We are Target Corporation.

Annual Report 1999

1902

George Dayton opens Goodfellows in downtown Minneapolis, the same location as today's downtown store. In 1903, the corporate name is changed to the Dayton Dry Goods Company.

1910

The Dayton Company

Dayton Dry Goods Company changes its name to The Dayton Company.

1946

The Dayton Company begins the tradition that keeps us strong today: 5% of profits go back to the communities we serve.

1953

The Dayton Company adopts a new logo.

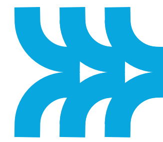
1954

J.L. Hudson opens Northland Center in Detroit, the world's largest shopping center at that time.

1962

The Dayton Company enters discount merchandising with the opening of its first Target stores.

1967



Dayton Corporation has its first public offering of common stock.

1969

The Dayton Hudson Corporation is formed through a merger of the Dayton Corporation and the J.L. Hudson Company.

1978

Dayton Hudson Corporation acquires Mervyn's.

MERVYN'S

1979

Target becomes the corporation's top revenue producer.

1984

Dayton's and Hudson's combine to form Dayton Hudson Department Store Company.

DAYTON'S
HUDSON'S

1990

Dayton Hudson Corporation acquires Marshall Field's.

Marshall Field's

1995

Mervyn's changes its name to Mervyn's California.

Target launches the industry's first discount store credit card, the Target Guest Card.

First SuperTarget stores open.

1998

RIVERTOWN
TRADING COMPANY

Dayton Hudson Corporation acquires Rivertown Trading Company and The Associated Merchandising Corporation.

1999

Dayton Hudson Corporation launches its e-commerce capability with new store brand web sites.

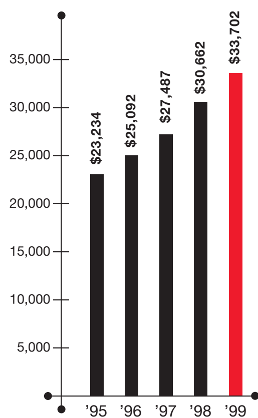
2000

Dayton Hudson Corporation celebrates its name change to Target Corporation.

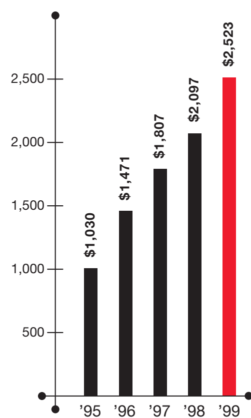
TARGET CORPORATION

TARGET CORPORATION

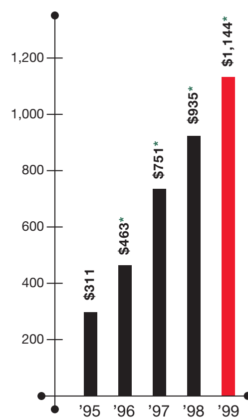
Our mission is to be the retailer of choice in the discount, middle market and department store retail segments. By focusing on trend leadership, excellent guest service, exciting team member opportunities, and community outreach, we create long-term shareholder value.



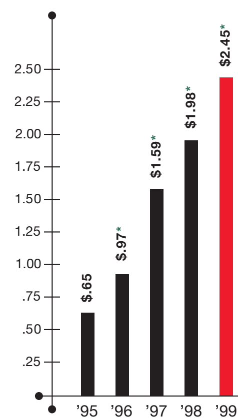
Revenues
(millions)



Pre-tax Segment Profit
(millions)



Net Earnings
(millions)



Diluted Earnings per Share

Operating Results ($ millions)	**1999**	1998	Change
Revenues	**$33,702**	$30,662	10%
Pre-tax segment profit	**$ 2,523**	$ 2,097	20%
Net earnings*	**$ 1,144**	$ 935	22%

Per Share Data			
Diluted earnings*	**$ 2.45**	$ 1.98	24%
Cash dividends declared	**$ .40**	$ .36	11%

At Year-End		
Common shares outstanding	**455,841,388**	441,809,806
Retail square feet	**138,640,000**	130,172,000
Number of stores	**1,243**	1,182

*Includes unusual items, resulting in net after-tax charges of $44 million ($.09 per share) in 1999, $35 million ($.08 per share) in 1998, $24 million ($.05 per share) in 1997, and $92 million ($.20 per share) in 1996.

Acknowledging the strength of the Target brand and the future growth opportunities of our largest retail division, we recently changed our name to Target Corporation. Our new name recognizes that the Target division, today, comprises more than 75 percent of the company's sales and profits, and that this contribution will continue to increase over time as we further expand our store base. Our new name also reflects our continuing commitment to leverage our resources for the benefit of the total corporation, and as a result, to improve our overall financial results and create substantial value for our shareholders.

Our performance in 1999 was driven by superior results at our Target division. Revenues for the segment increased 13 percent to $26 billion and pre-tax profit grew 28 percent to over $2 billion, establishing a new milestone in Target's history. In addition, Target's pre-tax profit as a percent of revenues equaled the reported profit margin at Wal*Mart's domestic discount/supercenter division for the year, eliminating a significant differential that existed in prior years. These outstanding results at Target in 1999, combined with record sales and profits at our Department Stores, produced our fourth consecutive year of earnings per share growth in excess of 20 percent.

We are very pleased with our performance in the past year and we are excited about the opportunities for profitable growth in 2000 and beyond. As we look forward, we remain confident that Target Corporation can continue to deliver average annual earnings per share growth of 15 percent or more over time.

New Store Growth With less than 1,000 stores in the U.S. today, Target's opportunities for domestic new store growth remain plentiful. During 1999, Target added a total of 74 new stores, increasing square footage by 9 percent. We continued to focus our efforts on markets in the Northeast and Mid-Atlantic, devoting nearly 40 percent of our new store openings to this region.

Importantly, by becoming more flexible in our site selection and store design without compromising the Target brand, we continue to have success in penetrating these markets despite difficult real estate challenges. In 1999, we entered two new markets, Boston and Pittsburgh, and in 2000, we will enter two new states, Connecticut and West Virginia, bringing the number of states in which we operate to 46.

Bob Ulrich, Chairman and Chief Executive Officer

Our store expansion in 2000 will also include a significant acceleration of SuperTarget store openings, reflecting our increased confidence in the sales and profit potential of this concept. We will essentially double our number of SuperTarget stores during the year, adding 15 new locations, primarily in the Midwest and South. About half of these stores will be relocations of existing discount stores, giving us the ability to capture greater market share in key metropolitan areas. With plans for at least 200 SuperTarget locations within the next ten years, we believe this strategy will generate profitable growth for many years to come.

Other Growth Opportunities At the core of Target's future growth and financial success is our differentiated merchandise strategy—with an emphasis on quality and original design, unique product, impactful presentation and value pricing. During the past year, we strengthened our merchandise assortment with the addition of new brands such as Calphalon, Stiffel, Discovery Channel toys and designs by Michael Graves and Robert Abbey. In 2000, we will continue to create excitement for our guests with new initiatives. Examples include an expanded offering of Michael Graves housewares and a new assortment of electronics; the introduction of Martex bed and bath collections; exclusive new lines of sporting goods equipment and accessories; and the expansion of our Archer Farms brand of premier food. Each of these efforts reinforces and enhances Target's brand image in the marketplace and contributes to our financial strength.

Credit is also an important contributor to our overall earnings growth. During the past five years, contribution from credit has increased at a compound annual rate of 17 percent, and both return on investment and EVA have risen sharply. While we continue to invest in credit programs at all three of our segments, the Target Guest Card is the primary driver of growth for this business. In 2000, we will continue to increase our card penetration, enhance our guest loyalty programs and leverage our credit operation to sustain our profitable growth.

In 1999, Target Corporation devoted greater resources to developing web-based strategies, reflecting our belief that the Internet and e-commerce are vital to our future. In our view, the Internet provides an important tool for communicating with our guests as well as a new distribution channel for our merchandise. Through our new business unit called target.direct, we are focused on leveraging our strengths as a well-known and trusted retailer to increase guest service and generate profitable sales. We believe our powerful marketing, our differentiated merchandise and more than 1,200 convenient store locations give us a competitive advantage in the on-line world. In 2000, we will continue to make the necessary investments in this business to attract experienced and talented team members, to improve our technology and fulfillment capability, and to provide our guests with appropriate services and merchandise selection.

Though our name has changed to reflect the growth and importance of Target, we remain committed to Dayton's, Marshall Field's, Hudson's and Mervyn's. During the past five years, Target Corporation has averaged a total return to shareholders on an annualized basis of 43 percent. During this same period, both Mervyn's and our Department Stores were key contributors to our overall strategy and financial performance. In 1999 alone, their combined net pre-tax cash flow again exceeded a half billion dollars. We believe that these two segments will continue to create value for Target Corporation in the years ahead.

We are excited about the future for Target Corporation and believe that we are well-positioned to build on our past performance. As we look forward, we remain confident that we will continue to deliver strong growth in sales and earnings and achieve our objective of generating at least 15 percent average annual earnings per share growth over time.

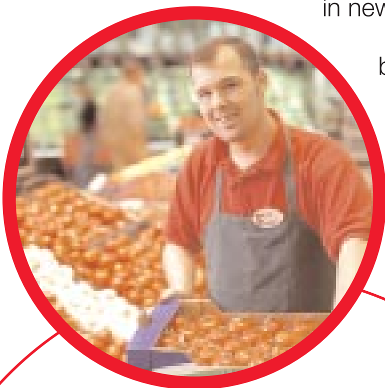
March 24, 2000

Bob Ulrich, Chairman and Chief Executive Officer

We are now Target Corporation, a name that reflects the powerful recognition of our largest retail brand. Today, Target Stores makes up more than 75 percent of our sales and profits, a percentage that will continue to grow as we open new Target stores across the country. The Target name best reflects our business and our company, today and in the future. We remain a company that is committed to growth and delivering superior returns to our shareholders.

Target Corporation's goal is to deliver average annual earnings per share growth of 15 percent or more over time. To deliver on that pledge to shareholders we will continue to grow the Target store base; innovate to grow sales at existing stores; pursue new retail strategies; and enhance our credit programs. Our continued success depends on clearly defined brand strategies at each of our stores, great execution every day for our guests, a commitment to constant innovation and reinvention, and support of our communities.

New Store Growth Our primary growth comes from new store expansion. Target continues to open stores in new U.S. markets and increase store density in existing markets, growing retail square footage by 8 to 10 percent annually. In 2000, Target will open approximately 80 total new stores, including 15 new SuperTarget stores, essentially doubling the number of SuperTarget locations we operated at year end. Target will add locations in two new states—West Virginia and Connecticut—and expand our presence in key markets like Pittsburgh, Boston and Dallas/Fort Worth. As Target's brand becomes stronger, it allows us to add more stores in existing metropolitan markets. To provide guests with added value and convenience, all new Target stores and remodels will feature pharmacies, optical shops, one-hour photo labs and portrait studios. Our newest stores will feature an updated look with an arched entrance with more glass for a brighter, more inviting feel. We will also continue to invest in store remodels to ensure that all Target stores continue to represent the Target brand.



Our goal at SuperTarget is to bring "fashion to food."

Target entered the Boston market in July 1999 with five stores, under the advertising theme, "the store you've been waiting for." Northeast and Mid-Atlantic markets are key areas for Target's expansion.

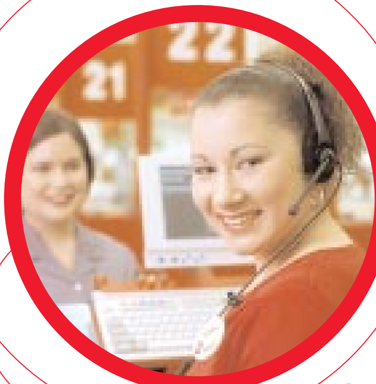
Differentiated Merchandise and Presentation Target's core merchandising strategy centers on consistent delivery of differentiation and value. We know we have to deliver excitement and value in dramatic new ways every time our guests visit our stores. The primary way we do this is by offering well-designed, trend-right merchandise at great prices, with powerful presentations in attractive stores. We are adding more exclusive product to our stores, with a greater emphasis on design and a greater depth of trend-right product.

The Target "Sign of the Times" advertising campaign leverages the acceptance of the Target bullseye logo. The campaign was launched in New York City with posters, images on New York metro water towers and postings on construction sites.

For example, in 1999 Target completely reinvented the toy area. While we still carry traditional toy categories, we increased our offering of toys characterized by quality, craftsmanship, exclusivity and value. We carry great brand names such as Playmobil and Sanrio — and toys from the Discovery Channel. We also completely redesigned our in-store presentation of toys with new, vibrant signing and displays.

Target's new toy offerings and the toy area's new signing reflect the company's commitment to constant innovation and reinvention in all merchandise areas. Target continues to add more exclusive products to its stores, with offerings like Sonia Kashuk Professional Makeup.

In addition, our home department is evolving to become a shopping destination similar to a specialty store. In the past year we have added brands like Calphalon and Stiffel, and designs by Michael Graves and Robert Abbey. Most recently, Target introduced exclusive bedding and bath products from Martex, featuring 250-thread-count cotton sheets, duvets and plush towels. These assortments enhance Target's powerful brand image among our guests and are the heart of our strategy to offer compelling, differentiated merchandise.



Better Guest Service In addition to our merchandise, we are working to differentiate Target's service as well. We know that guests want ultra-fast service with a respectful tone. That means getting in and out of the store quickly, finding merchandise in-stock, and obtaining rapid and knowledgeable answers to questions. We want to inject speed in every service area that affects the guest. Guests at Target tell us service is more important to them than any other aspect of their store experience, and therefore service is our highest priority.

Target is investing in technology and training to deliver faster, more knowledgeable service for our guests.

In addition to speed of service, ensuring that merchandise is available and in-stock is essential to delivering great guest service. To improve Target's in-stocks we have made supply chain performance a top priority.

SuperTarget Expansion SuperTarget provides us with tremendous opportunities for future growth. SuperTarget combines general merchandise with high-quality grocery items to offer a convenient one-stop shopping experience for guests. Our SuperTarget strategy is exactly the same as our general merchandise strategy: "Expect More. Pay Less." Our goal is to leverage Target's brand heritage and differentiate ourselves from other supercenters. Expanding the Archer Farms brand for the grocery side of the business—including an extensive line of Archer Farms private label grocery products that are of higher quality than most national brands—is key to this differentiation.

Target is including pharmacies in all new and remodeled Target stores, adding more than 100 pharmacies in 2000 alone. Pharmacy was one of the top performing areas at Target in 1999, producing double-digit comparable-store sales results.

In 1999, SuperTarget improved its gross margin performance, the quality of its perishable foods offering and its expense structure. As a result of these merchandising and operational improvements, we are accelerating the growth of SuperTarget, adding 15 stores in 2000. In the next ten years, we expect to open at least 200 SuperTarget stores that will generate $15 billion or more in sales. Relocations of existing Target stores provide significant opportunity for SuperTarget growth, allowing us to update our store base as it ages, and replace older stores with our newest and biggest stores. This will help fuel many years of growth for Target.

E-Commerce In early 2000, Target formed a new business unit called target.direct, which is responsible for the company's electronic retailing and direct marketing efforts. The Internet and e-commerce are a vital part of Target Corporation; target.direct will help us leverage the power of all our store brands and catalogs.

We see the Internet not only as a channel for selling merchandise, but as an important communications tool to reach guests and drive increased guest service. In 1999, we devoted more resources to building the merchandising, marketing, fulfillment and technology processes required to support this new channel. Today we operate ten websites — eight of which are full-service selling sites. The largest is target.com, an exciting site that is consistent with the Target brand, offering thousands of unique and highly differentiated items that are also available in Target Stores. In addition to buying merchandise, guests can apply for a Target Guest Card, access information on programs like Take Charge of Education, find out what's new in our stores, get a map to a specific store location, or even apply for a job.

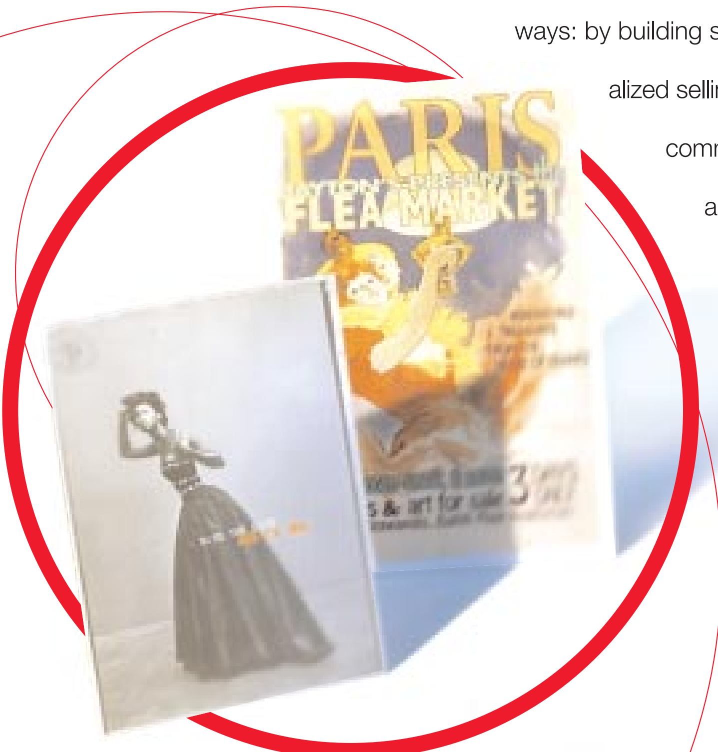
SuperTarget offers the best in high-quality groceries and general merchandise. We plan to open more than 200 SuperTarget locations in the next ten years.

Target.com will add bridal and baby gift registries in 2000 and significantly increase the number of items for sale on-line.

We are excited about the possibilities of this medium to drive profitable sales, increase guest service and enhance the brand equity of our stores. We believe our competitive advantage in the electronic world will come from leveraging our existing strengths as a retailer, including our trusted brand names, marketing power, store presence and differentiated merchandise. We will continue investing in this area in 2000, expanding our on-line merchandise assortments and guest services.

Multiple Retail Segments Target Corporation also competes in the middle-market and traditional department store segments of the retail marketplace through Mervyn's California and Dayton's, Marshall Field's and Hudson's. Mervyn's and the Department Stores are key contributors to our overall strategy.

At our Department Stores, we remain focused on our commitment to be "The Best Store in Town" in our core Midwest markets as we strive to deliver fashion leadership and superior guest service. In 2000, we are working to enhance the shopping experience at our stores in several ways: by building stronger relationships with our guests through more personalized selling and enhanced guest loyalty programs; through a stronger commitment to newness and fashion product in our assortments; and with the creation of a more captivating store environment, with visual drama and ease of shopping. One way we are reinventing the shopping experience is through events like the Paris Flea Market and our popular "Fash Bash" fashion shows. Marketing initiatives for our department stores will continue to reinforce the strong brand heritage of our stores.



At Dayton's, Marshall Field's and Hudson's, we are committed to being "The Best Store in Town."

At Mervyn's, we are working to differentiate ourselves in the middle-market with our national and owned brands. Over the last three years, Mervyn's has added more than 125 national and market brands to the sales floor. In 1999, we made a more concerted effort to let our guests know about our brands by reinforcing our "Big Brands. Small Prices." promise in all of our marketing vehicles. We also updated our in-store presentations with more national brand shops and stronger in-store brand identification. We have introduced into our assortment more exclusive merchandise designed by individuals with national or international reputations, like craft artist Debbie Mumm and Australian painter and designer Ken Done. We also continue to upgrade and improve the quality and fashion content of our core owned brands, like Hillard & Hanson. In addition to better merchandise content, in 2000 Mervyn's will focus on improving in-stocks, guest service and merchandise presentation.

Mervyn's California offers a strong assortment of national brands and high-quality owned brands for the middle market.

Credit Programs We offer proprietary credit in each of our business segments. Our credit portfolio is the second largest among retailers that issue their own cards and currently includes more than 30 million cards held by our guests. The growth of the Target Guest Card continues to drive increases in profit contribution from credit. Guest loyalty programs at each of our stores help us build stronger relationships with our guests and increase patronage of our stores. At Target, more than 4 million guests are enrolled in our Take Charge of Education program, where 1 percent of purchases made on the Target Guest Card are donated to a K-12 school of the guest's choice. We plan to grow credit's contribution to our results in the future by opening new accounts, enhancing guest loyalty programs and managing the business with financial discipline.

Credit programs contribute to earnings growth by driving sales at our stores and through credit's contribution to profits. The Target Guest Card is now carried by more than 15 million Americans.

A Community Partner Our commitment to be an active member of the communities where we operate is also essential to our success. In 1999, we gave more than $67 million to nonprofit organizations across the country. We support the United Way with a $3 million corporate contribution—and our team members donated another $9 million to their local United Ways. In 2000, our grantmaking will exceed $80 million.

One of our greatest and most heartfelt contributions is called Target House. Dedicated in May 1999, Target House is a home-away-from-home for patients and their families undergoing treatment at St. Jude Children's Research Hospital in Memphis. Our guests help support Target House and the families it serves whenever they make pharmacy, and health and beauty product purchases at Target. In March, Target announced its intention to build a Target House annex, with an additional 44 suites, to serve even more families.

At Target House, which opened in May 1999, children who are undergoing long-term treatment at St. Jude Children's Research Hospital have a home-away-from-home for themselves and their families.

Education is important to our guests and to our company. Target has donated more than $18 million to schools across the country since our Take Charge of Education program began in 1997. More than 100,000 schools across the country participate in the program.

The Target Foundation was created in early 2000, with a continued emphasis on funding arts and social action initiatives in Minnesota. A key focus area for giving is to support immediate community needs for food, clothing and shelter. To that end, the Foundation awarded a $1 million grant to Sharing & Caring Hands, the Minneapolis nonprofit organization that serves the needs of inner city residents.

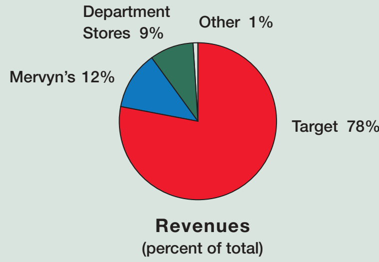
Mervyn's award-winning Community Closet program toured 15 cities in 10 states in 1999. In partnership with 82 nonprofit agencies, the Community Closet clothed 1,000 women making the transition from welfare to work. In addition, Mervyn's helped send more than 15,000 economically disadvantaged kids back to school in new clothes in 1999 through our ChildSpree program.

Target and artist Peter Max launched a new line of gift bags, greeting cards and wrapping paper featuring the artist's vibrant designs from the '60s to the '90s, an example of our exclusive, trend-right products.

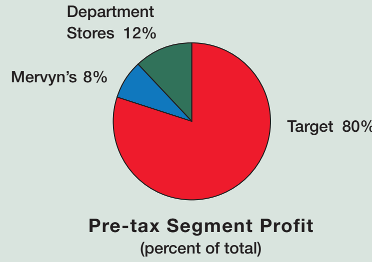
Dayton's, Marshall Field's and Hudson's have always placed a special emphasis on supporting arts and cultural institutions. The Department Stores' "Project Imagine" showcases the arts in our communities, putting the promotional power of our stores behind arts organizations to help them achieve new levels of public awareness. Project Imagine has made possible events ranging from "Free Tuesdays" at Chicago's Museum of Contemporary Art to Macbeth at the Minnesota Opera. In recognition of the positive influence of the arts in young people's lives, the Project Imagine Scholarship was launched, awarding two scholarships per store to high school seniors.

We continue to look for innovative ways to partner with nonprofit agencies to build stronger communities across the country.

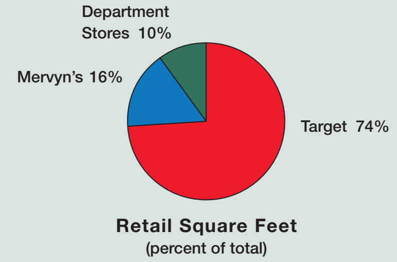
Target now offers 12 new high-style chairs from a number of designers, including Philippe Starck. Fresh design and differentiated merchandise are key to Target's merchandising strategy.



Revenues
(percent of total)



Pre-tax Segment Profit
(percent of total)



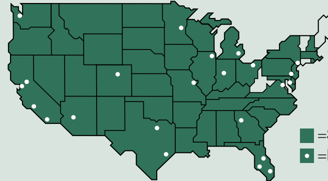
Retail Square Feet
(percent of total)

Target

(dollars in millions)	1999	1998	1997
Revenues	**$26,080**	$23,014	$20,298
Pre-tax Segment Profit	**$ 2,022**	$ 1,578	$ 1,287
Stores	**912**	851	796
Retail Square Feet*	**102,945**	94,553	87,158

* In thousands, reflects total square feet less office, warehouse and vacant space.

Target (at year end) **Employees: 214,000**



	Retail Sq. Ft. (in thousands)	No. of Stores
Alabama	117	1
Arizona	2,982	27
Arkansas	229	2
California	16,355	145
Colorado	2,533	23
Delaware	146	1
Florida	7,442	66
Georgia	3,445	30
Idaho	406	4
Illinois	6,050	52
Indiana	2,876	30
Iowa	1,868	17
Kansas	1,290	10
Kentucky	1,274	12
Louisiana	203	2
Maryland	2,158	18
Massachusetts	522	4
Michigan	4,908	46
Minnesota	6,024	51
Mississippi	239	2
Missouri	1,885	17
Montana	423	4
Nebraska	1,074	9
Nevada	1,267	11
New Hampshire	392	3
New Jersey	1,625	13
New Mexico	870	8
New York	2,288	18
North Carolina	2,668	24
North Dakota	437	4
Ohio	3,571	31
Oklahoma	817	8
Oregon	1,194	11
Pennsylvania	1,600	13
Rhode Island	128	1
South Carolina	665	6
South Dakota	391	4
Tennessee	2,001	19
Texas	9,297	85
Utah	1,178	7
Virginia	2,769	23
Washington	2,557	24
Wisconsin	2,599	24
Wyoming	182	2
Total	**102,945**	**912**

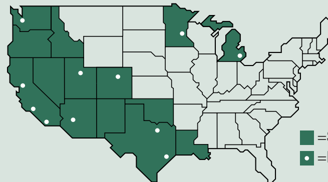
Major Markets	No. of Stores
Greater Los Angeles	71
Chicago	38
Minneapolis/St. Paul	34
San Francisco Bay Area	28
Dallas/Ft. Worth	24
Atlanta	24
Detroit	23
Houston	21
Greater Miami	20
Phoenix	18
Denver/Boulder	15
Greater New York City	15
San Diego	14
Washington DC	14
Seattle/Tacoma	13
St. Louis	13
Tampa/St. Petersburg	12
Greater Philadelphia	12
Greater Cleveland	11
Indianapolis	11
Orlando	10
Sacramento	10
Baltimore	10

Mervyn's

(dollars in millions)	1999	1998	1997
Revenues	**$4,099**	$4,150	$4,219
Pre-tax Segment Profit	**$ 205**	$ 240	$ 280
Stores	**267**	268	269
Retail Square Feet*	**21,635**	21,729	21,810

* In thousands, reflects total square feet less office, warehouse and vacant space.

Mervyn's (at year end) **Employees: 32,000**



	Retail Sq. Ft. (in thousands)	No. of Stores
Arizona	1,202	15
California	9,607	124
Colorado	853	11
Idaho	82	1
Louisiana	449	6
Michigan	1,162	15
Minnesota	1,157	9
Nevada	491	7
New Mexico	267	3
Oklahoma	269	3
Oregon	559	7
Texas	3,344	42
Utah	753	8
Washington	1,440	16
Total	**21,635**	**267**

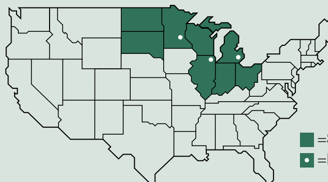
Major Markets	No. of Stores
Greater Los Angeles	48
San Francisco Bay Area	29
Dallas/Ft. Worth	12
San Diego	12
Phoenix	11
Detroit	9
Houston	9
Minneapolis/St. Paul	9
Seattle/Tacoma	9
Greater Salt Lake City	8
Denver/Boulder	6

Department Stores

(dollars in millions)	1999	1998	1997
Revenues	**$3,074**	$3,064	$2,970
Pre-tax Segment Profit	**$ 296**	$ 279	$ 240
Stores	**64**	63	65
Retail Square Feet*	**14,060**	13,890	14,090

* In thousands, reflects total square feet less office, warehouse and vacant space.

Department Stores (at year end) **Employees: 34,000**

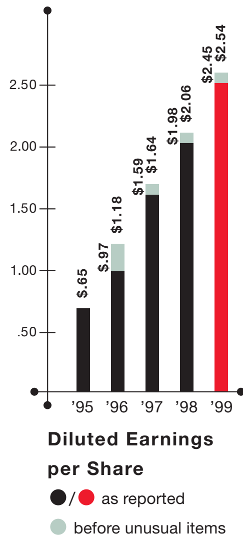


	Retail Sq. Ft. (in thousands)	No. of Stores
Dayton's		
Minnesota	3,040	12
North Dakota	297	3
South Dakota	102	1
Wisconsin	373	3
Hudson's		
Michigan	4,784	21
Marshall Field's		
Illinois	4,173	17
Indiana	246	2
Ohio	618	3
Wisconsin	427	2
Total	**14,060**	**64**

Major Markets	No. of Stores
Chicago	16
Detroit	11
Minneapolis/St.Paul	10

Analysis of Operations

Our 1999 results mark the fourth consecutive year of earnings per share growth in excess of 20 percent. This exceptional growth in earnings per share was driven by substantial expansion in Target's gross margin rate.



Diluted Earnings per Share

as reported

before unusual items

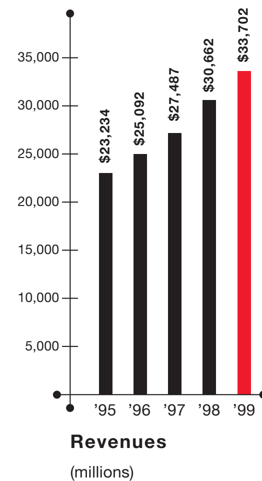
Earnings

Our net earnings were $1,144 million in 1999, compared with $935 million in 1998 and $751 million in 1997. Earnings per share were $2.45 in 1999, $1.98 in 1998 and $1.59 in 1997. References to earnings per share refer to diluted earnings per share. Earnings per share, dividends per share and common shares outstanding reflect our 1998 two-for-one share split and our 1996 three-for-one share split.

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

Revenues and Comparable-Store Sales

In 1999, our total revenues increased 9.9 percent and comparable-store sales increased 5.1 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 1999 and 1998 reflected Target's strong comparable-store sales growth and new store expansion. The impact of inflation was minimal and, as a result, the overall comparable-store sales increase closely approximated real growth.



Revenues

(millions)

Earnings Analysis

(millions, except per share data)

	Earnings			Diluted Earnings per Share		
	1999	1998	1997	**1999**	1998	1997
Net earnings before unusual items	**$1,188**	$970	$775	**$2.54**	$2.06	$1.64
Mainframe outsourcing (pre-tax 1999 $5 mil, 1998 $42 mil)	**(3)**	(26)	–	**(.01)**	(.06)	–
Favorable outcome of inventory shortage tax matter	**–**	20	–	**–**	.04	–
Securitization gain/(loss) (pre-tax 1998 $3 mil loss, 1997 $45 mil gain)	**–**	(2)	27	**–**	–	.06
Net earnings before extraordinary charges	**1,185**	962	802	**2.54**	2.04	1.70
Extraordinary charges—debt repurchase	**(41)**	(27)	(51)	**(.09)**	(.06)	(.11)
Net earnings	**$1,144**	$935	$751	**$2.45**	$1.98	$1.59

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. Each per share amount is calculated independently.

Revenues and Comparable-Store Sales Growth

	1999		1998	
	Revenues	**Comparable-Store Sales**	Revenues	Comparable-Store Sales
Target	**13.3%**	**6.7%**	13.4%	6.1%
Mervyn's	**(1.2)**	**(0.7)**	(1.6)	0.9
Department Stores	**0.3**	**0.8**	3.2	4.5
Total	**9.9%**	**5.1%**	11.6%	5.2%

Revenues per Square Foot

	1999	1998	1997
Target	**$264**	$253	$243
Mervyn's	**189**	191	187
Department Stores	**220**	219	211

Thirteen-month average retail square feet.

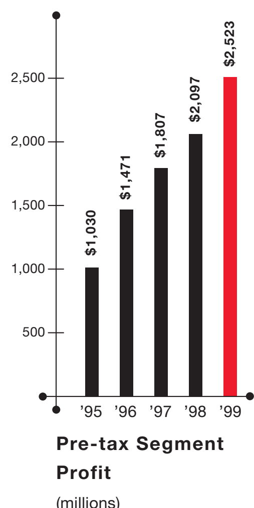
Gross Margin Rate

The gross margin rate represents gross margin as a percent of sales. In 1999, our gross margin rate increased primarily due to rate expansion at Target and the Department Stores, resulting from improved markup and markdowns at Target and improved markup at the Department Stores. This increase was partially offset by the mix impact of strong growth at Target, our lowest gross margin rate division. In 1998, our overall gross margin rate increased modestly from the prior year, primarily due to lower markdowns 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 1999, the LIFO provision was a $7 million credit ($.01 per share), compared with an $18 million credit ($.02 per share) in 1998 and a $6 million charge ($.01 per share) in 1997. The 1999 LIFO credit resulted primarily from higher markup. The 1998 LIFO credit resulted primarily from higher markup and higher inventory levels.

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 operating expense rate was essentially even with the prior year, benefiting from the overall growth of Target, our lowest expense rate division, and lower bad debt expense. These factors were offset by the lack of sales leverage in 1999 at Mervyn's and the Department Stores. The operating expense rate in 1998 was essentially even with 1997.



Pre-tax Segment Profit
(millions)

Pre-tax Segment Profit

Pre-tax segment profit increased 20 percent in 1999 to $2,523 million, compared with $2,097 million in 1998 and $1,807 million in 1997. Pre-tax segment profit is earnings before LIFO, securitization effects, interest, other expense and unusual items. Target provided substantially all of our pre-tax profit growth in 1999 with a 28 percent pre-tax profit increase. Target's full-year profit margin rate increased to 7.8 percent of revenues in 1999 from 6.9 percent in 1998.

Pre-tax Segment Profit and Percent Change from Prior Year

(millions)	1999		1998	
Target	**$2,022**	**28%**	$1,578	23%
Mervyn's	**205**	**(14)**	240	(14)
Department Stores	**296**	**6**	279	16
Total	**$2,523**	**20%**	$2,097	16%

Pre-tax Segment Profit as a Percent of Revenues

	1999	1998
Target	**7.8%**	6.9%
Mervyn's	**5.0%**	5.8%
Department Stores	**9.6%**	9.1%

EBITDA

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

EBITDA and Percent Change from Prior Year

(millions)	1999		1998	
Target	**$2,589**	**25%**	$2,074	20%
Mervyn's	**343**	**(9)**	378	(7)
Department Stores	**429**	**4**	414	12
Total	**$3,361**	**17%**	$2,866	15%

EBITDA as a Percent of Revenues

	1999	1998
Target	**9.9%**	9.0%
Mervyn's	**8.4%**	9.1%
Department Stores	**14.0%**	13.5%

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 sold securitized receivables as "interest equivalent." In 1999, the total of interest expense and interest equivalent was $442 million, $4 million lower than 1998. The average portfolio interest rate in 1999 was 7.5 percent. In 1998, the total of interest expense and interest equivalent was $3 million lower than 1997. The average portfolio interest rate in 1998 was 7.8 percent. In both years, the reduction in interest expense and interest equivalent was due to a lower average portfolio interest rate, partially offset by higher average funded balances.

During 1999, we repurchased $381 million of debt for $444 million, resulting in an after-tax extraordinary charge of $41 million ($.09 per share). The debt repurchased had a weighted-average interest rate of 9.3 percent and an average remaining life of 18 years. The replacement of this debt with lower interest rate financing will have a favorable impact on interest expense going forward. In 1998 and 1997, we repurchased $127 million and $503 million of long-term debt, resulting in after-tax extraordinary charges of $27 million ($.06 per share) and $51 million ($.11 per share), respectively.

Income Tax Rate

The effective income tax rate was 38.8 percent in 1999, and 38.2 percent and 39.5 percent in 1998 and 1997, respectively. The 1998 effective tax rate reflected the beneficial effect of $20 million ($.04 per share), resulting from the favorable outcome of our inventory shortage tax matter.

Securitized Receivables

In 1998, Target Receivables Corporation (TRC), a special-purpose subsidiary, sold to the public $400 million of securitized receivables. This issue of asset-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 to the public $400 million of securitized receivables, with an expected maturity of five years and a stated rate of 6.25 percent. This transaction, combined with the impact of the application of SFAS No. 125 to our 1995 securitization, resulted in a $45 million ($.06 per share) increase in finance charge revenues and pre-tax earnings.

Our Consolidated Results of Operations also include reductions of finance charge revenues and bad debt expense related to sold securitized receivables. The amounts that represent payments to holders of our sold securitized receivables are included in our pre-tax earnings reconciliation on page 37 as interest equivalent. Interest equivalent was $49 million in 1999, $48 million in 1998 and $33 million in 1997.

Mainframe Outsourcing

In 1998, we announced our plan to outsource our mainframe computer data center functions and expensed $42 million ($.06 per share) of related charges. During 1999, we completed the transition and expensed an additional $5 million ($.01 per share) related to the outsourcing. These expenses are included in selling, general and administrative expense.

Year 2000 Readiness Disclosure

We began mitigating the risks associated with the year 2000 date conversion in 1993. In 1997, we established a corporate-wide, comprehensive plan of action designed to achieve an uninterrupted transition into the year 2000. This project included three major elements: 1) information technology (IT) systems, 2) non-IT, or embedded technology, systems and 3) relationships with our key business partners. The project was divided into five phases: awareness, assessment, renovation, validation and implementation. During 1999, we completed all phases for the three elements, using both internal and external resources to implement our plan.

For our IT systems, we assessed both existing and newly implemented hardware, application software and operating systems. We also assessed non-IT systems, or embedded technology/infrastructure, risks at our stores, distribution centers and headquarters facilities. We identified our key business partners and worked closely with them to assess their readiness and mitigate the risk to us if they were not prepared for the year 2000. We installed the year 2000 ready version of Electronic Data Interchange (EDI) software and tested the software with our key vendors.

To date, we have not experienced any significant issues associated with the date rollover. We have experienced no systems failures, no unusually high levels of returned merchandise, no interruptions of data transmission using EDI software and no major disruptions in the supply of product from our vendors. We continue to test and monitor our systems and applications for such issues in order to address them promptly, should any arise.

In 1999, we expensed $16 million related to year 2000 readiness. Prior to 1999, we expensed $32 million related to year 2000 readiness. In addition, this program accelerated the timing of $15 million of planned capital expenditures. All expenditures related to our year 2000 readiness initiative were within our estimates, were funded by cash flow from operations and did not materially impact our other operating or investment plans.

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 1999 net earnings were $494 million, compared with $423 million in 1998. Earnings per share were $1.06 for the quarter, compared with $.90 in 1998. Total revenues increased 8.7 percent and comparable-store sales increased 3.5 percent. Our pre-tax profit increased 16 percent to $1,000 million, driven by Target's strong results.

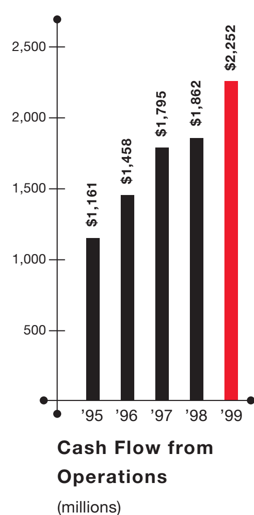
Fourth Quarter Pre-tax Segment Profit and Percent Change from Prior Year

(millions)	1999		1998	
Target	$ 811	26%	$646	26%
Mervyn's	69	(34)	104	–
Department Stores	120	5	115	12
Total	$1,000	16%	$865	20%

Analysis of Financial Condition

Our financial condition remains strong. Cash flow from operations was $2,252 million, driven by earnings growth, strong inventory control and accounts payable leveraging. 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 sold securitized receivables.

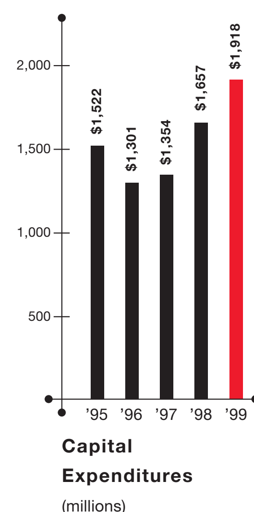
During 1999, our average total receivables serviced (which includes both retained and sold securitized receivables) increased 5 percent, or $124 million, due to growth of the Target Guest Card. Year-end total receivables serviced increased 7 percent from last year. In 1999, the number of Target Guest Card holders grew to over 15 million accounts at year end, compared with 12 million in 1998.



Cash Flow from Operations
(millions)

Inventory levels increased $323 million in 1999. This growth was more than fully funded by the $364 million increase in accounts payable over the same period.

Capital expenditures were $1,918 million in 1999, compared with $1,657 million in 1998. Investment in Target accounted for 87 percent of 1999 capital expenditures and included the purchase of real estate assets of a membership-based, general merchandise retailer for approximately $125 million. Net property and equipment increased $930 million. During 1999, Target opened 61 net new stores.



Capital Expenditures
(millions)

Approximately 69 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. Over the past five years, Target's retail square footage has grown at a compound annual rate of approximately 10 percent.

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 January 1999, our Board of Directors authorized the repurchase of $1 billion of our common stock. We repurchased 9.4 million shares of stock during 1999 at a total cost of $588 million ($62.58 per share), net of the premium from exercised and expired put options. In March 2000, our Board of Directors authorized the repurchase of an additional $1 billion of our common stock.

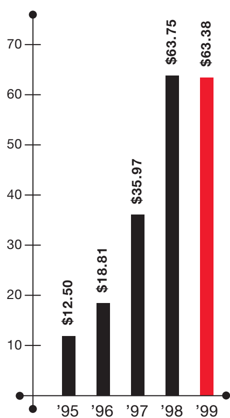
Repurchases are made primarily in open market transactions, subject to market conditions. Our program also includes the sale of put options that entitle the holder to sell shares of our common stock to us, at a specified price, if the holder exercises the option. During 2000, we expect to continue to repurchase shares at a pace similar to that of 1999.

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 Duff & Phelps. Subsequent to year-end, as reflected in the table below, our debt ratings were also upgraded by Moody's. Further liquidity is provided by $1.6 billion of committed lines of credit obtained through a group of 31 banks.

Credit Ratings

	Moody's	Standard and Poor's	Duff & Phelps
Long-term debt	A2	A-	A
Commercial paper	P-1	A-2	D-1
Sold securitized receivables	Aaa	AAA	N/A

Performance Objectives



Market Price per Share
(year-end close)

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 43 percent annually, returning about $618 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 its 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

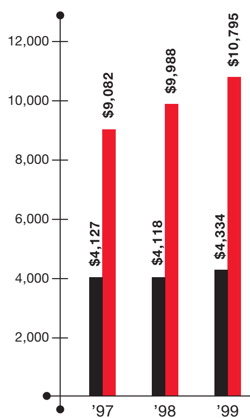
We believe that managing our business with a focus on EVA helps achieve our objective of average annual earnings per share growth of 15 percent or more over time. Our financial strategy is to produce these results with strong interest coverage and prudent levels of debt, which will allow efficient capital market access to fund our growth. Earnings per share before unusual items has grown at a compound annual rate of 23 percent over the last five years.

Reflecting our strong cash flow, we ended 1999 with a retail debt ratio of 40 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.

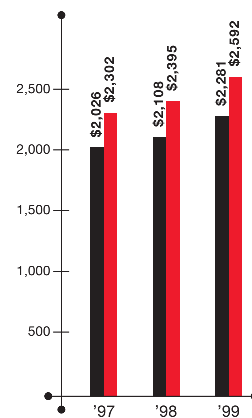
Debt Ratios and Interest Coverage

	1999	1998	1997
Retail	**40%**	41%	45%
Credit	**88%**	88%	88%
Total debt ratio	**49%**	50%	54%
Interest coverage	**4.6x**	4.0x	3.4x

Debt ratios and interest coverage include the impact of sold securitized receivables 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 contribution. Therefore, credit contribution, shown below, is reflected in each business segment's pre-tax profit on a receivables serviced basis. Because we service both the retained and sold securitized receivables, we manage our portfolio on a serviced basis. In contrast, our consolidated financial statements reflect only our retained securitized receivables.

In 1999, pre-tax contribution from credit increased 16 percent over the prior year, compared with a 5 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. In 1998 and 1997, the bad debt provision exceeded net write-offs during the year. In 1999, the bad debt provision was equal to net write-offs.

Credit Contribution

(millions)	**1999**	1998	1997
Revenues:			
Finance charges, late fees and other revenues	**$609**	$588	$510
Merchant fees	**90**	81	77
Total revenues	**699**	669	587
Expenses:			
Bad debt	**147**	180	190
Operations and marketing	**182**	169	125
Total expenses	**329**	349	315
Pre-tax credit contribution	**$370**	$320	$272

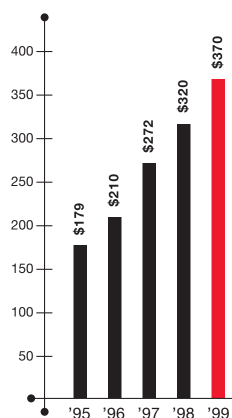
Merchant fees are intercompany fees charged to our retail operations on a basis similar to fees charged by third-party credit card issuers. These fees, which include deferred billing fees charged for carrying non-revenue-earning revolving balances, are eliminated in consolidation. Operations and marketing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

Average Receivables Serviced

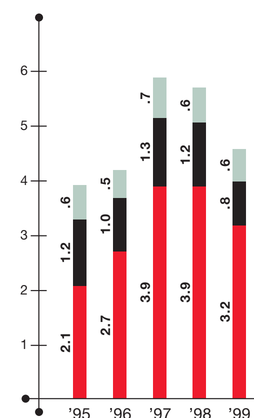
(millions)	**1999**	1998	1997
Target	**$ 974**	$ 803	$ 644
Mervyn's	**718**	764	812
Department Stores	**719**	720	707
Total average receivables serviced	**$2,411**	$2,287	$2,163
Total year-end receivables serviced	**$2,681**	$2,496	$2,424

Allowance for Doubtful Accounts

(millions)	**1999**	1998	1997
Allowance at beginning of year	**$203**	$168	$119
Bad debt provision	**147**	180	190
Net write-offs	**(147)**	(145)	(141)
Allowance at end of year	**$203**	$203	$168
As a percent of year-end receivables serviced	**7.6%**	8.1%	6.9%
As a multiple of current year net write-offs	**1.4x**	1.4x	1.2x



Credit Contribution
(millions)



New Accounts Opened
(millions)
Target Mervyn's
Department Stores

Fiscal Year 2000

As we look forward into 2000, we believe that we will deliver another year of strong growth in revenues and earnings, driven primarily by increases in comparable-store sales and new store growth at Target. Our gross margin rate is expected to be essentially even with 1999. Our operating expense rate is expected to benefit modestly from the leveraging of fixed costs. Our credit operations are also expected to contribute to our growth in earnings as we continue to open new accounts, especially at Target, and leverage operating expenses.

In 2000, we expect to reinvest $2.5 to $3 billion in our business, through a combination of capital investment and repurchase of our shares. In the upcoming year, Target plans to open approximately 80 total new stores, including locations in two new states, West Virginia and Connecticut. Once again, our opening plans will focus on markets in the Mid-Atlantic and Northeast, and we will essentially double our number of SuperTarget locations from the 16 we operated at year-end. We expect Target's retail square footage to expand in the range of 8 to 10 percent annually for the foreseeable future. Our planned capital expenditures also include ongoing remodeling programs at all three operating segments and other capital support. Funding sources for the growth of our business include internally generated funds, debt and sold securitized receivables.

The total of interest expense and interest equivalent is expected to be moderately higher than 1999 due to higher average funded balances, partially offset by a lower average portfolio interest rate. Our $800 million of sold securitized receivables will result in approximately $50 million of interest equivalent for the year.

The effective income tax rate is expected to approximate 38.5 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 January 29, 2000, which contains additional important factors that may cause actual results to differ materially from those predicted in the forward-looking statements.

As we look forward into 2000, we believe that we will deliver another year of strong growth in revenues and earnings.

(millions, except per share data)	1999	1998	1997
Sales	$33,212	$30,203	$27,019
Net credit revenues	490	459	468
Total revenues	33,702	30,662	27,487
Cost of sales	23,029	21,085	18,944
Selling, general and administrative expense	7,490	6,843	6,108
Depreciation and amortization	854	780	693
Interest expense	393	398	416
Earnings before income taxes and extraordinary charges	1,936	1,556	1,326
Provision for income taxes	751	594	524
Net earnings before extraordinary charges	1,185	962	802
Extraordinary charges from purchase and redemption of debt, net of tax	41	27	51
Net earnings	$ 1,144	$ 935	$ 751
Earnings before extraordinary charges	$ 2.64	$ 2.14	$ 1.80
Extraordinary charges	(.09)	(.06)	(.12)
Basic earnings per share	$ 2.55	$ 2.08	$ 1.68
Earnings before extraordinary charges	$ 2.54	$ 2.04	$ 1.70
Extraordinary charges	(.09)	(.06)	(.11)
Diluted earnings per share	$ 2.45	$ 1.98	$ 1.59
Weighted average common shares outstanding:			
Basic	441.3	440.0	436.1
Diluted	465.7	467.3	463.7

See Notes to Consolidated Financial Statements throughout pages 24-37.

Summary of Accounting Policies

Organization Effective 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 Dayton's, Marshall Field's, Hudson's (the Department Stores). Target, an upscale discount chain located in 44 states at year-end, contributed 78 percent of our 1999 total revenues. Mervyn's, a middle-market promotional department store located in 14 states in the West, South and Midwest, contributed 12 percent of total revenues. The Department Stores, traditional department stores located in eight states in the upper Midwest, contributed 9 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 years 1999, 1998 and 1997 consisted of 52 weeks.

Reclassifications Within the Consolidated Results of Operations, certain reclassifications have been made to prior years' income and expense amounts to conform to the 1999 presentation. None of the reclassifications impacted our net earnings or earnings per share in any period. The reclassifications include the separate presentation of sales and net credit revenues; the application of the provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements"; the classification of buying and occupancy expenses in selling, general and administrative expense rather than cost of sales; and the classification of taxes other than income taxes in selling, general and administrative expense.

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 $31 million in 1999, $29 million in 1998, and $25 million in 1997. Net credit revenues include finance charges and late fees on internal credit sales, net of the effect of sold securitized receivables. Internal credit sales were $5.0 billion, $4.5 billion and $4.2 billion in 1999, 1998 and 1997, respectively.

Advertising Costs

Advertising costs, included in selling, general and administrative expense, are expensed as incurred and were $791 million, $745 million and $679 million for 1999, 1998 and 1997, respectively.

Impact of Year 2000

Year 2000 related costs, included in selling, general and administrative expense, were expensed as incurred. In 1999, we expensed $16 million related to year 2000 readiness. Prior to 1999, we expensed $32 million. In addition, we accelerated the timing of $15 million of planned capital expenditures, which are recorded in property and equipment at cost less accumulated depreciation.

Mainframe Outsourcing

In 1998, we announced our plan to outsource our mainframe computer data center functions and expensed $42 million ($.06 per share) of related charges. During 1999, we completed the transition and expensed an additional $5 million ($.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. In January 2000, each outstanding ESOP preferred share was converted into 60 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 1998 two-for-one share split.

(millions, except per share data)	Basic EPS			Diluted EPS		
	1999	1998	1997	**1999**	1998	1997
Net earnings*	**$1,185**	$ 962	$ 802	**$1,185**	$ 962	$ 802
Less: ESOP net earnings adjustment	**(18)**	(20)	(20)	**(4)**	(8)	(13)
Adjusted net earnings*	**$1,167**	$ 942	$ 782	**$1,181**	$ 954	$ 789
Weighted average common shares outstanding	**441.3**	440.0	436.1	**441.3**	440.0	436.1
Performance shares	**–**	–	–	**.1**	.8	1.3
Stock options	**–**	–	–	**5.8**	5.5	3.9
Assumed conversion of ESOP preferred shares	**–**	–	–	**18.5**	21.0	22.4
Total common equivalent shares outstanding	**441.3**	440.0	436.1	**465.7**	467.3	463.7
Earnings per share*	**$ 2.64**	$2.14	$1.80	**$ 2.54**	$2.04	$1.70

*Before extraordinary charges

(millions)	January 29, 2000	January 30, 1999
Assets		
Cash and cash equivalents	**$ 220**	$ 255
Retained securitized receivables	**1,837**	1,656
Inventory	**3,798**	3,475
Other	**628**	619
Total current assets	**6,483**	6,005
Property and equipment		
Land	**2,069**	1,868
Buildings and improvements	**7,807**	7,217
Fixtures and equipment	**3,422**	3,274
Construction-in-progress	**526**	378
Accumulated depreciation	**(3,925)**	(3,768)
Property and equipment, net	**9,899**	8,969
Other	**761**	692
Total assets	**$17,143**	$15,666
Liabilities and shareholders' investment		
Accounts payable	**$ 3,514**	$ 3,150
Accrued liabilities	**1,520**	1,444
Income taxes payable	**318**	207
Current portion of long-term debt and notes payable	**498**	256
Total current liabilities	**5,850**	5,057
Long-term debt	**4,521**	4,452
Deferred income taxes and other	**910**	822
Convertible preferred stock, net	**–**	24
Shareholders' investment		
Convertible preferred stock	**–**	268
Common stock	**76**	74
Additional paid-in-capital	**730**	286
Retained earnings	**5,056**	4,683
Total shareholders' investment	**5,862**	5,311
Total liabilities and shareholders' investment	**$17,143**	$15,666

See Notes to Consolidated Financial Statements throughout pages 24-37.

Cash Equivalents

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

Retained Securitized Receivables

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 sold securitized receivables and the 2 percent of trust assets held by Retailers National Bank (RNB), a wholly owned subsidiary of the Corporation that also services the receivables. Prior to June 1998, RNB held 5 percent of trust assets. The undivided interests held by TRC and RNB, as well as 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 to the public $400 million of securitized receivables. This issue of asset-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 to the public $400 million of securitized receivables, with an expected maturity of five years and a stated rate of 6.25 percent. This transaction, combined with the impact of the application of SFAS No. 125 to our 1995 securitization, resulted in a $45 million ($.06 per share) increase in finance charge revenues and pre-tax earnings.

At year-end 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 receivables.

The fair value of the retained securitized receivables, classified as available for sale, was $1,837 million and $1,656 million at year-end 1999 and 1998, respectively. The fair value of the retained securitized receivables was lower than the aggregate receivables value by $157 million and $156 million at year-end 1999 and 1998, respectively, due to our estimates of ultimate collectibility. Write-downs have been included in selling, general and administrative expense.

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 $53 million and $60 million at year-end 1999 and 1998, 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 $599 million and $519 million at year-end 1999 and 1998, respectively.

(millions)	**1999**	1998	1997
Operating activities			
Net earnings before extraordinary charges	**$ 1,185**	$ 962	$ 802
Reconciliation to cash flow:			
Depreciation and amortization	**854**	780	693
Deferred tax provision	**75**	(11)	(63)
Other noncash items affecting earnings	**163**	70	43
Changes in operating accounts providing/(requiring) cash:			
Retained securitized receivables	**(181)**	(56)	(235)
Sold securitized receivables	**–**	400	400
Maturity of sold securitized receivables	**–**	(400)	–
Inventory	**(323)**	(198)	(220)
Other current assets	**(57)**	(46)	(35)
Other assets	**(65)**	(65)	(33)
Accounts payable	**364**	336	199
Accrued liabilities	**100**	75	182
Income taxes payable	**137**	15	62
Cash flow provided by operations	**2,252**	1,862	1,795
Investing activities			
Expenditures for property and equipment	**(1,918)**	(1,657)	(1,354)
Proceeds from disposals of property and equipment	**126**	107	123
Acquisition of subsidiaries, net of cash received	**–**	(100)	–
Other	**(15)**	(5)	–
Cash flow required for investing activities	**(1,807)**	(1,655)	(1,231)
Net financing sources	**445**	207	564
Financing activities			
Increase/(decrease) in notes payable, net	**564**	(305)	(127)
Additions to long-term debt	**285**	600	375
Reductions of long-term debt	**(600)**	(343)	(690)
Principal payments received on loan to ESOP	**–**	8	22
Dividends paid	**(195)**	(178)	(165)
Repurchase of stock	**(581)**	–	–
Other	**47**	55	31
Cash flow used for financing activities	**(480)**	(163)	(554)
Net (decrease)/increase in cash and cash equivalents	**(35)**	44	10
Cash and cash equivalents at beginning of year	**255**	211	201
Cash and cash equivalents at end of year	**$ 220**	$ 255	$ 211

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 $575 million, $564 million and $454 million during 1999, 1998 and 1997, respectively. Cash paid for interest (including interest capitalized) was $405 million, $393 million and $485 million during 1999, 1998 and 1997, respectively.

See Notes to Consolidated Financial Statements throughout pages 24-37.

Lines of Credit

At January 29, 2000, two committed credit agreements totaling $1.6 billion were in place through a group of 31 banks at specified rates. There were no balances outstanding at any time during 1999 or 1998 under these agreements.

Long-term Debt and Notes Payable

At January 29, 2000, $664 million of notes payable were outstanding, $564 million of which were classified as long-term debt as they were supported by our $800 million committed credit agreement that expires in 2002. The remaining $100 million of notes payable 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 1999 was $775 million at a weighted-average interest rate of 5.5 percent.

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. The proceeds were used for general corporate purposes. 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 $41 million ($.09 per share).

In 1998, we issued $200 million of long-term debt at 6.65 percent, maturing in 2028 and $200 million at 5.88 percent, maturing in 2008. We also issued $200 million of long-term debt maturing in 2010, which is puttable in 2000, and we sold to a third party the right to call and remarket these securities in 2000 to their final maturity. Also during 1998, we repurchased $127 million of long-term debt, resulting in an after-tax extraordinary charge of $27 million ($.06 per share).

At year end our debt portfolio was as follows:

Long-term Debt and Notes Payable

(millions)	January 29, 2000 Rate*	January 29, 2000 Balance	January 30, 1999 Rate*	January 30, 1999 Balance
Notes payable	**5.8%**	**$ 664**	5.2%	$ 100
Notes and debentures:				
Due 1999-2003	**7.8**	**1,682**	8.1	1,544
Due 2004-2008	**7.5**	**699**	7.6	701
Due 2009-2013	**7.9**	**472**	8.1	564
Due 2014-2018	**9.5**	**34**	9.6	70
Due 2019-2023	**8.5**	**759**	8.7	1,009
Due 2024-2028	**6.6**	**474**	6.6	475
Due 2029-2037	**5.9**	**100**	5.9	100
Total notes payable, notes and debentures**	**7.5%**	**$4,884**	7.9%	$4,563
Capital lease obligations		**135**		145
Less: current portion		**(498)**		(256)
Long-term debt and notes payable		**$4,521**		$4,452

*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 $4,893 million at January 29, 2000 and $5,123 million at January 30, 1999.

Required principal payments on long-term debt and notes payable over the next five years, excluding capital lease obligations, are $488 million in 2000, $638 million in 2001, $756 million in 2002, $464 million in 2003 and $105 million in 2004.

Subsequent to year-end 1999, we issued $500 million of additional long-term debt bearing interest at 7.50 percent, maturing in February 2005.

Derivatives

From time to time we use interest rate swaps to hedge our exposure to interest rate risk. The fair value of the swaps is not reflected in the financial statements and any gain or loss recognized upon early termination is amortized over the life of the related debt obligation. The fair value of existing swaps is immaterial.

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted for fiscal years beginning after June 15, 2000. We have analyzed the impact of SFAS No. 133 on our existing and currently anticipated activities and do not believe the adoption of this new statement will have a material effect on our earnings or financial position.

(millions, except share data)	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Loan to ESOP	Total
February 1, 1997	$271	$72	$146	$3,348	$(47)	$3,790
Consolidated net earnings	–	–	–	751	–	751
Dividends declared	–	–	–	(169)	–	(169)
Tax benefit on unallocated preferred stock dividends and options	–	–	17	–	–	17
Conversion of preferred stock and other	9	–	18	–	–	27
Net reduction in loan to ESOP	–	–	–	–	28	28
Stock option activity	–	1	15	–	–	16
January 31, 1998	280	73	196	3,930	(19)	4,460
Consolidated net earnings	–	–	–	935	–	935
Dividends declared	–	–	–	(182)	–	(182)
Tax benefit on unallocated preferred stock dividends and options	–	–	25	–	–	25
Conversion of preferred stock and other	(12)	–	37	–	–	25
Net reduction in loan to ESOP	–	–	–	–	19	19
Stock option activity	–	1	28	–	–	29
January 30, 1999	268	74	286	4,683	–	5,311
Consolidated net earnings	–	–	–	1,144	–	1,144
Dividends declared	–	–	–	(191)	–	(191)
Repurchase of stock	–	(1)	–	(580)	–	(581)
Issuance of stock for ESOP	–	–	81	–	–	81
Tax benefit on unallocated preferred stock dividends and options	–	–	29	–	–	29
Conversion of preferred stock	(268)	3	289	–	–	24
Stock option activity	–	–	45	–	–	45
January 29, 2000	**$ –**	**$76**	**$730**	**$5,056**	**$ –**	**$5,862**

Common Stock Authorized 3,000,000,000 shares, $.1667 par value; 455,841,388 shares issued and outstanding at January 29, 2000; 441,809,806 shares issued and outstanding at January 30, 1999.

In January 1999, our Board of Directors authorized the repurchase of $1 billion of our common stock. We repurchased 9.4 million shares of stock during 1999 at a total cost of $588 million ($62.58 per share), net of the premium from exercised and expired put options. In March 2000, our Board of Directors authorized the repurchase of an additional $1 billion of our common stock. 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.

We sold put options on 4.7 million shares in 1999. Options on 1.4 million shares outstanding at the end of 1999 entitled their holders to sell shares of our common stock to us at prices ranging from $63 to $74 per share on specific dates during February through June 2000. Premiums received from the sale of put options during the year were recorded in retained earnings and totaled $23 million, $7 million of which represents 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 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 60 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 six-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $50.00, 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 24-37.

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. Performance shares were issued to the extent certain financial goals were met over the four-year period from the date of grant. Restricted shares were issued four years from the date of grant. Once issued, performance shares and restricted shares generally vest only upon retirement.

Options, Performance Shares and Restricted Shares Outstanding

(shares in thousands)	Options: Total Outstanding: Number of Shares	Options: Total Outstanding: Weighted Average Exercise Price	Options: Currently Exercisable: Number of Shares	Options: Currently Exercisable: Weighted Average Exercise Price	Performance Shares	Restricted Shares
February 1, 1997	14,610	$13.48	4,782	$10.88	1,264	311
Granted	2,653	33.63				
Canceled	(346)	15.02				
Exercised	(2,450)	10.27				
January 31, 1998	14,467	$17.69	4,860	$13.15	794	212
Granted	3,309	48.16				
Canceled	(173)	23.77				
Exercised	(2,023)	12.27				
January 30, 1999	15,580	$24.79	5,685	$16.49	519*	123*
Granted	1,906	67.63				
Canceled	(176)	34.91				
Exercised	(1,279)	14.03				
January 29, 2000	**16,031**	**$30.63**	**7,858**	**$20.46**	–	–

*All shares were issued in 1999 pursuant to the plan.

Options Outstanding

(shares in thousands)	Shares Outstanding at January 29, 2000	Range of Exercise Price
	5,209	$ 9.97 - $15.00
	3,424	$15.00 - $25.00
	2,246	$25.00 - $35.00
	1,211	$35.00 - $45.00
	2,032	$45.00 - $55.00
	1,909	$55.00 - $68.69
Total	16,031	$ 9.97 - $68.69

As of January 29, 2000, outstanding options had a weighted-average remaining contractual life of 7.2 years. The number of unissued common shares reserved for future grants under the stock option plans was 24,489,897 at January 29, 2000, and 4,136,969 at January 30, 1999.

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 $.03 lower than reported EPS in 1999 and unchanged from reported EPS in 1998 and 1997.

Pro Forma Earnings

(millions)	**1999**	1998	1997
Net earnings — as reported	**$1,144**	$935	$751
Net earnings — pro forma	**$1,132**	$934	$751

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

	1999	1998	1997
Dividend yield	**.6%**	.7%	1.0%
Volatility	**30%**	30%	25%
Risk free interest rate	**6.6%**	4.6%	5.4%
Expected life in years	**5.6**	5.6	5.6
Weighted average fair value at grant date	**$25.81**	$16.24	$10.52

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)	**1999**	1998	**1999**	1998
Benefit obligation at beginning of measurement period	**$729**	$610	**$ 85**	$ 81
Service cost	**44**	35	**2**	1
Interest cost	**53**	45	**6**	6
Actuarial loss	**76**	65	**9**	5
Acquisitions	**–**	26	**–**	–
Benefits paid	**(40)**	(52)	**(8)**	(8)
Benefit obligation at end of measurement period	**$862**	$729	**$ 94**	$ 85

Change in Plan Assets

	Pension Benefits		Postretirement Health Care Benefits	
(millions)	**1999**	1998	**1999**	1998
Fair value of plan assets at beginning of measurement period	**$859**	$718	**$ –**	$ –
Actual return on plan assets	**62**	106	**–**	–
Employer contribution	**100**	59	**8**	8
Acquisitions	**–**	25	**–**	–
Benefits paid	**(39)**	(49)	**(8)**	(8)
Fair value of plan assets at end of measurement period	**$982**	$859	**$ –**	$ –

Reconciliation of Prepaid/(Accrued) Cost

	Pension Benefits		Postretirement Health Care Benefits	
(millions)	**1999**	1998	**1999**	1998
Funded status	**$120**	$130	**$(94)**	$ (85)
Unrecognized actuarial loss/(gain)	**51**	(16)	**(7)**	(18)
Unrecognized prior service cost	**8**	2	**2**	3
Net prepaid/(accrued) cost	**$179**	$116	**$(99)**	$(100)

The benefit obligation and fair value of plan assets, for the pension plans with benefit obligations in excess of plan assets, were $49 and $0 as of October 31, 1999, and $34 and $0 as of December 31, 1998.

Net Pension and Postretirement Health Care Benefits Expense

	Pension Benefits			Postretirement Health Care Benefits		
(millions)	**1999**	1998	1997	**1999**	1998	1997
Service cost benefits earned during the period	**$44**	$35	$27	**$2**	$1	$1
Interest cost on projected benefit obligation	**53**	45	39	**6**	6	6
Expected return on assets	**(72)**	(58)	(48)	**–**	–	–
Recognized gains and losses	**9**	3	–	**–**	(1)	(2)
Recognized prior service cost	**1**	–	1	**–**	–	1
Total	**$35**	$25	$19	**$8**	$6	$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		
	1999	1998	1997	**1999**	1998	1997
Discount rate	**7½%**	7%	7¼%	**7½%**	7%	7¼%
Expected long-term rate of return on plans' assets	**9**	9	9	**n/a**	n/a	n/a
Average assumed rate of compensation increase	**4½**	4	4¼	**n/a**	n/a	n/a

An increase in the cost of covered health care benefits of 6 percent is assumed for 2000. 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	$(4)

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 60 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 60 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 and $21 million in 1997. 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 $78 million in 1999, $29 million in 1998 and $17 million in 1997.

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, $150 million and $143 million in 1999, 1998 and 1997, respectively. 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 noncancelable lease agreements existing at January 29, 2000, were:

Future Minimum Lease Payments

(millions)	Operating Leases	Capital Leases
2000	$ 113	$ 22
2001	105	21
2002	96	21
2003	80	19
2004	70	18
After 2004	634	124
Total future minimum lease payments	$1,098	$225
Less: interest*	(302)	(90)
Present value of minimum lease payments	$ 796	$135**

*Calculated using the interest rate at inception for each lease (the weighted average interest rate was 8.8 percent).

**Includes current portion of $10 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	705	92	115	912
Mervyn's	160	68	39	267
Department Stores	51	12	1	64
Total	916	172	155	1,243

Income Taxes

Reconciliation of tax rates is as follows:

Percent of Earnings Before Income Taxes

	1999	1998	1997
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes,			
net of federal tax benefit	**3.9**	4.5	4.5
Dividends on ESOP stock	**(.4)**	(.5)	(.5)
Work opportunity tax credits	**(.2)**	(.2)	(.1)
Inventory shortage tax matter	**–**	(1.3)	–
Other	**.5**	.7	.6
Effective tax rate	**38.8%**	38.2%	39.5%

The components of the provision for income taxes were:

Income Tax Provision: Expense/(Benefit)

(millions)	1999	1998	1997
Current:			
Federal	**$570**	$497	$488
State	**106**	110	99
	676	607	587
Deferred:			
Federal	**63**	(10)	(55)
State	**12**	(3)	(8)
	75	(13)	(63)
Total	**$751**	$594	$524

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

Net Deferred Tax Asset/(Liability)

(millions)	January 29, 2000	January 30, 1999
Gross deferred tax assets:		
Self-insured benefits	**$ 146**	$ 132
Deferred compensation	**130**	128
Inventory	**84**	72
Valuation allowance	**63**	64
Postretirement health care obligation	**41**	42
Other	**106**	132
	570	570
Gross deferred tax liabilities:		
Property and equipment	**(408)**	(374)
Other	**(104)**	(63)
	(512)	(437)
Total	**$ 58**	$ 133

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 $20 million ($.04 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 37 and were immaterial in 1999 and 1998.

Commitments and Contingencies

Commitments for the purchase, construction, lease or remodeling of real estate, facilities and equipment were approximately $534 million at year-end 1999. 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 1999 and 1998:

(millions, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
Total revenues	**$7,158**	6,402	**$7,687**	6,987	**$7,927**	7,218	**$10,930**	10,055	**$33,702**	30,662
Gross margin (a)	**$2,182**	1,924	**$2,376**	2,097	**$2,441**	2,172	**$ 3,184**	2,925	**$10,183**	9,118
Net earnings before extraordinary charges (c) (d)	**$ 194**	160	**$ 228**	172	**$ 241**	183	**$ 522**	447	**$ 1,185**	962
Net earnings (b) (c) (d)	**$ 194**	158	**$ 224**	172	**$ 232**	182	**$ 494**	423	**$ 1,144**	935
Basic earnings per share (b) (c) (d) (e)	**$ .43**	.35	**$ .50**	.38	**$ .52**	.40	**$ 1.11**	.95	**$ 2.55**	2.08
Diluted earnings per share (b) (c) (d) (e)	**$ .41**	.33	**$ .48**	.36	**$ .50**	.39	**$ 1.06**	.90	**$ 2.45**	1.98
Dividends declared per share (e)	**$ .10**	.09	**$ .10**	.09	**$ .10**	.09	**$ .10**	.09	**$ .40**	.36
Common stock price (f)										
High	**$75.75**	44.81	**$72.44**	52.63	**$69.50**	48.25	**$ 75.00**	63.75	**$ 75.75**	63.75
Low	**$58.75**	36.25	**$57.94**	42.50	**$55.25**	33.75	**$ 60.75**	42.69	**$ 55.25**	33.75

(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 1999, second, third and fourth quarter net earnings include extraordinary charges, net of tax, related to the purchase and redemption of debt of $4 million, $9 million and $28 million ($.01, $.02 and $.06 per basic and diluted share), respectively. In 1998, first, third and fourth quarter net earnings include extraordinary charges, net of tax of $2 million, $1 million and $24 million ($.01, $.00 and $.05 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 $5 million ($.01 per share). Fourth quarter and total year 1998 net earnings before extraordinary charges, net earnings and earnings per share include a mainframe outsourcing pre-tax charge of $42 million ($.06 per basic and diluted share) and the beneficial effect of $20 million ($.04 per basic and diluted share) of the favorable outcome of our inventory shortage tax matter.

(d) Third quarter 1998 net earnings include a $3 million securitization pre-tax net loss (less than $.01 per basic and diluted share).

(e) 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 1998 two-for-one common share split.

(f) Our common stock is listed on the New York Stock Exchange and Pacific Exchange. At March 17, 2000, there were 13,883 shareholders of record and the common stock price was $69.50 per share.

summary financial and operating data (unaudited)

(dollars in millions, except per share data)	1999	1998	1997	1996	1995(a)	1994
Results of operations						
Total revenues	**$33,702**	30,662	27,487	25,092	23,234	21,093
Net earnings (c) (d) (e)	**$ 1,144**	935	751	463	311	434
Financial position data						
Total assets	**$17,143**	15,666	14,191	13,389	12,570	11,697
Long-term debt	**$ 4,521**	4,452	4,425	4,808	4,959	4,488
Per common share data (b)						
Diluted earnings per share (c) (d) (e)	**$ 2.45**	1.98	1.59	.97	.65	.92
Cash dividend declared	**$ .40**	.36	.33	.32	.30	.28
Other data						
Weighted average common shares outstanding (b)	**441.3**	440.0	436.1	433.3	431.0	429.6
Diluted average common shares outstanding (b)	**465.7**	467.3	463.7	460.9	458.3	457.4
Capital expenditures	**$ 1,918**	1,657	1,354	1,301	1,522	1,095
Number of stores: Target	**912**	851	796	736	670	611
Mervyn's	**267**	268	269	300	295	286
Department Stores	**64**	63	65	65	64	63
Total stores	**1,243**	1,182	1,130	1,101	1,029	960
Total retail square footage (thousands)	**138,640**	130,172	123,058	117,989	109,091	101,163
Number of employees	**281,000**	256,000	230,000	218,000	214,000	194,000

(a) Consisted of 53 weeks.

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

(c) Extraordinary charges, net of tax, related to the purchase and redemption of debt were $41 million ($.09 per share) in 1999, $27 million ($.06 per share) in 1998, $51 million ($.11 per share) in 1997 and $11 million ($.02 per share) in 1996.

(d) 1999 includes a mainframe outsourcing pre-tax charge of $5 million ($.01 per share). 1998 included a mainframe outsourcing pre-tax charge of $42 million ($.06 per share) and the beneficial effect of $20 million ($.04 per share) of the favorable outcome of our inventory shortage tax matter. 1996 included a real estate repositioning pre-tax charge of $134 million ($.18 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 $45 million pre-tax gain ($.06 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 24-37.

Business Segment Comparisons

(millions)	1999	1998	1997	1996	1995*	1994
Revenues						
Target	**$26,080**	$23,014	$20,298	$17,810	$15,752	$13,574
Mervyn's	**4,099**	4,150	4,219	4,350	4,491	4,565
Department Stores	**3,074**	3,064	2,970	2,932	2,991	2,954
Other	**449**	434	–	–	–	–
Total revenues	**$33,702**	$30,662	$27,487	$25,092	$23,234	$21,093
Pre-tax segment profit and earnings reconciliation						
Target	**$ 2,022**	$ 1,578	$ 1,287	$ 1,048	$ 721	$ 732
Mervyn's	**205**	240	280	272	117	198
Department Stores	**296**	279	240	151	192	259
Total pre-tax segment profit	**$ 2,523**	$ 2,097	$ 1,807	$ 1,471	$ 1,030	$ 1,189
LIFO provision credit/(expense)	**7**	18	(6)	(9)	(17)	19
Securitization adjustments:						
Gain/(loss)	**–**	(3)	45	–	–	–
Interest equivalent	**(49)**	(48)	(33)	(25)	(10)	–
Interest expense	**(393)**	(398)	(416)	(442)	(442)	(426)
Mainframe outsourcing	**(5)**	(42)	–	–	–	–
Real estate repositioning	**–**	–	–	(134)	–	–
Other	**(147)**	(68)	(71)	(78)	(60)	(68)
Earnings before income taxes and extraordinary charges	**$ 1,936**	$ 1,556	$ 1,326	$ 783	$ 501	$ 714
Assets						
Target	**$12,048**	$10,475	$ 9,487	$ 8,257	$ 7,330	$ 6,247
Mervyn's	**2,248**	2,339	2,281	2,658	2,776	2,917
Department Stores	**2,149**	2,123	2,188	2,296	2,309	2,392
Other	**698**	729	235	178	155	141
Total assets	**$17,143**	$15,666	$14,191	$13,389	$12,570	$11,697
Depreciation and amortization						
Target	**$ 567**	$ 496	$ 437	$ 377	$ 328	$ 294
Mervyn's	**138**	138	126	151	150	145
Department Stores	**133**	135	128	119	113	108
Other	**16**	11	2	3	3	1
Total depreciation and amortization	**$ 854**	$ 780	$ 693	$ 650	$ 594	$ 548
Capital expenditures						
Target	**$ 1,665**	$ 1,352	$ 1,155	$ 1,048	$ 1,067	$ 842
Mervyn's	**108**	169	72	79	273	146
Department Stores	**124**	127	124	173	161	96
Other	**21**	9	3	1	21	11
Total capital expenditures	**$ 1,918**	$ 1,657	$ 1,354	$ 1,301	$ 1,522	$ 1,095
Segment EBITDA						
Target	**$ 2,589**	$ 2,074	$ 1,724	$ 1,425	$ 1,049	$ 1,026
Mervyn's	**343**	378	406	423	267	343
Department Stores	**429**	414	368	270	305	367
Total segment EBITDA	**$ 3,361**	$ 2,866	$ 2,498	$ 2,118	$ 1,621	$ 1,736
Net assets**						
Target	**$ 8,413**	$ 7,302	$ 6,602	$ 5,711	$ 5,109	$ 4,269
Mervyn's	**1,908**	2,017	2,019	2,268	2,484	2,363
Department Stores	**1,795**	1,785	1,896	1,879	1,940	1,812
Other	**428**	514	169	53	96	72
Total net assets	**$12,544**	$11,618	$10,686	$ 9,911	$ 9,629	$ 8,516

Each operating segment's assets and operating results include the retained securitized receivables 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 sold securitized receivables) less non-interest bearing current liabilities.

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 January 29, 2000 and January 30, 1999 and the related consolidated results of operations, cash flows and shareholders' investment for each of the three years in the period ended January 29, 2000. 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 January 29, 2000 and January 30, 1999 and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 29, 2000 in conformity with accounting principles generally accepted in the United States.

Minneapolis, Minnesota
February 28, 2000

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

Douglas A. Scovanner
Executive Vice President and
Chief Financial Officer

February 28, 2000

Report of Audit Committee

The Audit Committee met two times during fiscal 1999 to review the overall audit scope, plans for internal and independent audits, the Corporation's systems of internal control, emerging accounting issues, officer and director expenses, audit fees and retirement 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 2000, subject to the approval of the shareholders at the annual meeting.

February 28, 2000

Directors

Livio D. DeSimone
Chairman and
Chief Executive Officer,
3M
(diversified manufacturer)
(1) (5) (6)

Roger A. Enrico
Chairman and
Chief Executive Officer,
PepsiCo, Inc.
(domestic and international beverage and food company)
(1) (2) (3)

William W. George
Chairman and
Chief Executive Officer,
Medtronic, Inc.
(therapeutic medical device company) (1) (2) (4)

Michele J. Hooper
President and
Chief Executive Officer,
Voyager Expanded Learning
(educational development company) (1) (2) (6)

James A. Johnson
Chairman and
Chief Executive Officer,
Johnson Capital Partners
(private investment company) (1) (3) (4) (5)

Richard M. Kovacevich
President and
Chief Executive Officer,
Wells Fargo & Company
(banking and financial services company) (1) (2) (6)

Susan A. McLaughlin
President, Consumer Services, BellSouth Telecommunications, Inc.
(communications services company) (1) (2) (4)

Anne M. Mulcahy
Executive Vice President and President,
General Markets Operations,
Xerox Corporation
(document management company) (1) (4) (5)

Stephen W. Sanger
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Chief Executive Officer,
General Mills, Inc.
(consumer food products company) (1) (3) (5) (6)

George W. Tamke
Former Vice Chairman and
Co-Chief Executive Officer,
Emerson Electric Co.
(industrial manufacturer) (1)

Solomon D. Trujillo
Chairman, President and
Chief Executive Officer,
US WEST, Inc.
(telecommunications company) (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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Chairman and
Chief Executive Officer,
Target Corporation and
Target Stores

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Vice Chairman,
Target Corporation

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President, Dayton's
Marshall Field's and Hudson's

Bart Butzer*
President, Mervyn's

Gregg W. Steinhafel*
President, Target Stores

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President, Financial Services and New Businesses,
Target Corporation

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Executive Vice President,
Team, Guest and
Community Relations,
Target Corporation and
Target Stores

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Executive Vice President,
General Counsel and
Corporate Secretary,
Target Corporation

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Executive Vice President,
Marketing,
Target Corporation and
Target Stores

Douglas A. Scovanner*
Executive Vice President,
Finance and
Chief Financial Officer,
Target Corporation and
Target Stores

Ertugrul Tuzcu*
Executive Vice President,
Store Operations,
Dayton's Marshall Field's and
Hudson's

Todd V. Blackwell*
Senior Vice President, Stores,
Mervyn's

John D. Griffith*
Senior Vice President,
Property Development,
Target Corporation

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

Paul L. Singer*
Senior Vice President,
Technology Services and
Chief Information Officer,
Target Corporation

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Vice President,
Communications and
Community Relations,
Target Corporation

Nate K. Garvis
Vice President,
Government Affairs,
Target Corporation

Susan D. Kahn
Vice President,
Investor Relations,
Target Corporation

Stephen C. Kowalke
Vice President and Treasurer,
Target Corporation

Jane P. Windmeier
Vice President, Finance,
Target Corporation and
Target Stores

Richard J. Kuzmich
President and
Chief Executive Officer,
Associated Merchandising Corp.

Dale Nitschke
President, target.direct

Erica C. Street
President, Target Brands, Inc.

Jack N. Reif
Assistant Treasurer,
Target Corporation

Sara J. Ross
Assistant Treasurer,
Target Corporation

* *Executive Officer and Corporate Operating Committee Member*

Annual Meeting

The Annual Meeting of Shareholders is scheduled for May 17, 2000, 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 InvestorRelations@target.com, or write to:

Vice President, Investor Relations
Target Corporation
777 Nicollet Mall
Minneapolis, MN 55402

Our quarterly earnings release conference calls are webcast on the Internet through our website www.targetcorp.com. For additional information call investor relations at 612-370-6736.

Other information about Target Corporation is available at the same website.

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 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 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 Exchange

Shareholder Assistance

For assistance regarding individual stock records, lost certificates, name or address changes, dividend or tax questions, call First Chicago Trust at 800-317-4445, or write to:

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, NJ 07303-2500.

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Concept and design: Little & Company, Minneapolis

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