# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended January 29, 2005**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission file number 001-15059**

# Nordstrom, Inc.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Washington**<br>(State or other jurisdiction of incorporation or organization) | **91-0515058**<br>(IRS employer Identification No.) |
| **1617 Sixth Avenue, Seattle, Washington**<br>(Address of principal executive offices) | **98101**<br>(Zip code) |

Registrant's telephone number, including area code: **206-628-2111**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, without par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act 12b-2). YES ☑ NO o

As of July 30, 2004 the aggregate market value of the Registrant's voting and non-voting stock held by non-affiliates of the Registrant was approximately $4.8 billion using the closing sales price on that day of $43.90.

On March 4, 2005, 136,787,020 shares of common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

1. Portions of Nordstrom, Inc. Annual Report to Shareholders for fiscal year ended January 29, 2005 are incorporated into Parts I, II and IV

2. Portions of Proxy Statement for 2005 Annual Meeting of Shareholders scheduled to be held on May 24, 2005 are incorporated into Part III

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## PART I

### Item 1. Business.

Nordstrom incorporated in the State of Washington in 1946 as the successor to a retail shoe business that started in 1901. As of January 29, 2005, we operated 94 Full-Line Nordstrom stores, selling a wide selection of apparel, shoes and accessories for women, men and children.

We also operated 49 stores under the name “Nordstrom Rack” and one clearance store under the name “Last Chance.” The Nordstrom Rack stores purchase merchandise directly from manufacturers, as well as serving, in part, as outlets for clearance merchandise from our large specialty stores.

In addition, we also operated one free-standing shoe store under the name “Nordstrom” and five U.S. specialty boutiques under the name “Façonnable”. Since our acquisition of Façonnable, S.A.S. of Nice, France in October 2000, we also operated 31 Façonnable boutiques located in Europe. Façonnable is a wholesaler and retailer of high quality men’s and women’s apparel and accessories.

Our products are also offered through our catalogs and on the Internet at www.nordstrom.com and our Credit Operations offer a Nordstrom private label card and a co-branded Nordstrom VISA credit card, which generate income through finance charges and securitization-related gains.

In 2004, we opened two Full-Line stores (Charlotte, NC and Miami, FL). In March 2005, we opened one Full-Line store in Atlanta, GA. We are scheduled to open three additional Full-Line stores in 2005, located in Dallas, TX; San Antonio, TX; and Irvine, CA. We relocated one Rack store, in Portland, OR, in February 2005. In 2006, we are scheduled to open one Full-Line store, located in Palm Beach Gardens, FL, and relocate one Full-Line store, in Canoga Park, CA.

The west coast and the east coast of the United States are the markets in which we have the largest presence. An economic downturn or other significant event within one of these markets may have a material effect on our operating results.

We purchase merchandise from many suppliers, no one of which accounted for more than 2% of 2004 net purchases. We believe that we are not dependent on any one supplier, and consider our relations with our suppliers to be satisfactory.

We have approximately 131 registered trademarks and trademark applications. The loss or abandonment of the Federally registered names “Nordstrom” or “Façonnable” would materially impact our business. The loss or abandonment of the names “Brass Plum”, “Baby N”, “Caslon”, “Classiques Entier”, “Frenchi”, “Halogen”, “John W. Nordstrom”, and “Preview International” may impact our business, but not in a material manner. With the exception of the above-mentioned names, the loss or abandonment of any particular trademark or trademark application would have little, if any, impact on our business.

Due to our anniversary sale in July and the holidays in December, sales are higher in the second and fourth quarters of the fiscal year than in the first and third quarters. During the fiscal year ended January 29, 2005, we regularly employed on a full or part-time basis an average of 49,700 employees. Due to the seasonal nature of our business, employment increased to approximately 53,500 employees in July 2004 and 54,500 in December 2004.

We offer our customers a liberal return policy at our Full-Line stores. Nordstrom Rack stores accept returns up to 30 days from the date of purchase. In general, our return policy is somewhat more generous than industry standards. We accrue for estimated sales returns based on our historical knowledge of return trends. We strive to maintain our inventory at optimum levels that enable us to maximize sales while minimizing markdowns.

**Item 1. Business (continued).**

Our business is highly competitive. In each of our operating areas, our stores compete with other national, regional and local retail establishments that carry similar lines of merchandise, including department stores, specialty stores, boutiques, and mail order and Internet businesses. Our specific competitors vary from market to market. We believe the principal methods of competing in our industry include customer service, value, quality of product, fashion, advertising, store location and depth of selection.

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission ("SEC"). You may read and copy any material we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Our Internet website is http://www.nordstrom.com. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership of securities on Form 4 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We have adopted a Code of Business Conduct and Ethics ("Code of Ethics") and Corporate Governance Guidelines, as required by the listing standards of the New York Stock Exchange and the rules of the SEC. We have posted on our website our Code of Ethics, our Corporate Governance Guidelines, and our Committee Charters for the Audit, Compensation, Corporate Governance and Nominating, Executive, and Finance committees. These items are also available in print to any shareholder upon request to:

Nordstrom, Inc. Investor Relations
P.O. Box 2737
Seattle, Washington, 98111
(206) 303-3200
invrelations@nordstrom.com

Certain other information required under Item 1 is contained within the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis
Note 1: Nature of Operations and Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements
Note 16: Segment Reporting in Notes to Consolidated Financial Statements
Note 18: Nordstrom.com in Notes to Consolidated Financial Statements
Retail Store Facilities open at January 29, 2005

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**Executive Officers of the Registrant (as of March 4, 2005)**

| Name | Age | Title | Officer Since | Family Relationship |
|---|---|---|---|---|
| Laurie M. Black | 46 | Executive Vice President | 1997 | None |
| Mark S. Brashear | 43 | Executive Vice President | 2001 | None |
| Peter F. Collins | 40 | Divisional Vice President; Corporate Controller and Principal Accounting Officer | 2005 | None |
| Paul F. Favaro | 47 | Executive Vice President | 2005 | None |
| Linda Toschi Finn | 57 | Executive Vice President | 1998 | None |
| Kevin T. Knight | 49 | Executive Vice President; Chairman and Chief Executive Officer of Nordstrom fsb; and President of Nordstrom Credit, Inc. | 1998 | None |
| Michael G. Koppel | 48 | Executive Vice President and Chief Financial Officer | 1999 | None |
| Daniel F. Little | 43 | Executive Vice President and Chief Administrative Officer | 2003 | None |
| David L. Mackie | 56 | Vice President and Corporate Secretary | 1989 | None |
| Blake W. Nordstrom | 44 | President | 1991 | Brother of Erik B. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company. |
| Bruce A. Nordstrom | 71 | Chairman of the Board of Directors | 1966 | Father of Blake W., Erik B. and Peter E. Nordstrom; cousin of John N. Nordstrom, a Director of the Company and brother-in - - law of D. Wayne Gittinger, a Director of the Company. |
| Erik B. Nordstrom | 41 | Executive Vice President | 1995 | Brother of Blake W. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company. |

**Executive Officers of the Registrant (as of March 4, 2005) (continued)**

| Name | Age | Title | Officer Since | Family Relationship |
|---|---|---|---|---|
| James F. Nordstrom, Jr. | 32 | Executive Vice President | 2005 | Cousin of Blake W., Peter E. and Erik B. Nordstrom; nephew of John N. Nordstrom, a Director of the Company; and first cousin once removed of Bruce A. Nordstrom, a Director and Chairman of the Company. |
| Peter E. Nordstrom | 43 | Executive Vice President | 1995 | Brother of Blake W. and Erik B. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company. |
| James R. O'Neal | 46 | Executive Vice President | 1997 | None |
| Delena M. Sunday | 44 | Executive Vice President | 1998 | None |

Laurie M. Black was named Executive Vice President and President of Nordstrom Rack in December 2001. Prior thereto she served as Vice President and Corporate Merchandise Manager from May 2000 to December 2001, as Vice President and Northwest Divisional Merchandise Manager from April 1999 to April 2000, and as Vice President and Northwest/Southwest Divisional Merchandise Manager from February 1997 to March 1999. Ms. Black has been employed by the Company since July 1978.

Mark S. Brashear was named Executive Vice President and President of Façonnable in December 2001. Prior thereto he served as Executive Vice President and Southwest General Manager from February 2001 to December 2001, as Division Vice President and Strategic Planning Manager of the Southwest Business Unit from April 1999 to February 2001, and as Strategic Planning Manager for California and the Southwest from February 1998 to April 1999. Mr. Brashear has been employed by the Company since September 1985.

Peter F. Collins was appointed as the Company's Principal Accounting Officer on February 23, 2005. He also serves as the Company's Divisional Vice President/Corporate Controller since April 2004. From July 2002 to March 2004, Mr. Collins was employed at Albertson's, Inc. first as Group Vice President – Corporate Accounting and Reporting, and from January 2003 as Group Vice President and Controller. Mr. Collins has also served in various positions within Arthur Andersen LLP from 1986 through 2002, including partner from 1998 through 2002.

Paul F. Favaro joined the Company and was named Executive Vice President, Strategy and Development, in February 2005. In March 2003, Mr. Favaro founded Agilis, Inc., a consulting firm in Chicago, Illinois that provides advice on strategy and organization issues to the top management of large companies. Mr. Favaro ceased providing consulting services to Agilis when he joined the Company. In September 2003, Mr. Favaro became an adjunct professor of strategy and management at Northwestern University's Kellogg School of Management. From August 1987 through December 2003, Mr. Favaro was an associate partner with Marakon Associates, an international strategy consulting firm.

**Executive Officers of the Registrant (as of March 4, 2005) (continued)**

Linda Toschi Finn was named Executive Vice President Marketing in September 2000. Prior thereto she served as Vice President and Marketing Director for the Full-Line Store Group from October 1999 to September 2000 and as Vice President of Sales and Promotion from February 1998 to October 1999. Ms Finn has been employed by the Company since May 1975.

Kevin T. Knight was named Executive Vice President of the Company in September 2000. He also serves as Chairman and Chief Executive Officer of Nordstrom fsb, President of Nordstrom Credit, Inc., and, as of February 2000, President of Nordstrom Credit Group. Mr. Knight served as Vice President of the Company from April 1998 through September 2000, as President of Nordstrom fsb from June 1998 to June 1999, and as General Manager of the credit business from April 1998 through February 2000. Prior to joining the Company in April 1998, he served as Senior Vice President of Retailer Financial Services, a unit of General Electric Capital Corporation.

Michael G. Koppel was named Executive Vice President and Chief Financial Officer in May 2001. From August 1999 to May 2001, he served as Vice President, Corporate Controller and Principal Accounting Officer. Prior thereto Mr. Koppel served as Chief Operating Officer of CML Group, a specialty retail holding company, and as Chief Financial Officer of Lids Corporation, a mall based specialty retailer from 1997 through 1998, and from 1984 through 1997 he held a number of financial positions with the May Department Stores.

Daniel F. Little was named Executive Vice President and Chief Administrative Officer in March 2003. From July 2002 until March 2003, he served as Vice President of Supply Chain Strategy. Prior thereto, Mr. Little spent nine years working in various assignments with Colgate-Palmolive, most recently as Manufacturing General Manager for Personal Care Products in Europe.

David L. Mackie was named Vice President Real Estate and Corporate Secretary in December 2002. Prior thereto, he served as Vice President Real Estate and Director of Legal Affairs from June 2001 to December 2002 and as Vice President Real Estate from April 1989 to May 2001. Mr. Mackie has been employed by the Company since September 1983.

Blake W. Nordstrom was named President of the Company in August 2000. Prior thereto, he served as Executive Vice President and President of Nordstrom Rack from February 2000 to August 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since June 1976.

Bruce A. Nordstrom was named Chairman of the Board of Directors in August 2000. He has served as a Director of the Company since 1966, and served as Co-Chairman of the Board of Directors from 1971 until 1995. Mr. Nordstrom is the grandson of the Company founder and, with his cousins John N. Nordstrom and James F. Nordstrom and his former brother-in-law John A. McMillan, he assumed leadership of the Company from the second generation in 1968.

Erik B. Nordstrom was named Executive Vice President Full-Line Stores in August 2000. Prior thereto, he served as Executive Vice President and Northwest General Manager from February 2000 to August 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since July 1979.

James (Jamie) F. Nordstrom, Jr. was named Executive Vice President of the Company and President of the Nordstrom Direct division in February 2005. Prior thereto he served as Corporate Merchandise Manager, Children’s Shoes, from May 2000 to February 2005, as a project manager for the design and implementation of the Company’s inventory management system from August 1999 to May 2000, and as a Store Manager in Los Angeles, California, from December 1997 to August 1999. Mr. Nordstrom has been employed by the Company since 1986.

**Executive Officers of the Registrant (as of March 4, 2005) (continued)**

Peter E. Nordstrom was named Executive Vice President and President of Full-Line Stores in September 2000. Prior thereto, he served as Executive Vice President and Director of Full-Line Store Merchandise Strategy from February 2000 to September 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since August 1978.

James R. O’Neal was named Executive Vice President and President of Nordstrom Product Group in December 2001. Prior thereto, he served as Executive Vice President and General Manager of the East Coast from August 2000 until December 2001, and as Executive Vice President and Southwest General Manager from November 1997 to December 2001. Mr. O’Neal has been employed by the Company since June 1980.

Delena M. Sunday was named Executive Vice President Human Resources and Diversity Affairs in November 2002. Prior thereto, she served as Executive Vice President of Diversity Affairs from September 2000 to November 2002, and as Vice President of Diversity Affairs from February 1998 to September 2000. Ms. Sunday has been employed by the Company since April 1980.

The officers are appointed annually by the Board of Directors following each year’s Annual Meeting of Shareholders. Officers serve at the discretion of the Board of Directors.

**Item 2. Properties.**

The following table summarizes the number of retail stores owned or operated by us, and the percentage of total store area represented by each listed category at January 29, 2005:

| | Number of stores | % of total store square footage |
|---|---|---|
| Owned stores | 32 | 26.3% |
| Leased stores | 106 | 30.9% |
| Owned on leased land | 41 | 41.2% |
| Partly owned & partly leased | 2 | 1.6% |
| | 181 | 100.0% |

We also operate 6 merchandise distribution centers located throughout the U.S., which are utilized by the Retail Stores segment, all of which are owned. The Catalog/Internet segment utilizes one fulfillment center, which is owned on leased land. Our administrative offices in Seattle, Washington are a combination of leased and owned space. We lease the office building in the Denver, Colorado metropolitan area that serves as the principal offices of Nordstrom fsb and Nordstrom Credit, Inc.

Certain other information required under this item is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 10: Land, Buildings and Equipment in Notes to Consolidated Financial Statements
Note 11: Long-Term Debt in Notes to Consolidated Financial Statements
Note 12: Leases in Notes to Consolidated Financial Statements
Retail Store Facilities open at January 29, 2005

**Item 3. Legal Proceedings.**

Cosmetics

We were 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 were consolidated in Marin County Superior 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" or "Department Store" 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 four years prior to the filing of the amended complaint. Defendants, including us, have answered the amended complaint denying the allegations. The defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions.

**Item 3. Legal Proceedings (continued)**

We entered into a settlement agreement with the plaintiffs and the other defendants on July 13, 2003. In furtherance of the settlement agreement, the case was refiled in the United States District Court for the Northern District of California on behalf of a class of all persons who currently reside in the United States and who purchased "Department Store" cosmetics from the defendants during the period May 29, 1994 through July 16, 2003. The Court gave preliminary approval to the settlement and a summary notice of class certification and the terms of the settlement were disseminated to class members. On March 8, 2005 the Court orally approved the settlement, which will result in the plaintiffs' claims and the claims of all class members being dismissed, with prejudice, in their entirety once the Court has entered the approval order and if no appeals are filed from that order. In connection with the settlement agreement, the defendants will provide class members with certain free products and pay the plaintiffs' attorneys' fees, awarded by the Court of $24 million. Our share of the cost of the settlement will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other

We are involved in various routine legal proceedings incidental to the ordinary course of business. In management's opinion, the outcome of pending legal proceedings, separately and in the aggregate, will not have a material adverse effect on our business or consolidated financial condition.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None

**PART II**

**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.**

Our Common Stock, without par value, is traded on the New York Stock Exchange under the symbol "JWN." The approximate number of holders of Common Stock as of March 4, 2005 was 96,800 based upon the number of registered and beneficial shareholders, as well as the number of employee stockholders in the Nordstrom 401(k) Plan and Profit Sharing.

Issuer Purchases of Equity Securities

(dollars in millions except per share amounts)

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid Per Share (or Units) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| Nov. 2004 (10/31/04 to 11/27/04) | 851,400 | $ 45.20 | 851,400 | $ 187 |
| Dec. 2004 (11/28/04 to 1/1/05) | 4,130,585 | $ 45.16 | 4,130,585 | $ 0 |
| Jan. 2004 (1/2/05 to 1/29/05) | — | — | — | $ 0 |
| Total | 4,981,985 | $ 45.17 | 4,981,985 | $ 0 |

(1) In August 2004, the Board of Directors authorized $300.0 of share repurchases. We have purchased 6,907,685 shares in the open market for the entire authorized amount of $300.0 at an average price of $43.43 per share.

In February 2005, the Board of Directors authorized $500.0 million of additional share repurchases. The actual number and timing of share repurchases will be subject to market conditions and applicable SEC rules.

Certain other information required under this item with respect to stock prices and dividends is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Shareholders' Equity
Note 13: Stock-Based Compensation in Notes to Consolidated Financial Statements
Note 21: Selected Quarterly Data (unaudited) in Notes to Consolidated Financial Statements

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**Item 6. Selected Financial Data.**

The information required under this item is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis
Note 2: Cumulative Effect of Accounting Change in Notes to Consolidated Financial Statements
Note 17: Impairment in Notes to Consolidated Financial Statements
Note 18: Nordstrom.com in Notes to Consolidated Financial Statements
Eleven-Year Statistical Summary

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

The information required under this item is included in the following section of our 2004 Annual Report to Shareholders, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis
Note 1: Nature of Operations and Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements
Note 9: Investment in Asset Backed Securities – Co-branded Nordstrom VISA Credit Card Receivables in Notes to Consolidated Financial Statements

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Interest Rate Risk

We are exposed to market risk from changes in interest rates. In seeking to minimize risk, we manage exposure through our regular operating and financing activities. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

Interest rate exposure is managed through our mix of fixed and variable rate borrowings. Short-term borrowing and investing activities generally bear interest at variable rates, but because they have maturities of three months or less, we believe that the risk of material loss is low, and that the carrying amount approximated fair value.

The table below presents information about our financial instruments that are sensitive to changes in interest rates, which consist of debt obligations and interest rate swaps for the year ended January 29, 2005. For debt obligations, the table presents principal amounts, at book value, by maturity date, and related weighted average interest rates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are the predetermined dollar principal on which the exchanged interest payments are based.

| Dollars in thousands | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | Total at January 29, 2005 | Fair value of liabilities January 29, 2005 |
|---|---|---|---|---|---|---|---|---|
| Long-term debt | | | | | | | | |
| Fixed | $ 101,097 | $ 304,492 | $ 4,638 | $ 254,778 | $ 5,031 | $ 367,892 | $ 1,037,928 | $ 1,105,000 |
| Avg. int. rate | 6.8% | 4.9% | 9.6% | 5.7% | 8.7% | 7.1% | 6.1% | |
| Interest rate swap | | | | | | | | |
| Fixed to variable | — | — | — | — | $ 250,000 | — | $ 250,000 | $ (7,821) |
| Avg. pay rate | — | — | — | — | 5.20% | — | 5.20% | |
| Avg. receive rate | — | — | — | — | 5.63% | — | 5.63% | |

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk (continued)**

Foreign Currency Exchange Risk

The majority of our revenue, expense and capital expenditures are transacted in U.S. dollars. However, we periodically enter into foreign currency purchase orders for apparel and shoes denominated in Euros. We use forward contracts to hedge against fluctuations in foreign currency prices. The fair value of our outstanding forward contracts at January 29, 2005 was not material. The use of derivatives is limited to only those financial instruments that have been authorized by our Chief Financial Officer and Treasurer.

In addition, the functional currency of Façonnable, S.A.S. of Nice, France is the Euro. Assets and liabilities of Façonnable are translated into U.S. dollars at the exchange rate prevailing at the end of the period. Income and expenses are translated into U.S. dollars at an average exchange rate during the period. Foreign currency gains and losses from the translation of Façonnable's balance sheet and income statement are included in other comprehensive earnings. Foreign currency gains or losses from certain intercompany loans are recorded in service charge income and other, net.

We considered the potential impact of a hypothetical 10% adverse change in foreign exchange rates and we believe that such a change would not have a material impact on our cash flows of financial instruments that are sensitive to foreign currency exchange risk. The model measured the change in cash flows arising from the 10% adverse change in foreign exchange rates, and covered long-term debt denominated in Euros.

Certain other information required under this item is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 1: Nature of Operations and Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements
Note 11: Long-Term Debt in Notes to Consolidated Financial Statements
Note 12: Leases in Notes to Consolidated Financial Statements

**Item 8. Financial Statements and Supplementary Data.**

The information required under this item is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Earnings
Consolidated Balance Sheets
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Management Responsibility for Financial Information
Management's Report on Internal Control Over Financial Reporting
Auditors' Report on Internal Control Over Financial Reporting
Auditors' Report on Consolidated Financial Statements

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None

**Item 9A. Controls and Procedures.**

As of the end of the period covered by this Annual Report on Form 10-K, we performed an evaluation under the supervision and with the participation of management, including our President and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, our President and our Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective in the timely recording, processing, summarizing and reporting of material financial and non-financial information.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In coming to the conclusion that our internal control over financial reporting was effective as of January 29, 2005, our management considered, among other things, the control deficiencies related to the cash flow statement classification of property incentives and the balance sheet classification of leased assets that were previously treated as sale-leaseback transactions, which resulted in a restatement of our previously issued financial statements, as disclosed in Note 25 of our 10-K/A for the year ended January 31, 2004. After reviewing and analyzing the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 99, "Materiality", Accounting Principles Board Opinion No. 20, "Accounting Changes", and Public Company Accounting Oversight Board Auditing Standard No. 2 "An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements" and taking into consideration that the restatement adjustments did not impact our net sales, net earnings, diluted earnings per share, total cash flows or shareholders' equity for any prior period, our management concluded that the control deficiencies that resulted in the restatement of the prior period financial statements was not a material weakness. Following our identification of these control deficiencies, we have corrected our process for preparing our statements of cash flows by performing a more thorough review of the classifications of our cash flows to comply with SFAS No. 95 "Statement of Cash Flows" and SFAS No. 102 "Statement of Cash Flows – Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale – An Amendment of FASB Statement No. 95." We have also corrected our process for evaluating sale-leasebacks by incorporating a more thorough review of SFAS No. 98 "Accounting for Leases" and SFAS No. 66 "Accounting for Sales of Real Estate" to any potential sale-leasebacks. In addition, we will continue to monitor GAAP developments and changes in our business to reduce the risk of classification errors in our statements of cash flows and balance sheets.

The information required under this item is included in the following sections of our 2004 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Management Responsibility for Financial Information
Management's Report on Internal Control Over Financial Reporting
Auditors' Report on Internal Control Over Financial Reporting
Auditors' Report on Consolidated Financial Statements

**Item 9B. Other Information**

None

## PART III

### Item 10. Directors and Executive Officers of the Registrant.

The information required under this item with respect to our Directors and compliance with Section 16(a) of the Exchange Act is included in the following sections of our Proxy Statement for our 2005 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Board Committees
Web-site Access to Corporate Governance Documents
Election of Directors
Section 16(a) Beneficial Ownership Reporting Compliance

The information required under this item with respect to our Executive Officers is incorporated by reference from Part I, Item 1 of this report under "Executive Officers of the Registrant."

### Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2005 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Compensation of Executive Officers in the Year Ended January 29, 2005
Compensation Committee Report on the Fiscal Year Ended January 29, 2005
Stock Price Performance
Compensation of Directors

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required under this item is included in the following section of our Proxy Statement for our 2005 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Security Ownership of Certain Beneficial Owners and Management
Equity Compensation Plans

### Item 13. Certain Relationships and Related Transactions.

The information required under this item is included in the following sections of our Proxy Statement for our 2005 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Election of Directors
Certain Relationships and Related Transactions

**Item 14. Principal Accountant Fees and Services.**

The information required under this item is included in the following section of our Proxy Statement for our 2005 Annual Meeting of Shareholders, which section is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Ratification of the Appointment of Independent Registered Public Accounting Firm

## PART IV

**Item 15. Exhibits and Financial Statement Schedules.**

(a)1. Financial Statements

The following consolidated financial information and statements and the Independent Auditors' Report are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Earnings
Consolidated Balance Sheets
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Management Responsibility for Financial Information
Management's Report on Internal Control Over Financial Reporting
Auditors' Report on Internal Control Over Financial Reporting
Auditors' Report on Consolidated Financial Statements

(a)2. Financial Statement Schedules



Other schedules for which provision is made in Regulation S-X are not required, are inapplicable, or the information is included in our 2004 Annual Report to Shareholders as incorporated by reference herein from Exhibit 13.1 of this report.

(a)3. Exhibits

Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on pages 20 though 26 hereof. All other exhibits are omitted because they are not applicable, not required, or because the required information is included in our 2004 Annual Report to Shareholders.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORDSTROM, INC.
(Registrant)

/s/ Michael G. Koppel
Michael G. Koppel
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: April 8, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Principal Financial Officer:

/s/ Michael G. Koppel
Michael G. Koppel
Executive Vice President
and Chief Financial Officer

Principal Executive Officer:

/s/ Blake W. Nordstrom
Blake W. Nordstrom
President

Principal Accounting Officer:

/s/ Peter F. Collins
Peter F. Collins
Divisional Vice President
Corporate Controller

Directors:

/s/ Phyllis J. Campbell
Phyllis J. Campbell
Director

/s/ D. Wayne Gittinger
D. Wayne Gittinger
Director

/s/ Enrique Hernandez, Jr.
Enrique Hernandez, Jr.
Director

/s/ Jeanne P. Jackson
Jeanne P. Jackson
Director

/s/ Bruce A. Nordstrom
Bruce A. Nordstrom
Chairman of the Board of Directors
and Director

/s/ John N. Nordstrom
John N. Nordstrom
Director

/s/ Alfred E. Osborne, Jr.
Alfred E. Osborne, Jr.
Director

/s/ William D. Ruckelshaus
William D. Ruckelshaus
Director

/s/ Alison A. Winter
Alison A. Winter
Director

Date: April 8, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND REPORT ON SCHEDULE

To the Board of Directors and Shareholders of Nordstrom, Inc.

We consent to the incorporation by reference in Registration Statement Nos. 033-18321, 333-63403, 333-40064, 333-40066, 333-79791, 333-101110, and 333-118756 on Form S-8 and in Registration Statement Nos. 333-59840 and 333-69281 on Form S-3 of our reports dated April 7, 2005, relating to the consolidated financial statements of Nordstrom, Inc. and subsidiaries (the Company), (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the change in accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, for the year ended January 31, 2003, as discussed in Note 2 to the consolidated financial statements), the financial statement schedule, and management's report on the effectiveness of internal control over financial reporting, appearing in and incorporated by reference in this Annual Report on Form 10-K of Nordstrom, Inc. and subsidiaries for the year ended January 29, 2005.

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedule of Nordstrom, Inc., listed in Item 15(a)2. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

*/s/ DELOITTE & TOUCHE LLP*
Seattle, Washington
April 7, 2005

NORDSTROM, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

| Column A<br>Description | Column B<br>Balance at beginning of period | Column C<br>Additions<br>Charged to costs and expenses | Column D<br>Deductions | Column E<br>Balance at end of period |
|---|---|---|---|---|
| Deducted from related balance sheet account | | | | |
| Allowance for doubtful accounts: | | | | |
| Year ended: | | | | |
| January 29, 2005 | $ 20,320 | $ 24,639 | $ 25,894(A) | $ 19,065 |
| January 31, 2004 | $ 22,385 | $ 27,975 | $ 30,040(A) | $ 20,320 |
| January 31, 2003 | $ 23,022 | $ 29,080 | $ 29,717(A) | $ 22,385 |
| Reserves | | | | |
| Allowance for sales return, net: | | | | |
| Year ended: | | | | |
| January 29, 2005 | $ 39,841 | $ 725,982 | $ 716,078(B) | $ 49,745 |
| January 31, 2004 | $ 33,284 | $ 620,124 | $ 613,567(B) | $ 39,841 |
| January 31, 2003 | $ 31,721 | $ 520,831 | $ 519,268(B) | $ 33,284 |

(A) Deductions consist of write-offs of uncollectible accounts, net of recoveries

(B) Deductions consist of actual returns net of related costs and commissions

Table of Contents

NORDSTROM, INC. AND SUBSIDIARIES

Exhibit Index

| | Exhibit | Method of Filing |
|---|---|---|
| 3.1 | Articles of Incorporation as amended and restated on May 21, 2002 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002, Exhibit 3.1 |
| 3.2 | Bylaws, as amended and restated on November 17, 2004 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 30, 2004, Exhibit 3.2 |
| 4.1 | Indenture between Registrant and Norwest Bank Colorado, N.A.,as trustee, dated March 11, 1998 | Incorporated by reference from Registration No. 333-47035, Exhibit 4.1 |
| 4.2 | Senior indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 | Incorporated by reference from Registration No. 333-69281, Exhibit 4.3 |
| 4.3 | Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 | Incorporated by reference from Registration No. 333-69281, Exhibit 4.4 |
| 10.1 | Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1991, Exhibit 10.1 |
| 10.2 | Nordstrom Supplemental Executive Retirement Plan (2003 Restatement) | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended November 1, 2003, Exhibit 10.1 |
| 10.3 | 1993 Non-Employee Director Stock Incentive Plan | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1994, Exhibit 10.4 |
| 10.4 | Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc. | Incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1 |
| 10.5 | 1997 Nordstrom Stock Option Plan, amended and restated on February 16, 2000 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.1 |
| 10.6 | Nordstrom 401(K) Plan & Profit Sharing, as amended and restated on January 1, 2004 | Incorporated by reference from the Registrant's Form 11-K for the year ended December 31, 2003, Exhibit 99.2 |

| | Exhibit | Method of Filing |
|---|---|---|
| 10.7 | Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc. | Incorporated by reference from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1 |
| 10.8 | Commercial Paper Agreement dated October 2, 1997 between Registrant and Credit Suisse First Boston Corporation | Incorporated by reference from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.2 |
| 10.9 | Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A. | Incorporated by reference from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3 |
| 10.10 | Joint Venture Agreement between Nordstrom, Inc. and Nordstrom.com, Inc. dated as of August 24, 1999 | Incorporated by reference from the Registrant’s Form 10-K for the year ended January 31, 2000, Exhibit 10.21 |
| 10.11 | Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S. | Incorporated by reference from the Registrant’s Form S-3, Registration No. 333-50028 filed on November 15, 2000, Exhibit 2.1 |
| 10.12 | Amendment to the Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S., dated October 20, 2000 | Incorporated by reference from the Registrant’s Form S-3, Registration No. 333-50028 filed on November 15, 2000, Exhibit 2.2 |
| 10.13 | The Put Agreement dated November 1, 1999 between Nordstrom, Inc. and the holders of the Series C Preferred Stock of Nordstrom.com, Inc. | Incorporated by reference from the Registrant’s Form 10-Q for the quarter ended October 31, 2000, Exhibit 10.3 |
| 10.14 | Receivables Purchase Agreement dated October 1, 2001 between Nordstrom, Credit, Inc. and Nordstrom Private Label Receivables, LLC | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.21 |
| 10.15 | Transfer and Servicing Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, N.A., and Nordstrom Private Label Credit Card Master Note Trust | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.22 |

| | Exhibit | Method of Filing |
|---|---|---|
| 10.16 | Master Indenture dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.23 |
| 10.17 | Series 2001-1 Indenture Supplement dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.24 |
| 10.18 | Series 2001-2 Indenture Supplement dated December 4, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.25 |
| 10.19 | Amended and Restated Trust Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, and Wilmington Trust Company, as trustee | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.26 |
| 10.20 | Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.25 |
| 10.21 | First Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2002 | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.26 |
| 10.22 | Second Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2003 | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2004, Exhibit 10.25 |
| 10.23 | Third Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated February 29, 2004 | Incorporated by reference from Nordstrom Credit, Inc. Form 10-Q for the quarter ended May 1, 2004, Exhibit 10.3 |
| 10.24 | Fourth Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated May 28, 2004 | Incorporated by reference from Nordstrom Credit, Inc. Form 10-Q for the quarter ended May 1, 2004, Exhibit 10.4 |

| | Exhibit | Method of Filing |
|---|---|---|
| 10.25 | Fifth Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and JP Morgan Chase Bank NA (successor-by-merger to Bank One, NA (Main Office Chicago)) as agent, dated December 16, 2004 | Filed herewith electronically |
| 10.26 | Receivables Purchase Agreement dated April 1, 2002 between Nordstrom fsb and Nordstrom Credit Card Receivables LLC | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.39 |
| 10.27 | Administration Agreement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Nordstrom fsb | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.40 |
| 10.28 | Amended and Restated Trust Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables LLC and Wilmington Trust Company | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.41 |
| 10.29 | Master Indenture dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.42 |
| 10.30 | Series 2002-1 Indenture Supplement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.43 |
| 10.31 | Transfer and Servicing Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, National Association and Nordstrom Credit Card Master Note Trust | Incorporated by reference from Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.44 |
| 10.32 | Performance Undertaking dated September 28, 2001 between Registrant and Bank One, N.A. | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.37 |
| 10.33 | Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A. | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.38 |
| 10.34 | Stock Purchase Agreement dated May 13, 2002 between the Registrant and the investors listed on Schedule A thereto | Incorporated by reference from the Registrant's Form 8-K filed on May 17, 2002, Exhibit 10.1 |
| 10.35 | Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.2 |

| | Exhibit | Method of Filing |
|---|---|---|
| 10.36 | Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and Life Investors Insurance Company of America | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.3 |
| 10.37 | Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.4 |
| 10.38 | The 2002 Nonemployee Director Stock Incentive Plan | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2002, Exhibit 10.1 |
| 10.39 | Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo- Weiner Associates, LLC | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.30 |
| 10.40 | First Amendment to the Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo-Weiner Associates, LLC, dated December 19, 2002 | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.31 |
| 10.41 | Nordstrom Executive Deferred Compensation Plan (2003 Restatement) | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.2 |
| 10.42 | Nordstrom Directors Deferred Compensation Plan (2002 Restatement) | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 10.55 |
| 10.43 | Nordstrom, Inc. Leadership Separation Plan (Restated Effective March 1, 2005) | Filed herewith electronically |
| 10.44 | Nordstrom, Inc. Executive Management Group Bonus Plan | Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004. |
| 10.45 | 2004 Equity Incentive Plan | Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004. |

| | Exhibit | Method of Filing |
|---|---|---|
| 10.46 | Commitment of Nordstrom, Inc. to Nordstrom fsb dated June 17, 2004 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.4 |
| 10.47 | Nordstrom fsb Segregated Earmarked Deposit Agreement And Security Agreement by and between Nordstrom fsb and Nordstrom, Inc. dated July 1, 2004. | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.5 |
| 10.48 | Revolving Credit Facility dated May 14, 2004 between Registrant and a group of commercial banks | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.1 |
| 10.49 | Employment Letter with Mr. Paul Favaro, to be effective on February 1, 2005. | Incorporated by reference from the Registrant's Form 8-K filed on January 12, 2005, Exhibit 99.1 |
| 10.50 | Form of Notice of Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 2004 Equity Incentive Plan | Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 10.1 |
| 10.51 | Form of 2005 Performance Share Unit Notice and Performance Share Unit Award Agreement | Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 10.2 |
| 10.52 | Press release dated February 24, 2005 announcing that its Board of Directors authorized a $500 million share repurchase program | Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 99.1 |
| 10.53 | Summary of Lead Director Compensation | Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 99.2 |
| 13.1 | 2004 Annual Report to Shareholders | Filed herewith electronically |
| 21.1 | Subsidiaries of the Registrant | Filed herewith electronically |
| 23.1 | Consent of Independent Registered Public Accounting Firm and Report on Schedule | Filed as page 18 of this report |
| 31.1 | Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002 | Filed herewith electronically |
| 31.2 | Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002 | Filed herewith electronically |

| | Exhibit | Method of Filing |
|---|---|---|
| 32.1 | Certification of President and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith electronically |

EXHIBIT 10.25

AMENDMENT NO. 5
TO
NOTE PURCHASE AGREEMENT

THIS AMENDMENT NO. 5, dated as of December 16 2004 (this "Amendment No. 5") amends the Note Purchase Agreement, dated as of December 4, 2001 (the "Note Purchase Agreement") among Nordstrom Private Label Receivables LLC (the "Transferor"), Nordstrom, fsb ("Servicer"), the Conduit Purchaser, the Agent and the Committed Purchaser named therein.

WHEREAS, the Transferor, the Servicer, the Conduit Purchaser, the Agent and the Committed Purchaser entered into the Note Purchase Agreement in connection with the issuance of certain variable funding notes specified therein; and

WHEREAS, Section 11.01 of the Note Purchase Agreement permits the Note Purchase Agreement to be amended from time to time pursuant to the conditions set forth therein; and

WHEREAS, the parties hereto wish to amend the Note Purchase Agreement as set forth herein;

NOW THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Transfer and Servicing Agreement (as defined in Section 1.01 of the Note Purchase Agreement).

2. A new definition "Available Maximum Principal Balance" is hereby added in Section 1.01 to read as follows:

> "Available Maximum Principal Balance" means, at any time, the excess (if any) of the Class A Maximum Principal Balance over the Other Class A Invested Amount.

3. A new definition "Other Class A Invested Amount" is hereby added in Section 1.01 to read as follows:

> "Other Class A Invested Amount" means the "Class A Invested Amount," as defined in the Note Purchase Agreement, dated as of December 16, 2004, among Nordstrom Credit Card Receivables LLC, as transferor, Nordstrom fsb, as servicer, Falcon Asset Securitization Corporation, as conduit purchaser, and JPMorgan Chase Bank, N.A. (successor-by-merger to Bank One, NA (Main Office Chicago)), as committed purchaser and as agent for the purchasers therein.

4. Section 2.03(a) is hereby amended by replacing "Class A Maximum Principal Balance" appearing therein in two different places with "Available Maximum Principal Balance".

5. Section 2.03(c) is hereby amended by replacing "Class A Maximum Principal Balance" appearing therein with "Available Maximum Principal Balance".

6. Section 2.05(a) is hereby amended by replacing "(but not below the Class A Invested Amount)" appearing therein with "(but not below the Class A Invested Amount and the Other Class A Invested Amount)".

7. Section 11.01 is hereby amended by adding the following new sentence at the end thereof:

> Furthermore, the Transferor shall provide to each Rating Agency (i) ten Business Days prior written notice of any proposed amendment and (ii) a copy of the executed amendment as soon as practicable after the execution of such amendment.

8. Section 11.04 is hereby amended by adding a new clause (d) to read in its entirety as follows:

> (d) Notwithstanding anything herein to the contrary, each party hereto (and each employee, representative, or other agent thereof) may disclose to any and all persons, without limitations of any kind of tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided any such party relating to such tax treatment and tax structure. For purposes of this paragraph, the terms "tax treatment" and "tax structure" have the meaning given to such terms under Treasury Regulation Section 1.6011-4(c).

9. A new section is hereby added at the end of Article XI to read in its entirety as follows:

> SECTION 11.12 Limited Obligation of Transferor. Notwithstanding anything to the contrary set forth in this Note Purchase Agreement, the obligation of the Transferor to pay any amounts in this Note Purchase Agreement shall be limited solely to the application of amounts available under the Transaction Documents.

10. Except as otherwise set forth herein, the Note Purchase Agreement shall continue in full force and effect in accordance with its terms.

11. This Amendment No. 5 may be executed in one or more counterparts, each of which, when so executed, shall be deemed an original; such counterparts, together, shall constitute one and the same agreement.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have caused this Amendment No. 5 to be executed by their respective officers thereunto duly authorized, as of the date first above written.

NORDSTROM PRIVATE LABEL
RECEIVABLES LLC,
as Transferor

By: /s/ Kevin Knight
----------------------------
Name: Kevin Knight
Title: President, NPLR, LLC

NORDSTROM FSB,
as Servicer

By: /s/ Marc A. Anacker
----------------------------
Name: Marc A. Anacker
Title: Treasurer

FALCON ASSET SECURITIZATION CORPORATION
as Conduit Purchaser

By: /s/ William Hendricks
----------------------------
Name: William Hendricks
Title: Authorized Signatory

JPMORGAN CHASE BANK, N.A.,
as Agent

By: /s/ William Hendricks
----------------------------
Name: William Hendricks
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as a Committed Purchaser

By: /s/ William Hendricks
----------------------------
Name: William Hendricks
Title: Vice President

Acknowledged by:

NORDSTROM, INC.

By: /s/ Michael Koppel
----------------------------
Name: Michael Koppel
Title: Executive Vice President and Chief Financial Officer

Exhibit 10.43

# NORDSTROM, INC. LEADERSHIP SEPARATION PLAN
(Restated Effective March 1, 2005)

## I. INTRODUCTION.

A. Background. The Separation Program for Key Management Employees (the "Plan") was originally adopted by Nordstrom, Inc. (the "Company"), effective October 28, 1997. This amendment, restatement, and renaming of the Plan is effective as of March 1, 2005 (the "Effective Date") and renames the Plan, the Nordstrom Leadership Separation Plan. The purpose of the Plan is to provide a group of key leadership employees of the Company or its subsidiaries and affiliates ("Affiliates") with an appropriate level of severance benefits in the event he/she separates from service under the circumstances described herein.

The Plan does not apply to any employment terminations other than those expressly described below and is not intended to set any precedent for future severance policies or practices of the Company.

The Plan is intended to constitute an unfunded severance pay plan for a select group of management employees for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

B. Plan Governance.

1. Plan Sponsor and Administrator. The Company is the "Plan Sponsor" and the "Plan Administrator" of the Plan. The Company's senior officer with responsibility for Human Resources and the Company's Compensation and Leadership Benefits Department have been selected to assist the Company in its day-to-day responsibilities with respect to the Plan. The Company is the named fiduciary charged with responsibility for administering the Plan; the Administrative Committee is the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits. The Administrative Committee, with the advice of the Company, will make such rules and computations and will take such other actions to administer the Plan as the Committee deems appropriate. The address of the Administrative Committee is: Nordstrom, Inc., C/O Leadership Benefits, PO Box 12338, Seattle, Washington 98111-3338.

a. Company's Discretion. As Plan Administrator, the Company has the sole and exclusive discretion, authority and responsibility to construe and interpret the terms and provisions of the Plan, to remedy and resolve ambiguities, to grant and/or deny any and all claims for benefits, and to determine all issues relating to eligibility for benefits. All actions taken by the Company as Plan Administrator, or its delegate, will be conclusive and binding on all persons having any interest under the Plan, subject only to the provisions of Article IX. All findings, decisions and determinations of any kind made by the Plan Administrator or its delegate shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner.

b. Delegation of Authority. The Company may delegate all or part of its responsibilities, authority and discretion under the Plan to other persons. The duties of the Company under the Plan will be carried out in its name by its officers, directors and employees. Any such delegation shall carry with it the full discretion and authority vested in the Company under paragraph I.B.1., above. As of the effective date of the Restated Plan, the Company has delegated the day-to-day administration of the Plan to its Compensation and Leadership Benefits Department under the direction of the Company's senior officer with responsibility for Human Resources and the responsibility for adjudicating the appeal of a denied claim under the Plan's claims procedures to its Administrative Committee.

2. Administrative Committee. The Plan Administrator may appoint an "Administrative Committee," consisting of one or more individuals who may (but need not) be employees of the Company. The Administrative Committee will be the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits. The Administrative Committee appointed by the Plan Administrator shall be empowered with the same level of authority and discretion as that set forth in Section I.B. As of the Effective Date, the Administrative Committee for purposes of Eligible Key Leadership Employees who are Section 16 insiders shall be the Compensation Committee of the Board of Directors of the Company. The Administrative Committee for purposes of Eligible Key Leadership Employees who are not Section 16 insiders shall be the Company's senior officer with responsibility for Human Resources and the Divisional Vice President for Compensation and Leadership Benefits.

II. ELIGIBLE EMPLOYEES.

A. Eligibility Criteria. Each active employee of the Company or an Affiliate who, on or after the Effective Date, meets all of the following conditions will be considered an Eligible Leadership Employee, entitled to participate in and receive benefits under the Plan upon satisfying the participation requirements of Article III of this Plan (as specified below):

1. The employee is a Designated Leadership Employee;

2. The employee is not employed under a written contract of definite term; and

3. The employee is not eligible to receive benefits under any other severance program or arrangement established or provided by the Company or Affiliate.

B. Designated Leadership Employee. For purposes of this Plan, a "Designated Leadership Employee" is any officer or employee of the Company or an Affiliate designated as a Key, Core, Business or Company leadership level employee, by the Company's senior officer with responsibility for Human Resources. In addition, a "Designated Leadership Employee" includes any employee of the Company or an Affiliate who is designated as a "Designated Leadership Employee" of the Company by either (a) a corporate Officer, or (b) the senior Human Resources executive with responsibility for the employee's group, with either (a) or (b) acting jointly in such designation with the Company's senior officer with responsibility for Human Resources.

C. Ineligible Employee Groups. Employees who are not Designated Leadership Employees are not eligible to participate in the Plan and shall not be deemed an Eligible Leadership Employee.

D. Company Determination of Eligibility. The determination of those employees who are eligible to participate in the Plan will be made by the Company in its sole and exclusive discretion, and, for purposes of determining eligibility, the Company need not treat similarly situated employees in the same manner.

E. Affiliates of the Company. For purposes of this Plan, an Affiliate of the Company means any other U.S. entity owned or controlled by the Company, unless such Affiliate is designated by the Company as not eligible to participate in the Plan.

F. Employees of Divested Groups Excluded. Any employee of a divested business group (including a business unit, store, facility, department or division) who is offered employment by that group in the same or an equivalent position, regardless of whether such offer is part of the agreement between the Company, the group, and the purchaser of that business, or successor entity, as applicable, shall not be deemed an Eligible Leadership Employee hereunder and shall not be eligible to participate in this Plan.

III. PARTICIPATION/ELIGIBILITY FOR BENEFITS.

A. Participation. An Eligible Leadership Employee who commences participation in the Plan is called a "Participant" of the Plan. Participation in the Plan will commence upon the Eligible Leadership Employee's (1) Involuntary Termination by the Company, and (2) election to participate in the Plan and execution of a release of claims ("Election and Release"), both as described below. A Participant's participation will terminate on the date the Participant receives payment of all of the Participant's Cash Severance Benefits under the Plan or, if earlier, on the date the employee's eligibility expires.

1. Involuntary Termination. An Eligible Leadership Employee's termination of employment will be considered an Involuntary Termination by the Company, for purposes of this Plan, where the employee is terminated by the Company without cause. "Cause" shall be defined either as a willful failure of the Eligible Leadership Employee to perform his/her duties at a level reasonably expected by the Company or as any form of willful misconduct which shall include but not be limited to acts of dishonesty, gross insubordination, gross negligence, discrimination or harassment, or any knowing and willful violation of law or of the Company's policies or performance standards. The Company shall have the discretion to interpret whether a termination was for "cause."

2. Election and Release. Once an Involuntary Termination described in paragraph III.A.1. occurs, in order to receive benefits provided under the Plan, an Eligible Leadership Employee must first execute an Election and Release provided by the Company and described in this paragraph III.A.2., without any alteration, addition or deletion, and then return it to the Company at the location and by the deadline specified by the Company.

a. Form of Release. The form and content of the Election and Release will be determined by the Company. Such Release shall be effective according to its terms but may be modified by the Company prior to its execution by the Eligible Leadership Employee as it deems necessary.

b. Timing of Release. The Eligible Leadership Employee may, as determined by the Company as appropriate, have a period of time to review and sign the Release and return it to the Company. For any period required by law after the Eligible Leadership Employee signs the Release, the Eligible Leadership Employee may revoke the Release, and it shall not be effective or enforceable until the revocation period expires. The filing of a claim under the Plan's claim procedure (Article IX), shall toll any time requirement for signing and returning the Release until the claims procedure has been exhausted. If the Eligible Leadership Employee fails to sign and return to the Company the Release within the time and in the manner described herein, he or she will no longer be eligible for this Plan, unless and until the Company thereafter designates the Employee as eligible under Article II of this Plan.

B. Loss of Eligibility. An Eligible Leadership Employee (or Participant of the Plan, as the case may be) will become ineligible for and lose any rights he or she may have to benefits under the Plan, and his or her participation in the Plan will cease if, before the scheduled date of the Participant's employment termination, any of the following occurs:

1. He or she voluntarily resigns his or her employment with the Company.

2. The Eligible Leadership Employee (or Participant) fails to abide by such terms and conditions as the Company has established as a condition for participation in, or payment of benefits from, the Plan, provided such terms and conditions have been set forth in any eligibility notice provided.

3. The Eligible Leadership Employee remains an employee, but is no longer a Designated Leadership Employee (as defined above) or no longer qualifies as a member of a select group of management employees of the Company or its Affiliates within the meaning of Sections 201(2), 301(a)(3) and 401(a)(4) of ERISA.

4. The Eligible Leadership Employee either dies or becomes disabled prior to becoming a Participant.

IV. PLAN BENEFITS.

This Article IV sets forth the benefits provided by the Plan as summarized in the attached Schedule of Benefits, as from time to time is or may be established and amended by the Company and incorporated herein by this reference (the "Benefits Schedule"). The benefits provided under the Plan include the following: (a) a Cash Severance Benefit, (b) Medical/Dental Premium Assistance Benefits, (c) Outplacement Benefits, and (d) a Relocation Benefit, each as described below. In addition, the Company may provide additional severance benefits to a Participant under this Plan, based on the particular circumstances surrounding that Participant's termination.

A. Cash Severance Benefits.

1. Severance Benefit Amount. A Participant will receive the Cash Severance Benefit specified in the Benefits Schedule, based on his or her Years of Service, Annual Salary, and designated Leadership level.

2. Cash Payments. A Participant's Cash Severance Benefits under the Plan will be calculated as a lump-sum payment.

3. "Annual Salary" Defined. A Participant's "Annual Salary" under paragraph IV.A.1., shall be such Participant's monthly base salary paid in cash (at the rate in effect at the time of termination) multiplied by twelve (12). "Annual Salary" shall exclude bonuses, commissions, and other supplemental pay or allowances provided by the Company to the Participant (such as options, performance share units, restricted stock, and other forms of equity-based compensation, but shall be calculated prior to withholdings for the Participant's own contributions for participation in any of the Company's benefits or plans, such as retirement, stock purchase, welfare, or deferred compensation plans).

4. "Years of Service" Defined. A Participant's "Years of Service" under paragraph IV.A.1, shall be measured in whole years and based on uninterrupted periods of service from such Participant's most recent date of hire.

5. Withholding. The Company will withhold appropriate federal, state and local income and employment taxes from any payments made under the Plan.

6. SERP Offset. A Participant's Cash Severance Benefit under this Plan shall be reduced, dollar for dollar, by the SERP Offset Amounts (if any) calculated for such Participant as provided in this Section.

a. Calculation of Monthly SERP Offset Benefit. A Participant's monthly benefit under the Nordstrom Supplemental Executive Retirement Plan ("SERP") shall be calculated and determined under the SERP, in accordance with the rules and procedures established thereunder. For purposes of this Plan, the Participant's SERP benefit used for the offset under this Section, shall be the Participant's gross monthly SERP benefit, calculated prior to any reduction under the SERP for Company contributions to its 401(k) Plan & Profit Sharing and Executive Deferred Compensation Plan, or other post employment retirement plans as the case shall be.

b. SERP Offset Amount. The monthly SERP offset benefit determined under Paragraph 6(a) shall be multiplied by the total number of months covered by the Severance Period (as defined in F., below), to provide a total SERP Offset Amount.

c. Application of Offset. To the extent a Participant is entitled to the payment of a Cash Severance Benefit under this Plan, a Participant's Cash Severance Benefit payable under this Plan shall be the benefit determined in accordance with the provisions of Sections IV.A.1 through 4 of this Plan, reduced dollar for dollar by the SERP Offset Amount determined in this Section IV.A.6.

B. Medical/Dental Premium Assistance Benefit.

1. Benefits Continued through Termination. For Company-sponsored employee welfare benefit plans in which the Participant is a participant on the date his or her employment terminates (i.e., group medical, dental, disability, AD&D and life), the Company will take appropriate steps to provide for a Participant's continued participation in a plan to which the Participant is required to contribute as provided under those Plans' rules, unless the Participant does not make the required contribution to that plan.

2. Health Benefits After Termination. Upon termination, the Participant shall have such rights to continue coverage under any Company-sponsored health care plans (i.e., medical and dental) as are provided by Section 4980B(f) of the Internal Revenue Code of 1986, as amended, and Section 602 of ERISA ("COBRA").

3. Payment for Coverage. For any Company-sponsored employee health care plans in which the Participant elects COBRA (other than the Leadership Health Reimbursement Program), the Company will take appropriate steps to continue the Participant's participation in each of those plans, by paying the Company's active plan contribution amount for the Participant's (and his or her dependents') coverage through the end of the period specified in the Benefits Schedule. During this period, the Participant will be required to pay for any such Participant's COBRA continuation coverage elected by the Participant at the same level and on the same basis as the Participant's contribution to group health plan coverage for active employees. Thereafter, the Participant shall be responsible for the entirety of any COBRA premium obligations required to continue group health plan coverage under the terms of those plans.

4. Period of Continuation Coverage. The entirety of the group health benefits provided under paragraphs 2 and 3, above, after the date that the Participant (and his or her qualifying dependents) would otherwise have lost coverage, will be counted against the maximum period of coverage provided under COBRA.

5. Alternatives to COBRA Continuation Payments. In lieu of Company assisted COBRA Continuation Payments as described in sections B.2, B.3 and B.4, the Participant may elect to participate in the Company's Retiree Medical Plan (to the extent he or she is eligible). If the Participant is not eligible for coverage under the Company's Retiree Medical Plan, the Company, in its discretion, may elect to pay to the Participant the cash equivalent of the Company's cost for such benefits (excluding any cost relating to Participant's continued participation in the Leadership Health Reimbursement Program) for the period of coverage described in B.3; provided however, that to the extent the Company makes such an election, the Participant shall be required to pay the entire COBRA Premium for any period of coverage elected.

C. Outplacement Services.

The Participant will be offered outplacement services. Such services will be provided at a specified level and for a specified length of time, as provided in the Benefits Schedule. The outplacement services offered under this Plan will be provided by a provider chosen by the Company, and the Company will directly pay all such expenses. Participants may elect not to accept the outplacement services; however, he or she will not be entitled to receive any monetary encashment in its stead. The Participant may access outplacement services prior to his or her termination date, however should the Participant elect not to participate in the Plan, the cost for Outplacement services will be borne by the Participant. The Participant must initiate Outplacement Services within ninety (90) days following the date of termination in order to be eligible.

D. Relocation Benefits.

If the Participant (1) was provided relocation benefits in connection with their employment with the Company, and (2) decides (as a result of their termination from the Company) to relocate their principal residence to a location that is more than fifty (50) miles from their residence at the time of their separation with the Company, the Company will directly pay all or a portion of the actual cost of moving of the Participant's (and the Participant's household) personal property (in accordance with the rules and procedures established in the Company's general Leadership relocation policy) to the extent that (i) the termination of employment occurs less than twelve (12) months after the Participant commences work in the position for which he or she has relocated to his or her current location, (ii) such earlier relocation was in connection with the Participant's employment with the Company, (iii) the relocation benefit amount does not to exceed the price of moving such property during the original relocation, and (iv) such Participant's relocation expenses are incurred within twelve (12) months following commencement of participation in this Plan. Should the Participant not relocate within one year following termination of employment, he or she will not be entitled to any relocation benefit, and he or she will not be entitled to receive any monetary encashment in its stead.

E. Additional Benefits.

The Company may, in its sole and exclusive discretion, provide the Participant with additional severance benefits, in cash or in kind, to assist the Participant in the transition from active employee status.

F. Subsequent Reemployment.

1. Reemployment During Severance Period. If an employee satisfies all of the conditions for eligibility and participation set forth in Sections II and III, except that he or she accepts an offer of employment with the Company prior to the end of the period for which he or she has received or will receive Cash Severance Benefits under the Plan (the "Severance Period"), then the employee will be considered a Participant under the Plan only to the extent of the employee's period of actual separation from service with the Company.

a. Repayment of Duplicative Benefits. A reemployed Participant will be required to repay the prorated portion of any Cash Severance Benefits received for the duration of their Severance Period during which they are actively at work for the Company. To eliminate the possibility of duplicative payments, an employee's agreement to repay such amounts (if any) may be obtained, with the employee's total repayment to be concluded prior to reemployment, or within a reasonable time after his or her reemployment as approved by Nordstrom Leadership Benefits department.

2. Reemployment After Severance Period. Participants who are subsequently reemployed by the Company after the Severance Period (defined in paragraph F.1) will not be required to repay any Cash Severance Benefits.

3. New Hire Date. In the event of the Participant's reemployment with the Company, such reemployed Participant's service date will be restored to the service date in effect at the time of severance only to the extent required by any of the Company's employee benefit plans, but not for purposes of this Plan.

V. PAYMENTS TO AND FROM THE PLAN.

The benefits under the Plan will be paid from the general assets of the Company, and all employees eligible for benefits under the Plan will be no more than unsecured general creditors of the Company. Nothing contained in the Plan will be deemed to create a trust of any kind for the benefit of the employees, or create any fiduciary relationship between the Company and the employees with respect to any assets of the Company. The Company is under no obligation to fund the benefits provided herein prior to payment, although it may do so if it chooses. Any assets which the Company chooses to use for advance funding will nevertheless constitute assets of the Company and will not cause this to be a funded plan within the meaning of any section of ERISA.

VI. AMENDMENT AND TERMINATION.

The Company reserves the right to amend or terminate the Plan at any time; provided, however, that no such amendment or termination will affect the right to any unpaid benefit of any Eligible Leadership Employee who became entitled to such benefits prior to such amendment or termination.

VII. NON-ALIENATION OF BENEFITS.

Except to the extent specifically provided by the Company, no benefit under the Plan will be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, garnishment, levy, execution or charge, and any attempt to do so will be void.

VIII. LEGAL CONSTRUCTION.

This Plan will be construed in accordance with ERISA and, to the extent not preempted by ERISA, with the laws of the State of Washington. In the event that any provision of this Plan shall be finally deemed to be unenforceable, such provision shall be deemed to be severable from this Plan, but every other provision of this Plan shall remain in full force and effect.

IX. CLAIMS, INQUIRIES AND APPEALS.

A. Benefit Claims and Inquiries.

All benefit claims, and all inquiries concerning the Plan or present or future rights to benefits under the Plan, must be submitted to the Plan Administrator in writing and addressed as follows: "Nordstrom, Inc., Plan Administrator Under the Leadership Separation Plan, C/O Leadership Benefits, P.O. Box 12338, Seattle Washington 98111-3338." A benefit claim or inquiry must be signed by the employee.

B. Denial of Claims.

In the event that any benefit claim is denied in whole or in part, the Plan Administrator will notify the claimant in writing of such denial and of the right to review thereof. Such written notice will set forth, in a manner calculated to be understood by the claimant, specific reasons for such denial, specific references to the Plan provision on which such denial is based, a description of any information or material necessary to perfect the claim, an explanation of why such material is necessary and an explanation of the Plan's review procedure. Such written notice will be given to the claimant within ninety (90) days after the Plan Administrator receives the claim, unless special circumstances require an extension of time of up to ninety (90) days for processing, written notice of the extension will be furnished to the applicant prior to the termination of the initial 90-day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render its decision on the claim. If written notice of denial of the claim for benefits is not furnished within the time specified in this Section IX.B., the application will be deemed denied, and the claimant will be permitted to appeal such denial in accordance with the Review Procedure set forth below.

C. Appeal: Requests for a Review.

Any person whose claim for benefits is denied (or is deemed denied) in whole or in part, or such person's duly authorized representative, may appeal from such denial by submitting a request for a review of the claim to the Administrative Committee within sixty (60) days after receiving written notice of such denial from the Plan Administrator (or, in the case of a deemed denial, within sixty (60) days after the application is deemed denied). The Plan Administrator will give the claimant or such representative an opportunity to review pertinent documents that are not privileged in preparing a request for a review. A request for review must be in writing and must be addressed as follows: "Plan Administrator Under the Separation Program for Leadership Employees, Nordstrom Leadership Benefits, P.O. Box 12338, Seattle, Washington 98111-3338." A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the claimant deems pertinent. The Administrative Committee may require the applicant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

D. Decision on Review.

The Administrative Committee will act on each request for review within sixty (60) days after receipt thereof unless special circumstances require an extension of time, up to an additional sixty (60) days, for processing the request. If such an extension for review is required, written notice of the extension will be furnished to the claimant within the initial 60-day period. The Administrative Committee will give prompt, written notice of its decision to the claimant and to the Plan Administrator. In the event that the Administrative Committee confirms the denial of the benefits in whole or in part, such notice will set forth, in a manner calculated to be understood by the claimant, the specific references to the Plan provisions on which the decision is based. If written notice of the Administrative Committee's decision is not given within the time prescribed in this Section, the application will be deemed denied on review.

E. Rules and Procedures.

The Company as Plan Administrator, and the Administrative Committee, as applicable, may establish such rules and procedures, consistent with the Plan and with ERISA, as it may deem necessary or appropriate in carrying out its responsibilities under this Article IX. The Administrative Committee may require a claimant who wishes to submit additional information in connection with an appeal from the denial (or deemed denial) of benefits to do so at the his or her own expense.

F. Exhaustion of Remedies.

No legal action for benefits under the Plan shall be brought unless and until the claimant (1) has submitted a written benefit claim in accordance with Section IX.A. above, (2) has been notified by the Plan Administrator that the application is denied, (3) has filed a written request for a review of the benefit claim in accordance with Section IX.C. above and (4) has been notified in writing that the Administrative Committee has affirmed the denial of benefits; provided that legal action may be brought after the Plan Administrator or the Administrative Committee has failed to take any action on the claim within the time prescribed by Section IX.B. or Section IX.D. above.

X. OTHER PLAN INFORMATION.

A. Plan Identification Numbers.

The Employer Identification Number ("EIN") assigned to the Plan Sponsor (Nordstrom, Inc.) by the Internal Revenue Service is 91-0515058. The Plan Number ("PN") assigned to the Plan by the Plan Sponsor pursuant to instructions of the Internal Revenue Service is 521.

B. Ending Date for Plan's Fiscal Year.

The date of the end of the year for the purposes of maintaining the Plan's fiscal records is the calendar year.

C. Agent for the Service of Legal Process.

The agent for the service of legal process with respect to the Plan is the Executive Vice President for Human Resources and Diversity Affairs, C/O Leadership Benefits, Nordstrom, Inc., PO Box 12338, Seattle Washington 98111-3338. The service of legal process may also be made on the Plan by serving the Plan Administrator.

XI. EMPLOYMENT STATUS.

This Plan in no way alters the relationship between Designated or Eligible Leadership Employees and Company as one of at-will employment.

XII. EXECUTION.

To record the adoption of the Plan as set forth herein, effective as of March 18, 2005, the Company has caused its authorized representative to execute the same this 18 day of March, 2005.

NORDSTROM, INC.
By: /s/ Delena M. Sunday
---------------------------------------------------------
Its: Executive Vice President, Human Resources and Diversity Affairs

Witness:

By: /s/ Leslie R. Thornton
---------------------------------------------------------
Its: Divisional Vice President, Compensation and Leadership Benefits

NORDSTROM LEADERSHIP SEPARATION PLAN
SCHEDULE OF BENEFITS
AS OF MARCH 1, 2005

| LEADERSHIP LEVEL | YEARS OF SERVICE CRITERIA | CASH SEVERANCE PAY | MAXIMUM AND MINIMUMS | PERIOD OF MEDICAL/DENTAL PREMIUM ASSISTANCE | OUTPLACEMENT SERVICES |
|---|---|---|---|---|---|
| BUSINESS AND COMPANY | None | 1 month per year of service | Maximum: 24 months<br>Minimum: 6 months | 12 months | Up to 6 months |
| | 20 or more | | | 12 months | |
| | | Two weeks salary per year of service | | | Up to 6 months |
| | 12 - 19 | | | | |
| KEY AND CORE | | | Maximum: 52 weeks<br>Minimum: 12 weeks | 6 months | |
| | 6 - 11 | | | | |
| | | One and one-half weeks salary per yearof service | | | Up to 3 months |
| | 0 - 5 | | | 3 months | |

* COBRA-related benefit provided only if the Participant is not eligible for the Nordstrom Retiree Health Plan or if Participant elects not to participate in that Plan.

**Exhibit 13.1**

Financial Highlights:
Our continuous progress in delivering a quality shopping experience to our customers is resulting in increasing value to our shareholders. We're proud to share our results with you. Overall, 2004 was the best year in our company's history.
our scorecard

# table of contents

**Management’s Discussion and Analysis**

Nordstrom is a fashion specialty retailer offering a wide selection of high-quality apparel, shoes, cosmetics and accessories for women, men and children. Nordstrom offers classic and contemporary brand name and private label merchandise as well as exclusive couture designs. We offer our products through multiple retail channels including our Full-Line Nordstrom stores, our discount Nordstrom Rack stores, our Faconnable boutiques, our catalogs and on the Internet at www.nordstrom.com. Our stores are primarily located throughout the United States. In addition, our credit operations offer customers a variety of payment products and services including our loyalty program.

**STRATEGIC INITIATIVES FOR 2005**

Our long-term goal is to deliver industry-leading performance. We have two overarching initiatives in 2005 that will take us towards that goal.

**Drive top-line growth** — One of our top goals is to drive and sustain positive same-store sales into the future. Our ultimate success in accomplishing this goal starts and ends with the experience each customer has in our stores. We believe the foundation of that customer experience is based upon providing superior service and compelling products. These two key elements of our business will be an ongoing focus for our company as we work to sustain our same-store sales momentum.

Customers want fashion, and we strive to be a leader in the marketplace with products and trends. One of the core elements of what we do is give customers a reason to buy something new. We believe this is a core strength of our merchant team, but the dynamic nature of our business means that there will always be opportunities in this area to improve the speed and flexibility by which we respond to fashion trends. In addition, to maximize our inventory investment, we will continue to develop proficiency with our existing perpetual inventory tools.

In 2005, our service-focused initiative is to use our Personal Book system. Personal Book is a dynamic tool that helps our people build and strengthen customer relationships by better anticipating and responding to customer needs. With Personal Book, our salespeople are able to set and manage their customer follow-ups, organize and track customer preferences and easily reference customer purchases and contact information. The result is that our salespeople are able to tailor our service to the needs of each customer. We are able to stay connected with our customers and invite them back in for the new trends, merchandise, sales and events that interest them. Overall, Personal Book provides us with increased opportunities to exceed expectations, build customer loyalty and drive additional sales volume.

**Improve operational efficiencies** — In addition to delivering solid top-line results, we are continuing to focus on improving operational efficiencies. We focus on managing the costs which do not impact customer service. Our current expense initiatives focus on the areas of logistics, information technology, and merchandising. In addition, we expect planned system enhancements to result in additional opportunities to streamline our processes and reduce costs over the next few years. Our planning processes are also more rigorous, challenging our organization to make better business decisions.

**OVERVIEW**

For the year we are pleased to report improved profitability for the company and our investors, with diluted earnings per share up 57.4% to $2.77. Our strong business performance in the latter half of 2003 and throughout 2004 generated significant increases in our operating cash flows, which we have used to invest in our business, prepay debt and repurchase common stock. Key highlights include:

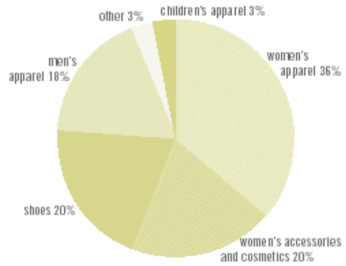
• Total net sales were $7.1 billion, which is the first time in our history that sales have exceeded $7.0 billion. Also, in 2004, same-store sales increased 8.5% (see our GAAP sales reconciliation on page 21). This was our third consecutive year with same-store sales increases and indicates that our existing store base continues to gain market share.

• Gross profit increased from 34.6% of sales in 2003 to 36.1% in 2004. Continued improvement in merchandise management and sales growth leverage on our buying and occupancy expenses were the primary drivers. In 2004, inventory turn was 4.51, up from 4.10 in 2003.

• With our strong sales performance in 2004, management was focused on ensuring that fixed costs were controlled and that variable costs fluctuated at a rate consistent with the sales growth. Such disciplined expense management resulted in significant improvement in selling, general and administrative expense as a percentage of sales and maximized the flow through of incremental sales to earnings.

• Pre-tax earnings as a percentage of sales increased from 6.2% in 2003 to 9.1% in 2004, demonstrating that we were able to transform top-line growth into significant incremental earnings.

**Percentage of 2004 Sales by Merchandise Category**




RESULTS OF OPERATIONS

Segment results are discussed in each of the following sections as applicable.

**Net sales (in millions)**


| **Fiscal Year** | **2002** | **2003** | **2004** |
|---|---|---|---|
| Net sales increase | 6.0% | 8.5% | 10.6% |
| Same-store sales increase | 1.4% | 4.1% | 8.5% |

See our GAAP sales reconciliation on page 21.

2004 VS 2003 NET SALES

In general, retailers' sales results were mixed in 2004. Our net sales increased as our customers responded to our merchandise offerings. Both our Full-Line and Rack stores had overall and same-store sales increases. All of our geographic regions and major merchandise categories also reported overall and same-store sales increases. The strongest performing categories were Accessories, Women's Shoes and Women's Better Apparel, followed by Women's Designer and Men's Apparel.

Total net sales also benefited from the six Full-Line stores and two Rack stores opened since February 2003, increasing our retail square footage 5% during the last two years.

Sales at Nordstrom Direct increased 28.3% due to strong Internet sales and improved fulfillment of customer orders. Internet sales increased 53.1% due to an increase in the rate of website visits that result in sales and increased Internet advertising. Catalog net sales decreased in 2004 by 3%, which is consistent with our strategy to shift catalog customers to the Internet.

2003 VS 2002 NET SALES

We had significant sales growth in 2003 as net sales increased 8.5% over the prior year. This overall growth resulted from same-store sales increases and store openings. Same-store sales on a 4-5-4 basis increased 4.1% due to increases at both our Full-Line stores and Rack stores. Additionally, we opened twelve Full-Line and six Rack stores since February 2002. We also closed one Rack store. The net impact was an increase to our retail square footage of 12%.

Sales at Nordstrom Direct increased 15.4% due to improved fulfillment of customers orders and strong Internet sales. During 2003, Internet sales increased approximately 46% while catalog sales declined by 9%.

In 2003, merchandise division sales growth was led by Women's Designer Apparel, Accessories and Cosmetics, followed by Men's Apparel and Women's and Men's Shoes.

2005 FORECAST OF NET SALES

In 2005, we plan to open four Full-Line stores, increasing retail square footage by approximately 3%. We expect 2005 same-store sales to increase 1 to 3%. In 2005, we will expand the integration of our merchandise offerings across our full-price channels. Our goal for the next several years is to build a multi-channel merchandise offering that creates a superior and seamless experience for our customers.

**Gross Profit**

| Fiscal Year | 2002 | 2003 | **2004** |
|---|---|---|---|
| Gross profit as a percentage of net sales | 33.2% | 34.6% | **36.1%** |
| Average inventory per square foot | $ 58.15 | $ 54.81 | **$ 52.46** |
| Inventory turnover | 3.85 | 4.10 | **4.51** |

2004 VS 2003 GROSS PROFIT

In 2004, the improvement in gross profit as a percentage of net sales was primarily a result of meeting our customers' desire for fresh, compelling merchandise, which increased the sales of regular priced merchandise. In addition, gross profit benefited from our ongoing improvement in managing inventory and by holding buying costs and the fixed portion of occupancy expenses flat.

Contributing to our gross profit rate improvement was the continuous improvement we are making utilizing our perpetual inventory system investment, which we made in 2003. We have better visibility into sales trends and on-hand content, allowing us to more effectively manage our merchandise; the result was a significant improvement in our inventory turnover rate. Increased sell-through of regular priced merchandise reduced the markdowns necessary to sell slow moving goods. We maintained our inventory at levels consistent with the prior year, even though our sales and square footage grew in 2004. The overall improvements in merchandise management have generated higher margins on our inventory investments.

2003 VS 2002 GROSS PROFIT

Gross profit as a percentage of net sales improved in 2003 due to strong sales, substantially lower markdowns and improved shrink results, as well as an improvement in expenses related to our private label business.

Merchandise division gross profit was led by Accessories, Women's Specialized Apparel, Women's Contemporary/Juniors Apparel and Men's Apparel.

Average inventory per square foot declined due to improved merchandise management at both our Full-Line and Rack stores. Buying and occupancy expenses benefited from leverage on a higher sales base resulting in a small improvement on a percentage of sales basis.

2005 FORECAST OF GROSS PROFIT

In 2005, we expect to see a 10 to 20 basis point improvement in our gross profit rate performance from ongoing merchandise margin improvement as well as buying and occupancy efficiencies.

**Selling, General and Administrative Expenses**

| Fiscal Year | 2002 | 2003 | **2004** |
|---|---|---|---|
| Selling, general and administrative expenses as a percentage of sales | 30.0% | 29.4% | **28.3%** |

2004 VS 2003 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

We continued to use our infrastructure to support increased sales. In 2004, our selling, general and administrative expenses as a percentage of net sales improved 110 basis points. We were able to control and leverage our fixed general and administrative expenses, especially non-selling labor. While selling expense increased in 2004, primarily from higher costs linked to increased sales, we experienced a slight rate improvement in selling expense as a percentage of net sales.

2003 VS 2002 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The 2002 selling, general and administrative expense includes an impairment charge of $15.6 million related to the write-down of an information technology investment in a supply chain software application in our private label division. We believe that excluding this charge provides a more comparable basis from which to evaluate performance between years. Without this charge, 2002 selling, general and administrative expenses as a percentage of net sales would have been 29.7%.

Excluding the effects of the 2002 impairment charge, selling, general and administrative expenses as a percentage of net sales decreased in 2003 to 29.4% from 29.7% in the prior year. This improvement was primarily the result of leverage on better-than-planned sales and overall expense improvements.

2005 FORECAST OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 2005, selling, general and administrative expenses as a percentage of net sales are expected to improve 40 to 60 basis points as we continue to take steps to improve the effectiveness and efficiency of our business processes.

**Interest Expense, Net**

2004 VS 2003 INTEREST EXPENSE, NET

We prepaid debt of $198.2 million in 2004 and $105.7 million in 2003. We incurred debt prepayment costs of $20.9 million in 2004 and $14.3 million in 2003. The decrease in our interest expense, net in 2004 was due to the reduction in our 2004 average outstanding debt, partially offset by the increase in the prepayment costs.

2003 VS 2002 INTEREST EXPENSE, NET

Interest expense, net increased in 2003 because of debt prepayment costs of $14.3 million in 2003 and lower capitalized interest. The debt prepayment costs were partially offset by lower interest expense resulting from the reduced debt balance outstanding. Capitalized interest decreased as the completion of several software projects in early 2003 reduced our software development balance.

2005 FORECAST OF INTEREST EXPENSE, NET

Interest expense for 2005 is expected to decrease as we re-pay the remaining $96.0 million of our 6.7% medium-term notes due in July 2005. We expect to see a year-over-year reduction in interest expense of approximately $26 million. A portion of the forecasted interest expense is based on variable interest rates, which could fluctuate.

**Minority Interest Purchase and Reintegration Costs**

During 2002, we purchased the outstanding shares of Nordstrom.com, Inc. series C preferred stock for $70.0 million. The minority interest purchase and reintegration costs resulted in a one-time charge of $53.2 million. No tax benefit was recognized as there was no possibility of a future tax benefit. The impact of not recognizing this income tax benefit increased our 2002 effective tax rate to 47% before the cumulative effect of accounting change.

**Other Income Including Finance Charges, Net (in millions)**


| Fiscal Year | 2002 | 2003 | **2004** |
|---|---|---|---|
| Other income including finance charges, net as a percentage of sales | 2.4% | 2.4% | **2.4%** |

2004 VS 2003 OTHER INCOME INCLUDING FINANCE CHARGES, NET

Our overall other income including finance charges, net increased $17.9 million, primarily from our co-branded VISA credit card program growth. Since 2002, we marketed this credit card to our in-store customers and the inactive Nordstrom private label credit card holders. These marketing efforts showed success in 2004, as the co-branded VISA credit card holders used the cards more extensively in 2004, resulting in a 45.7% volume increase.

2003 VS 2002 OTHER INCOME INCLUDING FINANCE CHARGES, NET

We continued to see improvements in our 2003 other income including finance charges, net primarily due to growth in the co-branded VISA program. Our income benefited from substantial increases in our VISA credit card volume and receivables during the year, as well as a small improvement in the cost of funds and bad debt write-offs. This increase was partially offset by a decline in finance charge and late fee income resulting from a decline in our private label accounts receivable.

2005 FORECAST OF OTHER INCOME INCLUDING FINANCE CHARGES, NET

In 2005, other income including finance charges, net is expected to increase approximately $12 million as we continue to see growth in our VISA credit card volume and corresponding income.

**Diluted Earnings per Share**


2004 VS 2003 DILUTED EARNINGS PER SHARE

In 2004, earnings per share increased to $2.77 from $1.76 in 2003. This increase was driven by a strong increase in overall and same-store sales, improvements in gross profit through better inventory management, and sales leverage on buying and occupancy and selling, general and administrative expenses.

2003 VS 2002 DILUTED EARNINGS PER SHARE

Our earnings per share in 2002 included the write down of a supply chain software application, the Nordstrom.com minority interest purchase and reintegration costs and the cumulative effect of an accounting change associated with the adoption of FAS 142, for a total impact of $71.0 million or $0.53 per share. We believe that excluding these charges provides a more comparable basis from which to evaluate performance between 2003 and 2002. Without the impact of these charges, 2002 earnings per share would have been $1.19.

Our earnings per share in 2003 increased to $1.76 from $0.66 in 2002. Excluding the prior year charges noted above, 2003 earnings per share increased $0.57 or 47.9%. This increase was primarily driven by a strong increase in overall and same-store sales, significant improvement in gross profit rate and a moderate decrease in selling, general and administrative expenses as a percentage of sales.

2005 FORECAST OF DILUTED EARNINGS PER SHARE

Based upon the factors discussed above, especially the expected 2005 same-store sales increase and the 2004 debt prepayment cost that will not recur in 2005, our diluted earnings per share is expected to increase 16% - 20% in 2005. As we saw in 2004, earnings trends should be consistent with same-store sales trends.

**Fourth Quarter Results**

Fourth quarter 2004 net earnings was $140.0 million compared with $104.3 million in 2003. Fourth quarter 2004 net earnings was reduced $4.7 million or $0.03 per share due to a non-cash expense adjustment related to a correction in our lease accounting policy. Our new policy is to record lease expense when we take possession of a location; in the past, lease expense started when our retail operations started.

Total sales for the quarter increased by 9.4% to $2.1 billion and same-store sales increased by 7.2%. This was the first time in our history that sales exceeded $2.0 billion in a quarter.

Gross profit as a percentage of net sales increased to 36.6% from 36.2% last year. The quarterly improvement in gross profit as a percentage of net sales was primarily the result of sales growth leverage on our buying and occupancy expenses. Selling, general and administrative expense as a percentage of sales improved 160 basis points from 28.5% to 26.9%, primarily from lower year-over-year incentive compensation costs in the quarter.

**GAAP Sales Reconciliation (in millions)**

We converted to a 4-5-4 Retail Calendar at the beginning of 2003 so our financial results are more comparable to other retailers. Sales performance numbers included in this document have been calculated on a comparative 4-5-4 basis. We believe that adjusting for the difference in days provides a more comparable basis from which to evaluate sales performance. The following reconciliation bridges the reported GAAP sales to the 4-5-4 comparable sales.

| Sales Reconciliation | YTD 2003 | **YTD 2004** | Dollar Increase | %Change Total Sales | %Change Comp Sales |
|---|---|---|---|---|---|
| Number of Days Reported GAAP | 365 | **364** | | | |
| Reported GAAP Sales | $ 6,448.7 | **$ 7,131.4** | $ 682.7 | 10.6% | N/A |
| Less Feb. 1, 2003 | (18.2) | **—** | | | |
| Reported 4-5-4 Sales | $ 6,430.5 | **$ 7,131.4** | $ 700.9 | 10.9% | 8.5% |
| 4-5-4 Adjusted Days | 364 | **364** | | | |

**LIQUIDITY AND CAPITAL RESOURCES**

Overall, cash and short-term investments decreased by $113.8 million to $402.4 million at the end of 2004, as we used our cash from operations for capital expenditures, additional debt prepayments and repurchases of common stock.

**Operating Activities**

Our operations are seasonal in nature. The second quarter, which includes our Anniversary Sale, accounts for approximately 27% of net sales, while the fourth quarter, which includes the holiday season, accounts for about 29% of net sales. Cash requirements are highest in the third quarter as we build our inventory for the holiday season.

2004 VS 2003 OPERATING ACTIVITIES

In 2004, cash flow from operating activities increased to $606.3 million, a $7.1 million increase. Higher net earnings was offset by our merchandise purchase and payment flow changes in 2004 as compared to 2003 and the timing of income tax payments. Toward the end of 2003 and into 2004, we have achieved a more even flow of merchandise purchases in relation to our sales trends. Our 2004 inventory turns have improved over the prior year; the payables leverage we achieved in 2004 is consistent with our merchandise purchase plan. Income tax payments have increased in 2004 as a result of our earnings growth.

2003 VS 2002 OPERATING ACTIVITIES

The increase in net cash provided by operating activities between 2003 and 2002 was primarily due to an increase in net earnings before noncash items, decreases in inventories and increases in accounts payable, partially offset by an increase in our investment in asset backed securities. Strong sales and effective inventory management left us with lower, appropriate inventory levels after the holidays. January receipts of new merchandise replenished our inventory levels resulting in an increase in accounts payable. Investment in asset backed securities increased as Nordstrom VISA credit sales increased during the year.

2005 FORECAST FOR OPERATING ACTIVITIES

In 2005, cash flows provided by operating activities are expected to increase slightly as a result of increased earnings.

**Investing Activities**

In 2004, investing activities have primarily consisted of capital expenditures and the sales and purchases of high quality short-term investments. Capital expenditures in 2004 decreased slightly in comparison to 2003 as a planned reduction in store openings reduced our capital expenditures.

In 2004, 37% of our capital expenditures was for remodels and 28% was for new stores, half of which related to stores that opened in 2004 and the other half for stores opening in 2005. In addition, 22% of our capital expenditures was for information technology and 13% for other routine projects.

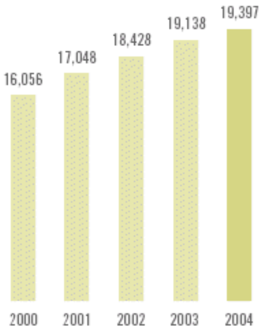
Our capital expenditures over the last three years totaled $833.3 million; we received property incentives of $151.1 million over that same period, which offsets a portion of the cash we used for capital expenditures. The capital expenditures added stores, enhanced existing facilities and improved our information systems. More than 2.3 million square feet of retail store space has been added during this period, representing an increase of 14% since January 31, 2002.

We plan to spend approximately $850-$875 million, net of property incentives of approximately $130 million, on capital projects during the next three years. We plan to use approximately 40% of this capital to build new stores, 30% on remodels, and 15% toward information technology. The remaining 15% is planned for other routine projects. Compared to the previous three years, this represents a 30% increase in capital expenditures, with more spending allocated to improving our existing facilities and less spending on information systems. We watch over our store locations so they meet our customer expectations for a high-quality shopping experience. We also analyze the useful lives assigned to our stores so we can match our depreciation with the actual use of these assets. In the information systems area, we completed the implementation of our "Point of Sale" system in 2004 and plan to continue to make investments to enhance our technology platform.

As of January 29, 2005, approximately $171.0 million has been contractually committed primarily for constructing new stores or remodeling existing stores.

Consistent with our investment policy, we utilize our high quality short-term investments to generate income on our available working capital.

**Total Square Footage (in thousands)**




**Financing Activities**

Financing activities primarily consist of principal payments on debt, dividend payments, repurchases of common stock and proceeds from the exercise of stock options.

During 2004, we retired $196.8 million of our 8.95% senior notes and $1.5 million of our 6.7% medium-term notes for a total cash payment of $220.1 million. After considering non-cash items related to these debt retirements, our pre-tax expense for debt buyback was $20.9 million.

During 2003, we purchased $103.2 million of our 8.95% senior notes and $2.5 million of our 6.7% medium-term notes for a total cash payment of $120.8 million. Approximately $14.3 million of expense was recognized during 2003 related to these purchases.

In July 2005, we plan to re-pay the remaining $96.0 million of our 6.7% medium-term notes at maturity. No additional debt repurchases are planned for 2005.

In August 2004, our Board of Directors authorized $300.0 million of share repurchases, replacing a previous share repurchase authorization. We purchased 6.9 million shares in the open market for the entire authorized amount of $300.0 million at an average price of $43.43 per share.

In February 2005, our Board of Directors authorized $500.0 million of additional share repurchases. The actual number and timing of share repurchases will be subject to market conditions and applicable SEC rules.

**Debt to Capital Ratio**

Our recent strong operating results allowed us to repay debt, which contributed to a decrease in our debt to capital ratio from 43.0% at the end of 2003 to 36.5% at the end of 2004. Other factors that impacted this ratio in 2004 were the share repurchase described above and the volume of stock option activity. We believe that a debt to capital ratio in the range of 25% to 40% results in favorable debt ratings and sets us on a capital structure that provides appropriate flexibility while we maintain a reasonable cost of capital.

**Off-Balance Sheet Financing**

We transfer our Nordstrom co-branded VISA credit card receivables to a third-party trust that issued $200 million of VISA receivable backed securities to third parties in 2002. The outstanding balance of the co-branded VISA credit card receivables exceeds the receivable backed securities balance. As a result, we hold securities that represent our retained interests in the trust, recorded as investment in asset backed securities in our consolidated balance sheets. We do not record the $200.0 million of VISA receivable backed securities or the co-branded Nordstrom VISA credit card receivables transferred to the trust on our consolidated balance sheets.

This off-balance sheet financing allows us greater financial flexibility. Additionally, our exposure to credit losses on the underlying co-branded Nordstrom VISA credit card receivables is limited to our investment in asset backed securities.

**Interest Rate Swaps**

To manage our interest rate risk, we entered into an interest rate swap agreement in 2003, which had a $250.0 million notional amount expiring in 2009. Under the agreement, we receive a fixed rate of 5.63% and pay a variable rate based on LIBOR plus a margin of 2.3% set at six-month intervals (5.20% at January 29, 2005, based on the January 18, 2005 LIBOR rate); this reduced our net interest expense in 2004. The interest rate swap agreement had a fair value of ($7.8) million and ($8.1) million at January 29, 2005 and January 31, 2004. We have locked in our LIBOR rate until July 15, 2005.

**Available Credit**

In May 2004, we replaced our existing $300.0 million unsecured line of credit with a $350.0 million unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31% (2.90% at January 29, 2005). The variable rate of interest increases to LIBOR plus a margin of 0.41% if more than $175.0 million is outstanding on the facility. The line of credit agreement expires in May 2007 and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating.

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label card receivables, but we reduced the capacity by $50.0 million to $150.0 million due to better pricing on the unsecured line of credit. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the commitment.

We did not make any borrowings under our unsecured line of credit or our variable funding note backed by Nordstrom private label card receivables during 2004.

We also have universal shelf registrations on file with the Securities and Exchange Commission that permit us to offer an additional $450 million of securities to the public. These registration statements allow us to issue various types of securities, including debt, common stock, warrants to purchase common stock, warrants to purchase debt securities and warrants to purchase or sell foreign currency.

**Debt Ratings**

The following table shows our credit ratings at the date of this report.

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

These ratings could change depending on our performance and other factors. Our outstanding debt is not subject to termination or interest rate adjustments based on changes in our credit ratings.

**Contractual Obligations (in millions)**

The following table summarizes our contractual obligations and the expected effect on our liquidity and cash flows. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business and credit available to us under existing and potential future facilities.

| Fiscal Year | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Long-term debt | $ 1,227.5 | $ 100.1 | $ 507.3 | $ 258.0 | $ 362.1 |
| Capital lease obligations | 17.8 | 2.3 | 3.9 | 3.3 | 8.3 |
| Operating leases | 699.8 | 72.5 | 138.5 | 128.5 | 360.3 |
| Purchase obligations | 1,007.5 | 932.9 | 65.2 | 9.4 | — |
| Other long-term liabilities | 153.2 | — | 55.4 | 20.4 | 77.4 |
| Total | $ 3,105.8 | $ 1,107.8 | $ 770.3 | $ 419.6 | $ 808.1 |

Long-term debt includes financing related to the $200.0 million off-balance sheet receivable backed securities due in April 2007. In addition to the required debt repayments disclosed above, we estimate total interest payments of approximately $628.5 million as of January 29, 2005, being paid over the remaining life of the debt. Purchase obligations primarily consist of purchase orders for unreceived goods or services and capital expenditure commitments.

This table excludes the short-term liabilities, other than the current portion of long-term debt, disclosed on our balance sheets as the amounts recorded for these items will be paid in the next year.

Other long-term liabilities consist of workers' compensation and general liability insurance reserves and postretirement benefits. The repayment amounts presented above were determined based on historical payment trends. Other long-term liabilities not requiring cash payments, such as deferred property and lease credits, were excluded from the table above.

**Dividends**

In 2004, we paid dividends of $0.48 per share, our eighth consecutive annual dividend increase. We paid dividends of $0.41 and $0.38 per share in fiscal 2003 and 2002.

**Liquidity**

We maintain a level of liquidity to allow us to cover our seasonal cash needs and to minimize our need for short-term borrowings. We believe that our operating cash flows, existing cash and available credit facilities are sufficient to finance our cash requirements for the next 12 months. We plan to pay the remaining $96.0 million of our 6.7% medium-term notes due in July 2005 with existing cash and cash from operations.

Over the long term, we manage our cash and capital structure to maximize shareholder return, strengthen our financial position and maintain flexibility for future strategic initiatives. We continuously assess our debt and leverage levels, capital expenditure requirements, principal debt payments, dividend payouts, potential share repurchases, and future investments or acquisitions. We believe our operating cash flows, existing cash and available credit facilities, as well as any potential future borrowing facilities will be sufficient to fund these scheduled future payments and potential long term initiatives.

## CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We regularly evaluate our estimates including those related to off-balance sheet financing, inventory valuation, sales return accruals, self-insurance liabilities, doubtful accounts, intangible assets, income taxes, post-retirement benefits, contingent liabilities and litigation. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. The following discussion highlights the policies we feel are critical.

**Off-Balance Sheet Financing**

Our co-branded Nordstrom VISA credit card receivables are transferred to a third-party trust on a daily basis. The balance of the receivables transferred to the trust fluctuates as new receivables are generated and old receivables are retired (through payments received, charge-offs, or credits from merchandise returns). The trust issues securities that are backed by the receivables. Certain of these securities or "beneficial interests" are sold to third-party investors and those remaining securities are issued to us.

We recognize gains or losses on the sale of the co-branded Nordstrom VISA receivables to the trust based on the difference between the face value of the receivables sold and the estimated fair value of the assets created in the securitization process. The fair value of the assets is calculated as the present value of their expected cash flows. The internal rate of returns used to calculate fair value represent the volatility and risk of the assets. Assumptions and judgments are made to estimate the fair value of our investment in asset backed securities. We have no other off-balance sheet transactions.

**Inventory**

Our inventory is stated at the lower of cost or market using the retail inventory method (first-in, first-out basis). Under the retail method, inventory is valued by applying a cost-to-retail ratio to the ending inventory's retail value. As our inventory retail value is adjusted regularly to reflect market conditions, our inventory is valued at the lower of cost or market. Factors considered in determining markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends.

We also reserve for obsolescence based on historical trends and specific identification. Shrinkage is estimated as a percentage of sales for the period from the most recent semi-annual inventory count based on historical shrinkage results.

**Revenue Recognition**

We recognize revenues net of estimated returns and we exclude sales taxes. Our retail stores record revenue at the point of sale. Our catalog and Internet sales include shipping revenue and are recorded when the merchandise is delivered to the customer. Our sales return liability is estimated based on historical return rates.

**Vendor Allowances**

We receive allowances from merchandise vendors for purchase price adjustments, cooperative advertising programs, cosmetic selling expenses and vendor sponsored contests. Purchase price adjustments are recorded as a reduction of cost of sales after an agreement with the vendor is executed and the related merchandise has been sold. Allowances for cooperative advertising programs and vendor sponsored contests are recorded in cost of sales and selling, general and administrative expenses as a reduction to the related cost when incurred. Allowances for cosmetic selling expenses are recorded in selling, general and administrative expenses as a reduction to the related cost when incurred. Any allowances in excess of actual costs incurred that are recorded in selling, general and administrative expenses are recorded as a reduction to cost of sales.

**Self Insurance**

We are self insured for certain losses related to health and welfare, workers' compensation and general liability. We record estimates of the total cost of claims incurred as of the balance sheet date. These estimates are based on internal analysis of historical data and validated by independent actuarial estimates.

**Allowance For Doubtful Accounts**

Our allowance for doubtful accounts represents our best estimate of the losses inherent in our private label credit card receivable as of the balance sheet date. We evaluate the collectibility of our accounts receivable based on several factors, including historical trends of aging of accounts, write-off experience and expectations of future performance. We recognize finance charges on delinquent accounts until the account is written off. Delinquent accounts are written off when they are determined to be uncollectible, usually after the passage of 151 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. Our write-off experience and aging trends have been consistent over the last two years.

**Valuation of Long-Lived Assets**

We review our intangibles and other long-lived assets annually for impairment or when events or changes in circumstances indicate the carrying value of these assets may not be recoverable. We estimate the fair value of an asset based on the future cash flows the asset is expected to generate. An impairment loss is recognized when the carrying value of the asset exceeds its fair value. Factors used in the valuation of long-lived assets include, but are not limited to, management's plans for future operations, recent operating results and projected cash flows.

**Recent Accounting Pronouncements**

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4." SFAS 151 amends ARB No. 43, Chapter 4, "Inventory Pricing" to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material should be recognized as current period charges. In addition, this statement requires that fixed overhead production be allocated to the costs of conversion based on the normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and should be applied prospectively. We do not believe the adoption of SFAS 151 will have a material impact on our financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS 123R requires us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award. We have not yet quantified the effects of the adoption of SFAS 123R, but it is expected that the new standard will result in significant stock-based compensation expense. SFAS 123R will be effective for our third fiscal quarter beginning July 31, 2005.

**Cautionary Statement**

The preceding disclosures included forward-looking statements regarding our performance, liquidity, capital expenditures and adequacy of capital resources. These statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are qualified by the risks and challenges posed by our ability to predict fashion trends, consumer apparel buying patterns, our ability to control costs, weather conditions, hazards of nature, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, employee relations, our ability to continue our expansion plans, potential opportunities that may be related to the current changes in our industry, changes in governmental or regulatory requirements, and the impact of economic and competitive market forces, including the impact of terrorist activity or the impact of a war on us, our customers and the retail industry. As a result, while we believe there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. We undertake no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances. This discussion and analysis should be read in conjunction with the consolidated financial statements and the eleven-year statistical summary.

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL INFORMATION

We are responsible for the preparation, integrity and fair presentation of our 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 our best judgment.

We maintain a comprehensive system of internal controls and procedures designed to provide reasonable assurance, at an appropriate cost-benefit relationship, that our financial information is accurate and reliable, our assets are safeguarded and our transactions are executed in accordance with established procedures.

Deloitte and Touche LLP, an independent registered public accounting firm, is retained to audit Nordstrom's consolidated financial statements and management's assessment of the effectiveness of the company's internal control over financial reporting. Its accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities and Exchange Act of 1934 rules. Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of January 29, 2005.

Management's assessment of the effectiveness of our internal control over financial reporting as of January 29, 2005 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Michael G. Koppel
Executive Vice President and Chief Financial Officer

Blake W. Nordstrom
President

**auditors' report on internal control over financial reporting**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Shareholders of Nordstrom, Inc.**

We have audited management's assessment, included in the accompanying Management's Report, that Nordstrom, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of January 29, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of January 29, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 29, 2005 of the Company and our report dated April 7, 2005, expresses a unqualified opinion on those financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP
Seattle, Washington
April 7, 2005

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Shareholders of Nordstrom, Inc.**

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the “Company”) as of January 29, 2005 and January 31, 2004, and the related consolidated statements of earnings, shareholders’ equity, and cash flows for each of the three years in the period ended January 29, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 29, 2005 and January 31, 2004, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2005, in conformity with accounting principles generally accepted in the United States of America.

The Company changed its method of accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, for the year ended January 31, 2003, as discussed in Note 2 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of January 29, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 7, 2005 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Deloitte & Touche LLP

Deloitte & Touche LLP
Seattle, Washington
April 7, 2005

**Consolidated Statements of Earnings**
Amounts in thousands except per share amounts

| Fiscal year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net sales | $ 7,131,388 | $ 6,448,678 | $ 5,944,656 |
| Cost of sales and related buying and occupancy costs | (4,559,388) | (4,215,546) | (3,970,022) |
| Gross profit | 2,572,000 | 2,233,132 | 1,974,634 |
| Selling, general and administrative expenses | (2,020,233) | (1,899,129) | (1,783,210) |
| Operating income | 551,767 | 334,003 | 191,424 |
| Interest expense, net | (77,428) | (90,952) | (81,921) |
| Minority interest purchase and reintegration costs | — | — | (53,168) |
| Other income including finance charges, net | 172,942 | 155,090 | 139,289 |
| Earnings before income taxes and cumulative effect of accounting change | 647,281 | 398,141 | 195,624 |
| Income tax expense | (253,831) | (155,300) | (92,041) |
| Earnings before cumulative effect of accounting change | 393,450 | 242,841 | 103,583 |
| Cumulative effect of accounting change (net of tax of $8,541) | — | — | (13,359) |
| **Net earnings** | $ 393,450 | $ 242,841 | $ 90,224 |
| Basic earnings per share | $ 2.82 | $ 1.78 | $ 0.67 |
| Diluted earnings per share | $ 2.77 | $ 1.76 | $ 0.66 |
| Basic shares | 139,497 | 136,329 | 135,107 |
| Diluted shares | 142,267 | 137,739 | 135,724 |
| Cash dividends paid per share of common stock outstanding | $ 0.48 | $ 0.41 | $ 0.38 |

**Consolidated Statements of Earnings (% of sales)**

| Fiscal year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales and related buying and occupancy costs | (63.9) | (65.4) | (66.8) |
| Gross profit | 36.1 | 34.6 | 33.2 |
| Selling, general and administrative expenses | (28.3) | (29.4) | (30.0) |
| Operating income | 7.8 | 5.2 | 3.2 |
| Interest expense, net | (1.1) | (1.4) | (1.4) |
| Minority interest purchase and reintegration costs | — | — | (0.9) |
| Other income including finance charges, net | 2.4 | 2.4 | 2.4 |
| Earnings before income taxes and cumulative effect of accounting change | 9.1 | 6.2 | 3.3 |
| Income tax expense | (3.6) | (2.4) | (1.6) |
| Earnings before cumulative effect of accounting change | 5.5 | 3.8 | 1.7 |
| Cumulative effect of accounting change | — | — | (0.2) |
| **Net earnings** | 5.5% | 3.8% | 1.5% |

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

**consolidated balance sheets**

Amounts in thousands

| | January 29, 2005 | January 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 360,623** | $ 340,281 |
| Short-term investments | **41,825** | 176,000 |
| Accounts receivable, net | **645,663** | 666,811 |
| Investment in asset backed securities | **422,416** | 272,294 |
| Merchandise inventories | **917,182** | 901,623 |
| Current deferred tax assets | **131,547** | 121,681 |
| Prepaid expenses and other | **53,188** | 46,153 |
| Total current assets | **2,572,444** | 2,524,843 |
| Land, buildings and equipment, net | **1,780,366** | 1,807,778 |
| Goodwill, net | **51,714** | 51,714 |
| Tradename, net | **84,000** | 84,000 |
| Other assets | **116,866** | 100,898 |
| **Total assets** | **$ 4,605,390** | $ 4,569,233 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **$ 482,394** | $ 458,809 |
| Accrued salaries, wages and related benefits | **287,904** | 276,007 |
| Other current liabilities | **354,201** | 314,753 |
| Income taxes payable | **115,556** | 66,157 |
| Current portion of long-term debt | **101,097** | 6,833 |
| Total current liabilities | **1,341,152** | 1,122,559 |
| Long-term debt, net | **929,010** | 1,227,410 |
| Deferred property incentives, net | **367,087** | 407,856 |
| Other liabilities | **179,147** | 177,399 |
| Shareholders' equity: | | |
| Common stock, no par value: 500,000 shares authorized; 135,665 and 138,377 shares issued and outstanding | **552,655** | 424,645 |
| Unearned stock compensation | **(299)** | (597) |
| Retained earnings | **1,227,303** | 1,201,093 |
| Accumulated other comprehensive earnings | **9,335** | 8,868 |
| Total shareholders' equity | **1,788,994** | 1,634,009 |
| **Total liabilities and shareholders' equity** | **$ 4,605,390** | $ 4,569,233 |

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

| Amounts in thousands except per share amounts | Common Stock Shares | Common Stock Amount | Unearned Stock Compensation | Retained Earnings | Accumulated Other Comprehensive Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at January 31, 2002** | 134,469 | $ 341,316 | $ (2,680) | $ 975,203 | $ 2,406 | $ 1,316,245 |
| Net earnings | — | — | — | 90,224 | — | 90,224 |
| Other comprehensive earnings: | | | | | | |
| Foreign currency translation adjustment | — | — | — | — | 7,755 | 7,755 |
| SERP adjustment, net of tax of $4,163 | — | — | — | — | (6,511) | (6,511) |
| Securitization fair value adjustment, net of tax of $607 | — | — | — | — | (950) | (950) |
| Comprehensive net earnings | — | — | — | — | — | 90,518 |
| Cash dividends paid ($0.38 per share) | — | — | — | (51,322) | — | (51,322) |
| Issuance of common stock for: | | | | | | |
| Stock option plans | 350 | 7,959 | — | — | — | 7,959 |
| Employee stock purchase plan | 596 | 8,062 | — | — | — | 8,062 |
| Stock compensation | 29 | 732 | 670 | — | — | 1,402 |
| **Balance at January 31, 2003** | 135,444 | 358,069 | (2,010) | 1,014,105 | 2,700 | 1,372,864 |
| Net earnings | — | — | — | 242,841 | — | 242,841 |
| Other comprehensive earnings: | | | | | | |
| Foreign currency translation adjustment | — | — | — | — | 7,379 | 7,379 |
| SERP adjustment, net of tax of $3,304 | — | — | — | — | (5,168) | (5,168) |
| Securitization fair value adjustment, net of tax of $(2,530) | — | — | — | — | 3,957 | 3,957 |
| Comprehensive net earnings | — | — | — | — | — | 249,009 |
| Cash dividends paid ($0.41 per share) | — | — | — | (55,853) | — | (55,853) |
| Issuance of common stock for: | | | | | | |
| Stock option plans | 2,260 | 57,981 | — | — | — | 57,981 |
| Employee stock purchase plan | 648 | 9,677 | — | — | — | 9,677 |
| Stock compensation | 25 | (1,082) | 1,413 | — | — | 331 |
| **Balance at January 31, 2004** | 138,377 | 424,645 | (597) | 1,201,093 | 8,868 | 1,634,009 |
| Net earnings | — | — | — | 393,450 | — | 393,450 |
| Other comprehensive earnings: | | | | | | |
| Foreign currency translation adjustment | — | — | — | — | 493 | 493 |
| SERP adjustment, net of tax of $76 | — | — | — | — | (119) | (119) |
| Securitization fair value adjustment, net of tax of $(59) | — | — | — | — | 93 | 93 |
| Comprehensive net earnings | — | — | — | — | — | 393,917 |
| Cash dividends paid ($0.48 per share) | — | — | — | (67,240) | — | (67,240) |
| Issuance of common stock for: | | | | | | |
| Stock option plans | 3,618 | 111,315 | — | — | — | 111,315 |
| Employee stock purchase plan | 489 | 14,081 | — | — | — | 14,081 |
| Stock compensation | 89 | 2,614 | 298 | — | — | 2,912 |
| Repurchase of common stock | (6,908) | — | — | (300,000) | — | (300,000) |
| **Balance at January 29, 2005** | **135,665** | **$ 552,655** | **$ (299)** | **$ 1,227,303** | **$ 9,335** | **$ 1,788,994** |

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

**consolidated statements of cash flows**

| Amounts in thousands<br>**Fiscal year** | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net earnings | **$ 393,450** | $ 242,841 | $ 90,224 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | | |
| Depreciation and amortization of buildings and equipment | **264,769** | 250,683 | 233,931 |
| Amortization of deferred property incentives and other, net | **(31,378)** | (27,712) | (22,179) |
| Stock-based compensation expense | **8,051** | 17,894 | 1,130 |
| Deferred income taxes, net | **(8,040)** | (1) | (11,030) |
| Tax benefit of stock option exercises and employee stock purchases | **25,442** | 10,199 | 1,358 |
| Cumulative effect of accounting change, net of tax | **—** | — | 13,359 |
| Impairment of IT investment | **—** | — | 15,570 |
| Minority interest purchase expense | **—** | — | 40,389 |
| Provision for bad debt expense | **24,639** | 27,975 | 29,080 |
| Change in operating assets and liabilities: | | | |
| Accounts receivable, net | **(2,950)** | (30,677) | (24,227) |
| Investment in asset backed securities | **(149,970)** | (141,264) | (67,561) |
| Merchandise inventories | **(11,771)** | 28,213 | (117,379) |
| Prepaid expenses | **(3,163)** | 86 | 521 |
| Other assets | **(8,143)** | (10,109) | 3,378 |
| Accounts payable | **23,930** | 75,736 | 6,103 |
| Accrued salaries, wages and related benefits | **15,055** | 42,885 | 18,629 |
| Other current liabilities | **58,471** | 38,970 | 24,740 |
| Income taxes payable | **(18,999)** | 21,319 | 54,993 |
| Property incentives | **19,837** | 46,007 | 85,258 |
| Other liabilities | **7,116** | 6,237 | 14,227 |
| Net cash from operating activities | **606,346** | 599,282 | 390,514 |
| **Investing Activities** | | | |
| Capital expenditures | **(246,851)** | (258,314) | (328,166) |
| Proceeds from sale of assets | **5,473** | — | 32,415 |
| Minority interest purchase | **—** | — | (70,000) |
| Sales of short-term investments | **3,366,425** | 2,090,175 | 937,521 |
| Purchases of short-term investments | **(3,232,250)** | (2,144,909) | (1,058,787) |
| Other, net | **(2,830)** | 3,451 | (2,133) |
| Net cash used in investing activities | **(110,033)** | (309,597) | (489,150) |
| **Financing Activities** | | | |
| Principal payments on long-term debt | **(205,252)** | (111,436) | (88,981) |
| (Decrease) increase in cash book overdrafts | **(2,680)** | 33,832 | (11,908) |
| Proceeds from exercise of stock options | **87,061** | 48,598 | 6,601 |
| Proceeds from employee stock purchase plan | **12,892** | 8,861 | 8,062 |
| Cash dividends paid | **(67,240)** | (55,853) | (51,322) |
| Repurchase of common stock | **(300,000)** | — | — |
| Other, net | **(752)** | 2,341 | 6,596 |
| Net cash used in financing activities | **(475,971)** | (73,657) | (130,952) |
| Net increase (decrease) in cash and cash equivalents | **20,342** | 216,028 | (229,588) |
| Cash and cash equivalents at beginning of year | **340,281** | 124,253 | 353,841 |
| **Cash and cash equivalents at end of year** | **$ 360,623** | $ 340,281 | $ 124,253 |

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

Amounts in thousands except per share amounts

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**The Company:** We are one of the nation's leading fashion specialty retailers, with 151 US stores located in 27 states. Founded in 1901 as a shoe store in Seattle, today we operate 95 Full-Line Nordstrom stores, 49 discount Nordstrom Racks, five Façonnable boutiques, one free-standing shoe store, and one clearance store. We also operate 31 international Façonnable boutiques in Europe. Additionally, we serve our customers through Nordstrom Direct (on the web at www.nordstrom.com and through our direct mail catalogs).

Our Credit Operations offer a Nordstrom private label card and a co-branded Nordstrom VISA credit card, which generate earnings through finance charges and securitization-related gains.

Our operations also include a product development group, which coordinates the design and production of private label merchandise sold in our retail stores.

**Change in Fiscal Year:** On February 1, 2003, our fiscal year end changed from January 31st to the Saturday closest to January 31st. Our new fiscal year consists of four, 13 week quarters, with an extra week added onto the fourth quarter every five to six years. A one-day transition period is included in our first quarter 2003 results. All references to 2004 and 2003 relate to the fifty-two weeks ending January 29, 2005 and January 31, 2004, respectively. References to 2002 relate to the year ending January 31, 2003.

**Principles of Consolidation:** The consolidated financial statements include the balances of Nordstrom, Inc. and its wholly-owned subsidiaries and investees controlled by the company for the entire fiscal year. All significant intercompany transactions and balances are eliminated in consolidation.

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

**Reclassifications:** Certain prior year financial statement amounts have been reclassified to conform with our current year presentation.

**Revenue Recognition:** We record revenues net of estimated returns and excluding sales taxes. Our retail stores record revenue at the point of sale. Our catalog and Internet sales include shipping revenue and are recorded upon delivery to the customer. Our sales returns are based upon historical return rates. Our sales return reserves were $49,745 and $39,841 at the end of 2004 and 2003.

**Buying and Occupancy Costs:** Buying costs consist primarily of salaries and costs incurred by our merchandise and private label product development groups. Occupancy costs include rent, depreciation, property taxes and operating costs of our retail and distribution facilities.

**Shipping and Handling Costs:** Our shipping and handling costs include payments to third-party shippers and costs to hold, move and prepare merchandise for shipment. Shipping and handling costs of $75,421 $67,583 and $54,961 in 2004, 2003, and 2002 were included in selling, general and administrative expenses.

**Advertising:** Production costs for newspaper, radio and other media are expensed the first time the advertisement is run. Our direct response catalog advertising production costs are expensed over the estimated revenue stream, not to exceed six months. Total advertising expenses, net of vendor allowances, were $123,974, $117,411, and $112,618 in 2004, 2003, and 2002.

**Store Preopening Costs:** Store preopening and opening costs are expensed as they occur.

**Other Income Including Finance Charges, Net:** This consists primarily of income from finance charges and late fees generated by our Nordstrom private label cards and earnings from our investment in asset backed securities and securitization gains, which are both generated from the co-branded Nordstrom VISA credit card program.

**Stock Compensation:** We apply APB No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under our stock-based compensation programs. Stock options are issued at the fair market value of the stock at the date of grant. Accordingly, we recognized no compensation expense for the issuance of our stock options.

The following table illustrates the effect on net earnings and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

| Fiscal year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net earnings, as reported | **$ 393,450** | $ 242,841 | $ 90,224 |
| Add: stock-based compensation expense included in reported net earnings, net of tax | **4,894** | 9,898 | 2,240 |
| Deduct: stock-based compensation expense determined under fair value, net of tax | **(25,001)** | (30,154) | (22,834) |
| **Pro forma net earnings** | **$ 373,343** | $ 222,585 | $ 69,630 |
| Earnings per share: | | | |
| Basic-as reported | **$ 2.82** | $ 1.78 | $ 0.67 |
| Diluted-as reported | **$ 2.77** | $ 1.76 | $ 0.66 |
| Basic-pro forma | **$ 2.68** | $ 1.63 | $ 0.52 |
| Diluted-pro forma | **$ 2.62** | $ 1.62 | $ 0.51 |

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

As of the end of 2004 and 2003, we have restricted cash of $6,886 and $7,140 included in other long term assets. The restricted cash is held in a trust for use by our Supplemental Executive Retirement Plan and Deferred Compensation Plans.

**Cash Management:** Our cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at the end of 2004 and 2003 includes $86,725 and $89,404 of checks not yet presented for payment drawn in excess of our bank deposit balances.

**Short-term Investments:** Short-term investments consist of auction rate securities classified as available-for-sale. Auction rate securities are high-quality variable rate bonds whose interest rate is periodically reset, typically every 7, 28, or 35 days. However, the underlying security can have a duration from 15 to 30 years. Our auction rate securities are stated at cost, which approximates fair value, and therefore there were no unrealized gains or losses related to these securities included in accumulated other comprehensive earnings. The cost of securities sold was based on the specific identification method.

**Securitization of Accounts Receivable:** We offer Nordstrom private label cards and co-branded Nordstrom VISA credit cards to our customers. Substantially all of the receivables related to both credit cards are securitized. Under our credit card securitizations, the receivables are transferred to third-party trusts on a daily basis. The balance of the receivables transferred to the trusts fluctuates as new receivables are generated and old receivables are retired (through payments received, charge-offs, or credits from merchandise returns). The trusts issue securities that are backed by the receivables. Certain of these securities or "beneficial interests" are sold to third-party investors and the remaining securities are issued to us.

Under the terms of the trust agreements, we may be required to fund certain amounts upon the occurrence of specific events. Both of our credit card securitization agreements set a maximum percentage of receivables that can be associated with various receivable categories, such as employee or foreign receivables. As of January 29, 2005, these maximums were exceeded by $166. It is possible that we may be required to repurchase these receivables. Aside from these instances, we do not believe any additional funding will be required.

The private label securitizations are accounted for as a secured borrowing (on-balance sheet) while the VISA securitization qualifies for sale treatment (off-balance sheet).

**NORDSTROM PRIVATE LABEL RECEIVABLES (ON-BALANCE SHEET)**

We transfer these receivables to a third-party trust ("Private Label Trust") that issues two Nordstrom private label receivable backed securitizations:

- In November 2001, the Private Label Trust issued $300,000 of Class A notes to third party investors ("Private Label Securitization"). The Class A notes bear a fixed coupon rate of 4.82% and mature in October 2006. The Class A notes are included in long-term debt and the Nordstrom private label card receivables, which serve as collateral for the debt, are included in accounts receivable, net.

- In December 2001, a variable funding note was established that is also collateralized by the Nordstrom private label receivables ("Private Label VFN"). The Private Label VFN was initially established with a facility limit of $200,000 with an annual renewal subject to agreement by all parties. In May 2004, we renewed the Private Label VFN and reduced the capacity by $50,000 to $150,000. Interest on the Private Label VFN varies based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the Private Label VFN based on the amount of the commitment. No borrowings were made under the Private Label VFN in 2004 or 2003.

Total principal receivables of the securitized private label portfolio at the end of 2004 and 2003 were approximately $566,967 and $584,828, and receivables more than 30 days past due were approximately $13,099 and $14,910. Net charged off receivables for 2004, 2003 and 2002 were $25,370, $28,703, and $29,555.

**CO-BRANDED NORDSTROM VISA RECEIVABLES (OFF-BALANCE SHEET)**

In order to enhance our cost-effective capital sources, we have in place a securitized asset structure. This allows us to reduce our investment in the co-branded Nordstrom VISA credit card receivables, so we can deploy our capital resources to greater-value opportunities.

We transfer our co-branded Nordstrom VISA credit card receivables to a third-party trust ("VISA Trust") that issues VISA receivable backed securities. In May 2002, the VISA Trust issued $200,000 of certificated Class A and Class B notes to third-party investors ("2002 Class A & B Notes") and a certificated, subordinate Class C note to us. The receivables transferred to the VISA Trust exceeded the face value of the issued notes. This excess created a certificated, non-subordinated asset called the Transferor's Interest, which was also conveyed to us. In addition, we hold a non-certificated Interest Only Strip, which results when the estimated value of projected cash inflows related to the notes exceeds the projected cash outflows.

We do not record the $200,000 in debt related to the VISA securitization or the receivables transferred to the VISA Trust on our consolidated financial statements. However, we do hold the 2002 Class C note, the Transferor's Interest and the Interest Only Strip. These amounts are included in the consolidated balance sheets as investment in asset backed securities and accounted for as investments in "available-for-sale" debt securities. As such, we record the investment in asset backed securities at its estimated fair value in our consolidated balance sheets.

We recognize gains or losses on the sale of the co-branded Nordstrom VISA receivables to the VISA Trust based on the difference between the face value of the receivables sold and the estimated fair value of the assets created in the securitization process. The receivables sold to the VISA Trust are then allocated between the various interests in the VISA Trust based on those interests' relative fair market values. The fair values of the assets are calculated as the present value of their expected future cash flows. The unrealized gains and losses, as well as any adjustments to fair value of the investment in asset backed securities, are recorded as a component of accumulated other comprehensive earnings.

In addition, we record interest income related to the investment in asset backed securities based upon their carrying value and their internal rate of returns.

The gain on sales of receivables and the interest income earned on the beneficial interests are included in other income including finance charges, net in our consolidated statements of earnings.

**Accounts Receivable:** Accounts receivable consist primarily of our Nordstrom private label receivables that serve as collateral for our Private Label Securitization. We record the face value of the principal, plus any assessed finance charges, late fees, or cash advance fees. We recognize these charges and fees when earned and accrue for any earned but not yet billed charges and fees.

We report accounts receivable net of an allowance for doubtful accounts. Our allowance for doubtful accounts represents our best estimate of the losses inherent in our customer accounts receivable based on several factors, including historical trends of aging of accounts, write-off experience and expectations of future performance.

We recognize finance charges on delinquent accounts until the account is written off or when an account is placed into a debt management program. Payments received for these accounts are recorded in the same manner as other accounts. Our approach for resuming accrual of interest on these accounts is made on an account by account basis.

Delinquent accounts are written off when they are determined to be uncollectible, usually after the passage of 151 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances making further collection unlikely.

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

**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 and improvements | 5-40 |
| Store fixtures and equipment | 3-15 |
| Leasehold improvements | Shorter of life of lease or asset life |
| Software | 3-7 |

**Asset Impairment:** We review our intangibles and other long-lived assets annually for impairment or when circumstances indicate the carrying value of these assets may not be recoverable. The goodwill and tradename associated with our Façonnable business are our largest impairment risk. See Note 2 for our impairment evaluation of goodwill and intangible assets.

**Leases:** We recognize lease expense on a straight-line basis over the initial lease term. In 2004, we corrected our lease accounting policy to recognize lease expense, net of landlord reimbursements, from the time that we control the leased property. In the past, we recorded net rent expense once lease payments or retail operations started. We recorded a charge of $7,753 ($4,729 net of tax) in the fourth quarter of 2004 to correct this accounting policy. The impact of this change was immaterial to prior periods.

We lease the land or the land and building at many of our Full-Line stores, and we lease the building at many of our Rack stores. Additionally, we lease office facilities, warehouses and equipment. Most of these leases are classified as operating leases and they expire at various dates through 2080. We have no significant individual or master lease agreements.

Our fixed, noncancelable terms of the lease generally are 20 to 30 years for Full Line stores and 10 to 15 years for Rack stores. Many of our leases include options that allow us to extend the lease term beyond the initial commitment period, subject to terms agreed to at lease inception.

For leases that contain predetermined, fixed escalations of the minimum rentals, we recognize the rent expense on a straight-line basis and record the difference between the rent expense and the rental amount payable under the leases in liabilities.

Most of our leases also provide for payment of operating expenses, such as common area charges, real estate taxes and other executory costs. Some leases require additional payments based on sales and are recorded in rent expense when the contingent rent is probable.

Leasehold improvements made at the inception of the lease are amortized over the shorter of the asset life or the initial lease term as described above. Leasehold improvements made during the lease term are also amortized over the shorter of the asset life or the initial lease term.

We receive incentives to construct stores in certain developments. These incentives are recorded as a deferred credit and recognized as a reduction to rent expense on a straight-line basis over the lease term as described above. At the end of 2004 and 2003, this deferred credit balance was $392,807 and $407,856. We also receive incentives based on a percentage of a store’s net sales and recognize these amounts in the year that they are earned as a reduction to rent expense.

**Foreign Currency Translation:** The assets and liabilities of our foreign subsidiaries have been translated to U.S. dollars using the exchange rates effective on the balance sheet date, while income and expense accounts are translated at the average rates in effect during the year. The resulting translation adjustments are recorded in accumulated other comprehensive earnings.

**Income Taxes:** We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recorded based on differences between financial reporting and tax basis of assets and liabilities. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We establish valuation allowances for tax benefits when we believe it is not likely that the related expense will be deductible for tax purposes.

**Other current liabilities:** The following table shows the components of other current liabilities:

| Fiscal Year | 2004 | 2003 |
|---|---|---|
| Gift cards | **$ 133,532** | $ 109,324 |
| Other | **220,669** | 205,429 |
| Total other current liabilities | **$ 354,201** | $ 314,753 |

**Loyalty Program:** Customers who reach a cumulative purchase threshold when using our Nordstrom private label cards or our co-branded Nordstrom VISA credit cards receive merchandise certificates. These merchandise certificates can be redeemed in our stores similar to a gift certificate. We estimate the net cost of the merchandise certificate that will be ultimately earned and redeemed by the customer and record this cost as the customer earns the merchandise certificates. The cost of the loyalty program is not significant in relation to the corresponding sales, so the program expense is recorded in cost of sales rather than as a reduction of net sales.

**Vendor Allowances:** We receive allowances from merchandise vendors for purchase price adjustments, cooperative advertising programs, cosmetic selling expenses, and vendor sponsored contests. Purchase price adjustments are recorded as a reduction of cost of sales at the point they have been earned and the related merchandise has been sold. Allowances for cooperative advertising programs and vendor sponsored contests are recorded in cost of sales and selling, general and administrative expenses as a reduction to the related cost when incurred. Allowances for cosmetic selling expenses are recorded in selling, general and administrative expenses as a reduction to the related cost when incurred. Any allowances in excess of actual costs incurred that are recorded in selling, general and administrative expense are recorded as a reduction to cost of sales. The following table shows vendor allowances earned during the year:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Purchase price adjustments | **$ 47,707** | $ 49,312 | $ 42,777 |
| Cosmetic selling expenses | **96,936** | 88,518 | 79,794 |
| Cooperative advertising | **57,786** | 44,939 | 41,309 |
| Vendor sponsored contests | **3,975** | 4,180 | 3,734 |
| Total vendor allowances | **$ 206,404** | $ 186,949 | $ 167,614 |

Allowances were recorded in our consolidated statement of earnings as follows:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Cost of sales | **$ 106,902** | $ 55,161 | $ 44,379 |
| Selling, general and administrative expense | **99,502** | 131,788 | 123,235 |
| Total vendor allowances | **$ 206,404** | $ 186,949 | $ 167,614 |

**Fair Value of Financial Instruments:** The carrying amounts of cash equivalents and short term-investments approximate fair value. See Note 11 for the fair values of our long-term debt, including current maturities and interest rate swap agreements.

**Derivatives Policy:** We use derivative financial instruments to manage our interest rate and foreign currency exchange risks. Our derivative financial instruments for our interest rate lock and our foreign currencies are not material to our financial condition or results of operations and we have no material off-balance sheet credit risk. See Note 11 for a further description of our interest rate swaps.

**Recent Accounting Pronouncements:** In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends ARB No. 43, Chapter 4, "Inventory Pricing" to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material should be recognized as current period charges. In addition, this statement requires that fixed overhead production costs be allocated to conversion costs based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and should be applied prospectively. We do not believe the adoption of SFAS No. 151 will have a material impact on our financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award. We have not yet quantified the effects of the adoption of SFAS No. 123R, but it is expected that the new standard will result in significant stock-based compensation expense. SFAS No. 123R will be effective for our third fiscal quarter beginning July 31, 2005.

**Note 2: Cumulative Effect of Accounting Change**

In 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which revised the accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets having indefinite lives are no longer amortized but are subject to annual impairment tests. Our intangible assets were determined to be either goodwill or indefinite lived tradename.

We have three reporting units that we evaluate. At the beginning of 2002, we had $133,436 of intangibles associated with our Faconnable Business Unit, which is one level below our reportable Retail Stores segment. The purchase of the minority interest of Nordstrom.com LLC in the first quarter of 2002 resulted in additional goodwill of $24,178, of which $8,462 was allocated to the Retail Stores reporting unit and $15,716 to the Catalog/Internet reporting unit.

We test our intangible assets for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value was determined using a discounted cash flow methodology. We perform our impairment test annually during our first quarter or when circumstances indicate we should do so. Our initial impairment test of the Faconnable Business Unit resulted in an impairment charge to tradename of $16,133 and to goodwill of $5,767. These impairments resulted from a reduction in management's estimate of future growth for this reporting unit. The impairment charge is reflected as a cumulative effect of accounting change. No further impairments have occurred to date.

The following table shows the actual results of operations as well as pro-forma results adjusted to exclude the cumulative effect of the accounting change in 2002. There was no impact to 2004 or 2003.

| Fiscal year 2002 | Net earnings | Earnings per share | |
|---|---|---|---|
| | | Basic | Diluted |
| Reported net earnings | $ 90,224 | $ 0.67 | $ 0.66 |
| Cumulative effect of accounting change, net of tax | 13,359 | 0.10 | 0.10 |
| **Adjusted net earnings** | $ 103,583 | $ 0.77 | $ 0.76 |

**Note 3: Employee Benefits**

We provide a 401(k) and profit sharing plan for our employees. The Board of Directors establishes our profit sharing contribution each year. The 401(k) component is funded by voluntary employee contributions. In addition, we provide matching contributions up to a fixed percentage of employee contributions. Our expense related to the profit sharing component and matching contributions to the 401(k) component totaled $54,186, $51,720, and $33,668 in 2004, 2003,and 2002.

**Note 4: Postretirement Benefits**

We have an unfunded Supplemental Executive Retirement Plan ("SERP"), which provides retirement benefits to certain officers and select employees.

The following table provides a reconciliation of benefit obligations and funded status of the SERP:

| | **Jan. 29, 2005** | Jan. 31, 2004 |
|---|---|---|
| Change in benefit obligation: | | |
| Accumulated benefit obligation at beginning of year | **$ 59,613** | $ 47,573 |
| Service cost | **1,489** | 819 |
| Interest cost | **3,965** | 3,420 |
| Amortization of net loss | **1,543** | 751 |
| Amortization of prior service cost | **962** | 693 |
| Change in additional minimum liability | **(766)** | 9,046 |
| Distributions | **(2,856)** | (2,689) |
| **Accumulated benefit obligation at end of year** | **$ 63,950** | $ 59,613 |
| Funded status of plan: | | |
| Underfunded status | **$ (69,598)** | $ (64,870) |
| Unrecognized prior service cost | **5,266** | 6,228 |
| Unrecognized loss | **24,989** | 24,403 |
| Accrued pension cost | **(39,343)** | (34,239) |
| Additional minimum liability | **(24,607)** | (25,374) |
| **Total SERP liability** | **$ (63,950)** | $ (59,613) |
| Other balance sheet amounts: | | |
| Intangible asset included in other assets | **$ 5,266** | $ 6,228 |
| Accumulated other comprehensive loss, net of tax | **11,798** | 11,679 |

The components of SERP expense and a summary of significant assumptions are as follows:

| Fiscal year | **2004** | 2003 | 2002 |
|---|---|---|---|
| Service cost | **$ 1,489** | $ 819 | $ 1,447 |
| Interest cost | **3,965** | 3,420 | 3,537 |
| Amortization of net loss | **1,543** | 751 | 1,613 |
| Amortization of prior service cost | **962** | 693 | 1,004 |
| Amortization of transition obligation | **—** | — | 324 |
| **Total expense** | **$ 7,959** | $ 5,683 | $ 7,925 |
| Assumption percentages: | | | |
| Discount rate | **6.25%** | 6.25% | 7.00% |
| Rate of compensation increase | **4.00%** | 4.00% | 4.00% |
| Measurement date | **10/31/04** | 10/31/03 | 10/31/02 |

The expected future benefit payments based upon the same assumptions as of January 29, 2005 and including benefits attributable for future employee service for the following periods are as follows:

| Fiscal year | |
|---|---|
| 2005 | $ 3,471 |
| 2006 | 3,497 |
| 2007 | 3,591 |
| 2008 | 3,589 |
| 2009 | 3,641 |
| 2010-2014 | 22,733 |

**Note 5: Interest Expense, Net**

The components of interest expense, net are as follows:

| Fiscal Year | **2004** | 2003 | 2002 |
|---|---|---|---|
| Short-term debt | **$ 725** | $ 652 | $ 677 |
| Long-term debt | **87,793** | 99,866 | 89,850 |
| Total interest expense | **88,518** | 100,518 | 90,527 |
| Less: | | | |
| Interest income | **(7,929)** | (5,981) | (4,254) |
| Capitalized interest | **(3,161)** | (3,585) | (4,352) |
| **Interest expense, net** | **$ 77,428** | $ 90,952 | $ 81,921 |

Interest income is recorded in our Corporate and Other segment as an offset to interest expense, net.

**Note 6: Income Taxes**

Income tax expense consists of the following:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Current income taxes: | | | |
| Federal | **$ 282,430** | $ 118,559 | $ 76,901 |
| State and local | **45,091** | 15,516 | 10,633 |
| Total current income tax expense | **327,521** | 134,075 | 87,534 |
| Deferred income taxes: | | | |
| Current | **(15,259)** | (7,904) | (4,225) |
| Non-current | **(58,431)** | 29,129 | 8,732 |
| Total deferred income tax (benefit) expense | **(73,690)** | 21,225 | 4,507 |
| Total income tax expense before cumulative effect of accounting change | **253,831** | 155,300 | 92,041 |
| Deferred income taxes on cumulative effect of accounting change | **—** | — | (8,541) |
| **Total income tax expense** | **$ 253,831** | $ 155,300 | $ 83,500 |

A reconciliation of the statutory Federal income tax rate to the effective tax rate on earnings before the cumulative effect of accounting change is as follows:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Statutory rate | **35.0%** | 35.0% | 35.0% |
| State and local income taxes, net of Federal income taxes | **3.5** | 3.1 | 3.8 |
| Change in valuation allowance | **0.3** | — | 8.5 |
| Other, net | **0.4** | 0.9 | (0.2) |
| **Effective tax rate** | **39.2%** | 39.0% | 47.1% |

Our effective tax rate in 2002 was unusually high, due to non-deductible losses we incurred in connection with our purchase of the Nordstrom.com minority interest.

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 29, 2005 | January 31, 2004 |
|---|---|---|
| Accrued expenses | **$ 56,135** | $ 41,096 |
| Compensation and benefits accruals | **57,947** | 55,013 |
| Bad debts | **6,309** | 6,799 |
| Gift cards and gift certificates | **12,743** | 2,172 |
| Merchandise certificates | **3,461** | 3,721 |
| Merchandise inventories | **20,933** | 24,630 |
| Capital loss carryforwards | **6,286** | 6,286 |
| Other | **1,654** | 9,722 |
| Total deferred tax assets | **165,468** | 149,439 |
| Land, buildings and equipment basis and depreciation differences | **(13,294)** | (78,558) |
| Employee benefits | **—** | — |
| Other | **(11,317)** | (5,532) |
| Total deferred tax liabilities | **(24,611)** | (84,090) |
| Valuation allowance | **(1,800)** | — |
| **Net deferred tax assets** | **$ 139,057** | $ 65,349 |

As of January 29, 2005, capital loss carryforwards of $16,117 remain available to offset capital gain income through the end of 2005. We expect to utilize most, but not all, of this capital loss carryforward in 2005. As a result, we established a valuation allowance in 2004 of $1,800 to offset the related deferred tax asset.

**Note 7: Earnings Per Share**

Basic earnings per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share uses the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents, primarily stock options and performance share units.

Options with an exercise price greater than the average market price were not included in diluted earnings per share. These anti-dilutive options totaled 5,335 and 7,259 shares in 2003 and 2002. There were no anti-dilutive options in 2004.

Since the beginning of 2003, 5,878 shares have been issued upon the exercise of stock options; we repurchased 6,908 shares in 2004 to offset the impact of these share issuances and to return capital to our shareholders in an efficient manner.

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net earnings | **$ 393,450** | $ 242,841 | $ 90,224 |
| Basic shares | **136,497** | 136,329 | 135,107 |
| Dilutive effect of stock options and performance share units | **2,770** | 1,410 | 617 |
| Diluted shares | **142,267** | 137,739 | 135,724 |
| Basic earnings per share | **$ 2.82** | $ 1.78 | $ 0.67 |
| Diluted earnings per share | **$ 2.77** | $ 1.76 | $ 0.66 |

**Note 8: Accounts Receivable**

The components of accounts receivable are as follows:

| | January 29, 2005 | January 31, 2004 |
|---|---|---|
| Trade receivables: | | |
| Unrestricted | **$ 31,400** | $ 25,228 |
| Restricted | **568,062** | 589,992 |
| Allowance for doubtful accounts | **(19,065)** | (20,320) |
| Trade receivables, net | **580,397** | 594,900 |
| Other | **65,266** | 71,911 |
| **Accounts receivable, net** | **$ 645,663** | $ 666,811 |

Our restricted trade receivables relate to our Nordstrom private label card and back the previously discussed $300,000 Class A notes and the $150,000 variable funding note renewed in May 2004. The unrestricted trade receivables consist primarily of our Faconnable trade receivables and Nordstrom private label receivables that are not eligible for securitization, such as foreign and employee receivables exceeding a contractual threshold.

Other accounts receivable consist primarily of credit card receivables due from third-party financial institutions and vendor rebates, which are believed to be fully realizable as they are collected soon after they are earned.

**Note 9: Investment in Asset Backed Securities – Co-branded Nordstrom VISA Credit Card Receivables**

The table below summarizes our co-branded Nordstrom VISA credit card activities and the estimated fair values of our investment in asset backed securities as well as the assumptions used.

In 2004, we revised the repayment period assumption in our valuation model that we use to determine the fair value of the VISA Trust. The 2004 repayment period assumption is based on historical payment, default and finance charge yield experience on a specific account basis. The prior repayment period assumption was based on our ongoing payment experience, which included payments by card holders who pay their account balance in full each month. While the assumptions used below are different in 2004, the impact of the assumption change was not significant and does not reflect a change in the underlying quality of the portfolio.

| | January 29, 2005 | January 31, 2004 |
|---|---|---|
| Total face value of co-branded Nordstrom VISA credit card principal receivables | **$ 612,549** | $ 465,198 |
| Securities issued by the VISA Trust: | | |
| Off-balance sheet (sold to third parties): | | |
| 2002 Class A & B Notes at par value | **$ 200,000** | $ 200,000 |
| Amounts recorded on balance sheet: | | |
| Investment in asset backed securities at fair value | **422,416** | 272,294 |
| Expected assumptions used to estimate the fair value of the investment in asset backed securities: | | |
| Weighted average remaining life (in months) | **8.1** | 2.5 |
| Average credit losses | **6.9%** | 5.5% |
| Average gross yield | **15.8%** | 17.8% |
| Weighted average coupon on issued securities | **3.8%** | 1.4% |
| Average payment rates | **7.5%** | 23.4% |
| Internal rate of returns on investment in asset backed securities | **9.4-16.5%** | 6.8-12.6% |

The internal rate of returns represents the volatility and risk of the assets and is calculated using an established formula that considers both the current interest rate environment and credit spreads.

The following table illustrates the changes in the fair market value estimates of the investment in asset backed securities given independent changes in assumptions as of January 29, 2005:

| | +10% | +20% | -10% | -20% |
|---|---|---|---|---|
| Gross yield | $ 5,394 | $ 10,787 | $ (5,394) | $ (10,787) |
| Interest expense on issued classes | (1,038) | (2,076) | 1,038 | 2,076 |
| Card holders payment rate | 91 | 98 | (214) | (606) |
| Charge offs | (2,463) | (4,898) | 2,492 | 5,014 |
| Internal rate of return | (1,003) | (1,990) | 1,019 | 2,054 |

These sensitivities are hypothetical and should be used with caution. The effect of an adverse change in a particular assumption on the fair value of the investment in asset backed securities is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might alter the reported sensitivities.

The following table summarizes certain income, expenses and cash flows received from and paid to the VISA Trust:

| Fiscal Year | **2004** | 2003 | 2002 |
|---|---|---|---|
| Principal collections reinvested in new receivables | **$ 2,019,162** | $ 1,332,790 | $ 824,715 |
| Gains on sales of receivables | **8,876** | 4,920 | 8,290 |
| Income earned on retained interests | **46,645** | 31,926 | 10,786 |
| Cash flows from retained assets: | | | |
| Investment in asset backed securities | **76,381** | 58,222 | 28,100 |
| Servicing fees | **10,698** | 7,631 | 5,407 |

Gross credit losses were $25,182, $22,393, and $18,580 for 2004, 2003 and 2002, and receivables past due for more than 30 days were $9,736 and $8,805 at the end of 2004 and 2003.

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

| Fiscal Year | **2005** | 2004 | 2003 |
|---|---|---|---|
| Original projection | **4.43%** | 5.59% | 6.16% |
| Actual | **N/A** | 4.62% | 5.57% |

Our continued involvement in the securitization of co-branded Nordstrom VISA credit card receivables will include recording gains/losses on sales, recognizing income on investment in asset backed securities, holding subordinated, non-subordinated and residual interests in the trust, and servicing the portfolio.

**Note 10: Land, Buildings and Equipment**

Land, buildings and equipment consist of the following:

| | **January 29, 2005** | January 31, 2004 |
|---|---|---|
| Land and land improvements | **$ 64,037** | $ 64,238 |
| Buildings and improvements | **818,733** | 838,521 |
| Leasehold improvements | **1,066,383** | 1,011,989 |
| Store fixtures and equipment | **1,817,294** | 1,728,421 |
| Software | **233,223** | 206,751 |
| Construction in progress | **91,303** | 79,016 |
| | **4,090,973** | 3,928,936 |
| Less accumulated depreciation and amortization | **(2,310,607)** | (2,121,158) |
| **Land, buildings and equipment, net** | **$ 1,780,366** | $ 1,807,778 |

The total cost of buildings and equipment held under capital lease obligations was $20,035 at the end of 2004 and 2003, with related accumulated amortization of $15,259 and $14,021. The amortization of capitalized leased buildings and equipment was recorded in depreciation expense.

In 2002, we sold the Credit Operation’s office complex and subsequently leased it back. We received net proceeds of $20,000, and the related gain of $16,022 is being recognized as a reduction to rent expense evenly over the 15 year life of the lease.

At January 29, 2005, we have contractual commitments of approximately $171,000 primarily for the construction of new stores and the remodeling of existing stores.

**Note 11: Long-Term Debt**

A summary of long-term debt is as follows:

| | **January 29, 2005** | January 31, 2004 |
|---|---|---|
| Private Label Securitization,4.82%,due 2006 | **$ 300,000** | $ 300,000 |
| Senior debentures, 6.95%, due 2028 | **300,000** | 300,000 |
| Senior notes, 5.625%, due 2009 | **250,000** | 250,000 |
| Senior notes, 8.95%, due 2005 | **—** | 196,770 |
| Notes payable, 6.7%, due 2005 | **96,027** | 97,500 |
| Mortgage payable, 7.68%, due 2020 | **75,406** | 79,204 |
| Other | **16,495** | 18,860 |
| Fair market value of interest rate swap | **(7,821)** | (8,091) |
| Total long-term debt | **1,030,107** | 1,234,243 |
| Less current portion | **(101,097)** | (6,833) |
| Total due beyond one year | **$ 929,010** | $ 1,227,410 |

In 2004, we prepaid $196,770 of our 8.95% senior notes and $1,473 of our 6.7% medium-term notes for a total cash payment of $220,106. After considering deferred issuance costs related to these debt retirements, we recorded a pre-tax charge for debt retirements in interest expense, net of $20,862.

To manage our interest rate risk, we have an interest rate swap outstanding recorded in other liabilities. Our swap has a $250,000 notional amount, expires in 2009 and is designated as a fully effective fair value hedge. Under the agreement, we receive a fixed rate of 5.63% and pay a variable rate based on LIBOR plus a margin of 2.3% set at six-month intervals (5.20% at January 29, 2005).

The fair value of long-term debt, including current maturities, using quoted market prices of the same or similar issues, was approximately $1,105,000 and $1,336,000 at the end of 2004 and 2003.

We own a 49% interest in a limited partnership which constructed a corporate office building in which we are the primary occupant. During 2002, the limited partnership refinanced its construction loan obligation with a mortgage secured by the property. This mortgage, which is included in our long-term debt, will be amortized as we make rental payments to the limited partnership over the life of the mortgage.

Required principal payments on long-term debt, excluding capital lease obligations and the fair market value of the interest rate swap, are as follows:

| Fiscal Year | |
|---|---|
| 2005 | 100,033 |
| 2006 | 303,669 |
| 2007 | 3,675 |
| 2008 | 253,650 |
| 2009 | 4,340 |
| Thereafter | 362,119 |

In May 2004, we replaced our existing $300,000 unsecured line of credit with a $350,000 unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31%, or 2.90% at January 29, 2005. The variable rate of interest increases to LIBOR plus a margin of 0.41% if more than $175,000 is outstanding on the facility. The line of credit agreement expires in May 2007 and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating. As of January 29, 2005, no borrowings have been made against this revolving credit facility.

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label card receivables and reduced the capacity by $50,000 to $150,000. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the commitment. As of January 29, 2005, no borrowings have been made against the variable funding note.

**Note 12: Leases**

Future minimum lease payments as of January 29, 2005 are as follows:

| Fiscal Year | Capital Leases | Operating Leases |
|---|---|---|
| 2005 | $ 2,314 | $ 72,541 |
| 2006 | 1,946 | 70,756 |
| 2007 | 1,946 | 67,700 |
| 2008 | 1,946 | 65,247 |
| 2009 | 1,376 | 63,252 |
| Thereafter | 8,259 | 360,332 |
| Total minimum lease payments | $ 17,787 | $ 699,828 |
| Less amount representing interest | (7,345) | |
| **Present value of net minimum lease payments** | $ 10,442 | |

Rental expense for 2004, 2003 and 2002 was as follows:

| Fiscal Year | **2004** | 2003 | 2002 |
|---|---|---|---|
| Minimum rent: | | | |
| Store locations | **$ 79,285** | $ 61,451 | $ 54,061 |
| Offices, warehouses and equipment | **21,104** | 23,158 | 23,026 |
| Percentage rent: | | | |
| Store locations | **9,214** | 7,920 | 7,776 |
| Property incentives: | **(46,737)** | (37,380) | (29,868) |
| **Total rent expense** | **$ 62,866** | $ 55,149 | $ 54,995 |

**Note 13: Stock-Based Compensation**

**Stock Option Plans**

In 2004, our shareholders approved the 2004 Equity Incentive Plan. We currently grant stock options, performance share units and common shares under this new plan.

**Stock Options:** As of January 29, 2005, we have options outstanding under three stock option plans, (collectively, the "Nordstrom, Inc. Plans") with total shares authorized of 24,185. At January 29, 2005, approximately 9,100 shares are reserved for future stock grants pursuant to the Nordstrom, Inc. Plans. Options vest over periods ranging from four to eight years, and expire ten years after the date of grant. Stock option activity for the Nordstrom, Inc. Plans were as follows:

| Fiscal Year | 2004 | | 2003 | | 2002 | |
|---|---|---|---|---|---|---|
| | **Shares** | **Weighted-Average Exercise Price** | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| Outstanding, beginning of year | **11,684** | **$ 24** | 11,886 | $ 25 | 10,764 | $ 24 |
| Granted | **1,415** | **39** | 2,715 | 18 | 2,424 | 25 |
| Exercised | **(3,620)** | **24** | (2,260) | 22 | (350) | 19 |
| Cancelled | **(319)** | **25** | (656) | 23 | (949) | 26 |
| Expired | **—** | **—** | (1) | 14 | (3) | 18 |
| Outstanding, end of year | **9,160** | **$ 26** | 11,684 | $ 24 | 11,886 | $ 25 |
| Options exercisable at end of year | **3,938** | **$ 26** | 5,357 | $ 27 | 5,725 | $ 26 |

The following table summarizes information about stock options outstanding for the Nordstrom, Inc. Plans as of January 29, 2005:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Shares | Weighted Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| \$15 - \$22 | 4,177 | 7 | $18 | 1,739 | $19 |
| \$23 - \$32 | 2,572 | 6 | $26 | 1,307 | $27 |
| \$33 - \$40 | 2,411 | 7 | $38 | 892 | $36 |
| | 9,160 | 7 | $26 | 3,938 | $26 |

**Performance Share Units:** Performance share units are earned over a three-year period. The number of performance share units earned is determined by the performance of our stock price and dividend payments relative to a pre-defined group of retail peers over the three-year period. Employees do not pay any monetary consideration upon vesting and may elect to receive common stock or cash. The following table outlines the performance share unit activity:

| Fiscal Year | **2004** | 2003 | 2002 |
|---|---|---|---|
| Granted | **62** | 114 | 191 |
| Vested | **—** | — | — |
| Cancelled | **—** | — | (23) |
| **Outstanding, end of year** | **62** | 114 | 168 |

At the end of 2004 and 2003, our liabilities included $15,278 and $18,657 for the unvested grants.

**Nonemployee Director Stock Incentive Plan**

The Nonemployee Director Stock Incentive Plan authorizes the grant of stock awards to nonemployee directors. These awards may be deferred or issued in the form of restricted or unrestricted stock, nonqualified stock options or stock appreciation rights, although we have only issued stock under the plan. We issued 5, 16 and 19 shares of common stock for a total expense of $202, $318 and $405 for 2004, 2003 and 2002. An additional 3 and 11 shares were deferred for a total expense of $140 and $183 in 2004 and 2003. At January 29, 2005, we had 399 remaining shares available for issuance.

**Employee Stock Purchase Plan**

We offer an Employee Stock Purchase Plan as a benefit to our employees. Employees may make payroll deductions of up to ten percent of their base compensation. At the end of each six-month offering period, the participants purchase shares of our common stock at 85% of the lower of the stock's fair market value at the beginning or the end of the offering period. We issued 489, 647, and 596 shares under this plan in 2004, 2003, and 2002. As of January 29, 2005 and January 31, 2004, we had payroll deductions totaling $5,097 and $3,728 for the purchase of shares in the future. We have 1,060 shares available for issuance at January 29, 2005.

**Nordstrom.com**

In connection with the purchase of the minority interest in Nordstrom.com (see Note 18), we purchased 3,608 options and 470 warrants for a total cash payment of $11,802 in the third quarter of 2002. At the end of 2004 and 2003, there are no outstanding options or warrants for Nordstrom.com.

**Stock Based Compensation Expense**

We apply APB No. 25, “Accounting for Stock Issued to Employees,” in measuring compensation costs under our stock-based compensation programs. Stock options are issued at the fair market value of the stock at the date of grant. Accordingly, we recognized no compensation cost for stock options issued under the Nordstrom, Inc. Plans.

For performance share units, we record compensation expense over the performance period at the fair value of the stock at the end of each reporting period based on the vesting percentages on those dates. Stock-based compensation expense for 2004, 2003, and 2002 was $8,051, $17,894, and $1,130.

**SFAS No. 123**

The table in Note 1, under Stock Compensation, illustrates the effect on net earnings and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, “Accounting for Stock-Based Compensation.”

The Black-Scholes method was used to estimate the fair value of the options at grant date under SFAS 123 based on the following factors:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Stock Options: | | | |
| Risk-free interest rate | **3.0%** | 2.9% | 4.3% |
| Volatility | **65.4%** | 70.6% | 69.5% |
| Dividend yield | **1.5%** | 1.5% | 1.5% |
| Expected life in years | **6.0** | 5.0 | 5.0 |
| Weighted-average fair value at grant date | **$ 21** | $ 10 | $ 14 |

**Note 14: Accumulated Other Comprehensive Earnings**

The following table shows the components of accumulated other comprehensive earnings:

| | Jan. 29, 2005 | Jan. 31, 2004 | Jan. 31, 2003 |
|---|---|---|---|
| Foreign currency translation | **$ 16,276** | $ 15,783 | $ 8,404 |
| SERP adjustment | **(11,798)** | (11,679) | (6,511) |
| Securitization fair value adjustment | **4,857** | 4,764 | 807 |
| Total accumulated other comprehensive earnings | **$ 9,335** | $ 8,868 | $ 2,700 |

**Note 15: Supplementary Cash Flow Information**

In 2002, the VISA Trust issued $200,000 of certificated Class A and Class B notes. The proceeds from this securitization were used to retire the $200,000 outstanding on a previous off-balance sheet VISA securitization.

Supplementary cash flow information includes the following:

| Fiscal Year | 2004 | 2003 | 2002 |
|---|---|---|---|
| Cash paid during the year for: | | | |
| Interest (net of capitalized interest) | **$ 88,876** | $ 96,824 | $ 84,898 |
| Income taxes | **253,576** | 121,271 | 48,386 |

**Note 16: Segment Reporting**

We have four segments: Retail Stores, Credit Operations, Catalog/Internet, and Corporate and Other.

The Retail Stores segment derives its revenues from sales of high-quality apparel, shoes, cosmetics and accessories. It includes our Full-Line, Rack and Façonnable stores as well as our product development group, which coordinates the design and production of private label merchandise sold in our retail stores.

The Credit Operations segment revenues consist primarily of finance charges earned through operation of the Nordstrom private label and co-branded VISA credit cards.

The Catalog/Internet segment generates revenues from high-quality apparel, shoes, cosmetics and accessories via direct mail catalogs and the Nordstrom.com website.

We use the same measurements to compute net earnings for reportable segments as we do for the consolidated company. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1.

**notes to consolidated financial statements**

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

| Fiscal Year 2004 | Retail Stores | Credit Operations | Catalog/ Internet | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Net sales (a) | $ 6,756,054 | — | $ 375,334 | — | — | **$ 7,131,388** |
| Other income including finance charge, net | (8,656) | $ 202,359 | (208) | $ (20,553) | — | **172,942** |
| Intersegment revenues | 26,546 | 36,645 | — | — | $ (63,191) | **—** |
| Interest expense, net | (413) | (23,522) | 148 | (53,641) | — | **(77,428)** |
| Depreciation and amortization | 233,081 | 1,107 | 4,395 | 26,186 | — | **264,769** |
| Earnings before taxes | 789,204 | 39,503 | 34,324 | (215,750) | — | **647,281** |
| Goodwill | 35,998 | — | 15,716 | — | — | **51,714** |
| Tradename | 84,000 | — | — | — | — | **84,000** |
| Assets (b)(c) | 2,665,425 | 1,030,941 | 103,960 | 805,064 | — | **4,605,390** |
| Capital expenditures | 212,729 | 605 | 6,196 | 27,321 | — | **246,851** |

| Fiscal Year 2003 | Retail Stores | Credit Operations | Catalog/ Internet | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Net sales (a) | $ 6,156,028 | — | $ 292,650 | — | — | **$ 6,448,678** |
| Other income including finance charge, net | (7,563) | $ 176,551 | (602) | $ (13,296) | — | **155,090** |
| Intersegment revenues | 25,652 | 34,276 | — | — | $ (59,928) | **—** |
| Interest expense, net | (697) | (22,122) | 105 | (68,238) | — | **(90,952)** |
| Depreciation and amortization | 224,018 | 2,838 | 5,052 | 18,775 | — | **250,683** |
| Earnings before taxes | 582,737 | 17,473 | 8,625 | (210,694) | — | **398,141** |
| Goodwill | 35,998 | — | 15,716 | — | — | **51,714** |
| Tradename | 84,000 | — | — | — | — | **84,000** |
| Assets (b)(c) | 2,717,462 | 878,541 | 93,070 | 880,160 | — | **4,569,233** |
| Capital expenditures | 242,331 | 1,104 | 4,729 | 10,150 | — | **258,314** |

| Fiscal Year 2002 | Retail Stores | Credit Operations | Catalog/ Internet | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Net sales (a) | $ 5,691,097 | — | $ 253,559 | — | — | **$ 5,944,656** |
| Other income including finance charge, net | (1,999) | $ 165,564 | (11,721) | $ (12,555) | — | **139,289** |
| Intersegment revenues | 29,737 | 32,783 | — | — | $ (62,520) | **—** |
| Interest expense, net | (191) | (23,582) | (972) | (57,176) | — | **(81,921)** |
| Depreciation and amortization | 201,861 | 3,212 | 4,977 | 23,881 | — | **233,931** |
| Earnings before taxes and cumulative effect of accounting change | 450,476 | 21,194 | (21,926) | (254,120) | — | **195,624** |
| Goodwill | 35,998 | — | 15,716 | — | — | **51,714** |
| Tradename | 84,000 | — | — | — | — | **84,000** |
| Assets (b)(c) | 2,718,781 | 753,377 | 89,512 | 623,599 | — | **4,185,269** |
| Capital expenditures | 230,864 | 2,058 | 4,507 | 90,737 | — | **328,166** |

(a) Retail stores net sales includes foreign sales of $94,994, $92,524, and $82,126 for 2004, 2003 and 2002.

(b) Retail stores assets include foreign assets of $207,095, $234,459, and $219,861 at the end of 2004, 2003, and 2002.

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

**Note 17: Impairment**

In 2002, we recognized a charge of $15,570 to write-down an IT investment in a supply chain software application intended to support our private label division. A strategic decision was made not to expand our private label division to support an external wholesale business, resulting in impairment to an in-process software project designed to support this activity. This charge to the Retail Stores segment reduced this asset to its estimated market value. The charge was recorded in selling, general and administrative expense.

**Note 18: Nordstrom.com**

In May 2002, we paid $70,000 for the outstanding shares of Nordstrom.com, Inc. series C preferred stock in fulfillment of our put agreement with the minority interest holders of Nordstrom.com LLC. The excess of the purchase price over the fair market value of the preferred stock and professional fees resulted in a one-time charge of $42,736. No tax benefit was recognized, as we do not believe it is probable that this benefit will be realized. Purchase of the minority interest of Nordstrom.com also resulted in goodwill of $15,716.

In July 2002, we purchased 3,608 Nordstrom.com options and 470 warrants for $11,802. We recognized $10,432 of expense related to the purchase of these options and warrants.

The following table presents the charges associated with the minority interest purchase and reintegration costs:

| Fiscal Year | 2002 |
|---|---|
| Excess of the purchase price over the fair market value of the preferred stock | $ 40,389 |
| Nordstrom.com option/warrant buyback expense | 10,432 |
| Professional fees incurred | 2,347 |
| **Total** | $ 53,168 |

**Note 19: Self Insurance**

We are self insured for certain losses related to health and welfare, workers' compensation and general liability. We record estimates of the total cost of claims incurred as of the balance sheet date. These estimates are based on analysis of historical data and independent actuarial estimates.

Workers' Compensation – we have a deductible per claim of $1,000 or less and no policy limits. Our workers' compensation reserve was $64,446 and $57,421 at the end of 2004 and 2003 and our expense was $29,263, $33,782 and $21,368 in 2004, 2003 and 2002.

General Liability – we have a deductible per claim of $1,000 or less and a policy limit up to $150,000. Our general liability insurance reserve was $9,872 and $10,266 at the end of 2004 and 2003.

Health and Welfare – We are self insured for our health and welfare coverage and do not have stop-loss coverage. Participants contribute to the cost of their coverage and are subject to certain plan limits and deductibles. Our health and welfare reserve was $10,545 and $9,998 at the end of 2004 and 2003.

**Note 20: Commitments and Contingent Liabilities**

We are involved in routine claims, proceedings, and litigation arising from the normal course of our business. We do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our results of operations, financial position, or liquidity.

We are routinely audited for tax compliance by the federal, state, local and foreign jurisdictions in which we operate. The audits generally cover several years and issues raised in an audit can impact other years that are available to be audited. We have accrued $25,000 for anticipated exposures for audit issues in all years that are open to adjustment by a tax jurisdiction.

Additionally, in connection with the purchase of foreign merchandise, we have outstanding import letters of credit totaling $28,961 and standby letters of credit totaling $1,370 as of January 29, 2005.

## Note 21: Selected Quarterly Data (unaudited)

| Fiscal Year 2004 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|---|---|---|---|---|---|
| Net sales | $ 1,535,490 | $ 1,953,480 | $ 1,542,075 | $ 2,100,343 | **$ 7,131,388** |
| Same-store sales percentage change | 13.2% | 6.8% | 8.1% | 7.2% | **8.5%** |
| Gross profit | 562,558 | 682,588 | 557,167 | 769,687 | **2,572,000** |
| Earnings before income taxes | 112,627 | 175,266 | 122,913 | 236,475 | **647,281** |
| Net earnings | 68,727 | 106,915 | 77,828 | 139,980 | **393,450** |
| Net earnings as a percentage of net sales | 4.5% | 5.5% | 5.0% | 6.7% | **5.5%** |
| Basic earnings per share | .49 | .76 | .55 | 1.02 | **2.82** |
| Diluted earnings per share | .48 | .75 | .54 | 1.00 | **2.77** |
| Dividends per share | .11 | .11 | .13 | .13 | **.48** |
| Common stock price | | | | | |
| High | 41.25 | 46.30 | 44.24 | 48.98 | **48.98** |
| Low | 35.14 | 34.85 | 36.06 | 42.68 | **34.85** |

| Fiscal Year 2003 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|---|---|---|---|---|---|
| Net sales | $ 1,335,472 | $ 1,784,849 | $ 1,409,109 | $ 1,919,248 | **$ 6,448,678** |
| Same-store sales percentage change | (1.5%) | 3.8% | 4.7% | 8.3% | **4.1%** |
| Gross profit | 449,377 | 590,420 | 497,680 | 695,655 | **2,233,132** |
| Earnings before income taxes | 44,455 | 108,071 | 74,569 | 171,046 | **398,141** |
| Net earnings | 27,155 | 65,871 | 45,469 | 104,346 | **242,841** |
| Net earnings as a percentage of net sales | 2.0% | 3.7% | 3.2% | 5.4% | **3.8%** |
| Basic earnings per share | .20 | .48 | .33 | .76 | **1.78** |
| Diluted earnings per share | .20 | .48 | .33 | .74 | **1.76** |
| Dividends per share | .10 | .10 | .10 | .11 | **.41** |
| Common stock price | | | | | |
| High | 18.61 | 21.75 | 31.23 | 40.75 | **40.75** |
| Low | 15.00 | 15.78 | 20.81 | 29.76 | **15.00** |

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

**eleven-year statistical summary**

Dollars in thousands except square footage and per share amounts

| Fiscal Year | **2004** | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Position** | | | | | | | | | | | |
| Customer accounts receivable, net | **$ 580,397** | $ 594,900 | $ 606,861 | $ 621,491 | $ 649,504 | $ 557,190 | $ 560,564 | $ 621,704 | $ 661,332 | $ 874,103 | $ 655,715 |
| Investment in asset backed securities | **422,416** | 272,294 | 124,543 | 58,539 | 50,183 | 38,830 | 7,097 | 20,158 | 31,791 | — | — |
| Merchandise inventories | **917,182** | 901,623 | 953,112 | 888,172 | 945,687 | 797,845 | 750,269 | 826,045 | 719,919 | 626,303 | 627,930 |
| Current assets | **2,572,444** | 2,524,843 | 2,125,356 | 2,095,317 | 1,812,982 | 1,564,648 | 1,668,689 | 1,613,492 | 1,549,819 | 1,612,776 | 1,397,713 |
| Current liabilities | **1,341,152** | 1,122,559 | 925,978 | 986,587 | 950,568 | 866,509 | 794,490 | 979,031 | 795,321 | 833,443 | 693,015 |
| Working capital | **1,231,292** | 1,402,284 | 1,199,378 | 1,108,730 | 862,414 | 698,139 | 874,199 | 634,461 | 754,498 | 779,333 | 704,698 |
| Working capital ratio | **1.92** | 2.25 | 2.30 | 2.12 | 1.91 | 1.81 | 2.10 | 1.65 | 1.95 | 1.94 | 2.02 |
| Land, buildings and equipment, net | **1,780,366** | 1,807,778 | 1,849,961 | 1,761,082 | 1,599,938 | 1,429,492 | 1,378,006 | 1,252,513 | 1,152,454 | 1,103,298 | 984,195 |
| Long-term debt, including current portion | **1,030,107** | 1,234,243 | 1,350,595 | 1,424,242 | 1,112,296 | 804,982 | 868,234 | 420,865 | 380,632 | 439,943 | 373,910 |
| Debt/capital ratio | **.3654** | .4304 | .4960 | .5197 | .4922 | .4249 | .4214 | .3194 | .2720 | .3232 | .2575 |
| Shareholders' equity | **1,788,994** | 1,634,009 | 1,372,864 | 1,316,245 | 1,233,445 | 1,185,614 | 1,300,545 | 1,458,950 | 1,457,084 | 1,408,053 | 1,330,437 |
| Shares outstanding (in thousands) | **135,665** | 138,377 | 135,444 | 134,469 | 133,798 | 132,280 | 142,114 | 152,518 | 159,270 | 162,226 | 164,488 |
| Book value per share | **13.19** | 11.81 | 10.14 | 9.79 | 9.22 | 8.96 | 9.15 | 9.57 | 9.15 | 8.68 | 8.09 |
| Total assets | **4,605,390** | 4,569,233 | 4,185,269 | 4,084,356 | 3,608,503 | 3,062,081 | 3,103,689 | 2,890,664 | 2,726,495 | 2,732,619 | 2,396,783 |
| **Operations** | | | | | | | | | | | |
| Net sales | **7,131,388** | 6,448,678 | 5,944,656 | 5,607,687 | 5,511,908 | 5,144,754 | 5,049,182 | 4,864,604 | 4,457,931 | 4,113,717 | 3,895,642 |
| Gross profit | **2,572,000** | 2,233,132 | 1,974,634 | 1,844,133 | 1,854,220 | 1,781,929 | 1,704,237 | 1,568,791 | 1,378,472 | 1,310,931 | 1,297,018 |
| Selling, general, and administrative | **(2,020,233)** | (1,899,129) | (1,783,210) | (1,698,497) | (1,722,247) | (1,516,259) | (1,429,837) | (1,338,235) | (1,232,860) | (1,136,069) | (1,029,856) |
| Operating income | **551,767** | 334,003 | 191,424 | 145,636 | 131,973 | 265,670 | 274,400 | 230,556 | 145,612 | 174,862 | 267,162 |
| Interest expense, net | **(77,428)** | (90,952) | (81,921) | (75,038) | (62,698) | (50,396) | (47,091) | (34,250) | (39,400) | (39,295) | (30,664) |
| Write-down of investment | **—** | — | — | — | (32,857) | — | — | — | — | — | — |
| Minority interest purchase and reintegration costs | **—** | — | (53,168) | — | — | — | — | — | — | — | — |
| Other income including finance charges, net | **172,942** | 155,090 | 139,289 | 133,890 | 130,600 | 116,783 | 110,414 | 110,907 | 135,331 | 134,179 | 98,311 |
| Earnings before income taxes and cumulative effect of accounting change | **647,281** | 398,141 | 195,624 | 204,488 | 167,018 | 332,057 | 337,723 | 307,213 | 241,543 | 269,746 | 334,809 |
| Income taxes | **(253,831)** | (155,300) | (92,041) | (79,800) | (65,100) | (129,500) | (131,000) | (121,000) | (95,227) | (106,190) | (132,304) |
| Earnings before cumulative effect of accounting change | **393,450** | 242,841 | 103,583 | 124,688 | 101,918 | 202,557 | 206,723 | 186,213 | 146,316 | 163,556 | 202,505 |
| Cumulative effect of accounting change, net of tax | **—** | — | (13,359) | — | — | — | — | — | — | — | — |
| Net earnings | **393,450** | 242,841 | 90,224 | 124,688 | 101,918 | 202,557 | 206,723 | 186,213 | 146,316 | 163,556 | 202,505 |
| Basic earnings per share | **2.82** | 1.78 | .67 | .93 | .78 | 1.47 | 1.41 | 1.20 | .90 | 1.00 | 1.23 |
| Diluted earnings per share | **2.77** | 1.76 | .66 | .93 | .78 | 1.46 | 1.41 | 1.20 | .90 | 1.00 | 1.23 |
| Dividends per share | **.48** | .41 | .38 | .36 | .35 | .32 | .30 | .265 | .25 | .25 | .1925 |
| Same-store sales percentage increase (decrease) | **8.5%** | 4.1% | 1.4% | (2.9%) | 0.3% | (1.1%) | (2.7%) | 4.0% | 0.6% | (0.7%) | 4.4% |
| Earnings before income taxes and cumulative effect of accounting change as a percentage of net sales | **9.1%** | 6.2% | 3.3% | 3.6% | 3.0% | 6.5% | 6.7% | 6.3% | 5.4% | 6.6% | 8.6% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net earnings as a percentage of net sales | **5.5%** | 3.8% | 1.5% | 2.2% | 1.8% | 3.9% | 4.1% | 3.8% | 3.3% | 4.0% | 5.2% |
| Return on average shareholders' equity | **23.0%** | 16.2% | 6.7% | 9.8% | 8.4% | 16.3% | 15.0% | 12.8% | 10.2% | 11.9% | 16.3% |
| Sales per square foot for Company-operated stores | **347** | 325 | 317 | 319 | 341 | 349 | 362 | 384 | 377 | 382 | 395 |
| Full-Line stores | **94** | 92 | 88 | 80 | 77 | 71 | 67 | 65 | 62 | 58 | 55 |
| Rack and other stores | **56** | 56 | 55 | 52 | 43 | 33 | 30 | 27 | 21 | 20 | 21 |
| International Façonnable boutiques | **31** | 31 | 23 | 24 | 20 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total square footage** | **19,397,000** | 19,138,000 | 18,428,000 | 17,048,000 | 16,056,000 | 14,487,000 | 13,593,000 | 12,614,000 | 11,754,000 | 10,713,000 | 9,998,000 |

**retail store facilities open at january 29, 2005**

| Location | Store Name | Square Footage | Year Store Opened |
|---|---|---|---|
| **SOUTHWEST GROUP** | | | |
| **Arizona** | | | |
| Chandler | Chandler Fashion Center | 149,000 | 2001 |
| Scottsdale | Scottsdale Fashion Square | 235,000 | 1998 |
| **California** | | | |
| Arcadia | Santa Anita | 151,000 | 1994 |
| Brea | Brea Mall | 195,000 | 1979 |
| Canoga Park | Topanga | 154,000 | 1984 |
| Cerritos | Los Cerritos Center | 122,000 | 1981 |
| Corte Madera | The Village at Corte Madera | 116,000 | 1985 |
| Costa Mesa | South Coast Plaza | 235,000 | 1978 |
| Escondido | North County | 156,000 | 1986 |
| Glendale | Glendale Galleria | 147,000 | 1983 |
| Los Angeles | The Grove | 120,000 | 2002 |
| Los Angeles | Westside Pavilion | 150,000 | 1985 |
| Mission Viejo | The Shops at Mission Viejo | 172,000 | 1999 |
| Montclair | Montclair Plaza | 134,000 | 1986 |
| Palo Alto | Stanford Shopping Center | 187,000 | 1984 |
| Pleasanton | Stoneridge Mall in Pleasanton | 173,000 | 1990 |
| Redondo Beach | South Bay Galleria | 161,000 | 1985 |
| Riverside | The Galleria at Tyler in Riverside | 164,000 | 1991 |
| Roseville | Galleria at Roseville | 149,000 | 2000 |
| Sacramento | Arden Fair | 190,000 | 1989 |
| San Diego | Fashion Valley | 220,000 | 1981 |
| San Diego | Horton Plaza | 151,000 | 1985 |
| San Diego | University Towne Centre | 130,000 | 1984 |
| San Francisco | San Francisco Shopping Centre | 350,000 | 1988 |
| San Francisco | Stonestown Galleria | 174,000 | 1988 |
| San Jose | Valley Fair | 232,000 | 1987 |
| San Mateo | Hillsdale Shopping Center | 149,000 | 1982 |
| Santa Ana | MainPlace/Santa Ana | 169,000 | 1987 |
| Santa Barbara | Paseo Nuevo in Santa Barbara | 186,000 | 1990 |
| Walnut Creek | Broadway Plaza in Walnut Creek | 193,000 | 1984 |
| **Nevada** | | | |
| Las Vegas | Fashion Show | 207,000 | 2002 |
| **EAST COAST GROUP** | | | |
| **Connecticut** | | | |
| Farmington | Westfarms | 189,000 | 1997 |
| **Maryland** | | | |
| Annapolis | Annapolis Mall | 162,000 | 1994 |
| Bethesda | Montgomery Mall | 225,000 | 1991 |
| Columbia | The Mall in Columbia | 173,000 | 1999 |
| Towson | Towson Town Center | 205,000 | 1992 |
| **New Jersey** | | | |
| Edison | Menlo Park | 204,000 | 1991 |
| Freehold | Freehold Raceway Mall | 174,000 | 1992 |
| Paramus | Garden State Plaza | 282,000 | 1990 |
| Short Hills | The Mall at Short Hills | 188,000 | 1995 |
| **New York** | | | |
| Garden City | Roosevelt Field | 241,000 | 1997 |
| White Plains | The Westchester | 219,000 | 1995 |
| **Pennsylvania** | | | |
| King of Prussia | The Plaza at King of Prussia | 238,000 | 1996 |
| **Rhode Island** | | | |
| Providence | Providence Place | 206,000 | 1999 |
| **Virginia** | | | |
| Arlington | The Fashion Centre at Pentagon City | 241,000 | 1989 |
| Dulles | Dulles Town Center | 148,000 | 2002 |
| McLean | Tysons Corner Center | 211,000 | 1988 |
| Norfolk | MacArthur Center | 166,000 | 1999 |
| Richmond | Short Pump Town Center | 128,000 | 2003 |
| **SOUTH GROUP** | | | |
| **Georgia** | | | |
| Atlanta | Perimeter Mall | 243,000 | 1998 |
| Buford | Mall of Georgia | 172,000 | 2000 |
| **Florida** | | | |
| Boca Raton | Town Center at Boca Raton | 193,000 | 2000 |
| Coral Gables | Village of Merrick Park | 212,000 | 2002 |
| Miami | Dadeland Mall | 150,000 | 2004 |
| Orlando | The Florida Mall | 174,000 | 2002 |
| Tampa | International Plaza | 172,000 | 2001 |
| Wellington | The Mall at Wellington Green | 127,000 | 2003 |

| | | | |
|---|---|---|---|
| **North Carolina** | | | |
| Charlotte | SouthPark | 151,000 | 2004 |
| Durham | The Streets at Southpoint | 149,000 | 2002 |
| **Texas** | | | |
| Austin | Barton Creek Square | 150,000 | 2003 |
| Dallas | Galleria Dallas | 249,000 | 1996 |
| Frisco | Stonebriar Centre | 149,000 | 2000 |
| Houston | The Galleria | 226,000 | 2003 |
| Hurst | North East Mall | 149,000 | 2001 |
| **CENTRAL STATES GROUP** | | | |
| **Illinois** | | | |
| Chicago | Michigan Avenue | 274,000 | 2000 |
| Oak Brook | Oakbrook Center | 249,000 | 1991 |
| Schaumburg | Woodfield Shopping Center | 215,000 | 1995 |
| Skokie | Old Orchard Center | 209,000 | 1994 |
| **Indiana** | | | |
| Indianapolis | Circle Centre | 216,000 | 1995 |
| **Kansas** | | | |
| Overland Park | Oak Park Mall | 219,000 | 1998 |

| Location | Store Name | Square Footage | Year Store Opened |
|---|---|---|---|
| **Michigan** | | | |
| Troy | Somerset Collection | 258,000 | 1996 |
| **Minnesota** | | | |
| Bloomington | Mall of America | 240,000 | 1992 |
| **Missouri** | | | |
| Des Peres | West County | 193,000 | 2002 |
| **Ohio** | | | |
| Beachwood | Beachwood Place | 231,000 | 1997 |
| Columbus | Easton Town Center | 174,000 | 2001 |
| **NORTHWEST GROUP** | | | |
| **Alaska** | | | |
| Anchorage | Anchorage | 97,000 | 1975 |
| **Colorado** | | | |
| Broomfield | FlatIron Crossing | 172,000 | 2000 |
| Littleton | Park Meadows | 245,000 | 1996 |
| **Oregon** | | | |
| Portland | Clackamas Town Center | 121,000 | 1981 |
| Portland | Downtown Portland | 174,000 | 1966 |
| Portland | Lloyd Center | 150,000 | 1963 |
| Salem | Salem Center | 71,000 | 1980 |
| Tigard | Washington Square | 189,000 | 1974 |
| **Utah** | | | |
| Murray | Fashion Place | 110,000 | 1981 |
| Orem | University Mall | 122,000 | 2002 |
| Salt Lake City | Crossroads Plaza | 140,000 | 1980 |
| **Washington** | | | |
| Bellevue | Bellevue Square | 285,000 | 1967 |
| Lynnwood | Alderwood | 151,000 | 1979 |
| Seattle | Downtown Seattle | 383,000 | 1963 |
| Seattle | Northgate | 122,000 | 1965 |
| Spokane | Spokane | 137,000 | 1974 |
| Tacoma | Tacoma Mall | 134,000 | 1966 |
| Tukwila | Southcenter | 170,000 | 1968 |
| Vancouver | Vancouver | 71,000 | 1977 |
| **OTHER** | | | |
| Honolulu, HI | Ward Centre Shoes | 16,000 | 1997 |
| Façonnable | U.S. (5 boutiques) | 58,000 | |
| Façonnable | International (31 boutiques) | 92,000 | |
| **NORDSTROM RACK GROUP** | | | |
| Chandler, AZ | Chandler Festival Rack | 37,000 | 2000 |
| Phoenix, AZ | Last Chance | 48,000 | 1992 |
| Scottsdale, AZ | Scottsdale Promenade Rack | 38,000 | 2000 |
| Brea, CA | Brea Union Plaza Rack | 45,000 | 1999 |
| Chino, CA | Chino Spectrum Towne Center Rack | 38,000 | 1987 |
| Colma, CA | Colma Rack | 31,000 | 1987 |
| Costa Mesa, CA | Metro Pointe at South Coast Rack | 50,000 | 1983 |
| Fresno, CA | Villaggio Retail Center Rack | 32,000 | 2002 |
| Glendale, CA | Glendale Fashion Center Rack | 36,000 | 2000 |
| Long Beach, CA | Long Beach CityPlace Rack | 33,000 | 2002 |
| Los Angeles, CA | The Promenade at Howard Hughes Center Rack | 41,000 | 2001 |
| Ontario, CA | Ontario Mills Mall Rack | 40,000 | 2002 |
| Oxnard, CA | Esplanade Shopping Center Rack | 38,000 | 2001 |
| Roseville, CA | Creekside Town Center Rack | 36,000 | 2001 |
| Sacramento, CA | Howe `Bout Arden Center Rack | 54,000 | 1999 |
| San Diego, CA | Mission Valley Rack | 57,000 | 1985 |
| San Francisco, CA | 555 Ninth Street Retail Center Rack | 43,000 | 2001 |
| San Jose, CA | Westgate Mall Rack | 48,000 | 1998 |
| San Leandro, CA | San Leandro Rack | 44,000 | 1990 |
| Woodland Hills, CA | Topanga Rack | 64,000 | 1984 |
| Broomfield, CO | Flatiron Marketplace Rack | 36,000 | 2001 |
| Littleton, CO | Meadows Marketplace Rack | 34,000 | 1998 |
| Sunrise, FL | The Oasis at Sawgrass Mills Rack | 27,000 | 2003 |
| Buford, GA | Mall of Georgia Crossing Rack | 44,000 | 2000 |
| Honolulu, HI | Victoria Ward Centers Rack | 34,000 | 2000 |
| Chicago, IL | The Shops at State and Washington Rack | 41,000 | 2003 |
| Northbrook, IL | Northbrook Rack | 40,000 | 1996 |
| Oak Brook, IL | The Shops at Oak Brook Place Rack | 42,000 | 2000 |
| Schaumburg, IL | Woodfield Rack | 45,000 | 1994 |
| Gaithersburg, MD | Gaithersburg Rack | 49,000 | 1999 |
| Towson, MD | Towson Rack | 31,000 | 1992 |
| Grand Rapids, MI | Centerpointe Mall Rack | 40,000 | 2001 |
| Troy, MI | Troy Marketplace Rack | 40,000 | 2000 |

| | | | |
|---|---|---|---|
| Bloomington, MN | Mall of America Rack | 41,000 | 1998 |
| Las Vegas, NV | Silverado Ranch Plaza Rack | 33,000 | 2001 |
| Westbury, NY | The Mall at the Source Rack | 48,000 | 1997 |
| Beaverton, OR | Tanasbourne Town Center Rack | 53,000 | 1998 |
| Clackamas, OR | Clackamas Promenade Rack | 28,000 | 1983 |
| Portland, OR | Downtown Portland Rack | 19,000 | 1986 |
| King of Prussia, PA | The Overlook at King of Prussia Rack | 45,000 | 2002 |
| Hurst, TX | The Shops at North East Mall Rack | 40,000 | 2000 |
| Plano, TX | Preston Shepard Place Rack | 39,000 | 2000 |
| Salt Lake City, UT | Sugarhouse Rack | 31,000 | 1991 |
| Dulles, VA | Dulles Town Crossing Rack | 41,000 | 2001 |
| Woodbridge, VA | Potomac Mills Rack | 46,000 | 1990 |
| Auburn, WA | SuperMall of the Great Northwest Rack | 48,000 | 1995 |
| Bellevue, WA | Factoria Mall Rack | 46,000 | 1997 |
| Lynnwood, WA | Golde Creek Plaza Rack | 38,000 | 1985 |
| Seattle, WA | Downtown Seattle Rack | 42,000 | 1987 |
| Spokane, WA | NorthTown Mall Rack | 28,000 | 2000 |

**officers of the corporation and executive team**

**Jammie Baugh, 52**
Executive Vice President,
Human Resources, Full-Line Stores

**Laurie M. Black, 46**
Executive Vice President
and President, Nordstrom Rack
Member of Executive Team

**Mark S. Brashear, 43**
Executive Vice President
and President, Fagonnable
Member of Executive Team

**Dale Cameron, 56**
Executive Vice President,
Corporate Merchandise Manager,
Cosmetics, Full-Line Stores

**Robert E. Campbell, 49**
Vice President,
Finance, Full-Line Stores

**Paul Favaro, 47**
Executive Vice President,
Strategy and Development
Member of Executive Team

**Linda Toschi Finn, 57**
Executive Vice President, Marketing
Member of Executive Team

**Bonnie M. Junell, 48**
Vice President,
Corporate Merchandise Manager,
Point of View and Narrative,
Full-Line Stores

**Kevin T. Knight, 49**
Executive Vice President,
Chairman and Chief Executive
Officer of Nordstrom fsb,
President of Nordstrom Credit, Inc.
Member of Executive Team

**Michael G.Koppel, 48**
Executive Vice President and
Chief Financial Officer
Member of Executive Team

**Llynn (Len) A. Kuntz, 44**
Executive Vice President,
WA/AK Regional Manager,
Full-Line Stores

**David P. Lindsey, 55**
Vice President, Store Planning

**Daniel F. Little, 43**
Executive Vice President and
Chief Administrative Officer
Member of Executive Team

**David L. Mackie, 56**
Vice President, Real Estate,
and Corporate Secretary

**Robert J. Middlemas, 48**
Executive Vice President,
Central States Regional Manager,
Full-Line Stores

**Jack H. Minuk, 50**
Vice President,
Corporate Merchandise Manager,
Women's Shoes, Full-Line Stores

**Blake W. Nordstrom, 44**
President
Member of Executive Team

**Bruce A. Nordstrom, 71**
Chairman of the Board of Directors

**Erik B. Nordstrom, 41**
Executive Vice President,
Full-Line Stores
Member of Executive Team

**James (Jamie) F. Nordstrom, 32**
Executive Vice President and
President, Nordstrom Direct
Member of Executive Team

**Peter E. Nordstrom, 43**
Executive Vice President and
President, Full-Line Stores
Member of Executive Team

**James R. O'Neal, 46**
Executive Vice President
and President,
Nordstrom Product Group
Member of Executive Team

**Suzanne R. Patneaude, 58**
Vice President,
Corporate Merchandise Manager,
Designer/Savvy, Full-Line Stores

**R.Michael Richardson, 48**
Vice President and
Chief Information Officer

**Karen Bowman Roesler, 49**
Vice President, Marketing
Nordstrom Credit Group

**K. C. (Karen) Shaffer, 51**
Executive Vice President,
Nordstrom Rack
NW Rack Regional Manager

**Delena M. Sunday, 44**
Executive Vice President,
Human Resources and Diversity Affairs
Member of Executive Team

**Geevy S. K. Thomas, 40**
Executive Vice President,
South Regional Manager,
Full-Line Stores

**BOARD OF DIRECTORS**

**Phyllis J. Campbell, 53**
President and CEO,
The Seattle Foundation
Seattle, Washington

**D. Wayne Gittinger, 72**
Partner,
Lane Powell PC
Seattle, Washington

**Enrique Hernandez, Jr., 49**
Lead Director
President and CEO,
Inter-Con Security Systems, Inc.
Pasadena, California

**Jeanne P. Jackson, 53**
Founder and General Partner,
MSP Capital
Newport Beach, California

**Bruce A. Nordstrom, 71**
Chairman of the Board of Directors
Seattle, Washington

**John N. Nordstrom, 68**
Retired Co-Chairman
of the Board of Directors
Seattle, Washington

**Alfred E. Osborne, Jr., Ph.D., 60**
Senior Associate Dean
UCLA Anderson Graduate School
of Management
Los Angeles, California

**William D. Ruckelshaus, 72**
A Strategic Director,
Madrona Venture Group
Seattle, Washington

**Alison A. Winter, 58**
President, Northeast Personal
Financial Services,
The Northern Trust Corporation
Chicago, Illinois

**AUDIT COMMITTEE**
Phyllis J. Campbell
Enrique Hernandez, Jr., Chair
Jeanne P. Jackson
Alfred E. Osborne, Jr.
William D. Ruckelshaus
Alison A. Winter

**COMPENSATION COMMITTEE**
Phyllis J. Cambell
Enrique Hernandez, Jr.
Jeanne P. Jackson
Alfred E. Osborne, Jr.
William D. Ruckelshaus, Chair
Alison A. Winter

**CORPORATE GOVERNANCE AND NOMINATION COMMITTEE**
Enrique Hernandez, Jr.
Alfred E. Osborne, Jr., Chair
William D. Ruckelshaus

**EXECUTIVE COMMITTEE**
D. Wayne Gittinger
Enrique Hernandez, Jr.
Bruce A. Nordstrom

**FINANCE COMMITTEE**
D. Wayne Gittinger
Jeanne P. Jackson
John N. Nordstrom
Alison A. Winter, Chair

## shareholder information

**INDEPENDENT AUDITORS**
Deloitte & Iouche LLP
Seattle, Washington

**COUNSEL**
Lane Powell PC
Seattle, Washington

**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 24, 2005 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 29, 2005 will be provided to shareholders upon request to:

Nordstrom, Inc. Investor Relations
P. O. Box 2737
Seattle, Washington 98111
(206) 303-3200
invrelations@nordstrom.com

**SHAREHOLDER INFORMATION**
Additional shareholder information, including Nordstrom's Corporate Governance Guidelines and Code of Business Conduct and Ethics, is available online at www.nordstrom.com. In addition, the Company is always willing to discuss matters of concern to shareholders.
(206) 303-3200
invrelations@nordstrom.com

**CERTIFICATIONS**
We have filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as Exhibits 31.1 and 31.2 to our annual report on Form 10-K for the year ended January 29, 2005. After our 2005 Annual Meeting of Shareholders, we intend to file with the New York Stock Exchange the CEO certification regarding our compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12(a).

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EXHIBIT 21.1

NORDSTROM, INC. AND SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

| Name of Subsidiary | State/Country of Incorporation |
|---|---|
| Nordstrom fsb | Arizona |
| Nordstrom Credit Card Receivables, LLC | Delaware |
| Nordstrom Credit, Inc. | Colorado |
| Nordstrom Private Label Receivables, LLC | Delaware |
| Nordstrom Distribution, Inc. | Washington |
| N2HC, Inc. | Colorado |
| Nordstrom International Limited | Washington |
| Nordstrom European Capital Group | France |

Exhibit 31.1

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Blake W. Nordstrom, certify that:

1. I have reviewed this report on Form 10-K of Nordstrom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 8, 2005

/s/ Blake W. Nordstrom

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Blake W. Nordstrom
President of Nordstrom, Inc.

Exhibit 31.2

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Michael G. Koppel, certify that:

1. I have reviewed this report on Form 10-K of Nordstrom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 8, 2005

/s/ Michael G. Koppel

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Michael G. Koppel<br>
Executive Vice President and<br>
Chief Financial Officer of<br>
Nordstrom, Inc.

Exhibit 32.1

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Nordstrom, Inc (the "Company") on Form 10-K for the year ending January 29, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Blake W. Nordstrom, President, and Michael G. Koppel, Executive Vice President and Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 8, 2005

/s/ Blake W. Nordstrom

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Blake W. Nordstrom
President

/s/ Michael G. Koppel

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Michael G. Koppel
Executive Vice President and Chief
Financial Officer

A signed original of this written statement required by Section 906 has been provided to Nordstrom, Inc. and will be retained by Nordstrom, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.