FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
SEC Accession No. 0001047469-99-035317

(HTML Version on secdatabase.com)

FILER

DAYTON HUDSON CORP

CIK:**27419**| IRS No.: **410215170** | State of Incorp.:**MN** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-06049** | Film No.: **99708992**
SIC: **5331** Variety stores

Mailing Address
777 NICOLLET MALL
MINNEAPOLIS MN 55402

Business Address
777 NICOLLET MALL
MINNEAPOLIS MN 55402
6123706948

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended JULY 31, 1999

Commission file number 1-6049

Dayton Hudson Corporation

(Exact name of registrant as specified in its charter)

Minnesota	41-0215170
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

777 Nicollet Mall Minneapolis, Minnesota	55402-2055
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (612) 370-6948

None

(Former name, former address and former fiscal year, if changed since last report.)

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 and (2) has been subject to such filing requirements for the past 90 days.

The number of shares outstanding of common stock as of July 31, 1999 was 440,650,606.

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

PART I. FINANCIAL INFORMATION

<TABLE>
<CAPTION>

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars, Except Per Share Data)	Three Months Ended		Six Months Ended		Twelve Months Ended	
(Unaudited)	JULY 31, 1999	August 1, 1998	JULY 31, 1999	August 1, 1998	JULY 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUES	$ 7,752	$ 7,056	$14,966	$13,524	$32,393	$29,099
COSTS AND EXPENSES:						
Cost of retail sales, buying and occupancy	5,603	5,143	10,843	9,870	23,607	21,351
Selling, publicity and administrative	1,333	1,214	2,557	2,288	5,346	4,705
Depreciation and amortization	212	193	418	377	821	727
Interest expense	98	101	192	197	393	399
Taxes other than income taxes	132	121	265	243	528	483
Total Costs and Expenses	7,378	6,772	14,275	12,975	30,695	27,665
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY CHARGES	374	284	691	549	1,698	1,434
Provision for Income Taxes	146	112	269	217	646	567
NET EARNINGS BEFORE EXTRAORDINARY CHARGES	228	172	422	332	1,052	867
Extraordinary Charges from Purchase and Redemption of Debt, Net of Tax	4	-	4	2	29	21
NET EARNINGS	$ 224	$ 172	$ 418	$ 330	$ 1,023	$ 846
BASIC EARNINGS PER SHARE:						
Earnings before extraordinary charges	$ .51	$ .38	$ .94	$ .74	$ 2.34	$ 1.94
Extraordinary charges	(.01)	-	(.01)	(.01)	(.06)	(.05)
BASIC EARNINGS PER SHARE	$ .50	$ .38	$ .93	$ .73	$ 2.28	$ 1.89
DILUTED EARNINGS PER SHARE:						
Earnings before extraordinary charges	$ .49	$ .36	$ .90	$ .70	$ 2.24	$ 1.84
Extraordinary charges	(.01)	-	(.01)	(.01)	(.06)	(.05)
DILUTED EARNINGS PER SHARE	$ .48	$ .36	$ .89	$ .69	$ 2.18	$ 1.79
DIVIDENDS DECLARED PER COMMON SHARE	$ .10	$ .09	$ .20	$ .18	$ .38	$ .35
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Millions):						
Basic	441.1	439.6	441.7	439.1	441.3	438.0
Diluted	466.4	467.6	468.0	467.1	467.7	465.6

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

<TABLE>
<CAPTION>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars)	JULY 31, 1999	January 30, 1999*	August 1, 1998

<S> <C> <C> <C>

ASSETS	(Unaudited)		(Unaudited)
CURRENT ASSETS			
Cash and cash equivalents	$ 238	$ 255	$ 237
Retained securitized receivables	1,363	1,656	1,295
Merchandise inventories	3,973	3,475	3,697
Other	655	619	926
Total Current Assets	6,229	6,005	6,155
PROPERTY AND EQUIPMENT	13,213	12,737	12,240
Accumulated depreciation	(3,805)	(3,768)	(3,676)
Property and Equipment, net	9,408	8,969	8,564
OTHER	778	692	589
TOTAL ASSETS	$16,415	$15,666	$15,308
LIABILITIES AND SHAREHOLDERS' INVESTMENT			
CURRENT LIABILITIES			
Accounts payable	$3,111	$ 3,150	$ 2,852
Current portion of long-term debt and notes payable	219	256	351
Other	1,529	1,651	1,462
Total Current Liabilities	4,859	5,057	4,665
LONG-TERM DEBT	5,178	4,452	5,132
DEFERRED INCOME TAXES AND OTHER	888	822	750
CONVERTIBLE PREFERRED STOCK, NET	6	24	20
SHAREHOLDERS' INVESTMENT	5,484	5,311	4,741
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$16,415	$15,666	$15,308
COMMON SHARES OUTSTANDING (Millions)	440.7	441.8	439.9

</TABLE>

* The January 30, 1999 Consolidated Statement of Financial Position is condensed from the audited financial statement.

See accompanying Notes to Condensed Consolidated Financial Statements.

<TABLE>
<CAPTION>

CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
(Millions of Dollars)

Dayton Hudson Corporation
and Subsidiaries
Six Months Ended

<S> <C> <C>

(Unaudited)	JULY 31, 1999	August 1, 1998
OPERATING ACTIVITIES		
Net earnings before extraordinary charges	$ 422	$ 332
Reconciliation to cash flow:		
Depreciation and amortization	418	377
Deferred tax provision	82	10
Other non-cash items affecting earnings	68	14
Changes in operating accounts providing/(requiring) cash:		
Retained securitized receivables	293	305
Merchandise inventories	(498)	(420)
Other current assets	(88)	(106)
Other assets	(78)	13
Accounts payable	(39)	39
Accrued liabilities	(124)	(58)
Income taxes payable	1	(53)
Securities in trust for principal payment on sold securitized receivables	-	(270)
Cash Flow Provided by Operations	457	183
INVESTING ACTIVITIES		
Expenditures for property and equipment	(863)	(793)
Proceeds from disposals of property and equipment	13	29
Acquisition of subsidiaries, net of cash received	-	(100)
Other	(4)	(6)

Cash Flow Required by Investing Activities	(854)	(870)
Net Financing Requirements	(397)	(687)
FINANCING ACTIVITIES		
Increase in notes payable, net	673	466
Additions to long-term debt	225	400
Reductions of long-term debt	(215)	(87)
Dividends paid	(98)	(89)
Repurchase of stock	(243)	-
Other	38	23
Cash Flow Provided by Financing Activities	380	713
Net (Decrease)/Increase in Cash and Cash Equivalents	(17)	26
Cash and Cash Equivalents at Beginning of Period	255	211
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 238	$ 237

</TABLE>

Amounts in this statement are presented on a cash basis and therefore may differ from those shown elsewhere in this 10-Q report.

See accompanying Notes to Condensed Consolidated Financial Statements.

ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements should be read in conjunction with the financial statement disclosures contained in our 1998 Annual Shareholders' Report throughout pages 25-36. As explained on page 36 of the Annual Report, the same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of the retail industry, quarterly earnings are not necessarily indicative of the results that may be expected for the full fiscal year.

PER SHARE DATA

References to earnings per share relate to diluted earnings per share.

<TABLE>
<CAPTION>

	Basic EPS						Diluted EPS					
	Three Months Ended		Six Months Ended		Twelve Months Ended		Three Months Ended		Six Months Ended		Twelve Months Ended	
	JUL 31, 1999	Aug 1, 1998	JUL 31, 1999	Aug 1, 1998	JUL 31, 1999	Aug 1, 1998	JUL 31, 1999	Aug 1, 1998	JUL 31, 1999	Aug 1, 1998	JUL 31, 1999	Aug 1, 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net earnings*	$ 228	$ 172	$ 422	$ 332	$1,052	$ 867	$ 228	$ 172	$ 422	$ 332	$1,052	$ 867
Less: ESOP net earnings adjustment	(4)	(5)	(9)	(10)	(19)	(20)	(1)	(3)	(2)	(6)	(4)	(12)
Adjusted net earnings*	$ 224	$ 167	$ 413	$ 322	$1,033	$ 847	$ 227	$ 169	$ 420	$ 326	$1,048	$ 855
Weighted average common shares Outstanding	441.1	439.6	441.7	439.1	441.3	438.0	441.1	439.6	441.7	439.1	441.3	438.0
Performance shares	-	-	-	-	-	-	-	.9	.1	.9	.4	1.0
Stock options	-	-	-	-	-	-	5.6	6.0	6.2	5.8	5.7	4.9
Assumed conversion of ESOP Preferred shares	-	-	-	-	-	-	19.7	21.1	20.0	21.3	20.3	21.7
Total common equivalent shares Outstanding	441.1	439.6	441.7	439.1	441.3	438.0	466.4	467.6	468.0	467.1	467.7	465.6

Earnings per share*	$ .51	$ .38	$ .94	$ .74	$ 2.34	$1.94	$ .49	$ .36	$ .90	$ .70	$ 2.24	$1.84

</TABLE>
*Before extraordinary charges

SHARE REPURCHASE PROGRAM

In January 1999, our Board of Directors authorized the repurchase of $1 billion of our common stock. We expect to complete our repurchase program over the next eighteen months. In the second quarter and first half of 1999, we repurchased 2.3 and 3.8 million shares of our common stock at average costs of $63 and $65 per share, respectively. As of the end of second quarter, we have repurchased $248 million of our common stock, net of the premium from exercised and expired put options.

We issued put options for 1.0 and 2.0 million shares in the second quarter and first half of 1999, respectively. Holders of options on the 1.0 million shares which were outstanding at the end of the second quarter are entitled to sell shares of our common stock to us at prices ranging from $61 to $70 per share on specific dates during

August through October 1999. Premiums received from the sale of the put options, which settled during the quarter and first half, totaled $5.9 and $9.8 million, respectively, and were recorded in retained earnings.

LONG-TERM DEBT

During the second quarter, we repurchased $58 million of long-term debt with a weighted average interest rate of 9.4 percent, resulting in an after-tax extraordinary charge of $4 million ($.01 per share).

Also during the second quarter, we issued $100 million and $125 million of notes bearing interest at floating rates initially set at 5.52 percent and 5.43 percent, respectively. These notes mature in July 2001.

Subsequent to second quarter 1999, we issued $60 million of additional notes bearing interest at a floating rate initially set at 5.32 percent, maturing in September 2001.

The proceeds from these issuances were used for general corporate purposes.

SEGMENT DISCLOSURES (Millions of Dollars)

Revenues by segment were as follows:

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	JULY 31, 1999	August 1, 1998	JULY 31, 1999	August 1, 1998
Target	$ 5,961	$ 5,294	$ 11,449	$ 10,101
Mervyn's	949	935	1,861	1,825
DSD	744	732	1,488	1,458
Corporate and other	98	95	168	140
Total revenues	$ 7,752	$ 7,056	$ 14,966	$ 13,524

</TABLE>
Pre-tax segment profit and reconciliation to pre-tax earnings were as follows:

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	JULY 31, 1999	August 1, 1998	JULY 31, 1999	August 1, 1998
Target	$ 430	$ 337	$ 800	$ 639
Mervyn's	45	40	90	83
DSD	49	45	97	86
Total pre-tax segment profit	524	422	987	808
Securitization adjustment (interest equivalent)	(12)	(12)	(24)	(24)

Interest expense	(98)	(101)	(192)	(197)
Corporate and other	(40)	(25)	(80)	(38)
Earnings before income taxes and extraordinary charges	$ 374	$ 284	$ 691	$ 549

</TABLE>

The revenues and operating results of The Associated Merchandising Corporation and Rivertown Trading Company acquired in February and April 1998, respectively, were immaterial in 1999 and 1998 and are included in corporate and other.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION
SECOND QUARTER 1999

ANALYSIS OF OPERATIONS

Second quarter 1999 net earnings before extraordinary charges were $228 million, or $.49 per share, compared with $172 million, or $.36 per share, for the same period last year. First half 1999 net earnings before extraordinary charges were $422 million, or $.90 per share, compared with $332 million, or $.70 per share, on the same basis, for first half 1998. The extraordinary charges relate to the early extinguishment of debt and were $4 million ($.01 per share), net of tax, in the second quarter and first half of 1999, and $2 million ($.01 per share), net of tax, in the first half of 1998. Target represented 91 percent and 90 percent of our net growth in pre-tax segment profit for the second quarter and first half, respectively.

REVENUES AND COMPARABLE-STORE SALES

Total revenues for the quarter increased 9.9 percent to $7,752 million compared with $7,056 million for the same period a year ago. Total revenues for the first half increased 10.7 percent to $14,966 million compared with $13,524 million for the same period a year ago. Total comparable-store sales (sales from stores open longer than one year) increased 5.7 percent and 6.3 percent for the three and six-month periods, respectively. Year-over-year increases in revenues and comparable-store sales by business segment were as follows:

<TABLE>
<CAPTION>

	Three Months Percentage Increase		Six Months Percentage Increase	
	Revenues	Comparable-Store Sales	Revenues	Comparable-Store Sales
<S>	<C>	<C>	<C>	<C>
Target	12.6%	6.5%	13.4%	7.3%
Mervyn's	1.5	2.8	2.0	3.1
DSD	1.6	2.7	2.0	3.0
Total	9.9%	5.7%	10.7%	6.3%

</TABLE>

PRE-TAX SEGMENT PROFIT

Pre-tax segment profit is first-in, first-out (FIFO) earnings from operations before securitization effects, interest, corporate and other, and unusual items. Our second quarter pre-tax segment profit increased 24 percent to $524 million compared with $422 million for the same period a year ago. Pre-tax segment profit in the first half increased 22 percent to $987 million compared with $808 million for the same period a year ago. Year-over-year pre-tax segment profit growth was as follows:

<TABLE>
<CAPTION>

	Three Months Percentage Increase	Six Months Percentage Increase
<S>	<C>	<C>
Target	27%	25%
Mervyn's	13	9
DSD	9	13

Total	24%	22%

</TABLE>

TARGET'S second quarter and first half pre-tax profit increased 27 and 25 percent, respectively, to $430 and $800 million compared with $337 and $639 million for the same periods a year ago, reflecting comparable-store sales growth of 6.5 and 7.3 percent, respectively. During the second quarter and first half, the gross margin rate improved significantly due to favorable markup and markdown performance, while the operating expense rate was modestly unfavorable. For the remainder of 1999, we expect mid-single-digit comparable-store sales growth at Target and a pre-tax profit margin rate somewhat expanded over that of 1998.

MERVYN'S second quarter and first half pre-tax profit increased 13 and 9 percent, respectively, to $45 and $90 million compared with $40 and $83 million for the same periods a year ago, reflecting comparable-store sales growth of 2.8 and 3.1 percent, respectively. During the second quarter and first half, the gross margin rate increased primarily due to favorable markup. The operating expense rate improved slightly for second quarter and was essentially even with last year for the first half. We expect low-single-digit comparable-store sales increases for the remainder of 1999 and measurable improvement in our pre-tax profit margin rate, principally in the fourth quarter.

DSD'S second quarter and first half pre-tax profit increased 9 and 13 percent, respectively, to $49 and $97 million compared with $45 and $86 million for the same periods a year ago, reflecting comparable-store sales growth of 2.7 and 3.0 percent, respectively. For the second quarter, the gross margin rate was essentially even with last year, while the gross margin rate improved for the first half due to favorable markdowns and shortage results. The operating expense rate improved modestly for second quarter and slightly for the first half. We expect low single-digit comparable-store sales growth at DSD for the remainder of 1999 and a modest increase in our 1999 pre-tax profit margin rate.

OTHER PERFORMANCE FACTORS

Our proprietary guest credit programs strategically support our core retail operations and are an integral component of each business segment. Therefore, credit contribution is reflected in each business segment's pre-tax profit. Net of all expenses, including bad debt expense, pre-tax contribution from guest credit for the second quarter and first half increased over the prior year, principally due to continued growth of the Target Guest Card. We expect to continue to grow guest credit's contribution during 1999 by acquiring new accounts, enhancing guest loyalty programs, controlling bad debt expense and leveraging operating expenses.

The last-in, first-out (LIFO) provision, included in cost of retail sales, was zero in the second quarter and first half for both 1999 and 1998. The cumulative LIFO provision was $60 million at July 31, 1999 and January 30, 1999, and $92 million at August 1, 1998.

"Interest equivalent", as shown in our pre-tax earnings reconciliation on page 5, represents payments to holders of our sold securitized receivables and is included in our Consolidated Results of Operations as a reduction of finance charge revenues and bad debt expense. We expect interest equivalent of approximately $12 million per quarter in 1999. For analytical purposes, we combine interest equivalent with interest expense.

Combined interest expense and interest equivalent was $110 and $216 million in the second quarter and first half of 1999, representing a $3 and $5 million decrease, respectively, from last year due to a lower average portfolio interest rate, partially offset by higher average funded balances. Combined interest expense and interest equivalent in 1999 is expected to be similar to 1998, as we anticipate the continuing benefit of a lower average portfolio interest rate, offset by higher debt levels, for the remainder of the year.

The estimated annual effective income tax rate was 38.8 percent in the second quarter and first half 1999 compared to 39.5 percent for the same periods last year.

YEAR 2000 READINESS DISCLOSURE

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

For our IT systems, we assessed both existing and newly implemented hardware, application software and operating systems. Substantially all of our hardware is year 2000 ready. The only implementation remaining is continuing installments of new hardware during the third quarter to support growth in our stores' systems. All application software has been tested and is ready for the year 2000. Upgrades to our key operating systems are 98 percent complete, and we anticipate final installments over the next three months. Our year 2000 readiness in this area was significantly enhanced by our substantial common systems development initiatives through which we have invested heavily in IT over the past three years.

We began addressing non-IT systems, or embedded technology/infrastructure, risks at our stores, distribution centers and headquarters facilities early in our initiative. Substantially all of our non-IT systems are ready, with only a few items remaining in the implementation phase. We anticipate finishing the balance in the third quarter.

We have identified our key business partners and have been working closely with them to assess their readiness and mitigate the risk to us if they are not prepared for the year 2000. We have installed the year 2000 ready version of Electronic Data Interchange (EDI) software, have completed EDI testing with 95 percent of our key vendors, and are now exchanging data electronically with some of these vendors using the new version of EDI. We expect to finalize testing of EDI and other electronic transmissions with key business partners in the third quarter.

In planning for the most reasonably likely worst case scenarios, we have addressed all three major elements in our project. We believe our IT systems will be ready for the year 2000, but we may experience isolated incidences of non-compliance. Our contingency plans for non-IT areas are complete and are being implemented in key areas, such as our stores. We plan to allocate internal resources and retain dedicated consultants and vendor representatives to be ready to take action if necessary.

We have contacted substantially all of our critical business partners to assess their readiness and will finalize the development of certain individual contingency plans in the third quarter. Although we value our established relationships with key vendors, substitute products for most of the goods we sell in our stores may be obtained from other vendors. If certain vendors are unable to deliver product on a timely basis, due to their own year 2000 issues, we anticipate there will be others who will be able to deliver similar goods. However, the lead time involved in sourcing certain goods may result in temporary shortages of relatively few items; therefore, we have arranged advance delivery of a limited amount of product. We also recognize the risks to us if other key suppliers in areas such as utilities, communications, transportation, banking and

government are not ready for the year 2000, and are developing contingency plans to minimize the potential adverse impacts of these risks.

In the second quarter and first half of 1999, we expensed $7 and $14 million, respectively, related to year 2000 readiness. Prior to 1999, we expensed $32 million related to year 2000 readiness. We estimate another $3 million will be expensed as incurred to complete the year 2000 readiness program, with most of the spending occurring over the next three months. In addition, this program has accelerated the timing of approximately $15 million of planned capital expenditures. To date, we have incurred $14 million of these planned capital expenditures. All expenditures related to our year 2000 readiness initiative have been funded by cash flow from operations and have not materially impacted our other operating or investment plans.

ANALYSIS OF FINANCIAL CONDITION

Our financial condition remains strong. We continue to fund the growth in our business through a combination of retained earnings, debt and sold securitized receivables. The ratio of debt to total capitalization attributable to our retail operations was 45 percent at the end of second quarter 1999, compared with 49 percent a year ago and 41 percent at year-end. Due to the seasonality of our business, quarterly comparisons will fluctuate.

At July 31, 1999, working capital was $1,370 million, down 8 percent compared with a year ago, principally due to securities held in trust for principal payment on sold securitized receivables in the prior year. Retained securitized receivables increased $68 million, or 5 percent, over last year principally reflecting continued growth of the Target Guest Card. Merchandise inventories increased $276 million, or 7 percent, over last year due to new store growth at Target and Mervyn's planned investment in certain merchandise areas, principally designed to improve basic in-stock positions. The inventory growth was nearly fully funded by a $259 million, or 9 percent, increase in accounts payable.

Capital expenditures for the first six months of 1999 were $863 million, compared with $793 million for the same period a year ago; 85 percent of the current year expenditures were made by Target, 6 percent by Mervyn's and 9 percent by DSD.

Our share repurchase program is described on page 4. The reduction in shares outstanding and incremental interest expense related to the share repurchase program had an insignificant impact on earnings per share.

STORE DATA

During the quarter, we opened 22 net new Target stores and closed one Mervyn's store. At July 31, 1999, Target operated 881 stores in 44 states, Mervyn's operated 267 stores in 14 states and DSD operated 63 stores in eight states.

Retail square footage was as follows:

(In thousands, reflects total square feet, less office, warehouse and vacant space)	JULY 31, 1999	January 30, 1999	August 1, 1998
Target	98,679	94,553	91,445
Mervyn's	21,661	21,729	21,810
DSD	13,890	13,890	13,935
Total retail square footage	134,230	130,172	127,190

FORWARD-LOOKING STATEMENTS

The preceding Management's Discussion and Analysis contains forward-looking statements regarding our performance, liquidity and the adequacy of our capital resources. Those statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. We caution that the forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, preparing for the impact of year 2000, and other risks and uncertainties. As a result, while we believe that there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. You are encouraged to review Exhibit (99)C attached to our Form 10-K Report for the year ended January 30, 1999, which contains additional important factors that may cause actual results to differ materially from those predicted in the forward-looking statements.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<TABLE>
<S> <C>
a) Exhibits

(2). Not applicable

(4). Instruments defining the rights of security holders, including indentures. Registrant agrees to furnish the Commission on request copies of instruments with respect to long-term debt.

(10). Not applicable

(11). Not applicable

(12). Statements re Computations of Ratios

(15). Not applicable

(18). Not applicable

(19). Not applicable

(22). Not applicable

(23). Not applicable

(24). Not applicable

(27). Financial Data Schedule

b) Reports on Form 8-K:

Registrant did not file any reports on Form 8-K during the quarter ended July 31, 1999.

</TABLE>

SIGNATURES

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.

DAYTON HUDSON CORPORATION
Registrant

Date: September 10, 1999 By /s/ Douglas A. Scovanner

Douglas A. Scovanner
Senior Vice President and
Chief Financial Officer

Date: September 10, 1999 By /s/ J.A. Bogdan

JoAnn Bogdan
Controller and
Chief Accounting Officer

EXHIBIT INDEX

(12). Statements re Computations of Ratios

(27). Financial Data Schedule

EXHIBIT (12)

DAYTON HUDSON CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES AND
RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS FOR THE
SIX MONTHS ENDED JULY 31, 1999 AND AUGUST 1, 1998
AND FOR THE FIVE YEARS ENDED JANUARY 30, 1999

(Millions of Dollars)

<TABLE>
<CAPTION>

	Six Months Ended		Fiscal Year Ended				
	Jul 31, 1999	Aug 1, 1998	Jan. 30, 1999	Jan. 31, 1998	Feb. 1, 1997	Feb. 3, 1996	Jan. 28, 1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ratio of Earnings to Fixed Charges:							
Earnings:							
Consolidated net earnings before extraordinary charges	$ 422	$ 332	$ 962	$ 802	$ 474	$ 311	$ 434
Income taxes.....................................	269	217	594	524	309	190	280
Total earnings before extraordinary charges ...	691	549	1,556	1,326	783	501	714
Fixed charges:							
Interest expense.................................	202	209	421	437	464	461	439
Interest portion of rental expense...............	33	30	63	59	59	59	56
Total fixed charges...........................	235	239	484	496	523	520	495
Less:							
Capitalized interest.............................	(9)	(11)	(16)	(16)	(16)	(14)	(7)
Fixed charges in earnings......................	226	228	468	480	507	506	488
Earnings available for fixed charges..............	$ 917	$ 777	$ 2,024	$ 1,806	$ 1,290	$ 1,007	$ 1,202
Ratio of earnings before extraordinary charges to fixed charges.............................	3.91	3.26	4.18	3.65	2.46	1.94	2.43
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends:							
Total fixed charges, as above......................	$ 235	$ 239	$ 484	$ 496	$ 523	$ 520	$ 495
Dividends on preferred stock (pre-tax basis)..................................	15	16	32	35	37	37	39
Total fixed charges and preferred stock dividends.............................	250	255	516	531	560	557	534
Earnings available for fixed charges and preferred stock dividends.....................	$ 917	$ 777	$ 2,024	$ 1,806	$ 1,290	$ 1,007	$ 1,202
Ratio of earnings before extraordinary charges to fixed charges and preferred stock dividends.....	3.67	3.05	3.92	3.40	2.30	1.81	2.25

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DAYTON HUDSON CORPORATION'S FORM 10Q FOR THE SECOND QUARTER ENDED JULY 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	JAN-29-2000
<PERIOD-START>	JAN-31-1999
<PERIOD-END>	JUL-31-1999
<CASH>	238
<SECURITIES>	0
<RECEIVABLES>	1363
<ALLOWANCES>	0
<INVENTORY>	3973
<CURRENT-ASSETS>	6229
<PP&E>	13213
<DEPRECIATION>	3805
<TOTAL-ASSETS>	16415
<CURRENT-LIABILITIES>	4859
<BONDS>	5178
<PREFERRED-MANDATORY>	6
<PREFERRED>	0
<COMMON>	73
<OTHER-SE>	5411
<TOTAL-LIABILITY-AND-EQUITY>	16415
<SALES>	14966
<TOTAL-REVENUES>	14966
<CGS>	10843
<TOTAL-COSTS>	10843
<OTHER-EXPENSES>	683
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	192
<INCOME-PRETAX>	691
<INCOME-TAX>	269
<INCOME-CONTINUING>	422
<DISCONTINUED>	0
<EXTRAORDINARY>	4
<CHANGES>	0
<NET-INCOME>	418
<EPS-BASIC>	.93
<EPS-DILUTED>	.89

</TABLE>