

TARGET CORP  
Form 10-Q  
November 23, 2016

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 October 29, 2016

Commission File Number 1-6049

**TARGET CORPORATION**

(Exact name of registrant as specified in its charter)

|                                            |                |
|--------------------------------------------|----------------|
| Minnesota                                  | 41-0215170     |
|                                            | (I.R.S.        |
| (State or other jurisdiction of            | Employer       |
| incorporation or organization)             | 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 ☒ No ☐

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 ☒ No ☐

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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting company ☐

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

Yes ☐ No ☒

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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 November 17, 2016 were 561,695,464.

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TARGET CORPORATION

TABLE OF CONTENTS

|                      |                                                                                              |           |
|----------------------|----------------------------------------------------------------------------------------------|-----------|
| <u>PART I</u>        | <u>FINANCIAL INFORMATION</u>                                                                 |           |
| <u>Item 1.</u>       | <u>Financial Statements</u>                                                                  |           |
|                      | <u>Consolidated Statements of Operations</u>                                                 | <u>1</u>  |
|                      | <u>Consolidated Statements of Comprehensive Income</u>                                       | <u>2</u>  |
|                      | <u>Consolidated Statements of Financial Position</u>                                         | <u>3</u>  |
|                      | <u>Consolidated Statements of Cash Flows</u>                                                 | <u>4</u>  |
|                      | <u>Consolidated Statements of Shareholders' Investment</u>                                   | <u>5</u>  |
|                      | <u>Notes to Consolidated Financial Statements</u>                                            | <u>6</u>  |
| <u>Item 2.</u>       | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>12</u> |
| <u>Item 3.</u>       | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>22</u> |
| <u>Item 4.</u>       | <u>Controls and Procedures</u>                                                               | <u>22</u> |
| <u>PART II</u>       | <u>OTHER INFORMATION</u>                                                                     |           |
| <u>Item 1.</u>       | <u>Legal Proceedings</u>                                                                     | <u>23</u> |
| <u>Item 1A.</u>      | <u>Risk Factors</u>                                                                          | <u>23</u> |
| <u>Item 2.</u>       | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>23</u> |
| <u>Item 3.</u>       | <u>Defaults Upon Senior Securities</u>                                                       | <u>23</u> |
| <u>Item 4.</u>       | <u>Mine Safety Disclosures</u>                                                               | <u>23</u> |
| <u>Item 5.</u>       | <u>Other Information</u>                                                                     | <u>23</u> |
| <u>Item 6.</u>       | <u>Exhibits</u>                                                                              | <u>24</u> |
| <u>Signature</u>     |                                                                                              | <u>25</u> |
| <u>Exhibit Index</u> |                                                                                              | <u>26</u> |

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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 |                  | Nine Months Ended |                  |
|------------------------------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                                              | October 29, 2016   | October 31, 2015 | October 29, 2016  | October 31, 2015 |
| Sales                                                                        | \$ 16,441          | \$ 17,613        | \$48,805          | \$ 52,159        |
| Cost of sales                                                                | 11,471             | 12,440           | 33,757            | 36,402           |
| Gross margin                                                                 | 4,970              | 5,173            | 15,048            | 15,757           |
| Selling, general and administrative expenses                                 | 3,339              | 3,736            | 9,741             | 10,745           |
| Depreciation and amortization                                                | 570                | 561              | 1,686             | 1,651            |
| Earnings from continuing operations before interest expense and income taxes | 1,061              | 876              | 3,621             | 3,361            |
| Net interest expense                                                         | 142                | 151              | 864               | 455              |
| Earnings from continuing operations before income taxes                      | 919                | 725              | 2,757             | 2,906            |
| Provision for income taxes                                                   | 311                | 249              | 910               | 1,006            |
| Net earnings from continuing operations                                      | 608                | 476              | 1,847             | 1,900            |
| Discontinued operations, net of tax                                          | —                  | 73               | 73                | 37               |
| Net earnings                                                                 | \$ 608             | \$ 549           | \$1,920           | \$ 1,937         |
| Basic earnings per share                                                     |                    |                  |                   |                  |
| Continuing operations                                                        | \$ 1.07            | \$ 0.76          | \$3.16            | \$ 3.00          |
| Discontinued operations                                                      | —                  | 0.12             | 0.12              | 0.06             |
| Net earnings per share                                                       | \$ 1.07            | \$ 0.88          | \$3.29            | \$ 3.06          |
| Diluted earnings per share                                                   |                    |                  |                   |                  |
| Continuing operations                                                        | \$ 1.06            | \$ 0.76          | \$3.14            | \$ 2.98          |
| Discontinued operations                                                      | —                  | 0.11             | 0.12              | 0.06             |
| Net earnings per share                                                       | \$ 1.06            | \$ 0.87          | \$3.26            | \$ 3.03          |
| Weighted average common shares outstanding                                   |                    |                  |                   |                  |
| Basic                                                                        | 570.1              | 623.7            | 583.5             | 633.5            |
| Dilutive impact of share-based awards                                        | 4.7                | 5.1              | 5.0               | 5.2              |
| Diluted                                                                      | 574.8              | 628.8            | 588.5             | 638.7            |
| Antidilutive shares                                                          | 0.2                | —                | 0.1               | —                |
| Dividends declared per share                                                 | \$ 0.60            | \$ 0.56          | \$1.76            | \$ 1.64          |

Note: Per share amounts may not foot due to rounding.

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

| (millions) (unaudited)                                                                      | Three Months Ended |                  | Nine Months Ended |                  |
|---------------------------------------------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                                                             | October 29, 2016   | October 31, 2015 | October 29, 2016  | October 31, 2015 |
| Net earnings                                                                                | \$ 608             | \$ 549           | \$1,920           | \$ 1,937         |
| Other comprehensive income, net of tax                                                      |                    |                  |                   |                  |
| Pension and other benefit liabilities, net of taxes of \$3, \$8, \$11 and \$84              | 6                  | 13               | 17                | 130              |
| Currency translation adjustment and cash flow hedges, net of taxes of \$1, \$1, \$2 and \$2 | —                  | (1               | ) 5               | —                |
| Other comprehensive income                                                                  | 6                  | 12               | 22                | 130              |
| Comprehensive income                                                                        | \$ 614             | \$ 561           | \$1,942           | \$ 2,067         |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Financial Position

| (millions)                                                                              | October 29,<br>2016<br>(unaudited) | January 30,<br>2016 | October 31,<br>2015<br>(unaudited) |
|-----------------------------------------------------------------------------------------|------------------------------------|---------------------|------------------------------------|
| Assets                                                                                  |                                    |                     |                                    |
| Cash and cash equivalents, including short term investments of \$0, \$3,008 and \$1,154 | \$ 1,231                           | \$ 4,046            | \$ 1,977                           |
| Inventory                                                                               | 10,057                             | 8,601               | 10,374                             |
| Current assets of discontinued operations                                               | 62                                 | 322                 | 399                                |
| Other current assets                                                                    | 1,492                              | 1,161               | 2,194                              |
| Total current assets                                                                    | 12,842                             | 14,130              | 14,944                             |
| Property and equipment                                                                  |                                    |                     |                                    |
| Land                                                                                    | 6,106                              | 6,125               | 6,118                              |
| Buildings and improvements                                                              | 27,518                             | 27,059              | 26,912                             |
| Fixtures and equipment                                                                  | 5,467                              | 5,347               | 5,283                              |
| Computer hardware and software                                                          | 2,538                              | 2,617               | 2,652                              |
| Construction-in-progress                                                                | 219                                | 315                 | 428                                |
| Accumulated depreciation                                                                | (16,946)                           | (16,246)            | (15,921)                           |
| Property and equipment, net                                                             | 24,902                             | 25,217              | 25,472                             |
| Noncurrent assets of discontinued operations                                            | 17                                 | 75                  | 94                                 |
| Other noncurrent assets                                                                 | 842                                | 840                 | 941                                |
| Total assets                                                                            | \$ 38,603                          | \$ 40,262           | \$ 41,451                          |
| Liabilities and shareholders' investment                                                |                                    |                     |                                    |
| Accounts payable                                                                        | \$ 8,250                           | \$ 7,418            | \$ 8,904                           |
| Accrued and other current liabilities                                                   | 3,662                              | 4,236               | 3,868                              |
| Current portion of long-term debt and other borrowings                                  | 729                                | 815                 | 825                                |
| Current liabilities of discontinued operations                                          | 1                                  | 153                 | 261                                |
| Total current liabilities                                                               | 12,642                             | 12,622              | 13,858                             |
| Long-term debt and other borrowings                                                     | 12,097                             | 11,945              | 11,887                             |
| Deferred income taxes                                                                   | 920                                | 823                 | 1,135                              |
| Noncurrent liabilities of discontinued operations                                       | 18                                 | 18                  | 36                                 |
| Other noncurrent liabilities                                                            | 1,857                              | 1,897               | 1,279                              |
| Total noncurrent liabilities                                                            | 14,892                             | 14,683              | 14,337                             |
| Shareholders' investment                                                                |                                    |                     |                                    |
| Common stock                                                                            | 47                                 | 50                  | 52                                 |
| Additional paid-in capital                                                              | 5,598                              | 5,348               | 5,314                              |
| Retained earnings                                                                       | 6,031                              | 8,188               | 8,359                              |
| Accumulated other comprehensive loss                                                    |                                    |                     |                                    |
| Pension and other benefit liabilities                                                   | (571)                              | (588)               | (431)                              |
| Currency translation adjustment and cash flow hedges                                    | (36)                               | (41)                | (38)                               |
| Total shareholders' investment                                                          | 11,069                             | 12,957              | 13,256                             |
| Total liabilities and shareholders' investment                                          | \$ 38,603                          | \$ 40,262           | \$ 41,451                          |

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 563,676,785, 602,226,517 and 618,604,168 shares issued and outstanding at October 29, 2016, January 30, 2016 and October 31, 2015, respectively.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding at October 29, 2016, January 30, 2016 or October 31, 2015.

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statements of Cash Flows

| (millions) (unaudited)                                                | Nine Months Ended |                  |
|-----------------------------------------------------------------------|-------------------|------------------|
|                                                                       | October 29, 2016  | October 31, 2015 |
| Operating activities                                                  |                   |                  |
| Net earnings                                                          | \$1,920           | \$ 1,937         |
| Earnings from discontinued operations, net of tax                     | 73                | 37               |
| Net earnings from continuing operations                               | 1,847             | 1,900            |
| Adjustments to reconcile net earnings to cash provided by operations: |                   |                  |
| Depreciation and amortization                                         | 1,686             | 1,651            |
| Share-based compensation expense                                      | 85                | 84               |
| Deferred income taxes                                                 | 83                | (111 )           |
| Loss on debt extinguishment                                           | 422               | —                |
| Noncash losses and other, net                                         | 12                | 37               |
| Changes in operating accounts                                         |                   |                  |
| Inventory                                                             | (1,455 )          | (2,096 )         |
| Other assets                                                          | (13 )             | 95               |
| Accounts payable and accrued liabilities                              | 103               | 1,475            |
| Cash provided by operating activities—continuing operations           | 2,770             | 3,035            |
| Cash provided by operating activities—discontinued operations         | 111               | 804              |
| Cash provided by operations                                           | 2,881             | 3,839            |
| Investing activities                                                  |                   |                  |
| Expenditures for property and equipment                               | (1,184 )          | (1,129 )         |
| Proceeds from disposal of property and equipment                      | 23                | 21               |
| Proceeds from sale of business                                        | —                 | 8                |
| Other investments                                                     | 23                | 12               |
| Cash required for investing activities—continuing operations          | (1,138 )          | (1,088 )         |
| Cash provided by investing activities—discontinued operations         | —                 | 19               |
| Cash required for investing activities                                | (1,138 )          | (1,069 )         |
| Financing activities                                                  |                   |                  |
| Change in commercial paper, net                                       | 89                | —                |
| Additions to long-term debt                                           | 1,977             | —                |
| Reductions of long-term debt                                          | (2,625 )          | (72 )            |
| Dividends paid                                                        | (1,011 )          | (1,017 )         |
| Repurchase of stock                                                   | (3,034 )          | (2,196 )         |
| Prepayment of accelerated share repurchase                            | (120 )            | —                |
| Stock option exercises                                                | 166               | 282              |
| Cash required for financing activities                                | (4,558 )          | (3,003 )         |
| Net decrease in cash and cash equivalents                             | (2,815 )          | (233 )           |
| Cash and cash equivalents at beginning of period                      | 4,046             | 2,210            |
| Cash and cash equivalents at end of period                            | \$1,231           | \$ 1,977         |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Investment

|                                             | Common          | Stock        | Additional         |                      | Accumulated<br>Other             |            |
|---------------------------------------------|-----------------|--------------|--------------------|----------------------|----------------------------------|------------|
| (millions)                                  | Stock<br>Shares | Par<br>Value | Paid-in<br>Capital | Retained<br>Earnings | Comprehensive<br>(Loss) / Income | Total      |
| January 31, 2015                            | 640.2           | \$ 53        | \$ 4,899           | \$ 9,644             | \$ (599                          | ) \$13,997 |
| Net earnings                                | —               | —            | —                  | 3,363                | —                                | 3,363      |
| Other comprehensive income                  | —               | —            | —                  | —                    | (30                              | ) (30 )    |
| Dividends declared                          | —               | —            | —                  | (1,378               | ) —                              | (1,378 )   |
| Repurchase of stock                         | (44.7           | ) (4         | ) —                | (3,441               | ) —                              | (3,445 )   |
| Stock options and awards                    | 6.7             | 1            | 449                | —                    | —                                | 450        |
| January 30, 2016<br>(unaudited)             | 602.2           | \$ 50        | \$ 5,348           | \$ 8,188             | \$ (629                          | ) \$12,957 |
| Net earnings                                | —               | —            | —                  | 1,920                | —                                | 1,920      |
| Other comprehensive income                  | —               | —            | —                  | —                    | 22                               | 22         |
| Dividends declared                          | —               | —            | —                  | (1,022               | ) —                              | (1,022 )   |
| Repurchase of stock                         | (41.9           | ) (3         | ) —                | (3,035               | ) —                              | (3,038 )   |
| Stock to be received upon settlement of ASR | —               | —            | —                  | (20                  | ) —                              | (20 )      |
| Stock options and awards                    | 3.4             | —            | 250                | —                    | —                                | 250        |
| October 29, 2016                            | 563.7           | \$ 47        | \$ 5,598           | \$ 6,031             | \$ (607                          | ) \$11,069 |

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements (unaudited)

## 1. Accounting Policies

These financial statements should be read in conjunction with the financial statement disclosures in our 2015 Form 10-K. We use the same accounting policies in preparing quarterly and annual financial statements. All adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature. Certain prior-year amounts have been reclassified to conform to the current year presentation. Unless otherwise noted, amounts presented within the Notes to Consolidated Financial Statements refer to our continuing operations.

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. Revenues

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

We must adopt the standard no later than the first quarter of 2018, which begins on February 4, 2018. We do not plan to early adopt the standard. Companies may use either a full retrospective or a modified retrospective approach to adopt the standard.

While we are still evaluating the standard, including our adoption method, we do not expect the standard to materially affect our consolidated net income, financial position or cash flows.

## 3. Discontinued Operations

As part of a March 2016 settlement between Target Canada Co. and certain other wholly owned subsidiaries of Target (collectively, Canada Subsidiaries) and all of their former landlords, we agreed to subordinate a portion of our intercompany claims and make certain cash contributions to the Target Canada Co. estate in exchange for a full release from our obligations under guarantees of certain leases of the Canada Subsidiaries. The settlement was contingent upon the Canada Subsidiaries' creditors' and the court's approval of a plan of compromise and arrangement to complete the controlled, orderly, and timely wind-down of the Canada Subsidiaries (Plan). During the second quarter of 2016, a Plan was approved. The net pretax financial impact of the settlement and Plan was materially consistent with amounts previously recorded in our financial statements. For the nine months ended October 29, 2016, net earnings from discontinued operations primarily reflect tax benefits from investment losses in Canada recognized upon court approval of the Plan. During the three and nine months ended October 29, 2016, we received \$21 million and \$182 million, respectively, from the Target Canada Co. estate. During the second quarter of 2016, we made cash contributions of \$27 million to the Target Canada Co. estate.

## Assets and Liabilities of Discontinued Operations

| (millions)                           | October 29, January 30, October 31, |        |        |
|--------------------------------------|-------------------------------------|--------|--------|
|                                      | 2016                                | 2016   | 2015   |
| Income tax benefit                   | \$ 41                               | \$ 77  | \$ 181 |
| Receivables from Canada Subsidiaries | 38                                  | 320    | 312    |
| Total assets                         | \$ 79                               | \$ 397 | \$ 493 |
| Accrued liabilities                  | \$ 19                               | \$ 171 | \$ 297 |

|                   |    |    |    |     |    |     |
|-------------------|----|----|----|-----|----|-----|
| Total liabilities | \$ | 19 | \$ | 171 | \$ | 297 |
|-------------------|----|----|----|-----|----|-----|

6

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#### 4. Restructuring Initiatives

In 2015, we initiated a series of headquarters workforce reductions intended to increase organizational effectiveness and provide cost savings that can be reinvested in our growth initiatives. As a result, we recorded \$21 million and \$135 million of severance and other benefits-related charges within selling, general, and administrative expenses (SG&A) during the three and nine months ended October 31, 2015, respectively. The vast majority of these expenses required cash expenditures and were not included in our segment results. An accrual for restructuring costs of \$14 million was included in other current liabilities as of October 31, 2015. No balance remained as of October 29, 2016.

#### 5. Fair Value Measurements

Fair value measurements are reported in 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, 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 |                  | Fair Value at    |                  |
|-------------------------------------------|------------------|------------------|------------------|
| (millions)                                | Pricing Category | October 29, 2016 | October 31, 2015 |
| <b>Assets</b>                             |                  |                  |                  |
| Cash and cash equivalents                 |                  |                  |                  |
| Short-term investments                    | Level 1          | \$—\$ 3,008      | \$ 1,154         |
| Other current assets                      |                  |                  |                  |
| Prepaid forward contracts                 | Level 1          | 2832             | 34               |
| Beneficial interest asset                 | Level 3          | 1019             | 23               |
| Interest rate swaps <sup>(a)</sup>        | Level 2          | —12              | 19               |
| Other noncurrent assets                   |                  |                  |                  |
| Interest rate swaps <sup>(a)</sup>        | Level 2          | 1927             | 22               |
| Beneficial interest asset                 | Level 3          | 5 12             | 15               |
| <b>Liabilities</b>                        |                  |                  |                  |
| Other current liabilities                 |                  |                  |                  |
| Interest rate swaps <sup>(a)</sup>        | Level 2          | —8               | 12               |

<sup>(a)</sup> See Note 9 for additional information on interest rate swaps.

| Significant Financial Instruments not Measured at Fair Value <sup>(a)</sup> | October 29, 2016 | January 30, 2016 | October 31, 2015 |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|
|                                                                             | Carrying Amount  | Carrying Amount  | Carrying Amount  |
| (millions)                                                                  | Fair Value       | Fair Value       | Fair Value       |
| Debt <sup>(b)</sup>                                                         | \$ 11,802        | \$ 13,171        | \$ 11,857        |
|                                                                             | \$ 13,322        | \$ 13,385        | \$ 13,322        |

<sup>(a)</sup> The carrying amounts of certain other current assets, accounts payable, and certain accrued and other current liabilities approximate fair value due to their short-term nature.

<sup>(b)</sup> The carrying amount and estimated fair value of debt exclude unamortized swap valuation adjustments and capital lease obligations.

#### 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. For the three and nine months ended October 29, 2016, the maximum amount outstanding was \$89 million and the average daily amounts outstanding were \$3 million and \$1 million, respectively, at a weighted average annual interest

rate of 0.43 percent. At October 29, 2016, \$89 million was outstanding. No balances were outstanding at any time during 2015.

In April 2016, we issued unsecured fixed rate debt of \$1 billion at 2.5% that matures in April 2026 and \$1 billion at 3.625% that matures in April 2046. During the first half of 2016, we used cash on hand and proceeds from these issuances to repurchase \$1,389 million of debt before its maturity at a market value of \$1,800 million. We recognized a loss on early retirement of approximately \$422 million, which was recorded in net interest expense in our Consolidated Statements of Operations.

In October 2016, we obtained a committed \$2.5 billion revolving credit facility that expires in October 2021. This new unsecured revolving credit facility replaced a \$2.25 billion unsecured revolving credit facility that was scheduled to expire in October 2018. No balances were outstanding under either credit facility at any time during 2016 or 2015.

## 7. Goodwill and Intangible Assets

We review long-lived assets for impairment when events or changes in circumstances, such as a decision to discontinue a business, indicate that the asset's carrying value may not be recoverable. We also review goodwill for impairment when events or circumstances indicate it is more likely than not the fair value of a reporting unit is below its carrying value. During the third quarter 2015, we announced our decision to wind down certain noncore operations. As a result, we recorded a \$35 million pretax impairment loss, which included approximately \$23 million of intangible assets and \$12 million of goodwill. These costs were included in SG&A on our Consolidated Statements of Operations, but were not included in our segment results.

## 8. Property and Equipment

We review long-lived assets for impairment when events or changes in circumstances—such as a decision to relocate or close a store, make significant software changes or discontinue projects—indicate that the asset's carrying value may not be recoverable. We recognized impairment losses during each of the periods presented, primarily resulting from discontinued projects, store closures, and completed or planned land sales.

| Impairments <sup>(a)</sup><br>(millions) | Three Months<br>Ended  |                        | Nine Months<br>Ended   |                        |
|------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                          | October<br>29,<br>2016 | October<br>31,<br>2015 | October<br>29,<br>2016 | October<br>31,<br>2015 |
| Total segment impairments                | \$ 9                   | \$ 4                   | \$ 37                  | \$ 44                  |
| Unallocated impairments <sup>(b)</sup>   | —                      | 4                      | —                      | 4                      |
| Total impairments                        | \$ 9                   | \$ 8                   | \$ 37                  | \$ 48                  |

<sup>(a)</sup> Substantially all of the impairments are recorded in selling, general and administrative expense on the Consolidated Statements of Operations.

<sup>(b)</sup> For the three and nine months ended October 31, 2015, represents long-lived asset impairments from our decision to wind down certain noncore operations. These costs were not included in our segment results.

## 9. Derivative Financial Instruments

Our derivative instruments primarily consist of interest rate swaps, which we use to mitigate interest rate risk. As a result of our use of derivative instruments, we have counterparty credit exposure to large global financial institutions. We monitor this concentration of counterparty credit risk on an ongoing basis. See Note 5 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

As of October 29, 2016 and October 31, 2015, interest rate swaps with notional amounts totaling \$1,000 million and \$1,250 million, respectively, were designated fair value hedges. No ineffectiveness was recognized during the three and nine months ended October 29, 2016 or October 31, 2015.

As of October 29, 2016, one interest rate swap with a notional amount of \$250 million was not designated a fair value hedge because it was de-designated concurrent with the repurchase of debt during the first half of 2016. As of October 31, 2015, two interest rate swaps, each with a notional amount of \$500 million, were not designated fair value

hedges. These two interest rate swaps had largely offsetting terms and matured during the second quarter of 2016.

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 \$6 million, \$15 million, and \$20 million, at October 29, 2016, January 30, 2016, and October 31, 2015, respectively.

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 (millions) |                                    | Three Months Ended |                  | Nine Months Ended |                  |
|-------------------------------------------------------------------|------------------------------------|--------------------|------------------|-------------------|------------------|
| Type of Contract                                                  | Classification of (Income)/Expense | October 29, 2016   | October 31, 2015 | October 29, 2016  | October 31, 2015 |
| Interest rate swaps                                               | Net interest expense               | \$ (5 )            | \$ (9 )          | \$ (21)           | \$ (28 )         |

## 10. Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

We must adopt the standard no later than the first quarter of 2019, which begins on February 3, 2019. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

While we are still evaluating the standard, we plan to early adopt the standard during the second half of 2017. Our ability to early adopt is contingent on system readiness, including software procured from third-party providers. While we continue to assess all potential impacts, we believe the most significant impact relates to our accounting for retail-store and office-space real estate leases, which will be recorded as assets and liabilities on our balance sheet upon adoption. We do not believe the new standard will have a notable impact on our liquidity. The standard will have no impact on our debt-covenant compliance under our current agreements.

## 11. Share Repurchase

In September 2016, our Board of Directors authorized a new \$5 billion share repurchase program. We will begin repurchasing shares under this new authorization upon completion of the current \$10 billion program, under which we have repurchased 133.1 million shares of common stock through October 29, 2016 at an average price of \$70.52, for a total investment of \$9.4 billion, excluding the initial share delivery and \$350 million prepayment under the accelerated shares repurchase agreement (ASR) described below.

During the third quarter of 2016, we entered into an ASR to repurchase \$250 to \$350 million of our common stock under the existing \$10 billion share repurchase program. Under the agreement, we prepaid \$350 million and received an initial delivery of 3.4 million shares, which were retired, resulting in a \$230 million reduction to shareholders' investment. As of October 29, 2016, \$20 million was included in the Consolidated Statement of Financial Position as an additional reduction to shareholders' investment because the minimum repurchase was \$250 million. The remaining \$100 million was included in other current assets. The ASR was not accounted for as a derivative instrument.

In November 2016, the ASR settled. We received an additional 1.3 million shares, which were retired, and \$36 million for the remaining amount not settled in shares. In total, we repurchased 4.6 million shares under the ASR for a total cash investment of \$314 million (\$67.67 per share).

| Share Repurchases (excluding 2016 ASR) | Nine Months Ended (a) |
|----------------------------------------|-----------------------|
| (millions, except per share data)      | October 29, 2016      |
|                                        | 31,                   |

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|                                  | 2015    |         |
|----------------------------------|---------|---------|
| Total number of shares purchased | 38.5    | 27.3    |
| Average price paid per share     | \$72.87 | \$79.84 |
| Total investment                 | \$2,807 | \$2,182 |

Note: Accelerated share repurchase activity in 2016 is omitted because the transaction was not fully settled as of October 29, 2016. Also excludes shares withheld to settle employee statutory tax withholding related to the vesting of share-based awards.

(a) Includes 0.2 million and 0.1 million shares delivered upon the noncash settlement of prepaid contracts during the nine months ended October 29, 2016 and October 31, 2015, respectively. These contracts had an original cash investment of \$12 million and \$3 million, respectively, and aggregate market value of \$13 million and \$7 million. These contracts are among the investment vehicles used to reduce our economic exposure related to our nonqualified deferred compensation plans. Note 13 provides the details of our positions in prepaid forward contracts.

## 12. Share-Based Compensation

During the first quarter of 2016, we adopted Accounting Standards Update (ASU) No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). As a result of adoption, we recognized \$18 million of excess tax benefits related to share-based payments in our provision for income taxes for the nine months ended October 29, 2016. These items were historically recorded in additional paid-in capital. In addition, for each period presented, cash flows related to excess tax benefits are classified as an operating activity along with other income tax cash flows. Cash paid on employees' behalf related to shares withheld for tax purposes is classified as a financing activity. Retrospective application of the cash flow presentation resulted in increases to both net cash provided by operations and net cash required for financing activities of \$79 million for the nine months ended October 31, 2015. Compensation expense each period continues to reflect estimated forfeitures.

## 13. Pension and Other Benefits

### Pension Benefits

We provide pension plan benefits to certain eligible team members.

| Net Pension Benefits Expense<br>(millions) | Three Months<br>Ended |                     | Nine Months<br>Ended |                     |
|--------------------------------------------|-----------------------|---------------------|----------------------|---------------------|
|                                            | October 29,<br>2016   | October 31,<br>2015 | October 29,<br>2016  | October 31,<br>2015 |
| Service cost                               | \$ 20                 | \$ 27               | \$ 61                | \$ 82               |
| Interest cost                              | 34                    | 38                  | 103                  | 115                 |
| Expected return on assets                  | (64 )                 | (65 )               | (193 )               | (195 )              |
| Amortization of losses                     | 12                    | 20                  | 37                   | 62                  |
| Amortization of prior service cost         | (2 )                  | (3 )                | (8 )                 | (9 )                |
| Settlement charges                         | —                     | 1                   | —                    | 3                   |
| Total                                      | \$ —                  | \$ 18               | \$ —                 | \$ 58               |

### Other Benefits

We offer unfunded nonqualified deferred compensation plans to certain team members. We mitigate some of our risk of these 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 loss of \$3 million and \$2 million for the three and nine months ended October 29, 2016, respectively, and pretax (loss)/income of \$(2) million and \$2 million for the three and nine months ended October 31, 2015, respectively. During the nine months ended October 29, 2016 and October 31, 2015, we made no investments in prepaid forward contracts in our own common stock. Adjusting our position in these investment vehicles may involve repurchasing

shares of Target common stock when settling the forward contracts as described in Note 11. The settlement dates of these instruments are regularly renegotiated with the counterparty. At October 29, 2016, January 30, 2016 and October 31, 2015, we held asset positions in prepaid forward contracts for 0.4 million shares of our common stock, for a total cash investment of \$17 million, \$18 million and \$18 million (\$41.11 per share) and a contractual fair value of \$28 million, \$32 million and \$34 million, respectively.

# 14. Accumulated Other Comprehensive (Loss) / Income

| (millions)                                          | Cash Flow<br>Hedges | Currency<br>Translation<br>Adjustment | Pension and<br>Other<br>Benefits | Total   |
|-----------------------------------------------------|---------------------|---------------------------------------|----------------------------------|---------|
| January 30, 2016                                    | \$ (19 )            | \$ (22 )                              | \$ (588 )                        | \$(629) |
| Other comprehensive income before reclassifications | —                   | 2                                     | 3                                | 5       |
| Amounts reclassified from AOCI                      | 3                   | (a) —                                 | 14                               | (b) 17  |
| October 29, 2016                                    | \$ (16 )            | \$ (20 )                              | \$ (571 )                        | \$(607) |

(a) Represents gains and losses on cash flow hedges, net of \$2 million of taxes.

(b) Represents amortization of pension and other benefit liabilities, net of \$9 million of taxes.

# 15. Segment Reporting

Our segment measure of profit is used by management to evaluate performance and make operating decisions. We operate as a single segment that includes all of our continuing operations, which are designed to enable guests to purchase products seamlessly in stores, online or through mobile devices.

| Business Segment Results<br>(millions)                                       | Three Months Ended<br>October 29, 2016 |          | Nine Months Ended<br>October 29, 2016 |          |
|------------------------------------------------------------------------------|----------------------------------------|----------|---------------------------------------|----------|
|                                                                              | 2016                                   | 2015     | 2016                                  | 2015     |
| Sales                                                                        | \$16,441                               | \$17,613 | \$48,805                              | \$52,159 |
| Cost of sales                                                                | 11,471                                 | 12,440   | 33,757                                | 36,402   |
| Gross margin                                                                 | 4,970                                  | 5,173    | 15,048                                | 15,757   |
| Selling, general, and administrative expenses (d)                            | 3,343                                  | 3,650    | 9,741                                 | 10,533   |
| Depreciation and amortization                                                | 570                                    | 561      | 1,686                                 | 1,651    |
| Segment profit                                                               | 1,057                                  | 962      | 3,621                                 | 3,573    |
| Impairments (a)(d)                                                           | —                                      | (39 )    | —                                     | (39 )    |
| Restructuring costs (b)(d)                                                   | —                                      | (21 )    | —                                     | (135 )   |
| Other (c)(d)                                                                 | 4                                      | (26 )    | —                                     | (38 )    |
| Earnings from continuing operations before interest expense and income taxes | 1,061                                  | 876      | 3,621                                 | 3,361    |
| Net interest expense                                                         | 142                                    | 151      | 864                                   | 455      |
| Earnings from continuing operations before income taxes                      | \$919                                  | \$725    | \$2,757                               | \$2,906  |

Note: Amounts may not foot due to rounding.

(a) Refer to Note 7 and Note 8.

(b) Refer to Note 4.

(c) For the three months ended October 29, 2016, represents items related to the December 2015 sale of our former pharmacy and clinic businesses to CVS. For the three and nine months ended October 31, 2015, represents legal, professional services, and other costs related to the 2013 data breach.

(d) The sum of segment SG&A expenses, restructuring costs, pharmacy transaction-related costs, data breach-related costs, and impairments equal consolidated SG&A expenses.

| Reconciliation of Segment Assets to Total Assets<br>(millions) | October 29,<br>2016 | January 30,<br>2016 | October 31,<br>2015 |
|----------------------------------------------------------------|---------------------|---------------------|---------------------|
| Segment assets                                                 | \$38,524            | \$39,845            | \$40,903            |
| Assets of discontinued operations                              | 79                  | 397                 | 493                 |

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|                                   |           |           |           |
|-----------------------------------|-----------|-----------|-----------|
| Unallocated assets <sup>(a)</sup> | —         | 20        | 55        |
| Total assets                      | \$ 38,603 | \$ 40,262 | \$ 41,451 |

<sup>(a)</sup> Represents the insurance receivable related to the 2013 data breach.

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

## Executive Summary

Third quarter 2016 includes the following notable items:

GAAP earnings per share from continuing operations were \$1.06.

Adjusted earnings per share from continuing operations were \$1.04.

Third quarter comparable sales decreased (0.2) percent, driven by a (1.2) percent decline in traffic and 1.0 percent increase in average transaction amount.

We returned \$1.2 billion to shareholders in the third quarter through dividends and share repurchase.

Sales were \$16,441 million for the three months ended October 29, 2016, a decrease of \$1,172 million or 6.7 percent from the same period in the prior year. The decrease is primarily due to the December 2015 sale of our pharmacy and clinic businesses (Pharmacy Transaction), which generated \$1,112 million of sales during the three months ended October 31, 2015. Operating cash flow provided by continuing operations was \$2,770 million and \$3,035 million for the nine months ended October 29, 2016 and October 31, 2015, respectively. The operating cash flow decrease is due to the payment of approximately \$500 million of taxes during the first quarter of 2016, primarily related to the Pharmacy Transaction.

| Earnings Per Share from Continuing Operations | Three Months Ended |                  |      | Change | Nine Months Ended |                  |      | Change |
|-----------------------------------------------|--------------------|------------------|------|--------|-------------------|------------------|------|--------|
|                                               | October 29, 2016   | October 31, 2015 |      |        | October 29, 2016  | October 31, 2015 |      |        |
| GAAP diluted earnings per share               | \$ 1.06            | \$ 0.76          | 39.7 | %      | \$ 3.14           | \$ 2.98          | 5.5  | %      |
| Adjustments                                   | (0.01)             | 0.10             |      |        | 0.42              | 0.21             |      |        |
| Adjusted diluted earnings per share           | \$ 1.04            | \$ 0.86          | 22.1 | %      | \$ 3.56           | \$ 3.18          | 11.9 | %      |

Note: Amounts may not foot due to rounding. Adjusted diluted earnings per share from continuing operations (Adjusted EPS), a non-GAAP metric, excludes the impact of certain items not related to our routine retail operations. Management believes that Adjusted EPS is meaningful to provide period-to-period comparisons of our operating results. A reconciliation of non-GAAP financial measures to GAAP measures is provided on page 18.

We report after-tax return on invested capital (ROIC) from continuing operations because we believe ROIC provides a meaningful measure of the effectiveness of our capital allocation over time. For the trailing twelve months ended October 29, 2016, ROIC was 16.3 percent, compared with 13.0 percent for the trailing twelve months ended October 31, 2015. Excluding the net gain on the Pharmacy Transaction, ROIC was 14.3 percent for the trailing twelve months ended October 29, 2016. A reconciliation of ROIC is provided on page 19.

## Analysis of Results of Operations

## Segment Results

| (dollars in millions)         | Three Months Ended |                                 |                | Nine Months Ended |                                 |                |
|-------------------------------|--------------------|---------------------------------|----------------|-------------------|---------------------------------|----------------|
|                               | October 29, 2016   | October 31, 2015 <sup>(a)</sup> | Percent Change | October 29, 2016  | October 31, 2015 <sup>(a)</sup> | Percent Change |
| Sales                         | \$ 16,441          | \$ 17,613                       | (6.7 )%        | \$ 48,805         | \$ 52,159                       | (6.4 )%        |
| Cost of sales                 | 11,471             | 12,440                          | (7.8 )         | 33,757            | 36,402                          | (7.3 )         |
| Gross margin                  | 4,970              | 5,173                           | (3.9 )         | 15,048            | 15,757                          | (4.5 )         |
| SG&A expenses <sup>(b)</sup>  | 3,343              | 3,650                           | (8.4 )         | 9,741             | 10,533                          | (7.5 )         |
| EBITDA                        | 1,627              | 1,523                           | 6.8            | 5,307             | 5,224                           | 1.6            |
| Depreciation and amortization | 570                | 561                             | 1.6            | 1,686             | 1,651                           | 2.1            |
| EBIT                          | \$ 1,057           | \$ 962                          | 9.9 %          | \$ 3,621          | \$ 3,573                        | 1.3 %          |

Note: We operate as a single segment which includes all of our continuing operations, excluding net interest expense and certain other discretely managed items. Our segment operations are designed to enable guests to purchase products seamlessly in stores, online, or through mobile devices. See Note 15 of our Financial Statements for a reconciliation of our segment results to earnings before income taxes.

<sup>(a)</sup> Sales include \$1,112 million and \$3,240 million related to our former pharmacy and clinic businesses for the three and nine months ended October 31, 2015, respectively, and cost of sales include \$885 million and \$2,572 million, respectively. The December 2015 sale of these businesses to CVS had no notable impact on EBITDA or EBIT.

<sup>(b)</sup> SG&A includes \$168 million and \$489 million of net profit-sharing income under our credit card program agreement for the three and nine months ended October 29, 2016, respectively, and \$166 million and \$477 million for the three and nine months ended October 31, 2015, respectively.

| Rate Analysis                              | Three Months Ended |                  | Nine Months Ended |                  |
|--------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                            | October 29, 2016   | October 31, 2015 | October 29, 2016  | October 31, 2015 |
| Gross margin rate                          | 30.2 %             | 29.4 %           | 30.8 %            | 30.2 %           |
| SG&A expense rate                          | 20.3               | 20.7             | 20.0              | 20.2             |
| EBITDA margin rate <sup>(a)</sup>          | 9.9                | 8.6              | 10.9              | 10.0             |
| Depreciation and amortization expense rate | 3.5                | 3.2              | 3.5               | 3.2              |
| EBIT margin rate <sup>(a)</sup>            | 6.4                | 5.5              | 7.4               | 6.8              |

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

<sup>(a)</sup> Excluding sales of our former pharmacy and clinic businesses, EBITDA margin rates were 9.2 percent and 10.7 percent for the three and nine months ended October 31, 2015, respectively, and EBIT margin rates were 5.8 percent and 7.3 percent, respectively.

## Sales

Sales include merchandise sales, net of expected returns, from our stores and digital channels, and gift card breakage. Digital channel sales include all sales initiated through mobile applications and our conventional websites. Digital channel sales may be fulfilled through our distribution centers or our stores.

| Sales by Channel | Three Months Ended  |                                    | Nine Months Ended   |                                    |
|------------------|---------------------|------------------------------------|---------------------|------------------------------------|
|                  | October 29,<br>2016 | October 31,<br>2015 <sup>(a)</sup> | October 29,<br>2016 | October 31,<br>2015 <sup>(a)</sup> |
| Stores           | 96.5                | % 97.3                             | % 96.5              | % 97.2                             |
| Digital          | 3.5                 | 2.7                                | 3.5                 | 2.8                                |
| Total            | 100                 | % 100                              | % 100               | % 100                              |

<sup>(a)</sup> Excluding sales of our former pharmacy and clinic businesses, stores and digital channels sales were 97.1 percent and 2.9 percent of total sales, respectively, for both the three and nine months ended October 31, 2015.

| Sales by Product Category           | Three Months Ended  |                     | Nine Months Ended   |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | October 29,<br>2016 | October 31,<br>2015 | October 29,<br>2016 | October 31,<br>2015 |
| Household essentials <sup>(a)</sup> | 23                  | % 28                | % 23                | % 28                |
| Food and pet supplies               | 23                  | 22                  | 23                  | 21                  |
| Apparel and accessories             | 21                  | 19                  | 21                  | 20                  |
| Home furnishings and décor          | 19                  | 18                  | 19                  | 17                  |
| Hardlines                           | 14                  | 13                  | 14                  | 14                  |
| Total                               | 100                 | % 100               | % 100               | % 100               |

<sup>(a)</sup> Pharmacy represented six percent of total sales for the three and nine months ended October 31, 2015.

Comparable sales is a measure that highlights the performance of our stores and digital channels by measuring the change in sales for a period over the comparable, prior-year period of equivalent length. Comparable sales include all sales, except sales from stores open less than 13 months, digital acquisitions that we have owned less than 13 months, stores that have been closed, and digital acquisitions that we no longer operate. We removed pharmacy and clinic sales from the 2015 sales amounts when calculating 2016 comparable sales. Comparable sales measures vary across the retail industry. As a result, our comparable sales calculation is not necessarily comparable to similarly titled measures reported by other companies.

| Comparable Sales                      | Three Months Ended  |                     | Nine Months Ended   |                     |       |        |   |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|-------|--------|---|
|                                       | October 29,<br>2016 | October 31,<br>2015 | October 29,<br>2016 | October 31,<br>2015 |       |        |   |
| Comparable sales change               | (0.2                | )% 1.9              | % —                 | % 2.2               | %     |        |   |
| Drivers of change in comparable sales |                     |                     |                     |                     |       |        |   |
| Number of transactions                | (1.2                | )                   | 1.4                 | (1.0                | ) 1.3 |        |   |
| Average transaction amount            | 1.0                 |                     | 0.4                 | 1.0                 | 0.9   |        |   |
| Selling price per unit                | 3.5                 |                     | 2.5                 | 3.0                 | 3.8   |        |   |
| Units per transaction                 | (2.5                | )                   | (2.1                | )                   | (2.0  | ) (2.8 | ) |

Note: Amounts may not foot due to rounding.

| Contribution to Comparable Sales Change | Three Months Ended  |                     | Nine Months Ended   |                     |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                         | October 29,<br>2016 | October 31,<br>2015 | October 29,<br>2016 | October 31,<br>2015 |
| Stores channel comparable sales change  | (1.0                | )% 1.4              | % (0.7              | )% 1.6              |

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|                                                         |      |        |     |       |   |
|---------------------------------------------------------|------|--------|-----|-------|---|
| Digital channel contribution to comparable sales change | 0.7  | 0.4    | 0.6 | 0.6   |   |
| Total comparable sales change                           | (0.2 | )% 1.9 | % — | % 2.2 | % |

Note: Amounts may not foot due to rounding.

14

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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.

We monitor the percentage of sales that are paid for using REDcards (REDcard Penetration) because our internal analysis has indicated that a meaningful portion of the incremental purchases on REDcards are also incremental sales for Target, with the remainder representing a shift in tender type. Guests receive a 5 percent discount on virtually all purchases when they use a REDcard at Target.

| REDcard Penetration       | Three Months Ended  |                     | Nine Months Ended   |                     |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
|                           | October 29,<br>2016 | October 31,<br>2015 | October 29,<br>2016 | October 31,<br>2015 |
| Target Debit Card         | 12.9                | % 12.1              | % 12.9              | % 12.0              |
| Target Credit Cards       | 11.4                | 10.2                | 11.0                | 9.9                 |
| Total REDcard Penetration | 24.3                | % 22.3              | % 23.9              | % 22.0              |

Note: Excluding sales of our former pharmacy and clinic businesses, total REDcard penetration was 23.5 percent and 23.1 percent for the three and nine months ended October 31, 2015, respectively. Amounts may not foot due to rounding.

#### Gross Margin Rate

For the three and nine months ended October 29, 2016, our gross margin rate was 30.2 percent and 30.8 percent, respectively, compared with 29.4 percent and 30.2 percent in the comparable period last year. The increase was primarily due to the Pharmacy Transaction and faster sales growth in higher margin categories, such as Apparel and Accessories and Home Furnishings and Décor, than the chain average (mix), partially offset by increased shipping costs. Cost of goods savings helped offset the impact of a competitive promotional environment.

## Selling, General, and Administrative Expense Rate

For the three and nine months ended October 29, 2016, our SG&A expense rate was 20.3 percent and 20.0 percent, respectively, compared to 20.7 percent and 20.2 percent in the comparable periods last year. For the three and nine months ended October 29, 2016, the decrease was primarily due to the benefit of the Pharmacy Transaction and technology-related cost savings, partially offset by other items.

## Store Data

| Change in Number of Stores | Three Months Ended  |                     | Nine Months Ended   |                     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
|                            | October 29,<br>2016 | October 31,<br>2015 | October 29,<br>2016 | October 31,<br>2015 |
| Beginning store count      | 1,797               | 1,799               | 1,792               | 1,790               |
| Opened                     | 5                   | 6                   | 11                  | 15                  |
| Closed                     | (2                  | ) —                 | (3                  | ) —                 |
| Ending store count         | 1,800               | 1,805               | 1,800               | 1,805               |

| Number of Stores and<br>Retail Square Feet | Number of Stores    |                     |                     | Retail Square Feet <sup>(a)</sup> |                     |                     |
|--------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
|                                            | October 29,<br>2016 | January 30,<br>2016 | October 31,<br>2015 | October 29,<br>2016               | January 30,<br>2016 | October 31,<br>2015 |
| 170,000 or more sq. ft.                    | 278                 | 278                 | 280                 | 49,685                            | 49,688              | 50,036              |
| 50,000 to 169,999 sq. ft.                  | 1,503               | 1,505               | 1,516               | 189,496                           | 189,677             | 190,873             |
| 49,999 or less sq. ft.                     | 19                  | 9                   | 9                   | 464                               | 174                 | 174                 |
| Total                                      | 1,800               | 1,792               | 1,805               | 239,645                           | 239,539             | 241,083             |

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

#### Other Performance Factors

#### Consolidated Selling, General, and Administrative Expenses

We recorded \$(4) million of selling, general, and administrative expenses outside of the segment during the three months ended October 29, 2016, and \$86 million and \$212 million for the three and nine months ended October 31, 2015, respectively, because they are discretely managed. Additional information about these items is provided within the Reconciliation of Non-GAAP Financial Measures to GAAP Measures on page 18 and Note 15 to the Consolidated Financial Statements included in Item 1 (the Financial Statements).

#### Net Interest Expense

Net interest expense from continuing operations was \$142 million and \$864 million for the three and nine months ended October 29, 2016, respectively, compared to \$151 million and \$455 million for the three and nine months ended October 31, 2015. Net interest expense for the nine months ended October 29, 2016 included a loss on early retirement of debt of \$422 million.

#### Provision for Income Taxes

Our effective income tax rate from continuing operations for the three and nine months ended October 29, 2016 was 33.8 percent and 33.0 percent, respectively, compared with 34.3 percent and 34.6 percent for the three and nine months ended October 31, 2015, respectively. For the three months ended October 29, 2016, the decrease was primarily due to a variety of factors, none of which was individually significant. For the nine months ended October 29, 2016, the decrease was primarily due to the recognition of \$18 million of excess tax benefits related to share-based payments after the adoption of ASU 2016-09. Refer to Note 12 of the Financial Statements for more information regarding ASU 2016-09.

#### Discontinued Operations

See Note 3 of the Financial Statements for information regarding our Canada exit.

## Reconciliation of Non-GAAP Financial Measures to GAAP Measures

To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share from continuing operations (Adjusted EPS). This metric excludes certain items presented below. We believe this information is useful in providing period-to-period comparisons of the results of our continuing 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 from continuing operations. 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 Adjusted EPS differently than we do, limiting the usefulness of the measure for comparisons with other companies.

| Adjusted EPS                                                   | Three Months Ended |                   |                  |                   |
|----------------------------------------------------------------|--------------------|-------------------|------------------|-------------------|
|                                                                | October 29, 2016   |                   | October 31, 2015 |                   |
| (millions, except per share data)                              | Net Pretax         | Per Share Amounts | Net Pretax       | Per Share Amounts |
| GAAP diluted earnings per share from continuing operations     |                    | \$ 1.06           |                  | \$ 0.76           |
| Adjustments                                                    |                    |                   |                  |                   |
| Restructuring costs <sup>(a)</sup>                             | \$—                | \$ —              | \$21             | \$ 0.02           |
| Impairments <sup>(b)</sup>                                     | —                  | —                 | 39               | 0.05              |
| Other <sup>(c)</sup>                                           | (4)                | (3 )              | 26               | 0.03              |
| Resolution of income tax matters                               | —                  | (5 )              | —                | —                 |
| Adjusted diluted earnings per share from continuing operations |                    | \$ 1.04           |                  | \$ 0.86           |

  

| Adjusted EPS                                                   | Nine Months Ended |                   |                  |                   |
|----------------------------------------------------------------|-------------------|-------------------|------------------|-------------------|
|                                                                | October 29, 2016  |                   | October 31, 2015 |                   |
| (millions, except per share data)                              | Net Pretax        | Per Share Amounts | Net Pretax       | Per Share Amounts |
| GAAP diluted earnings per share from continuing operations     |                   | \$ 3.14           |                  | \$ 2.98           |
| Adjustments                                                    |                   |                   |                  |                   |
| Loss on early retirement of debt                               | \$422             | \$257             | \$—              | \$ —              |
| Restructuring costs <sup>(a)</sup>                             | —                 | —                 | 1385             | 0.13              |
| Impairments <sup>(b)</sup>                                     | —                 | —                 | 3929             | 0.05              |
| Other <sup>(c)</sup>                                           | —                 | —                 | 3827             | 0.04              |
| Resolution of income tax matters                               | —                 | (8 )              | —                | (8 )              |
| Adjusted diluted earnings per share from continuing operations |                   | \$ 3.56           |                  | \$ 3.18           |

Note: Amounts may not foot due to rounding.

<sup>(a)</sup> Refer to Note 4 of the Financial Statements.

<sup>(b)</sup> Refer to Note 7 and Note 8 of the Financial Statements.

<sup>(c)</sup> For the three and nine months ended October 29, 2016, represents items related to the Pharmacy Transaction. For the three and nine months ended October 31, 2015, represents costs related to the 2013 data breach.

We have also disclosed after-tax return on invested capital from continuing operations (ROIC), which is a ratio based on GAAP information, with the exception of adjustments made to capitalize operating leases. Operating leases are capitalized as part of the ROIC calculation to control for differences in capital structure between us and our competitors. We believe this metric provides a meaningful measure of the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently than we do, limiting the usefulness of the measure for comparisons with other companies.

After-Tax Return on  
Invested Capital

Trailing Twelve  
Months

(dollars  
in millions)  
October 31,  
2016 2015

Earnings  
from  
continuing  
operations  
before  
interest

expense  
and  
income  
taxes

+  
Operating  
lease  
interest  
(a)(b)

Adjusted  
earnings  
from  
continuing  
operations  
before  
interest  
expense  
and  
income  
taxes

-  
Income  
tax  
effect  
(c)

\$4,013 \$ 3,319  
operating  
profit

after  
taxes

| Denominator<br>(dollars in millions)                         | October 29,<br>2016 | October 31,<br>2015 | November<br>1,<br>2014 |
|--------------------------------------------------------------|---------------------|---------------------|------------------------|
| Current portion of long-term debt and other borrowings       | \$ 729              | \$ 825              | \$ 483                 |
| + Noncurrent portion of long-term debt                       | 12,097              | 11,887              | 12,551                 |
| + Shareholders' equity                                       | 11,069              | 13,256              | 16,373                 |
| + Capitalized operating lease obligations <sup>(b)(d)</sup>  | 1,192               | 1,503               | 1,639                  |
| - Cash and cash equivalents                                  | 1,231               | 1,977               | 718                    |
| - Net assets of discontinued operations                      | 60                  | 197                 | 4,550                  |
| Invested capital                                             | \$ 23,796           | \$ 25,298           | \$ 25,778              |
| Average invested capital <sup>(e)</sup>                      | \$ 24,547           | \$ 25,538           |                        |
| After-tax<br>return on<br>invested<br>capital <sup>(f)</sup> | 16.3 %              | 13.0 %              |                        |

<sup>(a)</sup> Represents the add-back to operating income to reflect the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as capital leases, using eight times our trailing twelve months rent expense and an estimated interest rate of six percent.

<sup>(b)</sup> See the following Reconciliation of Capitalized Operating Leases table for the adjustments to our GAAP total rent expense to obtain the hypothetical capitalization of operating leases and related operating lease interest.

<sup>(c)</sup> Calculated using the effective tax rate for continuing operations, which was 31.5% and 34.1% for the trailing twelve months ended October 29, 2016 and October 31, 2015. For the trailing twelve months ended October 29, 2016 and October 31, 2015, includes tax effect of \$1,826 million and \$1,686 million, respectively, related to EBIT and \$23 million and \$31 million, respectively, related to operating lease interest.

<sup>(d)</sup> Calculated as eight times our trailing twelve months rent expense.

<sup>(e)</sup> Average based on the invested capital at the end of the current period and the invested capital at the end of the comparable prior period.

<sup>(f)</sup> Excluding the net gain on the Pharmacy Transaction, ROIC was 14.3 percent for the trailing twelve months ended October 29, 2016.

Capitalized operating lease obligations and operating lease interest are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The most comparable GAAP measure is total rent expense. Capitalized operating lease obligations and operating lease interest should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP.

## Reconciliation

of

Capitalized Twelve Months

Operating

Leases

(dollars in millions)  
October 29, 2016  
October 31, 2015  
November 1, 2014

Total

\$149 \$ 188 \$ 205

expense

Capitalized

operating

lease

obligations

(total) 1,503 1,639

rent

expense

x

8)

Operating

lease

interest

(capitalized

operating) 98

lease

obligations

x

6%)

## Analysis of Financial Condition

### Liquidity and Capital Resources

Our cash and cash equivalents balance was \$1,231 million at October 29, 2016, compared with \$1,977 million for the same period in 2015. 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.

### Capital Allocation

We follow a disciplined and balanced approach to capital allocation, based on the following priorities, ranked in order of importance: first, we invest fully in profitable opportunities to grow our business and create sustainable long-term value; second, we maintain our quarterly dividend and seek to grow it annually; and finally, if we have excess cash after addressing the first two priorities, we repurchase shares when we have capacity within the limits of targeted investment-grade credit ratings.

### Cash Flows

Operating cash flow provided by continuing operations was \$2,770 million for the nine months ended October 29, 2016, compared with \$3,035 million for the same period in 2015. The decrease is primarily due to the payment of approximately \$500 million of taxes during the first quarter of 2016 related to the Pharmacy Transaction. In April 2016, we issued \$1.0 billion of unsecured debt that matures in 2026 and \$1.0 billion of unsecured debt that matures in 2046. Combined with our prior year-end cash position, these proceeds allowed us to repurchase \$1,389 million of debt at a market value of \$1,800 million, fund current debt maturities, pay approximately \$500 million in taxes related to the Pharmacy Transaction, invest in the business, pay dividends, and repurchase shares under our share repurchase program.

#### Share Repurchases

In September 2016, our Board of Directors authorized a new \$5 billion share repurchase program. We will begin repurchasing shares under this new authorization upon completion of the current \$10 billion program, which is expected by the end of 2016. Under our current \$10 billion share repurchase program, we have repurchased 133.1 million shares of common stock through October 29, 2016, at an average price of \$70.52, for a total investment of \$9.4 billion, excluding the initial delivery of 3.4 million shares and \$350 million prepayment under the accelerated share repurchase agreement (ASR) described in Note 11 of the Financial Statements.

During the three and nine months ended October 29, 2016, we repurchased 8.1 million and 38.5 million shares of our common stock, respectively, for a total investment of \$564 million (\$69.73 per share) and \$2,807 million (\$72.87 per share), respectively, not including the initial share delivery and \$350 million prepayment under the ASR. During the three and nine months ended October 31, 2015, we repurchased 12.1 million and 27.3 million shares of our common stock, respectively, for a total investment of \$942 million (\$77.87 per share) and \$2,182 million (\$79.84 per share), respectively.

#### Dividends

We paid dividends totaling \$345 million (\$0.60 per share) and \$1,011 million (\$1.72 per share) for the three and nine months ended October 29, 2016, respectively, and \$352 million (\$0.56 per share) and \$1,017 million (\$1.60 per share) for the three and nine months ended October 31, 2015, a per share increase of 7.1 and 7.5 percent, respectively. We declared dividends totaling \$342 million (\$0.60 per share) in third quarter 2016, a per share increase of 7.1 percent over the \$348 million (\$0.56 per share) of declared dividends during the third quarter of 2015. We have paid dividends every quarter since our 1967 initial public offering, and it is our intent to continue to do so in the future.

## Short-term and Long-term Financing

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 and commercial paper 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 October 29, 2016 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 and 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 ratings will remain the same as described above.

We have additional liquidity through a committed \$2.5 billion revolving credit facility obtained through a group of banks in October 2016, that expires in October 2021. This new unsecured revolving credit facility replaced a \$2.25 billion unsecured revolving credit facility that was scheduled to expire in October 2018. No balances were outstanding under either credit facility at any time during 2016 or 2015.

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 October 29, 2016, no notes or debentures contained provisions requiring acceleration of payment upon a credit 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 noninvestment 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 noninvestment grade.

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

## Contractual Obligations and Commitments

As of the date of this report, other than the new borrowings and payments discussed in Note 6 of the Financial Statements, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since January 30, 2016 as reported in our 2015 Form 10-K.

## New Accounting Pronouncements

Refer to Note 2 and Note 10 of the Financial Statements for a description of new accounting pronouncements related to revenues and leases, respectively. We do not expect any other 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-looking statements in this report include: Our financial performance, statements regarding the adequacy of and costs associated with our sources of liquidity, the expected benefits of restructuring initiatives, the funding of debt maturities, the continued execution of our share repurchase program, our expected capital expenditures, the expected compliance with debt covenants, the expected impact and our plans for adoption of new accounting pronouncements, our intentions regarding future dividends, contributions and payments related to our pension plan, the effects of our use of derivative financial instruments and hedging activities, the expected return on plan assets, the expected outcome of, and adequacy of our reserves for, claims and litigation.

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 30, 2016, 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 30, 2016.

### Item 4. Controls and Procedures

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the third quarter of 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### 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.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

No response is required under Item 103 of Regulation S-K, nor have there been any material developments for any previously reported legal proceedings.

## Item 1A. Risk Factors

There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

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

On January 11, 2012, our Board of Directors authorized the repurchase of \$5 billion of our common stock and on June 9, 2015 expanded the program by an additional \$5 billion for a total authorization of \$10 billion. On September 20, 2016, our Board of Directors authorized a new \$5 billion share repurchase program. We will begin repurchasing shares under this new authorization upon completion of the current \$10 billion program. There is no stated expiration for the share repurchase programs. Under the current program, we have repurchased 133.1 million shares of common stock through October 29, 2016, at an average price of \$70.52, for a total investment of \$9.4 billion, excluding the September 2016 ASR because the transaction was not fully settled as of October 29, 2016. The table below presents information with respect to Target common stock purchases made during the three months ended October 29, 2016, by Target or any "affiliated purchaser" of Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.

| Period                                         | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Programs |
|------------------------------------------------|----------------------------------|------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| July 31, 2016 through August 27, 2016          |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | 1,722,716                        | \$ 70.46                     | 1,722,716                                                               | \$ 1,057,191,247                                                                   |
| August 28, 2016 through October 1, 2016        |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | 4,817,969                        | 70.01                        | 4,817,969                                                               | 5,719,900,702                                                                      |
| September 2016 ASR <sup>(a)</sup>              | 3,350,000                        | TBD                          | 3,350,000                                                               | 5,369,900,702                                                                      |
| October 2, 2016 through October 29, 2016       |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | 1,549,856                        | 68.06                        | 1,549,856                                                               | 5,264,416,260                                                                      |
| Total                                          | 11,440,541                       | TBD                          | 11,440,541                                                              | \$ 5,264,416,260                                                                   |

<sup>(a)</sup> In November 2016, the contract was settled and we received an additional 1.3 million shares, which were retired, and \$36 million for the remaining amount not settled in shares. The \$36 million, in addition to the amount reflected in the table, is available under the program. We repurchased a total of 4.6 million shares under the ASR for total cash investment of \$314 million, or an average per share price of \$67.67. Refer to Note 11 of the Financial Statements for further details about our ASR contract.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- (3)A Amended and Restated Articles of Incorporation (as amended through June 9, 2010)<sup>(1)</sup>
- (3)B Bylaws (as amended through November 11, 2015)<sup>(2)</sup>
- (12) Statements of Computations of Ratios of Earnings to Fixed Charges
- (10)G Target Corporation Officer EDCP (2017 Plan Statement) (as amended and restated effective January 1, 2017)
- (10)O Five-Year Credit Agreement dated as of October 5, 2016 among Target Corporation, Bank of America, N.A. as Administrative Agent and the Banks listed therein
- (31)A Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (31)B Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (32)A Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (32)B Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

<sup>(1)</sup> Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed June 10, 2010.

<sup>(2)</sup> Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed November 12, 2015.

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: November 23, 2016 By: /s/ Cathy R. Smith  
Cathy R. Smith  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and  
Principal Financial Officer)

/s/ Robert M. Harrison  
Robert M. Harrison  
Senior Vice President, Chief Accounting Officer  
and Controller

EXHIBIT INDEX

| Exhibit | Description                                                                                                                                                 | Manner of Filing          |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| (3)A    | Amended and Restated Articles of Incorporation (as amended through June 9, 2010)                                                                            | Incorporated by Reference |
| (3)B    | Bylaws (as amended through November 11, 2015)                                                                                                               | Incorporated by Reference |
| (12)    | Statements of Computations of Ratios of Earnings to Fixed Charges                                                                                           | Filed Electronically      |
| (10)G   | Target Corporation Officer EDCP (2017 Plan Statement) (as amended and restated effective January 1, 2017)                                                   | Filed Electronically      |
| (10)O   | Five-Year Credit Agreement dated as of October 5, 2016 among Target Corporation, Bank of America, N.A. as Administrative Agent and the Banks listed therein | Filed Electronically      |
| (31)A   | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                      | Filed Electronically      |
| (31)B   | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                      | Filed Electronically      |
| (32)A   | Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002        | Filed Electronically      |
| (32)B   | Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002        | Filed Electronically      |
| 101.INS | XBRL Instance Document                                                                                                                                      | Filed Electronically      |
| 101.SCH | XBRL Taxonomy Extension Schema                                                                                                                              | Filed Electronically      |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase                                                                                                                | Filed Electronically      |
| 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      |