

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended August 2, 2003

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

91-0515058

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(IRS Employer  
Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101

\_\_\_\_\_  
(Address of principal executive offices) (Zip code)

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

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    X            NO  
\_\_\_\_\_            \_\_\_\_\_

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act). YES    X            NO  
\_\_\_\_\_            \_\_\_\_\_

Common stock outstanding as of August 30, 2003: 136,065,954 shares of  
common stock.

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PART I. FINANCIAL INFORMATION

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NORDSTROM, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
 (dollars in thousands except per share amounts)  
 (unaudited)

	Quarter Ended		Year to Date Ended	
	August 2, 2003	July 31, 2002	August 2, 2003	July 31, 2002
Net sales	\$1,794,975	\$1,655,528	\$3,138,514	\$2,901,289
Cost of sales and related buying and occupancy	(1,192,195)	(1,104,035)	(2,080,653)	(1,927,123)
Gross profit	602,780	551,493	1,057,861	974,166
Selling, general and administrative expenses	(504,656)	(496,915)	(930,686)	(882,999)
Operating income	98,124	54,578	127,175	91,167
Interest expense, net	(26,134)	(19,605)	(46,362)	(39,654)
Minority interest purchase and reintegration costs	-	(11,121)	-	(53,168)
Service charge income and other, net	36,081	35,341	71,713	68,645
Earnings before income taxes and cumulative effect of accounting change	108,071	59,193	152,526	66,990
Income tax expense	(42,200)	(22,858)	(59,500)	(41,868)
Earnings before cumulative effect of accounting change	65,871	36,335	93,026	25,122
Cumulative effect of accounting change (net of tax of \$8,541)	-	-	-	(13,359)
Net earnings	\$ 65,871	\$ 36,335	\$ 93,026	\$ 11,763
Basic earnings per share	\$ .48	\$ .27	\$ .69	\$ .09
Diluted earnings per share	\$ .48	\$ .27	\$ .68	\$ .09
Cash dividends paid per share of common stock outstanding	\$ .10	\$ .09	\$ .20	\$ .18

<fn>

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

NORDSTROM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

	August 2, 2003	January 31, 2003	July 31, 2002
	----- (Unaudited)	----- (Audited)	----- (Unaudited)
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 298,779	\$ 219,344	\$ 244,544
Accounts receivable, net	665,177	639,630	685,465
Retained interest in accounts receivable	218,401	124,543	86,666
Merchandise inventories	1,019,467	953,112	1,039,365
Prepaid expenses	48,053	40,261	36,010
Other current assets	112,613	111,654	105,272
	-----	-----	-----
Total current assets	2,362,490	2,088,544	2,197,322
Land, buildings and equipment (net of accumulated depreciation of \$2,006,527, \$1,882,976, and \$1,770,885)	1,735,202	1,761,544	1,805,861
Goodwill, net	56,609	56,609	56,227
Tradename, net	84,000	84,000	84,000
Other assets	158,264	121,726	97,009
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>\$4,396,565</b>	<b>\$4,112,423</b>	<b>\$4,240,419</b>
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Notes payable	\$ 139	\$ 244	\$ 209
Accounts payable	634,762	429,808	688,842
Accrued salaries, wages and related benefits	258,041	260,562	233,279
Income taxes and other accruals	222,071	188,986	173,045
Current portion of long-term debt	6,084	5,545	4,769
	-----	-----	-----
Total current liabilities	1,121,097	885,145	1,100,144
Long-term debt	1,300,356	1,341,826	1,343,797
Deferred lease credits	374,782	383,100	389,526
Other liabilities	152,535	128,972	94,478
Shareholders' Equity:			
Common stock, no par:			
500,000,000 shares authorized; 135,891,406, 135,444,041 and 135,089,518 shares issued and outstanding	362,293	358,069	351,587
Unearned stock compensation	(746)	(2,010)	(2,345)
Retained earnings	1,080,002	1,014,105	962,699
Accumulated other comprehensive earnings	6,246	3,216	533
	-----	-----	-----
Total shareholders' equity	1,447,795	1,373,380	1,312,474
	-----	-----	-----
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$4,396,565</b>	<b>\$4,112,423</b>	<b>\$4,240,419</b>
	=====	=====	=====

<fn>

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

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NORDSTROM, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(dollars in thousands)  
(unaudited)

	Year to Date Ended	
	August 2, 2003	July 31, 2002
	-----	-----
OPERATING ACTIVITIES:		
Net earnings	\$93,026	\$11,763
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	123,349	111,917
Amortization of deferred lease credits and other, net	(12,988)	(9,176)
Stock-based compensation expense	1,815	2,087
Deferred income taxes, net	3,776	5,184
Cumulative effect of accounting change, net of tax	-	13,359
Impairment of IT investment	-	15,570
Minority interest purchase expense	-	40,389
Change in assets and liabilities:		
Accounts receivable, net	(24,252)	(40,264)
Retained interest in accounts receivable	(91,371)	(29,760)
Merchandise inventories	(62,209)	(183,976)
Prepaid expenses	(973)	2,745
Other assets	(6,188)	2,787
Accounts payable	190,796	233,643
Accrued salaries, wages and related benefits	(2,217)	(5,064)
Income taxes and other accruals	25,121	27,972
Other liabilities	9,387	4,098
	-----	-----
Net cash provided by operating activities	247,072	203,274
	-----	-----
INVESTING ACTIVITIES:		
Capital expenditures	(131,874)	(184,507)
Additions to deferred lease credits	28,908	58,449
Minority interest purchase	-	(70,000)
Other, net	106	(3,169)
	-----	-----
Net cash used for investing activities	(102,860)	(199,227)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from notes payable	(105)	61
Proceeds from long-term borrowings	-	815
Principal payments on long-term debt	(46,003)	(84,053)
Proceeds from sale of interest rate swap	2,341	-
Proceeds from issuance of common stock	6,119	10,086
Cash dividends paid	(27,129)	(24,267)
	-----	-----
Net cash used by financing activities	(64,777)	(97,358)
	-----	-----
Net increase (decrease) in cash and cash equivalents	79,435	(93,311)
Cash and cash equivalents at beginning of period	219,344	337,855
	-----	-----
Cash and cash equivalents at end of period	\$298,779	\$244,544
	=====	=====

<fn>

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

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(dollars in thousands)  
(unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in our 2002 Annual Report. The same accounting policies are followed for preparing quarterly and annual financial data. All adjustments necessary for the fair presentation of the results of operations, financial position and cash flows have been included and are of a normal, recurring nature.

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

Reclassification

We reclassified certain prior year amounts to conform to the current year presentation.

Change in Fiscal Year

On February 1, 2003, our fiscal year-end changed from January 31 to the Saturday closest to January 31. Each 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.

Stock Compensation

We apply APB No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under our stock-based compensation programs, which are described more fully in our 2002 Annual Report.

If we had elected to recognize compensation cost based on the fair value of the options and shares at grant date, net earnings and earnings per share would have been as follows:

	Quarter Ended		Year to Date Ended	
	August 2, 2003	July 31, 2002	August 2, 2003	July 31, 2002
Net earnings, as reported	\$65,871	\$36,335	\$93,026	\$11,763
Incremental stock-based compensation expense under fair value, net of tax	(3,396)	(5,611)	(9,620)	(11,211)
Pro forma net earnings	\$62,475	\$30,724	\$83,406	\$552
Earnings per share:				
Basic - as reported	\$0.48	\$ 0.27	\$0.69	\$ 0.09

Diluted - as reported	\$0.48	\$ 0.27	\$0.68	\$ 0.09
Basic and Diluted - pro forma	\$0.46	\$ 0.23	\$0.61	\$ 0.00

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(dollars in thousands)  
(unaudited)

Note 1 - Summary of Significant Accounting Policies (Cont.)

Recent Accounting Pronouncements

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In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" for certain decisions made by the FASB as part of the Derivatives Implementation Group process. SFAS No. 149 also amends SFAS No. 133 to incorporate clarifications of the definition of a derivative. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively. Adoption of SFAS No. 149 did not have an impact on our earnings or financial position.

Note 2 - Goodwill and Other Intangible Assets

The carrying amounts of our intangible assets are as follows:

	Retail Stores segment		Catalog/ Internet segment	Total
	Goodwill	Tradename	Goodwill	
	-----	-----	-----	-----
Balance as of February 1, 2003 and August 2, 2003	\$ 40,893	\$ 84,000	\$ 15,716	\$ 140,609

The purchase of the minority interest of Nordstrom.com 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. Goodwill of \$32,431 and Tradename of \$84,000 are assigned to the Faconnable reporting unit.

Note 3 - Earnings Per Share

	Quarter Ended		Year to Date Ended	
	August 2, 2003	July 31, 2002	August 2, 2003	July 31, 2002
	-----	-----	-----	-----
Net earnings	\$65,871	\$36,335	\$93,026	\$11,763
Basic shares	135,843,977	135,066,212	135,710,396	134,887,294
Basic earnings per share	\$0.48	\$0.27	\$0.69	\$0.09
Dilutive effect of stock options and performance share units	494,171	753,673	305,907	878,448
Diluted shares	136,338,148	135,819,885	136,016,303	135,765,742
Diluted earnings per share	\$0.48	\$0.27	\$0.68	\$0.09
Antidilutive stock options	8,224,504	6,764,220	9,686,838	6,542,883

NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(dollars in thousands)  
(unaudited)

## Note 4 - Accounts Receivable

The components of accounts receivable are as follows:

	August 2, 2003	January 31, 2003	July 31, 2002
	-----	-----	-----
Trade receivables:			
Unrestricted	\$19,675	\$15,599	\$18,393
Restricted	638,572	613,647	658,775
Allowance for doubtful accounts	(21,146)	(22,385)	(22,131)
	-----	-----	-----
Trade receivables, net	637,101	606,861	655,037
Other	28,076	32,769	30,428
	-----	-----	-----
Accounts receivable, net	\$665,177	\$639,630	\$685,465
	=====	=====	=====

The restricted private label receivables back the \$300 million Class A notes and the \$200 million variable funding note issued by us in November 2001. Other accounts receivable consist primarily of vendor receivables and cosmetic rebates receivable. As all vendor receivables are fully earned at period end, no allowance for doubtful vendor receivables has been recorded.

## Note 5 - Debt

In the second quarter, we purchased \$40,825 of our 8.95% senior notes and \$2,500 of our 6.7% medium-term notes for a total cash payment of \$50,054. Approximately \$6,423 of expense was recognized in the second quarter of 2003 related to this purchase.

In August 2003, we purchased an additional \$14,500 of our 8.95% senior notes for a total cash payment of \$16,397. Approximately \$1,800 of expense will be recognized in the third quarter of 2003 related to this purchase.

We entered into a variable interest rate swap agreement in the second quarter of 2003. The swap has a \$250,000 notional amount and a 5.5-year term. 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 (3.55% at August 2, 2003). The swap agreement qualifies as a fair value hedge and is recorded at its market value of (\$15,283) in other liabilities.



NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(dollars in thousands)  
(unaudited)

Note 6 - Segment Reporting

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

Quarter ended	Retail	Credit	Catalog/	Corporate		
August 2, 2003	Stores	Operations	Internet	and Other	Eliminations	Total
-----						
Revenues from external customers	\$1,723,687	-	\$71,288	-	-	\$1,794,975
Service charge income	-	\$32,622	-	-	-	32,622
Intersegment revenues	8,270	10,390	-	-	\$(18,660)	-
Interest expense, net	24	5,442	4	\$20,664	-	26,134
Earnings before taxes	162,196	5,326	974	(60,425)	-	108,071
Net earnings (loss)	98,833	3,242	597	(36,801)	-	65,871
-----						
Quarter ended	Retail	Credit	Catalog/	Corporate		
July 31, 2002	Stores	Operations	Internet	and Other	Eliminations	Total
-----						
Revenues from external customers	\$1,592,131	-	\$63,397	-	-	\$1,655,528
Service charge income	-	\$33,041	-	-	-	33,041
Intersegment revenues	9,421	9,583	-	-	\$(19,004)	-
Interest expense, net	(183)	5,474	152	\$14,162	-	19,605
Earnings before taxes and cumulative effect of accounting change	115,562	6,850	(13,506)	(49,713)	-	59,193
Net earnings (loss)	70,433	4,175	(8,238)	(30,035)	-	36,335
-----						
Year to date ended	Retail	Credit	Catalog/	Corporate		
August 2, 2003	Stores	Operations	Internet	and Other	Eliminations	Total
-----						
Revenues from external customers	\$3,001,085	-	\$137,429	-	-	\$3,138,514
Service charge income	-	\$66,554	-	-	-	66,554
Intersegment revenues	14,521	17,238	-	-	\$(31,759)	-
Interest expense, net	118	10,815	(12)	\$35,441	-	46,362
Earnings before taxes	257,992	11,706	(1,485)	(115,687)	-	152,526
Net earnings (loss)	157,349	7,139	(905)	(70,557)	-	93,026
Assets	2,757,778	860,089	105,128	673,570	-	4,396,565
-----						
Year to date ended	Retail	Credit	Catalog/	Corporate		
July 31, 2002	Stores	Operations	Internet	and Other	Eliminations	Total
-----						
Revenues from external customers	\$2,779,258	-	\$122,031	-	-	\$2,901,289
Service charge income	-	\$62,462	-	-	-	62,462
Intersegment revenues	13,239	16,108	-	-	\$(29,347)	-
Interest expense, net	1	11,913	337	\$27,403	-	39,654
Earnings before taxes and cumulative effect of accounting change	214,399	13,468	(16,023)	(144,854)	-	66,990
Net earnings (loss)	117,444	8,217	(9,775)	(104,123)	-	11,763
Assets	2,756,360	759,929	76,183	647,947	-	4,240,419

Note 7 - Nordstrom.com

During 2002, we purchased the outstanding shares of Nordstrom.com, Inc. series C preferred stock for \$70,000. 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 on the share purchase, as we do not believe it is probable that this benefit will be realized. The impact of not recognizing this income tax benefit increased our prior year to date effective tax rate to 62.5% before the cumulative effect of accounting change.

NORDSTROM, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (dollars in thousands)  
 (unaudited)

Note 7 - Nordstrom.com (Cont.)

Also in 2002, \$10,432 of expense was recognized related to the purchase of the outstanding Nordstrom.com options and warrants.

The following table presents the charges resulting from the minority interest purchase and reintegration of Nordstrom.com.

	July 31, 2002	
	Three Months Ended	Six Months Ended
	-----	-----
Excess of the purchase price over the fair market value of the preferred stock	\$ (659)	\$40,389
Nordstrom.com option/warrant buyback expense	10,432	10,432
Professional fees incurred	1,348	2,347
	-----	-----
	\$11,121	\$53,168
	=====	=====

Note 8 - Litigation

Cosmetics

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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 have now been consolidated in Marin County state court. In May 2000, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act.

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period four years prior to the filing of the amended complaint. Defendants, including 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.

We entered into a settlement agreement with the plaintiffs and the other defendants on July 16, 2003. In connection with the settlement, the case is being refiled in the United States District Court for the Northern District of California. The settlement requires Court approval and, if approved by the Court, will result in the plaintiffs' claims being dismissed, with prejudice, in their entirety. In connection with the settlement agreement, the defendants will provide consumers with certain free products and pay the plaintiffs' attorneys' fees. Our share of the cost of the settlement will not have a material adverse effect on our financial condition.

We have entered into the settlement agreement solely to avoid protracted and costly litigation. There has been no finding or admission of any wrongdoing by us in this lawsuit.

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(dollars in thousands)  
(unaudited)

Note 8 - Litigation (Cont.)

Other  
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We are subject to routine litigation incidental to our business. No material liability is expected.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dollars in Thousands

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of the 2002 Annual Report.

RESULTS OF OPERATIONS:  
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Overview  
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Earnings for the second quarter of 2003 increased to \$65,871 or \$0.48 per diluted share from \$36,335 or \$0.27 per diluted share for the same period in 2002. The 81% increase was partially due to two charges taken in 2002 to write-off an IT investment and acquire and reintegrate the minority interest of Nordstrom.com.

Earnings for the year to date period ended August 2, 2003 increased to \$93,026 or \$0.68 per diluted share from \$11,763 or \$0.09 per diluted share for the same period in 2002. The increase for the year to date period was primarily attributable to three charges taken in 2002 to write-off an IT investment, acquire and reintegrate the minority interest of Nordstrom.com and to adopt a new accounting pronouncement.

Excluding these nonrecurring and impairment charges, earnings increased \$13,511 for the quarter and \$10,221 year to date when compared to the same periods last year. This increase was the result of better than expected same store sales, expense leverage and overall expense control.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Year-over-year net income before and after nonrecurring and impairment charges are as follows:

	Quarter Ended			
	August 2, 2003		July 31, 2002	
	Dollars	Diluted EPS	Dollars	Diluted EPS
Reported net income	\$65,871	\$0.48	\$36,335	\$0.27
Nonrecurring and impairment charges, net of tax:				
Minority interest purchase and reintegration costs	-	-	6,527	0.05
Write-off of IT investment	-	-	9,498	0.07
Net income before nonrecurring and impairment charges	\$65,871	\$0.48	\$52,360	\$0.39

	Year to Date Ended			
	August 2, 2003		July 31, 2002	
	Dollars	Diluted EPS	Dollars	Diluted EPS
Reported net income	\$93,026	\$0.68	\$11,763	\$0.09
Nonrecurring and impairment charges, net of tax:				
Minority interest purchase and reintegration costs	-	-	48,185	0.35
Cumulative effect of accounting change	-	-	13,359	0.10
Write-off of IT investment	-	-	9,498	0.07
Net income before nonrecurring and impairment charges	\$93,026	\$0.68	\$82,805	\$0.61

Sales

Total sales for the quarter and year to date on a 4-5-4 comparable basis increased 7.9% and 6.0% due to same store sales increases and store openings. Same store sales on a 4-5-4 comparable basis increased 3.9% for the quarter and 1.6% year to date due to several factors, including better merchandising, strong sales events and an improving retail climate. In addition, for the twelve months ended August 2, 2003, we have opened six full-line stores and one Nordstrom Rack store.

Our strongest performing merchandise divisions for the quarter were cosmetics, accessories, men's wear and women's designer apparel, followed by shoes, women's bridge, women's better, women's active wear, junior women's, and intimate apparel. Our weakest divisions were women's special sizes and children's apparel.

RESULTS OF OPERATIONS (CONT.)

Gross Profit

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	QTD 2003	QTD 2002	YTD 2003	YTD 2002
	-----	-----	-----	-----
Gross profit as a percent of sales	33.6%	33.3%	33.7%	33.6%

Gross profit as a percentage of sales improved 27 basis points for the quarter and 13 basis points for the year to date period ended August 2, 2003, compared to the same periods last year primarily due to better than expected same store sales which allowed us to leverage buying and occupancy expenses. For the quarter, markdowns as a percent of sales were flat with last year. On a year to date basis, markdowns were higher than the prior year due to slow sales in the first quarter. Higher than expected sales volume and overall inventory control in the second quarter resulted in an 8% decrease in our inventory per square foot.

Selling, General and Administrative

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	QTD 2003	QTD 2002	YTD 2003	YTD 2002
	-----	-----	-----	-----
Selling, general and administrative expense as a percent of sales	28.1%	30.0%	29.6%	30.5%

For the second quarter of 2002, selling, general and administrative expense includes an impairment charge of \$15,570 related to the write-down of an information technology investment in a supply chain tool at our manufacturing division.

Excluding this charge, selling, general and administrative expenses as a percentage of sales for the quarter decreased to 28.1% from 29.1% in the prior year. Excluding this charge on a year to date basis, selling, general and administrative expenses decreased to 29.6% from 29.9% in the prior year. These decreases resulted from leverage on better than expected same store sales and overall expense control. We saw the most significant improvements in direct selling labor, information technology expenses and distribution costs.

Interest Expense

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Interest expense, net increased for the quarter and year to date periods ended August 2, 2003 when compared to the same periods in 2002 due to approximately \$6,423 in additional expense resulting from the repurchase of \$43,325 in debt.

Service Charge Income and Other

-----

Service charge income and other, net increased for the quarter and year to date periods ended August 2, 2003 primarily due to gains recorded from our VISA securitization. Securitization gains continued as increased sales on our VISA cards have led to higher receivable balances and related revenues, while the cost of funds declined and bad debt write-offs stabilized.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Minority Interest Purchase and Reintegration Costs

During 2002, we purchased the outstanding shares of Nordstrom.com, Inc. series C preferred stock for \$70,000. 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 on the share purchase, as we do not believe it is probable that this benefit will be realized. The impact of not recognizing this income tax benefit increased our prior year to date effective tax rate to 62.5% before the cumulative effect of accounting change.

Also in 2002, \$10,432 of expense was recognized related to the purchase of the outstanding Nordstrom.com options and warrants.

The following table presents the charges resulting from the minority interest purchase and reintegration of Nordstrom.com:

	July 31, 2002	
	Three Months Ended	Six Months Ended
Excess of the purchase price over the fair market value of the preferred stock	\$ (659)	\$40,389
Nordstrom.com option/warrant buyback expense	10,432	10,432
Professional fees incurred	1,348	2,347
	\$11,121	\$53,168

Cumulative Effect of Accounting Change

During the first quarter of 2002, we completed the initial review required by SFAS No. 142 "Goodwill and Other Intangible Assets." As a result of our review, we recorded a cumulative effect of accounting change of \$13,359, net of tax, or \$0.10 per share on a diluted basis.

Seasonality

Our business, like that of other retailers, is subject to seasonal fluctuations. Our anniversary sale in July and the holidays in December result in higher sales in the second and fourth quarters of the fiscal year. Accordingly, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

GAAP Sales Reconciliation (Dollars in millions)

We converted to a 4-5-4 Retail Calendar at the beginning of 2003. This change in our fiscal calendar has resulted in one less day of sales being included in our second quarter versus the same period in the prior year and two additional days of sales for the current year to date versus the same period last year. 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 (4-5-4 vs 4-5-4) from which to evaluate sales performance. The following reconciliation bridges the reported GAAP sales to the 4-5-4 comparable sales.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Sales Reconciliation (\$M)	QTD 2003	QTD 2002	Dollar Increase	% Change Total Sales	% Change Comp Sales
Number of Days Reported GAAP	91	92			
Reported GAAP Sales	\$1,795.0	\$1,655.6	\$139.4	8.4%	4.5%
Less May 1-4, 2002 sales	-	(\$65.2)			
Plus August 1-3, 2002 sales	-	\$73.0			
Reported 4-5-4 sales	\$1,795.0	\$1,663.4	\$131.6	7.9%	3.9%
4-5-4 Adjusted Days	91	91			

Sales Reconciliation (\$M)	YTD 2003	YTD 2002	Dollar Increase	% Change Total Sales	% Change Comp Sales
Number of Days Reported GAAP	183	181			
Reported GAAP Sales	\$3,138.5	\$2,901.3	\$237.2	8.2%	3.1%
Less Feb. 1, 2003	(\$18.2)	-			
Less Feb. 1-2, 2002 sales	-	(\$30.4)			
Plus August 1-3, 2002 sales	-	\$73.0			
Reported 4-5-4 sales	\$3,120.3	\$2,943.9	\$176.4	6.0%	1.6%
4-5-4 Adjusted Days	182	182			

LIQUIDITY AND CAPITAL RESOURCES:

We finance our working capital needs and capital expenditures with cash provided by operations and borrowings.

Cash Flow from Operations

Net cash provided by operating activities for the year to date period ended August 2, 2003 increased compared to the same period last year. This increase was primarily a result of a decrease in inventory from better than expected same store sales and overall inventory control, partially offset by an increase in the retained interest of our VISA securitization and a reduction in our accounts payable balance. The increase in the retained interest was a result of increased sales on our VISA card while the change in accounts payable resulted from timing differences.

Capital Expenditures

For the year to date period ended August 2, 2003, net cash used in investing activities decreased primarily due to the \$70,000 payment for the acquisition of the outstanding shares of Nordstrom.com, Inc. series C preferred stock in 2002. In addition, net capital expenditures decreased from a planned reduction in new store openings.

We opened one full-line store in Houston, TX during the first quarter of 2003. In August 2003, we also opened a full-line store in Austin, TX and two Nordstrom Rack stores in Chicago, IL and Sunrise, FL. Throughout the remainder of the year, we expect to open two full-line stores in Richmond, VA and Wellington Green, FL and relocate our Lynnwood, WA full-line store. Gross square footage for the year is expected to increase approximately 4% from 18,428,000 to 19,109,000.

#### Financing

For the year to date period ended August 2, 2003, cash used by financing activities decreased primarily due to the scheduled retirement of \$76,750 in medium-term notes in the prior year partially offset by our current year debt buyback of \$43,325.

#### Debt Buyback

In the second quarter, we purchased \$40,825 of our 8.95% senior notes and \$2,500 of our 6.7% medium-term notes for a total cash payment of \$50,054. Approximately \$6,423 of expense was recognized in the second quarter of 2003 related to this purchase.

In August 2003, we purchased an additional \$14,500 of our 8.95% senior notes for a total cash payment of \$16,397. Approximately \$1,800 of expense will be recognized in the third quarter of 2003 related to this purchase.

#### 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 doubtful accounts, inventory valuation, intangible assets, sales return, income taxes, self-insurance liabilities, post-retirement benefits, contingent liabilities and litigation. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. No changes to our methodologies have occurred since our disclosures in the 2002 Annual Report.

In January 2003, we sold our Denver Credit facility generating a capital gain for tax purposes of \$15,367. This amount was previously used to offset a portion of our existing capital loss carryforwards. However, we have now determined that the gain does not offset our existing capital loss carryforwards. Capital loss carryforwards of \$34,357 now remain available to offset capital gain income in the next three years. No valuation allowance reserve has been provided because we believe it is probable that the full benefit of these carryforwards will be realized.

#### Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" for certain decisions made by the FASB as part of the Derivatives Implementation Group process. SFAS No. 149 also amends SFAS No. 133 to incorporate clarifications of the definition of a derivative. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively. Adoption of SFAS No. 149 did not have an impact on our earnings or financial position.

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#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

#### FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT:

The preceding disclosures included forward-looking statements regarding our performance, liquidity 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 increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets, changing interest rates and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving our growth objectives and the impact of economic and competitive market forces, including the impact of terrorist activity or the impact of war. 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. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We entered into a variable interest rate swap agreement in the second quarter of 2003. The swap has a \$250,000 notional amount and a 5.5-year term. 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 (3.55% at August 2, 2003). The swap agreement qualifies as a fair value hedge and is recorded at its market value of (\$15,283) in other liabilities.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, 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, the President and the Chief Financial Officer concluded that 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 has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required under this item is included in the following section of Part I, Item 1 of this report:

Note 8 in Notes to Condensed Consolidated Financial Statements

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

We held our Annual Shareholders Meeting on May 20, 2003, at which time the shareholders voted on the following proposals:

- (1) Election of nine directors for a one-year term each.

Name of Candidate	For	Withheld
D. Wayne Gittinger	107,940,890	5,459,227
Enrique Hernandez, Jr.	110,233,575	3,166,542
Jeanne P. Jackson	111,808,631	1,591,486
John A. McMillan	112,242,469	1,157,648
Bruce A. Nordstrom	111,808,900	1,591,217
John N. Nordstrom	111,808,220	1,591,897
Alfred E. Osborne, Jr.	105,941,325	7,458,792
William D. Ruckelshaus	105,888,526	7,511,591

Stephanie M. Shern	111,804,582	1,595,535
Alison A. Winter	111,801,990	1,598,127

There were no abstentions and no broker non-votes.

(2) Ratification of the appointment of Deloitte and Touche LLP as auditors.

The vote was 109,915,286 for, 2,761,957 against, and there were 722,874 abstentions. There were no broker non-votes.

(3) Shareholder proposal regarding expensing stock options

The vote was 41,181,941 for, 57,215,120 against, and there were 1,957,745 abstentions and 13,045,311 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 1997 Stock Option Plan, amended and restated as of February 16, 2000.

10.2 Nordstrom Executive Deferred Compensation Plan (2003 Restatement).

31.1 Certification of Chief Executive Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer regarding periodic report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer regarding periodic report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002.

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Item 6. Exhibits and Reports on Form 8-K (Cont.)

(b) Reports on Form 8-K

We filed a Form 8-K on May 7, 2003 attaching a press release to announce our preliminary April 2003 sales results and earnings guidance for the first quarter of 2003.

We filed a Form 8-K on May 19, 2003 attaching a press release to announce our results of operations for the quarter ending May 3, 2003.

We filed a Form 8-K on June 5, 2003 attaching a press release to announce our preliminary May 2003 sales results.

We filed a Form 8-K on July 10, 2003 attaching a press release to announce our preliminary June 2003 sales results.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORDSTROM, INC.  
(Registrant)

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

Date: September 9, 2003  
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NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

Exhibit -----	Method of Filing -----
10.1 1997 Stock Option Plan, amended and restated as of February 16, 2000	Filed herewith electronically
10.2 Nordstrom Executive Deferred Compensation Plan (2003 Restatement)	Filed herewith electronically
31.1 Certification of Chief Executive Officer 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
32.1 Certification of Chief Executive Officer regarding periodic report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
32.2 Certification of Chief Financial Officer regarding periodic report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically



NORDSTROM, INC.  
1997 STOCK OPTION PLAN\*  
(As amended on February 17, 1998,  
February 15, 1999 and February 16, 2000)

1. Purposes of the Plan. The purposes of this 1997 Nordstrom Stock Option Plan (the "Plan") are to attract and retain the best available personnel for positions of substantial responsibility with Nordstrom, Inc. (the "Company"), to provide additional incentive in the form of options to purchase the Company's shares of common stock, no par value per share (the "Common Stock"), shares of restricted Common Stock or performance shares based on the value of Common Stock (the "Benefits") to employees of the Company or any parent or subsidiary of the Company which now exists or hereafter is organized or acquired by or acquires the Company, and to promote the success of the business.

2. Eligibility. Any employee of the Company or any parent or subsidiary of the Company may receive Benefits under the Plan.

3. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company, or a subcommittee thereof (the "Committee"). The Committee shall either (i) consist solely of two or more directors of the Company who are "non-employee directors" as defined under Section 16 under the Securities Exchange Act of 1934, as amended and "outside directors" as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, or (ii) cause any director who is not a non-employee or outside director to abstain from any action by the Committee related to granting Benefits to executive officers of the Company. The Board of Directors may also appoint one or more separate committees of the Board of Directors who may administer the Plan with respect to employees who are not executive officers of the Company.

4. Effective Date and Termination of Plan. Subject to shareholder approval, the effective date of the Plan is May 20, 1997. The Plan shall terminate when all shares of stock subject to Benefits granted under the Plan shall have been acquired or on May 19, 2007, whichever is earlier, or at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under Benefits granted under the Plan and then in effect.

5. Shares Subject to the Plan. The Common Stock subject to Benefits authorized to be granted under the Plan shall consist of 18,000,000 shares of Common Stock, no par value, or the number and kind of shares of Common Stock or other securities which shall be substituted or adjusted for such shares as provided in Section 8. All or any shares of Common Stock subject to Benefits which for any reason terminate may again be made subject to Benefits under the Plan.

6. Grant, Terms and Conditions of Options. The Committee may grant incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended and non-qualified stock options at any time and from time to time prior to the termination of the Plan to

those employees of the Company or any parent or subsidiary of the Company who, in the Committee's judgment, are largely responsible through their judgment, interest, ability and special efforts for the successful conduct of the Company's operations. However, no participant shall be granted options in any year to purchase more than 400,000 shares of Common Stock as adjusted as provided in Section 9.

No participant shall have any rights as a shareholder of the Company with respect to any Common Stock underlying any option granted hereunder until those shares have been issued. Each option shall be evidenced by a written stock option agreement which will expressly identify the option as an incentive stock option or as a non-qualified stock option. Furthermore, the grant of an incentive option pursuant to the Plan shall in no way be construed as an alternative to the right of an optionee to purchase stock pursuant to any present or future grant of a non-qualified option under any of the Company's current or future stock option plans. Options granted pursuant to the Plan need not be identical but each option is subject to the terms of the Plan and is subject to the following terms and conditions:

6.1 Price. The exercise price of each option granted under the Plan shall be at least equal to the fair market value of the Common Stock on the date of grant, as determined by the Committee. The exercise price may be paid as determined by the Committee.

6.2 Duration and Exercise or Termination of Option. Each option granted under the Plan shall be exercisable in such manner and at such times as the Committee shall determine. Each option granted must expire within a period of ten (10) years from the grant date.

6.3 Transferability of Options. Each option shall be transferable only by will or the laws of descent and distribution except and unless the option provides for additional rights to transfer.

6.4 Other Terms and Conditions. Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, shall be repriced, and nothing contained in the Plan shall confer upon any participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate his or her employment or service at any time.

7. Grant, Terms and Conditions of Restricted Common Stock. The Committee may grant shares of Common Stock with such restrictions, terms and conditions as may be determined in the sole discretion of the Committee; provided, however, that if the only restriction attached to the grant is vesting based on the lapse of time, the minimum period for full vesting of the grant shall be three years. Grants of shares of restricted Common Stock shall be made at such cost as the Committee shall determine and may be issued for no monetary consideration, subject to applicable state law. Shares of restricted Common Stock shall be issued and delivered at the time of the grant or as otherwise determined by the Committee, but may be subject to forfeiture until provided otherwise in the applicable restricted stock agreement. Each certificate representing shares of restricted

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Common Stock shall bear a legend referring to the risk of forfeiture of the shares and stating that such shares are nontransferable until all restrictions have been satisfied and the legend has been removed. At the discretion of the Committee, the grantee may or may not be entitled to full voting and dividend rights with respect to all shares of restricted stock from the date of grant. No participant shall be granted more than 400,000 shares of restricted Common Stock in any year, as adjusted as provided in Section 9.

8. Grant, Terms and Conditions of Performance Share Units. The Committee may grant performance share units which shall entitle the participant to shares of Common Stock or cash in lieu thereof (the "Performance Shares") upon the achievement of such performance goals as may be established by the Committee at the time of grant based on any one or combination of the following performance criteria: (a) achievement of a specified percentage increase or quantitative level in the Company's shareholder return as compared to the S&P Retail Store Composite or other comparator group, (b) achievement of a specified percentage increase or quantitative level in the trading price of the Company's Common Stock, (c) achievement of a specified percentage increase or quantitative level in the results of operations, such as sales, earnings, cash flow, economic profit or return on investment (including return on equity, return on capital employed or return on assets) of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, (d) achievement of a specified percentage increase or quantitative level in the other financial results, such as profit margins, expense reduction or asset management goals of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, or (e) achievement of a specified percentage increase or quantitative level in the internal or external market share of a product or line of products. At such time as it is certified by the Committee that the performance goals established by the Committee have been attained or otherwise satisfied, the Committee shall authorize the payment of cash in lieu of Performance Shares or the issuance of Performance Shares registered in the name of the participant, or both.

If the participant's employment with the Company or any parent or subsidiary of the Company, as the case may be, is terminated before the end of

the period of time, designated by the Committee, over which Performance Shares may be earned (a "Performance Cycle") for any reason other than retirement, disability, or death, the participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle. The Committee, in its sole discretion, may establish guidelines providing that if a participant's employment is terminated before the end of a Performance Cycle by reason of retirement, disability, or death, the participant shall be entitled to a prorated payment with respect to any Performance Shares that were being earned during the Performance Cycle. No participant shall be granted Performance Shares for more than 400,000 shares of Common Stock in any year, as adjusted as provided in Section 9.

9. Adjustment Upon Changes in Capitalization/Change in Control. The number and kind of shares of Common Stock subject to Benefits under the Plan shall be appropriately adjusted along with a corresponding adjustment in the option exercise price, if applicable, to reflect any stock dividend, stock split, split-up or any combination or exchange of shares, however accomplished. An appropriate adjustment shall also be made with respect to the aggregate number and kind of

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shares available for grant under the Plan. If the Company or the shareholders of the Company enter into an agreement to dispose of all or substantially all of the assets or shares by means of a sale, a reorganization, a liquidation, or otherwise, all options shall become immediately exercisable with respect to the full number of shares subject to those options, all restrictions on any shares of restricted stock granted under the Plan shall be immediately removed and all Performance Shares shall be earned as if the applicable performance goals had been attained or otherwise satisfied.

10. Withholding. To the extent required by applicable federal, state, local or foreign law, a participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise pursuant to Benefits granted under the Plan. The Company shall not be required to issue shares until such obligations are satisfied. The Committee may (but shall not be required to) permit these obligations to be satisfied by having the Company withhold a portion of the shares of stock that otherwise would be issued to the participant or by delivering shares previously owned by the participant.

11. Amendment and Termination. The Board of Directors may amend or terminate the Plan as desired, without further action by the Company's shareholders, except to the extent required by applicable law.

\* NOTE: As restated to reflect a two-for-one stock split of the Company's common stock declared on May 19, 1998 in the form of a share dividend, payable on June 30, 1998 to all shareholders of record on June 8, 1998.

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NORDSTROM  
EXECUTIVE DEFERRED COMPENSATION PLAN  
(2003 Restatement)

Consolidates all Plan Provisions Approved by the Company  
including the following:

January 1, 1999 Restatement;  
Amendment 1999-1;  
Amendment 2001-1; and  
Amendment 2001-2

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ARTICLE I  
TITLE, PURPOSE AND EFFECTIVE DATE

1.01 Title. This plan shall be known as the Nordstrom Executive Deferred Compensation Plan, and any reference in this instrument to the "Plan" shall include the plan as described herein and as amended from time to time.

1.02 Purpose. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of Nordstrom, Inc., a Washington corporation, its subsidiaries and affiliates ("Company"), within the meaning of Section 201(2), 301(a)(3) and 401(a)(4) of the Employee Retirement Income Security Act of 1974 ("ERISA").

1.03 Effective Date. The Plan was originally effective as of January 1, 1994. The Plan was subsequently amended on a number of occasions and, in order to provide a number of Plan design changes, to make changes in Plan administration and to otherwise clarify certain Plan provisions, the Company adopts this Restatement of the Plan, effective January 1, 2003.

## ARTICLE II ELIGIBILITY

2.01 Eligible Employee. An "Eligible Employee" means, for any Plan Year, any employee of the Company who: (a) is employed in a "Leadership" capacity as defined by the Company's Human Resources Department; and (b) has current annualized Base Compensation (as defined in 3.01(b)(i)) of not less than eighty-five thousand dollars (\$85,000). Subject to the provisions of the Plan, all Eligible Employees will be eligible to defer compensation and receive benefits at the time and in the manner provided hereunder.

2.02 Entry Date. An Eligible Employee shall be eligible to Participate in the Plan on the earlier of: (1) January 1 of the year following the year in which he or she became an Eligible Employee (to allow Eligible Employees who are new Participants, and continuing Participants, the opportunity to enroll during the Plan Year open enrollment under 2.03(a)); or (2) March 1, June 1 or September 1 following the date he or she first becomes an Eligible Employee (allowing such Participants to enroll as New Participants effective April 1, July 1 and October 1 under 2.03(b)).

2.03 Time of Participation. An Eligible Employee becomes a "Participant" in the Plan for the Plan Year when he or she elects to defer a portion of Eligible Compensation (defined in 3.01(b)) prior to the applicable Election Date pursuant to the terms of the Plan and Article III. The "Election Date" is the date by which an Eligible Employee must submit a valid Deferral Agreement to the Company, determined as follows:

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a. Plan Year Open Enrollment. The applicable Election Date for any given Plan Year is the preceding December 31 or such other date as the Company may determine, provided that the Election Date for any given Plan Year must be a date prior to the commencement of such year.

b. New Participants. The applicable Election Date for any employee who first becomes an Eligible Employee during the Plan Year is thirty (30) days after his or her first Entry Date under 2.02.

An individual remains a Participant as long as he or she has an account balance that has not yet been entirely distributed; provided, however, that Participants who are no longer Eligible Employees may no longer elect to defer any amounts under this Plan.

2.04 Subsequent Ineligibility. If, prior to a Participant's Retirement, the Committee determines, based upon a judicial or administrative determination or an opinion of counsel, that the Participant has ceased to be a member of a "select group of management or highly compensated employees" of the Company within the meaning of Sections 201(2), 301(a)(3) and 401(a)(4) of ERISA, such Participant shall cease participating in the Plan and become ineligible to accrue benefits hereunder (until such time as the individual once again becomes a member of such "select group").

## ARTICLE III DEFERRAL OF COMPENSATION

3.01 Deferral Elections. Upon becoming eligible to be a Participant under Section 2.02, and for any Plan Year thereafter (subject to Section 2.04), an Eligible Employee must properly execute a Deferral Agreement on or before the applicable Election Date.

a. Deferral Agreement. As used in this Plan, the term "Deferral Agreement" means the form prescribed by the Committee, and developed in conjunction with the Company's Compensation & Leadership Benefits Department ("Compensation & Leadership Benefits"), and by which the Participant indicates and agrees to the portion of Participant's Eligible Compensation he or she

elects to defer for any Plan Year. For this purpose, an Eligible Employee will be considered to have "properly executed" such Deferral Agreement when they have either enrolled via an online system, or completed, signed and returned the appropriate form of Deferral Agreement, each in a manner designated by Compensation & Leadership Benefits. Such Deferral Agreement shall apply only with respect to compensation to be earned in periods after the date of such election. In the case of an initial Deferral Agreement, such agreement shall also indicate directions with respect to distribution options and in-service withdrawals. No Deferral Agreement shall be effective until approved by the Company.

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b. Eligible Compensation. For purposes of this Plan, the following items of a Participant's remuneration shall be considered "Eligible Compensation":

(i) Base Compensation. Such Participant's Base Compensation, which means a Participant's base salary scheduled to be paid in the normal course through the Company's regular payroll cycles (including amounts characterized by the Company as International Premium Pay), without regard to any reimbursements, deferrals or contributions hereunder or under either the Nordstrom Profit Sharing Retirement Plan (the "Profit Sharing Plan"), or the Nordstrom Employee Deferral Retirement Plan (the "401(k) Plan"), the Company's 125 Plan or the Company's Dependent Care Spending Account Plan

(ii) Bonus Compensation. Such Participant's bonus compensation, schedule to be paid to the Participant in cash;

(iii) Signing Bonus. Such Participant's contingent signing bonus, but only if the payment by the Company of such signing bonus is subject to a substantial risk of forfeiture for a period of at least one year; and

(iv) Performance Share Units. Such Participant's Performance Share Units as defined in and governed by the separately stated 1997 Nordstrom Stock Option Plan (as it may be amended from time to time), provided, however, that such Units may be deferred if a valid Deferral Agreement pertaining to such Units is executed by the Participant by an Election Date which is at least 12 months prior to the vesting of such Units.

3.02 Amount of Deferral. A Participant may, for any Plan Year, irrevocably elect to have the following amounts of Eligible Compensation deferred and credited to the Participant's Bookkeeping Account in accordance with the terms and conditions of the Plan:

a. Base Compensation. All or a portion of the Participant's Base Compensation expressed as either a percentage or a flat dollar amount; for Participant's enrolling during the Plan Year open enrollment, such Participant's Base Compensation shall not be reduced below fifty thousand dollars (\$50,000.00) for the Plan Year by reason of deferrals under this Plan;

b. Bonus Compensation. For Participants electing deferrals during a Plan Year open enrollment under 2.03(a), all or a portion of the Participant's bonus compensation payable for a Plan Year, other than a signing bonus (provided, however, that a bonus payable for a Plan Year may not actually be paid, and any elected deferral deducted therefrom, may not be made, until a subsequent Plan Year, for which this

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election shall remain irrevocable). Current Employees who become new Participants and who elect to enroll under 2.03(b) shall not be eligible to defer Bonus Compensation payable for the Plan Year during which their enrollment occurs. Individuals who are Eligible Employees at the time of their employment commencement date shall be eligible to defer bonus compensation when enrolling under 2.03(b);

c. Signing Bonus. All or a portion of the Participant's contingent signing bonus (provided, however, that any deferred signing bonus shall be credited to the Participant's Bookkeeping Account as of the date Participant is hired by the Company, but Participant's rights to the portion of such

Bookkeeping Account attributable to such deferred signing bonus shall not vest in Participant until one (1) year after the date Participant is hired by the Company); and

d. Performance Share Units. All or a portion of a Participant's unvested Performance Share Units awarded by the Company, provided such Units are scheduled to vest no earlier than the Plan Year following the Plan Year for which the election is made.

3.03 Minimum Deferral. Each Participant must agree to defer a minimum of five thousand dollars (\$5,000) per Plan Year; provided, however, that this minimum need not be met if Eligible Compensation actually paid is insufficient to yield such minimum deferral in accordance with the Participant's Deferral Election.

3.04 Company Contribution Allocations. The following Company contributions are permitted under the Plan:

a. Make-up Contribution. Each Plan Year, the Company shall allocate to each Participant an amount corresponding to the Participant's lost share of Company contributions to its Profit Sharing Plan at the time the Company's Profit Sharing Plan contribution for such year is made, determined as follows: (i) an amount, if any, equal to such Participant's lost share of contributions and forfeitures under the Company's Profit Sharing Plan; and (ii) an amount, if any, equal to such Participant's lost share of matching contributions (but not salary deferral contributions) under the 401(k) Plan. For purposes of this allocation, a Participant's "lost share" of contribution, forfeitures and match is the amount of contributions not made to the Profit Sharing and 401(k) Plans that are attributable to (a) the reduction in the Participant's compensation (as defined by those plans) by reason of deferrals hereunder, and (b) the Participant's exclusion under those plans' provisions as a highly compensated employee in his or her first or second year of participation, as applicable.

b. Company Discretionary Contributions. In addition to any Company contributions made in accordance with 3.04(a), the Company may, in its sole discretion, make discretionary contributions to the Accounts of one or more Participants at such times, in such amounts, and vested in such manner, as the Board or the Committee may determine. Such discretionary contributions shall be credited to the applicable

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Participant's Deemed Investment Sub-Account and distributed in accordance with the provisions of the Plan and such Participant's elections.

3.05 Deferral of Retention Bonus or Separation Payments Prohibited. A Participant may not defer any amounts paid to the Participant that are designated by the Company as either Separation or retention bonus payments. For this purpose, a "retention bonus" is any amount paid to the Participant specifically in exchange for their remaining an Employee of the Company for a specified period. A "Separation payment" is any amount paid to a Participant as a result of their termination of employment with the Company; provided, however, that nothing in this Section 3.05 shall prevent the Company from negotiating a separation agreement, the provisions of which include a Company Discretionary Contribution under Section 3.04(b).

3.06 Requirement for Deferral Agreement. A Participant who has not timely submitted a valid Deferral Agreement may not defer any Eligible Compensation (or receive the corresponding Company contribution allocation under 3.04) for the applicable Plan Year under the Plan.

3.07 Applicability of Deferral Agreement. A Deferral Agreement remains in effect for the Plan Year to which it applies; provided that deferrals may, in the sole and absolute discretion of the Committee, be suspended during any period in which the Participant is suffering from an unforeseen financial emergency, as described in Section 6.02(a)(i), or is considered disabled for purposes of the Company's Long-Term Disability Program. A Participant must file a new Deferral Agreement for each Plan Year. The terms of any Deferral Agreement may, but need not be, similar to the terms of any prior Agreement.

## DEFERRAL ACCOUNT AND CREDITING

4.01 Bookkeeping Account. A "Bookkeeping Account" is the account established on the books of the Company as a record of each Participant's Plan balance. A Bookkeeping Account may, at the discretion of the Committee, include one or more sub-accounts to reflect amounts credited to a Participant under the various terms of the Plan. As of the effective date of this Restatement, the Committee has established the following sub-accounts:

a. Deemed Investment Sub-Account: A Deemed Investment sub-account, reflecting the Participant's account balance resulting from the deferral of Eligible Compensation (other than Performance Share Units or other stock-based compensation), Company Contribution Allocations under Section 3.04, and the Participant's deemed investment of such amount under Section 4.03. The balance in such sub-account shall be expressed as a dollar amount.

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b. Share Unit Sub-Account. A Share Unit Sub-Account reflecting the number of Performance Share Units or other stock-based compensation in which the Participant is vested and has deferred under the Plan. The balance in such sub-account shall be expressed in Units (denominated in units of shares of the Company's Common Stock).

4.02 Time of Crediting Accounts. Amounts deferred by a Participant under the Plan and any Company contribution allocations made on behalf of that Participant shall be credited to the Participant's Bookkeeping Account as soon as administratively practicable after the date deferred amounts would otherwise have been received (or beneficially received in the case of Company contributions) by the Participant. Subject to 4.04(c)(ii) regarding the underwriting of the Plan's investment vehicles, Earnings shall be credited to a Participant's Bookkeeping Account on the date determined by the Company, but no later than the month following the month in which deferrals and Company contributions were credited to the Bookkeeping Account in accordance with the preceding sentence. Earnings are based on the performance of the investment options selected by Participants in accordance with Section 4.03.

4.03 Participant Deemed Investments. Subject to Section 4.03(b), each Participant may, from time to time, select from the various indices provided by the Committee (under Section 4.04(b)) in which his or her Bookkeeping Account will be deemed invested; provided, however, that the Committee is under no obligation to acquire or provide any of the investments designated by the Participant.

a. Deemed Investment Sub-Account Valuation. A Participant's Deemed Investment Sub-Account shall be credited or debited on a monthly basis with additional amounts equal to the appreciation (or loss) such accounts would have experienced had they actually been invested in the specified fund indices at the relevant times. This crediting and debiting will take into account the date that a Participant's Bookkeeping Account transactions (such as deferrals, contributions, distributions and transfers among funds) are actually reflected by the Plan's record-keeping system.

b. Share Unit Sub-Account Valuation. The number of Units in a Participant's Share Unit Sub-Account shall be appropriately adjusted periodically to reflect any dividend, split, split-up or any combination or exchange, however accomplished, with respect to the shares of the Company's Common Stock represented by such Units.

4.04 Investments by the Company. In order to provide funds to satisfy its obligations under the Plan, the Company may, but shall not be required to, keep cash or invest and reinvest in mutual funds, stocks, bonds, securities or any other assets as may be reasonably selected by the Committee in its discretion. Such investments may, but need not, follow the investment indices chosen by the Participants.

a. Investment Advice. In the exercise of the foregoing investment powers, the Committee may engage investment counsel and, if the Committee so desires, may

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delegate to such counsel full or limited authority to select the assets in which the funds are to be selected. Such investment counsel may be an Officer and Employee of the Company.

b. Choice of Investment Indices. The Committee, or its investment counsel, may specify one or more investment funds to serve as indices for the investment performance of amounts credited under the Bookkeeping Accounts. The Committee has the authority to expand or limit the type or number of fund indices and to prescribe, in conjunction with the Company, the frequency with which Participants may change their deemed investment elections.

c. Insurance. In the event that, in its discretion, the Company purchases an insurance policy or policies insuring the life of the Participant to allow the Company to recover the cost of providing the benefits hereunder, neither the Participant, Participant's Beneficiary, nor any other person shall have or acquire any rights whatsoever in such policy or policies or in the proceeds therefrom. If the Company elects to purchase a life insurance or annuity policy on the life of the participant:

(i) The Participant shall, as a condition to continued participation, sign any papers and undergo any medical examinations or tests that may be necessary or required for such purpose; and

(ii) Notwithstanding the Participant's election or direction or any provision in the Plan to the contrary, the Participant's Bookkeeping Account will be deemed invested in a money market fund or instrument or other liquid asset selected by the Committee or its delegate, pending the underwriting and delivery of such policy or annuity.

4.05 Limited Effect of Allocation. The fact that any allocation shall be made and credited to a Bookkeeping Account shall not vest in a Participant any right, title or interest in or to any assets of the Company, or in any right to payment, except at the time(s) and upon the conditions elsewhere set forth in the Plan.

4.06 Report of Account. A Participant shall be provided information regarding Participant's Bookkeeping Account balance within a reasonable time after requesting such information from Compensation & Leadership Benefits. The Company shall furnish each Participant with statements on a periodic basis, no less frequently than annually, as soon as administratively practicable after the allocations for the end of the Plan Year have been completed. The Company may, in its discretion, provide Participants with account balance statements more frequently than provided in the preceding sentence.

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#### ARTICLE V RIGHTS OF PARTICIPANT IN PLAN

5.01 Ownership Rights in Bookkeeping Account. Subject to the restrictions provided in this Article and in Section 3.02(c) and (d), each Participant shall at all times have a vested right to the value of such Participant's Bookkeeping Account.

5.02 Rights in Plan are Unfunded and Unsecured. The Company's obligation under the Plan shall in every case be an unfunded and unsecured promise to pay. A Participant's right to Plan distributions shall be no greater than those of general, unsecured creditors of the Company. The Company may establish one or more grantor trusts (as defined in Code Section 671 et seq.) to facilitate the payment of benefits hereunder; however, the Company shall not be obligated under any circumstances to fund its financial obligations under the Plan. Any assets which the Company may acquire or set aside to defray its financial liabilities shall be general assets of the Company, and such assets, as well as any assets set aside in a grantor trust, shall be subject to the claims of its general creditors.

5.03 No Transfer of Interest in Plan Allowed. Except as permitted by applicable law, no sale, transfer, alienation, assignment, pledge, collateralization or attachment of any benefits under the Plan shall be valid or recognized by the Company. Neither the Participant, Participant's spouse or a designated Beneficiary shall have any power to hypothecate, mortgage,

commute, modify or otherwise encumber in advance of any of the benefits payable hereunder. Said benefits shall not be subject to seizure for the payment of any debts, judgments, alimony, maintenance owed by the Participant or a Beneficiary, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. Notwithstanding the foregoing, the Company may, if the Committee so determines in its sole discretion, follow the terms of any court order issued in connection with any domestic relations proceeding including but not limited to marital dissolution or child support.

5.04 Plan Binding upon Parties. The Plan shall be binding upon the Company, its assigns, and any successor company that acquires substantially all of its assets and business through merger, acquisition or consolidation; and upon all Participants and any Participant's Beneficiaries, assigns, heirs, executors and administrators.

#### ARTICLE VI DISTRIBUTIONS

6.01 Retirement. A Participant's "Retirement" shall mean the Participant's Early Retirement, if applicable, or if not applicable, the later of the Participant's Normal Retirement Date or the date of the Participant's Termination Event, each as defined below.

a. Early Retirement. Early Retirement shall mean (i), (ii), or (iii), as applicable:

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(i) Eligible August 19, 2003. For Participants who had attained the age of at least fifty (50) years of age and had completed at least ten (10) years of service on August 19, 2003, Early Retirement shall mean such Participant's Termination Event.

(ii) SERP Executives. For Participants who are also designated as an Executive under the Company's "Supplemental Executive Retirement Plan" ("SERP"), Early Retirement shall mean such Participant's Termination Event on or after such Participant's Early Retirement Date under Section 2.02(a)(ii) of the SERP.

(iii) All Other Participants. For Participants who were not eligible for Early Retirement on August 19, 2003, and who also are not SERP Executives, Early Retirement shall mean the date of the Participant's Termination Event provided that such Participant is at least fifty-three (53) but less than fifty-eight (58) years of age on such date and has at least ten (10) years of service with the Company.

b. Normal Retirement Date. A Participant's Normal Retirement Date under this Plan shall be his or her 58th birthday; provided, however, that the Normal Retirement Date for Participants who also are designated as Executives under the SERP shall be their Normal Retirement Date under Section 2.02(a)(i) of the SERP.

c. Termination Event. For purposes of the Plan, the term "Termination Event" shall mean the termination of a Participant's employment with any of the Company, its subsidiaries and affiliates.

d. Years of Service. For this purpose, years of service are measured in consecutive full years (i.e., 12 months), based on service from Participant's most recent date of hire.

e. Transfer Between Entities. Notwithstanding subparagraph (c) of this Section, a termination of a Participant's employment as a result of such Participant's transfer to a subsidiary or affiliate (whether or not participating) shall not constitute a Termination Event.

6.02 In-Service Distributions. While a Participant is employed by the Company, a subsidiary or affiliate, the Participant may receive Plan distributions as provided in this Section 6.02.

a. Hardship Distributions. At the request of a Participant, before such Participant incurs a Termination Event, or at the request of any of the Participant's Beneficiaries after the Participant's death, the Committee may, in its sole discretion, pay all or part of the value of the Participant's



unforeseen financial emergency beyond the requesting party's control. Such hardship distributions may be allowed only as follows:

(i.) Financial Emergency. In this context, an "unforeseen financial emergency" is defined as (1) a severe financial hardship, (2) the loss of a Participant's or Beneficiary's property due to casualty, or (3) other similar extraordinary, unforeseeable and unforeseen circumstances arising as a result of events beyond the control of the requesting party.

(ii.) Amount. The amount of an accelerated distribution shall be limited to an amount necessary to relieve such emergency.

b. Scheduled Distributions. Prior to Retirement, a Participant may elect, in his or her initial Deferral Agreement, to receive a specified percentage of Participant's Bookkeeping Account in one or more annual installments commencing not earlier than his or her sixth (6th) year of participation, whether or not the Participant has incurred a Termination Event; provided that such designation may be canceled or the distribution extended to a later date as long as such cancellation or extension is made at least one year prior to the beginning of the Plan Year in which such distribution would otherwise commence.

c. In-Service Distributions - With Penalty. A Participant may, before Retirement, request to withdraw the balance of such Participant's Bookkeeping Account prior to the time such balance is otherwise due and payable under the Plan and for reasons other than those described in the Hardship or Scheduled Distributions under Sections 6.02(a) and (b). In such a case, no partial withdrawals of that balance shall be allowed. The Participant shall make this request by giving the Committee advance written notice of the election in a form determined from time to time by the Committee. Any such withdrawal request granted by the Committee or its delegate shall be subject to a penalty equal to ten percent (10%) of the portion of the Participant's Bookkeeping Account balance determined immediately prior to such withdrawal that is not otherwise due and payable. The Company shall distribute the balance of such Participant's Bookkeeping Account, reduced by the penalty amount, as soon as administratively practicable after the Participant's request. Once such distribution is made, the Participant shall cease to be an Eligible Employee for the remainder of the Plan Year of the distribution and for the next following Plan Year.

6.03 Distribution Following Termination. If a Participant's Termination Event occurs prior to Retirement, such Participant shall receive the value of his or her Bookkeeping Account in a single payment as soon as administratively practicable after such Termination Event, or if determined appropriate in the sole and exclusive discretion of the Committee (or its delegate), payment shall be made in equal annual installments over a specified period of years.

6.04 Retirement Distributions. Upon Retirement, a Participant may receive Plan distributions as provided in this Section 6.04.

a. Distribution Options. Distribution of a Participant's Bookkeeping Account balance shall be made as soon as administratively practicable after a Participant's Retirement, and according to the distribution options specified on the Participant's initial Deferral Agreement. Bookkeeping Accounts subject to installment payment shall continue to be valued as provided in Section 4.03. A Participant may modify any distribution format election at any time prior to the date that is three (3) years before his Retirement. The distribution options available to a Participant are: (i) Lump sum payment; or (ii) five (5), ten (10) or fifteen (15) year installment payments.

b. Early Withdrawal. A Participant not receiving a Lump Sum Payment may, at or after Retirement, elect to withdraw the balance of such Participant's Bookkeeping Account prior to the time such balance is otherwise due and payable under the Plan. No partial withdrawals of that balance shall

be allowed. The Participant shall make this request by giving the Committee advance written notice in a form determined from time to time by the Committee. Any such withdrawal approved by the Committee shall be subject to a penalty equal to ten percent (10%) of the portion of the Participant's Bookkeeping Account balance determined immediately prior to such withdrawal that is not otherwise due and payable. The Company shall distribute the balance of such Participant's Bookkeeping Account, reduced by the penalty amount, as soon as administratively practicable following the Participant's request. Once distribution is made, the Participant shall cease to participate in the Plan and shall not be eligible to participate in the Plan in the future.

6.05 Cash and Stock Distributions. Distributions of a Participant's Deemed Investment Sub-Account Account shall be made in cash only. Distributions of a Participant's Share Unit Sub-Account shall be made in Common Stock of the Company.

6.06 Distributions Following Change of Control. If the Committee determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the company would not be deductible by the Company solely by reason of the limitation under Code section 162(m), then to the extent deemed necessary by the Company to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Company may defer all or any portion of the distribution.

a. Continued Crediting of Interest. Any amounts deferred pursuant to this limitation shall continue to be credited with interest or earnings pursuant to the terms hereof. The amounts so deferred and interest thereon shall be distributed to the Participant or his or her Beneficiary (in the event of a death benefit required hereunder) at the earliest possible date, as determined by the Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the

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Company during which the distribution is made will not be limited by Code section 162(m), or if earlier, the effective date of a Change in Control.

b. "Change in Control" Defined. The term "Change in Control" means the purchase or other acquisition by any person, entity or group of persons, within the meaning of section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of thirty percent (30%) or more of either the outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally, or the approval by the stockholders of the Company of a reorganization, merger, or consolidation, in each case, with respect to which persons who were stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated Company's then outstanding securities, or a liquidation or dissolution of the Company or of the sale of all or substantially all of the Company's assets.

6.07 Discretionary Distributions. The Committee may, in its sole and absolute discretion, accelerate the distribution of the balance of such Participant's Bookkeeping Account prior to the time such balance is otherwise due and payable under the Plan if the Committee determines either that such balance is below a minimum amount, or under such other circumstances as determined by the Committee from time to time. A distribution pursuant to this section shall not be subject to a penalty. The Company shall distribute the balance of such Participant's Bookkeeping Account as soon as administratively practicable following the Committee's determination.

#### ARTICLE VII DEATH BENEFITS

7.01 Designation of Beneficiary. A Participant shall designate a Beneficiary to receive death benefits under the Plan by completing the beneficiary designation form specified by the Committee. A Participant shall

have the right to change the Beneficiary by submitting to Compensation & Leadership Benefits a form designating the Participant's change of Beneficiary. No beneficiary designation or change of beneficiary shall be effective until approved by the Company.

a. Deemed Beneficiary. If no designation has been made, or if the Beneficiary has predeceased the Participant, then the Participant will be deemed to have designated the following as his or her surviving beneficiaries and contingent beneficiaries with priority in the order named below:

(i) first, to his widow or her widower, as the case may be;

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(ii) next, to his or her children, in equal shares;

(iii) next, to his or her parents, in equal shares;

(iv) next, to his or her brothers and sisters, in equal shares; or

(v) next, to his or her estate.

b. Surviving Beneficiary. For purposes of determining the appropriate named or deemed beneficiary or contingent beneficiary, an individual is considered to survive the Participant if that individual is alive seven (7) days after the date of the Participant's death.

7.02 Determination of Account Balance at Death. The remaining value of Participant's Bookkeeping Account shall be determined as of the later of: (a) the date of the Participant's death; or (b) the date the Committee approves the distribution under Section 7.03. The amounts in such Account shall be maintained in the Sub-Accounts under Section 4.03 unless the Participant's Beneficiary elects in writing to invest such amounts in a separate interest-bearing account and earn interest under such account. At such time as such instructions can be implemented, such amounts shall cease being credited with earnings or losses as deemed invested under Section 4.03(a).

7.03 Distribution of Bookkeeping Account Balance at Death. Upon a Participant's death, the value of Participant's Bookkeeping Account shall be distributed as follows:

a. Death Prior to Retirement. If a Participant dies before Retirement, the Participant's Beneficiary shall receive the balance of the Participant's Bookkeeping Account. Additionally, if such Participant's death is not attributable to suicide committed within two (2) years of becoming a Participant, such Beneficiary shall receive an amount equal to twice the Participant's actual deferrals under Section 3.02 (exclusive of any earnings thereon). This 7.03.a. pre-retirement death benefit shall be paid in three (3) substantially equal annual cash payments of principal plus amounts credited under Section 7.02.

b. Death After Retirement. If a Participant dies after Retirement, the Participant's Beneficiary shall receive the Participant's remaining Account Balance in a manner consistent with the Participant's distribution election under Section 6.04 together with amounts credited under Section 7.02.

7.04 Determination of Beneficiary. If the Committee has any doubt as to the proper Beneficiary to receive payments hereunder, the Committee shall have the right to direct the Company to withhold such payments until the matter is finally adjudicated. However, as provided in Section 11.08, any payment made by the Company, in good faith and in accordance

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with the Plan and the directions of the Committee shall fully discharge the Company, the Board and the Committee from all further obligations with respect to that payment.

7.05 Payments to Minor or Incapacitated Beneficiaries. In distributing property hereunder to or for the benefit of any minor or incapacitated Beneficiary, the Committee, in its sole and absolute discretion, may direct

the Company to make such distribution to a legal or natural guardian of such Beneficiary, or to any adult with whom the minor or incompetent temporarily or permanently resides. The receipt by such guardian or other adult shall be a complete discharge of liability to the Company, the Board, and the Committee. Neither the Board, the Committee, nor the Company shall have any responsibility to see to the proper application of any payments so made.

7.06 Acceleration of Death Benefits. Anything in this Article to the contrary notwithstanding, the Committee may, in its sole and absolute discretion, accelerate any death benefit payments hereunder.

7.07 Effect of Divorce. If a Participant and his or her named beneficiary are or become married and thereafter their marriage is dissolved by entry of a decree of dissolution or other court order having the effect of dissolving the marriage, then any such pre-divorce beneficiary designation shall be deemed automatically revoked as to such beneficiary spouse as of the date of such dissolution unless the death benefit rights of such former spouse are subsequently reaffirmed by a qualified domestic relations order or the Participant's subsequent written designation.

#### ARTICLE VIII ADMINISTRATION OF THE PLAN

8.01 Plan Sponsor and Administrator. The Company is the "Plan Sponsor," and its address is: Nordstrom, Inc., 1700 Seventh Avenue, Seattle, Washington 98101-4407. The Committee is the "Plan Administrator." The Company's senior officer with responsibility for Human Resources, along with its Compensation & Leadership Benefits Department, have been selected to assist the Committee in its day to day responsibilities with respect to the Plan. The Committee is the named fiduciary charged with responsibility for administering the Plan. The 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 may deem appropriate.

8.02 Authority of Committee. As Plan Administrator, the Committee 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 or deny any and all claims for benefits and to determine all issues relating to eligibility for benefits. All actions taken by the Committee as Plan Administrator, or its delegate, will be conclusive and binding on all person having any interest under the Plan, subject only to the provisions of Article IX. All findings,

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decisions and determinations of any kind made by the Committee or its delegate shall not be disturbed unless the Committee has acted in an arbitrary and capricious manner.

8.03 Exercise of Authority. All resolutions or other actions taken by the Committee shall be either: (a) by vote of a majority of those present at a meeting at which a majority of the members are present; or (b) in writing by a majority of all the members at the time in office if they act without a meeting.

8.04 Delegation of Authority. The Committee may delegate all or part of its responsibilities, authority and discretion under the Plan to other persons. The duties of the Committee under the Plan will be carried out in its name by the officers, directors and employees of the Company. Any such delegation shall carry with it the full discretion and authority vested in the Committee under Section 8.02. As of the effective date of the Restated Plan, the Committee has delegated the day-to-day administration of the Plan to Compensation & Leadership Benefits, under the direction of the senior corporate officer with responsibility for Human Resources.

8.05 Reliance on Opinions. The members of the Committee and the officers and directors of the Company shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel, including legal counsel for the Company.

8.06 Information. The Company shall supply full and timely information

to the Committee on all matters relating to the compensation of Participants, the date and circumstances of the termination of employment or death of a Participant and such other pertinent information as the Committee may reasonably require.

8.07 Indemnification. The Company shall indemnify and hold harmless each Committee or Board member, and Company Employee performing services or acting in any capacity with respect to the Plan, from and against any and all expenses and liabilities arising in connection with services performed in regard to this Plan. Expenses against which such individual shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such individual may be entitled as a matter of law or other agreement.

#### ARTICLE IX CLAIMS PROCEDURE

9.01 Submittal of Claim. Benefits shall be paid in accordance with the provisions of this Plan. The Participant, or any person claiming through the Participant

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("Claiming Party"), shall make a written request for benefits under this Plan, mailed or delivered to the Committee. Such claim shall be reviewed by the Committee or its delegate.

9.02 Denial of Claim. If a claim for payment of benefits is denied in full or in part, the Committee or its delegate shall provide a written notice to the Claiming Party within ninety (90) days setting forth: (a) the specific reasons for denial; (b) any additional material or information necessary to perfect the claim; (c) an explanation of why such material or information is necessary; and (d) an explanation of the steps to be taken for a review of the denial. A claim shall be deemed denied if the Committee or its delegate does not take any action within the aforesaid ninety (90) day period).

9.03 Review of Denied Claim. If the Claiming Party desires Committee review of a denied claim, the Claiming Party shall notify the Committee or its delegate in writing within sixty (60) days after receipt of the written notice of denial. As part of such written request, the Claiming Party may request a review of the Plan document or other pertinent documents, may submit any written issues and comments, and may request an extension of time for such written submission of issues and comments.

9.04 Decision upon Review of Denied Claim. The decision on the review of the denied claim shall be rendered by the Committee within sixty (60) days after receipt of the request for review (if no hearing is held) or within sixty (60) days after the hearing if one is held. The decision shall be in writing and shall state the specific reasons for the decision, including reference to specific provisions of the Plan on which the decision is based.

#### ARTICLE X AMENDMENT AND TERMINATION

The Board of Directors may amend or terminate the Plan at any time. Such amendment or termination may modify or eliminate any benefit hereunder, provided that no such amendment or termination shall in any way reduce the vested portion of the affected Participants' or Beneficiaries' Bookkeeping Accounts. In addition, the Committee has the authority on behalf of the Board, to review, finalize, approve and adopt amendments to the Plan, other than amendments relating to benefit amounts and Plan eligibility.

#### ARTICLE XI MISCELLANEOUS

11.01 No Employment Contract. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Company

and an Eligible Employee. Nothing in this Plan shall be deemed to give an Eligible Employee the right to be retained in the service of the Company, its subsidiaries or affiliates or to interfere with any right

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of the Company, its subsidiaries or affiliates to discipline or discharge the Eligible Employee at any time.

11.02 Employee Cooperation. An Eligible Employee will cooperate with the Company by furnishing any and all information reasonably requested by any of the Company, its subsidiaries or affiliates, and take such other actions as may be requested to facilitate Plan administration and the payment of benefits hereunder.

11.03 Illegality and Invalidity. If any provision of this Plan is found illegal or invalid, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had not been included herein.

11.04 Required Notice. Any notice which shall be or may be given under the Plan or a Deferral Agreement shall be in writing and shall be mailed by United States mail, postage prepaid, or in such other manner as the Company determines is appropriate. If notice is to be given to the Company, such notice shall be addressed to the Company c/o Compensation & Leadership Benefits Department, at 1700 Seventh Avenue, Suite 900, Seattle Washington 98101-4407. The appeal from a denied claim must be in writing and sent physically by mail or courier to the Company. If notice is to be given to a Participant, such notice shall be addressed to the last known address, either geographic or electronic, on the Company's Human Resources records. Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail (either physical or electronic), to the last known address of the Participant. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

11.05 Interest of Participant's Spouse. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

11.06 Tax Liabilities from Plan. If all or any portion of a Participant's benefit under this Plan generates a state or federal income tax liability to the Participant prior to receipt, that Participant may petition the Committee for a distribution of funds sufficient to meet such liability (including additions to tax, penalties and interest). Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Company shall distribute to the Participant immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such taxation, which liability shall be measured by using that Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. This distribution shall include an additional amount to "gross up" the tax liability distribution to include all applicable taxes on the tax liability distribution and the grossed up amount. If the petition is granted, the tax liability distribution (including gross-up) shall be made within 90 days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under Articles VI and VII hereof.

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11.07 Benefits Nonexclusive. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Company. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

11.08 Discharge of Company Obligation. The payment of benefits under

the Plan to a Participant or Beneficiary shall fully and completely discharge the Company, the Board, and the Committee from all further obligations under this Plan with respect to a Participant, and that Participant's Deferral Agreement shall terminate upon such full payment of benefits.

11.09 Costs of Enforcement. If any action at law or in equity is necessary by the Committee or the Company to enforce the terms of the Plan, the Committee or the Company shall be entitled to recover reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which that party may be entitled.

11.10 Gender and Case. Unless the context clearly indicates otherwise, masculine pronouns shall include the feminine and singular words shall include the plural and vice versa.

11.11 Titles and Headings. Titles and headings of the Articles and Sections of the Plan are included for ease of reference only and are not to be used for the purpose of construing any portion or provision of the Plan document.

11.12 Applicable Law. To the extent not preempted by Federal law, the Plan shall be governed by the laws of the State of Washington.

11.13 Counterparts. This instrument and any Deferral Agreement may be executed in one or more counterparts, each of which is legally binding and enforceable.

11.14 Definitions:

- a. "Board" means the board of directors of Nordstrom, Inc.
- b. "Code" means the Internal Revenue Code of 1986, as amended.
- c. "Committee" means the Compensation and Stock Option Committee of the Board.
- d. The "Plan Year" means the calendar year.

IN WITNESS WHEREOF, this instrument setting forth the terms and conditions of this amendment and restatement to the NORDSTROM EXECUTIVE DEFERRED

COMPENSATION PLAN is executed this 19th day of August, 2003, effective January 1, 2003, except as otherwise provided herein.

Nordstrom, Inc.

By: /s/ David L. Mackie  
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Title: Vice President-Real Estate  
and Corporate Secretary

ATTEST:

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

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

I, Blake W. Nordstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nordstrom, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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)) 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) 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
  - c) 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 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 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 controls 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: September 9, 2003  
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/s/ Blake W. Nordstrom  
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Blake W. Nordstrom  
President



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

I, Michael G. Koppel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nordstrom, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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)) 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) 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
  - c) 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 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 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 controls 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: September 9, 2003  
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/s/ Michael G. Koppel  
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Michael G. Koppel  
Executive Vice President and  
Chief Financial Officer

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF CHIEF EXECUTIVE  
OFFICER REGARDING PERIODIC REPORT CONTAINING  
FINANCIAL STATEMENTS

I, Blake W. Nordstrom, the President of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended August 2, 2003 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) 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.

/s/ Blake W. Nordstrom

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Blake W. Nordstrom

President

September 9, 2003

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.

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF CHIEF FINANCIAL  
OFFICER REGARDING PERIODIC REPORT CONTAINING  
FINANCIAL STATEMENTS

I, Michael G. Koppel, the Executive Vice President and Chief Financial Officer of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended August 2, 2003 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) 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.

/s/ Michael G. Koppel

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Michael G. Koppel  
Executive Vice President and  
Chief Financial Officer  
September 9, 2003

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.