TARGET CORP
Form 10-Q
August 23, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended July 28, 2012

Commission File Number 1-6049

TARGET CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	**41-0215170**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Nicollet Mall, Minneapolis, Minnesota	**55403**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: 612/304-6073

Former name, former address and former fiscal year, if changed since last report: N/A

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Indicate the number of shares outstanding of each of registrant s classes of common stock, as of the latest practicable date. Total shares of common stock, par value $0.0833, outstanding at August 20, 2012 were 654,885,290.

TARGET CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations

(millions, except per share data) (unaudited)	Three Months Ended **July 28, 2012**	July 30, 2011	Six Months Ended **July 28, 2012**	July 30, 2011
Sales	**$ 16,451**	$ 15,895	**$ 32,989**	$ 31,475
Credit card revenues	**328**	345	**657**	700
Total revenues	**16,779**	16,240	**33,646**	32,175
Cost of sales	**11,297**	10,872	**22,838**	21,710
Selling, general and administrative expenses	**3,588**	3,473	**6,981**	6,705
Credit card expenses	**108**	86	**228**	174
Depreciation and amortization	**531**	509	**1,060**	1,022
Earnings before interest expense and income taxes	**1,255**	1,300	**2,539**	2,564
Net interest expense	**184**	191	**366**	374
Earnings before income taxes	**1,071**	1,109	**2,173**	2,190
Provision for income taxes	**367**	405	**772**	797
Net earnings	**$ 704**	$ 704	**$ 1,401**	$ 1,393
Basic earnings per share	**$ 1.07**	$ 1.03	**$ 2.12**	$ 2.03
Diluted earnings per share	**$ 1.06**	$ 1.03	**$ 2.10**	$ 2.02
Weighted average common shares outstanding				
Basic	**656.7**	680.8	**661.5**	686.7
Diluted	**662.9**	685.1	**667.6**	691.2

See accompanying Notes to Consolidated Financial Statements.

[redacted]

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Financial Position

(millions)	**July 28, 2012**	January 28, 2012	July 30, 2011
Assets	**(unaudited)**		(unaudited)
Cash and cash equivalents, including short-term investments of **$830**, $194 and $116	**$ 1,442**	$ 794	$ 890
Credit card receivables, net of allowance of **$365**, $430 and $480	**5,540**	5,927	5,722
Inventory	**7,733**	7,918	7,926
Other current assets	**1,700**	1,810	1,521
Total current assets	**16,415**	16,449	16,059
Property and equipment			
Land	**6,137**	6,122	5,999
Buildings and improvements	**27,394**	26,837	26,092
Fixtures and equipment	**5,192**	5,141	4,906
Computer hardware and software	**2,333**	2,468	2,392
Construction-in-progress	**1,260**	963	571
Accumulated depreciation	**(12,542)**	(12,382)	(11,587)
Property and equipment, net	**29,774**	29,149	28,373
Other noncurrent assets	**1,136**	1,032	1,067
Total assets	**$ 47,325**	$ 46,630	$ 45,499
Liabilities and shareholders investment			
Accounts payable	**$ 6,505**	$ 6,857	$ 6,519
Accrued and other current liabilities	**3,539**	3,644	3,721
Unsecured debt and other borrowings	**2,535**	3,036	1,130
Nonrecourse debt collateralized by credit card receivables	**750**	750	250
Total current liabilities	**13,329**	14,287	11,620
Unsecured debt and other borrowings	**14,479**	13,447	12,661
Nonrecourse debt collateralized by credit card receivables	**750**	250	3,499
Deferred income taxes	**1,173**	1,191	969
Other noncurrent liabilities	**1,697**	1,634	1,644
Total noncurrent liabilities	**18,099**	16,522	18,773
Shareholders investment			
Common stock	**54**	56	56
Additional paid-in capital	**3,721**	3,487	3,385
Retained earnings	**12,774**	12,959	12,213
Accumulated other comprehensive loss			
Pension and other benefit liabilities	**(596)**	(624)	(525)
Currency translation adjustment and cash flow hedges	**(56)**	(57)	(23)
Total shareholders investment	**15,897**	15,821	15,106
Total liabilities and shareholders investment	**$ 47,325**	$ 46,630	$ 45,499
Common shares outstanding	**653.9**	669.3	675.2

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Six Months Ended	
(millions) (unaudited)	**July 28, 2012**	July 30, 2011
Operating activities		
Net earnings	**$ 1,401**	$ 1,393
Reconciliation to cash flow		
Depreciation and amortization	**1,060**	1,022
Share-based compensation expense	**48**	44
Deferred income taxes	**(92)**	122
Bad debt expense	**95**	27
Non-cash (gains)/losses and other, net	**(1)**	62
Changes in operating accounts:		
Accounts receivable originated at Target	**116**	143
Inventory	**185**	(330)
Other current assets	**72**	80
Other noncurrent assets	**(9)**	16
Accounts payable	**(352)**	(119)
Accrued and other current liabilities	**(150)**	(129)
Other noncurrent liabilities	**98**	5
Cash flow provided by operations	**2,471**	2,336
Investing activities		
Expenditures for property and equipment	**(1,603)**	(2,379)
Proceeds from disposal of property and equipment	**18**	2
Change in accounts receivable originated at third parties	**176**	261
Other investments	**(18)**	(19)
Cash flow required for investing activities	**(1,427)**	(2,135)
Financing activities		
Additions to long-term debt	**1,971**	1,000
Reductions of long-term debt	**(1,011)**	(238)
Dividends paid	**(399)**	(346)
Repurchase of stock	**(1,130)**	(1,493)
Stock option exercises and related tax benefit	**183**	34
Other	**(16)**	20
Cash flow required for financing activities	**(402)**	(1,023)
Effect of exchange rate changes on cash and cash equivalents	**6**	
Net increase (decrease) in cash and cash equivalents	**648**	(822)
Cash and cash equivalents at beginning of period	**794**	1,712
Cash and cash equivalents at end of period	**$ 1,442**	$ 890

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders Investment

(millions, except footnotes)	Common Stock Shares	Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
January 29, 2011	704.0	$ 59	$ 3,311	$ 12,698	$ (581)	$ 15,487
Net earnings				2,929		2,929
Other comprehensive income					(100)	(100)
Dividends declared				(777)		(777)
Repurchase of stock	(37.2)	(3)		(1,891)		(1,894)
Stock options and awards	2.5		176			176
January 28, 2012	669.3	$ 56	$ 3,487	$ 12,959	$ (681)	$ 15,821
(unaudited)						
Net earnings				**1,401**		**1,401**
Other comprehensive income					**29**	**29**
Dividends declared				**(434)**		**(434)**
Repurchase of stock	**(20.2)**	**(2)**		**(1,152)**		**(1,154)**
Stock options and awards	**4.8**		**234**			**234**
July 28, 2012	**653.9**	**$ 54**	**$ 3,721**	**$ 12,774**	**$ (652)**	**$ 15,897**

Dividends declared per share were $0.36 and $0.30 for the three months ended July 28, 2012 and July 30, 2011, respectively. For the fiscal year ended January 28, 2012, dividends declared per share were $1.15.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements (unaudited)

1. Accounting Policies

The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statement disclosures contained in the 2011 Form 10-K for Target Corporation (Target or the Corporation). The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. See the notes in our Form 10-K for the fiscal year ended January 28, 2012, for those policies. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings and cash flows are not necessarily indicative of the results that may be expected for the full year.

2. Earnings Per Share

Basic earnings per share (EPS) is calculated as net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS includes the potentially dilutive impact of share-based awards outstanding at period end, consisting of the incremental shares assumed to be issued upon the exercise of stock options and the incremental shares assumed to be issued under performance share and restricted stock unit arrangements.

Earnings Per Share	Three Months Ended		Six Months Ended	
(millions, except per share data)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Net earnings	**$ 704**	$ 704	**$ 1,401**	$ 1,393
Basic weighted average common shares outstanding	**656.7**	680.8	**661.5**	686.7
Dilutive impact of share-based awards*(a)*	**6.2**	4.3	**6.1**	4.5
Diluted weighted average common shares outstanding	**662.9**	685.1	**667.6**	691.2
Basic earnings per share	**$ 1.07**	$ 1.03	**$ 2.12**	$ 2.03
Diluted earnings per share	**$ 1.06**	$ 1.03	**$ 2.10**	$ 2.02

(a) Excludes 5.8 million and 8.7 million share-based awards for the three and six months ended July 28, 2012, respectively, and 18.5 million and 16.5 million share-based awards for the three and six months ended July 30, 2011, respectively, because their effects were antidilutive.

3. Fair Value Measurements

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Fair Value Measurements - Recurring Basis

(millions)	**Fair Value at July 28, 2012** Level 1	Level 2	Level 3	Fair Value at January 28, 2012 Level 1	Level 2	Level 3	Fair Value at July 30, 2011 Level 1	Level 2	Level 3
Assets									
Cash and cash equivalents									
Short-term investments	**$ 830**	**$**	**$**	$ 194	$	$	$ 116	$	$
Other current assets									
Interest rate swaps*(a)*		**19**			20				
Prepaid forward contracts	**72**			69			74		
Other								6	
Other noncurrent assets									
Interest rate swaps*(a)*		**93**			114			140	
Company-owned life insurance investments*(b)*		**386**			371			366	
Total	**$ 902**	**$ 498**	**$**	$ 263	$ 505	$	$ 190	$ 512	$
Liabilities									
Other current liabilities									
Interest rate swaps*(a)*	**$**	**$ 7**	**$**	$	$ 7	$	$	$	$
Other noncurrent liabilities									
Interest rate swaps*(a)*		**62**			69			68	
Total	**$**	**$ 69**	**$**	$	$ 76	$	$	$ 68	$

(a) There was one interest rate swap designated as an accounting hedge in all periods presented. See Note 7 for additional information on interest rate swaps.

(b) Company-owned life insurance investments consist of equity index funds and fixed income assets. Amounts are presented net of loans that are secured by some of these policies of $667 million at July 28, 2012, $669 million at January 28, 2012 and $656 million at July 30, 2011.

Position	**Valuation Technique**
Short-term investments	Carrying value approximates fair value because maturities are less than three months.
Prepaid forward contracts	Initially valued at transaction price. Subsequently valued by reference to the market price of Target common stock.
Interest rate swaps	Valuation models are calibrated to initial trade price. Subsequent valuations are based on observable inputs to the valuation model (*e.g.*, interest rates and credit spreads). Model inputs are changed only when corroborated by market data. A credit risk adjustment is made on each swap using observable market credit spreads.
Company-owned life insurance investments	Includes investments in separate accounts that are valued based on market rates credited by the insurer.

The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value in the Consolidated Statements of Financial Position. The fair value of marketable securities is determined using available market prices at the reporting date and would be classified as Level 1. The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified as Level 2.

Financial Instruments Not Measured at Fair Value	**July 28, 2012**		January 28, 2012		July 30, 2011	
(millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Other current assets						
Marketable securities*(a)*	**$ 32**	**$ 32**	$ 35	$ 35	$ 23	$ 23
Other noncurrent assets						
Marketable securities*(a)*	**6**	**6**	6	6		
Total	**$ 38**	**$ 38**	$ 41	$ 41	$ 23	$ 23
Financial liabilities						
Total debt*(b)*	**$ 16,647**	**$ 19,666**	$ 15,680	$ 18,142	$ 16,035	$ 17,931
Total	**$ 16,647**	**$ 19,666**	$ 15,680	$ 18,142	$ 16,035	$ 17,931

(a) Held-to-maturity investments that are held to satisfy the regulatory requirements of Target Bank and Target National Bank.

(b) Represents the sum of nonrecourse debt collateralized by credit card receivables and unsecured debt and other borrowings, excluding unamortized swap valuation adjustments and capital lease obligations.

Based on various inputs and assumptions, including discussions with third parties in the context of our intended sale, we believe the gross balance of our credit card receivables approximates fair value at July 28, 2012. The carrying amounts of accounts payable and certain accrued and other current liabilities also approximate fair value at July 28, 2012.

4. Credit Card Receivables

Credit card receivables are recorded net of an allowance for doubtful accounts and are our only significant class of financing receivables. Substantially all past-due accounts accrue finance charges until they are written off. Accounts are written off when they become 180 days past due.

Age of Credit Card Receivables	**July 28, 2012**		January 28, 2012		July 30, 2011	
(dollars in millions)	**Amount**	**Percent of Receivables**	Amount	Percent of Receivables	Amount	Percent of Receivables
Current	**$ 5,439**	**92.2%**	$ 5,791	91.1%	$ 5,671	91.4%
1-29 days past due	**238**	**4.0**	260	4.1	242	3.9
30-59 days past due	**77**	**1.3**	97	1.5	101	1.6
60-89 days past due	**48**	**0.8**	62	1.0	60	1.0
90+ days past due	**103**	**1.7**	147	2.3	128	2.1
Period-end gross credit card receivables	**$ 5,905**	**100%**	$ 6,357	100%	$ 6,202	100%

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recognized in an amount equal to the anticipated future write-offs of existing receivables and includes provisions for uncollectible finance charges and other credit-related fees. We estimate future write-offs on the entire credit card portfolio collectively based on historical experience of delinquencies, risk scores, aging trends and industry risk trends.

Allowance for Doubtful Accounts	Three Months Ended		Six Months Ended	
(millions)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Allowance at beginning of period	**$ 395**	$ 565	**$ 430**	$ 690
Bad debt expense	**43**	15	**95**	27
Write-offs*(a)*	**(105)**	(142)	**(232)**	(326)
Recoveries*(a)*	**32**	42	**72**	89
Allowance at end of period	**$ 365**	$ 480	**$ 365**	$ 480

(a) Write-offs include the principal amount of losses (excluding accrued and unpaid finance charges), and recoveries include current period collections on previously written-off balances. These amounts combined represent net write-offs.

Deterioration of the macroeconomic conditions in the United States could adversely affect the risk profile of our credit card receivables portfolio based on credit card holders ability to pay their balances. If such deterioration were to occur, it could lead to an increase in bad debt expense. We monitor both the credit quality and the delinquency status of the credit card receivables portfolio. We consider accounts 30 or more days past due as delinquent, and we update delinquency status daily. We also monitor risk in the portfolio by assigning internally generated scores to each account and by obtaining current FICO scores, a nationally recognized credit scoring model, for a statistically representative sample of accounts each month. The credit-quality segmentation presented below is consistent with the approach used in determining our allowance for doubtful accounts.

Receivables Credit Quality	**July 28, 2012**		January 28, 2012		July 30, 2011	
(dollars in millions)	**Amount**	**Percent of Receivables**	Amount	Percent of Receivables	Amount	Percent of Receivables
Nondelinquent accounts						
FICO score of 700 or above	**$ 2,854**	**48.3%**	$ 2,882	45.4%	$ 2,786	44.9 %
FICO score of 600 to 699	**2,251**	**38.1**	2,463	38.7	2,500	40.3
FICO score below 600	**572**	**9.7**	706	11.1	627	10.1
Total nondelinquent accounts	**5,677**	**96.1**	6,051	95.2	5,913	95.3
Delinquent accounts (30+ days past due)	**228**	**3.9**	306	4.8	289	4.7
Period-end gross credit card receivables	**$ 5,905**	**100%**	$ 6,357	100%	$ 6,202	100 %

Under certain circumstances, we offer cardholder payment plans that meet the accounting definition of a troubled debt restructuring (TDR). These plans modify finance charges, minimum payments and/or extend payment terms. Modified terms do not change the balance of the loan. These concessions are made on an individual cardholder basis for economic or legal reasons specific to each individual cardholder s circumstances. Cardholders are not allowed additional charges while participating in a payment plan.

Troubled Debt Restructurings	Three Months Ended		Six Months Ended	
(dollars in millions, contracts in thousands)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Average receivables	**$ 232**	$ 344	**$ 245**	$ 360
Finance charges	**$ 3**	$ 5	**$ 7**	$ 11
Defaults During the Period*(a)*				
Number of contracts	**3**	6	**5**	12
Amount defaulted*(b)*	**$ 8**	$ 17	**$ 15**	$ 36

(a) Includes loans modified within the twelve months prior to each respective period end.

(b) Represents account balance at the time of default. We define default as not paying the full fixed payment amount for two consecutive billing cycles.

Receivables in cardholder payment plans that meet the definition of a TDR are treated consistently with other receivables in determining our allowance for doubtful accounts. Accounts that complete their assigned payment plan are no longer considered TDRs. As of July 28, 2012 and July 30, 2011 there were 102 thousand and 133 thousand modified contracts with outstanding receivables of $226 million and $334 million, respectively. Payments received on troubled debt restructurings are first applied to finance charges and fees, then to the unpaid principal balance.

Funding for Credit Card Receivables

As a method of providing funding for our credit card receivables, we sell, on an ongoing basis, all of our consumer credit card receivables to Target Receivables LLC (TR LLC), a wholly owned, bankruptcy remote subsidiary. TR LLC then transfers the receivables to the Target Credit Card Master Trust (the Trust), which from time to time will sell debt securities to third parties, either directly or through a related trust. These debt securities represent undivided interests in the Trust assets. TR LLC uses the proceeds from the sale of debt securities and its share of collections on the receivables to pay the purchase price of the receivables to the Corporation.

We consolidate the receivables within the Trust and any debt securities issued by the Trust, or a related trust, in our Consolidated Statements of Financial Position. The receivables transferred to the Trust are not available to general creditors of the Corporation.

All interests in our Credit Card Receivables issued by the Trust are accounted for as secured borrowings. Interest and principal payments are satisfied provided the cash flows from the Trust assets are sufficient and are nonrecourse to the general assets of the Corporation. If the cash flows are less than the periodic interest, the available amount, if any, is paid with respect to interest. Interest shortfalls will be paid to the extent subsequent cash flows from the assets in the Trust are sufficient. Future principal payments will be made from the third party s pro rata share of cash flows from the Trust assets.

Securitized Borrowings	**July 28, 2012**		January 28, 2012		July 30, 2011	
(millions)	**Debt Balance**	**Collateral**	Debt Balance	Collateral	Debt Balance	Collateral
2008 Series	**$**	**$**	$	$	$ 2,749	$ 2,828
2006/2007 Series	**1,500**	**1,899**	1,000	1,266	1,000	1,266
Total	**$ 1,500**	**$ 1,899**	$ 1,000	$ 1,266	$ 3,749	$ 4,094

In March 2012 we amended the 2006/2007 Series Variable Funding Certificate to obtain additional funding of $500 million and to extend the maturity to 2013. Parties who hold the Variable Funding Certificate receive interest at a variable short-term market rate.

5. Commitments and Contingencies

We are exposed to claims and litigation arising in the ordinary course of business and use various methods to resolve these matters in a manner that we believe serves the best interest of our shareholders and other constituents. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. We do not believe that any of the currently identified claims or litigation will be material to our results of operations, cash flows or financial condition.

6. Notes Payable and Long-Term Debt

We obtain short-term financing from time to time under our commercial paper program, a form of notes payable.

Commercial Paper	Three Months Ended		Six Months Ended	
	July 28,	July 30,	**July 28,**	July 30,
(dollars in millions)	**2012**	2011	**2012**	2011
Maximum daily amount outstanding during the period	**$ 620**	$ 850	**$ 620**	$ 850
Average daily amount outstanding during the period	**$ 240**	$ 329	**$ 201**	$ 164
Amount outstanding at period-end	**$**	$	**$**	$
Weighted average interest rate	**0.21%**	0.12%	**0.16%**	0.12%

In June 2012, we issued $1.5 billion of unsecured fixed rate debt at 4.0% that matures in July 2042. Proceeds from this issuance were used for general corporate purposes.

7. Derivative Financial Instruments

Historically our derivative instruments have primarily consisted of interest rate swaps, which are used to mitigate interest rate risk. We have counterparty credit risk with large global financial institutions resulting from our derivative instruments. We monitor this concentration of counterparty credit risk on an ongoing basis. See Note 3 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

As of July 28, 2012 and July 30, 2011, one swap was designated as a fair value hedge for accounting purposes, and no ineffectiveness was recognized during the three or six months ended July 28, 2012 or July 30, 2011.

Periodic payments, valuation adjustments and amortization of gains or losses on our derivative contracts had the following effect on our Consolidated Statements of Operations:

Derivative Contracts - Effect on Results of Operations		Three Months Ended		Six Months Ended	
(millions)		**July 28,**	July 30,	**July 28,**	July 30,
Type of Contract	Classification of Income/(Expense)	**2012**	2011	**2012**	2011
Interest rate swaps	Net interest expense	**$ 9**	$ 11	**$ 19**	$ 22

The amount remaining on unamortized hedged debt valuation gains from terminated or de-designated interest rate swaps that will be amortized into earnings over the remaining lives of the underlying debt totaled $93 million, $111 million and $132 million, at July 28, 2012, January 28, 2012 and July 30, 2011, respectively.

8. Income Taxes

We file a U.S. federal income tax return and income tax returns in various states and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations for years before 2011 and, with few exceptions, are no longer subject to state and local or non-U.S. income tax examinations by tax authorities for years before 2003.

At July 28, 2012, foreign net operating loss carryforwards of approximately $340 million (resulting in a $90 million deferred tax asset) are available to offset future income. These carryforwards expire in 2032 and are expected to be fully utilized prior to expiration.

It is reasonably possible that the amount of our unrecognized tax benefits will significantly increase or decrease during the next twelve months; however, an estimate of the amount or range of the change cannot be made at this time.

9. Share Repurchase

We repurchase shares primarily through open market transactions under a $5 billion share repurchase program authorized by our Board of Directors in January 2012. During the first quarter of 2012, we completed a $10 billion share repurchase program that was authorized by our Board of Directors in November 2007.

Share Repurchases	Three Months Ended		Six Months Ended	
(millions, except per share data)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Total number of shares purchased	**9.6**	14.3	**20.2**	29.7
Average price paid per share	**$ 57.09**	$ 48.11	**$ 57.21**	$ 50.81
Total investment	**$ 549**	$ 688	**$ 1,154**	$ 1,507

Of the shares repurchased, a portion was delivered upon settlement of prepaid forward contracts as follows:

Settlement of Prepaid Forward Contracts*(a)*	Three Months Ended		Six Months Ended	
(millions)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Total number of shares purchased	**0.2**	0.2	**0.4**	0.3
Total cash investment	**$ 11**	$ 7	**$ 23**	$ 14
Aggregate market value*(b)*	**$ 11**	$ 7	**$ 24**	$ 14

(a) These contracts are among the investment vehicles used to reduce our economic exposure related to our nonqualified deferred compensation plans. The details of our positions in prepaid forward contracts have been provided in Note 10.

(b) At their respective settlement dates.

10. Pension, Postretirement Health Care and Other Benefits

We have qualified defined benefit pension plans covering team members who meet age and service requirements, including in certain circumstances, date of hire. We also have unfunded nonqualified pension plans for team members with qualified plan compensation restrictions. Eligibility for, and the level of, these benefits varies depending on team members date of hire, length of service and/or team member compensation. Upon early retirement and prior to Medicare eligibility, team members 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. Effective January 1, 2009, our qualified defined benefit pension plan was closed to new participants, with limited exceptions.

Net Pension and Postretirement Health Care Benefits Expense	Pension Benefits				Postretirement Health Care Benefits			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
(millions)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Service cost benefits earned during the period	**$ 30**	$ 29	**$ 60**	$ 58	**$ 2**	$ 2	**$ 4**	$ 4
Interest cost on projected benefit obligation	**35**	35	**70**	69		1	**1**	2
Expected return on assets	**(55)**	(51)	**(110)**	(102)				
Amortization of losses	**26**	18	**52**	34	**1**	1	**2**	2
Amortization of prior service cost		(1)		(2)	**(2)**	(2)	**(4)**	(4)
Total	**$ 36**	$ 30	**$ 72**	$ 57	**$ 1**	$ 2	**$ 3**	$ 4

We are not required to make any contributions in 2012. However, depending on investment performance and plan funded status, we may elect to make a contribution.

Our unfunded, nonqualified deferred compensation plan is offered to approximately 3,000 current and retired team members whose participation in our 401(k) plan is limited by statute or regulation. These team members choose from a menu of crediting rate alternatives that are the same as the investment choices in our 401(k) plan, including Target common stock. We credit an additional 2 percent per year to the accounts of all active participants, excluding members of our management executive committee, in part to recognize the risks inherent to their participation in a plan of this nature. We also maintain a nonqualified, unfunded deferred compensation plan that was frozen during 1996, covering substantially fewer than 100 participants, most of whom are retired. In this plan, deferred compensation earns returns tied to market levels of interest rates plus an additional 6 percent return, with a minimum of 12 percent and a maximum of 20 percent, as determined by the plan s terms.

We mitigate some of our risk of offering the nonqualified plans through investing in vehicles, including company-owned life insurance and prepaid forward contracts in our own common stock, that offset a substantial portion of our economic exposure to the returns of these plans. These investment vehicles are general corporate assets and are marked to market with the related gains and losses recognized in the Consolidated Statements of Operations in the period they occur.

The total change in fair value for contracts indexed to our own common stock recognized in earnings was pretax income of $4 million in each of the three months ended July 28, 2012 and July 30, 2011, and pretax income/(loss) of $15 million and $(3) million for the six months ended July 28, 2012 and July 30, 2011, respectively. For the six months ended July 28, 2012 and July 30, 2011, we invested $13 million and $29 million, respectively, in such investment instruments, and this activity is included in the Consolidated Statements of Cash Flows within other investing activities. Adjusting our position in these investment vehicles may involve repurchasing shares of Target common stock when settling the forward contracts as described in Note 9. The settlement dates of these instruments are regularly renegotiated with the counterparty.

Prepaid Forward Contracts on Target Common Stock (millions, except per share data)	Number of Shares	Contractual Price Paid per Share	Contractual Fair Value	Total Cash Investment
July 30, 2011	1.4	$ 45.43	$ 74	$ 65
January 28, 2012	1.4	44.21	69	61
July 28, 2012	**1.2**	**44.70**	**72**	**53**

11. Segment Reporting

Our segment measure of profit is used by management to evaluate the return on our investment and to make operating decisions.

Business Segment Results	**Three Months Ended July 28, 2012**				Three Months Ended July 30, 2011			
(millions)	U.S. Retail	U.S. Credit Card	Canadian	Total	U.S. Retail	U.S. Credit Card	Canadian	Total
Sales/Credit card revenues	**$ 16,451**	**$ 328**	**$**	**$ 16,779**	$ 15,895	$ 345	$	$ 16,240
Cost of sales	**11,297**			**11,297**	10,872			10,872
Bad debt expense*(a)*		**43**		**43**		15		15
Selling, general and administrative/ Operations and marketing expenses*(a), (b)*	**3,468**	**139**	**47**	**3,653**	3,382	137	25	3,544
Depreciation and amortization	**505**	**3**	**22**	**531**	494	4	11	509
Earnings/(loss) before interest expense and income taxes	**1,181**	**143**	**(69)**	**1,255**	1,147	189	(36)	1,300
Interest expense on nonrecourse debt collateralized by credit card receivables *(c)*		**3**		**3**		18		18
Segment profit/(loss)	**$ 1,181**	**$ 140**	**$ (69)**	**$ 1,252**	$ 1,147	$ 171	$ (36)	$ 1,282
Unallocated (income) and expenses:								
Other net interest expense *(c)*				**181**				173
Earnings before income taxes				**$ 1,071**				$ 1,109

Business Segment Results	Six Months Ended July 28, 2012				Six Months Ended July 30, 2011			
(millions)	U.S. Retail	U.S. Credit Card	Canadian	Total	U.S. Retail	U.S. Credit Card	Canadian	Total
Sales/Credit card revenues	**$ 32,989**	**$ 657**	**$**	**$ 33,646**	$ 31,475	$ 700	$	$ 32,175
Cost of sales	**22,838**			**22,838**	21,710			21,710
Bad debt expense*(a)*		**95**		**95**		27		27
Selling, general and administrative/ Operations and marketing expenses*(a), (b)*	**6,762**	**271**	**81**	**7,114**	6,554	262	36	6,852
Depreciation and amortization	**1,009**	**7**	**44**	**1,060**	1,002	9	11	1,022
Earnings/(loss) before interest expense and income taxes	**2,380**	**284**	**(125)**	**2,539**	2,209	402	(47)	2,564
Interest expense on nonrecourse debt collateralized by credit card receivables *(c)*		**5**		**5**		37		37
Segment profit/(loss)	**$ 2,380**	**$ 279**	**$ (125)**	**$ 2,534**	$ 2,209	$ 365	$ (47)	$ 2,527
Unallocated (income) and expenses:								
Other net interest expense *(c)*				**361**				337
Earnings before income taxes				**$ 2,173**				$ 2,190

Note: The sum of the segment amounts may not equal the total amounts due to rounding.

(a) The combination of bad debt expense and operations and marketing expenses, less amounts the U.S. Retail Segment charges the U.S. Credit Card Segment for loyalty programs, within the U.S. Credit Card Segment represent credit card expenses on the Consolidated Statements of Operations.

(b) Loyalty program charges were $74 million and $66 million for the three months ended July 28, 2012 and July 30, 2011, respectively, and $138 million and $115 million for the six months ended July 28, 2012 and July 30, 2011, respectively. In all periods, these amounts were recorded as reductions to SG&A expenses within the U.S. Retail Segment and increases to operations and marketing expenses within the U.S. Credit Card Segment.

(c) The combination of interest expense on nonrecourse debt collateralized by credit card receivables and other net interest expense represent net interest expense on the Consolidated Statements of Operations.

Total Assets by Segment (millions)	July 28, 2012	January 28, 2012	July 30, 2011
U.S. Retail	**$ 37,724**	$ 37,108	$ 36,823
U.S. Credit Card	**5,751**	6,135	5,931
Canadian	**3,850**	3,387	2,745
Total	**$ 47,325**	$ 46,630	$ 45,499

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

Executive Summary

Consolidated revenues were $16,779 million for the three months ended July 28, 2012, an increase of $539 million or 3.3 percent from the same period in the prior year. Consolidated earnings before interest expense and income taxes for second quarter 2012 decreased by $45 million or 3.5 percent from second quarter 2011 to $1,255 million. Cash flow provided by operations was $2,471 million and $2,336 million for the six months ended July 28, 2012 and July 30, 2011, respectively. Diluted earnings per share in the second quarter increased 3.4 percent to $1.06 from $1.03 in the same period a year ago. Adjusted diluted earnings per share, which we believe is useful in providing period-to-period comparisons of the results of our U.S. operations, increased 4.6 percent to $1.12 in second quarter 2012 from $1.07 in the same period a year ago.

Earnings Per Share	Three Months Ended			Six Months Ended		
	July 28, 2012	July 30, 2011	Change	**July 28, 2012**	July 30, 2011	Change
GAAP diluted earnings per share	**$ 1.06**	$ 1.03	3.4%	**$ 2.10**	$ 2.02	4.2%
Adjustments*(a)*	**0.06**	0.04		**0.13**	0.04	
Adjusted diluted earnings per share	**$ 1.12**	$ 1.07	4.6%	**$ 2.23**	$ 2.06	8.0%

Note: A reconciliation of non-GAAP financial measures to GAAP measures is provided on page 21.

(a) Adjustments represent the diluted EPS impact of our planned 2013 Canadian market entry and the favorable resolution of various income tax matters.

Our financial results for the second quarter of 2012 in our U.S. Retail Segment reflect increased sales of 3.5 percent over the same period last year due to a 3.1 percent comparable-store increase combined with the contribution from new stores. Our second quarter 2012 U.S. Retail Segment EBITDA and EBIT margin rates remained largely consistent with the prior year.

In the U.S. Credit Card Segment, we experienced a decrease in segment profit due to annualizing over a significant reserve reduction in the prior year and lower finance charge revenue resulting from a smaller portfolio, partially offset by lower interest expense.

During the three and six months ended July 28, 2012, loss before interest expense and income taxes in our Canadian Segment totaled $69 million and $125 million, respectively, comprised of start-up costs and depreciation, compared to $36 million and $47 million during the three and six months ended July 30, 2011, respectively.

Analysis of Results of Operations

U.S. Retail Segment

U.S. Retail Segment Results	Three Months Ended			Six Months Ended		
(dollars in millions)	**July 28, 2012**	July 30, 2011	Percent Change	**July 28, 2012**	July 30, 2011	Percent Change
Sales	**$ 16,451**	$ 15,895	3.5 %	**$ 32,989**	$ 31,475	4.8 %
Cost of sales	**11,297**	10,872	3.9	**22,838**	21,710	5.2
Gross margin	**5,154**	5,023	2.6	**10,151**	9,765	3.9
SG&A expenses*(a)*	**3,468**	3,382	2.6	**6,762**	6,554	3.2
EBITDA	**1,686**	1,641	2.7	**3,389**	3,211	5.5
Depreciation and amortization	**505**	494	2.2	**1,009**	1,002	0.8
EBIT	**$ 1,181**	$ 1,147	2.9 %	**$ 2,380**	$ 2,209	7.7 %

EBITDA is earnings before interest expense, income taxes, depreciation and amortization.

EBIT is earnings before interest expense and income taxes.

Note: See Note 11 to our consolidated financial statements for a reconciliation of our segment results to earnings before income taxes.
(a) Loyalty program charges were $74 million and $66 million for the three months ended July 28, 2012 and July 30, 2011, respectively, and $138 million and $115 million for the six months ended July 28, 2012 and July 30, 2011, respectively. In all periods, these amounts were recorded as reductions to SG&A expenses within the U.S. Retail Segment and increases to operations and marketing expenses within the U.S. Credit Card Segment.

U.S. Retail Segment Rate Analysis	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	**July 28, 2012**	July 30, 2011
Gross margin rate	**31.3 %**	31.6 %	**30.8 %**	31.0 %
SG&A expense rate	**21.1**	21.3	**20.5**	20.8
EBITDA margin rate	**10.2**	10.3	**10.3**	10.2
Depreciation and amortization expense rate	**3.1**	3.1	**3.1**	3.2
EBIT margin rate	**7.2**	7.2	**7.2**	7.0

Rate analysis metrics are computed by dividing the applicable amount by sales.

Sales

Sales include merchandise sales, net of expected returns, from our stores and our online business, as well as gift card breakage. See Item 1 in our Form 10-K for the fiscal year ended January 28, 2012 for a description of our product categories.

Sales by Product Category	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	**July 28, 2012**	July 30, 2011
Household essentials	**27 %**	26 %	**27 %**	26 %
Hardlines	**15**	16	**16**	17
Apparel and accessories	**20**	21	**20**	20
Food and pet supplies	**20**	18	**20**	19
Home furnishings and décor	**18**	19	**17**	18
Total	**100 %**	100 %	**100 %**	100 %

Comparable-store sales is a measure that highlights the performance of our existing stores by measuring the change in sales for such stores for a period over the comparable, prior-year period of equivalent length. The method of calculating comparable-store sales varies across the retail industry. As a result, our comparable-store sales calculation is not necessarily comparable to similarly titled measures reported by other companies.

Comparable-store sales are sales from our online business and stores open longer than one year, including:

- sales from stores that have been remodeled or expanded while remaining open (including our current store remodel program)
- sales from stores that have been relocated to new buildings of the same format within the same trade area, in which the new store opens at about the same time as the old store closes

Comparable-store sales do not include:

- sales from general merchandise stores that have been converted, or relocated within the same trade area, to a SuperTarget store format

- sales from stores that were intentionally closed to be remodeled, expanded or reconstructed

Comparable-Store Sales	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	**July 28, 2012**	July 30, 2011
Comparable-store sales change	**3.1 %**	3.9 %	**4.2 %**	2.9 %
Drivers of change in comparable-store sales:				
Number of transactions	**0.7**	0.5	**1.3**	0.4
Average transaction amount	**2.4**	3.5	**2.8**	2.6
Units per transaction	**1.3**	1.8	**1.0**	3.1
Selling price per unit	**1.1**	1.7	**1.8**	(0.5)

The collective interaction of a broad array of macroeconomic, competitive and consumer behavioral factors, as well as sales mix, and transfer of sales to new stores makes further analysis of sales metrics infeasible.

Our U.S. Credit Card Segment offers credit to qualified guests through our branded proprietary credit cards: the Target Visa Credit Card and the Target Credit Card (Target Credit Cards). Additionally, we offer a branded proprietary Target Debit Card. Collectively, we refer to these products as REDcards®. Guests receive a 5 percent discount on virtually all purchases at checkout every day when they use a REDcard at any Target store or on Target.com.

We monitor the percentage of store sales that are paid for using REDcards (REDcard Penetration), because our internal analysis has indicated that a meaningful portion of the incremental purchases on our REDcards are also incremental sales for Target, with the remainder representing a shift in tender type.

REDcard Penetration	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	**July 28, 2012**	July 30, 2011
Target Credit Cards	**7.7 %**	6.6 %	**7.4 %**	6.2 %
Target Debit Card	**5.1**	2.1	**4.8**	1.9
Total Store REDcard Penetration	**12.8 %**	8.7 %	**12.2 %**	8.1 %

Gross Margin Rate

For the three and six months ended July 28, 2012, our gross margin rate was 31.3 percent and 30.8 percent, respectively, decreasing from 31.6 percent and 31.0 percent in the comparable periods last year. These decreases are the result of our integrated growth strategies of 5% REDcard Rewards and remodel program, which impacted the rate by nearly 0.4 percent in each period, partially offset by underlying rate improvements within categories.

Selling, General and Administrative Expense Rate

For the three and six months ended July 28, 2012, the SG&A expense rate was 21.1 percent and 20.5 percent, respectively, a decrease from 21.3 percent and 20.8 percent in the comparable periods last year. Approximately half of this improvement in each period is due to store hourly payroll expense improvements, and the remainder was spread across several other areas.

SG&A expenses exclude depreciation and amortization, as well as expenses associated with our credit card operations, which are reflected separately in our Consolidated Statements of Operations.

Depreciation and Amortization Expense Rate

For the three and six months ended July 28, 2012, our depreciation and amortization expense rate was 3.1 percent in both periods, compared with 3.1 percent and 3.2 percent in the respective prior year periods.

Store Data

Change in Number of Stores	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	**July 28, 2012**	July 30, 2011
Beginning store count	**1,764**	1,755	**1,763**	1,750
Opened	**9**	9	**12**	15
Closed			**(1)**	
Relocated	**(1)** *(a)*	(2)	**(2)** *(a)*	(3)
Ending store count	**1,772**	1,762	**1,772**	1,762

(a) One store was closed for relocation and will be opened within the same trade area in the second half of 2012.

For the first two quarters of 2012, we remodeled 220 stores, compared with 263 in the comparable prior year period.

Number of Stores and Retail Square Feet	Number of Stores			Retail Square Feet*(a)*		
	July 28, 2012	January 28, 2012	July 30, 2011	**July 28, 2012**	January 28, 2012	July 30, 2011
Target general merchandise stores	**428**	637	774	**50,974**	76,999	93,699
Expanded food assortment stores	**1,090**	875	736	**141,020**	114,219	97,058
SuperTarget stores	**251**	251	252	**44,500**	44,503	44,681
CityTarget stores	**3**			**314**		
Total	**1,772**	1,763	1,762	**236,808**	235,721	235,438

(a) In thousands; reflects total square feet, less office, distribution center and vacant space.

U.S. Credit Card Segment

We offer credit to qualified guests through the Target Credit Cards. Our credit card program supports our core retail operations and remains an important contributor to our overall profitability and engagement with our guests. Credit card revenues are comprised of finance charges, late fees and other revenue, and third party merchant fees, which are amounts received from merchants who accept the Target Visa Credit Card.

U.S. Credit Card Segment Results	**Three Months Ended July 28, 2012**		Three Months Ended July 30, 2011	
(dollars in millions)	**Amount**	**Annualized Rate***(d)*	Amount	Annualized Rate*(d)*
Finance charge revenue	**$ 265**	**18.0 %**	$ 278	17.9 %
Late fees and other revenue	**43**	**2.8**	44	2.8
Third party merchant fees	**20**	**1.4**	23	1.5
Total revenue	**328**	**22.2**	345	22.2
Bad debt expense	**43**	**2.9**	15	1.0
Operations and marketing expenses*(a)*	**139**	**9.3**	137	8.8
Depreciation and amortization	**3**	**0.2**	4	0.3
Total expenses	**185**	**12.5**	156	10.0
EBIT	**143**	**9.7**	189	12.2
Interest expense on nonrecourse debt collateralized by credit card receivables	**3**		18	
Segment profit	**$ 140**		$ 171	
Average receivables funded by Target*(b)*	**$ 4,406**		$ 2,398	
Segment pretax ROIC*(c)*	**12.7 %**		28.5 %	

U.S. Credit Card Segment Results	**Six Months Ended July 28, 2012**		Six Months Ended July 30, 2011	
(dollars in millions)	**Amount**	**Annualized Rate*(d)***	Amount	Annualized Rate*(d)*
Finance charge revenue	**$ 536**	**17.9%**	$ 570	18.0%
Late fees and other revenue	**82**	**2.7**	86	2.7
Third party merchant fees	**39**	**1.3**	44	1.4
Total revenue	**657**	**21.9**	700	22.1
Bad debt expense	**95**	**3.2**	27	0.9
Operations and marketing expenses*(a)*	**271**	**9.0**	262	8.3
Depreciation and amortization	**7**	**0.2**	9	0.3
Total expenses	**373**	**12.4**	298	9.4
EBIT	**284**	**9.5**	402	12.7
Interest expense on nonrecourse debt collateralized by credit card receivables	**5**		37	
Segment profit	**$ 279**		$ 365	
Average receivables funded by Target*(b)*	**$ 4,646**		$ 2,451	
Segment pretax ROIC*(c)*	**12.0 %**		29.7 %	

Note: See Note 11 to our Consolidated Financial Statements for a reconciliation of our segment results to earnings before income taxes.

(a) See footnote (a) to our U.S. Retail Segment Results table on page 15 for an explanation of our loyalty program charges.

(b) Amounts represent the portion of average gross credit card receivables funded by Target. These amounts exclude $1,500 million and $1,343 million for the three and six months ended July 28, 2012, respectively, and $3,817 million and $3,888 million for the three and six months ended July 30, 2011, respectively, of receivables funded by nonrecourse debt collateralized by credit card receivables.

(c) ROIC is return on invested capital, and this rate equals our segment profit divided by average gross credit card receivables funded by Target, expressed as an annualized rate. This measure has decreased significantly, primarily due to our voluntary retirement of our 2008 series securitization in January 2012, increasing the average receivables funded by Target.

(d) As an annualized percentage of average gross credit card receivables.

Spread Analysis - Total Portfolio	**Three Months Ended July 28, 2012**		Three Months Ended July 30, 2011	
(dollars in millions)	**Amount**	**Annualized Rate**	Amount	Annualized Rate
EBIT	**$ 143**	**9.7%*(c)***	$ 189	12.2%*(c)*
LIBOR*(a)*		**0.2%**		0.2%
Spread to LIBOR*(b)*	**$ 140**	**9.5%*(c)***	$ 186	12.0%*(c)*

	Six Months Ended July 28, 2012		Six Months Ended July 30, 2011	
(dollars in millions)	**Amount**	**Annualized Rate**	Amount	Annualized Rate
EBIT	**$ 284**	**9.5%*(c)***	$ 402	12.7%*(c)*
LIBOR*(a)*		**0.2%**		0.2%
Spread to LIBOR*(b)*	**$ 277**	**9.3%*(c)***	$ 395	12.5%*(c)*

(a) Balance-weighted one-month LIBOR.

(b) Spread to LIBOR is a metric used to analyze the performance of our total credit card portfolio because the majority of our portfolio earns finance charge revenue at rates tied to the Prime Rate, and the interest rate on all nonrecourse debt collateralized by credit card receivables is tied to LIBOR.

(c) As an annualized percentage of average gross credit card receivables.

Our primary measure of segment profit is the EBIT generated by our total credit card receivables portfolio less the interest expense on nonrecourse debt collateralized by credit card receivables. We also measure the performance of our overall credit card receivables portfolio by calculating the dollar Spread to LIBOR at the portfolio level. This metric approximates overall financial performance of the entire credit card portfolio we manage by measuring the difference between EBIT earned on the portfolio and a hypothetical benchmark rate financing cost applied to the entire portfolio. The interest rate on all nonrecourse debt collateralized by credit card receivables is tied to LIBOR.

Total revenue decreased primarily due to lower average receivables resulting in reduced finance charge revenue. Segment expense increases were driven by higher bad debt expense primarily attributable to annualizing over a significant reduction in the reserve from the prior year. Interest expense on nonrecourse debt declined from last year due to a decrease in nonrecourse debt collateralized by credit card receivables.

Receivables Rollforward Analysis	Three Months Ended		Six Months Ended	
(dollars in millions)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Beginning gross credit card receivables	**$ 5,943**	$ 6,286	**$ 6,357**	$ 6,843
Charges at Target	**1,398**	1,140	**2,686**	2,143
Charges at third parties	**1,206**	1,353	**2,345**	2,603
Payments	**(2,875)**	(2,792)	**(5,935)**	(5,793)
Other	**233**	215	**452**	406
Period-end gross credit card receivables	**$ 5,905**	$ 6,202	**$ 5,905**	$ 6,202
Average gross credit card receivables	**$ 5,906**	$ 6,215	**$ 5,989**	$ 6,339
Accounts with three or more payments (60+ days) past due as a percentage of period-end gross credit card receivables	**2.6%**	3.0%	**2.6%**	3.0%
Accounts with four or more payments (90+ days) past due as a percentage of period-end gross credit card receivables	**1.7%**	2.1%	**1.7%**	2.1%

Allowance for Doubtful Accounts	Three Months Ended		Six Months Ended	
(dollars in millions)	**July 28, 2012**	July 30, 2011	**July 28, 2012**	July 30, 2011
Allowance at beginning of period	**$ 395**	$ 565	**$ 430**	$ 690
Bad debt expense	**43**	15	**95**	27
Write-offs*(a)*	**(105)**	(142)	**(232)**	(326)
Recoveries*(a)*	**32**	42	**72**	89
Allowance at end of period	**$ 365**	$ 480	**$ 365**	$ 480
As a percentage of period-end gross credit card receivables	**6.2%**	7.7%	**6.2%**	7.7%
Net write-offs as an annualized percentage of average gross credit card receivables	**4.9%**	6.5%	**5.3%**	7.5%

(a) Write-offs include the principal amount of losses (excluding accrued and unpaid finance charges), and recoveries include current period collections on previously written-off balances. These amounts combined represent net write-offs.

Period-end and average gross credit card receivables have declined because of an increase in payment rates and a decrease in Target Visa Credit Card charges at third parties, partially offset by an increase in charges at Target. The decrease in charges on our credit cards at third parties is primarily due to the fact that we no longer issue new Target Visa accounts.

We are pursuing the sale of our credit card receivables portfolio and will execute a transaction only if appropriate strategic and financial conditions are met. We expect to classify the credit card receivables portfolio as held for sale when a transaction that allows us to meet our objectives has been agreed upon with a potential buyer.

Canadian Segment

During the three and six months ended July 28, 2012, start-up costs totaled $47 million and $81 million, respectively, compared with $25 million and $36 million in the comparable prior-year periods, and primarily consisted of compensation, benefits and third-party service expenses. Additionally, we recorded $22 million and $44 million in depreciation for the three and six months ended July 28, 2012, respectively, compared with $11 million in each of the comparable prior year periods, related to capital lease assets and leasehold interests.

Other Performance Factors

Net Interest Expense

Net interest expense for the three and six months ended July 28, 2012 was $184 million and $366 million, respectively, including $19 million and $38 million, respectively, of interest on Canadian capitalized leases. For the three and six months ended July 30, 2011, net interest expense was $191 million and $374 million, respectively, including $10 million of interest on Canadian capitalized leases in both periods. Net interest expense decreased due to a lower average portfolio interest rate.

Provision for Income Taxes

Our effective income tax rate for the three and six months ended July 28, 2012 was 34.3 percent and 35.5 percent, respectively, down from 36.5 percent and 36.4 percent for the three and six months ended July 30, 2011, respectively. This change is primarily due to an increase in the benefit related to the favorable resolution of various income tax matters, which reduced tax expense by $23 million and $31 million, respectively, in the three and six months ended July 28, 2012, compared with $4 million and $9 million in the corresponding prior year periods.

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

Our segment measure of profit is used by management to evaluate the return we are achieving on our investment and to make operating decisions. To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share, which excludes the impact of our planned 2013 Canadian market entry and favorable resolution of various income tax matters. We believe this information is useful in providing period-to-period comparisons of the results of our U.S. operations. This measure is not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The most comparable GAAP measure is diluted earnings per share. Non-GAAP adjusted EPS should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP. Other companies may calculate non-GAAP adjusted EPS differently than we do, limiting the usefulness of the measure for comparisons with other companies.

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

(millions, except per share data)	U.S. Retail	U.S. Credit Card	Total U.S.	Canada	Other	Consolidated GAAP Total
Three Months Ended July 28, 2012						
Segment profit	**$ 1,181**	**$ 140**	**$ 1,321**	**$ (69)**	**$**	**$ 1,252**
Other net interest expense*(a)*			**161**	**19**		**181**
Earnings before income taxes			**1,160**	**(88)**		**1,071**
Provision for income taxes*(b)*			**418**	**(27)**	**(23)** *(d)*	**367**
Net earnings			**$ 742**	**$ (61)**	**$ 23**	**$ 704**
Diluted earnings per share*(c)*			**$ 1.12**	**$ (0.09)**	**$ 0.03**	**$ 1.06**
Three Months Ended July 30, 2011						
Segment profit	$ 1,147	$ 171	$ 1,318	$ (36)	$	$ 1,282
Other net interest expense*(a)*			163	10		173
Earnings before income taxes			1,155	(46)		1,109
Provision for income taxes*(b)*			422	(13)	(4) *(d)*	405
Net earnings			$ 733	$ (33)	$ 4	$ 704
Diluted earnings per share*(c)*			$ 1.07	$ (0.05)	$ 0.01	$ 1.03
Six Months Ended July 28, 2012						
Segment profit	**$ 2,380**	**$ 279**	**$ 2,659**	**$ (125)**	**$**	**$ 2,534**
Other net interest expense*(a)*			**323**	**38**		**361**
Earnings before income taxes			**2,336**	**(163)**		**2,173**
Provision for income taxes*(b)*			**850**	**(47)**	**(31)** *(d)*	**772**
Net earnings			**$ 1,486**	**$ (116)**	**$ 31**	**$ 1,401**
Diluted earnings per share*(c)*			**$ 2.23**	**$ (0.17)**	**$ 0.05**	**$ 2.10**
Six Months Ended July 30, 2011						
Segment profit	$ 2,209	$ 365	$ 2,574	$ (47)	$	$ 2,527
Other net interest expense*(a)*			327	10		337
Earnings before income taxes			2,247	(57)		2,190
Provision for income taxes*(b)*			822	(16)	(9) *(d)*	797
Net earnings			$ 1,425	$ (41)	$ 9	$ 1,393
Diluted earnings per share*(c)*			$ 2.06	$ (0.06)	$ 0.01	$ 2.02

Note: A non-GAAP financial measures summary is provided on page 15. The sum of the non-GAAP adjustments may not equal the total adjustment amounts due to rounding.

(a) Represents interest expense, net of interest income, not included in U.S. Credit Card segment profit. For the three and six months ended July 28, 2012, U.S. Credit Card segment profit included $3 million and $5 million of interest expense on nonrecourse debt collateralized by credit card receivables, compared with $18 million and $37 million in the respective prior year periods. These amounts, along with other net interest expense, equal consolidated GAAP net interest expense.

(b) Taxes are allocated to our business segments based on estimated income tax rates applicable to the operations of the segment for the period.

(c) For the three and six months ended July 28, 2012, average diluted shares outstanding were 662.9 million and 667.6 million, respectively, and for the three and six months ended July 30, 2011, average diluted shares outstanding were 685.1 million and 691.2 million, respectively.

(d) Represents the effect of resolution of income tax matters.

Analysis of Financial Condition

Liquidity and Capital Resources

Our period-end cash and cash equivalents balance was $1,442 million compared with $890 million for the same period in 2011. Short-term investments of $830 million and $116 million were included in cash and cash equivalents at the end of second quarter 2012 and 2011, respectively. Our investment policy is designed to preserve principal and liquidity of our short-term investments. This policy allows investments in large money market funds or in highly rated direct short-term instruments that mature in 60 days or less. We also place certain dollar limits on our investments in individual funds or instruments.

Operations during the first six months of 2012 were funded by both internally and externally generated funds. Cash flow provided by operations was $2,471 million for the six months ended July 28, 2012 compared with $2,336 million for the same period in 2011. In June 2012, we issued $1.5 billion of unsecured debt that matures in July 2042. This cash flow, combined with our prior year-end cash position, allowed us to pay current debt maturities, fund capital expenditures, pay dividends and continue purchases under our share repurchase program.

Our period-end gross credit card receivables were $5,905 million at July 28, 2012 compared with $6,202 million at July 30, 2011, a decrease of 4.8 percent. Average gross credit card receivables during the six months ended July 28, 2012 decreased 5.5 percent compared with the six months ended July 30, 2011. This change was driven by the factors indicated in the U.S. Credit Card Segment section above. As of July 28, 2012, $1,500 million of our credit card receivables portfolio was funded by third parties. We are pursuing a sale of our credit card receivables portfolio, which would provide additional liquidity.

During first quarter 2012, we completed the $10 billion share repurchase program authorized by our Board of Directors in November 2007, and we began repurchasing shares under the $5 billion program authorized by our Board of Directors in January 2012. During the three and six months ended July 28, 2012, we repurchased 9.6 million shares and 20.2 million shares, respectively, of our common stock for a total investment of $549 million ($57.09 per share) and $1,153 million ($57.21 per share), respectively. During the three and six months ended July 30, 2011, we repurchased 14.3 million shares and 29.7 million shares, respectively, of our common stock for a total investment of $688 million ($48.11 per share) and $1,507 million ($50.81 per share), respectively.

We paid dividends totaling $198 million and $399 million for the three and six months ended July 28, 2012, and $172 million and $346 million during the three and six months ended July 30, 2011, an increase of 15.1 percent and 15.3 percent, respectively. We declared dividends totaling $235 million ($0.36 per share) in second quarter 2012, an increase of 15.8 percent over the $203 million ($0.30 per share) of declared dividends during the second quarter of 2011. We have paid dividends every quarter since our first dividend was declared following our 1967 initial public offering, and it is our intent to continue to do so in the future.

Our financing strategy is to ensure liquidity and access to capital markets, to manage our net exposure to floating interest rate volatility, and to maintain a balanced spectrum of debt maturities. Within these parameters, we seek to minimize our borrowing costs.

Our ability to access the long-term debt, commercial paper and securitized debt markets has provided us with ample sources of liquidity. Our continued access to these markets depends on multiple factors including the condition of debt capital markets, our operating performance and maintaining strong credit ratings. As of July 28, 2012 our credit ratings were as follows:

Credit Ratings	Moody s	Standard and Poor s	Fitch
Long-term debt	A2	A+	A-
Commercial paper	P-1	A-1	F2

If our credit ratings were lowered, our ability to access the debt markets, our cost of funds and other terms for new debt issuances could be adversely impacted. Each of the credit rating agencies reviews its rating periodically and there is no guarantee our current credit rating will remain the same as described above.

As a measure of our financial condition we monitor our interest coverage ratio, representing the ratio of pretax earnings before fixed charges to fixed charges. Fixed charges include interest expense and the interest portion of rent expense. Our interest coverage ratio was 5.9x for the first six months of 2012, and 6.0x for the first six months of 2011.

An additional source of liquidity is available to us through a committed $2.25 billion revolving credit facility obtained through a group of banks in October 2011, which will expire in October 2016. No balances were outstanding at any time during the second quarter of 2012 or the second quarter of 2011.

Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facility also contains a debt leverage covenant. We are, and expect to remain, in compliance with these covenants. Additionally, at July 28, 2012, no notes or debentures contained provisions requiring acceleration of payment upon a debt rating downgrade, except that certain outstanding notes allow the note holders to put the notes to us if within a matter of months of each other we experience both (i) a change in control; and (ii) our long-term debt ratings are either reduced and the resulting rating is non-investment grade, or our long-term debt ratings are placed on watch for possible reduction and those ratings are subsequently reduced and the resulting rating is non-investment grade.

We believe our sources of liquidity will continue to be adequate to maintain operations, finance anticipated expansion and strategic initiatives, pay dividends and continue purchases under our share repurchase program for the foreseeable future, and we continue to anticipate ample access to commercial paper and long-term financing.

Contractual Obligations and Commitments

A summary of future obligations under our various contractual obligations and commitments as of January 28, 2012 was disclosed in our 2011 10-K. During the three months ended July 28, 2012, there were no material changes outside the ordinary course of business. However, we continually evaluate opportunities to expand our operations, including internal development of new products, programs and technology applications and acquisitions.

New Accounting Pronouncements

We do not expect that any recently issued accounting pronouncements will have a material effect on our financial statements.

Forward-Looking Statements

This report contains forward-looking statements, which are based on our current assumptions and expectations. These statements are typically accompanied by the words expect, may, could, believe, would, might, anticipates, or words of similar import. The principal forward-lc statements in this report include: For our U.S. Credit Card Segment, aggregate portfolio risks and the level of the allowance for doubtful accounts, and the pursuit and timing of a portfolio sale; for our Canadian Segment, our performance and timing of our entry into Canada; on a consolidated basis, statements regarding the adequacy of and costs associated with our sources of liquidity, the continued execution of our share repurchase program, the expected compliance with debt covenants, the expected impact of new accounting pronouncements, our intentions regarding future dividends, contributions related to our pension and postretirement health care plans, the adequacy of our reserves for claims and litigation, the expected outcome of claims and litigation, the expected ability to recognize deferred tax assets and liabilities, including foreign net operating loss carryforwards, and the resolution of tax matters.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth on our description of risk factors in Item 1A of our Form 10-K for the fiscal year ended January 28, 2012 and Item 1A of this Form 10-Q, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Form 10-K for the fiscal year ended January 28, 2012.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the Securities and Exchange Commission (SEC) under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the

Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of fiscal 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following governmental enforcement proceedings relating to environmental matters are reported pursuant to instruction 5(C) of Item 103 of Regulation S-K because they involve potential monetary sanctions in excess of $100,000:

On May 17, 2012 the Environmental Protection Agency (EPA) Environmental Appeals Board issued a final order approving our $400,000 settlement with the EPA regarding the previously disclosed Finding of Violation (FOV) issued in March 2009 related to alleged violations of the Clean Air Act (CAA), specifically the National Emission Standards for Hazardous Air Pollutants (NESHAP) promulgated by the EPA for asbestos. The settlement and FOV pertained to the remodeling of certain Target stores between January 1, 2003 and October 28, 2007.

For a description of other legal proceedings, see Note 5 of the Notes to Consolidated Financial Statements included in Item 1, Financial Statements.

Item 1A. Risk Factors

We are including the following revised risk factor, which should be read in conjunction with our description of risk factors in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended January 28, 2012:

If our efforts to protect the security of personal information about our guests and team members are unsuccessful, we could be subject to costly government enforcement actions and private litigation and our reputation could suffer.

The nature of our business involves the receipt and storage of personal information about our guests and team members. We have a program in place to detect and respond to data security incidents. To date, all incidents we have experienced have been insignificant. If we experience a significant data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our guests could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our credit card products, decline to use our pharmacy services, or stop shopping at our stores or Target.com altogether. The loss of confidence from a data security breach involving team members could hurt our reputation and cause team member recruiting and retention challenges.

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

The table below presents information with respect to Target common stock purchases made during the three months ended July 28, 2012, by Target or any affiliated purchaser of Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.

In January 2012, our Board of Directors authorized the repurchase of $5 billion of our common stock. There is no stated expiration for the share repurchase program. Since the inception of this share repurchase program, we have repurchased 15.2 million shares of our common stock, for a total cash investment of $874 million ($57.35 average price per share).

Period	Total Number of Shares Purchased*(a)(b)*		Average Price Paid per Share*(a)*	Total Number of Shares Purchased as Part of the Current Program*(a)*		Dollar Value of Shares that May Yet Be Purchased Under the Program
April 29, 2012 through May 26, 2012	1,885,751	$	55.76	7,514,710	$	4,569,631,155
May 27, 2012 through June 30, 2012	6,471,368		57.41	13,979,280		4,198,507,422
July 1, 2012 through July 28, 2012	1,268,415		57.47	15,247,695		4,125,616,447
	9,625,534	$	57.09	15,247,695		4,125,616,447

(a) The table above includes shares reacquired upon settlement of prepaid forward contracts. For the three months ended July 28, 2012, 0.2 million shares were reacquired through these contracts. At July 28, 2012, we held asset positions in prepaid forward contracts for 1.2 million shares of our common stock, for a total cash investment of $53 million, or $44.70 per share.

(b) The number of shares above includes shares of common stock reacquired from team members who wish to tender owned shares to satisfy the tax withholding on equity awards as part of our long-term incentive plans or to satisfy the exercise price on stock option exercises. For the three months ended July 28, 2012, 8,438 shares were reacquired at an average per share price of $58.16 pursuant to our long-term incentive plan.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(2)C	Second Amending Agreement dated June 18, 2012 to Amended and Restated Transaction Agreement among Zellers Inc., Hudson s Bay Company, Target Corporation and Target Canada Co.
(2)D	Third Amending Agreement dated June 18, 2012 to Amended and Restated Transaction Agreement among Zellers Inc., Hudson s Bay Company, Target Corporation and Target Canada Co.
(3)A	Amended and Restated Articles of Incorporation (as amended June 10, 2010)(1)
(3)B	By-laws (as amended through September 10, 2009)(2)
(10)G	Target Corporation Officer EDCP (2012 Plan Statement) (as amended and restated effective June 5, 2012)
(12)	Statements of Computations of Ratios of Earnings to Fixed Charges
(31)A	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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(1) Incorporated by reference to Exhibit (3)A to the Registrant s Form 8-K Report filed June 10, 2010

(2) Incorporated by reference to Exhibit (3)B to the Registrant s Form 8-K Report filed September 10, 2009

SIGNATURE

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

TARGET CORPORATION

Dated: August 23, 2012	By:	/s/ John J. Mulligan John J. Mulligan Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

Exhibit	Description	Manner of Filing
(2)C	Second Amending Agreement dated June 18, 2012 to Amended and Restated Transaction Agreement among Zellers Inc., Hudson s Bay Company, Target Corporation and Target Canada Co.	Filed Electronically
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(3)A	Amended and Restated Articles of Incorporation (as amended June 10, 2010)	Incorporated by Reference
(3)B	By-Laws (as amended through September 10, 2009)	Incorporated by Reference
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101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed Electronically
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed Electronically
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed Electronically