calculation of after-tax return on invested capital

Numerator							
(dollars in millions) (unaudited)	Q2 2018[(a)]	Q1 2018[(a)]	Q4 2017[(a)]	Q3 2017	Q2 2017	Q1 2017[(b)]	Q4 2016[(b)]
Operating income	$ 4,150	$ 4,110	$ 4,224	$ 4,418	$ 4,601	$ 4,723	$ 4,864
+ Net other income / (expense)	$ 41	$ 51	$ 59	$ 69	$ 80	$ 93	$ 88
EBIT	$ 4,191	$ 4,161	$ 4,283	$ 4,487	$ 4,681	$ 4,816	$ 4,952
+ Operating lease interest [(c)]	81	80	79	76	76	75	74
- Income taxes [(d)(e)]	589	692	867	1,412	1,564	1,633	1,643
Net operating profit after taxes	**$ 3,683**	**$ 3,549**	**$ 3,495**	**$ 3,151**	**$ 3,193**	**$ 3,258**	**$ 3,383**

Denominator												
(dollars in millions) (unaudited)	Q2 2018	Q1 2018	Q4 2017[(b)]	Q3 2017	Q2 2017	Q1 2017[(b)]	Q4 2016[(b)]	Q3 2016	Q2 2016	Q1 2016[(b)]	Q4 2015
Current portion of long-term debt and other borrowings	$ 1,044	$ 283	$ 281	$ 1,366	$ 1,365	$ 1,729	$ 1,729	$ 729	$ 647	$ 1,634	$ 815
+ Noncurrent portion of long-term debt	10,108	11,107	11,117	11,090	10,706	10,916	10,862	12,097	12,063	12,431	11,945
+ Shareholders' equity	11,167	11,158	11,651	11,092	11,055	10,979	10,915	11,069	11,577	12,506	12,965
+ Operating lease liabilities [(f)]	2,183	2,157	2,072	2,041	2,032	2,049	1,970	1,192	1,274	1,902	1,457
- Cash and cash equivalents	1,180	1,060	2,643	2,725	2,291	2,680	2,512	1,231	1,480	4,036	4,046
- Net assets of discontinued operations [(g)]	—	—	2	4	10	17	62	60	80	249	226
Invested capital	$ 23,322	$ 23,645	$ 22,476	$ 22,860	$ 22,857	$ 22,976	$ 22,902	$ 23,796	$ 24,001	$ 24,188	$ 22,910
Average invested capital [(h)]	**$ 23,090**	**$ 23,310**	**$ 22,689**	**$ 23,557**	**$ 23,639**	**$ 23,582**	**$ 22,906**				

After-tax return on invested capital [(i) (j)]	**16.0%**	**15.2%**	**15.4%**	**13.4%**	**13.5%**	**13.8%**	**14.8%**
After-tax return on invested capital excluding discrete impacts of Tax Act	**14.2%**	**13.5%**	**13.6%**				

[(a)] The trailing 12 months ended August 4, 2018, May 5, 2018, and February 3, 2018 consisted of 53 weeks compared with 52 weeks in the comparable prior periods.
[(b)] Beginning with the first quarter 2018, we adopted the new accounting standards for revenue recognition, leases, and pensions. We are presenting certain prior period results on a basis consistent with the new standards and conformed to the current period presentation. We provided additional information about the impact of the new accounting standards on previously reported financial information in a Form 8-K filed on May 11, 2018.
[(c)] 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. Calculated using the discount rate for each lease and recorded as a component of rent expense within SG&A expense on our Consolidated Statements of Operations.
[(d)] Calculated using the effective tax rate for continuing operations.
[(e)] The effective tax rate for the trailing twelve months ended August 4, 2018, May 5, 2018, and February 3, 2018, includes discrete tax benefits of the Tax Cuts and Jobs Act (Tax Act). The effective tax rate for these periods also includes the impact of the new lower federal income tax rate.
[(f)] Total short-term and long-term operating lease liabilities included within Accrued and Other Current Liabilities and Noncurrent Operating Lease Liabilities on the Consolidated Statements of Financial Position.
[(g)] Included in Other Assets and Liabilities on the Consolidated Statements of Financial Position.
[(h)] Average based on the invested capital at the end of the current period and the invested capital at the end of the prior period.
[(i)] Adoption of the new lease standard reduced ROIC by 0.2-0.5 percentage points for periods presented.
[(e)] Additional information as previously reported is available under "summary financials/archives" on investors.target.com.

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