



Responsibility.

Target is committed to the pursuit of profitable and sustainable growth, consistent with our unwavering dedication to the social, environmental and economic well-being of the global community in which our guests, team members and shareholders live and work.

This commitment reflects a conscious, company-wide dedication to constant innovation and improvement in everything we do. We strive to ensure the ongoing health and strength of our communities by giving more than \$3 million each week and hundreds of thousands of volunteer hours in support of education, arts and social service organizations. We show respect for our physical environment through the products we offer, the facilities we build, the vendors we work with, and the resources and materials we use. And we pursue strategies that generate double-digit average annual earnings per share growth over time.

We are committed to consistently delighting our guests, providing a workplace that is preferred by our team members and investing in the communities where we do business to improve the quality of life.

This unique combination helps us create the excitement Target guests expect and the shopping experience they love.





Social.

Since 1946, we have contributed 5 percent of our annual income to programs that serve our communities. Today, this long-standing tradition means that more than \$3 million every week goes to education initiatives that inspire children to learn, make it possible for families to experience the arts and to partner with a variety of social service agencies, families and communities across the country.

Our financial support is just the beginning. Team members across the country regularly offer hands-on help to nonprofit organizations, volunteering hundreds of thousands of hours of their time and talent, and immeasurable amounts of heartfelt generosity. The philosophy of giving, sharing and helping is embraced at every level of our organization, it's part of our DNA.



Commitment to Preparedness Target provides support for disaster preparedness, relief and recovery efforts with key partners, including American Red Cross, The Salvation Army, America's Second Harvest and National Center for Missing and Exploited Children.

Learning Opportunities Target supports education for children in a wide variety of ways, including the new Target Field Trip Grant Program, which provides up to \$1,000 for a classroom field trip. For the 2007–2008 school year, 1,600 classes will benefit from this program.



Hands and Hearts at Work More than 70,000 Target team members, retirees, family members and friends volunteered nearly 315,000 hours last year through a wide variety of initiatives, including team

fundraising walks, one-on-one reading programs and a variety of local community projects.



Playing It Safe Target is the exclusive sponsor of National Night Out, a grass roots event that brings communities together. Target also supports programs fostering safer families and communities, including family violence prevention and our Target & BlueSM partnership.

Look around your Target store and you'll see some familiar faces. That's because our team members are your neighbors and friends, with the same cares and concerns as you have. Target stores reflect your local, diverse community in hiring and team member development; in addition, you'll find that the products on our shelves reflect your tastes, culture and lifestyle. Our success as a national retailer comes from strong local roots, and we are committed to serving and celebrating our communities. Diversity has been one of our strengths as a company and will continue to be an important part of our business strategy as we expand into new markets.



Design for All[®] Target believes that every aspect of life is enhanced by art and design, and supports programs that make these experiences more accessible to families. For instance, Target offers more than 1,700 Free Days at Arts organizations across the country.



A Home Away from Home Target House[®] offers free, fully equipped apartments for the families of long-term patients at St. Jude Children's Research Hospital. Sharing shelter together, families find relief from a stressful time by taking comfort in a close-knit community.



A Team Unlike Any Other Every Target store team is unique. That's because each is made up of unique individuals with their own blend of talents and experiences. We value each person's individuality, and celebrate the differences that create a dynamic, diverse team.



Environmental.

Target strives to be a responsible steward of the environment. As a leader in recycling and salvage, minimizing our impact on the environment has been a part of our daily processes for decades. In addition to complying with all environmental regulations, we seek to continuously improve our business practices to use our resources responsibly, minimize our carbon footprint, develop facilities that align environmental, community and business needs, and influence our vendors and suppliers to embrace sustainable practices.

We also strive to satisfy our guests' preferences by offering natural, organic and eco-friendly products, including items made from recycled materials or all-natural ingredients. We also use environmentally friendly packaging for our private-label brands whenever possible, minimizing post-consumer waste.



Sensible Solutions Target stores are designed and constructed to align environmental, community and business needs. In fact, two stores in Chicago are at the forefront of sustainable building,

earning LEED® certification that identifies them as high-performance green buildings, based on site development, water savings, energy efficiency, materials selection and indoor environmental quality.



Buy Bio Target GiftCardsSM have been made using resins composed of renewable resources; the next natural step was to use a 100 percent biodegradable material. In 2007, designs will be offered on PHA, a resin made from plant ingredients.



Organic Appeal Organic products attract on two levels: no polluting chemicals during cultivation, plus nothing artificial in the product itself. All that's left: the pure appeal of items such as Archer Farms® organic cereal, pasta and more. We've been certified by the U.S. Department of Agriculture as an organic produce retailer since August 2006.



Target looks both inward and outward for opportunities to be a force for positive change. We seek to use resources responsibly, work to eliminate waste and offer products in our stores that minimize harm to the environment, such as the organic ingredients in many Archer Farms selections. By encouraging systematic solutions, caring about the environment becomes an essential part of every business decision. As a result, making an eco-conscious choice becomes second nature.

Eco Partners As we partner with vendors and suppliers in finding opportunities to minimize environmental impact, we discover new ways to offer guests healthy, eco-friendly choices — for example, Method products with nontoxic ingredients and natural fragrances.



Reduce, Recycle + Rethink In 2006 alone, we recycled more than 911.1 million pounds of cardboard. We reuse 385 million hangers a year. In fact, 70 percent of our solid-waste materials are now redirected from landfills. And we're working to improve that every day.

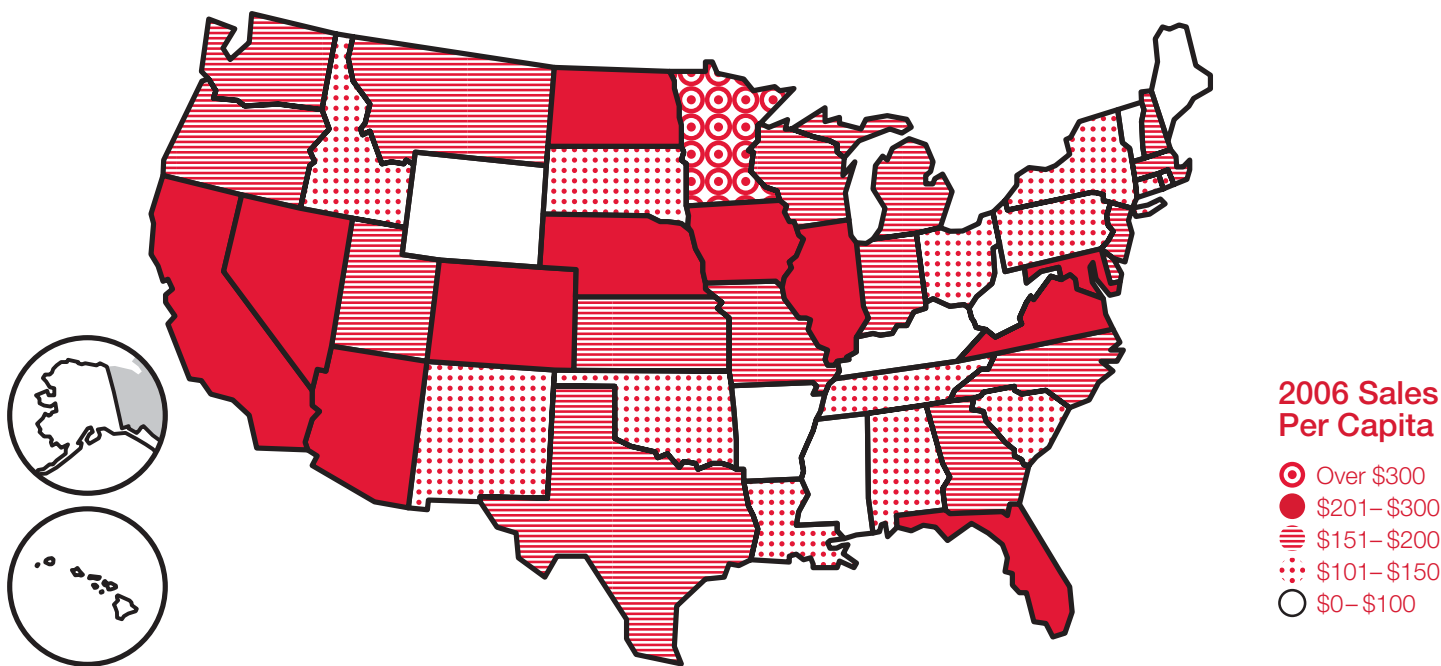
Economic.



We make a strong brand promise to our guests: Expect More. Pay Less.[®] Our promise to shareholders is equally important: To provide consistent growth plus a long-term plan to sustain our success. So we use every tool available to us to drive sales: innovative marketing, REDcardSM products, partnerships with high-profile designers and exclusive offerings. We provide team members with a rewarding work environment. We take a disciplined approach to controlling inventory, managing expenses and sourcing profitable new store sites. It's how we thrive in this competitive marketplace as we create more opportunities for profitable growth.



The A List Fashionable, well-designed choices that delight consumers turn a short shopping list into a full cart. Our numbers show the outstanding results, with total revenues increasing 13.1 percent in 2006, and an average of 12.5 percent over the last five years.



Grand Openings One hundred thirteen new stores opened in 2006, as well as three new distribution centers to support system growth. Our forecasts envision adding 100 net new stores every year for the foreseeable future, potentially doubling the number of stores from our

current 1,500 to 3,000 stores by 2022. And our strong brand presence is not limited to our physical locations, as Target.com offers exclusive, experience-rich online access to an unprecedented number of products, adding selection and convenience to our in-store offerings.

Financial Summary

	2006 (a)	2005	2004	2003	2002	2001
Financial Results: (in millions)						
Sales	\$57,878	\$51,271	\$45,682	\$40,928	\$36,519	\$32,602
Net credit card revenues	1,612	1,349	1,157	1,097	891	419
Total revenues	59,490	52,620	46,839	42,025	37,410	33,021
Cost of sales	39,399	34,927	31,445	28,389	25,498	23,030
Selling, general and administrative expenses (b)	12,819	11,185	9,797	8,657	7,505	6,612
Credit card expenses	707	776	737	722	629	313
Depreciation and amortization	1,496	1,409	1,259	1,098	967	820
Earnings from continuing operations before interest expense and income taxes (c)	5,069	4,323	3,601	3,159	2,811	2,246
Net interest expense	572	463	570	556	584	470
Earnings from continuing operations before income taxes	4,497	3,860	3,031	2,603	2,227	1,776
Provision for income taxes	1,710	1,452	1,146	984	851	675
Earnings from continuing operations	\$ 2,787	\$ 2,408	\$ 1,885	\$ 1,619	\$ 1,376	\$ 1,101
Per Share:						
Basic earnings per share	\$ 3.23	\$ 2.73	\$ 2.09	\$ 1.78	\$ 1.52	\$ 1.22
Diluted earnings per share	\$ 3.21	\$ 2.71	\$ 2.07	\$ 1.76	\$ 1.51	\$ 1.21
Cash dividends declared	\$.460	\$.380	\$.310	\$.270	\$.240	\$.225
Financial Position: (in millions)						
Total assets	\$37,349	\$34,995	\$32,293	\$27,390	\$24,506	\$19,808
Capital expenditures	\$ 3,928	\$ 3,388	\$ 3,068	\$ 2,738	\$ 3,040	\$ 3,002
Long-term debt, including current portion Net debt (d)	\$10,037	\$ 9,872	\$ 9,538	\$11,018	\$11,090	\$ 8,957
Shareholders' investment	\$15,633	\$14,205	\$13,029	\$11,132	\$ 9,497	\$ 7,896
Financial Ratios:						
Revenues per square foot (e)(f)	\$ 316	\$ 307	\$ 294	\$ 287	\$ 281	\$ 277
Comparable-store sales growth (g)	4.8%	5.6%	5.3%	4.4%	2.2%	4.1%
Gross margin rate (% of sales)	31.9%	31.9%	31.2%	30.6%	30.2%	29.4%
SG&A rate (% of sales)	22.2%	21.8%	21.4%	21.2%	20.5%	20.3%
EBIT margin (% of revenues)	8.5%	8.2%	7.7%	7.5%	7.5%	6.8%
Other:						
Common shares outstanding (in millions)	859.8	874.1	890.6	911.8	909.8	905.2
Cash flow provided by operations (in millions)	\$ 4,862	\$ 4,451	\$ 3,808	\$ 3,188	\$ 2,703	\$ 2,601
Retail square feet (in thousands)	192,064	178,260	165,015	152,563	140,294	125,359
Square footage growth	7.7%	8.0%	8.2%	8.8%	11.9%	10.9%
Total number of stores	1,488	1,397	1,308	1,225	1,147	1,053
General merchandise	1,311	1,239	1,172	1,107	1,053	991
SuperTarget	177	158	136	118	94	62
Total number of distribution centers	29	26	25	22	16	14

(a) Consisted of 53 weeks.

(b) Also referred to as SG&A.

(c) Also referred to as EBIT.

(d) Including current portion and notes payable, net of marketable securities of \$281, \$1,172, \$1,732, \$244, \$357 and \$84, respectively. Management believes this measure is a more appropriate indicator of our level of financial leverage because marketable securities are available to pay debt maturity obligations.

(e) Thirteen-month average retail square feet.

(f) In 2006, revenues per square foot were calculated with 52 weeks of revenues (the 53rd week of revenues was excluded) because management believes that these numbers provide a more useful analytical comparison to other years. Using our revenues for the 53-week year under generally accepted accounting principles, 2006 revenues per square foot were \$322.

(g) See definition of comparable-store sales in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2006 Annual Report.

Being committed to the social, economic and environmental health of the communities we serve is as integral to our success as pleasing our guests or creating a rewarding workplace for our team members. This commitment began in 1918 when company founder George Draper Dayton formed a corporate foundation to give to the community. Since 1946, we have given 5 percent of our income to organizations that support education, the arts and social services.

Today, Target continues to work hard to enhance the worldwide communities we serve. Our financial contributions to programs that inspire education and learning, increase access to the arts, and promote safety and well-being now total more than \$3 million each week. We also endeavor to design stores that complement and respect local environmental conditions, even as we continue to grow, and we offer a selection of natural, organic and eco-friendly products that reflect market demand and guest preferences. In addition, we strive to adhere to the principles of integrity and strong corporate governance that have guided our business conduct and performance for decades.

While our record of corporate responsibility is strong, we recognize that there is always more that can be done. As a result, our approach is focused on continuous improvement, consistent with the strategy we pursue throughout our business in our merchandising, our stores, our systems and our supply chain. We are pleased to issue this Corporate Responsibility Report, which provides information about our social, economic and environmental initiatives, and we will continue to update our progress in these areas in the future.

Sincerely,



Bob Ulrich
Chairman and CEO





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To learn more about corporate responsibility, visit Target.com/company.

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