

What makes Nordstrom unique?

2000 ANNUAL REPORT

NORDSTROM



Financial Highlights

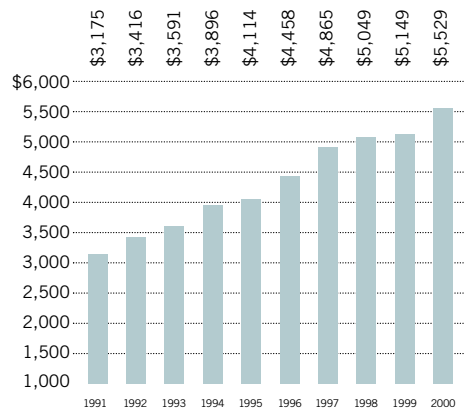
Dollars in thousands except per share amounts

Fiscal Year	2000	1999	% Change
Net sales	\$5,528,537	\$5,149,266	7.4
Earnings before income taxes	167,018	332,057	(49.7)
Net earnings	101,918	202,557	(49.7)
Basic earnings per share	0.78	1.47	(46.9)
Diluted earnings per share	0.78	1.46	(46.6)
Dividends paid per share	0.35	0.32	9.4

Stock Prices

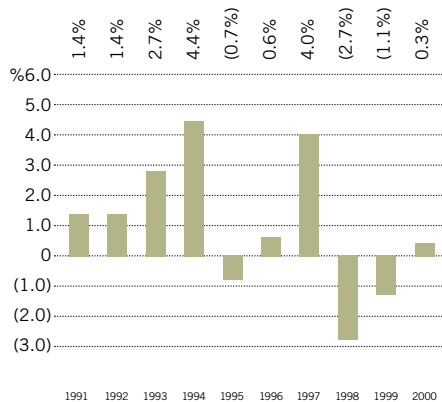
Fiscal Year	2000		1999	
	high	low	high	low
First Quarter	34.50	18.25	44.81	34.63
Second Quarter	30.00	16.56	39.38	30.38
Third Quarter	19.50	14.19	33.13	23.13
Fourth Quarter	21.00	14.88	28.00	21.31

Nordstrom, Inc. common stock is traded on the New York Stock Exchange
NYSE Symbol-JWN.

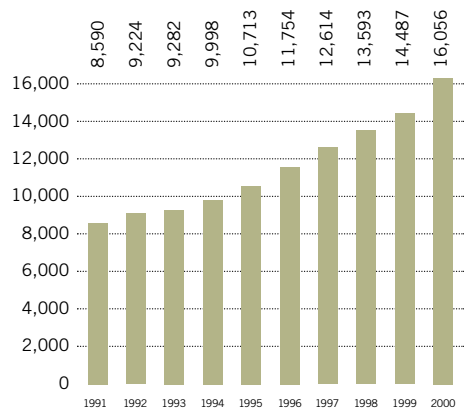


Net Sales

Dollars in Millions

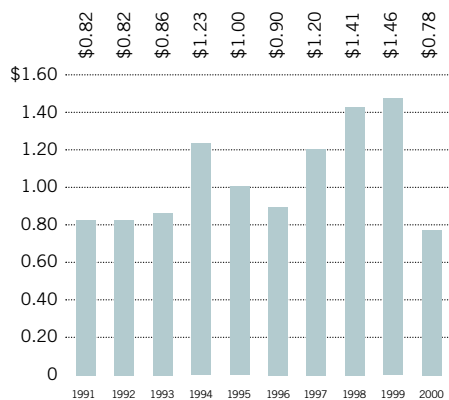


Comparable Store Sales



Total Square Footage

In Thousands



Diluted Earnings Per Share

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View this entire report online.

Please visit

www.nordstrom.com

to see this report and obtain the latest available information.



It's written all over our faces.





“Through this door pass the most courteous people in the world.”

Sign inside Nordstrom employee entrance, many locations

When you hear the word Nordstrom, what immediately comes to mind? A great new outfit? Your favorite weekend sweater? That perfect pair of shoes? Perhaps. But chances are, the first thing that comes to mind is a person. The person who showed you the outfit. Sold you the sweater. Helped you find those shoes. A friendly person. A knowledgeable person. A person with whom you somehow just, well, clicked.

This person you can picture so vividly represents the very foundation of our company. The essence of our culture. What sets us apart. This, of course, is the Nordstrom salesperson.

They come in all shapes and sizes. All colors and creeds. All ages and lifestyles. Each is very different. Yet all share one common trait. These are people who genuinely like other people. Who enjoy sharing a smile, or a story. Who actually experience a sense of joy in seeing someone walk away happy.

Obviously, we are very proud of our folks on the front lines, whether they're fitting you in a pair of shoes, fulfilling an order on our Web site or answering a question about your Nordstrom Visa® account. They are the ones we rely on to uphold the standards that have been set, and who will continue to build upon these standards, one customer at a time.

Mickey Shapiro, a top shoe salesperson in our Old Orchard store in Skokie, Illinois, has been with Nordstrom but a short time, yet has already made his mark. Actually, Mickey has been in the shoe business for years, having previously run his own shoe store on Michigan Avenue in Chicago. His vast experience offers him the opportunity to help the less-experienced members of the team, who regularly seek out Mickey for advice. Hard telling who enjoys it more.

Jeanne Breinholt is the manager of the Nordstrom Rack at Sugarhouse Square in Utah. In her Nordstrom career, she has worked in many different departments throughout the store, and was once recognized as a Customer Service All-Star while selling cosmetics. Jeanne really relishes her current role, however, in that it allows her the chance to mentor the Nordstrom leaders of tomorrow.







Dear Yolanda,
I am writing this letter to tell you how much we appreciate your organizational skills and your ability to work with our customers. You have coordinated many events that have been successful. She knows what is happening on the floor and can answer any questions we may have.
Yolanda is truly a team player and a credit to the Nordstrom team.
Sincerely,
Allan Zuckerman
SVP, Vice President
Customer Service



How Awesome is Nita Hawkins!
30 minutes to get my pitch

"I NO LONGER SHOP THE SALES - NOW THAT YOLANDA IS MY PERSONAL SHOPPER. SHE GIVES ME WONDERFUL SERVICE, AND TO ME THAT'S WORTH A LOT."



WE'D LIKE TO HEAR FROM YOU
At Nordstrom, you the customer are the most important person. We want you to tell us how we can improve our service and make your shopping experience even better. We look forward to hearing from you.
We have been so lucky to have Nita Hawkins as our personal shopper. She is a real gem, friendly, helpful, and she always goes the extra mile to support her customers. Thank you!
If you send this to us, please give it to your Nordstrom associate.

Nordstrom and Friends Hold 4th Annual Fashion Month Celebration
October 12, 1999
Jenna Nordstrom
2 RE
CA 92108



Like many of our customers, **Nita Hawkins** has, in her words, "a passion for fashion." This passion translates into keen interest in trends and great product knowledge. The beneficiaries, of course, are Nita's customers, who enjoy sharing with her their love of style, and trust her to help them look their very best. Nita has been with Nordstrom going on nine years now, and currently works in Studio 121 at Perimeter Mall in Atlanta. She has achieved Pacesetter each of her eight years with the company and is a two-time Customer Service All-Star. If that weren't enough, Nita even got to live out her dream of being a runway model during a Nordstrom fashion show in San Diego.

Yolanda Larson is the manager of the Studio 121 department at our Fashion Valley store in San Diego. Her Nordstrom career started in 1992 when she helped open the Mall of America store near Minneapolis. In fact, she became an All-Star that very first year. Yolanda has also been a Pacesetter. Perhaps more telling, however, is the fact that she currently has seven Pacesetters on her staff, a true testament to her incredible leadership abilities.

“We’re thankful to have customers that care enough about our store and merchandise to tell us how they feel.”

Pete Nordstrom, investors conference, December 6, 2000 in New York City

Over the past year, you undoubtedly noticed some changes at Nordstrom. Changes in the way we presented ourselves. In our selection of merchandise. In the look and feel of our stores. All of these changes represented an attempt to address certain customers' desire for more updated fashion options. And, at the same time, to expand our customer base. Many customers liked what they saw. Many did not. In the business of fashion, change is not only essential, it's a driving force. But it's clear to us now that in our efforts to move quickly and adjust our merchandise offering and presentation, we confused many of our most loyal customers. And many of our employees, as well.





“The number one thing about Nordstrom?
It has to be our people. Their performance.
Their actions. Our job is to support those folks.”

Blake Nordstrom, investors conference, December 6, 2000, New York City

It has become apparent to all of us within the company that we must direct our focus to our greatest asset: our people on the front lines. History has proven that when we follow their lead, and address their needs, they feel empowered to address the needs of our customers. They become confident in their own ability to follow through. And gain a sense of ownership for everything they do.

Well under way are initiatives designed to reconnect all company resources with the selling floor. A big part of this, of course, is providing our sales staff with the right mix of merchandise. In order for our salespeople to be effective, to truly serve the customer, we must deliver relevant and desirable fashion. Fashion that people want to wear. Clothing that makes them feel confident, appropriate and attractive. In other words, we must fill our stores with the styles our customers are seeking for their everyday lives, whether fashion-forward and contemporary, or classic and traditional. The key is creating the right balance.

We believe it all comes back to placing the decision-making process as close to the customer as possible. To this end, all those who directly support our frontline personnel — department managers, store managers, buyers — have been challenged to focus their time and energy prioritizing and acting upon feedback we receive from our salespeople and customers. We have adapted our merchandising team to be more responsive to regional preferences, while at the same time leveraging our size and expertise on a national level.

After raising her family, **Elaine Hahs** came to work at our Mall of America store with no selling experience. She did, however, come equipped with an easy smile and genuine interest in others. In the nine years since she joined the company she has gained tons of experience, but cites those innate personal skills as the real reason she has been the number one salesperson in our Encore department the last seven years in a row. Elaine has also been honored as a Customer Service All-Star.

As you can tell from **Sidney Johnson's** picture on the facing page, he is a pretty friendly and likeable guy. Unfortunately, our customers don't have the pleasure of seeing Sidney's sunny smile. You see, Sidney is a Customer Service Representative at nordstrom.com, whose job it is to take orders and assist customers over the phone. Regardless, his helpful nature comes shining through. But don't let his pleasant demeanor fool you, he'll relentlessly track down an item for a customer if that's what it takes to make her happy.









Shelton Cole works in our Men's Clothing department at Tacoma Mall, but his career at Nordstrom has taken him to both Chicago and Las Vegas as a four-time winner of the Hart Schaffner & Marx annual contest as the company's number one seller of their suits. He also took part in an international clothing seminar in Taiwan at the request of one of his loyal customers. Shelton has twice been honored as a Customer Service All-Star.

Like many Nordstrom employees, **David Ben Ami** often receives letters from customers grateful for the service he provided. What may surprise you, however, is that David works in our Credit Office — and the letters he's gotten are from people he called because they were behind on their payments or had other issues with their accounts. They wrote, in short, because David showed compassion for the situation and conveyed a sincere desire to help. Regardless of the challenge, David's sense of fairness and compassion always come across loud and clear.

In today's highly competitive and constantly evolving retail environment, we need to provide our people with the tools they need to compete. A top priority in the company today is our perpetual inventory management system. When fully operational, it will enable a salesperson to track down an item for a customer from anywhere in the company in the time it takes to ring up the sale.

Without a doubt, there are plenty of opportunities to improve our performance within our existing operations. We are currently coordinating our efforts behind the scenes to maximize efficiency. And in keeping with our plan to direct our attention and energies to the point-of-sale, some of the savings realized behind the scenes will be funneled back to the sales floor. In effect, reinvesting in our people and level of service they provide, thus reinforcing our primary point of difference.

“It's no secret that Nordstrom's customer service ethic is what built this company's reputation. And, after all, without that reputation we would be just another store.”

Bruce Nordstrom, excerpt from employee newsletter, spring 2000

Looking ahead, there are a number of new opportunities to explore; all will be scrutinized from a more strategic and financial perspective. This past year, we had several successful full-line store openings, topped by our store on Michigan Avenue in Chicago, which achieved the highest first-day sales in the history of Nordstrom. Already in 2001, we opened a new store at North East Mall in suburban Dallas and replaced our Valley Fair store in San Jose. This fall brings new full-line stores to Columbus, Ohio; Tampa, Florida and Chandler, Arizona.





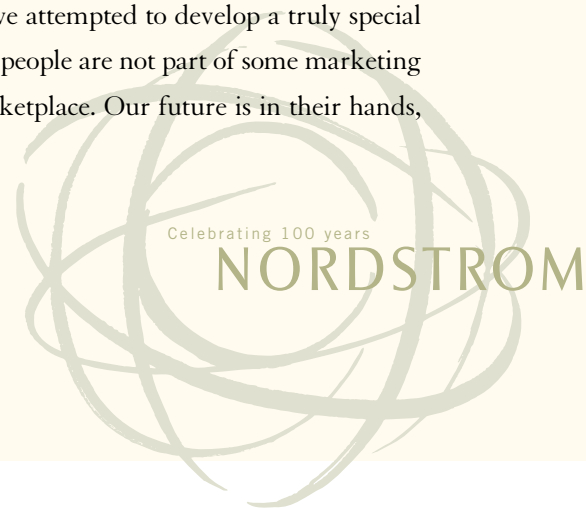
Our Nordstrom Rack continues to play a vital role in keeping our full-line store merchandise selection fresh, while offering a comprehensive selection of off-price and special-purchase items. In addition, this division has proven to be a great training ground for new employees. Ten Nordstrom Racks were opened in 2000, and eight are scheduled to open in 2001. Last year we also completed the purchase of Façonnable. This acquisition builds on our extensive history of effective and profitable partnership with this highly respected French designer, wholesaler and retailer of high quality men's and women's apparel and accessories. We continue to see value in reaching out to our customers through our Internet and catalog businesses, as well. Indeed, there are many channels that offer an opportunity to connect with our customers. In the end, we believe our success as an organization will depend on our ability to consistently provide the Nordstrom experience regardless of market or medium.

“Our success is solely dependent upon our ability to support one another and share that expression of courtesy and respect to each and every customer who comes in contact with Nordstrom.”

Blake Nordstrom, from message to employees in company newsletter, December 2000

The executive team has been in place since September, although most have been Nordstrom employees for over 20 years. In fact, most of our executive team members got their start right on our selling floor, and through hard work, talent and commitment to core company values, find themselves in a position to help guide the company to reach its fullest potential. To a person, they are all dedicated to doing whatever it takes to support the true leaders of our company — those in direct, daily contact with our customers.

As you may know, 2001 marks our 100th year in business. Everyone at Nordstrom can look back with pride to the many successes and phenomenal growth the company has achieved. We can also gaze upon a future full of possibilities. The groundwork has been laid. Through the efforts of so many great employees over the years, we have attempted to develop a truly special bond with our customers. The attitude and actions of our people are not part of some marketing strategy, per se, but they are what set us apart in the marketplace. Our future is in their hands, and therein lies our best opportunity for success.





Executive Team

Blake W. Nordstrom

Blake Nordstrom
President,
Nordstrom, Inc.
Joined Nordstrom in 1975



Jammie Baugh

Jammie Baugh
Executive Vice President,
Human Resources
Joined Nordstrom in 1974

Gail Cottle

Gail Cottle
Executive Vice President and
President, Nordstrom Product Group
Joined Nordstrom in 1969



Linda Toschi Finn

Linda Toschi Finn
Executive Vice President,
Marketing
Joined Nordstrom in 1975

Kevin Knight

Kevin Knight
Executive Vice President and
President, Nordstrom Credit and Customer
Relationship Marketing
Joined Nordstrom in 1998



Pete Nordstrom

Pete Nordstrom
Executive Vice President and
President, Full-line Stores
Joined Nordstrom in 1976

Dan Nordstrom

Dan Nordstrom
Chief Executive Officer,
Nordstrom.com
Joined Nordstrom in 1975



Joel Stinson

Joel Stinson
Executive Vice President,
Chief Administrative Officer
Joined Nordstrom in 1976

Delena Sunday

Delena Sunday
Executive Vice President,
Diversity Affairs
Joined Nordstrom in 1980



Sue Wilson Tabor

Sue Wilson Tabor
Executive Vice President and
President, Nordstrom Rack
Joined Nordstrom in 1967

The Chief Financial Officer
was not named at press time.



Rita Noguchi manages the Narrative department at our Arden Fair store in Sacramento. But it's safe to say she doesn't have a staff so much as she has a fan club. The fact that each member of her team made Pacesetter this past year, including the #1 Narrative Pacesetter in the company, only serves to reinforce the unique relationship she has with her team and the role she plays as mentor and motivator. Rita also achieved Pacesetter status herself once — while working part time, no less.

When **Ada Day** walked through the employee entrance to interview for a job at Nordstrom she noticed a sign above the door. It read "Through these doors pass the most courteous people in the world" and she immediately knew it was the place she wanted to be. As the Concierge at our Short Hills store in New Jersey, Ada is called upon to live up to this mantra every day, helping people with everything and anything they may need — even comforting a frightened 4-year-old until her parents were located at the other end of the mall. It's just part of the job. And with Ada, it just comes naturally. It's no wonder she has twice been honored as a Customer Service All-Star.





Dear Customers, Shareholders and Employees,

The year 2001 represents a significant event in the history of Nordstrom. It was 100 years ago that my great-grandfather first opened the doors of a modest little shoe store in Seattle. Reaching this milestone presents a fitting opportunity to reflect upon the past and look toward the future. Everyone at Nordstrom is proud of this company's accomplishments over the last century, but we recognize that our commitment to serving our customers must be renewed every day.

Our performance in 2000 did not meet our expectations, and chances are it didn't meet yours. In response, we have narrowed our focus to include the following priorities:

- Achieving a balanced mix of merchandise, appropriately tailored by market, to better serve our broad base of customers
- Utilizing information technology as a selling tool - in the form of a perpetual inventory system - to help us offer not only the right merchandise, but the right amount of merchandise, in every store
- Identifying efficiencies in back-of-the-house areas of our business to both control costs and offer greater support to the selling floor
- Managing our growth - maintaining focus on our existing business while capitalizing on favorable expansion opportunities

Some of these initiatives will have an impact on our business this year; some will produce benefits realized over time. The bottom line: even in the face of a changing economy, we are confident that by concentrating on doing what's right for our customers, we will also do what's right for our shareholders. We have many reasons to be optimistic - over 45,000 to be exact. After all, our people continue to be our greatest asset. They are the ones who maintain and build upon our reputation. They understand it is their business, their customer, their legacy.

I am also enthusiastic about our executive team, which I am working with very closely. Each of these individuals has experienced remarkable success as a leader and mentor. They fully understand the importance of supporting those individuals within the Company who are in direct contact with the customer, and giving them the tools they need to be competitive and provide better service.

Our aim is not only to live up to, but to exceed, the extraordinary standards that have been set, so that the next 100 years at Nordstrom will be no less remarkable than the first. To achieve this, we will work to demonstrate, on a daily basis, a level of service that will justify your ongoing goodwill and support. Of course, we also welcome your input, which has always been key to helping improve our business.

Sincerely,

Blake W. Nordstrom
President



Management's Discussion and Analysis

The following discussion and analysis reviews the past three years and provides additional information on future expectations and trends. Some of the information in this annual report, including anticipated store openings and planned capital expenditures, are forward-looking statements, which are subject to risks and uncertainties. Actual future results and trends may differ materially depending upon a variety of factors, including, but not limited to, the Company's ability to predict fashion trends and consumer apparel buying patterns, the Company's ability to maintain and control proper inventory levels, the Company's ability to control costs and expenses, trends in personal bankruptcies and bad debt write-offs, employee relations, adverse weather conditions and other hazards of nature such as earthquakes and floods, the Company's ability to continue its expansion plans, and the impact of ongoing competitive market factors. This discussion and analysis should be read in conjunction with the basic consolidated financial statements and the Ten-Year Statistical Summary.

Overview

During 2000 (the fiscal year ended January 31, 2001), Nordstrom, Inc. and its subsidiaries (collectively, the "Company") achieved increases in net sales compared to the prior year, but also incurred higher costs in several expense categories. Other factors contributing to lower overall profitability were non-recurring charges related to the write-off of an investment in an Internet grocery and consumer goods delivery company (approximately \$33 million pre-tax), the write-off of certain abandoned and impaired information technology projects (approximately \$10 million pre-tax) and the incurrence of certain severance and other costs related to a change in management (approximately \$13 million pre-tax).

During 2000, the Company opened 6 full-line stores in Atlanta, Georgia; Frisco, Texas; Broomfield, Colorado; Roseville, California; Chicago, Illinois; and Boca Raton, Florida. The Company also opened 10 Nordstrom Rack

stores in Atlanta, Georgia; Hurst, Texas; Plano, Texas; Glendale, California; Troy, Michigan; Honolulu, Hawaii; Spokane, Washington; Oak Brook, Illinois; Scottsdale, Arizona; and Chandler, Arizona. As a result of the acquisition of Façonnable, S.A. in October 2000, the Company also operates 20 Façonnable boutiques located primarily in Europe.

Results of Operations

Net Sales

The Company achieved a 7.4% increase in sales in 2000 as compared to 1999 (the fiscal year ended January 31, 2000). Certain components of the percentage change in sales by year are as follows:

Fiscal Year	2000	1999	1998
Sales in comparable stores	0.3%	(1.1%)	(2.7%)
Nordstrom.com	32.2%	9.2%	35.5%
Total increase	7.4%	2.0%	3.8%

Comparable store sales (sales in stores open at least one full fiscal year at the beginning of the fiscal year) were essentially flat in 2000, with increases in shoes, cosmetics and accessories being offset primarily by decreases in women's apparel. The Company believes the decreases in women's apparel are primarily attributable to a change in the merchandise mix in the women's apparel areas, which did not result in sales increases as planned. In 1999, comparable store sales decreased primarily due to missed fashion product offering opportunities in the women's, kids' and juniors' apparel divisions. The decrease in comparable store sales in 1998 over 1997 was primarily attributable to the reduction of inventory levels, which resulted in lower, but more profitable, sales.

The Company has continued to expand its store base over the past several years with store openings. New stores are generally not as productive as older, more established stores, because the customer base and traffic patterns of each new location are developed over time.



Nordstrom.com continued to contribute to the Company's sales growth with revenues of \$311 million, \$235 million and \$215 million in 2000, 1999 and 1998, respectively.

The Company's average price point has varied slightly over the past three years, due primarily to changes in the merchandise mix. Inflation in overall merchandise costs and prices has not been significant during the past three years.

Gross Profit

Gross profit (net sales less cost of sales and related buying and occupancy expenses) as a percentage of net sales declined to 34.0% in 2000, as compared to 34.8% in 1999, and 33.8% in 1998.

The decline in 2000 is attributable to lower than anticipated sales, which also resulted in increased markdowns in order to liquidate excess inventory. The 1999 improvement reflects changes in the Company's buying processes and vendor programs, which was partially offset by increased occupancy costs related to new stores and remodeling projects.

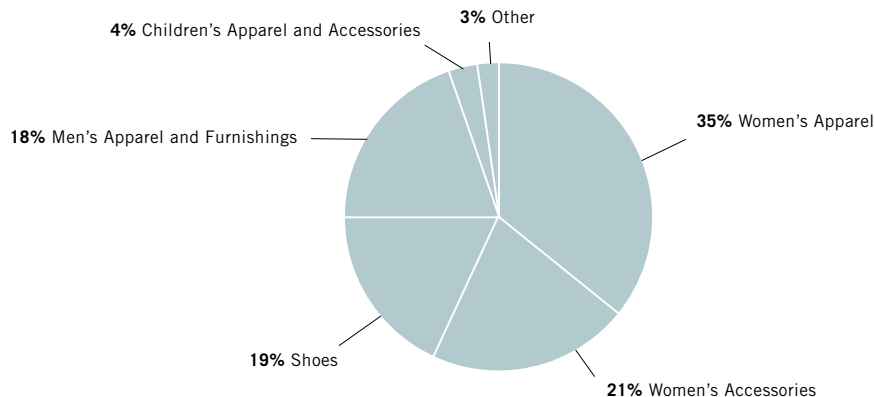
Selling, General and Administrative

Selling, general and administrative expenses as a percentage of net sales were 31.6% in 2000, 29.6% in 1999, and 28.3% in 1998.

The increase in 2000, as a percentage of net sales, includes third quarter charges of approximately \$10 million (pre-tax) related to the write-off of abandoned and impaired information technology projects, and approximately \$13 million (pre-tax) of employee severance and other costs related to a change in management. In addition, increased costs in the areas of selling, credit, sales promotion, and information services accounted for the majority of the increase in the expense.

The 1999 increase, as a percentage of net sales, was partially due to a charge of approximately \$10 million (pre-tax) primarily associated with the restructuring of the Company's information technology services area in order to improve its efficiency and effectiveness. The Company also experienced substantially increased operating expenses of approximately \$23 million, associated with the increased sales activity of Nordstrom.com and Nordstromshoes.com. These increases were partially offset by lower bad debt expense due to the improved credit quality of the Company's credit card receivables.

PERCENTAGE OF 2000 SALES BY MERCHANDISE CATEGORY





Interest Expense, Net

Interest expense, net increased 24.4% in 2000 primarily due to higher average borrowings to finance capital expenditures, the purchase of Façonnable, S.A. and the repurchase of shares. In 1999, interest expense, net increased 7% as a result of higher average borrowings to finance share repurchases. The Company repurchased 3.9 million and 10.2 million shares at an aggregate cost of approximately \$86 million and \$303 million in 2000 and 1999, respectively.

Service Charge Income and Other, Net

Service charge income and other, net primarily represents income from the Company's credit card operations, offset by miscellaneous expenses.

Service charge income and other, net increased in 2000 due to higher service charge and late fee income associated with increases in credit sales and the number of credit accounts, and higher accounts receivable securitization gains. Service charge income and other, net was flat in 1999.

Write-off of Investment

The Company held common shares in Streamline.com, Inc., an Internet grocery and consumer goods delivery company, at a cost of approximately \$33 million. Streamline ceased its operations effective November 2000. During the year, the Company wrote off the entire investment in Streamline.

Net Earnings

Net earnings for 2000 were lower than in 1999 due primarily to the write-off of the Streamline investment (\$20 million after-tax, \$.15 per share), non-recurring charges related to the write-down of abandoned and impaired information and technology projects (\$6 million after-tax, \$.05 per share), and employee severance and other costs (\$8 million after-tax, \$.06 per share). Net earnings, excluding non-recurring charges would have been \$136 million and \$209 million in 2000 and 1999, respectively. In addition, the Company experienced higher selling, general and administrative

expenses, partially offset by higher service charge income. Net earnings for 1999 were slightly lower than 1998 as the Company's sales and gross margin improvements were offset by increases in selling, general and administrative expenses.

Liquidity and Capital Resources

The Company finances its working capital needs, capital expenditures, the purchase of Façonnable, and share repurchase activity with cash provided by operations and borrowings.

For the fiscal year ended January 31, 2001, net cash provided by operating activities decreased approximately \$198 million compared to the fiscal year ended January 31, 2000, primarily due to lower net earnings and an increase in accounts receivable and merchandise inventories, partially offset by an increase in accounts payable. The increase in accounts payable was primarily due to a change in the Company's policy to pay its vendors based on receipt of goods rather than the invoice date. For the fiscal year ended January 31, 2000, net cash provided by operating activities decreased approximately \$223 million compared to the fiscal year ended January 31, 1999, primarily due to the non-recurring benefit of prior year reductions in inventories and customer receivable account balances.

For the fiscal year ended January 31, 2001, net cash used for investing activities increased approximately \$119 million compared to the fiscal year ended January 31, 2000, primarily due to an increase in capital expenditures to fund new stores and remodels. Additionally, approximately \$84 million of cash, net of cash acquired, was used to purchase Façonnable, S.A. ("Façonnable"), of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The purchase also provides for contingent payments to the principals that may be paid in fiscal 2006 based on the performance of the subsidiary and the continued active involvement of the principals in Façonnable. The contingent payments will be expensed when it becomes probable that the performance targets will



be met. Assuming Façonnable performed at 100% of the plan, the contingent payments would be approximately \$20 million. For the fiscal year ended January 31, 2000, net cash used in investing activities decreased approximately \$68 million compared to the fiscal year ended January 31, 1999, primarily due to an increase in funds provided by developers to defray part of the Company's costs of constructing new stores.

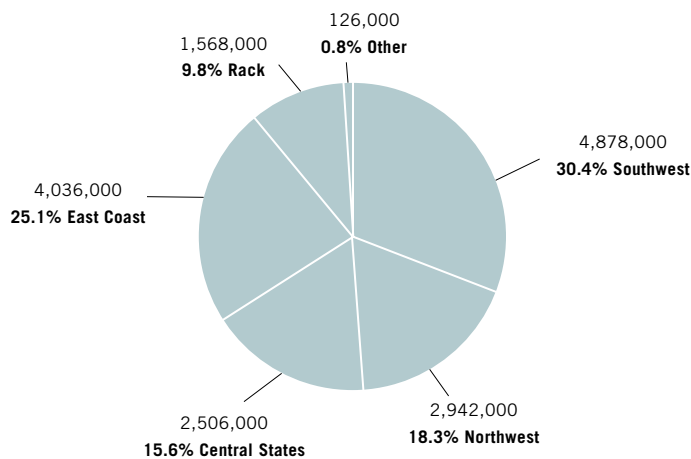
The Company's capital expenditures aggregated approximately \$652 million over the last three years, net of developer reimbursements, principally to add new stores and facilities and to improve existing stores and facilities. Over 3.4 million square feet of retail store space has been added during this time period, representing an increase of 27% since January 31, 1998.

The Company plans to spend approximately \$1.2 billion, net of developer reimbursements, on capital projects during the next three years, including new stores, the remodeling of existing stores, new systems and technology, and other items. At January 31, 2001, approximately \$428 million has been contractually committed for the construction of new stores, buildings or the remodel of existing stores. Although

the Company has made commitments for stores opening in 2001 and beyond, it is possible that some stores may not be opened as scheduled because of delays inherent in the development process, or because of the termination of store site negotiations.

In addition to its cash flow from operations, the Company has \$500 million available under its revolving credit facility. Management believes that the Company's current financial strength and credit position enable it to maintain its existing stores and to take advantage of attractive growth opportunities. The Company has senior unsecured debt ratings of Baa1 and A- and commercial paper ratings of P-2 and A-2 from Moody's and Standard and Poor's, respectively. The Company owns a 49% interest in a limited partnership which is constructing a new corporate office building in which the Company will be the primary occupant. In accordance with Emerging Issues Task Force Issue No. 97-10 "The Effect of Lessee Involvement in Asset Construction", the Company is considered to be the owner of the property. Construction in progress includes capitalized costs related to this building of \$57 million as of January 31, 2001. The Company is a guarantor of a \$93 million

SQUARE FOOTAGE BY MARKET AREA AT JANUARY 31, 2001



credit facility of the limited partnership of which \$53 million is outstanding as of January 31, 2001 and included in other long-term debt.

The holders of the minority interest of Nordstrom.com, LLC, through their ownership interests in its managing member Nordstrom.com, Inc., have the right to sell their shares of Nordstrom.com, Inc. to the Company for the greater of the fair value of the shares or \$80 million in the event that certain events do not occur. This put right will terminate without any further action by either party if the Company provides at least \$100 million in additional funding to Nordstrom.com, Inc. prior to July 1, 2002 or if Nordstrom.com, Inc. completes an initial public offering of its common stock prior to September 1, 2002. If, and when, redemption of these securities becomes probable, the Company would begin to accrete the difference between the fair value of the securities and its redemption amount over the period remaining prior to redemption.

The Board of Directors has authorized an aggregate of \$1.1 billion of share repurchases since May 1995. As of January 31, 2001, the Company had repurchased approximately 39 million shares of its common stock for approximately \$1.0 billion pursuant to these authorizations, and had remaining share repurchase authority of approximately \$100 million. Share repurchases have been financed, in part, through additional borrowings, resulting in a planned increase in the Company's debt to capital ratio. At January 31, 2001, the Company's debt to capital ratio was .49.

In October 2000, the Company issued \$300 million of 8.95% Senior Notes due in 2005. These proceeds were used to reduce short-term indebtedness, to fund the acquisition of Façonnable, and for general corporate purposes. A substantial portion of the Company's total debt of \$1.2 billion at January 31, 2001 finances the Company's credit card portfolio, which aggregated \$716 million at that date. In January 1999, the Company issued \$250 million of 5.625% Senior Notes due in 2009, the proceeds of which were used to repay short-term debt and for general corporate purposes.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138, requires the Company to recognize all derivatives as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. Adoption of this standard in the fiscal year beginning February 1, 2001, did not have a material impact on the Company's consolidated financial statements.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", a replacement of SFAS No. 125 with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures, but otherwise retains most of SFAS No. 125's provisions. SFAS No. 140 is effective for transfers after March 31, 2001, with certain disclosures required for periods ending on or after December 31, 2000. Adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

The Company adopted Emerging Issues Task Force Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs" ("EITF No. 00-10") in the fourth quarter of fiscal 2000. EITF No. 00-10 addresses the income statement classification for shipping and handling fees and costs. Adoption of this issue did not have a material impact on the Company's consolidated financial statements for the fiscal year ended January 31, 2001.

In May 2000, the Emerging Issues Task Force reached a consensus on Issue No. 00-14 "Accounting for Certain Sales Incentives" ("EITF No. 00-14"). This EITF addresses the recognition, measurement and income statement classification for certain sales incentives. The Company's adoption of this EITF during the fourth quarter of fiscal 2000 did not have a material impact on the Company's consolidated financial statements for the fiscal year ended January 31, 2001.

Consolidated Statements of Earnings

Dollars in thousands except per share amounts

Year ended January 31,	2001	% of sales	2000	% of sales	1999	% of sales
Net sales	\$5,528,537	100.0	\$5,149,266	100.0	\$5,049,182	100.0
Costs and expenses:						
Cost of sales and related buying and occupancy	(3,649,516)	(66.0)	(3,359,760)	(65.2)	(3,344,945)	(66.2)
Gross profit	1,879,021	34.0	1,789,506	34.8	1,704,237	33.8
Selling, general and administrative	(1,747,048)	(31.6)	(1,523,836)	(29.6)	(1,429,837)	(28.3)
Operating income	131,973	2.4	265,670	5.2	274,400	5.5
Interest expense, net	(62,698)	(1.1)	(50,396)	(1.0)	(47,091)	(0.9)
Write-down of investment	(32,857)	(0.6)	—	—	—	—
Service charge income and other, net	130,600	2.3	116,783	2.2	110,414	2.1
Earnings before income taxes	167,018	3.0	332,057	6.4	337,723	6.7
Income taxes	(65,100)	(1.2)	(129,500)	(2.5)	(131,000)	(2.6)
Net earnings	\$101,918	1.8	\$202,557	3.9	\$206,723	4.1
Basic earnings per share	\$0.78		\$1.47		\$1.41	
Diluted earnings per share	\$0.78		\$1.46		\$1.41	
Cash dividends paid per share	\$0.35		\$0.32		\$0.30	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

Dollars in thousands

January 31,	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	\$25,259	\$27,042
Short-term investment	—	25,527
Accounts receivable, net	721,953	616,989
Merchandise inventories	945,687	797,845
Prepaid income taxes and other	120,083	97,245
Total current assets	1,812,982	1,564,648
Land, buildings and equipment, net	1,599,938	1,429,492
Available-for-sale investment	—	35,251
Goodwill	39,495	—
Trademarks and other intangible assets	103,978	—
Other assets	52,110	32,690
Total assets	\$3,608,503	\$3,062,081
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$83,060	\$70,934
Accounts payable	466,476	390,688
Accrued salaries, wages and related benefits	234,833	211,308
Income taxes and other accruals	153,613	135,388
Current portion of long-term debt	12,586	58,191
Total current liabilities	950,568	866,509
Long-term debt	1,099,710	746,791
Deferred lease credits	275,252	194,995
Other liabilities	53,405	68,172
Shareholders' equity:		
Common stock, no par; 250,000,000 shares authorized; 133,797,757 and 132,279,988 shares issued and outstanding	330,394	247,559
Unearned stock compensation	(3,740)	(8,593)
Retained earnings	900,090	929,616
Accumulated other comprehensive earnings	2,824	17,032
Total shareholders' equity	1,229,568	1,185,614
Total liabilities and shareholders' equity	\$3,608,503	\$3,062,081

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Dollars in thousands except per share amounts

	Common Shares	Stock Amount	Unearned Compensation	Retained Earnings	Accum. Other Comprehensive Earnings	Total
Balance at February 1, 1998	152,518,104	\$201,050	—	\$1,257,900	—	\$1,458,950
Net earnings	—	—	—	206,723	—	206,723
Cash dividends paid (\$.30 per share)	—	—	—	(44,059)	—	(44,059)
Issuance of common stock	599,593	14,971	—	—	—	14,971
Stock compensation	194,070	14,740	\$(4,703)	—	—	10,037
Purchase and retirement of common stock	(11,197,600)	—	—	(346,077)	—	(346,077)
Balance at January 31, 1999	142,114,167	230,761	(4,703)	1,074,487	—	1,300,545
Net earnings	—	—	—	202,557	—	202,557
Unrealized gain on investment	—	—	—	—	\$17,032	<u>17,032</u>
Comprehensive net earnings	—	—	—	—	—	219,589
Cash dividends paid (\$.32 per share)	—	—	—	(44,463)	—	(44,463)
Issuance of common stock	341,947	9,577	—	—	—	9,577
Stock compensation	40,274	7,221	(3,890)	—	—	3,331
Purchase and retirement of common stock	(10,216,400)	—	—	(302,965)	—	(302,965)
Balance at January 31, 2000	132,279,988	247,559	(8,593)	929,616	17,032	1,185,614
Net earnings	—	—	—	101,918	—	101,918
Other comprehensive earnings:						
Unrealized loss on investment during period, net of tax	—	—	—	—	(23,461)	(23,461)
Reclassification of realized loss, net of tax	—	—	—	—	6,429	6,429
Foreign currency translation adjustment	—	—	—	—	2,824	<u>2,824</u>
Comprehensive net earnings	—	—	—	—	—	87,710
Cash dividends paid (\$.35 per share)	—	—	—	(45,935)	—	(45,935)
Issuance of common stock for:						
Stock option plans	181,910	4,039	—	—	—	4,039
Employee stock purchase plan	165,842	2,211	—	—	—	2,211
Business acquisition	5,074,000	77,696	—	—	—	77,696
Stock compensation, net	(14,075)	(1,111)	4,853	—	—	3,742
Purchase and retirement of common stock	(3,889,908)	—	—	(85,509)	—	(85,509)
Balance at January 31, 2001	133,797,757	\$330,394	\$(3,740)	\$900,090	\$2,824	\$1,229,568

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Dollars in thousands

Year ended January 31,	2001	2000	1999
Operating Activities			
Net earnings	\$101,918	\$202,557	\$206,723
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment	203,048	193,718	180,655
Amortization of goodwill	429	—	—
Amortization of trademark and other intangible assets	822	—	—
Amortization of deferred lease credits and other, net	(12,349)	(6,387)	(3,501)
Stock-based compensation expense	7,594	3,331	10,037
Write-down of investment	32,857	—	—
Change in operating assets and liabilities, net of effects from acquisition of business			
Accounts receivable, net	(102,945)	(29,854)	77,313
Merchandise inventories	(128,744)	(47,576)	75,776
Prepaid income taxes and other	(3,889)	(11,777)	15,357
Accounts payable	67,561	51,053	18,324
Accrued salaries, wages and related benefits	16,736	14,942	17,156
Income tax liabilities and other accruals	3,879	965	(4,828)
Other liabilities	(7,184)	7,154	8,296
Net cash provided by operating activities	179,733	378,126	601,308
Investing Activities			
Capital expenditures	(321,454)	(305,052)	(306,737)
Additions to deferred lease credits	92,361	114,910	74,264
Payment for acquisition, net of cash acquired	(83,828)	—	—
Investments in unconsolidated affiliates	—	—	(32,857)
Other, net	(5,602)	(9,332)	(2,251)
Net cash used in investing activities	(318,523)	(199,474)	(267,581)
Financing Activities			
Increase (decrease) in notes payable	12,126	(7,849)	(184,984)
Proceeds from issuance of long-term debt	308,266	—	544,165
Principal payments on long-term debt	(58,191)	(63,341)	(101,106)
Capital contribution to subsidiary from minority shareholders	—	16,000	—
Proceeds from issuance of common stock	6,250	9,577	14,971
Cash dividends paid	(45,935)	(44,463)	(44,059)
Purchase and retirement of common stock	(85,509)	(302,965)	(346,077)
Net cash provided by (used in) financing activities	137,007	(393,041)	(117,090)
Net (decrease) increase in cash and cash equivalents	(1,783)	(214,389)	216,637
Cash and cash equivalents at beginning of year	27,042	241,431	24,794
Cash and cash equivalents at end of year	\$25,259	\$27,042	\$241,431

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Dollars in thousands except per share amounts

Note 1: Summary of Significant Accounting Policies

The Company: Nordstrom, Inc. is a fashion specialty retailer offering a wide selection of high-quality apparel, shoes and accessories for women, men and children, through 120 stores located in the United States, including 77 large specialty stores, 38 clearance stores, 3 Façonnable boutiques and 2 free-standing shoe stores. As a result of the acquisition of Façonnable, S.A. ("Façonnable") in October 2000 (Note 2), the Company also operates 20 Façonnable boutiques located primarily in Europe. Approximately 32% of the company's retail square footage is located in the state of California.

The Company purchases a significant percentage of its merchandise from foreign countries, principally in the Far East. An event causing a disruption in imports from the Far East could have a material adverse impact on the Company's operations. In connection with the purchase of foreign merchandise, the Company has outstanding letters of credit totaling \$62,051 at January 31, 2001.

On November 1, 1999, the Company established a subsidiary to operate its Internet commerce and catalog businesses, Nordstrom.com LLC. The Company contributed certain assets and liabilities associated with its Internet commerce and catalog businesses, and \$10,000 in cash. Venture funds associated with Benchmark Capital and Madrona Investment Group collectively contributed \$16,000 in cash to the new entity. At January 31, 2001, the Company owns approximately 81.4% of Nordstrom.com LLC, with Benchmark Capital and Madrona Investment Group collectively holding the remaining minority interest. The minority interest holders have the right to sell their shares of Nordstrom.com LLC, through their ownership interests in its managing member Nordstrom.com, Inc., to the Company for the greater of the fair value of the shares or \$80,000 in the event that certain events do not occur. This put right will

terminate without any further action by either party if the Company provides at least \$100,000 in additional funding to Nordstrom.com, Inc. prior to July 1, 2002 or if Nordstrom.com, Inc. completes an initial public offering of its common stock prior to September 1, 2002. If, and when, redemption of these securities becomes probable, the Company would begin to accrete the difference between the fair value of the securities and its redemption amount over the period remaining prior to redemption.

Basis of Presentation: The consolidated financial statements include the accounts of Nordstrom, Inc. and its subsidiaries, the most significant of which are Nordstrom Credit, Inc., Nordstrom fsb (formerly known as Nordstrom National Credit Bank) and Nordstrom.com LLC for the entire fiscal year. In addition, the consolidated financial statements include the operating results of Façonnable from the date of acquisition (Note 2). All significant intercompany transactions and balances are eliminated in consolidation. The presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition: The Company adopted Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" in the fiscal year ended January 31, 2000. Revenues are recorded net of estimated returns and exclude sales tax. Revenue is recorded at the point of sale for retail stores. Catalog and e-commerce sales are recorded upon delivery to the customer and include shipping revenue.

Buying and Occupancy Costs: Buying costs consist primarily of salaries and expenses incurred by the Company's merchandise managers, buyers and private label product development group. Occupancy costs include rent, depreciation, property taxes and operating costs related to the Company's retail and distribution facilities.



Shipping and Handling Costs: The Company's shipping and handling costs include payments to third-party shippers and costs incurred to store, move and prepare merchandise for shipment. The costs are included in selling, general and administrative expenses.

Advertising: Costs for newspaper, television, radio and other media are generally expensed as incurred. Direct response advertising costs, consisting primarily of catalog book production and printing costs, are capitalized and amortized over the expected life of the catalog, not to exceed six months. Net capitalized direct response advertising costs were \$5,697 and \$3,938 at January 31, 2001 and 2000, and are included in prepaid income taxes and other on the consolidated balance sheets. Total advertising expenses were \$190,991, \$160,957 and \$145,841 in 2000, 1999 and 1998.

Store Preopening Costs: Store opening and preopening costs are charged to expense when incurred.

Cash Equivalents: The Company considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

Cash Management: The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at January 31, 2000 includes \$7,605 of checks not yet presented for payment drawn in excess of cash balances.

Investments: Short-term and available-for-sale investments consist of available-for-sale equity securities which are recorded at market value based on quoted market prices using the specific identification method. Unrealized gains and losses from changes in market value are reflected in accumulated other comprehensive earnings, net of related deferred taxes. Realized gains and losses and declines in value of the investments judged to be other than temporary, are included in net earnings.

Customer Accounts Receivable: In accordance with industry

practices, installments maturing in more than one year or deferred payment accounts receivable are included in current assets.

Merchandise Inventories: Merchandise inventories are stated at the lower of cost (first-in, first-out basis) or market, using the retail method.

Land, Buildings and Equipment: For buildings and equipment acquired prior to February 1, 1999, depreciation is computed using a combination of accelerated and straight-line methods. The straight-line method was adopted for all property placed into service after February 1, 1999 in order to better reflect the utilization of the assets over time. The effect of this change on net earnings for 1999 was not material. Lives used for calculating depreciation and amortization rates for the principal asset classifications are as follows: buildings, 5 to 40 years; store fixtures and equipment, 3 to 15 years; leasehold improvements, life of lease or applicable shorter period; software, 3 to 7 years.

Capitalization of Interest: The interest-carrying costs of capital assets under development or construction are capitalized based on the Company's weighted average borrowing rate.

Intangible Assets: Goodwill, trademarks and other intangible assets are being amortized over their estimated useful lives on a straight-line basis ranging from 10 to 35 years. Accumulated amortization of goodwill was \$429 and of trademarks and other intangible assets was \$822 at January 31, 2001.

Asset Impairment: The Company reviews its intangibles and other long-lived assets annually to determine potential impairment. The Company estimates the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment charge would be recognized.

Deferred Lease Credits: Deferred lease credits are amortized



on a straight-line basis primarily over the life of the applicable lease.

Fair Value of Financial Instruments: The carrying amount of cash equivalents and notes payable approximates fair value because of the short maturity of these instruments. The fair value of the Company's investment in marketable equity securities is based upon the quoted market price and was approximately \$60,778 at January 31, 2000. The fair value of long-term debt (including current maturities), using quoted market prices of the same or similar issues with the same remaining term to maturity, is approximately \$1,031,000 and \$715,500 at January 31, 2001 and 2000.

Derivatives Policy: The Company limits its use of derivative financial instruments to the management of foreign currency and interest rate risks. The effect of these activities is not material to the Company's financial condition or results of operations. The Company has no material off-balance sheet credit risk, and the fair value of derivative financial instruments at January 31, 2001 and 2000 is not material.

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138, requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. Adoption of this standard, in the fiscal year beginning February 1, 2001, did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements: In July 2000, the Company adopted Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44"), which provides guidance for certain issues that arose in applying Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). Adoption of this Interpretation did not have a material impact on the Company's consolidated financial statements for the fiscal

year ended January 31, 2001.

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"), a replacement of SFAS No. 125 with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures, but otherwise retains most of SFAS No. 125's provisions. SFAS No. 140 is effective for transfers after March 31, 2001. Adoption of the accounting provisions of this standard will not have a material impact on the Company's consolidated financial statements. The Company has complied with all SFAS No. 140 disclosure requirements.

Reclassifications: Certain reclassifications of prior year and quarterly balances have been made for consistent presentation with the current year.

Note 2: Acquisition

On October 24, 2000, the Company acquired 100% of Façonnable, S.A., of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The Company paid \$87,685 in cash and issued 5,074,000 shares of common stock of the Company for a total consideration, including expenses, of \$169,380. The acquisition is being accounted for under the purchase method of accounting, and, accordingly, Façonnable's results of operations have been included in the Company's results of operations since October 24, 2000. The purchase price has been allocated to Façonnable's assets and liabilities based on their estimated fair values as of the date of acquisition.

The purchase also provides for contingent payments that may be paid in fiscal 2006 based on the performance of the subsidiary and the continued active involvement of the principals in Façonnable, S.A. The contingent payments will be recorded as compensation expense when it becomes probable that the performance targets will be met.

The following unaudited pro forma information presents the results of the Company's operations assuming the Façonnable acquisition occurred at the beginning of each period presented:

Year ended January 31,	2001	2000
Net sales	\$5,575,000	\$5,205,000
Net earnings	101,000	199,000
Basic earnings per share	0.75	1.39
Diluted earnings per share	\$0.75	\$1.39

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the beginning of each period presented, nor is it necessarily indicative of future operating results.

A summary of the Façonnable acquisition is as follows:

Fair value of assets acquired	\$48,677
Intangible assets recorded	144,724
Liabilities assumed	(24,021)
Total consideration	\$169,380

Note 3: Employee Benefits

The Company provides a profit sharing plan for employees. The plan is fully funded by the Company and is non-contributory except for voluntary employee contributions made under Section 401(k) of the Internal Revenue Code. Under this provision of the plan, the Company provides matching contributions up to a stipulated percentage of employee contributions. Prior to 2000, the Company's contributions to the profit sharing portion of the plan vested over a seven-year period. Effective January 1, 2000, the Company's subsequent contributions to the plan vest immediately. The Company's contribution is established each year by the Board of Directors and totaled \$31,330, \$47,500 and \$50,000 in 2000, 1999 and 1998.

Note 4: Interest Expense, Net

The components of interest expense, net are as follows:

Year ended January 31,	2001	2000	1999
Short-term debt	\$12,682	\$2,584	\$10,707
Long-term debt	58,988	56,831	43,601
Total interest expense	71,670	59,415	54,308
Less: Interest income	(1,330)	(3,521)	(1,883)
Capitalized interest	(7,642)	(5,498)	(5,334)
Interest expense, net	\$62,698	\$50,396	\$47,091

Note 5: Income Taxes

Income taxes consist of the following:

Year ended January 31,	2001	2000	1999
Current income taxes:			
Federal	\$79,778	\$130,524	\$113,270
State and local	11,591	21,835	19,672
Total current income taxes	91,369	152,359	132,942
Deferred income taxes:			
Current	(11,215)	(18,367)	(1,357)
Non-current	(15,054)	(4,492)	(585)
Total deferred income taxes	(26,269)	(22,859)	(1,942)
Total income taxes	\$65,100	\$129,500	\$131,000

A reconciliation of the statutory Federal income tax rate to the effective tax rate is as follows:

Year ended January 31,	2001	2000	1999
Statutory rate	35.00%	35.00%	35.00%
State and local income taxes, net of Federal income taxes	3.93	4.06	4.03
Other, net	.05	(.06)	(0.24)
Effective tax rate	38.98%	39.00%	38.79%

Deferred income tax assets and liabilities result from temporary differences in the timing of recognition of revenue and expenses for tax and financial reporting purposes. Significant deferred tax assets and liabilities, by nature of the temporary differences giving rise thereto, are as follows:

January 31,	2001	2000
Accrued expenses	\$28,658	\$29,276
Compensation and benefits accruals	43,803	35,651
Merchandise inventories	26,290	24,461
Realized loss on investment	12,751	—
Other	23,098	15,595
Total deferred tax assets	134,600	104,983
Land, buildings and equipment basis and depreciation differences	(25,678)	(22,982)
Employee benefits	(10,937)	(11,008)
Unrealized gain on investment	—	(10,889)
Other	(3,748)	(3,025)
Total deferred tax liabilities	(40,363)	(47,904)
Net deferred tax assets	\$94,237	\$57,079

As of January 31, 2001, the Company has \$34,357 of capital loss carryforwards available to be utilized within five years to reduce future capital gain income. No valuation allowance has been provided because management believes it is more likely than not that the full benefit of the carryforwards will be realized.

Note 6: Earnings Per Share

In accordance with SFAS No. 128, "Earnings per Share," basic earnings per share is computed on the basis of the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents (primarily stock options and restricted stock).

Options with an exercise price greater than the average market price were not included in the computation of diluted earnings per share. These options totaled 7,409,387 2,798,966 and 1,146,113 shares in 2000, 1999 and 1998.

Year ended January 31,	2001	2000	1999
Net earnings	\$101,918	\$202,557	\$206,723
Basic shares	131,012,412	137,814,589	146,241,091
Basic earnings per share	\$0.78	\$1.47	\$1.41
Dilutive effect of stock options and restricted stock	100,673	610,255	617,180
Diluted shares	131,113,085	138,424,844	146,858,271
Diluted earnings per share	\$0.78	\$1.46	\$1.41

Note 7: Investment

In September 1998, the Company purchased non-voting convertible preferred stock in Streamline.com, Inc., an Internet grocery and consumer goods delivery company, for total consideration of \$22,857. In June 1999, Streamline completed an initial public offering of common stock. Upon completion of the offering, the Company's investment was converted to common stock, which has been categorized as available-for-sale. In January 2000, Streamline merged with Beacon Home Direct, Inc., a privately-held company, in which the Company had previously purchased preferred stock for total consideration of \$10,000.

Streamline ceased its operations effective November 22, 2000, due to failure to obtain additional capital to fund its operations. During 2000, the Company wrote off its entire

investment in Streamline, for a total pre-tax loss on the investment of \$32,857.

Note 8: Accounts Receivable

The components of accounts receivable are as follows:

<u>January 31,</u>	<u>2001</u>	<u>2000</u>
Customers	\$716,218	\$611,858
Other	22,266	20,969
Allowance for doubtful accounts	(16,531)	(15,838)
Accounts receivable, net	<u>\$721,953</u>	<u>\$616,989</u>

Credit risk with respect to accounts receivable is concentrated in the geographic regions in which the Company operates stores. At January 31, 2001 and 2000, approximately 41% and 38% of the Company's receivables were obligations of customers residing in California. Concentration of the remaining receivables is considered to be limited due to their geographical dispersion.

Bad debt expense totaled \$20,368, \$11,707 and \$23,828 in 2000, 1999 and 1998.

Other accounts receivable consists primarily of vendor debit balances and cosmetic rebates receivable.

Nordstrom fsb, a wholly-owned subsidiary of the Company, issues both a proprietary and VISA credit card. On an on-going basis, the Company transfers substantially all of its VISA receivables to a master trust. The Company holds a Class B certificate, representing an undivided interest in the trust, which is subordinate to a Class A certificate held by a third party. The Company also owns the remaining undivided interests in the trust not represented by the Class A and Class B certificates (the "Retained Interest"). The Company's investment in the Class B certificate totals \$11,000 and \$9,900 at January 31, 2001 and 2000, and is included in customer accounts receivable.

The Company recognizes gains or losses on its securitization of VISA receivables based on the historical carrying amount

of the receivables sold, allocated based on their relative fair values. The fair values of the assets sold and Retained Interest were based on the present value of estimated future cash flows that the Company will receive over the estimated life of the securitization. The future cash flows represent an estimate of the excess of finance charges and fees over the interest paid to the holders of the Class A and B certificates, credit losses and servicing fees. The estimates of future cash flow are based on the current performance trends of the receivable portfolio, which assumes a weighted-average life of 5 months for the receivable balances, anticipated credit losses of 5.99% of new receivables, and a discount rate of 6.50%.

Proceeds from collections reinvested in previous credit card securitizations totaled \$485,422 in 2000. Gains on the sale of receivables to the trust totaled \$5,356 in 2000. Additionally, Nordstrom fsb services the receivables in the trust, and recorded servicing fees of \$8,564 in 2000. Interest income earned on the Class B certificate and other cash flows received from the Retained Interest totaled \$10,060 in 2000, and is included in service charge income and other on the consolidated statements of earnings.

The Company also recognizes gains and losses on the fair value of the Retained Interest. The fair value of the Retained Interest is \$42,052 and \$32,567 at January 31, 2001 and 2000, and is included in customer accounts receivable. Assumptions used to measure future cash flows are based on the current performance trends of the receivable portfolio and include a weighted-average life of the receivables of 5 months, anticipated credit losses of 5.99% of new receivables, and a discount rate of 6.50%. If interest rates were to increase by 10% or credit losses were to increase by 10%, the effect on the Retained Interest is a decrease in fair value of approximately \$339 or \$371, respectively. A 20% increase in interest rates or a 20% increase in default rates would impact the Retained Interest by decreasing the fair value by \$678 or \$743, respectively.

The total principal balance of the VISA receivables is

\$251,109 as of January 31, 2001. Credit losses and delinquencies of these receivables are \$12,955 and \$7,471 for the year ended January 31, 2001.

The following table illustrates historical and future default projections using net credit losses as a percentage of average outstanding receivables in comparison to actual performance:

Year ended January 31,	2001	2000	1999
Original projection	5.99%	5.39%	6.94%
Actual	N/A%	5.46%	6.09%

Pursuant to the terms of operative documents of the trust, in certain events the Company may be required to fund certain amounts pursuant to a recourse obligation for credit losses. Based on current cash flow projections, the Company does not believe any additional funding will be required.

Note 9: Land, Buildings and Equipment

Land, buildings and equipment consist of the following (at cost):

January 31,	2001	2000
Land and land improvements	\$60,871	\$59,237
Buildings	760,029	650,414
Leasehold improvements	903,925	870,821
Capitalized software	38,642	20,150
Store fixtures and equipment	1,172,914	1,037,936
	2,936,381	2,638,558
Less accumulated depreciation and amortization	(1,554,081)	(1,370,726)
	1,382,300	1,267,832
Construction in progress	217,638	161,660
Land, buildings and equipment, net	\$1,599,938	\$1,429,492

At January 31, 2001, the net book value of property located in California is approximately \$308,000. The Company carries earthquake insurance in California with a \$50,000 deductible.

At January 31, 2001, the Company has contractual commitments of approximately \$428,000 for the construction of new stores or remodeling of existing stores.

Note 10: Notes Payable

A summary of notes payable is as follows:

Year ended January 31,	2001	2000	1999
Average daily short-term borrowings	\$192,392	\$45,030	\$195,596
Maximum amount outstanding	360,480	178,533	385,734
Weighted average interest rate:			
During the year	6.6%	5.8%	5.5%
At year-end	6.4%	6.0%	5.2%

At January 31, 2001, the Company has an unsecured line of credit with a group of commercial banks totaling \$500,000 which is available as liquidity support for the Company's commercial paper program, and expires in July 2002. The line of credit agreement contains restrictive covenants which, among other things, require the Company to maintain a certain minimum level of net worth and a coverage ratio (as defined) of no less than 2 to 1. The Company pays a commitment fee for the unused portion of the line based on the Company's debt rating.

Note 11: Long-Term Debt

A summary of long-term debt is as follows:

January 31,	2001	2000
Senior debentures, 6.95%, due 2028	\$300,000	\$300,000
Senior notes, 5.625%, due 2009	250,000	250,000
Senior notes, 8.950%, due 2005	300,000	—
Medium-term notes, payable by Nordstrom Credit, Inc., 7.25%-8.67%, due 2001-2002	87,750	145,350
Notes payable, of Nordstrom Credit, Inc., 6.7%, due 2005	100,000	100,000
Other	74,546	9,632
Total long-term debt	1,112,296	804,982
Less current portion	(12,586)	(58,191)
Total due beyond one year	\$1,099,710	\$746,791

Aggregate principal payments on long-term debt are as follows: 2001-\$12,586; 2002-\$131,150; 2003-\$1,157; 2004-\$1,224; 2005-\$400,208 and thereafter-\$565,971.

The Company owns a 49% interest in a limited partnership which is constructing a new corporate office building in which the Company will be the primary occupant. In accordance with Emerging Issues Task Force Issue No. 97-10 "The Effect of Lessee Involvement in Asset Construction", the Company is considered to be the owner of the property. Construction in progress includes capitalized costs related to this building of \$57,270, which includes noncash amounts of \$41,883, as of January 31, 2001. The corresponding finance obligation of \$53,060 as of January 31, 2001 is included in other long-term debt. This finance obligation will be amortized as rental payments are made by the Company to the limited partnership over the life of permanent financing, expected to be 20-25 years. The amortization will begin once construction is complete,

estimated to be July 2001. The Company is a guarantor of a \$93,000 credit facility of the limited partnership. The credit facility provides for interest at either the LIBOR rate plus .75%, or the greater of the Federal Funds rate plus .5% and the prime rate, and matures in August 2002 (6.36% at January 31, 2001).

Note 12: Leases

The Company leases land, buildings and equipment under noncancelable lease agreements with expiration dates ranging from 2001 to 2080. Certain leases include renewal provisions at the Company's option. Most of the leases provide for additional rent payments based upon specific percentages of sales and require the Company to pay for certain common area maintenance and other costs.

Future minimum lease payments as of January 31, 2001 are as follows: 2001-\$59,434; 2002-\$52,741; 2003-\$51,305; 2004-\$49,866; 2005-\$47,396 and thereafter-\$362,567.

The following is a schedule of rent expense:

Year ended January 31,	2001	2000	1999
Minimum rent:			
Store locations	\$16,907	\$18,794	\$19,167
Offices, warehouses and equipment	21,070	19,926	19,208
Percentage rent:			
Store locations	9,241	7,441	8,603
Total rent expense	\$47,218	\$46,161	\$46,978

Note 13: Stock-Based Compensation

Stock Option Plan

The Company has a stock option plan (the "Plan") administered by the Compensation Committee of the Board of Directors (the "Committee") under which stock options, performance share units and restricted stock may be granted to key employees of the Company. Stock options are issued at the fair market value of the stock at the date of grant. Options vest over periods ranging from four to eight years,

and expire ten years after the date of grant.

In addition to option grants, the Committee granted 355,072, 272,970 and 185,201 performance share units in 2000, 1999 and 1998, which will vest over three years if certain financial goals are attained. Employees may elect to receive common stock or cash upon vesting of these performance shares. The Committee also granted 30,069 and 180,000 shares of restricted stock in 1999 and 1998, with weighted average fair values of \$32.09 and \$27.75, respectively, which vest over five years. No monetary consideration is paid by employees who receive performance share units or restricted stock. At January 31, 2001, \$2,741 was recorded in accrued salaries, wages and related benefits for these performance shares. In September 2000, the Company accelerated the vesting of 144,000 shares of restricted stock resulting in compensation expense of \$3,039, and also cancelled 14,175 shares of restricted stock as a result of management changes.

In May 2000, the Company's shareholders approved an 8,000,000 share increase in the number of shares of the Company's common stock authorized for issuance under its option plan. At January 31, 2001, 10,150,579 shares are reserved for future stock option grants pursuant to the Plan.

The Company applies APB No. 25 and FIN No. 44 in measuring compensation costs under its stock-based compensation programs. Accordingly, no compensation cost has been recognized for stock options issued under the Plan. For performance share units, compensation expense is recorded over the performance period at the fair market value of the stock at the date when it is probable that such shares will be earned. For restricted stock, compensation expense is based on the market price on the date of grant and is recorded over the vesting period. Stock-based compensation expense for 2000, 1999 and 1998 was \$7,594, \$3,331 and \$10,037, respectively.

Stock option activity for the Plan was as follows:

Year ended January 31,	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	8,135,301	\$28	5,893,632	\$27	3,401,602	\$21
Granted	2,470,169	21	2,926,368	31	3,252,217	31
Exercised	(181,910)	20	(341,947)	23	(599,593)	18
Cancelled	(1,550,218)	28	(342,752)	30	(160,594)	27
Outstanding, end of year	8,873,342	\$27	8,135,301	\$28	5,893,632	\$27
Options exercisable at end of year	3,833,379	\$26	3,145,393	\$25	2,544,092	\$23

The following table summarizes information about stock options outstanding for the Plan as of January 31, 2001:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$13 - \$22	3,659,001	7	\$20	1,446,456	\$20
\$23 - \$32	2,855,785	7	27	1,590,360	28
\$33 - \$40	2,358,556	8	36	796,563	35
	8,873,342	7	\$27	3,833,379	\$26

Nordstrom.com

Nordstrom.com has two stock option plans, the "1999 Plan" and the "2000 Plan". As of January 31, 2001 and 2000, under the 1999 and 2000 Plans, 1,767,565 and 2,590,000 options were outstanding at weighted-average exercise prices of \$1.76 and \$1.70 per share; of which 300,654 and 775,500 are exercisable at the weighted-average exercise price of \$1.67 per share. Options were granted at exercise prices ranging from \$1.67 to \$1.92 per share. Pursuant to APB No. 25 and FIN No. 44, no compensation cost has been recognized related to the options under these Plans because the exercise price was equal to, or in excess of the fair value of Nordstrom.com stock on the date of grant as determined by the Board of Directors of Nordstrom.com. The options vest over a period of two and one-half to four years and must be exercised within ten years of the grant date.

SFAS No. 123

If the Company had elected to follow the measurement provisions of SFAS No. 123 in accounting for its stock-based compensation programs, compensation expense would be recognized based on the fair value of the options or the shares at the date of grant. To estimate compensation expense which would be recognized under SFAS No. 123, the Company used the modified Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.4%, 5.7% and 5.2%; expected volatility factors of .65, .61 and .46; expected dividend yield of 1% for all years; and expected lives of 5 years for all years. As for its ESPP, the Company used the following weighted-average assumptions for shares purchased by its employees in 2000: risk-free interest rate of 6.02%; expected volatility factor of .65; expected dividend yield of 1% and expected life of 0.5 years. The weighted-average fair value of options granted was \$12, \$17 and \$14 for the years ended January 31, 2001, 2000 and 1999, respectively. For Nordstrom.com, the Company used the following weighted-average assumptions for options granted

in 2000 and 1999, respectively: risk-free interest rates of 6.5% and 6.1%; expected volatility factors of .64 and .61; expected dividend yield of 0% for all years; and expected lives of 5 years for all years. The weighted-average fair value of options granted for Nordstrom.com was \$1.04 and \$.96 for the years ended January 31, 2001 and 2000, respectively.

If SFAS No. 123 were used to account for the Company's stock-based compensation programs, the pro forma net earnings and earnings per share would be as follows:

Year ended January 31,	2001	2000	1999
Pro forma net earnings	\$89,433	\$192,936	\$201,499
Pro forma basic earnings per share	\$0.68	\$1.40	\$1.38
Pro forma diluted earnings per share	\$0.68	\$1.39	\$1.37

Employee Stock Purchase Plan

In May 2000, the Company's shareholders approved the establishment of an Employee Stock Purchase Plan (the "ESPP") under which 3,500,000 shares of the Company's common stock are reserved for issuance to employees. The plan qualifies as a noncompensatory employee stock purchase plan under Section 423 of the Internal Revenue Code. Employees are eligible to participate through payroll deductions in amounts related to their base compensation. At the end of each offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period, usually six months. Under the ESPP, 165,842 shares were issued in 2000. As of January 31, 2001, payroll deductions totaling \$2,602 were accrued for purchase of shares on March 31, 2001.



Note 14: Supplementary Cash Flow Information

Supplementary cash flow information includes the following:

<u>Year ended January 31,</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash paid during the year for:			
Interest (net of capitalized interest)	\$58,190	\$54,195	\$44,418
Income taxes	88,911	129,566	126,157

Note 15: Segment Reporting

The Company has three reportable segments which have been identified based on differences in products and services offered and regulatory conditions: the Retail Stores, Credit Operations, and Catalog/Internet segments. The Retail Stores segment derives its sales from high-quality apparel, shoes and accessories for women, men and children, sold through retail store locations. It includes the Company's Product Development Group which coordinates

the design and production of private label merchandise sold in the majority of the Company's retail stores. Credit Operations segment revenues consist primarily of finance charges earned through issuance of the Nordstrom proprietary and VISA credit cards. The Catalog/Internet segment generates revenues from direct mail catalogs and the Nordstrom.com and Nordstromshoes.com Web sites.

The Company's senior management utilizes various measurements to assess segment performance and to allocate resources to segments. The measurements used to compute net earnings for reportable segments are consistent with those used to compute net earnings for the Company.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1. Corporate and Other includes certain expenses and a portion of interest expense which are not allocated to the operating segments. Intersegment revenues primarily consist of fees for credit card services and are based on fees charged by third party cards.



The following tables set forth the information for the Company's reportable segments and a reconciliation to the consolidated totals:

Year ended January 31, 2001	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to						
external customers (b)	\$5,217,889	—	\$310,648	—	—	\$5,528,537
Service charge income	—	\$135,121	—	—	—	135,121
Intersegment revenues	30,294	26,889	—	—	\$(57,183)	—
Interest expense, net	795	29,267	(604)	\$33,240	—	62,698
Depreciation and amortization	176,831	1,786	7,552	16,879	—	203,048
Amortization of goodwill and other intangible assets	1,251	—	—	—	—	1,251
Income tax expense (benefit)	165,150	13,140	—	(113,190)	—	65,100
Net earnings (loss)	258,416	20,557	(29,367)	(147,688)	—	101,918
Assets (a)(b)	2,554,393	703,077	71,233	279,800	—	3,608,503
Goodwill and other intangible assets	143,473	—	—	—	—	143,473
Capital expenditures	286,941	3,095	5,187	26,231	—	321,454
Year ended January 31, 2000	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to						
external customers	\$4,914,293	—	\$234,973	—	—	\$5,149,266
Service charge income	—	\$125,727	—	—	—	125,727
Intersegment revenues	20,285	25,963	—	—	\$(46,248)	—
Interest expense, net	728	26,933	(167)	\$22,902	—	50,396
Depreciation and amortization	170,765	1,424	6,313	15,216	—	193,718
Income tax expense (benefit)	191,790	19,450	—	(81,740)	—	129,500
Net earnings (loss)	300,009	30,417	(35,685)	(92,184)	—	202,557
Assets (a)	2,051,327	601,320	95,241	314,193	—	3,062,081
Capital expenditures	263,352	2,792	5,206	33,702	—	305,052
Year ended January 31, 1999	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to						
external customers	\$4,834,049	—	\$215,133	—	—	\$5,049,182
Service charge income	—	\$123,201	—	—	—	123,201
Intersegment revenues	23,748	26,736	—	—	\$(50,484)	—
Interest expense, net	—	31,139	—	\$16,488	(536)	47,091
Depreciation and amortization	166,099	806	4,613	9,137	—	180,655
Income tax expense (benefit)	182,800	16,200	—	(68,000)	—	131,000
Net earnings (loss)	288,503	25,606	(17,681)	(89,705)	—	206,723
Assets (a)	2,040,938	607,255	57,803	397,693	—	3,103,689
Capital expenditures	273,906	2,191	4,121	26,519	—	306,737

(a) Segment assets in Corporate and Other include unallocated assets in corporate headquarters, consisting primarily of land, buildings and equipment, and deferred tax assets.

(b) Includes sales of foreign operations of \$12,318 from October 24, 2000, the date of acquisition, and assets of \$206,601 as of January 31, 2001.

Note 16: Contingent Liabilities

The Company has been named in various lawsuits and intends to vigorously defend itself in those cases. The Company is not in a position at this time to quantify the amount or range of any possible losses related to those claims. While no assurance can be given as to the ultimate outcome of these lawsuits, based on preliminary investigations, management currently believes that resolving these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Cosmetics. The Company was originally named as a defendant along with other department store and specialty retailers in nine separate but virtually identical class action lawsuits filed in various Superior Courts of the State of California in May, June and July 1998 that have now been consolidated in Marin County state court. Plaintiffs' consolidated complaint alleged that the Company and other retailers agreed to charge identical prices for cosmetics and fragrances, not to discount such prices, and to urge manufacturers to refuse to sell to retailers who sell cosmetics and fragrances at discount prices, resulting in artificially-inflated retail prices paid by the class in violation of California state law. Defendants, including the Company, answered the consolidated complaint denying the allegations. The Company and the other retail defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions.

Last year, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act by various means, including restricting the sale of prestige cosmetics to department stores only; agreeing that all department and

specialty stores will sell such cosmetics at the manufacturer's suggested retail price ("MSRP"); controlling the advertising of cosmetics and Gift-With-Purchase programs; and the manufacturer defendants guaranteeing the retailer defendants a gross margin equal to 40% of MSRP and buying back any unsold cosmetics to prevent discounting from MSRP.

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period four years prior to the filing of the amended complaint. Defendants, including the Company, have answered the amended complaint denying the allegations. Plaintiffs have submitted requests for production of documents to the manufacturer defendants, who are in the process of responding to these and plaintiffs' other discovery requests. Plaintiffs have not yet moved for class certification.

Nine West. In early 1999, the Company was named as a defendant in a number of substantially identical lawsuits that were consolidated in Federal District Court in New York. In addition to Nine West, a leading manufacturer and retailer of men's, women's and children's non-athletic footwear and accessories, which was later acquired by Jones Apparel, other defendants included various department store and specialty retailers. Plaintiffs filed a consolidated complaint alleging that the retailer defendants agreed with Nine West and with each other on the minimum prices to be charged for Nine West shoes. Plaintiffs sought treble damages in an unspecified amount, attorneys' fees and prejudgment interest on behalf of a nationwide class of persons who purchased Nine West footwear from the defendants during the period January 1988 to February 1999.

The Federal Trade Commission and the Attorneys General of the states of New York, Ohio, Texas and Florida then opened an investigation into the plaintiffs' allegations, and the Company and the other defendants submitted documents and information to those agencies. Last year, Nine



West/Jones Apparel, and the Federal Trade Commission and the states, separately reached tentative agreements on settlements and consent decrees under which all fifty states and certain possessions of the United States exercised their right under federal law and filed suit against Nine West, but not the Company, in Federal District Court in New York on behalf of a class of persons who purchased Nine West footwear during the period January 1, 1988 through July 31, 1999, alleging violations of federal and state antitrust and related laws. Pursuant to the settlement agreements, Nine West paid \$34 million in damages to the states and submitted to certain injunctive relief.

In December 2000, the Federal District Court in New York gave final approval to the settlement agreement between Nine West and the states, and the Federal Trade Commission approved its settlement and consent decree with Nine West. As a result, the court entered a final judgment dismissing the suit filed by the fifty states and certain possessions of the United States against Nine West. The period for appeal from the court's decision approving the settlement with the states has expired and that settlement and judgment have become final. Neither settlement admitted any violation of the law or liability by Nine West, the Company or any other defendant in the putative private class actions. Nor did the settlements require any payment by the Company.

The plaintiffs who filed the putative private class actions against Nine West, the Company and other retailers agreed that the suit instituted by the states against Nine West took precedence over those actions, which were never certified as class actions, and that the final judgment dismissing the states' proceeding also conclusively and preclusively resolved all claims alleged in plaintiffs' consolidated complaint against the Company and the other defendants, which have likewise been dismissed.

Credit Fees. The Company's subsidiary, Nordstrom fsb, has been named a defendant in a purported class action in the Federal District Court for the Eastern District of Pennsylvania. The case purports to be brought under the National Bank Act and the Arizona Consumer Loan Act of

1997. Plaintiff, a resident of Pennsylvania and a user of Nordstrom's credit through Nordstrom fsb, claims to represent all customers of Nordstrom who have been extended credit by Nordstrom fsb under revolving credit accounts for consumer purchases at Nordstrom stores. Plaintiff claims that Nordstrom fsb has been paid principal, interest and late fees in violation of said statutes on account of which plaintiff seeks recovery or forfeiture thereof. Nordstrom fsb has moved to dismiss the complaint and a hearing on that motion was held on February 21, 2001. The court has not yet ruled on that motion. Counsel to Nordstrom fsb has advised the Company that in their opinion, plaintiff's claim is meritless.

Bar Code. The Company is named as one of 135 retailer defendants in a lawsuit filed in the United States District Court for the District of Arizona. Plaintiff claims that the Company and the other defendants have infringed certain patents held by it related to methods of scanning production markings (bar codes) placed on work pieces or merchandise. The complaint seeks from each defendant an award of damages for past infringement, to be trebled because of alleged willful and deliberate infringement. In February 2001, the Company was dismissed without prejudice pursuant to an agreement and stipulation intended to resolve a potential judicial conflict of interest. The agreement confirms that if the potential conflict is for any reason resolved, plaintiff can amend its complaint to add the Company as a defendant.

Saipan. The Company has reached a settlement, which is of an immaterial amount, in its previously described lawsuits relating to its sourcing of clothing products from independent garment manufacturers in Saipan (Commonwealth of Northern Marina Islands). The settlement is subject to court approval. No hearing has been set to date.

Other. The Company is also subject to other ordinary routine litigation incidental to its business and with respect to which no material liability is expected.



Note 17: Selected Quarterly Data (unaudited)

Year ended January 31, 2001	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,153,377	\$1,457,035	\$1,262,390	\$1,655,735	\$5,528,537
Gross profit	407,722	502,722	438,522	530,055	1,879,021
Write-down of investment	—	(10,540)	(20,655)	(1,662)	(32,857)
Earnings before income taxes	53,689	74,501	(5,520)	44,348	167,018
Net earnings	32,789	45,401	(3,320)	27,048	101,918
Basic earnings per share	.25	.35	(.03)	.20	.78
Diluted earnings per share	.25	.35	(.03)	.20	.78
Dividends per share	.08	.09	.09	.09	.35

Year ended January 31, 2000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,043,981	\$1,449,089	\$1,116,219	\$1,539,977	\$5,149,266
Gross profit	355,785	505,741	398,375	529,605	1,789,506
Earnings before income taxes	51,688	116,189	55,033	109,147	332,057
Net earnings	31,538	70,839	33,633	66,547	202,557
Basic earnings per share	.22	.51	.25	.50	1.47
Diluted earnings per share	.22	.51	.25	.50	1.46
Dividends per share	.08	.08	.08	.08	.32

Ten-Year Statistical Summary

Dollars in thousands except square footage and per share amounts

Year ended January 31,	2001	2000	1999
Financial Position			
Customer accounts receivable, net	\$ 699,687	\$ 596,020	\$ 567,661
Merchandise inventories	945,687	797,845	750,269
Current assets	1,812,982	1,564,648	1,668,689
Current liabilities	950,568	866,509	794,490
Working capital	862,414	698,139	874,199
Working capital ratio	1.91	1.81	2.10
Land, buildings and equipment, net	1,599,938	1,429,492	1,378,006
Long-term debt, including current portion	1,112,296	804,982	868,234
Debt/capital ratio	.4929	.4249	.4214
Shareholders' equity	1,229,568	1,185,614	1,300,545
Shares outstanding	133,797,757	132,279,988	142,114,167
Book value per share	9.19	8.96	9.15
Total assets	3,608,503	3,062,081	3,103,689
Operations			
Net sales	5,528,537	5,149,266	5,049,182
Gross profit	1,879,021	1,789,506	1,704,237
Selling, general and administrative expense	(1,747,048)	(1,523,836)	(1,429,837)
Operating income	131,973	265,670	274,400
Interest expense, net	(62,698)	(50,396)	(47,091)
Write-down of investment	(32,857)	—	—
Service charge income and other, net	130,600	116,783	110,414
Earnings before income taxes	167,018	332,057	337,723
Income taxes	(65,100)	(129,500)	(131,000)
Net earnings	101,918	202,557	206,723
Basic earnings per share	.78	1.47	1.41
Diluted earnings per share	.78	1.46	1.41
Dividends per share	.35	.32	.30
Comparable store sales percentage increase (decrease)	.3%	(1.1%)	(2.7%)
Net earnings as a percent of net sales	1.84%	3.93%	4.09%
Return on average shareholders' equity	8.44%	16.29%	14.98%
Sales per square foot for Company-operated stores	342	350	362
Stores	140	104	97
Total square footage	16,056,000	14,487,000	13,593,000

1998	1997	1996	1995	1994	1993	1992
\$ 641,862	\$ 693,123	\$ 874,103	\$ 655,715	\$ 565,151	\$ 584,379	\$ 585,490
826,045	719,919	626,303	627,930	585,602	536,739	506,632
1,613,492	1,549,819	1,612,776	1,397,713	1,314,914	1,219,844	1,177,638
979,031	795,321	833,443	693,015	631,064	516,397	558,768
634,461	754,498	779,333	704,698	683,850	703,447	618,870
1.65	1.95	1.94	2.02	2.08	2.36	2.11
1,252,513	1,152,454	1,103,298	984,195	845,596	824,142	856,404
420,865	380,632	439,943	373,910	438,574	481,945	491,076
.3194	.2720	.3232	.2575	.2934	.3337	.4029
1,458,950	1,457,084	1,408,053	1,330,437	1,153,594	1,038,649	927,465
152,518,104	159,269,954	162,226,288	164,488,196	164,118,256	163,949,594	163,688,454
9.57	9.15	8.68	8.09	7.03	6.34	5.67
2,890,664	2,726,495	2,732,619	2,396,783	2,177,481	2,053,170	2,041,875
4,864,604	4,457,931	4,113,717	3,895,642	3,591,228	3,415,613	3,174,822
1,568,791	1,378,472	1,310,931	1,297,018	1,121,539	1,079,608	1,007,554
(1,338,235)	(1,232,860)	(1,136,069)	(1,029,856)	(940,708)	(901,446)	(831,005)
230,556	145,612	174,862	267,162	180,831	178,162	176,549
(34,250)	(39,400)	(39,295)	(30,664)	(37,646)	(44,810)	(49,106)
—	—	—	—	—	—	—
110,907	135,331	134,179	98,311	88,509	86,140	87,443
307,213	241,543	269,746	334,809	231,694	219,492	214,886
(121,000)	(95,227)	(106,190)	(132,304)	(90,804)	(84,489)	(80,527)
186,213	146,316	163,556	202,505	140,890	135,003	134,359
1.20	.90	1.00	1.23	.86	.82	.82
1.20	.90	1.00	1.23	.86	.82	.82
.265	.25	.25	.1925	.17	.16	.155
4.0%	0.6%	(0.7%)	4.4%	2.7%	1.4%	1.4%
3.83%	3.28%	3.98%	5.20%	3.92%	3.95%	4.23%
12.77%	10.21%	11.94%	16.30%	12.85%	13.73%	15.41%
384	377	382	395	383	381	388
92	83	78	76	74	72	68
12,614,000	11,754,000	10,713,000	9,998,000	9,282,000	9,224,000	8,590,000

Management and Independent Auditors' Report

Management Report

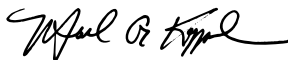
The accompanying consolidated financial statements, including the notes thereto, and the other financial information presented in this Annual Report have been prepared by management. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based upon our best estimates and judgments. Management is responsible for the consolidated financial statements, as well as the other financial information in this Annual Report.

The Company maintains an effective system of internal accounting control. We believe that this system provides reasonable assurance that transactions are executed in accordance with management authorization, and that they are appropriately recorded, in order to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and to adequately safeguard, verify and maintain accountability for assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived.

The consolidated financial statements and related notes have been audited by Deloitte & Touche LLP, independent certified public accountants. The accompanying independent auditors' report expresses an independent professional opinion on the fairness of presentation of management's financial statements.

The Audit Committee of the Board of Directors is composed of the outside directors, and is responsible for recommending the independent certified public accounting firm to be retained for the coming year, subject to shareholder approval. The Audit Committee meets periodically with the independent auditors, as well as with management and the internal auditors, to review accounting, auditing, internal accounting controls and financial reporting matters. The independent auditors and the internal auditors also meet privately with the Audit Committee.

Michael G. Koppel



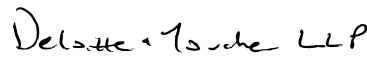
Vice President and Corporate Controller
(Principal Accounting Officer)

Independent Auditors' Report

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of January 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2001, in conformity with accounting principles generally accepted in the United States of America.



Seattle, Washington
March 21, 2001

Officers of the Corporation

Jammie Baugh, 48
Executive Vice President,
Human Resources

Laurie M. Black, 42
Vice President,
Corporate Merchandise Manager,
Women's Activewear/Lingerie/Hosiery,
Full-line Store Group

Mark S. Brashear, 39
Executive Vice President,
Southwest General Manager,
Full-line Store Group

Robert E. Campbell, 45
Vice President,
Strategy and Planning,
Treasurer

N. Claire Chapman, 40
Corporate Secretary and
Director of Legal Affairs

Gail A. Cottle, 49
Executive Vice President
and President,
Nordstrom Product Group

Dale Cameron (Crichton), 52
Executive Vice President,
Corporate Merchandise Manager,
Cosmetics,
Full-line Store Group

Joseph V. Demarte, 49
Vice President,
Human Resources

Linda Toschi Finn, 53
Executive Vice President,
Marketing

Bonnie M. Junell, 44
Vice President,
Corporate Merchandise Manager,
Point of View/Narrative,
Full-line Store Group

Kevin T. Knight, 45
Executive Vice President and President,
Nordstrom Credit and Customer
Relationship Marketing

Michael G. Koppel, 44
Vice President, Corporate Controller and
Acting Chief Financial Officer

Llynn (Len) A. Kuntz, 40
Executive Vice President,
Northwest General Manager,
Full-line Store Group

David P. Lindsey, 51
Vice President, Store Planning

David L. Mackie, 52
Vice President, Real Estate

Robert J. Middlemas, 44
Executive Vice President,
Central States General Manager,
Full-line Store Group

Jack H. Minuk, 46
Vice President,
Corporate Merchandise Manager,
Women's Shoes,
Full-line Store Group

Blake W. Nordstrom, 40
President

Bruce A. Nordstrom, 67
Chairman of the Board of Directors

Erik B. Nordstrom, 37
Executive Vice President,
Full-line Stores,
Full-line Store Group

Peter E. Nordstrom, 39
Executive Vice President and President,
Full-line Store Group

James R. O'Neal, 42
Executive Vice President,
East Coast General Manager,
Full-line Store Group

Suzanne R. Patneau, 54
Vice President,
Corporate Merchandise Manager,
Designer/Savvy,
Full-line Store Group

R. Michael Richardson, 44
Vice President,
Chief Information Officer

Karen Bowman Roesler, 45
Vice President,
Marketing
Nordstrom Credit Group

(Karen) K. C. Shaffer, 47
Executive Vice President,
General Merchandise Manager,
Nordstrom Rack Group

Joel T. Stinson, 51
Executive Vice President,
Chief Administrative Officer

Delena M. Sunday, 40
Executive Vice President,
Diversity Affairs

Susan A. Wilson Tabor, 55
Executive Vice President
and President,
Nordstrom Rack Group

Michael A. Tam, 44
Executive Vice President,
Director of Brands,
Nordstrom Product Group

Geevy S. K. Thomas, 36
Executive Vice President,
General Merchandise Manager,
Full-line Store Group



Directors and Committees

Directors

- D. Wayne Gittinger, 68
Partner, Lane Powell Spears Lubersky LLP
Seattle, Washington
- Enrique Hernandez, Jr., 45
President and CEO,
Inter-Con Security Systems, Inc.
Pasadena, California
- Ann McLaughlin Korologos, 59
Chairman, the Aspen Institute
Aspen, Colorado
- John A. McMillan, 69
Retired Co-Chairman of the Board of Directors
Seattle, Washington
- Bruce A. Nordstrom, 67
Chairman of the Board of Directors
Seattle, Washington
- John N. Nordstrom, 64
Retired Co-Chairman of the Board of Directors
Seattle, Washington
- Alfred E. Osborne, Jr., 56
Director of the Harold Price Center
for Entrepreneurial Studies and
Associate Professor of Business Economics,
The Anderson School at UCLA
Los Angeles, California
- William D. Ruckelshaus, 68
A Principal in Madrona Investment
Group, L.L.C.
Seattle, Washington
- Bruce G. Willison, 52
Dean, The Anderson School at UCLA
Los Angeles, California

Committees

- Executive**
John A. McMillan
Bruce A. Nordstrom
John N. Nordstrom
- Audit**
Enrique Hernandez, Jr.
Ann McLaughlin Korologos, Chair
Alfred E. Osborne, Jr.
William D. Ruckelshaus
Bruce G. Willison
- Compensation and Stock Option**
Enrique Hernandez, Jr.
Ann McLaughlin Korologos
Alfred E. Osborne, Jr.
William D. Ruckelshaus, Chair
- Finance**
D. Wayne Gittinger
Enrique Hernandez, Jr.
John A. McMillan
John N. Nordstrom
Alfred E. Osborne, Jr., Chair
Bruce G. Willison
- Corporate Governance and Nominating**
D. Wayne Gittinger, Chair
Enrique Hernandez, Jr.
Ann McLaughlin Korologos
Alfred E. Osborne, Jr.
William D. Ruckelshaus



Retail store facilities

Location	Store Name	Present total store area/sq. ft.	Location	Store Name	Present total store area/sq. ft.
Southwest Group			East Coast Group (continued)		
Arizona			Maryland		
Scottsdale	Fashion Square	235,000	Annapolis	Annapolis Mall	162,000
California			Bethesda	Montgomery Mall	225,000
Arcadia	Santa Anita	151,000	Columbia	The Mall in Columbia	173,000
Brea	Brea Mall	195,000	Towson	Towson Town Center	205,000
Canoga Park	Topanga Plaza	154,000	New Jersey		
Cerritos	Los Cerritos Center	122,000	Edison	Menlo Park	266,000
Corte Madera	The Village at Corte Madera	116,000	Freehold	Freehold Raceway Mall	174,000
Costa Mesa	South Coast Plaza	235,000	Paramus	Garden State Plaza	282,000
Escondido	North County Fair	156,000	Short Hills	The Mall at Short Hills	188,000
Glendale	Glendale Galleria	147,000	New York		
Los Angeles	Westside Pavilion	150,000	Garden City	Roosevelt Field	241,000
Mission Viejo	The Shops at Mission Viejo	172,000	White Plains	The Westchester	219,000
Montclair	Montclair Plaza	134,000	Pennsylvania		
Palo Alto	Stanford Shopping Center	187,000	King of Prussia	The Plaza at King of Prussia	238,000
Pleasanton	Stoneridge Mall	173,000	Rhode Island		
Redondo Beach	The Galleria at South Bay	161,000	Providence	Providence Place	206,000
Riverside	The Galleria at Tyler	164,000	Virginia		
Roseville	Galleria at Roseville	149,000	Arlington	The Fashion Centre at Pentagon City	241,000
Sacramento	Arden Fair	190,000	McLean	Tysons Corner Center	253,000
San Diego	Fashion Valley Center	220,000	Norfolk	MacArthur Center	166,000
San Diego	Horton Plaza	151,000	Central States Group		
San Diego	University Towne Centre	130,000	Illinois		
San Francisco	Stonestown Galleria	174,000	Chicago	Michigan Avenue	271,000
San Francisco	San Francisco Shopping Centre	350,000	Oak Brook	Oakbrook Center	249,000
San Mateo	Hillsdale Shopping Center	149,000	Schaumburg	Woodfield Shopping Center	215,000
Santa Ana	MainPlace/Santa Ana	169,000	Skokie	Old Orchard Center	209,000
Santa Barbara	Paseo Nuevo	186,000	Indiana		
Santa Clara	Valley Fair	165,000	Indianapolis	Circle Centre	216,000
Walnut Creek	Broadway Plaza	193,000	Kansas		
East Coast Group			Overland Park	Oak Park Mall	219,000
Connecticut			Michigan		
Farmington	Westfarms	189,000	Troy	Somerset Collection	258,000
Florida			Minnesota		
Boca Raton	Town Center at Boca Raton	193,000	Bloomington	Mall of America	240,000
Georgia			Ohio		
Atlanta	Perimeter Mall	243,000	Beachwood	Beachwood Place	231,000
Buford	Mall of Georgia	172,000	Texas		
			Dallas	Dallas Galleria	249,000
			Frisco	Stonebriar Centre	149,000

Retail store facilities, cont.

Location	Store Name	Present total store area/sq. ft.	Location	Store Name	Present total store area/sq. ft.
Northwest Group			Nordstrom Rack Group		
Alaska			Chandler, AZ	Chandler Festival Rack	37,000
Anchorage	Anchorage	97,000	Phoenix, AZ	Last Chance	48,000
Colorado			Scottsdale, AZ	Scottsdale Promenade Rack	38,000
Broomfield	FlatIron Crossing	172,000	Brea, CA	Brea Union Plaza Rack	45,000
Littleton	Park Meadows	245,000	Chino, CA	Chino Rack	30,000
Oregon			Colma, CA	Colma Rack	31,000
Portland	Clackamas Town Center	121,000	Costa Mesa, CA	Metro Pointe Rack	50,000
Portland	Downtown Portland	174,000	Glendale, CA	Glendale Fashion Center Rack	36,000
Portland	Lloyd Center	150,000	Sacramento, CA	Howe 'Bout Arden Center Rack	54,000
Salem	Salem Center	71,000	San Diego, CA	Mission Valley Rack	57,000
Tigard	Washington Square	189,000	San Jose, CA	Westgate Mall Rack	48,000
Utah			San Leandro, CA	San Leandro Rack	44,000
Murray	Fashion Place	110,000	Woodland Hills, CA	Topanga Rack	64,000
Salt Lake City	Crossroads Plaza	140,000	Littleton, CO	Meadows Marketplace Rack	34,000
Washington			Buford, GA	Mall of Georgia Rack	44,000
Bellevue	Bellevue Square	285,000	Honolulu, HI	Victoria Ward Center Rack	34,000
Lynnwood	Alderwood Mall	127,000	Northbrook, IL	Northbrook Rack	40,000
Seattle	Downtown Seattle (1)	383,000	Oak Brook, IL	The Shops at Oakbrook Place Rack	42,000
Seattle	Northgate	122,000	Schaumburg, IL	Woodfield Rack	45,000
Spokane	Spokane	137,000	Gaithersburg, MD	Gaithersburg Rack	49,000
Tacoma	Tacoma Mall	134,000	Silver Spring, MD	City Place Rack	37,000
Tukwila	Southcenter Mall	170,000	Towson, MD	Towson Rack	31,000
Vancouver	Vancouver Mall	71,000	Troy, MI	Troy Marketplace Rack	40,000
Yakima	Downtown Yakima	44,000	Bloomington, MN	Mall of America Rack	41,000
Other			Hampstead, NY	The Mall at the Source Rack	48,000
Honolulu, HI	Women's Ala Moana Shoes	14,000	Beaverton, OR	Tanasbourne Town Center Rack	53,000
Honolulu, HI	Men's Ala Moana Shoes	8,000	Portland, OR	Clackamas Promenade Rack	28,000
Façonnable	U.S. (3 boutiques)	35,000	Portland, OR	Downtown Portland Rack	19,000
Façonnable	International (20 boutiques)	69,000	Philadelphia, PA	Franklin Mills Mall Rack	43,000
			Plano, TX	Preston Shepard Place Rack	39,000
			Hurst, TX	North East Mall Rack	40,000
			Salt Lake City, UT	Sugarhouse Rack	31,000
			Woodbridge, VA	Potomac Mills Rack	46,000
			Auburn, WA	Auburn SuperMall Rack	48,000
			Bellevue, WA	Factoria Rack	46,000
			Lynnwood, WA	Golde Creek Plaza Rack	38,000
			Seattle, WA	Downtown Seattle Rack	42,000
			Spokane, WA	NorthTown Mall Rack	28,000

(1) Excludes approximately 311,000 square feet of corporate and administrative offices.



Shareholder Information

Independent Auditors

Deloitte & Touche LLP

Counsel

Lane Powell Spears Lubersky LLP

Transfer Agent and Registrar

Mellon Investor Services LLC

P.O. Box 3315

South Hackensack, New Jersey 07606

Telephone (800) 318-7045

TDD for Hearing Impaired

(800) 231-5469

Foreign Shareholders

(201) 329-8660

TDD Foreign Shareholders

(201) 329-8354

General Offices

1617 Sixth Avenue

Seattle, Washington 98101-1742

Telephone (206) 628-2111

Annual Meeting

May 15, 2001 at 11:00 a.m.

Pacific Daylight Time

Nordstrom Downtown Seattle Store

John W. Nordstrom Room, fifth floor

1617 Sixth Avenue

Seattle, Washington 98101-1742

Form 10-K

The Company's Annual Report on

Form 10-K for the year

ended January 31, 2001 will be

provided to shareholders

upon written request to:

Nordstrom, Inc. Investor Relations

P.O. Box 2737

Seattle, Washington 98111

or by calling (206) 373-4310.

Shareholder Information

Please visit www.nordstrom.com

to obtain shareholder information.

In addition, the Company is always

willing to discuss matters of concern

to shareholders, including its vendor

standards compliance mechanisms and

progress in achieving compliance.



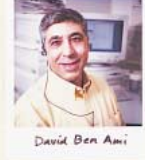
MANDY BELAND



Loni



- Heidi Gutierrez -



David Ben Ami



Marget



Shelton Cole



Leslie Umeyer



JIM PEGGERSON



Susan Maki



CHERYL KLUGE



(JASON SYFULT)



- Jeffrey Trice -



MARY LAVAGOTTO
Store #761



100 Years



- Elaine Hanlon -



Aaron Pashero



Angela Lewis

NORDSTROM