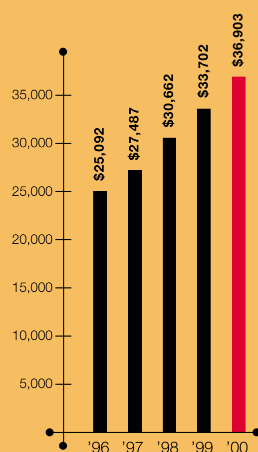
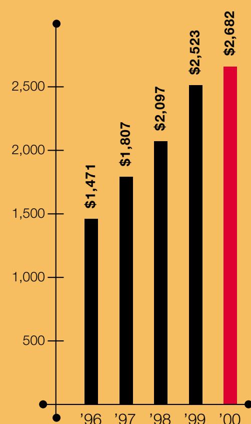
Target Corporation Annual Report 2000 **Growth.**

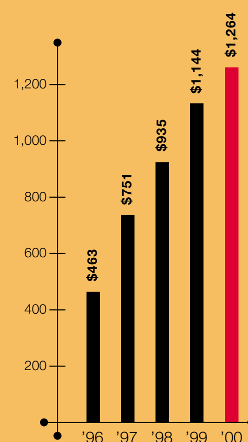
Financial Highlights 2000



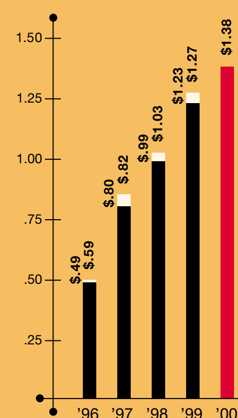
Revenues
(millions)



Pre-tax Segment Profit
(millions)



Net Earnings*
(millions)



Diluted Earnings per Share
●/● as reported*
○ before unusual items

Operating Results (millions)	**2000****	1999	Change
Revenues	**$36,903**	$33,702	10%
Pre-tax segment profit	**$ 2,682**	$ 2,523	6%
Net earnings*	**$ 1,264**	$ 1,144	10%

Per Share Data			
Diluted earnings*	**$ 1.38**	$ 1.23	13%
Cash dividends declared	**$ .21**	$ .20	5%

At Year-end (thousands, except Number of stores)		
Common shares outstanding	**897,763**	911,683
Retail square feet	**148,333**	138,640
Number of stores	**1,307**	1,243

* Includes unusual items, resulting in net after-tax charges of $44 million ($.04 per share) in 1999, $35 million ($.04 per share) in 1998, $24 million ($.02 per share) in 1997, and $92 million ($.10 per share) in 1996.

**53-week year.

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SuperTarget

SuperTarget, combining high-quality grocery with our complete general merchandise assortment, is a key component of Target's growth and is expected to contribute significantly to future increases in our square footage and financial performance. To offer more guests the benefits of our differentiated strategy, we plan to double our SuperTarget store count, opening 30 or more new units in southern and midwestern markets in 2001.

Financial Services

We continue to invest in proprietary credit card programs within each of our retail segments, reflecting their substantial contribution to our overall growth and financial performance. Today, our portfolio has grown to $2.9 billion in accounts receivable serviced. In addition, to better serve our guests, we have tested an enhanced Target card with complete Visa capabilities; greatly increased the functionality and availability of our gift cards; and partnered with E*Trade to provide brokerage, banking and investment services.

Internet Strategies

The Internet extends the reach of our store brands and provides a tool for more efficient communication with our team members, our vendor partners and our guests. In 2001, we expect to triple the number of visitors to target.com, our largest web site. Through target.direct and the WorldWide Retail Exchange, we are leveraging Internet technology to satisfy more of our guests' needs, improve productivity and position ourselves for continued strong earnings growth.

Store Density

Reflecting planned average annual square footage growth of 8 to 10 percent, Target has substantial opportunities for domestic new store expansion for many years. In under-penetrated markets such as Boston, New York, Philadelphia and Hartford, Target's growth potential is clear. Additionally, in more mature markets,

including Phoenix, Indianapolis, Denver and Atlanta, Target continues to increase store density and strengthen market share through buildback opportunities. In 2001, Target plans to add more than 11 million square feet to a base of over 112 million square feet, through a combination of supercenter and discount store growth.

Brand Consolidation

Within our traditional department store segment, Marshall Field's is our largest and most recognized brand. By combining our 64 stores under this single name, we increase the power of our physical presence and on-line initiatives, and strengthen our competitive position. Though the Dayton's and Hudson's names are changing, we remain committed to being "The Best Store in Town."

Community Giving

For more than 50 years, we've given 5 percent of our federally taxable income to nonprofit organizations across the country. Through current donations, averaging well over $1 million per week, we are continuing our tradition of supporting the many communities we serve. From St. Jude Children's Research Hospital to Project Imagine to our Community Closet on wheels, our commitment is evident.

To Our Shareholders,

Our performance in 2000 demonstrates the strength of our brands, the soundness of our overall strategy and the value of our financial disciplines. In a difficult environment, we achieved solid financial results: a 9.5 percent increase in annual revenues to $36.9 billion and a 13.1 percent gain in earnings per share (9.2 percent compared with 1999 earnings per share before unusual items) to $1.38. In addition:

- We continued to invest in new Target discount stores and SuperTarget growth, further expanding our market share.
- We aggressively repurchased shares of our common stock, reflecting our ongoing commitment to creating shareholder value.
- We engineered a strong profit recovery at Mervyn's through improved merchandising and adept inventory management.
- And, we devoted significant resources to build and further strengthen both our Internet and financial services businesses.

Though we under-performed our long-term growth objectives in 2000, and the economic environment in 2001 remains uncertain, we are confident in our underlying strategy and growth potential. By leveraging the power of our Target brand, we believe that we can continue to deliver strong growth and financial success for many years to come.

Store Growth As a corporation, our greatest opportunity for future growth is the continued expansion of our Target Stores division. In 2000, through a combination of discount stores and supercenter stores, Target opened 65 net new locations and added net square footage of more than 9 percent, or nearly 10 million square feet. We continued to increase our presence in newer markets along the East coast, and we built back stores in our more mature markets throughout the rest of the country. We believe that this effort to densify major metropolitan areas—even extremely well-established markets such as Minneapolis/St. Paul—presents an important opportunity for us to serve more guests, gain market share, improve profitability and create shareholder wealth. In 2001, we plan to increase our U.S. penetration, adding more than 10 percent, on a net basis, to Target's year-end 2000 square footage. Included in this 2001 store-opening program are 30 or more SuperTarget locations, representing about one-half of our incremental square feet and a doubling of our supercenter store count. As evidenced by this rapid expansion, SuperTarget is expected to be a key contributor to our near-term and long-term growth.

In recent years, we have become increasingly flexible in our site selection and store design—without compromising our Target brand or our financial disciplines. By successfully replicating our guest experience in more unique locations, we have significantly expanded our growth horizons. Reflecting this confidence, we announced our intent

earlier this year to purchase 35 former Montgomery Wards stores. This acquisition provides an excellent opportunity for Target to secure prime real estate in a large number of premier markets, including California, where sufficient, desirable property is particularly difficult to find. We intend to extensively renovate these stores to ensure that they fully reflect our Target brand, and expect the majority of these locations to open as Target stores during 2002.

Other Growth In addition to store expansion, the growth of our Target Stores division is propelled by our ability to protect and enhance our distinct brand character. We strive to provide our guests with a shopping experience that is consistently better than, and different from, their experiences at our competitors' stores. By offering innovative, well-designed merchandise, compelling prices and clean, attractive stores, we deliver the excitement and value that our guests expect and demand. In 2000, we introduced Philips Kitchen Appliances, Martex domestics and Liz Claiborne fashions, among other brands; and in 2001, our assortment of new, exclusive products includes Mossimo apparel, Waverly home furnishings and Eddie Bauer camping gear. Our commitment to constantly renew and refresh our offering, and satisfy the lifestyle needs of our guests, enhances our brand and fuels our continued growth.

Combined with Target's operational consistency, this unique brand positioning also provides the foundation for extending our brand through the Internet and financial services initiatives. For example, by capturing the synergies inherent in building complementary web-based and store-based strategies, our target.direct team continues to expand both the merchandise offering and functionality of our on-line business, providing the differentiated assortment, great prices, unique marketing, and fast, fun and friendly service that are at the heart of our Target store strategy. As a result, we are driving substantially increased guest visits and sales at target.com and expect traffic to our site to triple in 2001.

We are also increasingly using the Internet as the platform for improving communications and facilitating commerce with our business partners. As a founding member of the WorldWide Retail Exchange, we believe that the technology and infrastructure available through this channel will enhance our efficiency and ultimately enable us to deliver more value to our guests and our shareholders.

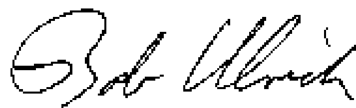
Similarly, our financial services, including our credit card operations, are integral components of our overall strategy and meaningful contributors to our annual revenue and profit growth. Over the past five years, pre-tax contribution from this business has grown at a compound annual rate of 17 percent and our return on investment has also risen sharply. To sustain this growth, we continue to reinforce the use of our own proprietary cards as the preferred method of payment by investing in guest loyalty and rewards programs at all three of our retail segments. In addition, we are expanding our offering of gift cards; providing access to integrated banking, brokerage and investment planning services through

our alliance with E*Trade; and leveraging guest interactions throughout our organization to create a comprehensive database that will help us strengthen our long-term relationship with our guests. We are also piloting an enhanced Target Card with greater utility and universal acceptance throughout the Visa network. While we are still evaluating this test initiative, the early results are promising and we believe that it may offer another avenue of potential growth for Target.

Target Corporation reflects our core belief that our three retail segments are far more similar than they are different, and that scale matters. Though our two smaller retail divisions represent 20 percent or less of the corporation today, we believe that their combined contribution to our overall strategy and financial performance remains important. As a result, we are taking steps to leverage the power of these brands and strengthen their position in the marketplace. To operate our traditional department stores with a single identity, we are changing the names of our Dayton's and Hudson's stores to Marshall Field's. This more widely-recognized name preserves our commitment to fashion leadership and superior guest service, and reinforces our long heritage as an admired department store institution. It also gives us the ability to launch an on-line gift registry with a coherent, unified vision in 2001. At Mervyn's, we are focused on executing our "Big Brands. Small Prices." strategy and maintaining our 2000 profit momentum. Mervyn's highly-branded, middle-market assortment and promotional pricing complement the offerings at Target and Marshall Field's. Together, Mervyn's and Marshall Field's generate approximately $500 million in net pre-tax cash flow annually. In addition, the added scale of these two divisions contributes to our overall performance by allowing us to leverage important resources, such as our credit expertise and systems investment, and increase the efficiency and profitability of our total organization.

As we look to the future, we believe that our corporation is well-positioned to meet near-term economic challenges and continue to grow and prosper. We are confident in the strategy of our core businesses and excited about the new opportunities that will fuel our growth in coming years. Over time, we expect to achieve our objective of generating 15 percent or more in average annual earnings per share growth and we remain committed to delivering superior returns to our shareholders.

Sincerely,

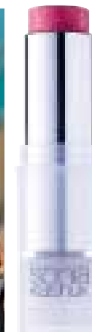


Bob Ulrich, Chairman and Chief Executive Officer

Avenues of Growth.

TARGET/CHIP GANASSI RACING

TIGER WOODS' START SOMETHING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SUPERTARGET

Target Corporation's goal is to deliver average annual earnings per share growth of 15 percent or more over time and generate superior returns for our shareholders. We expect to achieve this goal by increasing market share from new and existing stores; improving productivity through investment in technology and infrastructure; and leveraging the power of our brands into new strategies, including supercenters, financial services and electronic commerce.

Store Density The company's primary growth comes from new store expansion within our Target Stores division. Through a combination of net new discount stores and new SuperTarget stores, Target plans to continue adding an average of 8 to 10 percent to retail square footage annually. We continue to build out less penetrated markets, such as Boston, New York and Philadelphia, that provide substantial growth opportunities because of their dense population and the favorable demographics of potential guests. We also continue to introduce Target into entirely new markets, such as our planned entry into Portland, Maine, in the fall of 2001. But increasingly, Target is expanding its store density in more mature markets, such as Atlanta, Phoenix and Dallas/Fort Worth, reflecting the growing recognition and strength of the Target brand in major metropolitan areas across the U.S. In fact, despite more than doubling our presence in Minnesota in the past ten years, and operating more square footage per capita in Minnesota than in any other state, Target continues to strengthen its Minnesota store base and plans to add five new sites in 2001. This ability to build additional stores even in well-established markets, and enhance our financial performance, gives us confidence that Target can continue to grow profitably for many years to come.

In 2001, Target's growth plans reflect a net increase in square footage of between 10 and 11 percent. New discount store locations in existing markets account for approximately one-half of this incremental square footage and about two-thirds of our store openings during the year. We will also continue to invest in store remodels to ensure that all Target stores accurately represent the Target brand.

SuperTarget Expansion SuperTarget supplements the tremendous growth opportunities provided by our traditional discount stores and raises the potential to strengthen our brand in key markets. By combining a high-quality, full-line grocery assortment with our general merchandise offering, SuperTarget creates a convenient one-stop shopping experience for our guests. Like Target, SuperTarget strives to set itself apart from competitors

1

Target Corporation reflects our belief that we maximize shareholder value by leveraging our resources across the organization. Though we operate three distinct retail segments, we strengthen our overall competitive position and increase our efficiency and profitability by capturing the synergies inherent in our business and pursuing a singular corporate vision.

MOSSIMO

COMMUNITY CLOSET

GIFT CARDS

and be preferred by guests. Our merchandising is innovative and differentiated and is focused on delivering fashion and freshness. Our assortment includes natural and organic products, Choice beef and top-grade produce, as well as premium brands, such as Krispy Kreme doughnuts, Starbucks coffee, Fannie May chocolates, Philippe Starck organic foods and La Brea breads. In addition, our expanding private label line of Archer Farms items provides a high-quality, low-priced alternative to similar, nationally-branded grocery products. Educational signing, in-store sampling, and demonstrations add excitement to the shopping environment, assist guests in making informed purchases and contribute to SuperTarget's unique appeal.

Reflecting our guests' strong acceptance of this format and our continued improvements in store execution and design, we have accelerated our plans for SuperTarget expansion and our outlook for SuperTarget's growth potential. In 2000, we added 14 new SuperTarget stores, accounting for nearly 2.5 million square feet, or approximately one-quarter of our net new space. In 2001, our plans include 30 or more new SuperTarget locations, representing about one-half of the incremental square footage for the year and one-third of our total store openings. This growth is concentrated in existing markets with a strong Target presence, primarily in the South and Midwest, and it affords us the opportunity to replace older stores with our newest and biggest store format. Longer-term, SuperTarget is expected to produce a significant portion of our growth, contributing to consistent increases in both square footage and sales for many years.

Branding Target Corporation is committed to delivering fashion newness and distinction, compelling value and overall shopping excitement throughout our merchandising, presentation and stores. In each retail segment, from discount to middle-market to full-service department stores, we strive to create a brand identity that is differentiated from our competitors and preferred by our guests.

At Target, the strength of our brand reflects our keen focus on offering quality, trend-right merchandise at great prices, through powerful presentations in attractive stores. We reinforce this image with sophisticated marketing, unique product designs and innovative lifestyle statements. In 2001, our assortment will include exclusive designs from Mossimo in apparel; Waverly in home textiles, stationery and home décor; and Carter's Baby Tykes brand in children's apparel. We are also introducing a new, upscale line of camping products under the Eddie Bauer name.

44%

Target Corporation is committed to delivering superior returns to our shareholders. Over the past five years, we have generated a total annualized return of 44 percent, well above the 18 percent return for the S&P 500 and the 24 percent return generated by the S&P Retail Index.

PROJECT IMAGINE

PHILIPS

MARSHALL FIELD'S

COLOR MY WORLD

At our traditional department stores, we are changing the names of our Dayton's and Hudson's stores to Marshall Field's to leverage the power of our largest and most recognized department store brand. By operating under a single name, we strengthen our competitive position in our core Midwest markets and enhance the potential of web-based initiatives, including our gift registries. We remain committed to our department store heritage, providing superior guest service, fashion leadership and continued support of the communities we serve. Indeed, our vision to be "The Best Store in Town" is unwavering and vital to our future success.

At Mervyn's, our brand character is built on our ability to deliver big national brand names at small prices. This strategy differentiates us from discounters who typically cannot offer their guests these well-known brands, and it differentiates us from traditional department stores and specialty stores who cannot meet Mervyn's great low prices. In recent years, we embraced Mervyn's legacy as a promotional middle-market department store and regained our position as a destination for core merchandising basics such as denim and khaki. In addition, we infused more fashion into our assortment through brands like Nike, Gloria Vanderbilt, Villager by Liz Claiborne, and most recently, Nine and Company by Nine West, gaining access to the design expertise of Jones New York through the partnership. We also continue to improve the quality and fashion content of our owned brands, including High Sierra, Sprockets and Hillard & Hanson. Together, these efforts strengthened Mervyn's brand image and produced a significant improvement in profitability in 2000.

Internet Strategies The Internet is an integral part of our long-term strategy, with positive implications for many aspects of our business. It allows us to leverage our existing strengths as a $37 billion retailer—including the power of our store brands, our merchandising and marketing expertise, our national store presence, and our systems and distribution capabilities— to drive incremental sales and profits.

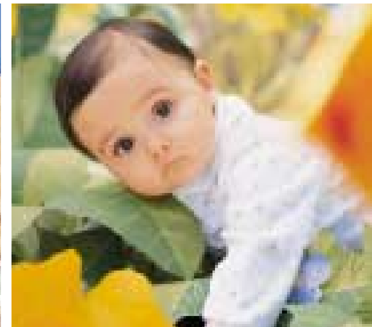
During the past year, our target.direct team continued to focus on building a profitable on-line business. In particular, we devoted resources to substantially expand the merchandise assortment of target.com in key categories such as gifts, home and apparel, providing thousands of unique and exclusive items at a compelling value. Additionally, we enhanced the site's navigation and functionality to improve speed and service.

15%

Target Corporation's goal is to deliver average annual earnings per share growth of 15 percent or more over time. This means that in robust times, the company's earnings per share may grow faster than 15 percent per year, and in more challenging environments, annual EPS may increase at a slower rate.

MERVYN'S

MICHAEL GRAVES


LULLABY CLUB

WAVERLY

And, we expanded the range of services available to our on-line guests with the introduction of our Club Wedd and Lullaby Club gift registries, and the development of alliances with E*Trade and America Online. We recognize the advantages of operating as a multi-channel retailer and strongly embrace the synergies inherent in building complementary web-based and store-based strategies. In our view, by investing in both our physical and virtual space, we strengthen and deepen the relationship with more guests and maximize opportunities for long-term profit growth.

We also made tremendous progress during 2000 in using Internet technology to improve supply chain efficiencies. In collaboration with 16 other retailers from around the world, Target Corporation founded the WorldWide Retail Exchange, a global business-to-business electronic marketplace, designed to facilitate trading between retailers and thousands of vendor partners and suppliers. Today, the Exchange, which operates as an independent organization, consists of more than 50 leading retailers from North America, Europe, Asia and Africa. Collectively, these members generate over $700 billion in annualized sales volume. In 2001, the Exchange will continue to invest in infrastructure and provide its members with access to software tools and technology solutions that are expected to produce an improved procurement process and ultimately better values for our guests and our shareholders.

Financial Services Financial services are key elements of our business strategy and contribute substantially to increases in our overall profit performance. In 2000, we continued to invest in the guest loyalty and rewards programs that support proprietary credit in each of our retail segments, reinforcing the use of our own credit cards as the preferred method of payment. Today, our combined portfolio includes more than 36 million accounts, reflecting broad and growing acceptance of the Target Guest Card and stable credit penetration at both Mervyn's and Marshall Field's.

During the past year, we also introduced new financial products and services to help drive future growth. For example, we expanded our offering of gift cards, adding greater functionality and cool designs that support our store brands. We partnered with E*Trade to provide access to integrated banking, brokerage and investment planning services within SuperTarget. And, we began testing an enhanced Target Card with Visa capabilities in three markets: Phoenix, Denver and Atlanta. Each of these initiatives will continue to be priorities in 2001. Currently, we are exploring an

2001

We remain focused on executing our core strategies and on pursuing profitable opportunities for additional growth. Specifically, these include new Target discount stores and SuperTarget locations, an enhanced on-line presence, and an expanded assortment of financial services and credit products. We also remain fully committed to supporting the communities we serve.

CLUB WEDD

EDDIE BAUER

STARCK

ARCHER FARMS

expansion of our E*Trade relationship and by year end we will complete the assessment of our Target Visa test and determine its potential for roll-out.

In addition to driving increased contribution through greater use of proprietary cards and new product introductions, Target Financial Services is focused on delivering continued strong financial performance by leveraging its expertise to achieve broader operational efficiencies. Our new state-of-the-art facility in Tempe, Arizona, is one of the ways we support this objective, while also addressing the demands of our growth. In 2001, we will continue to invest in our financial services business to further strengthen relationships with our guests and produce incremental profitability.

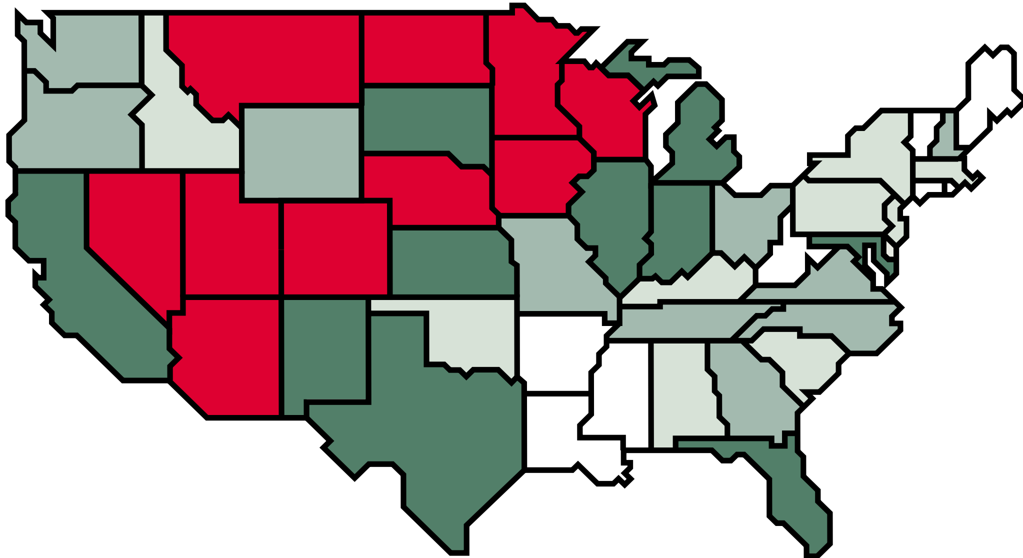
Community Partner For more than fifty years, we have been giving 5 percent of our federally-taxable income to the communities we serve. Now adding up to well over $1 million a week, these contributions improve the quality of life for our guests and our team members and create value for our shareholders by building stronger, healthier local communities. Each of our stores is able to support the community in its own back yard through a local giving budget. All of our divisions provide funding for national programs and nonprofit organizations as well.

At Target, Take Charge of Education continued its impressive growth in 2000. By designating the K-12 school of their choice and using their Target Guest Card, over 5 million guests directed Target to donate to more than 105,000 schools during the year. Since its inception, this program has contributed nearly $35 million to participating schools. At Mervyn's, 2,000 women in 30 cities were outfitted with interview apparel to help them transition off welfare. And Marshall Field's Project Imagine has made possible events ranging from our Art Park in Detroit to awarding $120,000 to high school seniors who, through the arts, have been a positive influence for young people.

Our rich tradition of giving has fostered a philanthropic culture that is also evident in our team members. Last year, 14,000 Target Corporation team members donated 218,000 hours of their time to over 6,600 projects nationwide. As our team grows, these numbers continue to grow as well.

All of these efforts add up to our guests seeing us as a leader not only in trend-right, quality merchandise, but a leader in outreach to the community as well.

Target Store Density

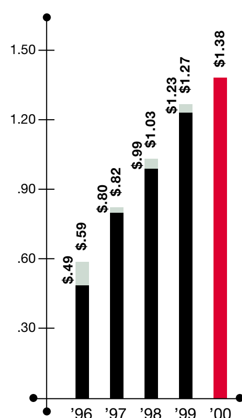


Target has ample opportunities for future growth throughout the continental United States. Three factors contribute to this potential: modest annual population growth, greater penetration of less densely-stored markets, and continued growth of even our most densely penetrated states, which, as a group, has doubled its store count and square footage in the past ten years.

Year-end 2000 Store Count and Square Footage by State

Density Group		Sq. Ft. per Thousand Population	No. of Stores	Retail Sq. Ft. (in thousands)
	Minnesota	1,352	56	6,653
	Iowa	723	18	2,116
	Nevada	699	12	1,397
	North Dakota	680	4	437
	Colorado	635	24	2,730
	Nebraska	628	9	1,074
	Arizona	608	28	3,121
	Montana	568	5	512
	Wisconsin	552	26	2,960
	Utah	528	7	1,178
	Group 1 Total	**736**	**189**	**22,178**
	Michigan	519	48	5,160
	South Dakota	518	4	391
	California	510	151	17,283
	Maryland	499	22	2,643
	Illinois	495	52	6,149
	Texas	492	90	10,263
	Florida	485	68	7,759
	Kansas	480	10	1,291
	New Mexico	478	8	870
	Indiana	474	29	2,882
	Group 2 Total	**499**	**482**	**54,691**
	Washington	463	25	2,728
	Georgia	429	30	3,515
	Virginia	427	25	3,019
	Missouri	371	18	2,077
	Wyoming	369	2	182
	Tennessee	366	19	2,081
	Oregon	349	11	1,194
	Ohio	346	34	3,930
	North Carolina	331	24	2,668
	New Hampshire	317	3	392
	Group 3 Total	**382**	**191**	**21,786**
	Kentucky	315	12	1,274
	Idaho	314	4	406
	Oklahoma	250	8	861
	South Carolina	228	8	916
	Pennsylvania	223	22	2,739
	New Jersey	222	15	1,869
	Delaware	186	1	146
	Massachusetts	163	8	1,035
	New York	147	22	2,796
	Alabama	133	4	590
	Group 4 Total	**197**	**104**	**12,632**
	Rhode Island	122	1	128
	Connecticut	116	3	394
	Arkansas	86	2	229
	Mississippi	84	2	239
	West Virginia	69	1	124
	Louisiana	45	2	203
	Maine	0	0	0
	Vermont	0	0	0
	Group 5 Total	**73**	**11**	**1,317**
	Total	**404**	**977**	**112,604**

Analysis of Operations



Diluted Earnings per Share

●/● as reported
● before unusual items

Earnings

Our net earnings were $1,264 million in 2000, compared with $1,144 million in 1999 and $935 million in 1998. Earnings per share were $1.38 in 2000, $1.23 in 1999 and $.99 in 1998. References to earnings per share refer to diluted earnings per share. Earnings per share, dividends per share and common shares outstanding reflect our 2000 and 1998 two-for-one share splits and our 1996 three-for-one share split.

Earnings Analysis

(millions, except per share data)

	Earnings			Diluted Earnings per Share		
	2000	1999	1998	**2000**	1999	1998
Net earnings before unusual items	**$1,264**	$1,188	$970	**$1.38**	$1.27	$1.03
Unusual items, after tax	**–**	(3)	(8)	**–**	–	(.01)
Net earnings before extraordinary charges	**1,264**	1,185	962	**1.38**	1.27	1.02
Extraordinary charges—debt repurchase	**–**	(41)	(27)	**–**	(.04)	(.03)
Net earnings	**$1,264**	$1,144	$935	**$1.38**	$1.23	$ .99

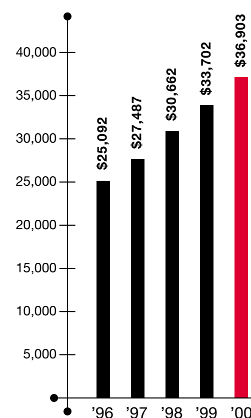
Management uses net earnings before unusual items, among other standards, to measure operating performance. It supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles.

The unusual item in 1999 relates to our mainframe outsourcing. The unusual items in 1998 include a mainframe outsourcing charge of $26 million after tax, or $.03 per share, a reduction in our effective tax rate due to the favorable outcome of an inventory shortage tax matter of $20 million, or $.02 per share, and a net loss from securitization of $2 million after tax, less than $.01 per share.

Management's discussion and analysis is based on our Consolidated Results of Operations as shown and discussed on page 24.

Revenues and Comparable-store Sales

In 2000, a 53-week year, our total revenues increased 9.5 percent and 52-week comparable-store sales increased 2.4 percent. Total revenues include retail sales and net credit revenues. Comparable-store sales are sales from stores open longer than one year. Revenue growth in 2000 reflected Target's new store expansion, modest comparable-store sales growth and growth in our credit operations. Revenue growth in 1999 reflected Target's strong comparable-store sales growth, new store expansion and growth in credit operations. The impact of inflation was minimal and, as a result, the overall comparable-store sales increase closely approximated real growth.



Revenues
(millions)

Revenues and Comparable-store Sales Growth

	2000			1999	
	53 Weeks	52 Weeks		52 Weeks	
	Revenues	**Revenues**	**Comparable-Store Sales**	Revenues	Comparable-Store Sales
Target	**12.3%**	**10.5%**	**3.4%**	13.3%	6.7%
Mervyn's	**1.3**	**0.2**	**0.3**	(1.2)	(0.7)
Marshall Field's	**(2.1)**	**(3.3)**	**(4.0)**	0.3	0.8
Total	**9.5%**	**7.9%**	**2.4%**	9.9%	5.1%

Revenues per Square Foot*

	2000**	1999	1998
Target	**$268**	$264	$253
Mervyn's	**190**	189	191
Marshall Field's	**210**	220	219

*Thirteen-month average retail square feet.
**The 2000 revenues per square foot calculations exclude the 53rd week.

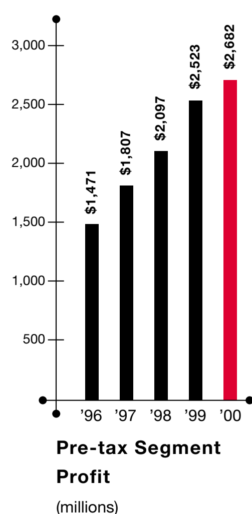
Gross Margin Rate

The gross margin rate represents gross margin as a percent of sales. In 2000, our gross margin rate decreased primarily due to the mix impact of growth at Target, our lowest gross margin rate division. In 1999, our gross margin rate increased primarily due to rate expansion at Target and Marshall Field's, partially offset by the mix impact of growth at Target.

The LIFO provision, included in cost of sales, is calculated based on inventory levels, markup rates and internally generated retail price indices. In 2000, the LIFO provision was a $4 million charge (less than $.01 per share), compared with a $7 million credit (less than $.01 per share) in 1999 and an $18 million credit ($.01 per share) in 1998. The 2000 LIFO charge resulted primarily from lower inventory levels at Marshall Field's. The 1999 LIFO credit resulted primarily from higher markup.

Operating Expense Rate

Operating expense rate represents selling, general and administrative expense (including buying and occupancy, advertising, start-up and other expense) as a percent of revenues. Our 2000 operating expense rate was essentially even with the prior year, benefiting from the overall growth of Target, our lowest expense rate division, offset by lack of sales leverage at both Mervyn's and Marshall Field's. The operating expense rate in 1999 was essentially even with 1998.



Pre-tax Segment Profit
(millions)

Pre-tax Segment Profit

Pre-tax segment profit increased 6 percent in 2000 to $2,682 million, compared with $2,523 million in 1999 and $2,097 million in 1998. Pre-tax segment profit is earnings before LIFO, securitization effects, interest, other expense and unusual items. The increase was driven by growth at Target and Mervyn's, partially offset by a decline at Marshall Field's. Target's full-year profit margin rate decreased to 7.6 percent of revenues in 2000 from 7.8 percent in 1999.

Pre-tax Segment Profit and Percent Change from Prior Year

(millions)	2000		1999	
Target	**$2,223**	**10%**	$2,022	28%
Mervyn's	**269**	**31**	205	(14)
Marshall Field's	**190**	**(36)**	296	6
Total	**$2,682**	**6%**	$2,523	20%

Pre-tax Segment Profit as a Percent of Revenues

	2000	1999
Target	**7.6%**	7.8%
Mervyn's	**6.5%**	5.0%
Marshall Field's	**6.3%**	9.6%

EBITDA

EBITDA is pre-tax segment profit before depreciation and amortization.

EBITDA and Percent Change from Prior Year

(millions)	2000		1999	
Target	**$2,883**	**11%**	$2,589	25%
Mervyn's	**400**	**16**	343	(9)
Marshall Field's	**323**	**(25)**	429	4
Total	**$3,606**	**7%**	$3,361	17%

EBITDA as a Percent of Revenues

	2000	1999
Target	**9.8%**	9.9%
Mervyn's	**9.6%**	8.4%
Marshall Field's	**10.7%**	14.0%

Management uses pre-tax segment profit and EBITDA, among other standards, to measure operating performance. Pre-tax segment profit and EBITDA supplement, and are not intended to represent measures of performance in accordance with, disclosures required by generally accepted accounting principles.

Interest Expense

We consider payments to holders of our publicly held receivable-backed securities as "interest equivalent." In 2000, the total of interest expense and interest equivalent was $475 million, $33 million higher than 1999. In 2000, the increase in interest expense and interest equivalent was due to higher average funded balances and the impact of the 53rd week in the year, partially offset by a lower average portfolio interest rate. The average portfolio interest rate in 2000 was 7.4 percent, compared with 7.5 percent in 1999 and 7.8 percent in 1998.

In 1999, the total of interest expense and interest equivalent was $4 million lower than 1998 due to a lower average portfolio interest rate, partially offset by higher average funded balances.

During 2000, we repurchased $35 million of debt for $39 million, resulting in an after-tax extraordinary charge of $3 million (less than $.01 per share). The debt repurchased had a weighted-average interest rate of 9.7 percent and an average remaining life of 12 years. Also during 2000, $371 million of puttable debt was put to us, resulting in an after-tax extraordinary gain of $3 million (less than $.01 per share). The debt put to us had a weighted-average interest rate of 5.9 percent and an average remaining life of 21 years. In 1999 and 1998, we repurchased $381 million and $127 million of long-term debt, resulting in after-tax extraordinary charges of $41 million ($.04 per share) and $27 million ($.03 per share), respectively.

Income Tax Rate

The effective income tax rate was 38.4 percent, 38.8 percent and 38.2 percent in 2000, 1999 and 1998, respectively. The 2000 tax rate reflected a favorable mix of state tax rates. The 1998 effective tax rate reflected the beneficial effect of $20 million ($.02 per share) resulting from the favorable outcome of our inventory shortage tax matter.

Receivable-backed Securities

In 1998, Target Receivables Corporation (TRC), a special-purpose subsidiary, sold $400 million of receivable-backed securities to the public. This issue of receivable-backed securities had an expected maturity of five years and a stated rate of 5.90 percent. Proceeds from the sale were used for general corporate purposes, including funding the growth of receivables. The 1998 sale transaction and the maturity of our 1995 securitization resulted in a net pre-tax loss of $3 million (less than $.01 per share), which reduced 1998 finance charge revenues and pre-tax earnings. In 1997, TRC sold $400 million of receivable-backed securities to the public, with an expected maturity of 2002 and a stated rate of 6.25 percent.

Our Consolidated Results of Operations do not include finance charge revenues and loss provision related to the publicly held receivable-backed securities. The amounts that represent payments to holders of our publicly held receivable-backed securities are included in our pre-tax earnings reconciliation on page 36 as interest equivalent. Interest equivalent was $50 million in 2000, $49 million in 1999 and $48 million in 1998.

Mainframe Outsourcing

In 1998, we announced our plan to outsource our mainframe computer data center functions and expensed $42 million ($.03 per share) of related charges. During 1999, we completed the transition and expensed an additional $5 million (less than $.01 per share) related to the outsourcing. These expenses are included in selling, general and administrative expense.

Fourth Quarter Results

Due to the seasonal nature of the retail industry, fourth quarter operating results typically represent a substantially larger share of total year revenues and earnings due to the inclusion of the holiday shopping season.

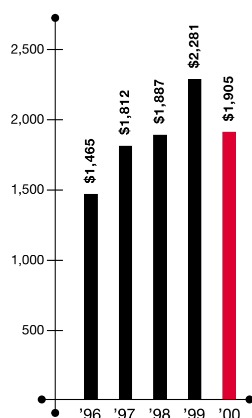
Fourth quarter 2000 net earnings were $552 million, compared with $494 million in 1999. Earnings per share were $.61 for the quarter, compared with $.53 in 1999. Total revenues increased 12.8 percent, partly due to the impact of the additional week in 2000, and 13-week comparable-store sales increased 1.8 percent. Our pre-tax segment profit increased 8 percent to $1,079 million, driven by results at Target and Mervyn's.

Fourth Quarter Pre-tax Segment Profit and Percent Change from Prior Year

(millions)	2000		1999	
Target	**$ 892**	**10%**	$ 811	26%
Mervyn's	**108**	**58**	69	(34)
Marshall Field's	**79**	**(34)**	120	5
Total	**$1,079**	**8%**	$1,000	16%

Analysis of Financial Condition

Our financial condition remains strong. Cash flow from operations was $1,905 million, driven by net income before depreciation expense. Internally generated funds continue to be the most important component of our capital resources and, along with our ability to access a variety of financial markets, provide funding for our expansion plans. We continue to fund the growth in our business through a combination of internally generated funds, debt and public sales of receivable-backed securities.

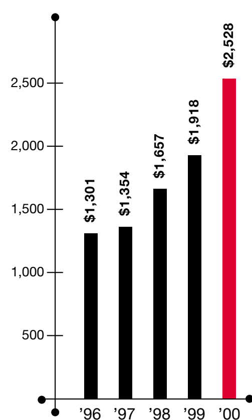


Cash Flow from Operations
(millions)

During 2000, our average total receivables serviced (which includes all securitized receivables) increased 8 percent, or $193 million, due to growth of the Target Guest Card. Year-end total receivables serviced also increased 8 percent from last year. In 2000, the number of Target Guest Card holders grew to over 18 million accounts at year-end, compared with 15 million in 1999.

During 2000, inventory levels increased $450 million, or 11.9 percent. This increase was slightly higher than our sales increase for the year.

Capital expenditures were $2,528 million in 2000, compared with $1,918 million in 1999. Investment in Target accounted for 89 percent of 2000 capital expenditures. Net property and equipment increased $1,519 million. During 2000, Target opened a total of 79 new stores, and closed or relocated 14 stores, resulting in a net addition of 65 stores for the year. Over the past five years, Target's retail square footage has grown at a compound annual rate of approximately 10 percent, consistent with our objective to expand square footage in the range of 8 to 10 percent annually.



Capital Expenditures
(millions)

Approximately 67 percent of total expenditures was for new stores, expansions and remodels. Other capital investments were for information systems, distribution and other infrastructure to support store growth, primarily at Target.

Our financing strategy is to ensure liquidity and access to capital markets, to manage the amount of floating-rate debt and to maintain a balanced spectrum of debt maturities. Within these parameters, we seek to minimize our cost of borrowing.

In March 2000 our Board of Directors authorized the repurchase of $1 billion of our common stock, in addition to the $1 billion authorized in January 1999. In 2000, we repurchased 21.2 million shares of our common stock at a total cost of $591 million ($27.92 per share) net of premiums from exercised and expired put options. In 1999, we repurchased 18.8 million shares of stock at a total cost of $588 million ($31.29 per share), net of premiums from exercised and expired put options.

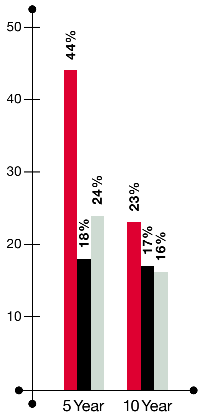
Repurchases are made primarily in open market transactions, subject to market conditions. Our program also includes the sale of put options that entitle the holder to sell shares of our common stock to us, at a specified price, if the holder exercises the option.

A key to our access to liquidity and capital markets is maintaining strong investment-grade debt ratings. During the year, our debt ratings were upgraded by Moody's and Standard and Poor's. Further liquidity is provided by $1.6 billion of committed lines of credit obtained through a group of 25 banks.

Credit Ratings

	Moody's	Standard and Poor's	Fitch
Long-term debt	A2	A	A
Commercial paper	P-1	A-1	F1
Receivable-backed securities	Aaa	AAA	N/A

Performance Objectives



Total Annualized Return

Target S&P 500
S&P Retail

Shareholder Return

Our primary objective is to maximize shareholder value over time through a combination of share price appreciation and dividend income while maintaining a prudent and flexible capital structure. Our total return to shareholders over the last five years averaged 44 percent annually, returning about $625 for each $100 invested in our stock at the beginning of this period.

Measuring Value Creation

We measure value creation internally using a form of Economic Value Added (EVA), which we define as after-tax segment profit less a capital charge for all investment employed. The capital charge is an estimate of our after-tax cost of capital adjusted for the age of our stores, recognizing that mature stores inherently have higher returns than newly opened stores. We estimate the after-tax cost of capital for our retail business is approximately 9 percent, while our credit operations' after-tax cost of capital is approximately 5 percent as a result of their ability to support higher debt levels. We expect to generate returns in excess of these costs of capital, thereby producing EVA.

EVA is used to evaluate our performance and to guide capital investment decisions. A significant portion of executive incentive compensation is tied to the achievement of targeted levels of annual EVA improvement.

Financial Objectives

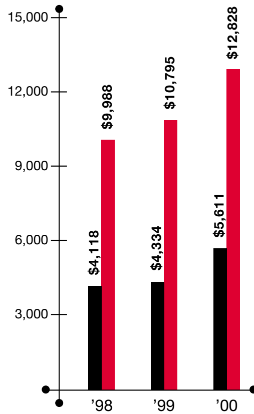
We believe that managing our business with a focus on EVA helps achieve our objective of average annual earnings per share growth of 15 percent or more over time. Our financial strategy is to produce these results with strong interest coverage and prudent levels of debt, which will allow efficient capital market access to fund our growth. Earnings per share before unusual items has grown at a compound annual rate of 34 percent over the last five years.

We ended 2000 with a retail debt ratio of 44 percent. In evaluating our debt level, we separate retail operations from credit operations due to their inherently different financial characteristics. We view the appropriate capitalization of our credit operations to be 88 percent debt and 12 percent equity, similar to ratios of comparable credit card businesses.

Debt Ratios and Interest Coverage

	2000	1999	1998
Retail	**44%**	40%	41%
Credit	**88%**	88%	88%
Total debt ratio	**52%**	49%	50%
Interest coverage	**4.4x**	4.6x	4.0x

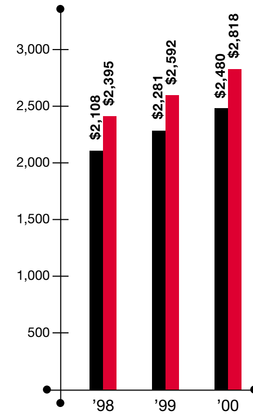
Debt ratios and interest coverage include the impact of publicly held receivable-backed securities and off-balance sheet operating leases as if they were debt. Interest coverage represents the ratio of pre-tax earnings before unusual items and fixed charges to fixed charges (interest expense, interest equivalent and the interest portion of rent expense).



Retail Capitalization

(millions)

debt total



Credit Capitalization

(millions)

debt total

Credit Operations

We offer proprietary credit in each of our business segments. These credit programs strategically support our core retail operations and are an integral component of each business segment. The programs contribute to our earnings growth by driving sales at our stores and through growth in credit performance. We have retained the servicing for all accounts and manage our portfolio of receivables on that basis. Therefore, credit performance, shown below, is reflected in each business segment's pre-tax profit on an accounts receivable serviced basis. In contrast, generally accepted accounting principles require different treatment, and our consolidated financial statements reflect only the portion of the receivable-backed securities not publicly held.

The revenue from receivable-backed securities represents revenues derived from finance charges, late fees and other revenues. Merchant fees are intercompany fees charged to our retail operations on a basis similar to fees charged by third-party credit card issuers. These fees, which include deferred billing fees charged for carrying non-revenue-earning revolving balances, are eliminated in consolidation. Operations and marketing expenses include costs associated with the opening, retention and servicing of accounts.

In 2000, pre-tax contribution from credit increased 8 percent over the prior year, consistent with an 8 percent growth in average receivables serviced. The improved credit performance reflects continued growth of the Target Guest Card, improved delinquency experience and a decrease in write-offs as a percent of receivables.

Credit Contribution

(millions)	2000	1999	1998
Revenues:			
Finance charges, late fees and other revenues	**$654**	$609	$588
Merchant fees	**99**	90	81
Total revenues	**753**	699	669
Expenses:			
Bad debt	**148**	147	180
Operations and marketing	**205**	182	169
Total expenses	**353**	329	349
Pre-tax credit contribution	**$400**	$370	$320

Average Receivables Serviced

(millions)	2000	1999	1998
Target	**$1,182**	$ 974	$ 803
Mervyn's	**697**	718	764
Marshall Field's	**725**	719	720
Total average receivables serviced	**$2,604**	$2,411	$2,287

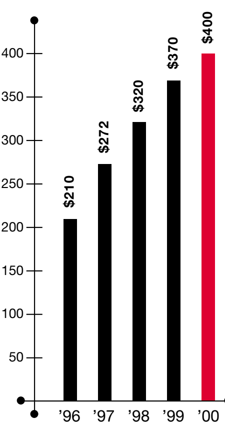
Year-end Receivables Serviced

(millions)	2000	1999	1998
Publicly held	**$ 800**	$ 800	$ 800
Not publicly held	**$2,105**	$1,881	$1,696
Total year-end receivables serviced	**$2,905**	$2,681	$2,496
Past due*	**6.1%**	6.7%	6.8%

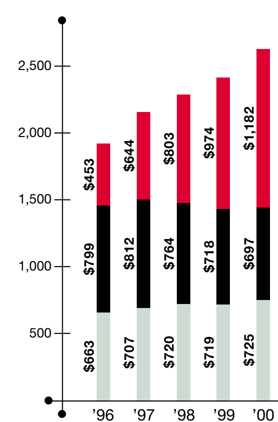
*Balances on accounts with two or more payments past due as a percent of total outstanding is one of many measures management uses to measure portfolio performance.

Allowance for Doubtful Accounts

(millions)	2000	1999	1998
Allowance at beginning of year	**$203**	$203	$168
Bad debt provision	**148**	147	180
Net write-offs	**(140)**	(147)	(145)
Allowance at end of year	**$211**	$203	$203
As a percent of year-end receivables serviced	**7.3%**	7.6%	8.1%
As a multiple of current year net write-offs	**1.5x**	1.4x	1.4x



Credit Contribution
(millions)



Average Receivables Serviced
Target Mervyn's Marshall Field's

Fiscal Year 2001

As we look forward into 2001, we believe that we will deliver strong growth in revenues and earnings, in the context of the broader economic environment. We expect this growth to be driven by increases in comparable-store sales and contributions from new store growth at Target, as well as by continued modest improvement at Mervyn's and a significant profit recovery at Marshall Field's. Our credit operations are also expected to contribute to our earnings growth as we continue to open new accounts and invest in programs that reinforce the use of our proprietary cards. For the Corporation overall, gross margin rate and expense rate are expected to be essentially even with 2000.

In 2001, we expect to reinvest $3.3 to $3.5 billion in our business. In addition to our typical annual investment in new stores, remodels and infrastructure, this capital investment also includes a substantial portion of the approximately $700 million we are investing in the acquisition and renovation of 35 former Montgomery Wards locations. The majority of these new Target locations will open in 2002. In 2001, Target plans to open approximately 90 total new stores, including 30 or more SuperTarget locations. On a net basis, Target will add about 70 new stores and increase retail square footage for the year in the range of 10 to 11 percent. About half of the incremental square footage is attributable to SuperTarget. Funding sources for the growth of our business include internally generated funds, debt and sales of publicly held receivable-backed securities.

We are currently analyzing the results of a pilot program initiated in three cities, which began in late 2000, to offer an enhanced Target credit card with Visa capabilities. In 2001 we may conduct further tests or proceed with a rollout of this program.

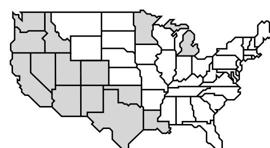
The total of interest expense and interest equivalent is expected to be moderately higher than 2000 due to higher average funded balances, partially offset by a lower average portfolio interest rate. Our existing $800 million of publicly held receivable-backed securities is expected to result in approximately $49 million of interest equivalent for the year, similar to 2000.

The effective income tax rate is expected to approximate 38.0 percent.

Forward-looking Statements

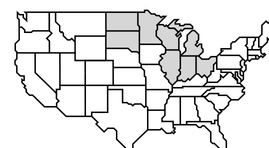
This Annual Report, including the preceding management's discussion and analysis, contains forward-looking statements regarding our performance, liquidity and the adequacy of our capital resources. Those statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. We caution that the forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving our growth objectives, and other risks and uncertainties. As a result, while we believe that there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. You are encouraged to review Exhibit (99)C attached to our Form 10-K Report for the year ended February 3, 2001, which contains additional important factors that may cause actual results to differ materially from those predicted in the forward-looking statements.

Mervyn's Store Count



	Retail Sq. Ft. (in thousands)	No. of Stores
California	9,603	124
Texas	3,344	42
Washington	1,440	16
Arizona	1,202	15
Michigan	1,164	15
Minnesota	1,157	9
Colorado	853	11
Utah	753	8
Oregon	551	7
Louisiana	449	6
Nevada	421	6
Oklahoma	269	3
New Mexico	267	3
Idaho	82	1
Total	**21,555**	**266**

Marshall Field's Store Count



	Retail Sq. Ft. (in thousands)	No. of Stores
Michigan	4,898	21
Illinois	4,173	17
Minnesota	3,040	12
Wisconsin	800	5
Ohio	618	3
North Dakota	297	3
Indiana	246	2
South Dakota	102	1
Total	**14,174**	**64**

(millions, except per share data)	**2000**	1999	1998
Sales	**$36,362**	$33,212	$30,203
Net credit revenues	**541**	490	459
Total revenues	**36,903**	33,702	30,662
Cost of sales	**25,295**	23,029	21,085
Selling, general and administrative expense	**8,190**	7,490	6,843
Depreciation and amortization	**940**	854	780
Interest expense	**425**	393	398
Earnings before income taxes and extraordinary charges	**2,053**	1,936	1,556
Provision for income taxes	**789**	751	594
Net earnings before extraordinary charges	**1,264**	1,185	962
Extraordinary charges from purchase and redemption of debt, net of tax	**–**	41	27
Net earnings	**$ 1,264**	$ 1,144	$ 935
Earnings before extraordinary charges	**$ 1.40**	$ 1.32	$1.07
Extraordinary charges	**–**	(.04)	(.03)
Basic earnings per share	**$ 1.40**	$ 1.28	$ 1.04
Earnings before extraordinary charges	**$ 1.38**	$ 1.27	$ 1.02
Extraordinary charges	**–**	(.04)	(.03)
Diluted earnings per share	**$ 1.38**	$ 1.23	$ .99
Weighted average common shares outstanding:			
Basic	**903.5**	882.6	880.0
Diluted	**913.0**	931.3	934.6

See Notes to Consolidated Financial Statements throughout pages 24-36.

Summary of Accounting Policies

Organization Effective at the beginning of fiscal year 2000, Dayton Hudson Corporation changed its name to Target Corporation. We are a general merchandise retailer, comprised of three operating segments: Target, Mervyn's and Marshall Field's. Target, an upscale discount chain located in 46 states at year-end, contributed 80 percent of our 2000 total revenues. Mervyn's, a middle-market promotional department store located in 14 states in the West, South and Midwest, contributed 11 percent of total revenues. Marshall Field's (including stores formerly named Dayton's and Hudson's), a traditional department store located in 8 states in the upper Midwest, contributed 8 percent of total revenues.

Consolidation The financial statements include the balances of the Corporation and its subsidiaries after elimination of material intercompany balances and transactions. All material subsidiaries are wholly owned.

Use of Estimates The preparation of our financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

Fiscal Year Our fiscal year ends on the Saturday nearest January 31. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. Fiscal year 2000 consisted of 53 weeks. Fiscal years 1999 and 1998 each consisted of 52 weeks.

Reclassifications Certain prior year amounts have been reclassified to conform to the current year presentation.

Revenues

Revenue from retail sales is recognized at the time of sale. Leased department sales, net of related cost of sales, are included within sales and were $33 million in 2000, $31 million in 1999, and $29 million in 1998. Net credit revenues represent revenue from receivable-backed securities, which is comprised of finance charges and late fees on internal credit sales, net of the effect of publicly held receivable-backed securities. Internal credit sales were $5.5 billion, $5.0 billion and $4.5 billion in 2000, 1999 and 1998, respectively.

Advertising Costs

Advertising costs, included in selling, general and administrative expense, are expensed as incurred and were $824 million, $791 million and $745 million for 2000, 1999 and 1998, respectively.

Mainframe Outsourcing

In 1998, we announced our plan to outsource our mainframe computer data center functions and expensed $42 million ($.03 per share) of related charges. During 1999, we completed the transition and expensed an additional $5 million (less than $.01 per share) related to the outsourcing. These expenses are included in selling, general and administrative expense.

Start-up Expense

In first quarter 1999, we adopted SOP 98-5, "Reporting on the Costs of Start-Up Activities." The adoption did not impact total year start-up expense, which is included in selling, general and administrative expense.

Earnings per Share

Basic EPS is net earnings, less dividend requirements on the Employee Stock Ownership Plan (ESOP) preferred shares prior to their conversion to common shares, divided by the average number of common shares outstanding during the period. Diluted EPS includes the incremental shares assumed issued on the exercise of stock options.

In January 2000, each outstanding ESOP preferred share was converted into 120 shares of our common stock. These shares are now included within weighted average common shares outstanding. Diluted EPS assumed conversion of the ESOP preferred shares into common shares and replacement of the ESOP preferred dividends with common stock dividends, prior to the conversion of all preferred shares in January 2000. In addition, net earnings were adjusted for expense required to fund the ESOP debt service, prior to repayment of the loan in 1998. References herein to earnings per share refer to Diluted EPS.

All earnings per share, dividends per share and common shares outstanding reflect our 2000 and 1998 two-for-one share splits.

(millions, except per share data)	Basic EPS			Diluted EPS		
	2000	1999	1998	**2000**	1999	1998
Net earnings*	**$1,264**	$1,185	$ 962	**$1,264**	$1,185	$ 962
Less: ESOP net earnings adjustment	–	(18)	(20)	–	(4)	(8)
Adjusted net earnings*	**$1,264**	$1,167	$ 942	**$1,264**	$1,181	$ 954
Weighted average common shares outstanding	**903.5**	882.6	880.0	**903.5**	882.6	880.0
Performance shares	**–**	–	–	**–**	.1	1.6
Stock options	**–**	–	–	**9.3**	11.6	11.0
Put warrants	**–**	–	–	**.2**	.1	–
Assumed conversion of ESOP preferred shares	**–**	–	–	**–**	36.9	42.0
Total common equivalent shares outstanding	**903.5**	882.6	880.0	**913.0**	931.3	934.6
Earnings per share*	**$ 1.40**	$ 1.32	$ 1.07	**$ 1.38**	$ 1.27	$ 1.02

*Before extraordinary charges.

(millions)	February 3, 2001	January 29, 2000
Assets		
Cash and cash equivalents	**$ 356**	$ 220
Receivable-backed securities	**1,941**	1,724
Inventory	**4,248**	3,798
Other	**759**	741
Total current assets	**7,304**	6,483
Property and equipment		
Land	**2,467**	2,069
Buildings and improvements	**8,596**	7,807
Fixtures and equipment	**3,848**	3,422
Construction-in-progress	**848**	526
Accumulated depreciation	**(4,341)**	(3,925)
Property and equipment, net	**11,418**	9,899
Other	**768**	761
Total assets	**$19,490**	$17,143
Liabilities and shareholders' investment		
Accounts payable	**$ 3,576**	$ 3,514
Accrued liabilities	**1,507**	1,520
Income taxes payable	**361**	318
Current portion of long-term debt and notes payable	**857**	498
Total current liabilities	**6,301**	5,850
Long-term debt	**5,634**	4,521
Deferred income taxes and other	**1,036**	910
Shareholders' investment		
Common stock	**75**	76
Additional paid-in-capital	**902**	730
Retained earnings	**5,542**	5,056
Total shareholders' investment	**6,519**	5,862
Total liabilities and shareholders' investment	**$19,490**	$17,143

See Notes to Consolidated Financial Statements throughout pages 24-36.

Cash Equivalents

Cash equivalents represent short-term investments with a maturity of three months or less from the time of purchase.

Receivable-backed Securities

Receivable-backed securities are asset-backed securities collateralized by pools of credit card receivables that we have originated and securitized. The receivable-backed securities that we hold represent our interest in the securitization facility through which we securitize our receivables on an ongoing basis.

The receivable-backed securities are classified as available-for-sale in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and are carried at fair value, which approximates carrying value. The carrying value of the related receivable-backed securities is equal to the carrying value of the underlying receivables and therefore, no gain or loss is recognized by the Company at the time of the securitization.

Income on the receivable-backed securities is accrued based on the effective interest rate applied to its cost basis, adjusted for accrued interest and principal paydowns. The effective interest rate approximates the yield on the underlying receivables.

Our retained interests relate to the publicly held securitizations in the form of interest only strips, which represent the difference between the yield on the receivable portfolio and the stated interest rate on the publicly held receivable-backed security. The retained interests are not material to the financial statements.

We monitor impairment of receivable-backed securities based on fair value. Provisions for losses are charged to earnings when it is determined that the receivable-backed securities' carrying value is greater than their fair value.

Through our special purpose subsidiary, Target Receivables Corporation (TRC), we transfer, on an ongoing basis, substantially all of our receivables to a trust in return for certificates representing undivided interests in the trust's assets. TRC owns the undivided interest in the trust's assets, other than the publicly held trust certificates described below and the 2 percent of trust assets held by Retailers National Bank (RNB), a wholly owned subsidiary of the Corporation that also services receivables. The undivided interests held by TRC and RNB and the related income and expenses are reflected in each operating segment's assets and operating results based on the origin of the credit sale giving rise to the receivable.

In 1998, TRC sold $400 million of receivable-backed securities to the public. This issue of receivable-backed securities had an expected maturity of five years and a stated rate of 5.90 percent. Proceeds from the sale were used for general corporate purposes, including funding the growth of receivables. The 1998 sale transaction and the maturity of our 1995 securitization resulted in a net loss of $3 million (less than $.01 per share), which reduced 1998 finance charge revenues and pre-tax earnings. In 1997, TRC sold $400 million of receivable-backed securities to the public, with an expected maturity in 2002 and a stated rate of 6.25 percent.

At year-end 2000 and 1999, $800 million of securitized receivables had been sold to investors and TRC had borrowed $100 million through the issuance of notes payable secured by receivable-backed securities not publicly held. The fair value of the receivable-backed securities not publicly held was $1,941 million and $1,724 million at year-end 2000 and 1999, respectively.

Receivable-backed Securities

(millions)	**2000**	1999	1998
Total receivables serviced	**$2,905**	$2,681	$2,496
Net credit losses	**140**	147	145
Balances with two or more payments past due	**$ 179**	$ 179	$ 170

In 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," that replaces in its entirety SFAS No. 125. Although SFAS No. 140 has changed many of the rules regarding securitizations, it continues to require recognition of the financial and servicing assets controlled and the liabilities incurred, and to derecognize financial assets when control has been surrendered, in accordance with the provisions of the Statement. We have made all newly required disclosures for the year ended February 3, 2001. Also, as required, we will apply the new rules prospectively to transactions beginning in the first quarter of 2001. We do not believe the adoption of this new statement will have a material impact on our earnings or financial position.

Inventory

Inventory and the related cost of sales are accounted for by the retail inventory accounting method using the last-in, first-out (LIFO) basis and are stated at the lower of LIFO cost or market. The cumulative LIFO provision was $57 million and $53 million at year-end 2000 and 1999, respectively.

Property and Long-lived Assets

Property and long-lived assets are recorded at cost less accumulated depreciation or amortization. Depreciation and amortization are computed using the straight-line method over estimated useful lives. Accelerated depreciation methods are generally used for income tax purposes.

Estimated useful lives by major asset category are as follows:

Asset	Life (in years)
Buildings and improvements	8 – 50
Fixtures and equipment	5 – 8
Computer hardware and software	4
Intangible assets and goodwill	3 – 20

On an ongoing basis, we evaluate our long-lived assets for impairment using undiscounted cash flow analysis.

Accounts Payable

Outstanding drafts included in accounts payable were $600 million and $599 million at year-end 2000 and 1999, respectively.

consolidated statements of cash flows

(millions)	2000	1999	1998
Operating activities			
Net earnings before extraordinary charges	**$1,264**	$1,185	$ 962
Reconciliation to cash flow:			
Depreciation and amortization	**940**	854	780
Deferred tax provision	**1**	75	(11)
Other noncash items affecting earnings	**237**	163	70
Changes in operating accounts providing/(requiring) cash:			
Receivable-backed securities	**(217)**	(184)	(42)
Sale of receivable-backed securities	**–**	–	400
Maturity of publicly held receivable-backed securities	**–**	–	(400)
Inventory	**(450)**	(323)	(198)
Other current assets	**(9)**	(54)	(60)
Other assets	**13**	(65)	(65)
Accounts payable	**62**	364	336
Accrued liabilities	**(23)**	100	75
Income taxes payable	**87**	166	40
Cash flow provided by operations	**1,905**	2,281	1,887
Investing activities			
Expenditures for property and equipment	**(2,528)**	(1,918)	(1,657)
Proceeds from disposals of property and equipment	**57**	126	107
Acquisition of subsidiaries, net of cash received	**–**	–	(100)
Other	**(4)**	(15)	(5)
Cash flow required for investing activities	**(2,475)**	(1,807)	(1,655)
Net financing (requirements)/sources	**(570)**	474	232
Financing activities			
Increase/(decrease) in notes payable, net	**245**	564	(305)
Additions to long-term debt	**2,000**	285	600
Reductions of long-term debt	**(806)**	(600)	(343)
Dividends paid	**(190)**	(195)	(178)
Repurchase of stock	**(585)**	(581)	–
Other	**42**	18	38
Cash flow provided by/(used for) financing activities	**706**	(509)	(188)
Net increase/(decrease) in cash and cash equivalents	**136**	(35)	44
Cash and cash equivalents at beginning of year	**220**	255	211
Cash and cash equivalents at end of year	**$ 356**	$ 220	$ 255

Amounts presented herein are on a cash basis and therefore may differ from those shown in other sections of this Annual Report. Cash paid for income taxes was $700 million, $575 million and $564 million during 2000, 1999 and 1998, respectively. Cash paid for interest (including interest capitalized) was $420 million, $405 million and $393 million during 2000, 1999 and 1998, respectively.

See Notes to Consolidated Financial Statements throughout pages 24-36.

Lines of Credit

At February 3, 2001, two committed credit agreements totaling $1.6 billion were in place through a group of 25 banks at specified rates. There were no balances outstanding at any time during 2000 or 1999 under these agreements.

Long-term Debt and Notes Payable

At February 3, 2001, $908 million of notes payable were outstanding, $800 million of which were classified as long-term debt as they were supported by our $800 million committed credit agreement that expires in 2005. Of the remaining $108 million, $100 million is financing secured by the Target Credit Card Master Trust Series 1996-1 Class A variable funding certificate. This certificate is debt of TRC and is classified in the current portion of long-term debt and notes payable. The average amount of secured and unsecured notes payable outstanding during 2000 was $1,081 million at a weighted-average interest rate of 6.6 percent.

In 2000, we issued $500 million of long-term debt maturing in 2005 at 7.50 percent, $600 million of long-term debt maturing in 2010 at 7.50 percent, and $700 million of long-term debt maturing in 2011 at 6.35 percent. We also issued $200 million of floating-rate notes bearing interest at an initial rate of 6.82 percent maturing in 2002. The proceeds were used for general corporate purposes. Also during 2000, we repurchased $35 million of long-term debt with an average remaining life of 12 years and a weighted-average interest rate of 9.7 percent, resulting in an after-tax extraordinary charge of $3 million (less than $.01 per share). In 2000, $371 million of puttable debt was put to us, resulting in an after-tax extraordinary gain of $3 million (less than $.01 per share).

In 1999, we issued $285 million of floating-rate notes bearing interest at initial rates between 5.32 and 5.52 percent, maturing in July through September 2001. Also during 1999, we repurchased $381 million of long-term debt with an average remaining life of 18 years and a weighted-average interest rate of 9.3 percent, resulting in an after-tax extraordinary charge of $41 million ($.04 per share).

At year-end our debt portfolio was as follows:

Long-term Debt and Notes Payable

(millions)	February 3, 2001		January 29, 2000	
	Rate*	**Balance**	Rate*	Balance
Notes payable	**5.8%**	**$ 908**	5.8%	$ 664
Notes and debentures:				
Due 2000-2004	**7.3**	**1,699**	7.8	1,787
Due 2005-2009	**7.4**	**994**	7.6	594
Due 2010-2014	**7.3**	**1,544**	7.9	472
Due 2015-2019	**9.5**	**34**	9.5	34
Due 2020-2024	**8.5**	**753**	8.5	759
Due 2025-2029	**6.7**	**403**	6.6	474
Due 2030-2037		**–**	5.9	100
Total notes payable, notes and debentures**	**7.2%**	**$6,335**	7.5%	$4,884
Capital lease obligations		**156**		135
Less: current portion		**(857)**		(498)
Long-term debt and notes payable		**$5,634**		$4,521

*Reflects the weighted-average stated interest rate as of year-end.

**The estimated fair value of total notes payable and notes and debentures, using a discounted cash flow analysis based on our incremental interest rates for similar types of financial instruments, was $6,562 million at February 3, 2001 and $4,893 million at January 29, 2000.

Required principal payments on long-term debt and notes payable over the next five years, excluding capital lease obligations, are $846 million in 2001, $392 million in 2002, $464 million in 2003, $106 million in 2004 and $1,300 million in 2005.

Derivatives

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which we will adopt in 2001. It requires the fair value of all derivatives to be recognized as assets or liabilities, and specifies accounting for changes in fair value. We do not believe the adoption of SFAS No. 133 will have a material effect on our earnings or financial position.

At February 3, 2001 and January 29, 2000, interest rate swap agreements were outstanding at notional amounts totaling $900 million and $400 million, respectively. The swaps hedge the fair value of certain debt by effectively converting interest from fixed rate to variable. At February 3, 2001 and January 29, 2000 the fair value of the interest rate swap agreements was not reflected in the financial statements. The fair value of existing swaps is immaterial.

(millions, except share data)	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Loan to ESOP	Total
January 31, 1998	$280	$73	$196	$3,930	$(19)	$4,460
Consolidated net earnings	–	–	–	935	–	935
Dividends declared	–	–	–	(182)	–	(182)
Tax benefit on unallocated preferred stock dividends and options	–	–	25	–	–	25
Conversion of preferred stock and other	(12)	–	37	–	–	25
Net reduction in loan to ESOP	–	–	–	–	19	19
Stock option activity	–	1	28	–	–	29
January 30, 1999	268	74	286	4,683	–	5,311
Consolidated net earnings	–	–	–	1,144	–	1,144
Dividends declared	–	–	–	(191)	–	(191)
Repurchase of stock	–	(1)	–	(580)	–	(581)
Issuance of stock for ESOP	–	–	81	–	–	81
Tax benefit on unallocated preferred stock dividends and options	–	–	29	–	–	29
Conversion of preferred stock	(268)	3	289	–	–	24
Stock option activity	–	–	45	–	–	45
January 29, 2000	–	76	730	5,056	–	5,862
Consolidated net earnings	–	–	–	1,264	–	1,264
Dividends declared	–	–	–	(194)	–	(194)
Repurchase of stock	–	(1)	–	(584)	–	(585)
Issuance of stock for ESOP	–	–	86	–	–	86
Tax benefit on employee options	–	–	44	–	–	44
Stock option activity	–	–	42	–	–	42
February 3, 2001	**$ –**	**$75**	**$902**	**$5,542**	**$ –**	**$6,519**

Common Stock Authorized 6,000,000,000 shares, $.0833 par value; 897,763,244 shares issued and outstanding at February 3, 2001; 911,682,776 shares issued and outstanding at January 29, 2000.

In January 1999, our Board of Directors authorized the repurchase of $1 billion of our common stock. In March 2000, our Board of Directors authorized the repurchase of an additional $1 billion of our common stock. In 2000, we repurchased 21.2 million shares of stock at a total cost of $591 million ($27.92 per share), net of the premium from exercised and expired put options. In 1999, we repurchased 18.8 million shares of stock at a total cost of $588 million ($31.29 per share), net of the premium from exercised and expired put options. Repurchases are made primarily in open market transactions, subject to market conditions. Our program also includes the sale of put options that entitle the holder to sell shares of our common stock to us, at a specified price, if the holder exercises the option.

During 2000 and 1999, we sold put options on 9.5 million shares in each year. Options on 4.1 million shares outstanding at the end of 2000 entitled their holders to sell shares of our common stock to us at prices ranging from $24 to $33 per share on specific dates from February through June 2001. Premiums received from the sale of put options during 2000 and 1999 were recorded in retained earnings and totaled $29 million and $23 million, respectively, of which $12 million and $7 million represent premiums received on put options outstanding at year-end.

Preferred Stock Authorized 5,000,000 shares; no shares of Series B ESOP Convertible Preferred Stock, $.01 par value, were issued and outstanding at February 3, 2001 and January 29, 2000 and 338,492 shares were issued and outstanding at January 30, 1999. In January 2000, each share of Series B ESOP Convertible Preferred Stock was converted into 120 shares of our common stock. Prior to conversion, these shares had voting rights equal to the equivalent number of common shares and were entitled to cumulative annual dividends of $56.20.

Junior Preferred Stock Rights In 1996, we declared a distribution of shares of preferred share purchase rights. Terms of the plan provide for a distribution of one preferred share purchase right for each outstanding share of our common stock. Each right will entitle shareholders to buy one twelve-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $25.00, subject to adjustment. The rights will be exercisable only if a person or group acquires ownership of 20 percent or more of our common stock or announces a tender offer to acquire 30 percent or more of our common stock.

See Notes to Consolidated Financial Statements throughout pages 24-36.

Stock Option Plan

We have a stock option plan for key employees. Options include incentive stock options, non-qualified stock options or a combination of the two. A majority of the options vest annually in equal amounts over a four-year period. These options are cumulatively exercisable and expire no later than ten years after the date of the grant. The non-employee members of our Board of Directors also participate in our stock option plan. Their options become exercisable after one year and have a ten-year term. The typical frequency of stock option grants is once each fiscal year.

We also have a performance share and restricted share plan for key employees. The last grant was made in 1995, and all shares relating to outstanding grants were issued in 1999 pursuant to the plan. On January 30, 1999, 1,038 performance shares and 246 restricted shares had been awarded, but not yet issued. On January 31, 1998, 1,588 performance shares and 424 restricted shares had been awarded, but not yet issued. Pursuant to the plan, issuance was contingent on satisfaction of certain criteria.

Options Outstanding

	Total Outstanding		Currently Exercisable	
(shares in thousands)	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
January 31, 1998	28,934	$8.84	9,720	$6.58
Granted	6,619	24.08		
Canceled	(346)	11.89		
Exercised	(4,046)	6.13		
January 30, 1999	31,161	$12.40	11,369	$8.25
Granted	3,811	33.82		
Canceled	(352)	17.45		
Exercised	(2,559)	7.01		
January 29, 2000	32,061	$15.32	15,717	$10.23
Granted	5,617	33.67		
Canceled	(481)	25.34		
Exercised	(4,939)	9.14		
February 3, 2001	**32,258**	**$19.30**	**18,662**	**$12.36**

Options Outstanding

(shares in thousands)	Shares Outstanding at February 3, 2001	Range of Exercise Price
	7,617	$ 4.98 - $ 7.50
	5,497	$ 7.50 - $12.50
	3,765	$12.50 - $17.50
	2,408	$17.50 - $22.50
	3,795	$22.50 - $27.50
	9,176	$27.50 - $34.34
Total	32,258	$ 4.98 - $34.34

As of February 3, 2001, outstanding options had a weighted-average remaining contractual life of 7.0 years. The number of unissued common shares reserved for future grants under the stock option plans was 43,817,181 at February 3, 2001, and 48,979,794 at January 29, 2000.

We apply APB No. 25, "Accounting for Stock Issued to Employees," to account for our stock option and performance share plans. Because the exercise price of our employee stock options equals the market price of the underlying stock on the grant date, no compensation expense related to options is recognized. Performance share compensation expense was recognized based on the fair value of the shares at the end of each reporting period. If we had elected to recognize compensation cost based on the fair value of the options and performance shares at grant date as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net earnings would have been the pro forma amounts shown below. EPS calculated under SFAS No. 123 would be $.01 and $.02 lower than reported EPS in 2000 and 1999, respectively, and unchanged from reported EPS in 1998.

Pro Forma Earnings

(millions)	**2000**	1999	1998
Net earnings – as reported	**$1,264**	$1,144	$935
Net earnings – pro forma	**$1,247**	$1,132	$934

The Black-Scholes method was used to estimate the fair value of the options at grant date based on the following factors:

	2000	1999	1998
Dividend yield	**.6%**	.6%	.7%
Volatility	**30%**	30%	30%
Risk-free interest rate	**4.8%**	6.6%	4.6%
Expected life in years	**5.0**	5.6	5.6
Weighted-average fair value at grant date	**$11.15**	$12.91	$8.12

Pension and Postretirement Health Care Benefits

We have defined benefit pension plans that cover all employees who meet certain age, length of service and hours worked per year requirements. Benefits are provided based upon years of service and the employee's compensation. Retired employees also become eligible for certain health care benefits if they meet minimum age and service requirements and agree to contribute a portion of the cost.

In 1999, we adopted a change in the measurement date of our pension and postretirement health care benefits plans from December 31 to October 31. Prior periods have not been restated, as the impact of the change is not material.

Change in Benefit Obligation

	Pension Benefits		Postretirement Health Care Benefits	
(millions)	**2000**	1999	**2000**	1999
Benefit obligation at beginning of measurement period	**$862**	$729	**$94**	$85
Service cost	**47**	44	**2**	2
Interest cost	**63**	53	**7**	6
Actuarial (gain)/loss	**(1)**	76	**4**	9
Benefits paid	**(54)**	(40)	**(8)**	(8)
Benefit obligation at end of measurement period	**$917**	$862	**$99**	$94

Change in Plan Assets

	Pension Benefits		Postretirement Health Care Benefits	
(millions)	**2000**	1999	**2000**	1999
Fair value of plan assets at beginning of measurement period	**$ 982**	$859	**$ –**	$ –
Actual return on plan assets	**91**	62	**–**	–
Employer contribution	**1**	100	**8**	8
Benefits paid	**(54)**	(39)	**(8)**	(8)
Fair value of plan assets at end of measurement period	**$1,020**	$982	**$ –**	$ –

Reconciliation of Prepaid/(Accrued) Cost

	Pension Benefits		Postretirement Health Care Benefits	
(millions)	**2000**	1999	**2000**	1999
Funded status	**$103**	$120	**$ (99)**	$(94)
Unrecognized actuarial loss/(gain)	**32**	51	**(3)**	(7)
Unrecognized prior service cost	**9**	8	**2**	2
Net prepaid/(accrued) cost	**$144**	$179	**$(100)**	$(99)

The benefit obligation and fair value of plan assets, for the pension plans with benefit obligations in excess of plan assets, were $54 and $0 as of October 31, 2000 and $49 and $0 as of October 31, 1999.

Net Pension and Postretirement Health Care Benefits Expense

	Pension Benefits			Postretirement Health Care Benefits		
(millions)	**2000**	1999	1998	**2000**	1999	1998
Service cost benefits earned during the period	**$47**	$44	$35	**$2**	$2	$1
Interest cost on projected benefit obligation	**63**	53	45	**7**	6	6
Expected return on assets	**(81)**	(72)	(58)	**–**	–	–
Recognized gains and losses	**8**	9	3	**–**	–	(1)
Recognized prior service cost	**1**	1	–	**–**	–	–
Total	**$38**	$35	$25	**$9**	$8	$6

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

Actuarial Assumptions

	Pension Benefits			Postretirement Health Care Benefits		
	2000	1999	1998	**2000**	1999	1998
Discount rate	**7¾%**	7½%	7%	**7¾%**	7½%	7%
Expected long-term rate of return on plans' assets	**9**	9	9	**n/a**	n/a	n/a
Average assumed rate of compensation increase	**4¾**	4½	4	**n/a**	n/a	n/a

An increase in the cost of covered health care benefits of 6 percent is assumed for 2001. The rate is assumed to remain at 6 percent in the future. The health care cost trend rate assumption has a significant effect on the amounts reported. A 1 percent change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$–	$–
Effect on the health care component of the postretirement benefit obligation	$5	$(5)

Employee Stock Ownership Plan

We sponsor a defined contribution employee benefit plan. Employees who meet certain eligibility requirements can participate by investing up to 20 percent of their compensation. We match 100 percent of each employee's contribution up to 5 percent of respective total compensation. Our contribution to the plan is invested in the ESOP. Through December 1998, ESOP preferred shares (401(k) preferred shares) were allocated to participants. In January 1999, we began providing new common shares to the ESOP to fund the employer match.

In 1989, we loaned $379 million to the ESOP at a 9 percent interest rate. Proceeds from the loan were then used by the ESOP to purchase 438,353 shares of 401(k) preferred shares. The original issue value of the 401(k) preferred shares of $864.60 per share was guaranteed by the Corporation. The loan was paid off during 1998 using dividends paid on all 401(k) preferred shares held by the ESOP. In January 2000, each 401(k) preferred share was converted into 120 shares of common stock.

Prior to the conversion of all 401(k) preferred shares to common stock, we were required to exchange at fair value each 401(k) preferred share for 120 shares of common stock and cash, if any, upon a participant's termination. The 401(k) preferred shares were classified as shareholders' investment to the extent the preferred shares were permanent equity.

Dividends earned on 401(k) preferred shares held by the ESOP were $19 million in both 1999 and 1998. The dividends on allocated 401(k) preferred shares were paid to participants' accounts in additional 401(k) preferred shares until June 1998. Dividends are now paid to participants in cash. Benefits expense was $92 million in 2000, $78 million in 1999 and $29 million in 1998.

Leases

Assets held under capital leases are included in property and equipment and are charged to depreciation and interest over the life of the lease. Operating leases are not capitalized and lease rentals are expensed. Rent expense on buildings, classified in selling, general and administrative expense, includes percentage rents that are based on a percentage of retail sales over stated levels. Total rent expense was $168 million in 2000 and 1999 and $150 million in 1998. Most of the long-term leases include options to renew, with terms varying from five to 30 years. Certain leases also include options to purchase the property.

Future minimum lease payments required under non-cancelable lease agreements existing at February 3, 2001, were:

Future Minimum Lease Payments

(millions)	Operating Leases	Capital Leases
2001	$ 111	$ 25
2002	102	24
2003	89	22
2004	79	21
2005	73	20
After 2005	680	146
Total future minimum lease payments	$1,134	$258
Less: interest*	(334)	(102)
Present value of minimum lease payments	$ 800	$156**

*Calculated using the interest rate at inception for each lease (the weighted-average interest rate was 8.7 percent).

**Includes current portion of $11 million.

Owned and Leased Store Locations

At year-end, owned, leased and "combined" (combination owned/leased) store locations by operating segment were as follows:

	Owned	Leased	Combined	Total
Target	759	95	123	977
Mervyn's	160	67	39	266
Marshall Field's	51	12	1	64
Total	970	174	163	1,307

Income Taxes

Reconciliation of tax rates is as follows:

Percent of Earnings Before Income Taxes	2000	1999	1998
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**3.6**	3.9	4.5
Dividends on ESOP stock	**(.2)**	(.4)	(.5)
Work opportunity tax credits	**(.2)**	(.2)	(.2)
Inventory shortage tax matter	**–**	–	(1.3)
Other	**.2**	.5	.7
Effective tax rate	**38.4%**	38.8%	38.2%

The components of the provision for income taxes were:

Income Tax Provision: Expense/(Benefit) (millions)	2000	1999	1998
Current:			
Federal	**$675**	$570	$497
State	**113**	106	110
	788	676	607
Deferred:			
Federal	**(1)**	63	(10)
State	**2**	12	(3)
	1	75	(13)
Total	**$789**	$751	$594

The components of the net deferred tax asset/(liability) were:

Net Deferred Tax Asset/(Liability) (millions)	February 3, 2001	January 29, 2000
Gross deferred tax assets:		
Self-insured benefits	**$167**	$146
Deferred compensation	**143**	130
Inventory	**100**	84
Valuation allowance	**64**	63
Postretirement health care obligation	**40**	41
Other	**99**	106
	613	570
Gross deferred tax liabilities:		
Property and equipment	**(460)**	(408)
Other	**(96)**	(104)
	(556)	(512)
Total	**$ 57**	$ 58

Inventory Shortage Tax Matter

In 1998, we received a favorable ruling from the United States Court of Appeals on a 1983 case related to the deductibility of accrued inventory shortage expense. The beneficial effect resulting from the outcome of the case was $20 million ($.02 per share) and was reflected as a reduction in the 1998 effective income tax rate. This issue has been settled for all years.

Acquisitions

In 1998, we acquired The Associated Merchandising Corporation, an international sourcing company that provides services to our operating divisions and other retailers, and we also acquired Rivertown Trading Company, a direct marketing firm. Both subsidiaries are included in the consolidated financial statements. Their revenues and operating results are included in "other" in revenues and in our pre-tax earnings reconciliation on page 36 and were immaterial in 2000, 1999 and 1998.

Commitments and Contingencies

Commitments for the purchase, construction, lease or remodeling of real estate, facilities and equipment were approximately $633 million at year-end 2000. We are exposed to claims and litigation arising out of the ordinary course of business. Management, after consulting with legal counsel, believes the currently identified claims and litigation will not have a material adverse effect on our results of operations or our financial condition taken as a whole.

Quarterly Results (Unaudited)

The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. The table below summarizes results by quarter for 2000 and 1999:

(millions, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Total revenues	**$7,746**	7,158	**$8,251**	7,687	**$8,582**	7,927	**$12,324**	10,930	**$36,903**	33,702
Gross margin (a)	**$2,410**	2,182	**$2,530**	2,376	**$2,584**	2,441	**$ 3,543**	3,184	**$11,067**	10,183
Net earnings before extraordinary charges (c)	**$ 239**	194	**$ 257**	228	**$ 216**	241	**$ 552**	522	**$ 1,264**	1,185
Net earnings (b) (c)	**$ 239**	194	**$ 258**	224	**$ 215**	232	**$ 552**	494	**$ 1,264**	1,144
Basic earnings per share (b) (c) (d)	**$ .26**	.21	**$ .28**	.25	**$ .24**	.26	**$ .62**	.55	**$ 1.40**	1.28
Diluted earnings per share (b) (c) (d)	**$ .26**	.21	**$ .28**	.24	**$ .24**	.25	**$ .61**	.53	**$ 1.38**	1.23
Dividends declared per share (d)	**$ .050**	.050	**$ .050**	.050	**$ .055**	.050	**$ .055**	.050	**$ .210**	.200
Common stock price (e)										
High	**$38.59**	37.88	**$35.72**	36.22	**$31.88**	34.75	**$ 37.98**	37.50	**$ 38.59**	37.88
Low	**$27.94**	29.38	**$26.22**	28.97	**$22.75**	27.63	**$ 25.50**	30.38	**$ 22.75**	27.63

(a) Gross margin is sales less cost of sales. The LIFO provision, included in gross margin, is analyzed each quarter for estimated changes in year-end inventory levels, markup rates and internally generated retail price indices. A final adjustment is recorded in the fourth quarter for the difference between the prior quarters' estimates and the actual total year LIFO provision.

(b) In 2000, second and third quarter net earnings include extraordinary gains (charges), net of tax, related to the purchase and redemption of debt of $1 million and $(1) million (each less than .01 per basic and diluted share), respectively. In 1999, second, third and fourth quarter net earnings include extraordinary charges, net of tax of $4 million, $9 million and $28 million (less than $.01, $.01 and $.03 per basic and diluted share), respectively.

(c) Third quarter and total year 1999 net earnings before extraordinary charges, net earnings and earnings per share include a mainframe outsourcing pre-tax charge of $5 million (less than $.01 per share).

(d) Per share amounts are computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding and/or rounding caused by the 2000 two-for-one common share split.

(e) Our common stock is listed on the New York Stock Exchange and Pacific Exchange. At March 23, 2001, there were 14,660 registered shareholders and the common stock price was $34.90 per share.

Business Segment Comparisons

(millions)	**2000***	1999	1998	1997	1996	1995*
Revenues						
Target	**$29,278**	$26,080	$23,014	$20,298	$17,810	$15,752
Mervyn's	**4,152**	4,099	4,150	4,219	4,350	4,491
Marshall Field's	**3,011**	3,074	3,064	2,970	2,932	2,991
Other	**462**	449	434	–	–	–
Total revenues	**$36,903**	$33,702	$30,662	$27,487	$25,092	$23,234
Pre-tax segment profit and earnings reconciliation						
Target	**$ 2,223**	$ 2,022	$ 1,578	$ 1,287	$ 1,048	$ 721
Mervyn's	**269**	205	240	280	272	117
Marshall Field's	**190**	296	279	240	151	192
Total pre-tax segment profit	**$ 2,682**	$ 2,523	$ 2,097	$ 1,807	$ 1,471	$ 1,030
LIFO provision credit/(expense)	**(4)**	7	18	(6)	(9)	(17)
Securitization adjustments:						
Gain/(loss)	**–**	–	(3)	45	–	–
Interest equivalent	**(50)**	(49)	(48)	(33)	(25)	(10)
Interest expense	**(425)**	(393)	(398)	(416)	(442)	(442)
Mainframe outsourcing	**–**	(5)	(42)	–	–	–
Real estate repositioning	**–**	–	–	–	(134)	–
Other	**(150)**	(147)	(68)	(71)	(78)	(60)
Earnings before income taxes and extraordinary charges	**$ 2,053**	$ 1,936	$ 1,556	$ 1,326	$ 783	$ 501
Assets						
Target	**$14,348**	$12,048	$10,475	$ 9,487	$ 8,257	$ 7,330
Mervyn's	**2,270**	2,248	2,339	2,281	2,658	2,776
Marshall Field's	**2,114**	2,149	2,123	2,188	2,296	2,309
Other	**758**	698	729	235	178	155
Total assets	**$19,490**	$17,143	$15,666	$14,191	$13,389	$12,570
Depreciation and amortization						
Target	**$ 660**	$ 567	$ 496	$ 437	$ 377	$ 328
Mervyn's	**130**	138	138	126	151	150
Marshall Field's	**134**	133	135	128	119	113
Other	**16**	16	11	2	3	3
Total depreciation and amortization	**$ 940**	$ 854	$ 780	$ 693	$ 650	$ 594
Capital expenditures						
Target	**$ 2,244**	$ 1,665	$ 1,352	$ 1,155	$ 1,048	$ 1,067
Mervyn's	**106**	108	169	72	79	273
Marshall Field's	**143**	124	127	124	173	161
Other	**35**	21	9	3	1	21
Total capital expenditures	**$ 2,528**	$ 1,918	$ 1,657	$ 1,354	$ 1,301	$ 1,522
Segment EBITDA						
Target	**$ 2,883**	$ 2,589	$ 2,074	$ 1,724	$ 1,425	$ 1,049
Mervyn's	**400**	343	378	406	423	267
Marshall Field's	**323**	429	414	368	270	305
Total segment EBITDA	**$ 3,606**	$ 3,361	$ 2,866	$ 2,498	$ 2,118	$ 1,621
Net assets**						
Target	**$10,659**	$ 8,413	$ 7,302	$ 6,602	$ 5,711	$ 5,109
Mervyn's	**1,928**	1,908	2,017	2,019	2,268	2,484
Marshall Field's	**1,749**	1,795	1,785	1,896	1,879	1,940
Other	**463**	428	514	169	53	96
Total net assets	**$14,799**	$12,544	$11,618	$10,686	$ 9,911	$ 9,629

Each operating segment's assets and operating results include the receivable-backed securities held by Target Receivables Corporation and Retailers National Bank, as well as related income and expense.

*Consisted of 53 weeks.

**Net assets represent total assets (including publicly held receivable-backed securities) less non-interest bearing current liabilities.

(dollars in millions, except per share data)	**2000**(a)	1999	1998	1997	1996	1995(a)
Results of operations						
Total revenues	**$36,903**	33,702	30,662	27,487	25,092	23,234
Net earnings (c) (d) (e)	**$ 1,264**	1,144	935	751	463	311
Financial position data						
Total assets	**$19,490**	17,143	15,666	14,191	13,389	12,570
Long-term debt	**$ 5,634**	4,521	4,452	4,425	4,808	4,959
Per common share data (b)						
Diluted earnings per share (c) (d) (e)	**$ 1.38**	1.23	.99	.80	.49	.32
Cash dividend declared	**$ .21**	.20	.18	.17	.16	.15
Other data						
Weighted average common shares outstanding (b)	**903.5**	882.6	880.0	872.2	866.5	862.1
Diluted average common shares outstanding (b)	**913.0**	931.3	934.6	927.3	921.8	916.6
Capital expenditures	**$ 2,528**	1,918	1,657	1,354	1,301	1,522
Number of stores:						
Target	**977**	912	851	796	736	670
Mervyn's	**266**	267	268	269	300	295
Marshall Field's	**64**	64	63	65	65	64
Total stores	**1,307**	1,243	1,182	1,130	1,101	1,029
Total retail square footage (thousands):						
Target	**112,604**	102,945	94,553	87,158	79,360	71,108
Mervyn's	**21,555**	21,635	21,729	21,810	24,518	24,113
Marshall Field's	**14,174**	14,060	13,890	14,090	14,111	13,870
Total retail square footage	**148,333**	138,640	130,172	123,058	117,989	109,091

(a) Consisted of 53 weeks.

(b) Earnings per share, dividends per share and common shares outstanding reflect our 2000 and 1998 two-for-one common share splits and our 1996 three-for-one common share split.

(c) Extraordinary charges, net of tax, related to the purchase and redemption of debt were less than $1 million (less than $.01 per share) in 2000, $41 million ($.04 per share) in 1999, $27 million ($.03 per share) in 1998, $51 million ($.05 per share) in 1997 and $11 million ($.01 per share) in 1996.

(d) 1999 includes a mainframe outsourcing pre-tax charge of $5 million (less than $.01 per share). 1998 included a mainframe outsourcing pre-tax charge of $42 million ($.03 per share) and the beneficial effect of $20 million ($.02 per share) of the favorable outcome of our inventory shortage tax matter. 1996 included a real estate repositioning pre-tax charge of $134 million ($.09 per share).

(e) 1998 included a $3 million pre-tax net loss (less than $.01 per share) related to securitization maturity and sale transactions. 1997 included a $45 million pre-tax gain ($.03 per share) related to securitization sale transactions.

The Summary Financial and Operating Data should be read in conjunction with the Notes to Consolidated Financial Statements throughout pages 24-36.

Report of Independent Auditors

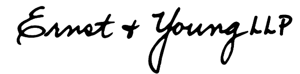
Board of Directors and Shareholders
Target Corporation

We have audited the accompanying consolidated statements of financial position of Target Corporation and subsidiaries as of February 3, 2001 and January 29, 2000 and the related consolidated results of operations, cash flows and shareholders' investment for each of the three years in the period ended February 3, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 Target Corporation and subsidiaries at February 3, 2001 and January 29, 2000 and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 3, 2001 in conformity with accounting principles generally accepted in the United States.

Minneapolis, Minnesota
March 5, 2001



Report of Management

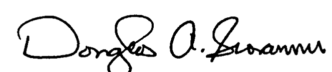
Management is responsible for the consistency, integrity and presentation of the information in the Annual Report. The consolidated financial statements and other information presented in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon a recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

The Board of Directors exercises its oversight role with respect to the Corporation's systems of internal control primarily through its Audit Committee, which is comprised of five independent directors. The Committee oversees the Corporation's systems of internal control, accounting practices, financial reporting and audits to assess whether their quality, integrity and objectivity are sufficient to protect shareholders' investments. The Committee's report appears on this page.

In addition, our consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report also appears on this page. As a part of its audit, Ernst & Young LLP develops and maintains an understanding of the Corporation's internal accounting controls and conducts such tests and employs such procedures as it considers necessary to render its opinion on the consolidated financial statements. Their report expresses an opinion as to the fair presentation, in all material respects, of the consolidated financial statements and is based on independent audits made in accordance with auditing standards generally accepted in the United States.

Robert J. Ulrich
Chairman of the Board and
Chief Executive Officer
March 5, 2001



Douglas A. Scovanner
Executive Vice President and
Chief Financial Officer

Report of Audit Committee

The Audit Committee met two times during fiscal 2000 to review the overall audit scope, plans for internal and independent audits, the Corporation's systems of internal control, emerging accounting issues, audit fees and benefit plans. The Committee also met individually with the independent auditors, without management present, to discuss the results of their audits. The Committee encourages the internal and independent auditors to communicate closely with the Committee.

Audit Committee results were reported to the full Board of Directors and the Corporation's annual financial statements were reviewed and approved by the Board of Directors before issuance. The Audit Committee also recommended to the Board of Directors that the independent auditors be reappointed for fiscal 2001, subject to the approval of the shareholders at the annual meeting.

March 5, 2001

Directors

Livio D. DeSimone
Retired Chairman and
Chief Executive Officer,
3M
1, 5, 6

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Chief Executive Officer,
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1, 2, 3

William W. George
Chairman and
Chief Executive Officer,
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Johnson Capital Partners
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Wells Fargo & Co.
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Partner,
Clayton, Dubilier & Rice
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Solomon D. Trujillo
Chairman, President
and Chief Executive Officer,
graviton, Inc.
1, 3, 4, 5

Robert J. Ulrich
Chairman and
Chief Executive Officer,
Target Corporation and
Target Stores
1

1 Executive Committee
2 Audit Committee
3 Compensation Committee
4 Corporate Responsibility Committee
5 Finance Committee
6 Nominating Committee

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President, Marshall Field's

Todd V. Blackwell
Senior Vice President,
Human Resources

Bart Butzer
President, Mervyn's

Michael R. Francis
Senior Vice President,
Marketing

John D. Griffith
Senior Vice President,
Property Development

James T. Hale
Executive Vice President,
General Counsel
and Corporate Secretary

Maureen W. Kyer
Senior Vice President,
Merchandising, Mervyn's

Douglas A. Scovanner
Executive Vice President
and Chief Financial Officer

Paul L. Singer
Senior Vice President
and Chief Information Officer

Gregg W. Steinhafel
President, Target Stores

Gerald L. Storch
Vice Chairman

Ertugrul Tuzcu
Executive Vice President,
Store Operations,
Marshall Field's

Robert J. Ulrich
Chairman and
Chief Executive Officer

Other Officers

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Vice President,
Community Relations

Nathan K. Garvis
Vice President,
Government Affairs

Susan D. Kahn
Vice President,
Investor Relations

Tracy Kofski
Vice President,
Compensation & Benefits

Stephen C. Kowalke
Vice President and
Treasurer

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President, Associated
Merchandising Corp.

Dale Nitschke
President, target.direct

Ronald A. Prill
President, Target Financial
Services

Jack N. Reif
Assistant Treasurer

Sara J. Ross
Assistant Treasurer

Erica C. Street
President, Target Brands, Inc.

Jane P. Windmeier
Senior Vice President,
Finance

Annual Meeting

The Annual Meeting of Shareholders is scheduled for May 23, 2001, at 9:30 a.m. CDT at The Children's Theatre, 2400 Third Avenue South, Minneapolis, Minnesota.

Shareholder Information

Quarterly and annual shareholder information, including the Form 10-Q and Form 10-K Annual Report, which are filed with the Securities and Exchange Commission, is available at no charge to shareholders. To obtain copies of these materials, you may call 612-370-6736, send an email to Investor.Relations@target.com, or write to: Vice President, Investor Relations, Target Corporation, 777 Nicollet Mall, Minneapolis, Minnesota 55402.

Information about Target Corporation is also available on the Internet at www.target.com.

Sales Information

Comments regarding the company's sales results are provided periodically throughout the year on a recorded telephone message. You may access this message by calling 612-370-6500.

Direct Stock Purchase/Dividend Reinvestment Plan

First Chicago Trust Company of New York, a division of Equiserve, administers a direct service investment plan that allows interested investors to purchase Target Corporation stock directly, rather than through a broker, and become a registered shareholder of the Company. The program offers many features including dividend reinvestment. For detailed information regarding this program, call First Chicago Trust toll free at 1-888-268-0203 or write to:

The DirectSERVICE Investment Program
c/o First Chicago Trust Company
P.O. Box 2598
Jersey City, NJ 07303-2598

Transfer Agent, Registrar and Dividend Disbursing Agent

First Chicago Trust Company of New York, a division of Equiserve

Trustee, Employee Savings 401(k) and Pension Plans

State Street Bank and Trust Company

Stock Exchange Listings

Trading symbol TGT
New York Stock Exchange and Pacific Stock Exchange

Shareholder Assistance

For assistance regarding individual stock records, lost certificates, name or address changes, dividend or tax questions, call First Chicago Trust at 1-800-317-4445, access their website at www.equiserve.com, or write to: First Chicago Trust Company of New York, a division of EquiServe, P.O. Box 2500, Jersey City, NJ 07303.

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Concept and design: Little & Company, Minneapolis

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