limited to strategic growth plans, pricing policies and strategies, employment records and policies, operational methods, marketing plans and strategies, advertising plans and strategies, product development techniques and plans, business acquisition and divestiture plans, resources, sources of supply, suppliers and supplier contractual relationships and terms, technical processes, designs, inventions, research programs and results, source code, short-term and long-range planning, projections, information systems, sales objectives and performance, profit and profit margins, and seasonal plans, goals and objectives. Notwithstanding the foregoing, the terms "Trade Secret" and "Confidential Information" shall not include, and the obligations set forth in this Paragraph 6 shall not apply to, any information which: (i) can be demonstrated by you to have been known by you prior to your employment by Company; (ii) is or becomes generally available to the public through no act or omission on your part; (iii) is obtained by you in good faith from a third party who discloses such information to you on a non-confidential basis without violating any obligation of confidentiality or secrecy relating to the information disclosed; or (iv) is independently developed by you outside the scope of your employment without use of Confidential Information or Trade Secrets.

This Paragraph 6 shall supersede and replace Article IV of the Employment Agreement.

7. Restricted Services. You acknowledge and agree that Company is one of the leading retail companies in the United States, with department stores throughout the United States, and that Company compensated and continues to compensate executives like you to, among other things, develop and maintain valuable goodwill and relationships on Company's behalf (including relationships with customers, suppliers, vendors, employees and other associates) and to maintain business information for Company's exclusive ownership and use. As a result, you acknowledge and agree that the restrictions contained in this Paragraph 7 are reasonable, appropriate and necessary for the protection of Company's goodwill, customer, supplier, vendor, employee and other associate relationships and Confidential Information and Trade Secrets. You further acknowledge and agree that the restrictions contained in this Paragraph 7 will not pose an undue hardship on you or your ability to find gainful employment. For purposes of this Paragraph 7, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates.

From the date you sign this Letter Agreement through the Transition Period and for the one (1) year period following the end of the Transition Period, you will not, directly or indirectly, provide Restricted Services (defined below) to or on behalf of any Competitive Business (defined below) or directly or indirectly, provide any Competitive Business with any advice or counsel in the nature of Restricted Services. The term "Restricted Services" shall mean services of any kind or character comparable to those you provided to Company during the eighteen (18) month period immediately preceding the date you sign this Letter Agreement. The term "Competitive Business" means Amazon.com, Inc., Belk, Inc., Bon-Ton Stores, Inc., Burlington Stores, Inc., Dillard's, Inc., J.C. Penney Company, Inc., Macy's, Inc., Nordstrom Co., Ross Stores, Inc., Sears Holdings Corporation, Stage Stores, Inc., Target Corporation, The Gap, Inc., The TJX Companies, Inc. and Walmart Stores, Inc., including any successors, subsidiaries or affiliates of such entities.

This Paragraph 7 shall supersede and replace Article V of the Employment Agreement.

8. Business Ideas and Non-Disparagement.

(1) You shall immediately disclose to Company a list of all inventions, patents, applications for patent, copyrights, and applications for copyright in which you currently hold an interest. Company will own, and you hereby assign to Company, all rights in all Business Ideas. All Business Ideas which are or form the basis for copyrightable works shall be considered "works for hire" as that term is defined by United States Copyright Law. Any works that are not found to be "works for hire" are hereby assigned to Company. From the date you sign this Letter Agreement through the Transition Period and for one (1) year following the end of the Transition Period, you will promptly disclose all Business Ideas to Company and execute all documents which Company may reasonably require to perfect its patent, copyright and other rights to such Business Ideas throughout the world. You will cooperate with Company to assist Company in perfecting its rights to any Business Ideas including executing all documents which Company may reasonably require. For purposes of this Paragraph 8, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates. The term "Business Ideas" means all ideas, inventions, data, software, developments and copyrightable works, whether or not patentable or registrable, which you originate, discover or develop, either alone or jointly with others while you are employed by Company and for one (1) year thereafter and which are: (i) related to any business known by you to be engaged in or contem-plated by Company; (ii) originated, discovered or developed during your working hours during your employment with Company; or (iii) originated, discovered or developed in whole or in part using materials, labor, facilities, Confidential Information, Trade Secrets, or equipment furnished by Company.

(2) You agree not to engage at any time in any form of conduct or make any statements or representations, or direct any other person or entity to engage in any conduct or make any statements or representations, that disparage, criticize or otherwise impair the reputation of Company, its affiliates, parents and subsidiaries and their respective past and present officers, directors, stockholders, partners, members, agents and employees. Company agrees not to engage at any time in any form of conduct or make any statements or representations, or direct any other person or entity to engage in any conduct or make any statements or representations, that disparage, criticize or otherwise impair your reputation. Nothing contained in this Paragraph 8 shall preclude either party or their representatives from providing truthful testimony or statements pursuant to subpoena or other legal process or in response to inquiries from any government agency or entity.

This Paragraph 8 shall supersede and replace Article VI of the Employment Agreement.

9. Employee Non-Solicitation. From the date you sign this Letter Agreement through the Transition Period and for a period of one (1) year following the end of the Transition Period, you shall not directly or indirectly encourage any Company employee to terminate his/her employment with Company unless you do so in the course of performing your duties for Company and such encouragement is in Company's best interests. For purposes of this Paragraph 9, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates. This Paragraph 9 shall supersede and replace Article VII of the Employment Agreement.

10. General Provisions.

10.1 Consistency With Applicable Law. You acknowledge and agree that nothing in this Agreement prohibits you from reporting possible violations of law to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations.

10.2 Severability. The obligations imposed by, and the provisions of, this Letter Agreement are severable and should be construed independently of each other. If any court of competent jurisdiction determines that any provision of this Letter Agreement is invalid or unenforceable, then such invalidity or unenforceability shall have no effect on the other provisions hereof, which shall remain valid, binding and enforceable and in full force and effect, and such invalid or unenforceable provision shall not affect the validity of any other provision.

10.3 Assignability. This Letter Agreement and the rights and duties set forth herein may not be assigned by you, but may be assigned by Company, in whole or in part. This Letter Agreement shall be binding on and inure to the benefit of each party and such party's respective heirs, legal representatives, successors and assigns.

10.4 Effect of Breach. In the event that you breach any provision of this Letter Agreement or any restrictive covenant agreement between Company and you, you agree that Company may suspend all payments and benefits to you as a result of this Letter Agreement, recover from you any damages suffered as a result of such breach and recover from you any reasonable attorneys' fees or costs it incurs as a result of such breach. In addition, you agree that Company shall be entitled to injunctive or other equitable relief, without the necessity of posting bond, as a result of a breach by you of any provision of this Letter Agreement.

10.5 **Governing Law; Construction**. This Letter Agreement shall be governed by the internal laws of the State of Wisconsin, without regard to any rules of construction concerning the draftsman hereof.

Please confirm your agreement with the foregoing by signing and returning to the Corporation a copy of this letter.

KOHL'S DEPARTMENT STORES, INC.

KOHL'S CORPORATION

By: /s/ Kevin Mansell
Kevin Mansell
Chairman, President & Chief Executive Officer

Accepted and agreed to as of this 9th day of November, 2016.

By: /s/ Wesley S. McDonald
Wesley S. McDonald

<u>EXHIBIT A</u>
<u>COMPLETE AND PERMANENT RELEASE</u>
*** NOT VALID IF EXECUTED BEFORE COMPLETION OF TRANSITION PERIOD ***

Kohl's Corporation and Kohl's Department Stores, Inc. (collectively referred to as the "Company") and Wesley S. McDonald ("Executive") are party to a Transition Letter Agreement, dated November 9, 2016 ("Letter Agreement"). The Letter Agreement provides, in relevant part, that in consideration for the Company's provision of benefits to Executive at and after the end of the Transition Period (as defined in the Letter Agreement), Executive will execute this Complete and Permanent Release ("Release"). In exchange for this consideration, the sufficiency of which Executive acknowledges, Executive agrees as follows:

1. Executive, on behalf of himself, his heirs, successors, and assigns, releases the Company, its parents, subsidiaries, affiliates, and related entities and their respective past and present officers, directors, stockholders, managers, members, partners, agents, and employees ("Released Parties") from any and all claims Executive may have against the Released Parties arising out of or relating to any act, omission, matter, cause or event occurring prior to the date hereof.

2. The claims released include, but are not limited to, those arising out of or relating in any way to Executive's employment with the Company, the Transition Period (as that term is defined in the Letter Agreement), the conclusion of Executive's employment, or any actions or inactions of the Company relating to Executive in any way, including but not limited to, all matters in law, in equity, in contract, or in tort, or pursuant to statute, including damages, attorneys' fees, costs, and expenses, and, without limiting the generality of the foregoing, all claims arising under Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Equal Pay Act, the Employee Retirement Income Security Act (with respect to unvested benefits), the Civil Rights Act of 1991, the Wisconsin Fair Employment Act, the Wisconsin Wage Claim and Payment Law, the Wisconsin Cessation of Health Care Benefits Law, the Wisconsin Family and Medical Leave Law, the Wisconsin Personnel Records Statute, the Wisconsin Employment Peace Act, all as amended, or any other federal, state or local law, statute or ordinance affecting your employment with or transition from employment with Company. Executive's acceptance of this Release also will release any and all claims under the federal Age Discrimination in Employment Act ("ADEA").

3. This Release applies both to claims that are now known or are later discovered. However, this Release does not apply to any claims that may arise after the date Executive executes this Release, nor does this Release apply to any claims that may not be released under applicable law. Likewise, this Release does not apply to or affect claims for benefits under applicable worker's compensation laws, or any claim that controlling law clearly states may not be released, including by settlement. This Release does not apply to any vested rights that Executive may have in the Company's qualified retirement plan or benefits specifically provided for in the Letter Agreement. This Release shall not limit or restrict Executive's right under the ADEA to challenge the validity of this Release in a court of law and such challenge shall not be considered a breach of this Release. By signing below, Executive acknowledges and agrees that, as of the date Executive signs this Release, there are no pending complaints, charges, or lawsuits filed by Executive against the Company or any of the Released Parties, and further acknowledges that Executive is the sole and lawful owner of all rights, title, and interest in and to all matters released under this Release and that Executive has not assigned or transferred (or purported to assign or transfer) any of such released matters to any person or entity.

4. Executive acknowledges that this Release shall not prevent, restrict or in any way limit Executive's right to file a charge or complaint with a government agency (including, without limitation, the Equal Employment Opportunity Commission or the Securities and Exchange Commission ("SEC")) or participate in an investigation or proceeding initiated or conducted by a government agency; <u>provided</u>, <u>however</u>, this Release shall preclude Executive from making any personal recovery against the Released Parties, including the recovery of money damages, as a result of filing a charge or complaint with a government agency against any of the Released Parties. Notwithstanding this Paragraph 4, nothing contained in this Release shall impede Executive's ability to report possible federal securities law violations to the SEC and other governmental agencies.

5. As used in this Release, the term "claims" shall be construed broadly and shall be read to include, for example, the terms "rights," "causes of action (whether arising in law or equity)," "damages," "demands," "obligations," "grievances," and "liabilities" of any kind or character. Similarly, the term "release" shall be construed broadly and shall be read to include, for example, the terms "discharge" and "waive."

6. The Company wishes to ensure that Executive voluntarily agrees to the terms contained in this Release and does so only after Executive fully understands them. Accordingly, the following provisions shall apply:

(A) Executive has been advised, and is hereby advised, to consult with an attorney of Executive's choosing before signing this Release;

(B) Executive acknowledges and agrees that Executive has read this Release, understands its contents, and may accept its terms by signing and dating it (which date shall be no earlier than the first day after the end of the Transition Period), and returning the signed and dated Release, via mail, hand delivery, or overnight delivery so that it is received by General Counsel, Kohl's Department Stores, Inc., N56 W17000 Ridgewood Drive, Menomonee Falls, WI 53055 on or before 5:00 p.m. Central Time on the 21st calendar day following the end of the Transition Period;

(C) Executive understands that this Release includes a final general release, including a release of all claims under the ADEA;

(D) Executive understands that Executive has seven (7) calendar days after signing this Release to revoke Executive's acceptance of it ("Revocation Period"). Such revocation will not be effective unless written notice of the revocation is received, via mail, hand delivery, or overnight delivery so that it is received by General Counsel, Kohl's Department Stores, Inc., N56 W17000 Ridgewood Drive, Menomonee Falls, WI 53055, on or before 5:00 p.m. Central Time on the first workday following the end of the Revocation Period; and

(E) If Executive gives timely notice of revocation of this Release, it shall become null and void, and all rights and claims of the parties which would have existed, but for the acceptance of this Release's terms, shall be restored.

7. This Release shall be binding on the successors of the Company and Executive, is not assignable by Executive, and is governed by Wisconsin law without regard to its principles of conflict of laws.

This Release and Executive's entitlement to additional benefits under the Letter Agreement will not be effective until Executive has signed and delivered this Release, as provided in Paragraph 6(B), above, and Executive has declined to exercise Executive's revocation rights within the Revocation Period.

I agree with and accept the terms contained in this Release and agree to be bound by them.

Dated:

____
Wesley S. McDonald

Exhibit 12.1

KOHL'S CORPORATION
RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Millions)	2016	2015	2014
Earnings			
Income before income taxes, including non-recurring items	**$ 875**	$ 1,057	$ 1,349
Fixed charges	**484**	512	524
Less: Interest capitalized during period	**(1)**	0	(2)
	$ 1,358	$ 1,569	$ 1,871
Fixed charges			
Interest (expensed or capitalized)	**$ 309**	$ 329	$ 342
Portion of rent expense representative of interest	**173**	181	180
Amortization of deferred financing fees	**2**	2	2
	$ 484	$ 512	$ 524
Ratio of earnings to fixed charges	**2.8**	3.1	3.6

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements (Form S-8 #333-26409, Form S-8 #333-105264, Form S-8 #333-143086, Form S-8 #333-167338, and Form S-3 #333-205569) of Kohl's Corporation, of our reports dated March 17, 2017, with respect to the consolidated financial statements of Kohl's Corporation, and the effectiveness of internal control over financial reporting of Kohl's Corporation, included in this Annual Report (Form 10-K) of Kohl's Corporation for the year ended January 28, 2017.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin
March 17, 2017

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Mansell, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 17, 2017

/s/ Kevin Mansell

Kevin Mansell
Chairman, Chief Executive Officer and
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wesley S. McDonald, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 17, 2017

/s/ Wesley S. McDonald

Wesley S. McDonald
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT
BY CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Mansell, 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. This Annual Report on Form 10-K of the Company for the annual period ended January 28, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 17, 2017

/s/ Kevin Mansell

Kevin Mansell
Chairman, Chief Executive Officer and
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PERIODIC REPORT
BY CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wes 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. This Annual Report on Form 10-K of the Company for the annual period ended January 28, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 17, 2017

/s/ Wesley S. McDonald
Wesley S. McDonald
Chief Financial Officer
(Principal Financial and Chief Accounting