



2001 ANNUAL REPORT

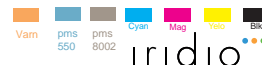


# NORDSTROM

[why this store. why now.]



OFC



IRIDIO COLOR SERVICE  
509 FAIRVIEW AVE. N  
SEATTLE, WA, 98109  
206.587.0276  
800.338.0410 FAX 625.9315



## Financial Highlights

Dollars in thousands except per share amounts

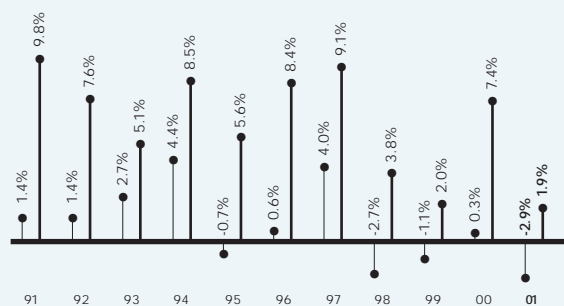
Fiscal Year	2001	2000	% Change
Net sales	\$5,634,130	\$5,528,537	1.9
Earnings before income taxes	204,488	167,018	22.4
Net earnings	124,688	101,918	22.3
Basic earnings per share	.93	.78	19.2
Diluted earnings per share	.93	.78	19.2
Cash dividends paid per share	.36	.35	2.9

## Stock Prices

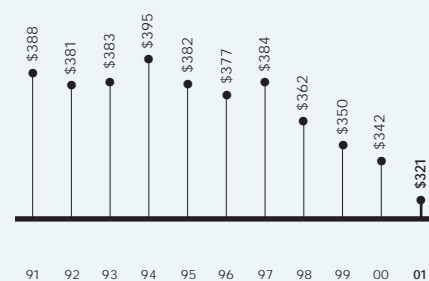
Fiscal Year	2001		2000	
	high	low	high	low
First Quarter	21.17	15.60	34.50	18.25
Second Quarter	22.75	17.00	30.00	16.56
Third Quarter	22.97	13.80	19.50	14.19
Fourth Quarter	25.50	14.25	21.00	14.88

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

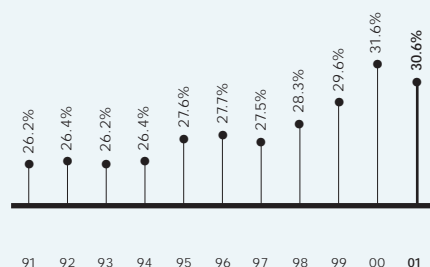
Comparable Store Sales % Change —●—  
Total Sales % Change —■—



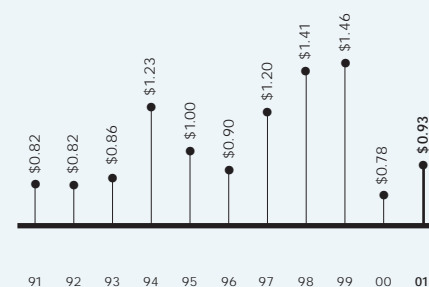
Sales per Square Foot



SG&A as a % of Sales



Diluted Earnings per Share



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View this entire report online. Please visit [www.nordstrom.com](http://www.nordstrom.com) to see this report and obtain the latest available information.





# why Nordstrom?

What is it that makes this company uniquely positioned to not only survive, but thrive, in today's uncertain economic environment? **Good question.**

At Nordstrom, we truly believe we have something special to offer. Most notably, we have a team of really incredible people all dedicated to enhancing our reputation and improving the way we do business on a daily basis. So who better to answer questions about the state of our company than the folks ultimately responsible for making it all happen.





Q: What is Nordstrom doing differently in response to the challenging state of retail today?

A: "Today, from a merchandising standpoint, it's all about great items. Styles customers can really get excited about. Things I get excited about. To me, that's the definition of customer service. When the customer leaves the store with a big smile on her face because she found just what she was looking for. Or maybe she picked up something that just caught her eye. Something she couldn't resist. At Nordstrom, we carry a huge selection. Both name brands and private labels. Stock a ton of sizes. And these days value is a big part of the equation. The customer needs to feel she's getting her money's worth. Whether it's a \$50 pair of shoes or a \$250 pair of shoes, I need to make sure it's the best pair of shoes available for that price. When all is said and done, we want every customer to walk away feeling really good about what they bought."

**GENIE YAO**

BP. SHOES BUYER  
Northern California  
13 YEARS OF SERVICE





A: "I work in Encore, our plus-size department, and some women come in not feeling that good about themselves. But I tell them we don't allow that here. It's not allowed. So lift your head up when you come into my department. And when we get to the counter it's like a little party. Women are laughing and conversing, and it's just a whole new experience for them. We discuss things. It's uplifting. I think that brings them back here even during times we're going through right now. Maybe more so. So to answer the question are we doing anything different? Maybe there is a renewed sense of community and a greater appreciation for the people we interact with. More of a connection. But really that's the way we've always gone about it. Sure we're selling clothes. But it's more about the relationships. About listening to customers and caring enough to make them feel good. And that makes me feel good. I'm proud to be working for a family-owned business that truly appreciates its customers — and allows its sales associates the freedom to do whatever it takes to ensure their satisfaction."

**SUE BAKER**

ENCORE SALESPERSON  
Indianapolis, Indiana  
6 YEARS OF SERVICE



## Q: What are the key benefits you expect to realize with Perpetual Inventory?

A: "First and foremost, we view Perpetual Inventory as a tool — a very powerful tool that will ultimately allow us to better serve the customer. It will accomplish this in many ways. The big plus at the point of sale will be our ability to track down and transfer an item for a customer much more quickly and efficiently. The obvious byproduct of this greater efficiency is expense savings. Our legacy system was very manual. With the new system, there's no more paperwork. In the end, we'll save time. We'll save money. We'll have more time to spend with that customer."

At its core, Perpetual Inventory is a merchandising system. Basically, it will give our buyers the ability to make better decisions about the products they buy for our stores. If they know more about what they're selling by store, by size and by color, they will be able to make better decisions about what to buy in the future. What's more, they'll be able to more effectively manage their inventory, and react to trends a lot faster.

Right now, there's definitely a lot of learning going on, but in general the implementation is going very well. When all is said and done, Perpetual Inventory undoubtedly will have a positive impact on the way we run our business, but only to the extent that it allows us to be a better, smarter, more efficient retailer. And better serve our customers."

### TONJA KUNTZ

VICE PRESIDENT  
CORPORATE MERCHANDISE MANAGER  
Women's Active Sportswear/Hosiery/Lingerie  
14 YEARS OF SERVICE





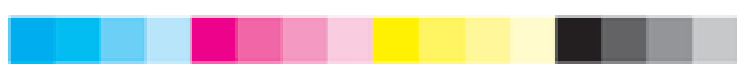
A: "At Nordstrom, we're not only trying to build long-term relationships with our customers, we're building lasting relationships with our employees as well. And that's how the culture thrives. All of my managers, my mentors, have wanted me to succeed. That's something you really feel around here. In fact, they recommended me for the manager position here in Tampa. So I made the move. Now I'm passing my knowledge and experience on to the next generation. Ultimately, I want the people on my team to go on to Orlando or Coral Gables when we open those stores. I think that's what it's really all about. By promoting from within, we're grooming people for what they really want to do. We're creating new leaders. And that's an awesome feeling, because you're also working toward the company's goals. In the end, everyone wins."

**JAIME FERNANDEZ**

MEN'S FURNISHINGS  
DEPARTMENT MANAGER  
Tampa, Florida  
4 YEARS OF SERVICE

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**Q:** What is the company doing to bring expenses under control?



**A:** "Speaking from an operations perspective, I think we have established clarity on exactly what we need to invest in. As you might imagine, we are focusing our resources on the customer experience — what they see, what they feel when they walk into our stores. To that end, we engaged in some pretty in-depth analysis on what is at the core of our long-term operational strategy. After deciding on the things it made sense committing to, we made sure we could deliver them with a quality/cost balance. It all boils down to best practices. Leveraging our size to make smarter purchases. Looking at our distribution network and utilizing it to service the stores more efficiently. The bottom line in operations, we feel that if we can deliver our product to store managers, regional managers, merchandisers, front-line salespeople in a manner that is essentially transparent to them, they will be free of distractions in their interactions with the customers in our stores."

**MIKE SATO**

VICE PRESIDENT  
Full-Line Stores Operations  
17 YEARS OF SERVICE







Q: What is Nordstrom doing to enhance the customer experience?

A: "Nordstrom has always been defined by the customer experience — and it's this experience that draws customers in and keeps them coming back. As a company, it's what we all focus on. From the buyers who buy the clothes, to people who stock the shelves. And of course, there's our salespeople. We pride ourselves on having the best in the business. My job is to remove any barriers that would keep them from making the customer happy. To give them the tools they need, and then get out of the way. As for the store itself, I think we have done a better job recently defining the merchandise offering in each of our departments, which makes it easier for customers to find what they're looking for. I also think the buyers have done a good job of taking all the feedback—and they get a lot—and adjusting the merchandise mix to reflect what our customers really want."

**MICHELLE HAGGARD**

STORE MANAGER  
Riverside, California  
10 YEARS OF SERVICE

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Dear Customers, Employees and Shareholders,



At Nordstrom, nothing is more important than the connection between our salespeople and customers. For this relationship to flourish, our customers must believe we are sincere in our desire to make their shopping experience as enjoyable and rewarding as possible. And our folks on front lines must feel that they are empowered to not only meet, but exceed our customers' expectations.

Over the past 12 months, we have made significant progress in our goal to regain the trust and goodwill of these two key groups. As we've increased our focus on the front lines, we have also reviewed many of our operating procedures and practices to make sure our time and energy are well spent — all while building upon the core values that define our culture and differentiate our position in the marketplace.

I've highlighted some of our more noteworthy accomplishments below.

- We've worked to clarify the offering in each of our lifestyle departments, making it easier for customers to find the items that appeal to them, while providing more balance to our overall merchandise mix.
- We've improved on getting the right item, at the right time, at the right price in each of these departments, which is helping to drive volume.
- We've finished testing and begun implementation of our Perpetual Inventory system, a vital merchandising tool that will provide us with information to make smarter decisions throughout the selling process, and better serve our customers.
- We've streamlined back-of-the-house operations, saving valuable time and effort, while also helping us achieve significant reductions in our overall costs.

There is no doubt that none of these things would have been possible without the focus and dedication of our entire team. Through their efforts, we believe we are getting back on track regarding what it is that makes Nordstrom unique and special. But we realize there is still more work to be done. Obviously, these are challenging times, and consumers have many choices when it comes to spending their hard-earned money. At Nordstrom, we need to make sure that we are providing real, tangible reasons why they might choose to shop with us. We must continue to hone our listening skills, and maintain a sense of urgency when responding to our customers' needs. I'm confident we're doing just that.

Sincerely,

**Blake W. Nordstrom**  
PRESIDENT



## Management's Discussion and Analysis

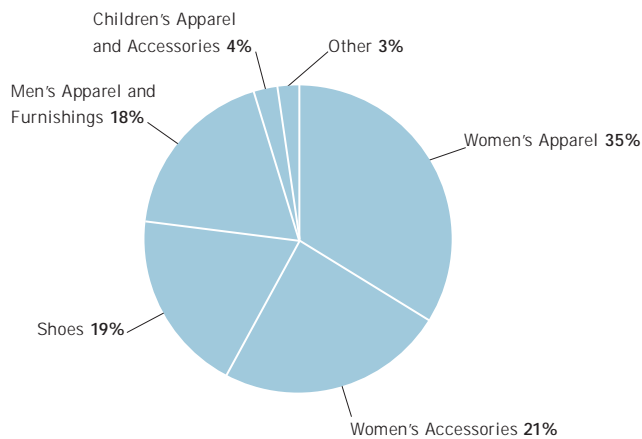
### Overview

Earnings for 2001 (the fiscal year ended January 31, 2002) for Nordstrom, Inc. and its subsidiaries (collectively, the "Company") increased by 22% as compared to 2000. This increase was primarily attributable to nonrecurring charges experienced in the prior year. Excluding nonrecurring charges, earnings for 2001 declined by 8.4% due in large part to the slowing economy. The Company experienced a modest increase in net sales due to the opening of new stores but comparable store sales (sales from stores open at least one full fiscal year) declined. Gross profit as a percent of sales also declined primarily due to higher markdowns taken to increase sales and liquidate excess inventories. Selling, general and administrative expenses as a percent of sales declined as a result of focused efforts in 2001 to reduce costs.

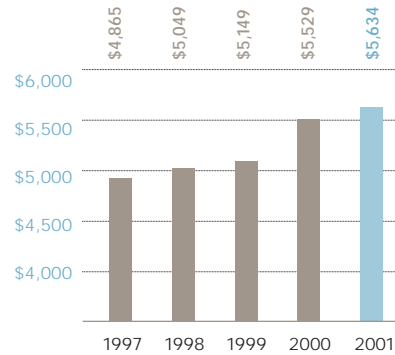
In 2002 (the fiscal year ending January 31, 2003), the Company plans to focus on sales growth, managing merchandise inventory levels, controlling expenses, and making disciplined capital investment decisions. The Company will also strive to build on its core values of customer service and delivering the right mix of quality merchandise at the right price.

### RESULTS OF OPERATIONS

Percentage of 2001 Sales by Merchandise Category



### Net Sales (in millions)



Year over year net sales percentage increases and comparable store sales percentages are as follows:

Fiscal Year	2001	2000	1999
Net sales increase	1.9%	7.4%	2.0%
Comparable store sales	(2.9%)	0.3%	(1.1%)

The net sales increase of 1.9% in 2001 was due to new store openings. During 2001, the Company opened four Nordstrom full-line stores, eight Nordstrom Rack stores and three Façonnable boutiques. The increases in net sales were offset by negative comparable store sales and a decline in sales at Nordstrom.com. Comparable store sales in the first half of the year were lower by 1.3% and in the second half of the year were lower by 4.4%. The decline in the second half of 2001 was largely due to the overall slowdown in the economy. The most significant sales declines were in men's apparel and shoes while women's apparel was essentially flat.

Net sales increased 7.4% in 2000 due to new store openings. During 2000, the Company opened six Nordstrom full-line stores and ten Nordstrom Rack stores. Comparable store sales were essentially flat in 2000, with increases in shoes, cosmetics and accessories offset by decreases in women's apparel. The decrease in women's apparel was primarily attributable to a change in product mix.

## Management's Discussion and Analysis

In 2002, the Company plans to open eight full-line stores, four Nordstrom Rack stores and two Façonnable boutiques, increasing retail square footage 8%. Given the continued weakness in the economy, comparable store sales are planned to be flat. Based on the sales trend seen in the prior year, comparable store sales are planned to be negative in the first half of the year and positive in the second half of the year.

### Gross Profit

Gross profit as a percentage of net sales is as follows:

Fiscal Year	2001	2000	1999
Gross profit as a percent of net sales	<b>33.2%</b>	34.0%	34.8%

Gross profit as a percentage of net sales declined in 2001 due to higher markdowns and new store occupancy expenses. The higher markdowns were taken to drive sales and to liquidate excess inventory caused by the decrease in comparable store sales.

In 2000, the decline in gross profit as a percentage of sales was due to increased markdowns taken to liquidate excess inventory and increased occupancy expenses as a result of additional stores.

In 2002, gross profit as a percentage of sales is expected to improve moderately through careful management of inventory levels in relation to sales trends. However, any improvement may be limited if sales trends are weaker than expected. The Company expects to complete the rollout of its perpetual inventory system in 2002. The benefits of having better inventory tracking tools through perpetual inventory should, over time, also improve gross profit performance.

### Selling, General and Administrative

Selling, general and administrative expenses as a percent of net sales are as follows:

Fiscal Year	2001	2000	1999
Selling, general and administrative	<b>30.6%</b>	31.6%	29.6%
Nonrecurring charges	—	0.4%	0.2%
Selling, general and administrative before nonrecurring charges	<b>30.6%</b>	31.2%	29.4%

Excluding nonrecurring charges, selling, general and administrative expenses as a percentage of net sales decreased in 2001 primarily due to a focused effort to control expenses in the areas of sales promotion, direct selling and information technology. These decreases were partially offset by an increase in bad debt on the Company's credit cards.

In 2000, before nonrecurring charges, the increase in selling, general and administrative expenses as a percent of sales was due to increased costs in the areas of direct selling, credit and sales promotion, related in part to store openings, and increased costs for information services resulting from the Company's investment in new technology.

Fiscal 2000 included nonrecurring charges of \$23 million, of which approximately \$10 million (pre-tax) related to the write-off of abandoned and impaired information technology projects, and approximately \$13 million (pre-tax) related to employee severance and other costs associated with a change in management.

In 2002, selling, general and administrative expenses as a percent of net sales are expected to improve slightly as the Company continues its focus on expense management while incurring higher costs related to new stores, higher depreciation related to new information systems and continued high levels of bad debt.

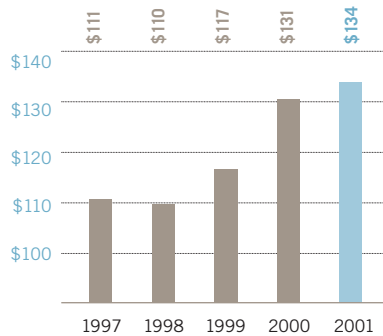
### Interest Expense, Net

Interest expense, net increased 19.7% in 2001 due to higher average borrowings, partially offset by a decrease in interest rates.

In 2000, interest expense, net increased 24.4% primarily due to higher average borrowings.

## Management's Discussion and Analysis

### Service Charge Income and Other, Net (in millions)



Service charge income and other, net primarily represents income from the Company's credit card operations. Service charge income declined slightly in 2001 due to lower interest rates, flat credit sales and a steady number of credit accounts. This decline was offset by lower miscellaneous charges compared to the prior year.

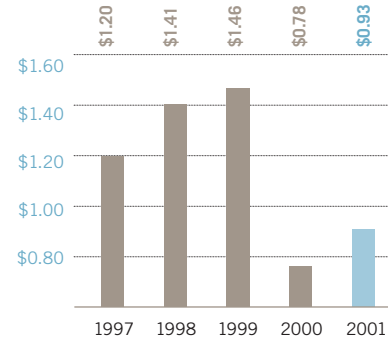
In 2000, service charge income increased due to higher credit sales and increases in the number of credit accounts. Credit sales and the number of credit accounts increased as a result of a targeted marketing effort toward inactive accounts and the introduction of a rewards program.

In 2002, service charge income is planned to be higher due to a small increase in credit sales and credit accounts, and adjustments to interest rates charged.

### Write-off of Investment

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

### Earnings per Share (Diluted)



Diluted earnings per share are as follows:

Fiscal Year	2001	2000	1999
Diluted earnings per share	<b>\$0.93</b>	\$0.78	\$1.46
Nonrecurring charges	—	.26	.04
Diluted earnings per share before nonrecurring charges	<b>\$0.93</b>	\$1.04	\$1.50

Excluding nonrecurring charges, earnings per share for 2001 were 10.6% worse than 2000 primarily driven by a decline in comparable store sales and a decline in gross profit percent offset by decreases in selling, general and administrative expenses as a percent of sales.

Excluding nonrecurring charges, earnings per share for 2000 were 30.7% lower than 1999 primarily due to the decline in gross profit percent and higher selling, general and administrative expenses, partially offset by higher service charge income.

### Fourth Quarter Results

Fourth quarter 2001 earnings per share were \$.38 compared with \$.20 in 2000. The prior year included a \$.01 nonrecurring charge related to the write-off of the remaining Streamline investment. Total sales for the quarter declined by 1.5% versus the same quarter in the prior year and comparable store sales declined by 3.4%. The decline in sales was primarily due to the overall slowdown in the economy. Gross profit increased compared to the same quarter in the prior year due to lower markdowns. Selling, general and administrative expenses improved in the quarter compared to the

## Management's Discussion and Analysis

prior year due to lower costs in selling and sales promotion, partially offset by higher bad debt. The lower selling, general and administrative costs were the result of a focused effort to control costs.

### LIQUIDITY AND CAPITAL RESOURCES

The Company finances its working capital needs, capital expenditures, acquisitions, and share repurchase activity with a combination of cash flows from operations and borrowings.

Management believes that the Company's operating cash flows, existing cash and available credit facilities are sufficient to finance the Company's operations and planned growth for the foreseeable future.

### Cash Flows from Operations

Net cash provided by operating activities increased approximately \$238 million in 2001 compared to 2000 primarily due to decreases in merchandise inventories and accounts receivable.

Net cash provided by operating activities decreased approximately \$193 million in 2000 compared to 1999 largely due to lower net earnings and increases in credit card accounts receivable and merchandise inventories.

In 2002, cash flows provided by operating activities are expected to decrease due to increases in accounts receivable related to increases in credit sales and inventory increases related to the opening of new stores.

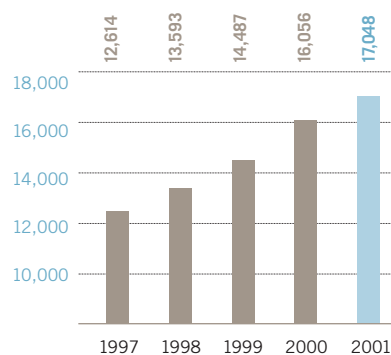
### Capital Expenditures

The Company's capital expenditures aggregated approximately \$683 million over the last three years, net of developer reimbursements, principally to add stores, improve existing facilities and purchase or develop new information systems. Over 3.5 million square feet of retail store space was added during this period, representing an increase of 25% since January 31, 1999.

The Company plans to spend approximately \$875 million, 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, 2002, approximately \$456 million has been contractually committed for the construction of new stores or remodel of existing stores. Although the Company has made commitments for stores opening in 2002 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.

Total Square Footage (thousands)



### Share Repurchase

In May 1995, the Board of Directors authorized \$1.1 billion of share repurchases. As of January 31, 2002, the Company has purchased 39 million shares of its common stock for \$1 billion, with remaining share repurchase authority of \$82 million. The share repurchase represents 24% of the shares outstanding as of May 1995 after adjusting for the 1998 stock split, at an average price per share of \$25.93. Share repurchases have been partially financed through additional borrowings, resulting in an increase in the Company's debt to capital ratio.

### Dividend Policy

In 2001, the Company paid \$.36 per share of common stock in cash dividends, the fifth consecutive annual dividend increase. The Company paid \$.35 and \$.32 per share of common stock in fiscal 2000 and 1999.

## Management's Discussion and Analysis

### Acquisition

In 2000, the Company acquired Façonnable, S.A. ("Façonnable"), of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The Company paid \$88 million in cash and issued 5,074,000 shares of common stock of the Company for a total consideration of \$169 million. The purchase also provides for a contingent payment to one of the previous owners that may be paid after five years from the acquisition date. If the previous owner continues to have active involvement in the business and performance targets are met, the contingent payment would approximate \$10 million. Since the contingent payment is performance based, the actual amount paid will likely vary from this amount and will be expensed when it becomes probable that the targets will be met.

### Debt, Available Credit and Debt Ratings

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.

The Company entered into a variable interest rate swap agreement in the third quarter of 2001. The swap has a \$300 million notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% set at six-month intervals (6.85% at January 31, 2002). Any differences between the amounts paid and received on interest rate swap agreements are recognized as adjustments to interest expense over the life of the swap.

In November 2001, the Company issued \$300 million of Class A notes backed by Nordstrom Private Label Receivables ("PL Term"). The PL Term bears a fixed interest rate of 4.82% and has a maturity of five years. Both the debt and related assets of the PL Term are included in the Company's consolidated balance sheet. The Company will use the proceeds for general corporate purposes and capital expansion.

The Company has an outstanding \$200 million variable funding note backed by Nordstrom VISA credit card receivables ("Visa VFN"). In accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" this debt and the related assets are not reflected in the Company's

consolidated balance sheets. The Visa VFN is scheduled to expire in April 2002. The Company is in the process of renewing this credit facility.

The Company owns a 49% interest in a limited partnership which constructed a new corporate office building in which the Company is the primary occupant. Land, building and equipment includes capitalized costs related to this building of \$93 million and \$57 million as of January 31, 2002 and 2001. The Company is a guarantor of a \$93 million credit facility of the limited partnership of which \$89 million and \$53 million is outstanding as of January 31, 2002 and 2001 and is included in other long-term debt.

The limited partnership is currently refinancing the \$93 million credit facility and has signed a commitment agreement for an \$85 million mortgage secured by the property. The obligation will have a fixed interest rate of 7.68% and a term of 18 years. The Company expects the agreement to close in April 2002 subject to various requirements. The difference between the amount outstanding under the original credit facility and the new mortgage will be funded by the Company.

In November 2001, the Company entered into a \$300 million unsecured revolving credit facility that expires in November 2004. This credit facility replaced an existing \$500 million line of credit, that was scheduled to expire in July 2002. As of January 31, 2002, no borrowings have been made against this revolving credit facility.

In November 2001, the Company issued a variable funding note backed by Nordstrom Private Label Receivables ("PL VFN") with a \$200 million capacity. As of January 31, 2002, no borrowings have been made against this note.

The Company has the following credit ratings as of the date of this report.

Credit Ratings	Moody's*	Standard and Poor's*
Senior unsecured debt	Baa1	A-
Commercial paper	P-2	A-2

\*negative outlook

These ratings are subject to change depending on the Company's performance. A significant ratings drop could result in the termination of the \$200 million PL VFN and the \$200 million Visa VFN, and a change in interest rates on the \$300 million 8.95% Senior Notes and the \$300 million revolving credit facility.

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## Management's Discussion and Analysis

The remainder of the Company's outstanding debt is not subject to termination or interest rate adjustments based on changes in credit ratings.

The following table summarizes the Company's contractual obligations and the expected effect on liquidity and cash flows excluding the \$93 million construction loan and any potential liability related to the Nordstrom.com Put Agreement.

Fiscal Year	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	Over 5 Years
Long-term Debt	\$1,330.6	\$77.7	\$3.0	\$700.6	\$549.3
Capital Leases	17.2	1.3	2.2	2.2	11.5
Operating Leases	674.1	66.9	125.2	108.5	373.5
Construction Commitments	456.1	195.9	151.2	—	109.0
Total	\$2,478.0	\$341.8	\$281.6	\$811.3	\$1,043.3

Construction commitments include \$109 million shown in the Over 5 Years category for new stores construction. These contracts do not have specific due dates and may become due sooner than five years.

### CRITICAL ACCOUNTING POLICIES

The preparation of the Company's financial statements require that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, pensions, contingent liabilities and litigation. The Company bases its estimates on historical experience and on other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

### Put Agreement

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 effectively \$80 million in the event that certain events do not occur. This right would terminate 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. It is possible that the Company will choose not to provide the \$100 million in additional funding and that Nordstrom.com, Inc. will not complete an initial public offering on or before September 1, 2002. If and when the Company determines that neither of those events is likely to occur and that the purchase of the minority interest shares is probable, the Company will begin to accrete, over the period remaining prior to the purchase, the difference between that \$80 million and the fair value of the shares. Based on current values for similar businesses, management of the Company believes that the amount of that difference could range from \$55 million to \$65 million.

### Valuation of Intangible Assets

The Company is in the process of performing a valuation to determine if there has been an impairment of the \$138 million intangible asset resulting from the purchase of Façonnable. This is the Company's only intangible asset. The valuation is dependent on many factors including future performance and market conditions. Should this asset be impaired, a charge will be recorded in the first quarter of 2002.

### Realization of Deferred Tax Assets

As of January 31, 2002, the Company has \$34 million of capital loss carryforwards. The utilization of this deferred tax asset is contingent upon the ability to generate capital gains within the next four years. No valuation allowance has been provided because management believes it is probable that the full benefit of the carryforwards will be realized.



## Management's Discussion and Analysis

### RECENT ACCOUNTING PRONOUNCEMENTS

In February 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138. It requires the fair value of all derivatives to be recognized as assets or liabilities, and specifies accounting for changes in their fair value. Adoption of this standard did not have a material impact on the Company's financial statements.

In March 2001, the Company adopted 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. Adoption of this standard did not have a material impact on the Company's financial statements.

The Emerging Issues Task Force reached a consensus on Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," which provides guidance on how a transferor that retains an interest in securitized financial assets, or an enterprise that purchases a beneficial interest in securitized financial assets, should account for related interest income and impairment. Adoption of this accounting issue for the quarter ended July 31, 2001, did not have a material impact on the Company's financial statements.

In February 2002, the Company adopted SFAS No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 did not have a material impact on the Company's financial statements. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position.

In February 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but establishes new criteria for asset classification and broadens the scope of qualifying discontinued operations. The adoption of this statement did not have a material impact on the Company's financial statements.

### FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT

Certain statements made in this annual report include forward-looking statements regarding the Company's performance, liquidity and adequacy of capital resources. These statements are based on the Company's current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving growth objectives, and other risks and uncertainties, including the uncertain economic and political environment arising from the terrorist acts of September 11th and subsequent terrorist activities. As a result, while the Company believes there is a reasonable basis for the forward-looking statements, one should not place undue reliance on those statements.

## Consolidated Statements of Earnings

Dollars in thousands except per share amounts

Year ended January 31,	2002	% of sales	2001	% of sales	2000	% of sales
Net sales	\$5,634,130	100.0	\$5,528,537	100.0	\$5,149,266	100.0
Cost of sales and related						
buying and occupancy	(3,765,859)	(66.8)	(3,649,516)	(66.0)	(3,359,760)	(65.2)
Gross profit	1,868,271	33.2	1,879,021	34.0	1,789,506	34.8
Selling, general and administrative	(1,722,635)	(30.6)	(1,747,048)	(31.6)	(1,523,836)	(29.6)
Operating income	145,636	2.6	131,973	2.4	265,670	5.2
Interest expense, net	(75,038)	(1.4)	(62,698)	(1.1)	(50,396)	(1.0)
Write-down of investment	—	—	(32,857)	(0.6)	—	—
Service charge income and other, net	133,890	2.4	130,600	2.3	116,783	2.2
Earnings before income taxes	204,488	3.6	167,018	3.0	332,057	6.4
Income taxes	(79,800)	(1.4)	(65,100)	(1.2)	(129,500)	(2.5)
<b>Net earnings</b>	<b>\$124,688</b>	<b>2.2</b>	<b>\$101,918</b>	<b>1.8</b>	<b>\$202,557</b>	<b>3.9</b>
Basic earnings per share	\$0.93		\$0.78		\$1.47	
Diluted earnings per share	\$0.93		\$0.78		\$1.46	
Cash dividends paid per share	\$0.36		\$0.35		\$0.32	

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

## Consolidated Balance Sheets

Dollars in thousands

January 31,	2002	2001
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$331,327	\$25,259
Accounts receivable, net	698,475	721,953
Merchandise inventories	888,172	945,687
Prepaid expenses	34,375	28,760
Other current assets	102,249	91,323
Total current assets	2,054,598	1,812,982
Land, buildings and equipment, net	1,761,082	1,599,938
Intangible assets, net	138,331	143,473
Other assets	94,768	52,110
<b>Total assets</b>	<b>\$4,048,779</b>	<b>\$3,608,503</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Notes payable	\$148	\$83,060
Accounts payable	490,988	466,476
Accrued salaries, wages and related benefits	236,373	234,833
Income taxes and other accruals	142,002	153,613
Current portion of long-term debt	78,227	12,586
Total current liabilities	947,738	950,568
Long-term debt	1,351,044	1,099,710
Deferred lease credits	342,046	275,252
Other liabilities	93,463	53,405
Shareholders' equity:		
Common stock, no par:		
250,000,000 shares authorized;		
134,468,608 and 133,797,757		
shares issued and outstanding	341,316	330,394
Unearned stock compensation	(2,680)	(3,740)
Retained earnings	975,203	900,090
Accumulated other comprehensive earnings	649	2,824
Total shareholders' equity	1,314,488	1,229,568
<b>Total liabilities and shareholders' equity</b>	<b>\$4,048,779</b>	<b>\$3,608,503</b>

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

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## Consolidated Statements of Shareholders' Equity

Dollars in thousands except per share amounts

	Common Stock Shares	Common Stock Amount	Unearned Stock Compensation	Retained Earnings	Accum. Other Comprehensive Earnings	Total
<b>Balance at February 1, 1999</b>	142,114,167	\$230,761	\$(4,703)	\$1,074,487	—	\$1,300,545
Net earnings	—	—	—	202,557	—	202,557
Unrealized gain on investment, net of tax	—	—	—	—	\$17,032	17,032
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)
<b>Balance at January 31, 2000</b>	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	2,824
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)
<b>Balance at January 31, 2001</b>	133,797,757	330,394	(3,740)	900,090	2,824	1,229,568
Net earnings	—	—	—	124,688	—	124,688
Other comprehensive earnings:						
Foreign currency translation adjustment	—	—	—	—	(2,175)	(2,175)
Comprehensive net earnings:	—	—	—	—	—	122,513
Cash dividends paid (\$.36 per share)	—	—	—	(48,265)	—	(48,265)
Issuance of common stock for:						
Stock option plans	186,165	3,788	—	—	—	3,788
Employee stock purchase plan	541,677	6,754	—	—	—	6,754
Stock compensation	19,009	380	1,060	—	—	1,440
Purchase and retirement of common stock	(76,000)	—	—	(1,310)	—	(1,310)
<b>Balance at January 31, 2002</b>	134,468,608	\$341,316	\$(2,680)	\$975,203	\$649	\$1,314,488

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,	2002	2001	2000
<b>Operating Activities</b>			
Net earnings	\$124,688	\$101,918	\$202,557
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment	213,089	203,048	193,718
Amortization of intangible assets	4,630	1,251	—
Amortization of deferred lease credits and other, net	(8,538)	(12,349)	(6,387)
Stock-based compensation expense	3,414	6,480	3,331
Deferred income taxes, net	15,662	(3,716)	(22,859)
Write-down of investment	—	32,857	—
Change in operating assets and liabilities, net of effects from acquisition of business:			
Accounts receivable, net	22,556	(102,945)	(29,854)
Merchandise inventories	215,731	6,741	79,894
Prepaid expenses	(1,684)	(173)	(6,976)
Other assets	(16,770)	(3,821)	(8,880)
Accounts payable	(159,636)	(67,924)	(76,417)
Accrued salaries, wages and related benefits	(203)	17,850	14,942
Income tax liabilities and other accruals	(11,310)	3,879	965
Other liabilities	12,088	(7,184)	25,212
Net cash provided by operating activities	413,717	175,912	369,246
<b>Investing Activities</b>			
Capital expenditures	(390,138)	(321,454)	(305,052)
Additions to deferred lease credits	126,383	92,361	114,910
Payment for acquisition, net of cash acquired	—	(83,828)	—
Other, net	(3,309)	(1,781)	(452)
Net cash used in investing activities	(267,064)	(314,702)	(190,594)
<b>Financing Activities</b>			
Proceeds (payments) from notes payable	(82,912)	12,126	(7,849)
Proceeds from issuance of long-term debt	300,000	308,266	—
Principal payments on long-term debt	(18,640)	(58,191)	(63,341)
Capital contribution to subsidiary from minority shareholders	—	—	16,000
Proceeds from issuance of common stock	10,542	6,250	9,577
Cash dividends paid	(48,265)	(45,935)	(44,463)
Purchase and retirement of common stock	(1,310)	(85,509)	(302,965)
Net cash provided by (used in) financing activities	159,415	137,007	(393,041)
Net increase (decrease) in cash and cash equivalents	306,068	(1,783)	(214,389)
Cash and cash equivalents at beginning of year	25,259	27,042	241,431
<b>Cash and cash equivalents at end of year</b>	<b>\$331,327</b>	<b>\$25,259</b>	<b>\$27,042</b>

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

NORDSTROM INC. AND SUBSIDIARIES 19



## 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, in the United States through 80 Nordstrom full-line stores, 46 Nordstrom Rack and clearance stores, 4 Façonnable boutiques and 2 free-standing shoe stores. The Company also operates 24 Façonnable boutiques located primarily in Europe. Additionally, the Company generates catalog and Internet sales through Nordstrom.com LLC and service charge income through Nordstrom Credit, Inc.

**Basis of Presentation:** The consolidated financial statements include the balances of Nordstrom, Inc. and its subsidiaries for the entire fiscal year. All significant intercompany transactions and balances are eliminated in consolidation.

**Use of Estimates:** Management makes estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

**Revenue Recognition:** 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 include shipping revenue and are recorded upon shipment to the customer.

**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 costs for shipping and handling to customers include payments to third-party shippers and costs incurred to store, move and prepare merchandise for shipment. Shipping and handling costs of \$30,868, \$38,062 and \$29,085 in 2001, 2000 and 1999 were 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 deferred and recognized over the expected life of the catalog, not to exceed six months. Total advertising expenses were \$145,341, \$190,991 and \$160,957 in 2001, 2000 and 1999.

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

**Cash Equivalents:** Cash equivalents represent short-term investments with a maturity of three months or less from the time of purchase.

**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, 2002 includes \$31,817 of checks not yet presented for payment drawn in excess of cash balances.

**Customer Accounts Receivable:** In accordance with industry practices, installments maturing in more than one year and 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:** Depreciation is computed using a combination of accelerated and straight-line methods. Estimated useful lives by major asset category are as follows:

Asset	Life (in years)
Buildings	5-40
Store fixtures and equipment	3-15
Leasehold improvements	Shorter of life of lease or asset life
Software	3-7

**Asset Impairment:** The Company reviews its intangibles and other long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may not be recoverable.

## Notes to Consolidated Financial Statements

**Deferred Lease Credits:** The Company receives developer reimbursements as incentives to construct stores in certain developments. The Company capitalizes certain property, plant and equipment for these stores during the construction period. At the end of the construction period, developer reimbursements in excess of construction costs are recorded as deferred lease credits and amortized as a reduction to rent expense, on a straight-line basis over the life of the applicable lease or operating covenant. Construction costs in excess of developer reimbursements are recorded as prepaid rent and amortized as rent expense on a straight-line basis over the life of the applicable lease or operating covenant.

**Fair Value of Financial Instruments:** The carrying amount of cash equivalents and notes payable approximates fair value. 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 \$1,378,000 and \$1,041,000 at January 31, 2002 and 2001.

**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, 2002 and 2001 is not material.

**Recent Accounting Pronouncements:** In February 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138. It requires the fair value of all derivatives to be recognized as either assets or liabilities and specifies accounting for changes in their fair value. Adoption of this standard did not have a material impact on the Company's financial statements.

In March 2001, the Company adopted 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. Adoption of this standard did not have a material

impact on the Company's financial statements.

The Emerging Issues Task Force ("EITF") has reached a consensus on Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," which provides guidance on how a transferor that retains an interest in securitized financial assets, or an enterprise that purchases a beneficial interest in securitized financial assets, should account for related interest income and impairment. Adoption of this accounting issue in the quarter ended July 31, 2001, did not have a material impact on the Company's financial statements.

In July 2001, the FASB issued SFAS No. 141 "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 in February 2002 did not have a material impact on the Company's financial statements.

At February 1, 2002, the Company implemented SFAS No. 142 "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. Prior to the adoption of SFAS No. 142, the Company's intangible assets were amortized over their estimated useful lives on a straight-line basis ranging from 10 to 35 years. Accumulated amortization of intangible assets was \$5,881 and \$1,251 at January 31, 2002 and 2001. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position.

In February 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but establishes new criteria for asset classification and broadens the scope of qualifying discontinued operations. The adoption of this statement did not have a material impact on the Company's financial statements.

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## Notes to Consolidated Financial Statements

### Note 2: Acquisition

In 2000, the Company acquired Façonnable, S.A. ("Façonnable"), 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 of \$168,868. The purchase also provides for a contingent payment to one of the previous owners that may be paid after five years from the acquisition date. If the previous owner continues to have active involvement in the business and performance targets are met, the contingent payment would approximate \$10,000. Since the contingent payment is performance based, the actual amount paid will likely vary from this amount and will be expensed when it becomes probable that the targets will be met.

### Note 3: Employee Benefits

The Company provides a profit sharing plan and 401(k) plan for employees. The profit sharing plan is non-contributory and is fully funded by the Company. The Board of Directors establishes the Company's contribution to the profit sharing plan each year. The 401(k) plan is funded by voluntary employee contributions. In addition, the Company provides matching contributions up to a stipulated percentage of employee contributions. The Company's matching contributions to the 401(k) plan and contributions to the profit sharing plan totaled \$28,525, \$29,113 and \$47,500 in 2001, 2000 and 1999.

### Note 4: Interest Expense, Net

The components of interest expense, net are as follows:

Year ended January 31,	2002	2001	2000
Short-term debt	\$3,741	\$12,682	\$2,584
Long-term debt	83,225	58,988	56,831
Total interest expense	86,966	71,670	59,415
Less: Interest income	(1,545)	(1,330)	(3,521)
Capitalized interest	(10,383)	(7,642)	(5,498)
Interest expense, net	\$75,038	\$62,698	\$50,396

### Note 5: Income Taxes

Income tax expense consists of the following:

Year ended January 31,	2002	2001	2000
Current income taxes:			
Federal	\$58,122	\$79,778	\$130,524
State and local	6,142	11,591	21,835
Total current income taxes	64,264	91,369	152,359
Deferred income taxes:			
Current	(7,217)	(11,215)	(18,367)
Non-current	22,753	(15,054)	(4,492)
Total deferred income taxes	15,536	(26,269)	(22,859)
Total income taxes	\$79,800	\$65,100	\$129,500

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

Year ended January 31,	2002	2001	2000
Statutory rate	35.00%	35.00%	35.00%
State and local income taxes, net of Federal income taxes	3.93	3.93	4.06
Other, net	.09	.05	(.06)
Effective tax rate	39.02%	38.98%	39.00%



## Notes to Consolidated Financial Statements

Deferred income taxes reflect the net tax effect of temporary differences between amounts recorded for financial reporting purposes and amounts used for tax purposes. The major components of deferred tax assets and liabilities are as follows:

January 31,	2002	2001
Accrued expenses	\$33,896	\$33,458
Compensation and benefits accruals	48,584	43,803
Merchandise inventories	24,643	26,290
Capital loss on investment	13,399	12,751
Other	21,123	18,298
<b>Total deferred tax assets</b>	<b>141,645</b>	134,600
Land, buildings and equipment basis and depreciation differences	(49,978)	(25,678)
Employee benefits	(9,771)	(10,937)
Other	(3,195)	(3,748)
<b>Total deferred tax liabilities</b>	<b>(62,944)</b>	(40,363)
<b>Net deferred tax assets</b>	<b>\$78,701</b>	\$94,237

As of January 31, 2002, the Company has \$34,357 of capital loss carryforwards available to be utilized within four 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

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, performance share units 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 8,563,996, 7,409,387 and 2,798,966 shares in 2001, 2000 and 1999.

Year ended January 31,	2002	2001	2000
Net earnings	\$124,688	\$101,918	\$202,557
Basic shares	134,104,582	131,012,412	137,814,589
Basic earnings per share	\$0.93	\$0.78	\$1.47
Dilutive effect of stock options and restricted stock	234,587	100,673	610,255
Diluted shares	134,339,169	131,113,085	138,424,844
Diluted earnings per share	\$0.93	\$0.78	\$1.46

### Note 7: Investment

In September 1998, the Company made an investment in Streamline.com, Inc. ("Streamline"), an Internet grocery and consumer goods delivery company. 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.

## Notes to Consolidated Financial Statements

### Note 8: Accounts Receivable

The components of accounts receivable are as follows:

January 31,	2002	2001
Unrestricted trade receivables	\$73,157	\$716,218
Restricted trade receivables	628,271	—
Other	21,325	22,266
Allowance for doubtful accounts	(24,278)	(16,531)
Accounts receivable, net	\$698,475	\$721,953

Bad debt expense totaled \$34,750, \$20,368 and \$11,707 in 2001, 2000 and 1999.

Restricted trade receivables back the \$300 million of Class A notes and the \$200 million variable funding note issued by the Company in November 2001. Other accounts receivable consists primarily of vendor receivables and cosmetic rebates receivable.

### Note 9: Receivable-backed Securities

Nordstrom has \$200 million in outstanding debt securities (Class A) and holds securities that represent undivided interests (Class B and Seller Retained Interest) or residual interests (Interest Only Strip) in a master trust. These securities are collateralized by Nordstrom VISA credit card receivables that are sold to the trust on an ongoing basis. The carrying amounts of the retained interests approximate fair value and are included in customer accounts receivable.

Gains or losses are recognized on the sale of VISA receivables to the trust based on the difference between the face value of the receivables sold and the fair value of the assets created in the securitization process. The receivables sold to the trust are then allocated between the various interests in the trust based on those interests' relative fair market value. The fair values of the assets are calculated as the present value of their expected future cash flows, which assumes the weighted average remaining life of 2.4 months, average credit losses of 7.41%, average gross yield of 17.48%, average interest expense on issued securities of 2.38%, average payment rate of 22.04%, and discount rates of 7.75% for the Seller Retained Interest, 13.62% for the Class B and 25.35% for the Interest Only Strip. These discount rates represent the

volatility and risk of the assets and are calculated using an established formula that considers both the current interest rate environment and credit spreads.

The following table summarizes the estimated fair value of the securities held by the Company and certain cash flows received from and paid to the master trust.

Year ended January 31,	2002	2001
Class B Certificate	\$10,849	\$11,000
Seller Retained Interest	47,102	42,052
Interest Only Strip	1,335	3,464
Principal collections reinvested in new receivables	669,582	485,422
Gains on sales of receivables	3,147	5,356
Income earned on retained assets	6,711	9,035
Cash flows from retained assets:		
Class B Certificate	715	684
Seller Retained Interest	6,217	4,411
Interest Only Strip	4,984	4,955
Servicing Fees	8,440	8,121

Interest income earned on the Class B certificate, Interest Only Strip and the Seller Retained Interest are included in service charge income and other on the consolidated statements of earnings.

## Notes to Consolidated Financial Statements

The following table illustrates the change in fair market value estimates given independent changes in assumptions.

	+10%	+20%	-10%	-20%
Gross Yield:				
IO Strip	668	1,339	(661)	(1,312)
Class B	—	—	—	—
Seller Retained Interest	156	313	(156)	(313)
Interest Expense on				
Issued Classes:				
IO Strip	(85)	(170)	85	171
Class B	—	—	—	—
Seller Retained Interest	—	—	—	—
Card Holders Payment Rate:				
IO Strip	(76)	(137)	90	195
Class B	7	14	(9)	(18)
Seller Retained Interest	58	110	(71)	(161)
Charge Offs:				
IO Strip	(325)	(647)	330	661
Class B	—	—	—	—
Seller Retained Interest	(136)	(271)	136	273
Discount Rate:				
IO Strip	(10)	(19)	10	19
Class B	(28)	(57)	29	57
Seller Retained Interest	(71)	(142)	71	142

The total principal balance of the VISA receivables is \$258,075 as of January 31, 2002. Gross credit losses were \$17,050 for the 12 months ending January 31, 2002 and receivables past due for more than 30 days were \$8,170 on January 31, 2002.

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

	2002	2001	2000
Original projection	7.66%	5.99%	5.39%
Actual	N/A	6.62%	5.46%

Under the terms of the trust agreement, the Company may be required to fund certain amounts upon the occurrence of specific events. The Company does not believe additional funding will be required.

The Company's continuing involvement in the securitization of Visa receivables will include recording gains/losses on sales in accordance with SFAS No. 140 and recognizing income on retained assets as prescribed by EITF 99-20, holding both subordinated, non-subordinated, and residual interests in the trust, and servicing the portfolio.

The Company also issued \$300 million of receivable-backed securities supported by substantially all of its private label credit cards. This transaction is accounted for as a secured financing. Total principal receivables of the securitized portfolio on January 31, 2002 were approximately \$625,516, receivables more than 30 days past due were approximately \$19,301, and charged off receivables for the 12 months ending January 31, 2002 were \$28,134. The private label receivables also serve as collateral for a variable funding facility with a limit of \$200 million. Nothing was outstanding on this facility on January 31, 2002.

The Company's continuing involvement in the securitization of private label receivables will include pledging new receivables to the master note trust, accounting for the transaction as a secured financing and servicing the portfolio.

## Notes to Consolidated Financial Statements

### Note 10: Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

January 31,	2002	2001
Land and land improvements	\$59,141	\$60,871
Buildings	683,926	760,029
Leasehold improvements	910,291	903,925
Capitalized software	46,603	38,642
Store fixtures and equipment	1,142,169	1,172,914
	<b>2,842,130</b>	2,936,381
Less accumulated depreciation and amortization	(1,663,409)	(1,554,081)
	<b>1,178,721</b>	1,382,300
Construction in progress	582,361	217,638
Land, buildings and equipment, net	<b>\$1,761,082</b>	\$1,599,938

Capitalized software includes external direct costs, capitalized internal direct labor and other employee benefits, and capitalized interest associated with the development of internal-use computer software. Depreciation begins in the period in which the software is ready for its intended use. Construction in progress includes \$127,847 and \$46,696 of software in progress at January 31, 2002 and 2001.

At January 31, 2002, the Company has contractual commitments of approximately \$456,090 for the construction of new stores or remodeling of existing stores.

### Note 11: Notes Payable

A summary of notes payable is as follows:

Year ended January 31,	2002	2001	2000
Average daily short-term borrowings	\$81,647	\$192,392	\$45,030
Maximum amount outstanding	177,100	360,480	178,533
Weighted average interest rate:			
During the year	4.6%	6.6%	5.8%
At year-end	—	6.4%	6.0%

At January 31, 2002, the Company has an unsecured line of credit totaling \$300,000, which is available as liquidity support for the Company's commercial paper program, and expires in November 2004. The line of credit agreement contains restrictive covenants, which include maintaining certain financial ratios. The Company pays a commitment fee for the line based on the Company's debt rating.

In November 2001, the Company issued a variable funding note backed by Nordstrom Private Label Receivables ("PL VFN") with a \$200 million capacity. Interest on the PL VFN varies based on 30-day commercial paper rated at A1/P1. As of January 31, 2002, there have been no borrowings on the PL VFN.

Additionally, in connection with the purchase of foreign merchandise, the Company has outstanding letters of credit totaling \$77,085 at January 31, 2002.

## Notes to Consolidated Financial Statements

### Note 12: Long-Term Debt

A summary of long-term debt is as follows:

January 31,	2002	2001
Receivable-backed PL Term, 4.82%, due 2006	\$300,000	—
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	300,000
Medium-term notes, 7.25%, due 2002	76,750	87,750
Notes payable, 6.7%, due 2005	100,000	100,000
Other	102,521	74,546
Total long-term debt	1,429,271	1,112,296
Less current portion	(78,227)	(12,586)
Total due beyond one year	\$1,351,044	\$1,099,710

The Company entered into a variable interest rate swap agreement in the third quarter of 2001. The swap has a \$300 million notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% set at six-month intervals (6.85% at January 31, 2002). Any differences between the amounts paid and received on interest rate swap agreements are recognized as adjustments to interest expense over the life of the swap. The swap agreement qualifies as a fair value hedge and is recorded at fair value in other liabilities.

In November 2001, the Company issued \$300 million of Class A notes backed by Nordstrom Private Label Receivables ("PL Term"). The PL Term bears a fixed interest rate of 4.82% and has a maturity of five years. The Company will use the proceeds for general corporate purposes and capital expansion.

The Company owns a 49% interest in a limited partnership that completed construction on a new corporate office building in which the Company is the primary occupant. Land, buildings and equipment includes capitalized costs related to this building of \$92,952 and \$57,270 as of January 31, 2002 and 2001 which includes noncash amounts of \$78,003 and \$41,883 as of January 31, 2002 and 2001. The corresponding finance obligation of \$89,180 and \$53,060 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 the permanent financing. 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 0.75%, or the greater of the Federal Funds rate plus 0.5% and the prime rate, and matures in August 2002 (2.63% and 6.36% at January 31, 2002 and 2001).

The limited partnership is currently refinancing the \$93,000 credit facility and has signed a commitment agreement for an \$85,000 mortgage secured by the property. The obligation will have a fixed interest rate of 7.68% and a term of 18 years. The Company expects the agreement to close in April 2002 subject to various requirements. The difference between the amount outstanding under the original credit facility and the new mortgage will be funded by the Company.

Required principal payments on long-term debt, excluding capital lease obligations and construction loan obligations, are as follows:

Year ended January 31,	
2003	\$77,730
2004	1,535
2005	1,463
2006	400,410
2007	300,188
Thereafter	549,332



## Notes to Consolidated Financial Statements

### Note 13: Leases

The Company leases land, buildings and equipment under noncancelable lease agreements with expiration dates ranging from 2002 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.

Year ended January 31,	2002	2001	2000
Minimum rent:			
Store locations	\$26,951	\$16,907	\$18,794
Offices, warehouses and equipment	20,144	21,070	19,926
Percentage rent:			
Store locations	8,047	9,241	7,441
Total rent expense	\$55,142	\$47,218	\$46,161

Future minimum lease payments as of January 31, 2002 are as follows:

Year ended January 31,	Capital Leases	Operating Leases
2003	\$1,335	\$66,940
2004	1,120	64,480
2005	1,120	60,680
2006	1,120	56,191
2007	1,120	52,285
Thereafter	<u>11,470</u>	<u>373,517</u>
Total minimum lease payments	<u>17,285</u>	<u>\$674,093</u>
Less amount representing interest	<u>7,851</u>	
Present value of net minimum lease payments	\$9,434	

### Note 14: Stock-Based Compensation

#### Stock Option Plan

The Company has a stock option plan ("the Plan") under which stock options, performance share units and restricted stock may be granted to key employees. 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 Company granted 273,864, 355,072 and 272,970 performance share units in 2001, 2000 and 1999, 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. At January 31, 2002 and 2001, \$4,713 and \$2,741 was recorded in accrued salaries, wages and related benefits for these performance shares.

Employees who receive performance share units pay no monetary consideration. No amounts have been paid and no common stock has been issued in connection with this program. As of January 31, 2002, 518,189 units were outstanding.

The Company also granted 30,069 and 180,000 shares of restricted stock in 1999 and 1998, with a weighted average fair value of \$32.09 and \$27.75. 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 January 2002, the Company accelerated the vesting on the remaining 9,536 unvested shares of restricted stock, resulting in compensation expense of \$193. At January 31, 2002, there are no shares of unvested restricted stock.

At January 31, 2002, approximately 7,856,298 shares are reserved for future stock option grants pursuant to the Plan.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under its stock-based compensation programs. Accordingly, no compensation cost has been recognized for stock options issued under the Plan. Performance share compensation expense is recorded over the performance period at the fair value of the stock at the date when probable that such shares have been earned. 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 2001, 2000 and 1999 was \$3,414, \$6,480 and \$3,331.

## Notes to Consolidated Financial Statements

Stock option activity for the Nordstrom, Inc. Plan was as follows:

Year ended January 31,	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	8,873,342	\$27	8,135,301	\$28	5,893,632	\$27
Granted	3,288,826	19	2,470,169	21	2,926,368	31
Exercised	(186,165)	18	(181,910)	20	(341,947)	23
Cancelled	(1,212,110)	25	(1,550,218)	28	(342,752)	30
Outstanding, end of year	10,763,893	\$24	8,873,342	\$27	8,135,301	\$28
Options exercisable at end of year	4,533,281	\$27	3,833,379	\$26	3,145,393	\$25

The following table summarizes information about stock options outstanding for the Nordstrom, Inc. Plan as of January 31, 2002:

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	6,183,330	8	\$19	1,671,982	\$20	
\$23 – \$32	2,479,733	6	27	1,683,022	27	
\$33 – \$40	2,100,830	7	36	1,178,277	35	
	10,763,893	7	\$24	4,533,281	\$27	

Stock option activity for the Nordstrom.com 1999 and 2000 Plans were as follows:

Year ended January 31,	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	4,174,950	\$1.72	1,373,950	\$1.67	—	—
Granted	41,500	1.92	3,794,931	1.73	1,379,950	\$1.67
Exercised	—	—	(135,000)	1.67	—	—
Cancelled	(691,642)	1.68	(858,931)	1.68	(6,000)	1.67
Outstanding, end of year	3,524,808	\$1.73	4,174,950	\$1.72	1,373,950	\$1.67
Options exercisable at end of year	1,241,104	\$1.68	703,750	\$1.67	—	—

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## Notes to Consolidated Financial Statements

### Nordstrom.com

Nordstrom.com has two stock option plans, the "1999 Plan" and the "2000 Plan." Vested options under the 1999 Plan are exercisable only in the event of an initial public offering of Nordstrom.com. As of January 31, 2002, the weighted average contractual life for options outstanding was 8.2 years with exercise prices ranging from \$1.67 to \$1.92 per share. No compensation cost has been recognized related to the options under the 2000 plan because the exercise price was equal to the fair value of Nordstrom.com stock on the date of grant. 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. Nordstrom.com LLC has also issued warrants to purchase 2,176,250 common shares at an exercise price of \$1.67 to its managing member, Nordstrom.com, Inc. The warrants expire on January 31, 2012. As of January 31, 2002, warrants to purchase 135,000 common shares are exercisable.

### 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, 541,677 and 165,842 shares were issued in 2001 and 2000. As of January 31, 2002, payroll deductions totaling \$2,641 were accrued for purchase of shares on March 31, 2002.

### SFAS No. 123

If the Company had elected to recognize compensation cost based on the fair value of the options and shares at grant date as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net earnings and earnings per share would have been the pro forma amounts shown below:

Year ended January 31,	2002	2001	2000
Pro forma net earnings	\$107,436	\$88,460	\$192,916
Pro forma basic EPS	\$0.80	\$0.68	\$1.40
Pro forma diluted EPS	\$0.80	\$0.67	\$1.39

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The Black-Scholes method was used to estimate the fair value of the options at grant date based on the following factors:

Year ended January 31,	2002	2001	2000
Stock Options:			
Risk-free interest rate	4.8%	6.4%	5.7%
Volatility	68.0%	65.0%	61.0%
Dividend yield	1.3%	1.0%	1.0%
Expected life in years	5.0	5.0	5.0

Weighted-average fair value	2002	2001	2000
at grant date	\$10	\$12	\$17

ESPP:			
Risk-free interest rate	4.3%	6.0%	—
Volatility	68.0%	65.0%	—
Dividend yield	1.3%	1.0%	—
Expected life in years	0.5	0.5	—

Weighted-average fair value	2002	2001	2000
at grant date	\$5	\$6	—

For Nordstrom.com, the Company used the following weighted-average assumptions:

Year ended January 31,	2002	2001	2000
Risk-free interest rate	4.5%	6.2%	6.0%
Volatility	127.0%	121.0%	81.0%
Dividend yield	0.0%	0.0%	0.0%
Expected life in years	4.0	4.0	4.0

Weighted-average fair value	2002	2001	2000
at grant date	\$1.56	\$1.39	\$1.05

### Note 15: Postretirement Benefits

The Company has a Supplemental Executive Retirement Plan ("SERP"), which provides retirement benefits to certain officers and other select employees of the Company. The benefits are unfunded and limited to a maximum of 60% of the monthly average compensation less the actuarial equivalent of any monthly benefits payable under the profit sharing plan.



## Notes to Consolidated Financial Statements

The following provides a reconciliation of benefit obligations, funded status of the SERP, as well as a summary of significant assumptions:

January 31,	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	\$23,543	\$23,645
Service cost	1,092	630
Interest cost	2,668	2,044
Amortization of adjustments	1,821	688
Change in additional minimum liability	7,308	(1,519)
Distributions	(2,021)	(1,945)
Benefit obligations at end of year	\$34,411	\$23,543

Funded status of plan:		
Under funded status	\$(39,547)	\$(28,964)
Unrecognized transitional obligation	324	648
Unrecognized prior service cost	6,396	240
Unrecognized loss	6,983	5,792
Accrued pension cost	\$(25,844)	\$(22,284)

Balance sheet amounts:		
Additional minimum liability	\$(8,567)	\$(1,259)
Intangible asset	6,720	888

The components of SERP expense are as follows:

January 31,	2002	2001	2000
Service cost	\$1,092	\$630	\$906
Interest cost	2,668	2,044	1,952
Amortization of adjustments	1,821	688	1,013
Total SERP expense	\$5,581	\$3,362	\$3,871

Assumption percentages:

Discount rate	7.25%	7.50%	6.50%
Rate of compensation increase	5.00%	5.00%	5.00%

### Note 16: Supplementary Cash Flow Information

The Company capitalizes certain property, plant and equipment during the construction period of commercial buildings which are subsequently derecognized and leased back. During the year ended January 31, 2002, the noncash activity related to the derecognition of new stores that qualified as sale and leaseback were \$75,555.

Supplementary cash flow information includes the following:

Year ended January 31,	2002	2001	2000
Cash paid during the year for:			
Interest (net of capitalized interest)	\$77,025	\$58,190	\$54,195
Income taxes	80,689	88,911	129,566

### Note 17: Segment Reporting

The Company has three reportable segments that 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 revenues from sales of high-quality apparel, shoes and accessories. It includes the Company's product development group, which coordinates the design and production of private label merchandise sold in the Company's retail stores. The 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 website.

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.

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

## Notes to Consolidated Financial Statements

<b>Year ended January 31, 2002</b>	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Revenues from external customers (b)	\$5,356,875	—	\$277,255	—	—	\$5,634,130
Service charge income	—	\$129,697	—	—	—	129,697
Intersegment revenues	20,204	33,767	—	—	\$(53,971)	—
Interest expense, net	994	24,994	77	\$48,973	—	75,038
Depreciation and amortization	182,960	2,253	5,498	22,378	—	213,089
Amortization of intangible assets	4,630	—	—	—	—	4,630
Income tax expense (benefit)	150,921	9,104	—	(80,225)	—	79,800
Net earnings (loss)	235,815	14,226	(8,139)	(117,214)	—	124,688
Assets (a)(b)	2,564,375	695,556	69,457	719,391	—	4,048,779
Intangible assets	138,331	—	—	—	—	138,331
Capital expenditures	373,909	2,054	2,554	11,621	—	390,138
<b>Year ended January 31, 2001</b>	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Revenues from 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	176,758	1,786	7,552	16,952	—	203,048
Amortization of 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)	2,557,616	703,077	68,010	279,800	—	3,608,503
Intangible assets	143,473	—	—	—	—	143,473
Capital expenditures	286,941	3,095	5,187	26,231	—	321,454
<b>Year ended January 31, 2000</b>	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Revenues from 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	170,826	1,424	6,313	15,155	—	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

(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 \$68,487 for the year ended January 31, 2002, and \$12,318 for the period from October 24, 2000, the date of acquisition, to January 31, 2001, and assets of \$198,689 and \$206,601 as of January 31, 2002 and 2001.



## Notes to Consolidated Financial Statements

### Note 18: Restructurings, Impairments, and Other One-Time Charges

The following table provides a summary of restructuring, impairments and other charges:

Year ended January 31,	2002	2001	2000
Employee severance	\$1,791	—	\$2,685
Other expenses	—	—	1,206
Restructuring subtotal	1,791	—	3,891
Management severance	—	\$13,000	—
Asset impairment	—	10,227	4,053
Litigation settlement costs	—	—	2,056
Total charges	\$1,791	\$23,227	\$10,000

During the year ended January 31, 2002, the Company streamlined its operations through a reduction in workforce of approximately 2,600 employees. As a result, the Company recorded a restructuring charge of \$1,791 in selling, general and administrative expenses relating to severance for approximately 195 employees. Personnel affected were primarily located in the corporate center and in full-line stores.

During the year ended January 31, 2001, the Company recorded an impairment charge of \$10,227, consisting of \$9,627 recorded in selling, general and administrative expenses and \$600 in interest expense. Due to changes in business strategy, the Company determined that several software projects under development were either impaired or obsolete. The charges consisted of \$6,542 primarily related to the disposition of transportation management software. Additionally, merchandise software was written down \$3,685 to its estimated fair value. During the same year, the Company accrued and paid \$13,000 for certain severance and other costs related to a change in management.

During the year ended January 31, 2000, the Company recorded a charge of \$10,000 in selling, general and administrative expenses primarily associated with the restructuring of the Company's information technology services area. The charge consisted of \$4,053 in the disposition of several software projects under development, \$2,685 in employee severance and \$1,206 in other miscellaneous costs. Additionally, the Company recorded \$2,056 related to settlement costs for two lawsuits. The restructuring included the termination of 50 employees in the information technology department.

The following table presents the activity and balances of the reserves established in connection with the restructuring charges:

Year ended January 31,	2002	2001	2000
Beginning balance	\$178	\$1,452	—
Additions	1,791	—	\$3,891
Payments	(1,890)	(1,220)	(2,122)
Adjustments	(79)	(54)	(317)
Ending balance	\$—	\$178	\$1,452

### Note 19: Vulnerability Due to Certain Concentrations

Approximately 31% of the Company's retail square footage is located in the state of California. At January 31, 2002, the net book value of property located in California was approximately \$276,000. Accordingly, the Company carries earthquake insurance in California with a \$50,000 deductible and a \$50,000 coverage limit per occurrence.

At January 31, 2002 and 2001, approximately 40% and 41% 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.

## Notes to Consolidated Financial Statements

### Note 20: Nordstrom.com Put Agreement

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 effectively \$80 million in the event that certain events do not occur. This right would terminate 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. It is possible that the Company will choose not to provide the \$100 million in additional funding and that Nordstrom.com, Inc. will not complete an initial public offering on or before September 1, 2002. If and when the Company determines that neither of those events is likely to occur and that the purchase of the minority interest shares is probable, the Company will begin to accrete, over the period remaining prior to the purchase, the difference between that \$80 million and the fair value of the shares. Based on current values for similar businesses, management of the Company believes that the amount of that difference could range from \$55,000 to \$65,000.

### Note 21: 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. In May 2000, 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.

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. The Company and the other retail defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions. Plaintiffs have not yet moved for class certification. Pursuant to an order of the court, plaintiffs and defendants participated in mediation sessions in May and September 2001.

## Notes to Consolidated Financial Statements

**Washington Public Trust Advocates.** In early 2002, the Company was named as one of 30 defendants in Washington Public Trust Advocates, ex rel., et al. v. City of Spokane, et al., filed in the Spokane County Superior Court, State of Washington. Plaintiff is a not-for-profit corporation bringing claims on behalf of the City of Spokane and the Spokane Parking Public Development Authority. The claims relate to the River Park Square Mall and Garage Project in Spokane, Washington (the "Project"), which includes a Nordstrom store. The portion of the complaint applicable to the Company seeks to recover from the Company the amount of a Department of Housing and Urban Development loan made to the developer of the Project. Damages are sought in the amount of \$22.75 million, or a lesser amount to the extent that the HUD loan proceeds were used for the construction of the store and not as tenant improvements. Other portions of the complaint seek to invalidate bonds issued to finance the public parking garage serving the Project, terminate the lease of the parking garage by the City of Spokane, and rescind other agreements between the City of Spokane and the developer of the Project, as well as damages from the developer of the Project in unspecified amounts. The Complaint also alleges breach of fiduciary duties by various defendants, including the Company, to the people of the City of Spokane regarding lack of disclosures concerning the developer and the Project. Unspecified damages are sought for this cause of action. The lawsuit was recently filed, the Company has not answered, and no discovery has commenced.

**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.

## Notes to Consolidated Financial Statements

### Note 22: Selected Quarterly Data (unaudited)

<b>Year ended January 31, 2002</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
Net sales	\$1,218,040	\$1,545,759	\$1,239,241	\$1,631,090	\$5,634,130
Gross profit	419,610	504,851	402,280	541,530	1,868,271
Earnings before income taxes	40,555	63,499	17,095	83,339	204,488
Net earnings	24,755	38,699	10,495	50,739	124,688
Basic earnings per share	.18	.29	.08	.38	.93
Diluted earnings per share	.18	.29	.08	.38	.93
Dividends per share	.09	.09	.09	.09	.36
Common stock price					
High	21.17	22.75	22.97	25.50	25.50
Low	15.60	17.00	13.80	14.25	13.80
<b>Year ended January 31, 2001</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
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
Common stock price					
High	34.50	30.00	19.50	21.00	34.50
Low	18.25	16.56	14.19	14.88	14.19

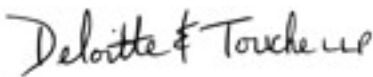
## Independent Auditors' and Management Report

### Independent Auditors' Report

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of January 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2002. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2002, in conformity with accounting principles generally accepted in the United States of America.



Deloitte & Touche LLP

Seattle, Washington

March 25, 2002

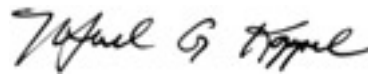
### Management Report

Management is responsible for preparing the Company's financial statements and the other information that appears in the annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include estimates based on management's best judgment.

The Company maintains a comprehensive system of internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based on the recognition that the cost of maintaining the system of internal accounting controls should not exceed the benefit derived from the system.

Deloitte and Touche LLP audits the Company's financial statements in accordance with auditing standards generally accepted in the United States of America and provides an objective, independent review of the Company's internal controls and the fairness of its reported financial condition and results of operations.

The Audit Committee, which is comprised of five independent directors, meets periodically with management and the independent auditors to ensure that each is properly fulfilling its responsibilities. The Committee oversees the Company's systems of internal control, accounting practices, financial reporting and audits to ensure their quality, integrity and objectivity are sufficient to protect shareholders' investments.



Michael G. Koppel

Executive Vice President and Chief Financial Officer

NORDSTROM INC. AND SUBSIDIARIES 37

## Eleven-Year Statistical Summary

Dollars in thousands except square footage and per share amounts

Year ended January 31,	2002	2001	2000	1999
<b>Financial Position</b>				
Customer accounts receivable, net	\$677,150	\$699,687	\$596,020	\$567,661
Merchandise inventories	888,172	945,687	797,845	750,269
Current assets	2,054,598	1,812,982	1,564,648	1,668,689
Current liabilities	947,738	950,568	866,509	794,490
Working capital	1,106,860	862,414	698,139	874,199
Working capital ratio	2.17	1.91	1.81	2.10
Land, buildings and equipment, net	1,761,082	1,599,938	1,429,492	1,378,006
Long-term debt, including current portion	1,429,271	1,112,296	804,982	868,234
Debt/capital ratio	.5209	.4929	.4249	.4214
Shareholders' equity	1,314,488	1,229,568	1,185,614	1,300,545
Shares outstanding	134,468,608	133,797,757	132,279,988	142,114,167
Book value per share	9.78	9.19	8.96	9.15
Total assets	4,048,779	3,608,503	3,062,081	3,103,689
<b>Operations</b>				
Net sales	5,634,130	5,528,537	5,149,266	5,049,182
Gross profit	1,868,271	1,879,021	1,789,506	1,704,237
Selling, general and administrative	(1,722,635)	(1,747,048)	(1,523,836)	(1,429,837)
Operating income	145,636	131,973	265,670	274,400
Interest expense, net	(75,038)	(62,698)	(50,396)	(47,091)
Write-down of investment	—	(32,857)	—	—
Service charge income and other, net	133,890	130,600	116,783	110,414
Earnings before income taxes	204,488	167,018	332,057	337,723
Income taxes	(79,800)	(65,100)	(129,500)	(131,000)
Net earnings	124,688	101,918	202,557	206,723
Basic earnings per share	.93	.78	1.47	1.41
Diluted earnings per share	.93	.78	1.46	1.41
Dividends per share	.36	.35	.32	.30
Comparable store sales percentage increase (decrease)	(2.9%)	.3%	(1.1%)	(2.7%)
Net earnings as a percent of net sales	2.21%	1.84%	3.93%	4.09%
Return on average shareholders' equity	9.80%	8.44%	16.29%	14.98%
Sales per square foot for Company-operated stores	321	342	350	362
<b>Stores</b>	156	140	104	97
<b>Total square footage</b>	<b>17,048,000</b>	<b>16,056,000</b>	<b>14,487,000</b>	<b>13,593,000</b>





	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
	<b>12,614,000</b>	<b>11,754,000</b>	<b>10,713,000</b>	<b>9,998,000</b>	<b>9,282,000</b>	<b>9,224,000</b>	<b>8,590,000</b>

NORDSTROM INC. AND SUBSIDIARIES 39



## Officers of the Corporation and Executive Team

### Officers of the Corporation

Jammie Baugh, 49

Executive Vice President,  
Human Resources

MEMBER OF EXECUTIVE TEAM

Laurie M. Black, 43

Executive Vice President and  
President, Nordstrom Rack

MEMBER OF EXECUTIVE TEAM

Mark S. Brashear, 40

Executive Vice President and  
President, Façonnable, S.A.S.

Dale Cameron, 53

Executive Vice President,  
Corporate Merchandise Manager, Cosmetics  
Full-line Stores

Robert E. Campbell, 46

Vice President, Strategy and Planning,  
Treasurer

N. Claire Chapman, 41

Corporate Secretary

Linda Toschi Finn, 54

Executive Vice President, Marketing

MEMBER OF EXECUTIVE TEAM

Bonnie M. Junell, 45

Vice President,  
Corporate Merchandise Manager,  
Point of View, Narrative  
Full-line Stores

Kevin T. Knight, 46

Executive Vice President, Chairman and  
Chief Executive Officer of Nordstrom fsb,  
President of Nordstrom Credit, Inc.

MEMBER OF EXECUTIVE TEAM

Michael G. Koppel, 45

Executive Vice President and  
Chief Financial Officer

MEMBER OF EXECUTIVE TEAM

Llynn (Len) A. Kuntz, 41

Executive Vice President,  
WA/AK Regional Manager  
Full-line Stores

David P. Lindsey, 52

Vice President, Store Planning

David L. Mackie, 53

Vice President, Real Estate  
and Legal Affairs

Robert J. Middlemas, 45

Executive Vice President,  
Central States Regional Manager  
Full-line Stores

Jack H. Minuk, 47

Vice President,  
Corporate Merchandise Manager,  
Women's Shoes  
Full-line Stores

Blake W. Nordstrom, 41

President

MEMBER OF EXECUTIVE TEAM

Bruce A. Nordstrom, 68

Chairman of the Board of Directors

Erik B. Nordstrom, 38

Executive Vice President,  
Full-line Stores

Peter E. Nordstrom, 40

Executive Vice President and  
President, Full-line Stores

MEMBER OF EXECUTIVE TEAM

James R. O'Neal, 43

Executive Vice President and  
President, Nordstrom Product Group

MEMBER OF EXECUTIVE TEAM

Suzanne R. Patneau, 55

Vice President, Corporate  
Merchandise Manager, Designer/ Savvy  
Full-line Stores

R. Michael Richardson, 45

Vice President and  
Chief Information Officer

Karen Bowman Roesler, 46

Vice President, Marketing  
Nordstrom Credit Group

K.C. (Karen) Shaffer, 48

Executive Vice President,  
Nordstrom Rack NW Regional Manager

Joel T. Stinson, 52

Executive Vice President and  
Chief Administrative Officer

MEMBER OF EXECUTIVE TEAM

Delena M. Sunday, 41

Executive Vice President,  
Diversity Affairs

MEMBER OF EXECUTIVE TEAM

Geevy S.K. Thomas, 37

Executive Vice President,  
South Regional Manager  
Full-line Stores

### Additional Member of Nordstrom, Inc. Executive Team

J. Daniel Nordstrom, 39

Chief Executive Officer, Nordstrom.com

## Board of Directors and Committees



### FIRST ROW

**D. Wayne Gittinger, 69**  
Partner, Lane Powell Spears Lubersky LLP  
Seattle, Washington

**Enrique Hernandez, Jr., 46**  
President and CEO,  
Inter-Con Security Systems, Inc.  
Pasadena, California

**John A. McMillan, 70**  
Retired Co-Chairman of  
the Board of Directors  
Seattle, Washington

### SECOND ROW

**Bruce A. Nordstrom, 68**  
Chairman of the Board of Directors  
Seattle, Washington

**John N. Nordstrom, 65**  
Retired Co-Chairman of  
the Board of Directors  
Seattle, Washington

**Alfred E. Osborne, Jr., 57**  
Director of the Harold Price Center  
for Entrepreneurial Studies and  
Associate Professor of Business Economics,  
The Anderson School at UCLA  
Los Angeles, California

### THIRD ROW

**William D. Ruckelshaus, 69**  
A Strategic Director,  
Madrona Venture Group  
Seattle, Washington

**Bruce G. Willison, 53**  
Dean, The Anderson School at UCLA  
Los Angeles, California

**Alison A. Winter, 55**  
Executive Vice President for  
Midwest Personal Financial Services,  
The Northern Trust Corporation  
Chicago, Illinois

### Committees

#### Executive

John A. McMillan  
Bruce A. Nordstrom  
John N. Nordstrom

#### Corporate Governance and Nominating

D. Wayne Gittinger, Chair  
Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus

#### Audit

Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus  
Bruce G. Willison, Chair  
Alison A. Winter

#### Compensation and Stock Options

Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus, Chair  
Alison A. Winter

#### Finance

D. Wayne Gittinger  
Enrique Hernandez, Jr.  
John A. McMillan  
John N. Nordstrom  
Alfred E. Osborne, Jr., Chair  
Bruce G. Willison

## Retail Store Facilities open at January 31, 2002

Location	Store Name	Store Square Footage	Location	Store Name	Store Square Footage
<b>Southwest Group</b>			<b>Maryland</b>		
<b>Arizona</b>			Annapolis	Annapolis Mall	162,000
Chandler	Chandler Fashion Center	149,000	Bethesda	Montgomery Mall	225,000
Scottsdale	Scottsdale Fashion Square	235,000	Columbia	The Mall in Columbia	173,000
<b>California</b>			Towson	Towson Town Center	205,000
Arcadia	Santa Anita	151,000	<b>New Jersey</b>		
Brea	Brea Mall	195,000	Edison	Menlo Park	266,000
Canoga Park	Topanga	154,000	Freehold	Freehold Raceway Mall	174,000
Cerritos	Los Cerritos Center	122,000	Paramus	Garden State Plaza	282,000
Corte Madera	The Village at Corte Madera	116,000	Short Hills	The Mall at Short Hills	188,000
Costa Mesa	South Coast Plaza	235,000	<b>New York</b>		
Escondido	North County	156,000	Garden City	Roosevelt Field	241,000
Glendale	Glendale Galleria	147,000	White Plains	The Westchester	219,000
Los Angeles	Westside Pavilion	150,000	<b>Pennsylvania</b>		
Mission Viejo	The Shops at Mission Viejo	172,000	King of Prussia	The Plaza at King of Prussia	238,000
Montclair	Montclair Plaza	134,000	<b>Rhode Island</b>		
Palo Alto	Stanford Shopping Center	187,000	Providence	Providence Place	206,000
Pleasanton	Stoneridge Mall	173,000	<b>Virginia</b>		
Redondo Beach	The Galleria at South Bay	161,000	Arlington	The Fashion Centre at Pentagon City	241,000
Riverside	The Galleria at Tyler in Riverside	164,000	McLean	Tysons Corner Center	253,000
Roseville	Galleria at Roseville	149,000	Norfolk	MacArthur Center	166,000
Sacramento	Arden Fair	190,000	<b>Central States</b>		
San Diego	Fashion Valley Center	220,000	<b>Illinois</b>		
San Diego	Horton Plaza	151,000	Chicago	Michigan Avenue	271,000
San Diego	University Towne Centre	130,000	Oak Brook	Oakbrook Center	249,000
San Francisco	Stonestown Galleria	174,000	Schaumburg	Woodfield Shopping Center	215,000
San Francisco	San Francisco Shopping Centre	350,000	Skokie	Old Orchard Center	209,000
San Jose	Valley Fair	232,000	<b>Indiana</b>		
San Mateo	Hillsdale Shopping Center	149,000	Indianapolis	Circle Centre	216,000
Santa Ana	MainPlace/Santa Ana	169,000	<b>Kansas</b>		
Santa Barbara	Paseo Nuevo	186,000	Overland Park	Oak Park Mall	219,000
Walnut Creek	Broadway Plaza	193,000	<b>Michigan</b>		
<b>East Coast Group</b>			Troy	Somerset Collection	258,000
<b>Connecticut</b>			<b>Minnesota</b>		
Farmington	Westfarms	189,000	Bloomington	Mall of America	240,000
<b>Florida</b>			<b>Ohio</b>		
Boca Raton	Town Center at Boca Raton	193,000	Beachwood	Beachwood Place	231,000
Tampa	International Plaza	172,000	Columbus	Easton Town Center	174,000
<b>Georgia</b>					
Atlanta	Perimeter Mall	243,000			
Buford	Mall of Georgia	172,000			



Location	Store Name	Store Square Footage	Location	Store Name	Store Square Footage
<b>Texas</b>					
Dallas	Dallas Galleria	249,000	Costa Mesa, CA	Metro Pointe Rack	50,000
Frisco	Stonebriar Centre	149,000	Glendale, CA	Glendale Fashion Center Rack	36,000
Hurst	North East Mall	149,000	Los Angeles, CA	The Promenade at Howard Hughes Center Rack	41,000
<b>Northwest Group</b>					
<b>Alaska</b>					
Anchorage	Anchorage	97,000	Oxnard, CA	Esplanade Shopping Center Rack	38,000
<b>Colorado</b>					
Broomfield	FlatIron Crossing	172,000	Roseville, CA	Creekside Town Center Rack	36,000
Littleton	Park Meadows	245,000	Sacramento, CA	Howe 'Bout Arden Center Rack	54,000
<b>Oregon</b>					
Portland	Clackamas Town Center	121,000	San Diego, CA	Mission Valley Rack	57,000
Portland	Downtown Portland	174,000	San Francisco, CA	555 Ninth Street Retail Center Rack	43,000
Portland	Lloyd Center	150,000	San Jose, CA	Westgate Mall Rack	48,000
Salem	Salem Center	71,000	San Leandro, CA	San Leandro Rack	44,000
Tigard	Washington Square	189,000	Woodland Hills, CA	Topanga Rack	64,000
<b>Utah</b>					
Murray	Fashion Place	110,000	Littleton, CO	Meadows Marketplace Rack	34,000
Salt Lake City	Crossroads Plaza	140,000	Broomfield, CO	Flatiron Marketplace Rack	36,000
<b>Washington</b>					
Bellevue	Bellevue Square	285,000	Buford, GA	Mall of Georgia Crossing Rack	44,000
Lynnwood	Alderwood Mall	127,000	Honolulu, HI	Victoria Ward Center Rack	34,000
Seattle	Downtown Seattle	383,000	Northbrook, IL	Northbrook Rack	40,000
Seattle	Northgate	122,000	Oak Brook, IL	The Shops at Oak Brook Place Rack	42,000
Spokane	Spokane	137,000	Schaumburg, IL	Woodfield Rack	45,000
Tacoma	Tacoma Mall	134,000	Gaithersburg, MD	Gaithersburg Rack	49,000
Tukwila	Southcenter	170,000	*Silver Spring, MD	City Place Rack	37,000
Vancouver	Vancouver Mall	71,000	Towson, MD	Towson Rack	31,000
<b>Other</b>					
Honolulu, HI	Women's Ala Moana Shoes	14,000	Grand Rapids, MI	Centerpointe Mall Rack	40,000
Honolulu, HI	Men's Ala Moana Shoes	8,000	Troy, MI	Troy Marketplace Rack	40,000
Façonnable	U.S. (4 boutiques)	40,000	Bloomington, MN	Mall of America Rack	41,000
Façonnable	International (24 boutiques)	81,000	Las Vegas, NV	Silverado Ranch Plaza Rack	33,000
<b>Nordstrom Rack Group</b>					
Chandler, AZ	Chandler Festival Rack	37,000	Westbury, NY	The Mall at the Source Rack	48,000
Phoenix, AZ	Last Chance	48,000	Beaverton, OR	Tanasbourne Town Center Rack	53,000
Scottsdale, AZ	The Promenade Rack	38,000	Clackamas, OR	Clackamas Promenade Rack	28,000
Brea, CA	Brea Union Plaza Rack	45,000	Portland, OR	Downtown Portland Rack	19,000
Chino, CA	Chino Marketplace Rack	30,000	Philadelphia, PA	Franklin Mills Mall Rack	43,000
Colma, CA	Colma Rack	31,000	Hurst, TX	The Shops at North East Mall Rack	40,000
			Plano, TX	Preston Shepard Place Rack	39,000
			Salt Lake City, UT	Sugarhouse Rack	31,000
			Dulles, VA	Dulles Town Crossing Rack	41,000
			Woodbridge, VA	Potomac Mills Rack	46,000
			Auburn, VA	SuperMall of the Great Northwest Rack	48,000
			Bellevue, WA	Factoria Mall 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

\* Store closed January 21, 2002, however it has been treated as open for the full year.

## 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 21, 2002 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, 2002 will be provided to shareholders upon written request to:

Nordstrom, Inc. Investor Relations

P.O. Box 2737

Seattle, Washington 98111

Or by calling (206) 303-3200

### Shareholder Information

Please visit [www.nordstrom.com](http://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.

