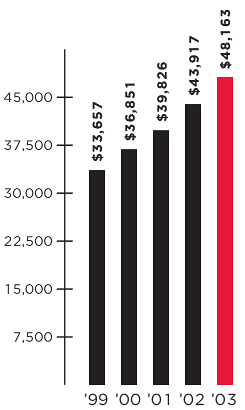
Analysis of Operations

Target Corporation operates large-format general merchandise stores in the United States, including discount stores, moderate-priced promotional stores and traditional department stores, and additionally operates a small, rapidly growing on-line business. We drive incremental merchandise sales and profitability through increases in our comparable-store sales and through contribution of new store growth at Target. Additionally, we benefit from our credit card operations which strategically support each of our retail segments. We focus on delighting our guests by offering both everyday essentials and fashionable, differentiated merchandise at exceptional prices. Our ability to deliver a shopping experience that is preferred by our guests is supported by our strong supply chain and technology network, a devotion to innovation which is ingrained in our organization and culture and our disciplined approach to managing our current business and investing in future growth. Though our industry is highly competitive and subject to macro-economic conditions, we believe we are well-positioned to deliver continued profitable market share growth for many years to come.

On March 10, 2004, we began reviewing strategic alternatives for Mervyn's and Marshall Field's that include but are not limited to, the possible sale of one or both of these segments as ongoing businesses to existing retailers or other qualified buyers. The following Management's Discussion and Analysis, Consolidated Financial Statements, and Notes to Consolidated Financial Statements do not reflect any impact of any strategic alternatives as we are in the early stages of this review process.

Management's Discussion and Analysis is based on our Consolidated Financial Statements as shown on pages 26-29.



Total Revenues
(millions)

Revenues and Comparable-store Sales

Total revenues include retail sales and net credit card revenues. Net credit card revenues represent income derived from finance charges, late fees and other revenues from use of our Target Visa and proprietary credit cards. Comparable-store sales are sales from stores open longer than one year. Stores that were remodeled at their existing location and did not convert to a SuperTarget remain in the comparable-store sales calculation. Stores that have been converted to a SuperTarget or moved to a new location are included in the comparable-store sales calculation once they are open longer than one year.

In 2003, total revenues increased 9.7 percent and comparable-store sales increased 2.9 percent. Retail price deflation had a negative impact of approximately 3 percent on sales growth. At Target, which accounted for 86 percent of our total revenues, slightly more than half of our 12 percent increase in revenues was driven by new store expansion, while the rest of the increase resulted from a 4.4 percent increase in comparable-store sales and an increase in net credit card revenues. Mervyn's and Marshall Field's, which accounted for 7 percent and 5 percent of our total revenues, respectively, experienced a decline in revenues, primarily due to decreases in comparable-store sales.

In 2002, total revenues increased 10.3 percent and comparable-store sales increased 1.1 percent. Retail price deflation had a negative impact of approximately 3 percent on sales growth. At Target, which accounted for 84 percent of our total revenues, the increase was driven by new store expansion, an increase in net credit card revenues and a 2.2 percent increase in comparable-store sales. Mervyn's and Marshall Field's, which accounted for 9 percent and 6 percent of our total revenues, respectively, experienced a decline in revenues primarily due to decreases in comparable-store sales.

Revenues and Comparable-store Sales Growth

	2003		2002		2001	
	Revenues	**Comparable-store Sales**	Revenues	Comparable-store Sales	Revenues	Comparable-store Sales
Target	**12.0%**	**4.4%**	13.3%	2.2%	13.1%	4.1%
Mervyn's	**(6.9)**	**(7.6)**	(5.2)	(5.3)	(1.7)	(1.5)
Marshall Field's	**(4.0)**	**(2.6)**	(3.1)	(3.7)	(5.2)	(5.7)
Total	**9.7%**	**2.9%**	10.3%	1.1%	9.7%	2.7%

Revenues per Square Foot*

	2003	2002	2001
Target	**$282**	$278	$274
Mervyn's	**165**	178	187
Marshall Field's	**178**	180	186

**Thirteen-month average retail square feet.*

In 2004, we expect revenues to increase due to new store growth and an increase in comparable-store sales and net credit card revenues.

Gross Margin Rate

Gross margin rate represents gross margin (sales less cost of sales) as a percent of sales. Cost of sales primarily includes purchases, markdowns and other costs associated with our merchandise. These costs are partially offset by various forms of consideration earned or received from our vendors, which we refer to as "vendor income."