UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2020

or

☐ **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	(I.R.S. Employer Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101

(Address of principal executive offices)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, without par value	JWN	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large Accelerated Filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of August 2, 2019, the aggregate market value of the Registrant's voting and non-voting stock held by non-affiliates of the Registrant was approximately $3.8 billion using the closing sales price on that day of $30.79. On March 11, 2020, 156,346,167 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2020 Annual Meeting of Shareholders, scheduled to be held on May 20, 2020, are incorporated into Part III.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “goal,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential,” “pursue,” “going forward,” and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, our anticipated financial outlook for the fiscal year ending January 30, 2021, trends in our operations and the following:

Strategic and Operational

- successful execution of our customer strategy to provide customers the best possible service, product and experience, both in stores and online,
- timely and effective implementation and execution of our evolving business model, including:
  - scaling our market strategy, which consists of the integration of our physical and digital assets, development of new supply chain capabilities and timely delivery of products,
  - our merchandise strategy, including our ability to offer compelling assortments,
  - enhancing our platforms and processes to allow for more flexible inventory management,
- our ability to effectively allocate and scale our marketing strategies and resources between The Nordy Club, advertising and promotional campaigns,
- our ability to respond to the evolving retail environment and our development of new market strategies and customer offerings, which result from new fashion trends, environmental considerations and our customers’ changing expectations of service and experience in stores and online,
- our ability to properly balance our investments in existing and new store locations, technology and supply chain facilities, including the expansion of our market strategy,
- successful execution of our information technology strategy, including engagement with third-party service providers,
- our ability to effectively utilize internal and third-party data in strategic planning and decision making,
- our ability to maintain or expand our presence, including timely completion of construction associated with new, relocated and remodeled stores, and Supply Chain Network facilities, all of which may be impacted by third parties, consumer demand and other natural or man-made disruptions,
- efficient and proper allocation of our capital resources,
- effective inventory management processes and systems, fulfillment and supply chain processes and systems, our ability to prevent or mitigate disruptions in our supply chain and our ability to control costs,
- the impact of any systems or network failures, cybersecurity and/or security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information or compliance with information security and privacy laws and regulations in the event of such an incident,
- our ability to safeguard our reputation and maintain relationships with our vendors and third-party service providers,
- our ability to maintain relationships with and motivate our employees and to effectively attract, develop and retain our top talent and future leaders,
- our ability to realize the expected benefits, respond to potential risks and appropriately manage costs associated with our credit card revenue sharing program,
- market fluctuations, increases in operating costs, exit costs and overall liabilities and losses associated with owning and leasing real estate,
- potential goodwill impairment charges, future impairment charges, fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames or our strategic direction changes,
- compliance with debt and operating covenants, availability and cost of credit, changes in our credit rating and changes in interest rates, and our ability to maintain an investment grade credit rating,
- the actual timing, price, manner and amounts of future share repurchases by us, if any, or any share issuances by us,

Economic and External

- the impact of the seasonal nature of our business and cyclical customer spending,
- the impact of economic and market conditions and the resultant impact on consumer spending and credit patterns,
- the impact of economic, environmental or political conditions in the U.S. and Canada and countries where our third-party vendors operate,
- weather conditions, natural disasters, epidemics, national security or other market and supply chain disruptions, or the effects of tariffs, or the prospects of these events and the resulting impact on consumer spending patterns or information technology systems and communications,

- the recent COVID-19 (novel coronavirus) outbreak and its adverse impact on store operations, consumer spending patterns, our third-party vendors, supply chain disruptions and employees,

Legal and Regulatory
- our compliance with applicable domestic and international laws, regulations and ethical standards, including those related to employment and tax, information security and privacy, consumer credit and the outcome of any claims and litigation and resolution of such matters,
- the impact of the current regulatory environment and financial system, health care and tax reforms,
- the impact of changes in accounting rules and regulations, changes in our interpretation of the rules or regulations, or changes in underlying assumptions, estimates or judgments,
- the impact of claims, litigation and regulatory investigations, including those related to information security, privacy and consumer credit.

These and other factors, including those factors described in Item 1A. Risk Factors to our Annual Report on Form 10-K for the fiscal year ended February 1, 2020, could affect our financial results and cause our actual results to differ materially from any forward-looking information we may provide. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

All references to “Nordstrom,” “we,” “us,” “our,” or the “Company” mean Nordstrom, Inc. and its subsidiaries.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

DEFINITIONS

The following table includes definitions of Nordstrom commonly used terms:

Term	Definition
2002 Plan	2002 Nonemployee Director Stock Incentive Plan
2010 Plan	2010 Equity Incentive Plan
2019 Plan	2019 Equity Incentive Plan
2019 Annual Report	Annual Report on Form 10-K filed on March 20, 2020
Adjusted EBITDA	Adjusted earnings before interest, income taxes, depreciation and amortization (a non-GAAP financial measure)
Adjusted EBITDAR	Adjusted earnings before interest, income taxes, depreciation, amortization and rent (a non-GAAP financial measure)
Adjusted ROIC	Adjusted return on invested capital (a non-GAAP financial measure)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CODM	Chief operating decision maker
Estimated Non-recurring Charge	Estimated non-recurring credit-related charge recognized during the third quarter of 2018
Digital sales	Online and digitally assisted store sales, which include Online Order Pickup, Ship to Store and Style Board, a digital selling tool
EBIT	Earnings before interest and income taxes
EPS	Earnings per share
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
Express Services	Full-Price order pickups and returns offered at certain Nordstrom Rack stores
FASB	Financial Accounting Standards Board
Fiscal year 2019	52 fiscal weeks ended February 1, 2020
Fiscal year 2018	52 fiscal weeks ended February 2, 2019
Fiscal year 2017	53 fiscal weeks ended February 3, 2018
Fiscal year 2016	52 fiscal weeks ended January 28, 2017
Fiscal year 2015	52 fiscal weeks ended January 30, 2016
FLS	Full-line stores
Full-Price	Nordstrom U.S. FLS, Nordstrom.com, Canada, Trunk Club, Jeffrey and Nordstrom Local
GAAP	Generally accepted accounting principles
Generational Investments	NRHL, Canada, Trunk Club and Nordstrom NYC
Gross profit	Net sales less cost of sales and related buying and occupancy costs
Inventory turnover rate	Trailing 4-quarter cost of sales and related buying and occupancy costs divided by the trailing 4-quarter average inventory
Lease Standard	ASU No. 2016-02, Leases, and all related amendments (ASC 842)
LIBOR	London Inter-bank Offered Rate
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
Nordstrom Local	Nordstrom Local service hubs, which offer Full-Price order pickups, returns, alterations and other services
Nordstrom NYC	Our New York City flagship FLS, including the Men’s location
The Nordy Club	Our customer loyalty program enhanced in October 2018
NRHL	Nordstromrack.com/HauteLook
NYSE	New York Stock Exchange
Off-Price	Nordstrom U.S. Rack stores, NRHL and Last Chance clearance stores
Operating Lease Cost	Fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization
PCAOB	Public Company Accounting Oversight Board (United States)
Property incentives	Developer and vendor reimbursements
PSU	Performance share unit
Revenue Standard	ASU No. 2014-09, Revenue from Contracts with Customers, and all related amendments (ASC 606)
Revolver	Senior unsecured revolving credit facility
ROU asset	Operating lease right-of-use asset
RSU	Restricted stock unit
SEC	Securities and Exchange Commission
SERP	Unfunded defined benefit Supplemental Executive Retirement Plan
SG&A	Selling, general and administrative
Supply Chain Network	Fulfillment centers that primarily process and ship orders to our customers, distribution centers that primarily process and ship merchandise to our stores and other facilities and omni-channel centers that both fulfill customer orders and ship merchandise to our stores
Tax Act	Tax Cuts and Jobs Act
TD	Toronto-Dominion Bank, N.A.

PART I

Item 1. Business.

DESCRIPTION OF BUSINESS

Founded in 1901 as a retail shoe business in Seattle, Nordstrom later incorporated in Washington State in 1946 and went on to become one of the leading fashion retailers based in the U.S. We aspire to be the best fashion retailer in a digitally-connected world by remaining focused on our customers, serving them through our three strategic pillars: providing a compelling product offering, delivering outstanding services and experiences and leveraging the strength of the Nordstrom brand. We offer an extensive selection of high-quality brand-name and private label merchandise focused on apparel, shoes, cosmetics and accessories. No matter how customers choose to shop, we are committed to delivering the best possible service, product and experience, including alterations, order pickup, dining and styling, to make shopping fun, personalized and convenient.

We invested early in our omni-channel capabilities, integrating our operations, merchandising and technology across our stores and online, in both our Full-Price and Off-Price businesses. We have more than 60 combinations in which merchandise can be ordered, fulfilled and delivered. Though this has enabled us to serve customers in multiple ways, we are focused on providing a seamless experience for our customer across stores and online. We view our business as one reportable "Retail" segment, which aligns with how management operates, evaluates and views the results of our operations. For more information about our business and our reportable segments, see Item 7: MD&A and Note 16: Segment Reporting in Item 8.

As of March 20, 2020, our reportable segment, **Retail,** includes:

Full-Price

- 110 Nordstrom-branded FLS in the U.S.
- six FLS and six Rack stores in Canada
- Full-Price Nordstrom.com website and mobile application
- TrunkClub.com website and six Trunk Club clubhouses
- three Jeffrey boutiques
- five Nordstrom Locals

Our Full-Price operating segment is a combination of physical and digital retail assets. This combination of retail platforms and services allows us to provide our customers with a unique and seamless shopping experience, engaging them on their terms. We continue to evolve our Full-Price business, blurring the lines between the digital and in-store experience. This primarily includes traditional in-store and online shopping, ship-to or pickup from a store of choice, and try on at home and pay only for what is kept, among various other personalized services including convenient access to alterations.

As our Full-Price business evolves, our market strategy leverages our inventory to serve customers on their terms through investments in digital capabilities and in people, product and place. Our goal is to gain market share while driving customer engagement and inventory efficiencies. There are two elements to this strategy: first, we provide customers a greater selection of merchandise available for next-day pickup or delivery, without increasing inventory levels. Second, we are increasing engagement with customers by offering express services such as order pickup, returns and alterations at additional convenient locations. We accelerated our strategy to five of our top markets — New York, Los Angeles, Chicago, Dallas and San Francisco — in 2019 and will expand our strategy into five additional markets in 2020, including Philadelphia, Washington, D.C., Boston, Seattle and Toronto. In addition, we are integrating Trunk Club into Nordstrom full-line stores and Nordstrom.com to create a cohesive styling offering across Nordstrom and to gain efficiencies.

Off-Price

- 242 Off-Price Nordstrom Rack stores in the U.S.
- Off-Price NRHL website and mobile application
- two Last Chance clearance stores

In Off-Price, Nordstrom Rack and Nordstromrack.com purchase merchandise primarily from the same vendors carried in our Full-Price channel and also serve as outlets for clearance merchandise from the Full-Price channel. NRHL offers both a persistent selection of Off-Price merchandise, as well as limited-time flash sale events on fashion and lifestyle brands. Nordstromrack.com combines the technology expertise of HauteLook with the merchant expertise of Nordstrom Rack.

FISCAL YEAR

We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2019 and all years except 2017 within this document are based on a 52-week fiscal year, while 2017 is based on a 53-week fiscal year.

RETURN POLICY
We have a fair and reasonable approach to returns, handling them on a case-by-case basis with the ultimate objective of making our customers happy. We have no formal policy on how long we accept returns at Nordstrom FLS or Nordstrom.com. Our goal is to take care of our customers, which includes making returns and exchanges easy, whether in stores or online, where we offer free shipping on purchases and returns. Trunk Club accepts returns within five days of delivery, which are free for the customer if the items are returned in the box provided by Trunk Club with the original price tag and packaging. Trunks can also be returned at any Nordstrom FLS. Our Nordstrom Rack stores and NRHL generally accept returns of apparel, footwear, accessories and home products up to 45 days from the date of purchase or date of shipment with the original price tag and sales receipt. Off-Price merchandise can be returned by mail or at any Nordstrom Rack store location.

SEASONALITY
Our business, like that of other retailers, is subject to seasonal fluctuations. Our sales are typically higher during our Anniversary Sale in July and the holidays in the fourth quarter. Beginning in 2018, our Anniversary Sale occurred in our second fiscal quarter. In 2017, our Anniversary Sale occurred in the second and third fiscal quarters. Results for any one quarter are not indicative of the results that may be achieved for a full fiscal year.

WORKING CAPITAL
Our working capital requirements are funded primarily through cash flows generated from operations. In addition, we have access to the commercial paper market and can draw on our revolving credit facilities for working capital, capital expenditures and general corporate purposes. Consistent with our seasonal fluctuations, our working capital requirements have historically increased during the months leading up to the Anniversary sale and the holidays as we purchase inventory in anticipation of increased sales. Refer to the Liquidity and Capital Resources section in Item 7: MD&A for more detailed information.

LOYALTY PROGRAM
We evolved our customer loyalty program with the launch of The Nordy Club in October 2018, which incorporates a traditional point system and the favorite benefits of our previous program, while providing customers exclusive access to products and events, enhanced services, personalized experiences and more convenient ways to shop. Customers accumulate points based on their level of spending and type of participation. Upon reaching certain point thresholds, customers receive Nordstrom Notes, which can be redeemed for goods or services offered at Nordstrom FLS, Nordstrom.com, Nordstrom Rack and NRHL. Nordstrom cardmembers can also earn rewards at Trunk Club. The Nordy Club member benefits will vary based on the level of customer spend, and include Bonus Points days and shopping and fashion events.

We offer customers access to a variety of payment products and services, including a selection of Nordstrom-branded Visa® credit cards in the U.S. and Canada, as well as a Nordstrom-branded private label credit card for Nordstrom purchases. When customers use a Nordstrom-branded credit or debit card, they also participate in The Nordy Club and receive additional benefits, which can vary depending on the level of spend, including early access to the Anniversary Sale, Nordstrom to You (an in-home stylist) and incremental accumulation of points toward Nordstrom Notes.

COMPETITIVE CONDITIONS
We operate in a highly competitive business environment. We compete with other international, national, regional and local retailers, including internet-based businesses, omni-channel department stores, specialty stores, off-price stores and boutiques, which may carry similar lines of merchandise. Our specific competitors vary from market to market. We believe the keys to competing in our industry are what will always matter most to our customers: providing compelling product and outstanding service, both digitally and in stores, backed by people who care. This includes serving customers on their terms by providing a seamless digital and physical experience, offering compelling, curated and quality products across a range of price points, and strategically partnering with relevant and limited distribution brands, all in top markets.

SUPPLY CHAIN NETWORK
Our “Supply Chain Network” consists of:

- fulfillment centers that primarily process and ship orders to our customers
- distribution centers that primarily process and ship merchandise to our stores and other facilities
- omni-channel centers that both fulfill customer orders and ship merchandise to our stores.

We expanded our Supply Chain Network facilities and enhanced our inventory management systems to support our omni-channel capabilities and provide greater access to merchandise selection and faster delivery. We select locations and customize inventory allocations to enable merchandise to flow more efficiently and quickly to our customers. Full-Price online purchases are primarily shipped to our customers from our fulfillment centers but may also be shipped from our Nordstrom FLS, distribution centers or omni-channel centers. Full-Price in-store purchases are primarily fulfilled from that store’s inventory, but when inventory is unavailable at that store, it may also be shipped to our customers from our fulfillment centers, distribution centers, omni-channel centers, or from other Nordstrom FLS. Off-Price online purchases are shipped to our customers from our fulfillment centers and distribution centers. Both businesses selectively use vendor dropship to supplement their online offerings, which are then shipped directly from the vendor to the end customer.

Our first large-scale omni-channel center in Riverside, California will initially support our Full-Price customers in the West Coast region and is expected to open in Spring 2020. Off-Price inventory and fulfillment will be added to this facility in the future. Our smaller Local Omni-channel Hub in Torrance, California was opened in 2019 and supports the greater Los Angeles market as part of our market strategy and will have highly curated inventory that serves the specialized needs of that market.

INVENTORY
We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to our Anniversary Sale, which has historically extended over the last two weeks of July. We purchase and receive a larger amount of merchandise in the fall as we prepare for the holiday shopping season (from late November through December). At Nordstrom Rack, we invest in pack and hold inventory, which involves the strategic purchase of merchandise from some of our top Full-Price brands in advance of the upcoming selling seasons, to take advantage of favorable buying opportunities. This inventory is typically held for six months on average.

In order to offer merchandise that our customers want, we purchase from a wide variety of high-quality domestic and foreign suppliers. We also have arrangements with agents and contract manufacturers to produce our private label merchandise.

EMPLOYEES
During 2019, we employed approximately 68,000 employees on a full- or part-time basis. Due to the seasonal nature of our business, employment increased to approximately 75,000 in December 2019 due to the holidays. All of our employees are non-union. We believe our relationship with our employees is good.

TRADEMARKS
Our most notable trademarks include Nordstrom, Nordstrom Rack, HauteLook, Trunk Club, Halogen, BP., Zella, Caslon, 1901, Treasure & Bond and Tucker+Tate. Each of our trademarks is renewable indefinitely, provided it is still used in commerce at the time of the renewal.

SEC FILINGS
We file annual, quarterly and current reports, proxy statements and other documents with the SEC. The SEC maintains a website at SEC.gov that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC.

WEBSITE ACCESS
Our website address is Nordstrom.com. Our annual and quarterly reports on Form 10-K and Form 10-Q, current reports on Form 8-K, proxy statements, our executives’ statements of changes in beneficial ownership of securities on Form 4 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available for free on or through our website as soon as reasonably practicable after we electronically file the report with or furnish it to the SEC. Interested parties may also access a webcast of quarterly earnings conference calls and other financial events through our website.

CORPORATE RESPONSIBILITY
We continue to evolve our approach to corporate social responsibility to deliver on our core intention to leave it better than we found it.

We are reducing our greenhouse gas emissions by making regular investments in energy efficiency, renewable energy and fuel efficiency. We are making choices that help us conserve resources like water, paper and food. Recyclable paper and corrugated cardboard, our two largest waste streams, have continued to be recycled domestically. As a sign of our continued commitment, we are proud to have joined the G7 Fashion Pact, a new coalition of 56 fashion companies that is working to identify and promote goals that will reduce our impact on the climate, biodiversity and the oceans.

We are also including more sustainable products in our merchandise assortment and helping customers make responsible choices with items they are no longer using. We keep clothing out of landfills by extending their useful life, through our clothing donation program, and with the launch of our new Sustainable Style section on Nordstrom.com, customers can easily shop for products that use more sustainable raw materials and that are made in factories with higher social and environmental standards.

Through our charitable giving efforts, we support hundreds of nonprofit organizations and donate millions of dollars to organizations and programs that empower youth, support children and care for families. Our Nordstrom Made brand Treasure & Bond donates 2.5% of net sales to nonprofits that empower youth. In 2019, we made our largest-ever annual donation of more than $1 million, bringing our total Treasure & Bond donation to more than $5 million since the brand launched in 2014.

We are working to protect human rights for individuals across our value chain, from our employees to the people who manufacture the products we sell. In March of 2020, we announced a new goal to have 90% of our Nordstrom Made products be produced in factories that support women's empowerment by 2025. We formalized our Corporate Human Rights Commitment and have robust Partnership Guidelines to ensure we work with vendor partners who share our commitment to producing quality products through the use of ethical business practices. We are also committed to creating an inclusive environment where all employees can be themselves, contribute their ideas and do their best work. We are proud to have achieved 100% pay equity for employees of all genders and races, and we are close to achieving pay parity — median pay for women across the company being equal to the median pay for men.

For more information on our corporate responsibility strategy and efforts, please refer to the Sharing Our Progress report available at nordstromcares.com.

CORPORATE GOVERNANCE

We have a long-standing commitment to upholding a high level of ethical standards. In addition, we have adopted Codes of Business Conduct and Ethics for our employees, officers and directors and Corporate Governance Guidelines, which comply with the listing standards of the NYSE and SEC requirements. Our Codes of Business Conduct and Ethics, Corporate Governance Guidelines and Committee Charters for the following Board of Director Committees are available through our website:

- Audit and Finance
- Compensation, People and Culture
- Corporate Governance and Nominating
- Technology

Any amendments to these documents, or waivers of the requirements they contain, will also be available on our website.

For printed versions of these items or any other inquiries, please contact:

Nordstrom Investor Relations
1700 Seventh Avenue, Suite 1500
Seattle, Washington 98101
(206) 303-3200
invrelations@nordstrom.com

Item 1A. Risk Factors.

Our business faces many risks. We believe the risks described below outline the items of most concern to us. In evaluating Nordstrom and our business, you should carefully consider the following factors, in addition to the other information in this 2019 Annual Report. Before you buy our common stock or invest in our debt, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations, or reputation, which could cause our stock price to decline or a default on our debt payments, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.

RISKS DUE TO STRATEGIC AND OPERATIONAL FACTORS

Our inability to successfully execute our customer strategy or evolve our business model could negatively impact our business and future profitability and growth.
The retail environment is rapidly evolving. Customer shopping preferences continue to shift, including to digital channels, reducing traffic in malls, as well as the emergence of rental and recommerce companies and other brands that are not traditional retailers. In this changing landscape, we continue to focus on better serving our customers through our three strategic pillars: providing a compelling product offering, delivering exceptional services and experiences, and leveraging the strength of the Nordstrom brand. Our customer strategy focuses on providing a differentiated and seamless experience in a digital world across all Nordstrom businesses, including mobile and social channels. Our "One Nordstrom" model, in which engagement across our four boxes of Full-Price, Off-Price, Stores and Digital encourages more visits and more spend, allows for our company as a whole to be greater than the sum of the parts. Our market strategy is an example of this where we bring all of our assets together in one market to serve customers when, where and how they want by connecting physical and digital assets.

Our focus on the customer will require us to execute new supply chain capabilities and enhance existing ones, develop applications for electronic devices, improve customer-facing technology, deliver digitally purchased products timely, enhance inventory management systems and allow greater and more fluid inventory availability between digital and retail locations through our market strategy. In addition, these strategies will require further expansion and reliance on data science and analytics. This business model has a highly variable cost structure driven by fulfillment and marketing costs and will continue to require investments in cross-channel operations and supporting technologies.

If we do not successfully implement our customer strategy, including thoroughly understanding and delivering on our customer needs and wants, effectively integrating our stores and digital channels and scaling our market strategy, expanding our supply chain initiatives, and efficiently getting product to our customers, we may fall short of our customers' expectations, impacting our brand, reputation, profitability and growth.

Our business could suffer if we do not appropriately assess and react to competitive market forces and changes in customer behavior.
We compete with other international, national, regional and local retailers, including internet-based businesses, omni-channel department stores, specialty stores, off-price stores and boutiques, which may carry similar lines of merchandise. Digital channels continue to facilitate comparison shopping, intensifying competition in the retail market, and marketing digitally is controlled by a few key platforms. If we fail to adequately anticipate and respond to customer and market dynamics, we may lose market share or our ability to remain competitive, causing our sales and profitability to suffer. If the efficiency and allocation of loyalty marketing, advertising and promotional campaigns that attract customers through various programs and media, including digital media and print, is unsuccessful in influencing consumer behavior in our stores and digital channels, or if our competitors are more effective with their programs than we are, our growth and profitability could suffer. We also may not gather accurate and relevant data or effectively utilize that data, which may impact our strategic planning, marketing and loyalty programs and our overall decision making. In addition, if we do not efficiently scale our business, or if customers shift to digital channels at a different pace than we anticipate, we may need to quickly modify our initiatives and investments in our store and digital environments, or in our Full-Price and Off-Price businesses to accommodate changes in consumer behavior and expectations, which may adversely impact our growth and profitability.

Our customer relationships and sales may be negatively impacted if we do not anticipate and respond to consumer preferences and fashion trends or manage inventory levels appropriately.
Our ability to predict or respond to constantly changing fashion trends, consumer preferences and spending patterns significantly impacts our sales and operating results. In addition, we expanded our brand partnership model, including strategic brands, recommerce, wholesale, and vertical brands, to curate an assortment that offers newness. If we do not identify and respond to emerging trends in consumer spending and preferences quickly enough, identify the right partners that align with our customer strategy, or develop, evolve, and retain our team's talent, mindset and technical skills to support changing operating models, we may harm our ability to retain our existing customers or attract new customers. Ensuring we optimize our inventory and improve the planning and management of inventory through use of data and analytics is critical to serving the customer, driving growth and maximizing profitability. If we purchase too much inventory, we may be forced to sell our merchandise at lower average margins, which could harm our business. Conversely, if we fail to purchase enough merchandise, we may lose opportunities for additional sales and potentially harm relationships with our customers.

The investment in existing and new locations may not achieve our expected returns.
The locations of our existing stores, planned store openings and relocations and Supply Chain Network facilities are assessed based upon desirability, demographics and retail environment. In particular, we are expanding our market strategy, where we leverage and connect our physical and digital assets in one market to seamlessly serve our customer, and select physical locations to create synergies between our stores and our Supply Chain Network. Additionally, we must equip our locations with the proper processes, technology and tools for timely and accurate fulfillment and inventory replenishment. This involves certain risks, including properly balancing our capital investments between new stores, relocations, remodels, fulfillment capabilities, technology and digital channels, assessing the suitability of locations, in new domestic and international markets, and constructing, furnishing and supplying a store or facility in a timely and cost-effective manner, which may be affected by the actions of third parties, including but not limited to private entities and local, state or federal regulatory agencies.

Customers' expectations regarding speed of delivery are evolving. If we do not effectively integrate our physical and digital assets as part of our market strategy, or select locations to optimize our market strategy, we could incur significantly higher costs and shipping times that do not meet customer expectations, which in turn could have a material adverse effect on our business. Particularly in light of the changing trends between digital and brick-and-mortar shopping channels, sales at our stores or through our digital channels may not meet projections, which could adversely affect our return on investment. If we do not properly allocate capital expenditures between locations, or maintain them properly, customer expectations may not be met and we may lose sales.

Even if we take appropriate measures to use or safeguard our information, network and environment from security breaches, our customers, employees and business could still be exposed to risk.
Nordstrom, our subsidiaries and third-party providers access, collect, store and transmit sensitive and confidential Company, customer, and employee data and information, including consumer preferences and credit card information, all of which are subject to demanding and constantly changing privacy and security laws and regulations. A number of jurisdictions where we do business have enacted or are considering new privacy and data protection laws which impact our responsibilities with respect to this data, such as the California Consumer Privacy Act.

We have taken measures to help prevent a breach of our information and comply with cybersecurity requirements by implementing safeguards and procedures designed to protect the security, confidentiality and access of such information. In addition, where possible, we require our third-party providers to implement administrative, physical and technical safeguards and procedures. We, and several of our vendors, have suffered breaches of our cybersecurity in the past and are at risk for such breaches in the future.

Any measures we or our third-party providers have implemented to prevent intentional or inadvertent information security breaches may not be completely effective. Security breaches and cyber incidents and their remediation, whether at Nordstrom, our third-party providers or other retailers, could expose us to a risk of loss or unauthorized release of customer, employee or Company confidential information, litigation, investigation, regulatory enforcement action, penalties and fines, orders to stop any alleged noncompliant activity, information technology system failures or network disruptions, increased cyber-protection and remediation costs, financial losses, potential liability, or loss of customers', employees' or third-party providers' trust and business, any of which could adversely impact our reputation, competitiveness and financial performance. Concerns about our practices with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our operating results.

Our business may be impacted by information technology system failures or network disruptions.
Our ability to transact with customers and operate our business depends on the efficient operation of various information systems, including data centers, hardware, software and applications, to manage certain aspects of our Company, including store and online transactions, logistics and communication, inventory and reporting systems. We seek to build quality systems, select reputable system vendors and implement procedures intended to enable us to protect our systems when we modify them. We test our systems to address vulnerabilities and train our employees regarding practices to protect the safety of our systems.

There are inherent risks associated with modifying or replacing systems, and with new or changed relationships, including accurately capturing and maintaining data, realizing the expected benefit of the change and managing the potential disruption of the operation of the systems as the changes are implemented. Potential issues associated with implementing technology initiatives and the time and resources required to optimize the benefits of new elements of our systems and infrastructure could reduce the efficiency of our operations in the short term.

If we encounter an interruption or deterioration in critical systems or processes or experience the loss of critical data, which may result from security or cybersecurity threats or attacks, natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or third-party or other disruptions, our business could be harmed or our digital activity may decrease because it is more difficult to use. Depending on the severity of the failure, our disaster recovery plans may be inadequate or ineffective. These events could also damage our reputation, result in loss of sales and be expensive to remedy.

Improvements to our merchandise buying and fulfillment processes and systems could adversely affect our business if not successfully executed.
Our business depends on accuracy throughout our product flow process. We are making investments to streamline and standardize our merchandise planning, procurement, allocation and fulfillment capabilities through changes in personnel, processes, location logistics and technology. If we encounter challenges associated with change management, inventory integrity and implementation of associated information technology or adoption of new processes, features or capabilities, our ability to continue to successfully execute our strategy or evolve our strategy with changes in the retail environment could be adversely affected. Or, if we are unable to maintain accurate, reliable and effective inventory tracking systems, it may result in canceled orders and we may not derive the expected benefits to our sales and profitability, or we may incur increased costs relative to our current expectations.

Our customer, employee and vendor relationships could be negatively affected if we fail to maintain our corporate culture and reputation.
We have a well-recognized culture and reputation that consumers may associate with a high level of integrity, customer service and quality merchandise, and it is one of the reasons customers shop with us and employees choose us as a place of employment. Any significant damage to our reputation, including damages arising from our business or privacy practices, or factors outside our control or on social media, could diminish customer trust, weaken our vendor relationships, reduce employee morale and productivity and lead to difficulties in recruiting and retaining qualified employees. Additionally, management may not accurately assess the impact of significant legislative changes, including those that relate to privacy, employment matters and health care, impacting our relationship with our customers or our workforce and adversely affecting our sales and operations.

If we do not effectively design and implement our strategic and business planning processes to attract, retain, train and develop talent and future leaders, our business may suffer.
We rely on the experience of our senior management, who have specific knowledge relating to us and our industry that is difficult to replace, to execute our business strategies and objectives. We have succession plans in place and our Board of Directors reviews these succession plans. If our succession plans do not adequately cover significant and unanticipated turnover, the loss of the services of any of these individuals, or any resulting negative perceptions of our business, could damage our reputation and our business.

Additionally, our success depends on the talents and abilities of our workforce in all areas of our business, especially personnel that can adapt to complexities and grow their skillset across the changing environment. Our ability to successfully execute our customer strategy depends on acquiring, developing and retaining qualified talent with diverse sets of skills. If we are unable to offer competitive compensation and benefits, appropriate training, or a compelling work environment, our culture may be adversely affected, our reputation may be damaged, and we may incur costs related to turnover.

Our program agreement with TD, or changes to that agreement, could adversely impact our business.
The program agreement with TD was consummated on terms that allow us to maintain customer-facing activities while TD provides Nordstrom-branded payment methods and payment processing services. If we fail to meet certain service levels, TD has the right to assume certain individual servicing functions including managing accounts and collection activities. If we lose control of such activities and functions, if we do not successfully respond to potential risks and appropriately manage potential costs associated with the program agreement with TD, or if these transactions negatively impact the customer service associated with our cards, resulting in harm to our business reputation and competitive position, our operations, cash flows and returns to shareholders could be adversely affected. The program agreement requires us to hold collateral depending on our credit ratings and as a result, a significant downgrade may adversely affect our liquidity and cash flow position. If, upon expiration of our current program agreement in 2022, a new contract has less favorable terms, our results could be negatively impacted. If TD became unwilling or unable to provide these services or if there are changes to the risk management policies implemented under our program agreement with TD, our results may be negatively impacted. If we lose control over certain servicing functions and TD is unable to successfully manage accounts and collection activities, it may heighten the risk of credit losses.

Owning and leasing real estate exposes us to possible liabilities and losses.
We own or lease the land, buildings and equipment for all of our stores and Supply Chain Network facilities and are therefore subject to all of the risks associated with owning and leasing real estate. In particular, the value of the assets could decrease, their operating costs could increase, or a store or facility may not be opened as planned due to changes in the real estate market, demographic trends, site competition, dependence on third-party performance or overall economic environment. Additionally, we are potentially subject to liability for environmental conditions, exit costs associated with disposal of a store and commitments to pay base rent for the entire lease term or operate a store for the duration of an operating covenant.

If we fail to appropriately manage our capital, we may negatively impact our operations and shareholder return.
We utilize working capital to finance our operations, make capital expenditures and acquisitions, manage our debt levels and return value to our shareholders through dividends and share repurchases. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict access to a potential source of liquidity. A deterioration in our capital structure or the quality and stability of our earnings could result in noncompliance with our debt covenants or a downgrade of our credit rating, constraining the financing available to us. If our access to financing is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted. Further, if we do not properly allocate our capital to maximize returns, our operations, cash flows and returns to shareholders could be adversely affected.

The concentration of stock ownership in a small number of our shareholders may limit a shareholder’s ability to influence corporate matters and impact the price of our shares.
We have regularly reported in our annual proxy statements the holdings of members of the Nordstrom family, including Bruce A. Nordstrom, our former Co-President and Chairman of the Board, his sister Anne E. Gittinger and members of the Nordstrom family within our Executive Team. As of February 29, 2020, these individuals beneficially owned an aggregate of approximately 31% of our common stock. As a result, either individually or acting together, they may be able to exercise considerable influence over matters requiring shareholder approval, including the election of directors or other matters impacting our management or corporate governance. In addition, as reported in our periodic filings, our Board of Directors has from time to time authorized share repurchases. While these share repurchases may be offset in part by share issuances under our equity incentive plans and as consideration for acquisitions, the repurchases may nevertheless have the effect of increasing the overall percentage ownership held by these shareholders. The corporate law of the State of Washington, where the Company is incorporated, provides that approval of a merger or similar significant corporate transaction requires the affirmative vote of two-thirds of a company’s outstanding shares. The interests of these shareholders may differ from the interests of our shareholders as a whole, and the beneficial ownership of these shareholders may have the effect of discouraging offers to acquire us, delay or otherwise prevent a significant corporate transaction because the consummation of any such transaction would likely require their approval. As a result of any of these factors, the market price of our common stock may be affected.

RISKS DUE TO ECONOMIC AND EXTERNAL MARKET FACTORS

Our revenues and operating results are affected by the seasonal nature of our business and cyclical trends in consumer spending.
Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Due to our Anniversary Sale in July and the holidays in the fourth quarter, our sales are typically higher in the second and fourth quarters than in the first and third quarters of the fiscal year. Any factor that negatively impacts these selling seasons could have an adverse and disproportionate effect on our results of operations for the entire year. To provide shareholders a better understanding of management’s expectations surrounding results, we provide public outlook on our expected operating and financial results for future periods comprised of forward-looking statements subject to certain risks and uncertainties.

A downturn in economic conditions and other external market factors could have a significant adverse effect on our business and stock price.
During economic downturns, including any potential impacts from COVID-19, fewer customers may shop for the high-quality items in our stores and on our websites, as these products may be seen as discretionary, and those who do shop may limit the amount of their purchases. This reduced demand may lead to lower sales, higher markdowns and an overly promotional environment or increased marketing and promotional spending.

Additionally, factors such as results differing from guidance, changes in sales and operating income in the peak seasons, changes in our market valuations, performance results for the general retail industry, announcements by us or our industry peers or changes in analysts’ recommendations may cause volatility in the price of our common stock and our shareholder returns.

Our stores located in shopping centers may be adversely affected by any declines in consumer traffic of shopping centers.
The majority of our stores are located within shopping centers and benefit from the abilities that we and other anchor tenants have to generate consumer traffic. A substantial decline in shopping center traffic, the development of new shopping centers, the lack of availability of favorable locations within existing or new shopping centers, the success of individual shopping centers and the success of other anchor tenants may negatively impact our ability to maintain or grow our sales in existing stores, as well as our ability to open new stores, which could have an adverse effect on our financial condition or results of operations.

Our business depends on third parties for the production, supply or delivery of goods, and a disruption could result in lost sales or increased costs.
Timely receipts of quality merchandise from third parties is critical to our business. Our process to identify qualified vendors and access quality products in an efficient manner on acceptable terms and cost can be complex. Violations of law with respect to quality and safety by our importers, manufacturers or distributors could result in delays in shipments and receipt of goods or damage our reputation, resulting in lost sales. These vendors may experience supply chain or port disruptions or other difficulties due to economic, political, environmental or epidemic conditions. The countries in which merchandise is manufactured could become subject to new trade restrictions, including increased customs restrictions, tariffs or quotas. Additionally, changes in tax and trade policies that impact the retail industry, such as increased taxation on imported goods, could have a material adverse effect on our business, results of operations and liquidity.

The results from our credit card operations could be adversely affected by changes in market conditions or laws.
Revenues earned under our program agreement with TD are indirectly subject to economic and market conditions that are beyond our control, including, but not limited to, interest rates, consumer credit availability, demand for credit, consumer debt levels, payment patterns, delinquency rates, employment trends, laws and other factors. Changes in these economic and market conditions could impair our revenues and profitability.

Our business and operations could be materially and adversely affected by severe weather patterns, natural disasters, widespread pandemics, epidemics and other natural or man-made economic, political or environmental disruptions.
Disruptions could cause, among other things, a decrease in consumer spending that would negatively impact our sales, staffing shortages in our stores, Supply Chain Network facilities or corporate offices, interruptions in the flow of merchandise to our stores, disruptions in the operations of our merchandise vendors or property developers, increased costs and a negative impact on our reputation and long-term growth plans. We have a significant amount of our total sales, stores and square footage in the west coast of the United States, particularly in California, where we have experienced earthquakes, wildfires and power outages and shortages that increase our exposure to any market-disrupting conditions in this region.

Our business may be materially and adversely affected by the spread of the novel coronavirus COVID-19.
A novel strain of coronavirus, COVID-19, that was first identified in China in December 2019, has surfaced in several regions across the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. Many of our vendors either produce their products or source component parts of their products from affected areas. As a result, the business disruptions caused by the spread of COVID-19 may impact our ability to timely acquire the products we sell to our customers and our business may be adversely affected. In addition, public concern regarding the risk of contracting COVID-19 may itself materially and adversely affect our business, as customers may be unwilling to visit many of the high-traffic locations in which we operate our stores for fear of being exposed to the virus. Finally, COVID-19 has been found in the Seattle metropolitan area where we maintain our corporate headquarters and have a significant number of employees.

Accordingly, we have implemented a number of protective measures throughout our Company, including increasing the frequency and extent of cleaning and disinfecting in our stores and other locations, restricting travel, limiting large gatherings, and encouraging use of telecommuting among our corporate staff, all in an effort to help limit the spread of the virus. Effective March 17, 2020, we announced the temporary closure of our stores in the U.S. and Canada, including our FLS, Nordstrom Rack stores, Trunk Club clubhouses and Jeffrey boutiques in response to the increased impact from COVID-19. We have also temporarily closed one of our distribution centers to comply with a shelter-in-place order. While this is expected to be temporary, we will determine the actual duration of the closure based on available information at that time. We continue to monitor the rapidly evolving situation and guidance from federal, state and local public health authorities and may take additional actions based on their recommendations. The further spread of COVID-19, and the requirement to take action to limit the spread of the illness, will impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations and financial condition, including on our potential to conduct financings on terms acceptable to us, if at all.

RISKS DUE TO LEGAL AND REGULATORY FACTORS

We are subject to certain laws, litigation, regulatory matters and ethical standards, and compliance or our failure to comply with or adequately address developments as they arise could adversely affect our reputation and operations.
Our policies, procedures and practices and the technology we implement are designed to comply with applicable federal, state, local and foreign laws, tariffs, rules and regulations, including those imposed by federal, state and local jurisdictions, the SEC, consumer protection and other regulatory agencies, the marketplace, and foreign countries, as well as responsible business, social and environmental practices, all of which may change from time to time. Compliance with laws and regulations and/or significant legislative changes may cause our business to be adversely impacted, or even limit or restrict the activities of our business. In addition, if we fail to comply with applicable laws and regulations or implement responsible business, social, environmental and supply chain practices, we could be subject to damage to our reputation, class action lawsuits, regulatory investigations, legal and settlement costs, charges and payments, civil and criminal liability, increased cost of regulatory compliance, losing our ability to accept credit and debit card payments from our customers, restatements of our financial statements, disruption of our business and loss of customers. New and emerging privacy and data protection laws may increase compliance expenses and limit business opportunities and strategic initiatives, including customer engagement. Any required changes to our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal, state and foreign tax laws, which may affect our tax assets or liabilities and adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 requires management assessments of the effectiveness of our internal controls over financial reporting through documenting, testing, monitoring and enhancement of internal control over financial reporting. If we fail to implement or maintain adequate internal controls, we may not produce reliable financial reports or fail to prevent or detect financial fraud, which may adversely affect our financial position, investor confidence or our stock price.

Changes to accounting rules and regulations could affect our financial results or financial condition.
Accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of accounting matters that are relevant to our business, including, but not limited to, revenue recognition, merchandise inventories, leasing, impairment of long-lived assets and tax matters are highly complex and involve subjective assumptions, estimates and judgments. Changes in these rules and regulations, changes in our interpretation of the rules or regulations or changes in underlying assumptions, estimates or judgments could adversely affect our financial performance or financial position.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table summarizes the number of retail stores we own or lease, and the percentage of total store square footage represented by each listed category as of February 1, 2020:

	Number of stores		
	Full-Price	**Off-Price**	**% of total store square footage**
Leased stores on leased land	**41**	**243**	**45%**
Owned stores on leased land	**60**	**—**	**35%**
Owned stores on owned land	**33**	**1**	**18%**
Partly owned and partly leased stores	**2**	**—**	**2%**
Total	**136**	**244**	**100%**

The following table summarizes our store count and square footage activity:

	Store count		Square footage (000's)	
Fiscal year	**2019**	**2018**	**2019**	**2018**
Total, beginning of year	**379**	366	**30,385**	30,218
Store openings[1]:				
Full-Price	**3**	10	**513**	277
Off-Price	**5**	6	**147**	170
Stores closed	**(7)**	(3)	**(847)**	(280)
Total, end of year	**380**	379	**30,198**	30,385
Relocations and other[1]	**1**	1	**34**	(5)

[1] Store opening square footage includes adjustments due to store relocations or remodels.

The following table lists our retail store count and square footage by state/province as of February 1, 2020:

Business	Full-Price		Off-Price		Total	
	Count	Square Footage (000's)	Count	Square Footage (000's)	Count	Square Footage (000's)
U.S.						
Alabama	—	—	1	35	**1**	**35**
Alaska	—	—	1	35	**1**	**35**
Arizona	2	384	9	313	**11**	**697**
California	34	5,081	55	2,022	**89**	**7,103**
Colorado	3	559	7	239	**10**	**798**
Connecticut	2	341	1	36	**3**	**377**
Delaware	1	127	1	32	**2**	**159**
Florida	8	1,262	16	545	**24**	**1,807**
Georgia	3	395	4	153	**7**	**548**
Hawaii	1	195	2	78	**3**	**273**
Idaho	—	—	1	37	**1**	**37**
Illinois	5	973	16	594	**21**	**1,567**
Indiana	1	134	2	60	**3**	**194**
Iowa	—	—	1	35	**1**	**35**
Kansas	1	219	1	35	**2**	**254**
Kentucky	—	—	1	33	**1**	**33**
Louisiana	—	—	3	90	**3**	**90**
Maine	—	—	1	30	**1**	**30**
Maryland	4	765	6	219	**10**	**984**
Massachusetts	5	604	7	266	**12**	**870**
Michigan	2	430	5	178	**7**	**608**
Minnesota	2	380	5	173	**7**	**553**
Missouri	2	342	2	69	**4**	**411**
Nevada	1	207	3	101	**4**	**308**
New Jersey	5	991	8	284	**13**	**1,275**
New Mexico	—	—	1	34	**1**	**34**
New York	7	878	12	430	**19**	**1,308**
North Carolina	2	300	2	74	**4**	**374**
Ohio	3	549	6	224	**9**	**773**
Oklahoma	—	—	2	67	**2**	**67**
Oregon	3	484	6	218	**9**	**702**
Pennsylvania	2	381	7	240	**9**	**621**
Puerto Rico	1	143	—	—	**1**	**143**
Rhode Island	—	—	1	38	**1**	**38**
South Carolina	—	—	3	101	**3**	**101**
Tennessee	1	145	2	69	**3**	**214**
Texas	10	1,580	18	613	**28**	**2,193**
Utah	2	277	4	130	**6**	**407**
Virginia	3	580	7	268	**10**	**848**
Washington	6	1,270	9	354	**15**	**1,624**
Washington D.C.	1	8	3	107	**4**	**115**
Wisconsin	1	150	2	67	**3**	**217**
Canada						
Alberta	3	208	—	—	**3**	**208**
British Columbia	1	231	—	—	**1**	**231**
Ontario	8	899	—	—	**8**	**899**
Total	**136**	**21,472**	**244**	**8,726**	**380**	**30,198**

Our Supply Chain Network includes the following locations:

- eight owned locations (Portland, Oregon; Dubuque, Iowa; Ontario, California; Newark, California; Upper Marlboro, Maryland; Gainesville, Florida; Cedar Rapids, Iowa and Elizabethtown, Pennsylvania),
- two leased locations (Torrance, California and San Bernardino, California).

Our headquarters are located in Seattle, Washington, where our offices consist of both leased and owned space. We also have four leased office facilities (Chicago, Illinois; Centennial, Colorado; Los Angeles, California and New York City, New York).

In 2020, we expect to open:

- one omni-channel center (Riverside, California),
- two Nordstrom Rack stores (Tacoma, Washington and Langley, British Columbia).

Item 3. Legal Proceedings.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits alleging violations of state and/or federal wage and hour and other employment laws, privacy and other consumer-based claims. Some of these lawsuits include certified classes of litigants, or purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We believe the recorded accruals in our Consolidated Financial Statements are adequate in light of the probable and estimable liabilities. As of the date of this report, we do not believe any currently identified claim, proceeding or litigation, either alone or in the aggregate, will have a material impact on our results of operations, financial position or cash flows. Since these matters are subject to inherent uncertainties, our view of them may change in the future.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

MARKET AND SHAREHOLDER INFORMATION

Our common stock, without par value, is traded on the New York Stock Exchange under the symbol “JWN.” The approximate number of holders of common stock as of March 11, 2020 was 148,000, based upon the number of registered and beneficial shareholders and the number of employee shareholders in the Nordstrom 401(k) Plan. On this date, we had 156,346,167 shares of common stock outstanding.

For cash dividends declared and paid per share for each fiscal quarter in 2019 and 2018, refer to Note 17: Selected Quarterly Data in Item 8.

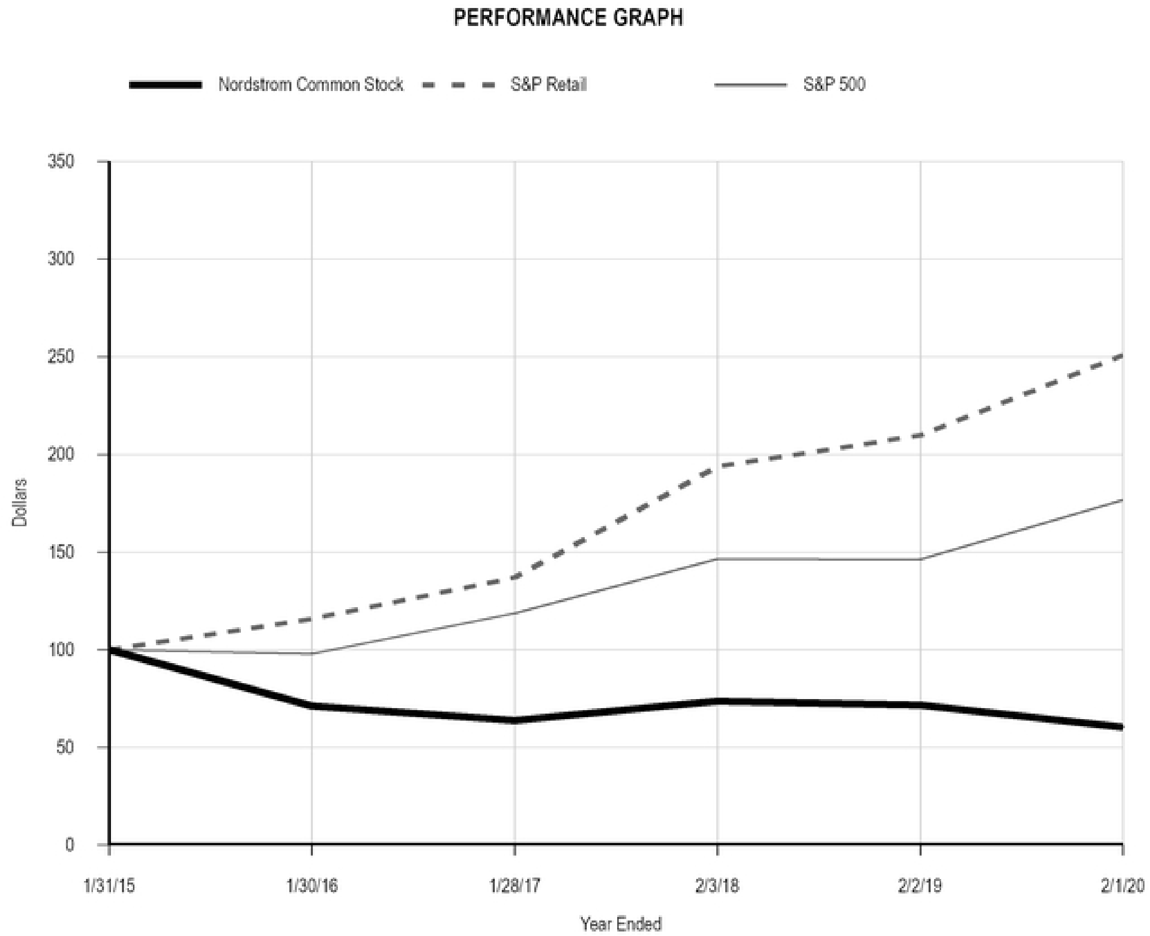
SHARE REPURCHASES

(Dollar and share amounts in millions, except per share amounts)

In August 2018, our Board of Directors authorized a program to repurchase up to $1,500 of our outstanding common stock, with no expiration date. During the fourth quarter of 2019, we did not repurchase any shares of our common stock and we had $707 remaining in share repurchase capacity as of February 1, 2020. The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to market and economic conditions and applicable SEC rules.

STOCK PRICE PERFORMANCE

The following graph compares the cumulative total return of Nordstrom common stock, Standard & Poor's Retail Index ("S&P Retail") and Standard & Poor's 500 Index ("S&P 500") for each of the last five fiscal years, ended February 1, 2020. The Retail Index is composed of 26 retail companies, including Nordstrom, representing an industry group of the S&P 500. The following graph assumes an initial investment of $100 each in Nordstrom common stock, S&P Retail and the S&P 500 on January 31, 2015 and assumes reinvestment of dividends.



End of fiscal year	2014	2015	2016	2017	2018	2019
Nordstrom common stock	100	71	64	74	72	**60**
S&P Retail	100	116	137	194	210	**251**
S&P 500	100	98	119	146	146	**177**

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Item 6. Selected Financial Data.

(Dollars in millions except per square foot and per share amounts)

The following selected financial data are derived from the audited Consolidated Financial Statements and should be read in conjunction with Item 1A: Risk Factors, Item 7: MD&A and Item 8: Financial Statements and Supplementary Data of this 2019 Annual Report.

Fiscal year	2019	2018	2017	2016	2015
Earnings Results					
Net sales	**$15,132**	$15,480	$15,137	$14,498	$14,095
Credit card revenues, net	**392**	380	341	259	342
EBIT[1]	**784**	837	926	805	1,101
Net earnings[1,2]	**496**	564	437	354	600
Balance Sheet and Cash Flow Data					
Cash and cash equivalents	**$853**	$957	$1,181	$1,007	$595
Merchandise inventories	**1,920**	1,978	2,027	1,896	1,945
Total assets[3]	**9,737**	7,886	8,115	7,858	7,698
Total long-term debt	**2,676**	2,685	2,737	2,774	2,805
Net cash provided by operating activities[4]	**1,236**	1,296	1,400	1,658	2,470
Capital expenditures	**935**	654	731	846	1,082
Performance Metrics					
Net sales (decrease) increase	**(2.2%)**	2.3%	4.4%	2.9%	7.5%
Digital sales as % of net sales	**33.0%**	30.0%	27.0%	24.0%	21.0%
EBIT % of net sales[1,2]	**5.2%**	5.4%	6.1%	5.6%	7.8%
Capital expenditures % of net sales	**6.2%**	4.2%	4.8%	5.8%	7.7%
Return on assets[3]	**5.1%**	6.8%	5.4%	4.5%	6.6%
Adjusted ROIC[3,5]	**10.8%**	12.0%	9.7%	8.4%	10.7%
Per Share Information					
Earnings per diluted share[1,2,6]	**$3.18**	$3.32	$2.59	$2.02	$3.15
Dividends declared per share[4]	**1.48**	1.48	1.48	1.48	6.33

[1] In the fourth quarter of 2019, we incurred charges related to the integration of Trunk Club and debt refinancing costs, which reduced net earnings by $29, or $0.19 per diluted share. The integration charges reduced earnings before interest and income taxes by $32 and debt refinancing costs increased interest expense by $8.
[2] Results for 2018 include the Estimated Non-recurring Charge of $72, or $0.28 per diluted share. See Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8.
[3] Amounts were impacted by the 2019 adoption of the Lease Standard. As a result, return on assets was negatively impacted by approximately 120 basis points and Adjusted ROIC was negatively impacted by approximately 40 basis points. See Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8.
[4] Amounts were impacted by the 2015 and 2017 credit card receivable transactions. As a result of the transaction, the dividends paid in 2015 included a special cash dividend of $4.85 per share. For further information regarding these impacts, see Note 4: Credit Card Receivable Transaction.
[5] See Adjusted ROIC (non-GAAP financial measures) in Item 7: MD&A for additional information and reconciliation to the most directly comparable GAAP financial measure.
[6] Earnings per diluted share included the impacts associated with the Tax Act of $0.25 per share in 2017 and the Trunk Club goodwill impairment charge of $1.12 per share in 2016.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except percentages and per share amounts, except where noted otherwise)

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements and should be read in conjunction with Item 1A: Risk Factors, Item 6: Selected Financial Data, our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this 2019 Annual Report, before deciding to purchase, hold or sell shares of our common stock.

OVERVIEW

We strive to serve customers seamlessly across multiple touchpoints, which includes our two brands — Nordstrom and Nordstrom Rack — both in stores and online. We have a high-quality store portfolio with 95% of our 116 FLS located in “A” malls and most of our 248 Nordstrom Racks in off-mall centers. Our established and growing digital business now makes up one-third of sales. Roughly 30% of our customers are shopping across more than one of these touchpoints. And as a result of this engagement, we know these customers spend four to 11 times more on average.

In 2019, net earnings were $496, or $3.18 per diluted share, which included $0.19 of charges primarily related to the integration of Trunk Club as part of our market strategy and debt refinancing costs. Our net sales decrease of 2.2% started with the first half of the year below expectations, while we improved sales trends in the second half across our Full-Price and Off-Price businesses. We made tremendous progress executing our market strategy, accelerating our sales trends, and maintaining our inventory and expense discipline, including the following:

- Customer Satisfaction — Meaningfully improved customer satisfaction scores in many areas of our business and during our two key events — Anniversary Sale and Holiday.
- Market Strategy — Accelerated the rollout of our market strategy to five of our top markets and significantly expanded our presence in the New York market with our NYC flagship opening.
- Top-Line Trends — Successfully executed plans to drive our top-line as evidenced by a 400 basis-point improvement in the second half of the year relative to the first half.
- Operating Discipline — Realized $225 in savings, exceeding our plans by 10%, maintained a positive sales and inventory spread for four straight quarters and generated annual operating cash flow of more than one billion dollars for the 11th consecutive year.

Our market strategy and the strength of our digital and physical assets allows us to better serve customers while increasing efficiencies. In 2020, we’re focused on scaling in 10 of our top markets, which represent more than half of our sales. As we continue into 2020, we remain focused on connecting with customers and serving them on their terms to position ourselves for long-term success.

RESULTS OF OPERATIONS

In our ongoing effort to enhance the customer experience, we are focused on providing customers with a seamless experience across our businesses. We invested early in our omni-channel capabilities, integrating our operations, merchandising and technology across our stores and online, in both our Full-Price and Off-Price businesses. While our customers may engage with us through multiple businesses, we know they value the overall Nordstrom brand experience and view us simply as Nordstrom, which is ultimately how we view our company. We have one Retail reportable segment and analyze our results on a total company basis.

We measure our performance through customer, market share, operational and net sales metrics. As this is how we measure our performance, and as the change in comparable sales approximates the change in net sales in 2019, we only report changes in net sales.

In 2019, we adopted the SEC's rule of *FAST Act Modernization and Simplification of Regulation S-K*. In accordance with this new standard, we limit our presentation and discussion below to the two most recent fiscal years. For our comparison and discussion of 2018 and 2017, see Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II of our 2018 Annual Report, which we filed with the SEC on March 18, 2019.

Net Sales

The following table summarizes net sales by business:

Fiscal year	2019	2018
Net sales by business:		
Full-Price	**$9,943**	$10,299
Off-Price	**5,189**	5,181
Total net sales	**$15,132**	$15,480
Net sales (decrease) increase by business:		
Full-Price[1]	**(3.5%)**	(1.5%)
Off-Price[2]	**0.2%**	4.5%
Total Company[3]	**(2.2%)**	2.3%
Digital sales as % of total net sales	**33%**	30%
Digital sales increase	**7%**	15%

[1] Prior year Full-Price net sales included a decrease of approximately 300 basis points in 2018 due primarily to loyalty related adjustments and the 53rd week in 2017.
[2] Prior year Off-Price net sales included a decrease of approximately 250 basis points in 2018 due primarily to the 53rd week and loyalty related adjustments in 2017.
[3] Prior year net sales included a decrease of approximately 150 basis points in 2018 due to the 53rd week in 2017.

In 2019, total Company net sales decreased 2.2%, compared with 2018. While net sales decreased, we successfully executed plans to drive our top-line in the second half of the year due to our loyalty, digital marketing and merchandising programs. Digital sales increased 7% compared with 2018 and order pickup as a percentage of digital sales increased compared with 2018.

During the year, we expanded Nordstrom NYC with the opening of our flagship store, which is a cornerstone of our market strategy. In addition, we opened one FLS, five Nordstrom Rack stores and two Nordstrom Locals. We closed six Nordstrom FLS and one Nordstrom Rack store.

Full-Price net sales decreased 3.5%, compared with 2018. Full-Price sales reflected a decrease in the number of items sold, partially offset by an increase in the average selling price per item sold. Shoes was the top-performing merchandise category.

Off-Price net sales increased 0.2%, compared with 2018. Off-Price sales reflected an increase in the average selling price per item sold, partially offset by a decrease in the number of items sold. Men's was the top-performing merchandise category.

Credit Card Revenues, Net

Credit card revenues, net include our portion of the ongoing credit card revenue, net of credit losses, pursuant to our program agreement with TD. TD is the exclusive issuer of our consumer credit cards and we perform the account servicing functions. Credit card revenues, net were $392 in 2019, compared with $380 in 2018, increasing $12 primarily as a result of our strategic partnership with TD to responsibly grow our receivables and associated revenues as well as efforts to drive new account growth.

Gross Profit
The following table summarizes gross profit:

Fiscal year	2019	2018
Gross profit	**$5,200**	$5,325
Gross profit as a % of net sales	**34.4%**	34.4%
Inventory turnover rate	**4.79**	4.70

Our gross profit decreased $125 primarily from lower sales volume, while the rate remained flat compared with 2018. This reflected increased merchandise margins, offset by higher costs from growth in our loyalty program and planned occupancy costs related to the NYC flagship store.

Ending inventory as of February 1, 2020 decreased 2.9% compared with prior year, marking four consecutive quarters of sales growing faster than inventory. Our continued focus on inventory execution led to improvements in inventory turnover rate in 2019, particularly in Off-Price.

Selling, General and Administrative Expenses
SG&A is summarized in the following table:

Fiscal year	2019	2018
SG&A expenses	**$4,808**	$4,868
SG&A expenses as a % of net sales	**31.8%**	31.5%

Our SG&A rate increased 32 basis points and decreased $60 in 2019 compared with 2018. We recorded charges of $32 in 2019 primarily related to the integration of Trunk Club to create a cohesive styling offering across Full-Price and to gain efficiencies. Excluding the integration charges in 2019 and the Estimated Non-recurring Charge in 2018 of $72, SG&A rate increased by approximately 60 basis points, driven primarily by deleverage of fixed costs from lower sales volume. SG&A decreased $20 compared with 2018 due to our progress in reducing our fixed expense structure, partially offset by higher costs to drive sales, including fulfillment and marketing.

Earnings Before Interest and Income Taxes
EBIT is summarized in the following table:

Fiscal year	2019	2018
EBIT	**$784**	$837
EBIT as a % of net sales	**5.2%**	5.4%

EBIT decreased $53 in 2019 compared with 2018, primarily due to lower sales volume. Excluding the integration charges of $32 in 2019 and the Estimated Non-recurring Charge of $72 in 2018, EBIT margin deleveraged by approximately 50 basis points from lower sales volume.

Interest Expense, Net
Interest expense, net is summarized in the following table:

Fiscal year	2019	2018
Interest on long-term debt and short-term borrowings	**$151**	$146
Less:		
Interest income	**(10)**	(15)
Capitalized interest	**(39)**	(27)
Interest expense, net	**$102**	$104

Interest expense, net decreased $2 in 2019 compared with 2018 primarily due to higher capitalized interest in 2019 associated with our NYC flagship store and Supply Chain Networks, partially offset by $8 of debt refinancing costs.

Income Tax Expense

Income tax expense is summarized in the following table:

Fiscal year	2019	2018
Income tax expense	**$186**	$169
Effective tax rate	**27.3%**	23.1%

The following table illustrates the components of our effective tax rate:

Fiscal year	2019	2018
Statutory rate	**21.0%**	21.0%
Tax Act impact	**—**	(0.1%)
State and local income taxes, net of federal income taxes	**5.4%**	5.8%
Federal credits	**(0.9%)**	(1.5%)
Valuation allowance release	**—%**	(1.2%)
Other, net	**1.8%**	(0.9%)
Effective tax rate	**27.3%**	23.1%

The increase in the effective tax rate for 2019 compared with 2018 was primarily due to lower tax benefits from stock compensation and one-time tax benefits recognized in 2018 associated with the release of a foreign valuation allowance (see Note 14: Income Taxes in Item 8).

Earnings Per Share

EPS is as follows:

Fiscal year	2019	2018
Basic	**$3.20**	$3.37
Diluted	**$3.18**	$3.32

Diluted EPS decreased $0.14 in 2019 compared with 2018. Excluding $0.19 of charges related to the integration of Trunk Club and debt refinancing costs in 2019 and the Estimated Non-recurring Charge of $0.28 in 2018, diluted EPS decreased $0.23 primarily due to lower sales volume.

2020 Outlook

We remain committed to increasing total shareholder returns through three financial objectives: gaining market share; increasing profitability and return on invested capital; and maintaining disciplined capital allocation. Our initial 2020 financial expectations released on March 3, 2020, did not include the impact of COVID-19, including the temporary closures of our stores (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8). Due to heightened uncertainty relating to the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, we withdrew our 2020 guidance. We are making further reductions to our expense and capital expenditure plans and are currently suspending share repurchases.

Adjusted ROIC (Non-GAAP financial measure)

We believe that Adjusted ROIC is a useful financial measure for investors and credit agencies in evaluating the efficiency and effectiveness of the capital we have invested in our business to generate returns over time. In addition, we have incorporated it in our executive incentive measures and we believe it is an important indicator of shareholders' return over the long term.

For 2019, income statement activity for adjusted net operating profit and balance sheet amounts for average invested capital are measured under the Lease Standard, and the remaining years disclosed are under the previous lease standard. Under the previous lease standard, we estimated the value of our operating leases as if they met the criteria for capital leases or we had purchased the properties. This provided additional supplemental information that estimated the investment in our operating leases. Estimated depreciation on capitalized operating leases and average estimated asset base of capitalized operating leases are not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitute for our results as reported under GAAP.

Adjusted ROIC is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other GAAP financial measures. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted ROIC is return on assets. The following is a reconciliation of return on assets to Adjusted ROIC:

Fiscal year	**2019**	**2018**	**2017**	**2016**	**2015**
Net earnings	**$496**	$564	$437	$354	$600
Add: income tax expense	**186**	169	353	330	376
Add: interest expense	**112**	119	141	122	125
Earnings before interest and income tax expense	**794**	852	931	806	1,101
Add: operating lease interest[1]	**101**	—	—	—	—
Add: rent expense, net	**—**	251	250	202	176
Less: estimated depreciation on capitalized operating leases[2]	**—**	(134)	(133)	(108)	(94)
Adjusted net operating profit	**895**	969	1,048	900	1,183
Less: estimated income tax expense	**(244)**	(223)	(468)	(416)	(456)
Adjusted net operating profit after tax	**$651**	$746	$580	$484	$727
Average total assets	**$9,765**	$8,282	$8,055	$7,917	$9,076
Add: average estimated asset base of capitalized operating leases[2]	**—**	2,018	1,805	1,512	1,236
Less: average deferred property incentives and deferred rent liability	**—**	(616)	(644)	(644)	(548)
Less: average deferred property incentives in excess of ROU assets[3]	**(307)**	—	—	—	—
Less: average non-interest-bearing current liabilities	**(3,439)**	(3,479)	(3,261)	(3,012)	(2,993)
Average invested capital	**$6,019**	$6,205	$5,955	$5,773	$6,771
Return on assets[4,5]	**5.1%**	6.8%	5.4%	4.5%	6.6%
Adjusted ROIC[4,5]	**10.8%**	12.0%	9.7%	8.4%	10.7%

[1] As a result of the adoption of the Lease Standard, we add back the operating lease interest to reflect how we manage our business. Operating lease interest is a component of operating lease cost recorded in occupancy costs and is calculated in accordance with the Lease Standard.

[2] Capitalized operating leases is our best estimate of the asset base we would record for our leases that are classified as operating under the previous lease standard if they had met the criteria for a finance lease or we had purchased the property. The asset base for each quarter is calculated as the trailing four quarters of rent expense multiplied by eight, a commonly used method to estimate the asset base we would record for our capitalized operating leases.

[3] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities. As a result of the adoption of the Lease Standard, we reduce average total assets, as this better reflects how we manage our business.

[4] Results for 2018 included lower income tax expense primarily associated with the Tax Act and a $72 unfavorable impact related to the Estimated Non-recurring Charge, which negatively impacted return on assets by approximately 60 basis points and Adjusted ROIC by approximately 80 basis points (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8). Results for 2017 included a $42 unfavorable impact related to the Tax Act. Results for 2016 included a $197 unfavorable impact related to the Trunk Club non-cash goodwill impairment charge.

[5] For 2019, the adoption of the Lease Standard negatively impacted return on assets by approximately 120 basis points and Adjusted ROIC by approximately 40 basis points. Integration charges of $32 in 2019, were primarily non-cash related and negatively impacted return on assets by approximately 30 basis points and Adjusted ROIC by approximately 40 basis points.

LIQUIDITY AND CAPITAL RESOURCES

We strive to maintain a level of liquidity sufficient to allow us to cover our seasonal cash needs and to maintain appropriate levels of short-term borrowings. We believe that our operating cash flows, available credit facility and potential future borrowings are sufficient to meet our cash requirements for the next 12 months and beyond.

Over the long term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position, manage refinancing risk and allow flexibility for strategic initiatives. We regularly assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, potential share repurchases and other future investments. We believe that as of February 1, 2020, our existing cash and cash equivalents on-hand of $853, available credit facility of $800 and potential future operating cash flows and borrowings will be sufficient to fund these scheduled future payments and potential long-term initiatives. For more information, see subsequent events in Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8.

The following is a summary of our cash flows by activity:

Fiscal year	2019	2018
Net cash provided by operating activities	**$1,236**	$1,296
Net cash used in investing activities	**(909)**	(653)
Net cash used in financing activities	**(431)**	(867)

Operating Activities

The majority of our operating cash inflows are derived from sales. We also receive cash payments for property incentives from developers. Our operating cash outflows generally consist of payments to our merchandise vendors (net of vendor allowances) and shipping carriers, payments to our employees for wages, salaries and other employee benefits and payments to our landlords for rent. Operating cash outflows also include payments for income taxes and interest payments on our short-term and long-term borrowings.

Net cash provided by operating activities decreased by $60 between 2019 and 2018 primarily due to payments made related to the Estimated Non-recurring Charge and a decrease in sales.

Investing Activities

Our investing cash outflows include payments for capital expenditures, including stores, supply chain improvements and technology costs. Our investing cash inflows are generally from proceeds from sales of property and equipment.

Net cash used in investing activities increased by $256 between 2019 and 2018 due to increases in capital expenditures, primarily related to our Supply Chain Network, including our omni-channel center, and Nordstrom NYC.

The opening of our first large-scale omni-channel center in Riverside, California, which will initially support our Full-Price customers in the West Coast region and Off-Price customers in the future, is expected to open in the spring of 2020. We also opened a smaller Local Omni-channel Hub in Torrance, California in 2019, which supports the greater Los Angeles market as part of our market strategy.

Capital Expenditures

Our capital expenditures, net are summarized as follows:

Fiscal year	2019	2018
Capital expenditures	**$935**	$654
Less: deferred property incentives[1]	**(85)**	(53)
Capital expenditures, net	**$850**	$601
Capital expenditures % of net sales	**6.2%**	4.2%
Capital expenditures, net category allocation:		
Technology	**25%**	30%
Supply chain	**27%**	18%
Generational investments	**32%**	30%
New stores, relocations, remodels and other	**16%**	22%
Total	**100%**	100%

[1] Deferred property incentives are included in our cash provided by operations in our Consolidated Statements of Cash Flows in Item 8. We operationally view the property incentives we receive from our developers and vendors as an offset to our capital expenditures.

Financing Activities
The majority of our financing activities include repurchases of common stock, long-term debt proceeds and/or payments and dividend payments.

Net cash used in financing activities decreased $436 between 2019 and 2018 primarily due to decreased share repurchase activity.

Share Repurchases
In August 2018, our Board of Directors authorized a new program to repurchase up to $1,500 of our outstanding common stock, with no expiration date. In 2019, we repurchased 4.1 shares of our common stock for an aggregate purchase price of $186, compared with 14.3 shares for an aggregate purchase price of $702 during 2018. We had $707 remaining in share repurchase capacity as of February 1, 2020. The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to market and economic conditions and applicable SEC rules.

Borrowing Activity
During 2019, we issued $500 aggregate principal amount of 4.375% senior unsecured notes due April 2030. We recorded debt issuance costs incurred as a result of the issuance in other financing activities, net in the Consolidated Statements of Cash Flows. With the proceeds of these new notes, we retired our $500 senior unsecured notes that were due May 2020 (see Note 9: Debt and Credit Facilities in Item 8).

Additionally, in 2018, we fully repaid $47 outstanding on our wholly owned subsidiary Puerto Rico's unsecured borrowing facility (see Note 9: Debt and Credit Facilities in Item 8).

Dividends
In 2019, we paid dividends of $229, or $1.48 per share, compared with $250, or $1.48 per share, in 2018. In determining the dividends to pay, we analyze our dividend payout ratio and dividend yield, while taking into consideration our current and projected operating performance and liquidity. Our dividend payout ratio target range is 30% to 40% of the prior year's net earnings.

In February 2020, subsequent to year end, we declared a quarterly dividend of $0.37 per share, which will be paid on March 25, 2020 to shareholders of record as of March 10, 2020.

Free Cash Flow (Non-GAAP financial measure)
Free Cash Flow is one of our key liquidity measures, and when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate cash from our business.

Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by operating activities. The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

Fiscal year	**2019**	**2018**	**2017**
Net cash provided by operating activities	**$1,236**	$1,296	$1,400
Less: capital expenditures	**(935)**	(654)	(731)
Add: proceeds from sale of credit card receivables originated at third parties	**—**	—	16
Add (Less): change in cash book overdrafts	**8**	—	(55)
Free Cash Flow	**$309**	$642	$630

Adjusted EBITDA (Non-GAAP financial measure)
Adjusted EBITDA is one of our key financial metrics to reflect our view of cash flow from net earnings. Adjusted EBITDA excludes significant items which are non-operating in nature in order to evaluate our core operating performance against prior periods. The financial measure calculated under GAAP which is most directly comparable to Adjusted EBITDA is net earnings.

Adjusted EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for net earnings, overall change in cash or liquidity of the business as a whole. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of net earnings to Adjusted EBITDA:

Fiscal year	2019	2018	2017
Net earnings	**$496**	$564	$437
Add: income tax expense	**186**	169	353
Add: interest expense, net	**102**	104	136
Earnings before interest and income taxes	**784**	837	926
Add: depreciation and amortization expenses	**671**	669	666
Less: amortization of developer reimbursements	**(75)**	(79)	(79)
Adjusted EBITDA	**$1,380**	$1,427	$1,513

Credit Capacity and Commitments
As of February 1, 2020, we had total short-term borrowing capacity of $800 under the Revolver that expires September 2023. Provided that we obtain written consent from our lenders and that we are in compliance with the Revolver at the time, we have the option to increase the Revolver by up to $200, to a total of $1,000, and two options to extend the Revolver by one year. As of February 1, 2020, we had no borrowings outstanding under our Revolver. For more information, see subsequent events in Note 1: Nature of Operations and Summary of Significant Accounting Policies and Note 9: Debt and Credit Facilities in Item 8. In October 2021, our $500 4.00% senior unsecured notes will come due.

We maintain trade and standby letters of credit to facilitate our international payments. As of February 1, 2020, we have $8 available and none outstanding under the trade letter of credit and $15 available and $2 outstanding under the standby letter of credit.

Impact of Credit Ratings
Changes in our credit ratings may impact our costs to borrow and may require we hold collateral.

For our Revolver, the interest rate applicable to any borrowings we may enter into depends upon the type of borrowing incurred plus an applicable margin, which is determined based on our credit ratings. At the time of this report, our credit ratings and outlook were as follows:

	Credit Ratings	Outlook
Moody's	Baa2	Stable
Standard & Poor's	BBB	Stable

Should the ratings assigned to our long-term debt improve, the applicable margin associated with any borrowings under the Revolver may decrease, resulting in a lower borrowing cost under this facility. Conversely, should the ratings assigned to our long-term debt worsen, the applicable margin associated with any borrowings under the Revolver may increase, resulting in a higher borrowing cost under this facility.

Debt Covenants
The Revolver requires that we maintain an adjusted debt to EBITDAR leverage ratio of no more than four times. The Revolver's ratio calculation methodology has not been impacted by the adoption of the Lease Standard. As of February 1, 2020, we were in compliance with this covenant.

Adjusted Debt to EBITDAR (Non-GAAP financial measure)

Adjusted Debt to EBITDAR is one of our key financial metrics and we believe using this measure is useful for analyzing our debt levels, as it provides a reflection of our credit worthiness that could impact our credit rating and borrowing costs. Our goal is to manage debt levels to maintain an investment-grade credit rating and operate with an efficient capital structure.

For 2019, income statement activity and balance sheet amounts are measured under the Lease Standard, while 2018 activity and amounts were measured under the previous lease standard. Under the previous lease standard, we estimated the value of our operating leases as if they met the criteria for capital leases or we had purchased the properties. This provided additional supplemental information that estimated the investment in our operating leases. Estimated capitalized operating lease liability is not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitution for our results as reported under GAAP.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, debt to net earnings, net earnings, debt or other GAAP financial measures. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies.

The following is a reconciliation of debt to net earnings to Adjusted Debt to EBITDAR:

	2019[1]	**2018**[1]
Debt	**$2,676**	$2,685
Add: operating lease liabilities	**2,119**	—
Add: estimated capitalized operating lease liability[2]	**—**	2,009
Adjusted Debt	**$4,795**	$4,694
Net earnings	**496**	564
Add: income tax expense	**186**	169
Add: interest expense, net	**102**	104
Earnings before interest and income taxes	**784**	837
Add: depreciation and amortization expenses	**671**	669
Add: lease costs, net[3]	**274**	—
Add: rent expense, net	**—**	251
Adjusted EBITDAR	**$1,729**	$1,757
Debt to Net Earnings[4]	**5.4**	4.8
Adjusted Debt to EBITDAR[4]	**2.8**	2.7

[1] The components of Adjusted Debt are as of February 1, 2020 and February 2, 2019, while the components of Adjusted EBITDAR are for 2019 and 2018.

[2] Based upon the estimated lease liability as of the end of the period, calculated as the trailing four quarters of rent expense multiplied by eight, a commonly used method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property.

[3] As a result of the adoption of the Lease Standard, we add back lease costs, net to calculate Adjusted EBITDAR. Lease costs, net excludes variable common area maintenance charges and variable real estate taxes for comparability with how we presented rent expense, net in the prior year. This is how management views the measure internally.

[4] For 2019, integration charges of $32 were primarily non-cash related, and negatively impacted Debt to Net Earnings by approximately 0.3 and Adjusted Debt to EBITDAR by approximately 0.1. The adoption of the Lease Standard in 2019 did not have a significant impact on Debt to Net Earnings or Adjusted Debt to EBITDAR. Results for 2018 included the $72 impact related to the Estimated Non-recurring Charge, which negatively impacted Debt to Net Earnings by approximately 0.4 and Adjusted Debt to EBITDAR by approximately 0.1 (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8).

Contractual Obligations

The following table summarizes our contractual obligations and the expected effect on our liquidity and cash flows as of February 1, 2020. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business and credit available to us under existing and potential future facilities.

	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long-term debt	**$4,602**	$136	$747	$232	$3,487
Operating leases	**2,701**	333	680	552	1,136
Purchase obligations	**1,618**	1,550	57	11	—
Other long-term liabilities	**396**	51	60	44	241
Total	**$9,317**	$2,070	$1,544	$839	$4,864

Included in the required debt repayments disclosed above are estimated total interest payments of $1,838 as of February 1, 2020, payable over the remaining life of the debt.

The operating lease obligations in the table above do not include payments for variable lease costs that are required by most of our lease agreements. These costs include variable payments related to real estate taxes, common area maintenance costs and additional rent payments based upon a percentage of our sales, which totaled $105 in 2019.

Purchase obligations primarily consist of inventory purchase orders and capital expenditure commitments.

Other long-term liabilities consist of workers' compensation and other liability insurance reserves and postretirement benefits. The payment amounts presented above were estimated based on historical payment trends. Other long-term liabilities not requiring cash payments, such as property incentives that exceed the associated ROU asset, were excluded from the table above. Also excluded from the table above are unrecognized tax benefits of $25, as we are unable to reasonably estimate the timing of future cash payments, if any, for these liabilities.

Off-Balance Sheet Arrangements

In management's opinion, we have no off-balance sheet arrangements that have a material current or future effect on our financial condition or financial statements.

CRITICAL ACCOUNTING ESTIMATES

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 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. The following discussion highlights the estimates we believe are critical and should be read in conjunction with the Notes to Consolidated Financial Statements in Item 8. Our management has discussed the development and selection of these critical accounting estimates with the Audit & Finance Committee of our Board of Directors, and the Audit & Finance Committee has reviewed our disclosures that follow.

Leases

During the first quarter of 2019, we adopted the Lease Standard using the transition method provided in ASU 2018-11 (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8). As a result, reporting periods beginning in the first quarter of 2019 are presented under the Lease Standard while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840 — *Leases*.

Upon adoption of the Lease Standard, we record leases, which consist primarily of operating leases, on the Consolidated Balance Sheet as operating lease ROU assets, current portion of operating lease liabilities and non-current operating lease liabilities. Operating lease liabilities are initially recognized based on the net present value of the fixed portion of our lease and common area maintenance payments from lease commencement through the lease term. To calculate the net present value, we apply an incremental borrowing rate. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest we would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use quoted interest rates obtained from financial institutions as an input to derive our incremental borrowing rate as the discount rate for the lease. We recognize ROU assets based on operating lease liabilities reduced by property incentives. We test ROU assets for impairment in the same manner as long-lived assets, and exclude the related operating lease liability and operating lease payments in our analysis.

Revenue Recognition
During the first quarter of 2018, we adopted the Revenue Standard using the modified retrospective adoption method (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8). Results beginning in the first quarter of 2018 are presented under the Revenue Standard, while prior period amounts are not adjusted.

We recognize sales revenue net of estimated returns and excluding sales taxes. Revenue from sales to customers shipped from our Supply Chain Network facilities, stores and directly from our vendors (“shipped revenues”), which includes shipping revenue when applicable, is recognized at shipping point, the point in time where control has transferred to the customer. Costs to ship orders to customers are expensed as a fulfillment activity at shipping point, commissions from sales at our Full-Price stores are expensed at the point of sale and both are recorded in SG&A expenses. Prior to 2018, shipped revenues were recognized upon estimated receipt by the customer and we recorded an estimated in-transit allowance for orders shipped prior to a period’s end, but not yet received by the customer.

We reduce sales and cost of sales by an estimate of customer merchandise returns, which is calculated based on historical return patterns, and record a sales return allowance and an estimated returns asset. Our sales return allowance is classified in other current liabilities and our estimated returns asset, calculated based on the cost of merchandise sold, is classified in prepaid expenses and other on the Consolidated Balance Sheet. Due to the seasonality of our business, these balances typically increase when higher sales occur in the last month of a period, such as the Anniversary Sale, which usually occurs at the end of the second quarter, and decrease in the following period. Prior to 2018, the estimated cost of merchandise returned was netted with our sales return allowance in other current liabilities.

Although we believe we have sufficient current and historical knowledge to record reasonable estimates of sales returns, actual returns could differ from recorded amounts. In the past three years, there were no significant changes in customer return behavior and we have made no material changes to our estimates included in the calculations of our sales return allowance. A 10% change in the sales return allowance net of the estimated returns asset would have had a $12 impact on our net earnings for the year ended February 1, 2020.

As our customers earn points and Nordstrom Notes in The Nordy Club, a portion of underlying sales revenue is deferred based on an estimated stand-alone selling price of points, Nordstrom Notes and other loyalty benefits, such as alterations. We recognize the revenue and related cost of sale when the Nordstrom Notes are ultimately redeemed and reduce our contract liability. We include the deferred revenue in other current liabilities on the Consolidated Balance Sheet. We record breakage revenue of unused points and unredeemed Nordstrom Notes based on expected customer redemption. We estimate, based on historical usage, that approximately 8% of Nordstrom Notes and approximately 16% of points will be unredeemed. Other benefits of the loyalty program, including shopping and fashion events, are recorded in SG&A expenses as these are not a material right of the program.

Merchandise Inventories
Merchandise inventories are generally stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. The value of our inventory on the balance sheet is then reduced by a charge to cost of sales for retail inventory markdowns taken on the selling price. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. Inherent in the retail inventory method are certain management judgments that may affect the ending inventory valuation as well as gross profit.

We take physical inventory counts and adjust our records accordingly. Following each physical inventory cycle, we adjust shrinkage to actual results and an estimate is recorded for shrinkage from the count date to year end. We evaluate and determine our estimated shrinkage rate, which is based on a percentage of sales, using the most recent physical inventory and historical results.

Impairment of Long-Lived Assets
When facts and circumstances indicate that the carrying values of certain long-lived assets, including buildings, equipment, amortizable intangible and ROU assets, may be impaired, we perform an evaluation of recoverability by comparing the carrying values of the net assets to their related projected undiscounted future cash flows, in addition to other quantitative and qualitative analyses.

Land, property and equipment are grouped at the lowest level at which there are identifiable cash flows when assessing impairment, while cash flows for our retail store assets are identified at the individual store level.

Our estimates are subject to uncertainties and may be impacted by various external factors such as economic conditions and market competition. While we believe the inputs and assumptions utilized in our analyses of future cash flows are reasonable, events or circumstances may change, which could cause us to revise these estimates.

Income Taxes
We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recorded based on differences between the financial reporting and tax basis of assets and liabilities and for operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, it is determined that some portion of the tax benefit will not be realized.

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount that we believe is cumulatively greater than 50% likely to be realized. Our unrecognized tax benefit was $22 as of February 1, 2020, and $30 as of February 2, 2019. Interest and penalties related to income tax matters are classified as a component of income tax expense.

Income taxes require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred taxes, tax reserves or income tax expense. Such adjustments did not materially impact our effective income tax rate in 2019 or 2018.

In December 2017, the Tax Act was signed into law. In accordance with SEC Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, we made a reasonable estimate of the Tax Act's impact and provisionally recorded this estimate in our 2017 results. As of February 2, 2019, we completed our accounting for the impacts of the Tax Act, resulting in no material changes to previously recorded provisional amounts (see Note 14: Income Taxes in Item 8).

RECENT ACCOUNTING PRONOUNCEMENTS
See Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8 for a discussion of recent accounting pronouncements and the impact these standards are anticipated to have on our results of operations, liquidity or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in millions)

INTEREST RATE RISK
For our long-term debt of $2,676, our exposure to interest rate risk is primarily limited to changes in fair value. As our debt is primarily fixed-rate, changes in interest rates do not significantly impact our cash flows. However, changes in interest rates increase or decrease the fair value of our debt, depending on whether market rates are lower or higher than our fixed rates. In addition, $500 of senior unsecured notes will mature in 2021, and if we refinance this debt, we are at risk of interest rate changes with respect to any difference between the existing interest rate and the interest rate on its replacement. As of February 1, 2020, the fair value of our long-term debt was $2,905 (see Note 9: Debt and Credit Facilities and Note 10: Fair Value Measurements in Item 8).

We are exposed to interest rate risk primarily from changes in short-term interest rates. Interest rate fluctuations can affect our interest income and interest expense. As of February 1, 2020, we had cash and cash equivalents of $853 which generate interest income at variable rates.

FOREIGN CURRENCY EXCHANGE RISK
The majority of our revenues, expenses and capital expenditures are transacted in U.S. Dollars. Our U.S. operation periodically enters into merchandise purchase orders denominated in British Pounds or Euros. From time to time, we may use forward contracts to hedge against fluctuations in foreign currency prices. As of February 1, 2020, our outstanding forward contracts did not have a material impact on our Consolidated Financial Statements.

We have six Nordstrom FLS and six Nordstrom Rack stores in Canada. The functional currency of our Canadian operation is the Canadian Dollar. We translate assets and liabilities into U.S. Dollars using the exchange rate in effect at the balance sheet date, while we translate revenues and expenses using an average exchange rate for the period. We record these translation adjustments as a component of accumulated other comprehensive loss on the Consolidated Balance Sheets in Item 8. Our Canadian operation enters into merchandise purchase orders denominated in U.S. Dollars for some portion of its inventory. As sales in Canada are denominated in the Canadian Dollar, gross profit for our Canadian operation can be impacted by foreign currency fluctuations.

In addition, our U.S. operation incurs certain expenditures denominated in Canadian Dollars and our Canadian operation incurs certain expenditures denominated in U.S. Dollars. This activity results in transaction gains and losses that arise from exchange rate fluctuations, which are recorded as gains or losses in the Consolidated Statements of Earnings in Item 8. As of February 1, 2020, activities associated with foreign currency exchange risk have not had a material impact on our Consolidated Financial Statements.

Item 8: Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of February 1, 2020 and February 2, 2019, and the related consolidated statements of earnings, comprehensive earnings, shareholders' equity, and cash flows for each of the three years in the period ended February 1, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 1, 2020, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 20, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method for accounting for leases effective February 3, 2019, due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 842, *Leases*. The Company adopted the new lease standard using the transition method provided in Accounting Standards Update (ASU) No. 2018-11 such that prior period amounts are not adjusted and continue to be reported in accordance with ASC 840, *Leases*. The adoption of the new leasing standard is also communicated as a critical audit matter below.

Emphasis of a Matter

As discussed within Note 1 to the financial statements, *Subsequent Events*, effective March 17, 2020, the Company announced the temporary closure of its stores in the U.S. and Canada for two weeks in response to the novel coronavirus (COVID-19) and that the impacts of COVID-19 may have a material adverse impact on its results of operations, financial position and cash flows in 2020. Additionally, the Company drew $800 million on its Revolver in March 2020.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit and Finance Committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Merchandise Inventories — Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company's merchandise inventories are generally stated at the lower of cost or market using the retail inventory method ("RIM"). Under the RIM, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. The value of the Company's inventory on the balance sheet is then reduced by a charge to cost of sales for retail inventory markdowns taken on the selling price. Markdowns are recorded to reduce the price of merchandise from its originally marked and recorded retail price to a retail price at which it is expected to be marked and finally sold. To determine if the retail value of its inventory should be marked down, the Company considers many factors, including current and anticipated demand, customer preferences, age of the merchandise and fashion trends. Recorded markdowns represent one of the most significant inputs into the RIM calculation due to their impact on inventory valuation. Accordingly, the Company's process of recording markdowns is subjective, particularly as it relates to timing of markdowns. If markdowns are not recorded timely, ending inventory will not be accurately stated in the financial statements.

Given the management judgments necessary to identify and record markdowns in a timely manner, performing audit procedures to evaluate the timeliness of markdowns required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the timing of markdowns taken, included the following, among others:

- We tested the effectiveness of controls designed to ensure that markdowns are recorded timely.
- We evaluated the reasonableness of the timing of markdowns recorded by performing analytical procedures to compare current period trends to historical trends at varying levels of disaggregation (i.e. total company, operating segment, and business unit level) across multiple fiscal periods, including, but not limited to, metrics such as markdowns relative to sales trends, inventory turnover, and inventory aging.
- We evaluated management's ability to identify triggering events and accurately forecast markdown activity by:
    - Comparing actual markdowns recorded to management's historical forecasts
    - Reading forecast information included in Company press releases, as well as in analyst and industry reports of the Company and selected companies in its peer group.
    - Reading internal communications to management and the Board of Directors.
- We performed a retrospective review of markdowns recorded in periods subsequent to fiscal year-end to assess whether any unusual trends occurred that would indicate untimely markdowns.

Lease Liability — Refer to Notes 1 and 2 to the financial statements (also see change in accounting principle explanatory paragraph related to the new leasing standard above)

Critical Audit Matter Description

The Company adopted the provisions of ASC 842, *Leases*, as of February 3, 2019. In doing so, the Company recorded a lease liability for the present value of its leases of $1.8 billion and a corresponding right-of-use ("ROU") asset. The Company has disclosed the impact of adoption in Note 2 to its 2019 financial statements. In determining the lease liability and ROU asset, the Company derived an incremental borrowing rate ("IBR") to calculate the present value of its lease payments. The determination of an IBR requires management to use significant estimates and assumptions as to its credit rating, credit spread, and an estimate for the impact of collateral.

Given the company-specific factors and judgments in the model used by management to develop the IBRs for its leases, the auditing of the IBR's involved a high degree of auditor judgment, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the IBRs used in the adoption of ASC 842, which thereby determined the impact of adoption disclosed in the February 1, 2020 financial statements, included the following, among others:

- We tested the effectiveness of controls over the determination and calculation of the IBRs.
- With the assistance of our fair value specialists, we evaluated the methods and assumptions used by management to estimate the IBRs and tested the inputs used by management to develop the IBRs.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 20, 2020

We have served as the Company's auditor since 1970

Nordstrom, Inc.
Consolidated Statements of Earnings
(In millions except per share amounts)

Fiscal year	2019	2018	2017
Net sales	**$15,132**	$15,480	$15,137
Credit card revenues, net	**392**	380	341
Total revenues	**15,524**	15,860	15,478
Cost of sales and related buying and occupancy costs	**(9,932)**	(10,155)	(9,890)
Selling, general and administrative expenses	**(4,808)**	(4,868)	(4,662)
Earnings before interest and income taxes	**784**	837	926
Interest expense, net	**(102)**	(104)	(136)
Earnings before income taxes	**682**	733	790
Income tax expense	**(186)**	(169)	(353)
Net earnings	**$496**	$564	$437
Earnings per share:			
Basic	**$3.20**	$3.37	$2.62
Diluted	**$3.18**	$3.32	$2.59
Weighted-average shares outstanding:			
Basic	**155.2**	167.3	166.8
Diluted	**156.1**	170.0	168.9

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

Nordstrom, Inc.
Consolidated Statements of Comprehensive Earnings
(In millions)

Fiscal year	2019	2018	2017
Net earnings	**$496**	$564	$437
Postretirement plan adjustments, net of tax of $9, ($5) and $2	**(27)**	14	(6)
Foreign currency translation adjustment	**(4)**	(17)	20
Comprehensive net earnings	**$465**	$561	$451

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

Nordstrom, Inc.
Consolidated Balance Sheets
(In millions)

	February 1, 2020	February 2, 2019
Assets		
Current assets:		
Cash and cash equivalents	**$853**	$957
Accounts receivable, net	**179**	148
Merchandise inventories	**1,920**	1,978
Prepaid expenses and other	**278**	291
Total current assets	**3,230**	3,374
Land, property and equipment, net	**4,179**	3,921
Operating lease right-of-use assets	**1,774**	—
Goodwill	**249**	249
Other assets	**305**	342
Total assets	**$9,737**	$7,886
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$1,576**	$1,469
Accrued salaries, wages and related benefits	**510**	580
Current portion of operating lease liabilities	**244**	—
Other current liabilities	**1,190**	1,324
Current portion of long-term debt	**—**	8
Total current liabilities	**3,520**	3,381
Long-term debt, net	**2,676**	2,677
Deferred property incentives, net	**4**	457
Non-current operating lease liabilities	**1,875**	—
Other liabilities	**683**	498
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, no par value: 1,000 shares authorized; 155.6 and 157.6 shares issued and outstanding	**3,129**	3,048
Accumulated deficit	**(2,082)**	(2,138)
Accumulated other comprehensive loss	**(68)**	(37)
Total shareholders' equity	**979**	873
Total liabilities and shareholders' equity	**$9,737**	$7,886

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

Nordstrom, Inc.
Consolidated Statements of Shareholders' Equity
(In millions except per share amounts)

Fiscal year ended	February 1, 2020	February 2, 2019	February 3, 2018
Common stock			
Balance, beginning of year	**$3,048**	$2,816	$2,707
Issuance of common stock under stock compensation plans	**29**	163	39
Stock-based compensation	**52**	69	70
Balance, end of year	**$3,129**	$3,048	$2,816
Accumulated deficit			
Balance, beginning of year	**($2,138)**	($1,810)	($1,794)
Cumulative effect of adopted accounting standards	**(25)**	60	—
Net earnings	**496**	564	437
Dividends	**(229)**	(250)	(247)
Repurchase of common stock	**(186)**	(702)	(206)
Balance, end of year	**($2,082)**	($2,138)	($1,810)
Accumulated other comprehensive loss			
Balance, beginning of year	**($37)**	($29)	($43)
Cumulative effect of adopted accounting standards	**—**	(5)	—
Other comprehensive (loss) income	**(31)**	(3)	14
Balance, end of year	**($68)**	($37)	($29)
Total	**$979**	$873	$977
Dividends per share	**$1.48**	$1.48	$1.48

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

Nordstrom, Inc.
Consolidated Statements of Cash Flows
(In millions)

Fiscal year	2019	2018	2017
Operating Activities			
Net earnings	**$496**	$564	$437
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization expenses and other, net	**671**	669	666
Amortization of deferred property incentives	**—**	(75)	(82)
Right-of-use asset amortization	**183**	—	—
Deferred income taxes, net	**52**	(34)	11
Stock-based compensation expense	**69**	90	77
Change in operating assets and liabilities:			
Accounts receivable	**82**	(4)	1
Proceeds from sale of credit card receivables originated at Nordstrom	**—**	—	39
Merchandise inventories	**30**	15	(62)
Prepaid expenses and other assets	**(38)**	(8)	(21)
Accounts payable	**98**	12	77
Accrued salaries, wages and related benefits	**(71)**	1	121
Other current liabilities	**(94)**	15	48
Deferred property incentives	**6**	53	64
Lease liabilities	**(259)**	—	—
Other liabilities	**11**	(2)	24
Net cash provided by operating activities	**1,236**	1,296	1,400
Investing Activities			
Capital expenditures	**(935)**	(654)	(731)
Proceeds from sale of credit card receivables originated at third parties	**—**	—	16
Other, net	**26**	1	31
Net cash used in investing activities	**(909)**	(653)	(684)
Financing Activities			
Proceeds from long-term borrowings, net of discounts	**499**	—	635
Principal payments on long-term borrowings	**(500)**	(56)	(661)
Increase (decrease) in cash book overdrafts	**8**	—	(55)
Cash dividends paid	**(229)**	(250)	(247)
Payments for repurchase of common stock	**(210)**	(678)	(211)
Proceeds from issuances under stock compensation plans	**29**	163	39
Tax withholding on share-based awards	**(17)**	(20)	(7)
Other, net	**(11)**	(26)	(35)
Net cash used in financing activities	**(431)**	(867)	(542)
Net (decrease) increase in cash and cash equivalents	**(104)**	(224)	174
Cash and cash equivalents at beginning of year	**957**	1,181	1,007
Cash and cash equivalents at end of year	**$853**	$957	$1,181
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes, net of refunds	**$178**	$280	$363
Interest, net of capitalized interest	**111**	118	143

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

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company
Founded in 1901 as a retail shoe business in Seattle, Washington, Nordstrom, Inc. is now a leading fashion retailer that offers customers an extensive selection of high-quality fashion brands focused on apparel, shoes, cosmetics and accessories for women, men, young adults and children. This breadth of merchandise allows us to serve a wide range of customers who appreciate quality fashion and a superior shopping experience. We offer brand-name and private label merchandise through multiple retail businesses, including 110 Nordstrom U.S. FLS and Nordstrom.com, six Canada FLS, 248 U.S. and Canadian Nordstrom Rack stores, NRHL, three Jeffrey boutiques, two Last Chance clearance stores, six Trunk Club clubhouses and TrunkClub.com, and five Nordstrom Locals. Our stores are located in 40 states in the U.S., three provinces in Canada and Puerto Rico.

Fiscal Year
We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2019 and all years except 2017 within this document are based on a 52-week fiscal year, while 2017 is based on a 53-week fiscal year.

Principles of Consolidation
The Consolidated Financial Statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with GAAP in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. Our most significant accounting judgments and estimates include leases, revenue recognition, inventory valuation, long-lived asset recoverability and income taxes.

Subsequent Events
Effective March 17, 2020, we announced the temporary closure of our stores in the U.S. and Canada for two weeks, including our FLS, Nordstrom Rack stores, Trunk Club clubhouses and Jeffrey boutiques in response to the increased impact from novel coronavirus (COVID-19). We continue to serve customers through our apps and online at Nordstrom.com, Nordstromrack.com, HauteLook and Trunk Club, including digital styling, online order pickup and curbside services at our FLS. While this is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, cannot be reasonably estimated at this time and we anticipate this may have a material adverse impact on our business, results of operations, financial position and cash flows in 2020.

As of February 1, 2020, our existing cash and cash equivalents on-hand were $853 and had $800 available on our Revolver, with an option to increase the Revolver by up to $200, to a total of $1,000 (see Note 9: Debt and Credit Facilities). As a precautionary measure, to increase our cash position and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 outbreak, we drew down $800 on our Revolver in March 2020.

Revenue
During the first quarter of 2018, we adopted the Revenue Standard, using the modified retrospective method. Results for reporting periods beginning in the first quarter of 2018 are presented under the Revenue Standard while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605 — *Revenue Recognition*. Upon adoption, we recorded a net cumulative effect adjustment of $55 which decreased beginning accumulated deficit.

Net Sales
We recognize sales revenue net of estimated returns and excluding sales taxes. Revenue from sales to customers shipped from our Supply Chain Network facilities, stores and directly from our vendors (“shipped revenues”), which includes shipping revenue when applicable, is recognized at shipping point, the point in time where control has transferred to the customer. Costs to ship orders to customers are expensed as a fulfillment activity at shipping point, commissions from sales at our Full-Price stores are expensed at the point of sale and both are recorded in SG&A expenses. Prior to 2018, shipped revenues were recognized upon estimated receipt by the customer and we recorded an estimated in-transit allowance for orders shipped prior to a period’s end, but not yet received by the customer.

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

We reduce sales and cost of sales by an estimate of customer merchandise returns, which is calculated based on historical return patterns, and record a sales return allowance and an estimated returns asset. Our sales return allowance is classified in other current liabilities and our estimated returns asset, calculated based on the cost of merchandise sold, is classified in prepaid expenses and other on the Consolidated Balance Sheet. Due to the seasonality of our business, these balances typically increase when higher sales occur in the last month of a period, such as the Anniversary Sale, which usually occurs at the end of the second quarter, and decrease in the following period. Prior to 2018, the estimated cost of merchandise returned was netted with our sales return allowance in other current liabilities.

Loyalty Program
We evolved our customer loyalty program with the launch of The Nordy Club in October 2018, which incorporates a traditional point system and the favorite benefits of our previous program, while providing customers exclusive access to products and events, enhanced services, personalized experiences and more convenient ways to shop. Customers accumulate points based on their level of spending and type of participation. Upon reaching certain point thresholds, customers receive Nordstrom Notes, which can be redeemed for goods or services offered at Nordstrom FLS, Nordstrom.com, Nordstrom Rack and NRHL. Nordstrom cardmembers can also earn rewards at Trunk Club. The Nordy Club member benefits will vary based on the level of customer spend, and include Bonus Points days and shopping and fashion events.

We offer customers access to a variety of payment products and services, including a selection of Nordstrom-branded Visa® credit cards in the U.S. and Canada, as well as a Nordstrom-branded private label credit card for Nordstrom purchases. When customers use a Nordstrom-branded credit or debit card, they also participate in The Nordy Club and receive additional benefits, which can vary depending on the level of spend, including early access to the Anniversary Sale, Nordstrom to You (an in-home stylist) and incremental accumulation of points toward Nordstrom Notes.

As our customers earn points and Nordstrom Notes in The Nordy Club, a portion of underlying sales revenue is deferred based on an estimated stand-alone selling price of points, Nordstrom Notes and other loyalty benefits, such as alterations. We recognize the revenue and related cost of sale when the Nordstrom Notes are ultimately redeemed and reduce our contract liability. We include the deferred revenue in other current liabilities on the Consolidated Balance Sheet. We record breakage revenue of unused points and unredeemed Nordstrom Notes based on expected customer redemption. We estimate, based on historical usage, that approximately 8% of Nordstrom Notes and approximately 16% of points will be unredeemed. Other benefits of the loyalty program, including shopping and fashion events, are recorded in SG&A expenses as these are not a material right of the program.

As of February 1, 2020 and February 2, 2019, our outstanding performance obligation for The Nordy Club, which consists primarily of unredeemed points and Nordstrom Notes at retail value under the Revenue Standard was $162 and $159. Almost all Nordstrom Notes are redeemed within approximately nine months of issuance. Prior to 2018, we estimated the net cost of Nordstrom Notes to be issued and redeemed and recorded this cost as rewards points were accumulated. This cost, as well as reimbursed alterations, was recorded in cost of sales as we provided customers with products and services for these rewards.

Credit Card Revenues, net
Although the primary purpose of offering our credit cards is to foster greater customer loyalty and drive more sales, we also receive credit card revenue through our program agreement with TD, whereby TD is the exclusive issuer of our consumer credit cards and we perform account servicing functions. We completed the sale of a substantial majority of our U.S. Visa and private label credit card portfolio to TD in 2015, and in November 2017, we sold the remaining balances to TD, which consisted of employee credit card receivables for the U.S. Visa and Nordstrom private label credit cards (see Note 4: Credit Card Receivable Transaction). Credit card revenues, net include our portion of the ongoing credit card revenue, net of credit losses, pursuant to our program agreement with TD. In 2017, we also recorded asset amortization and deferred revenue recognition associated with the assets and liabilities recorded as part of the initial transaction to sell our U.S. Visa and private label credit card portfolio to TD.

Upon adoption of the Revenue Standard, the remaining unamortized balances of the investment in contract asset and deferred revenue associated with the sale of the credit card receivables were eliminated as part of a cumulative-effect adjustment, reducing the opening balance of accumulated deficit for 2018. As a result, the asset amortization and deferred revenue recognition are no longer recorded in credit card revenues, net. Prior to 2018, the investment in contract asset was classified in prepaid expenses and other and other assets, while the deferred revenue was classified in other current liabilities and other liabilities on the Consolidated Balance Sheet.

(Dollar and share amounts in millions except per share, per option and per unit amounts)

Gift Cards
We record deferred revenue from the sale of gift cards at the time of purchase. As gift cards are redeemed, we recognize revenue and reduce our contract liability. Although our gift cards do not have an expiration date, we include this deferred revenue in other current liabilities on the Consolidated Balance Sheet as customers can redeem gift cards at any time.

As of February 1, 2020 and February 2, 2019, our outstanding performance obligation for unredeemed gift cards was $414 and $389. Almost all gift cards are redeemed within two years of issuance. We record breakage revenue on unused gift cards based on expected customer redemption. We estimate, based on historical usage, that 2% will be unredeemed and recognized as revenue. Breakage income was $17 and $14 in 2019 and 2018. Prior to 2018, gift card breakage was recorded in SG&A expenses and was estimated based on when redemption was considered remote. Breakage income was $16 in 2017.

Cost of Sales
Cost of sales primarily includes the purchase and manufacturing costs of inventory sold (net of vendor allowances) and in-bound freight expense.

Buying and Occupancy Costs
Buying costs consist primarily of compensation and other costs incurred by our merchandising and product development groups. Occupancy costs include rent, depreciation, property taxes and facility operating costs of our retail, corporate center and Supply Chain Network facilities.

Selling, General and Administrative Expenses
SG&A expenses consist primarily of compensation and benefit costs, marketing, supply chain and technology.

Estimated Non-recurring Charge
We recognized an Estimated Non-recurring Charge of $72, or $49 net of tax, in 2018, resulting from some delinquent Nordstrom credit card accounts being charged higher interest in error. Less than 4% of Nordstrom cardmembers received a cash refund or credit to outstanding balances, with most receiving less than one hundred dollars. We recorded an estimated charge representing our costs through 2018, which were comprised primarily of amounts we have refunded to impacted cardmembers. In 2018, the Estimated Non-recurring Charge increased our SG&A expenses on our Consolidated Statement of Earnings and other current liabilities on our Consolidated Balance Sheet.

Advertising
Advertising production costs for internet, magazines, store events and other media are expensed the first time the advertisement is run. Online marketing costs are expensed when incurred. Total advertising expenses, net of vendor allowances, of $299, $246 and $261 in 2019, 2018 and 2017 were included in SG&A expenses.

Vendor Allowances
We receive allowances from merchandise vendors for cosmetic expenses, purchase price adjustments, advertising programs and various other expenses. Allowances for cosmetic expenses are recorded in SG&A expenses as a reduction of the related costs when incurred. Purchase price adjustments are recorded as a reduction of cost of sales at the point they have been earned and the related merchandise has been marked down or sold. Allowances for advertising programs and other expenses are recorded in SG&A expenses as a reduction of the related costs when incurred. Vendor allowances earned are as follows:

Fiscal year	**2019**	**2018**	**2017**
Cosmetic expenses	**$140**	$149	$159
Purchase price adjustments	**171**	180	184
Advertising	**101**	115	107
Other	**6**	6	7
Total vendor allowances	**$418**	$450	$457

Shipping and Handling Costs
Our shipping and handling costs include payments to third-party shippers and costs to hold, move and prepare merchandise for shipment. These costs do not include in-bound freight to our Supply Chain Network facilities, which we include in the cost of our inventory. Shipping and handling costs of $627, $589 and $523 in 2019, 2018 and 2017 were included in SG&A expenses.

Stock-Based Compensation
In May 2019, our shareholders approved the adoption of the 2019 Plan, which replaced the 2002 Plan and the 2010 Plan. The 2019 Plan authorizes the grant of stock options, PSUs, RSUs, stock appreciation rights and both restricted and unrestricted shares of common stock to employees and nonemployee directors. We grant stock-based awards under our 2019 Plan, and employees may purchase our stock at a discount under our ESPP. We predominantly recognize stock-based compensation expense related to stock-based awards at their estimated grant date fair value, recorded on a straight-line basis over the requisite service period. Compensation expense for certain award holders is accelerated based upon age and years of service. The total compensation expense is reduced by actual forfeitures as they occur over the vesting period of the awards.

We estimate the grant date fair value of stock options using the Binomial Lattice option valuation model. The fair value of RSUs are determined based on the number of RSUs granted and the quoted price of our common stock on the date of grant, less the estimated present value of dividends over the vesting period. PSUs granted are classified as equity and the fair value is determined based on the number of PSUs granted and the quoted price of our common stock on the date of grant, less the estimated present value of dividends over the vesting period.

Issuance of common stock under stock compensation plans on the Consolidated Statements of Shareholders' Equity includes proceeds from our common stock option exercises and purchases of shares under the ESPP, while stock-based compensation primarily includes stock-based compensation expense for our common stock options, RSUs and PSUs partially offset by shares withheld for taxes on RSUs.

New Store Opening Costs
Non-capital expenditures associated with opening new stores, including marketing expenses, relocation expenses and occupancy costs, are charged to expense as incurred. These costs are included in both buying and occupancy costs and SG&A, according to their nature as disclosed above.

Income Taxes
We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recorded based on differences between the financial reporting and tax basis of assets and liabilities and for operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, it is determined that some portion of the tax benefit will not be realized.

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount that we believe is cumulatively greater than 50% likely to be realized. Interest and penalties related to income tax matters are classified as a component of income tax expense.

Income taxes require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred taxes, tax reserves or income tax expense.

In December 2017, the Tax Act was signed into law. Among numerous other provisions, the Tax Act significantly revised the U.S. federal corporate income tax by reducing the statutory rate from 35% to 21%. In accordance with SEC Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, we made a reasonable estimate of the Tax Act's impact and provisionally recorded this estimate in our 2017 results. As of February 2, 2019, we completed our accounting for the impacts of the Tax Act, resulting in no material changes to previously recorded provisional amounts.

In February 2018, as a result of adopting ASU No. 2018-02, *Income Statement — Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, we reclassified $5 of tax impacts from accumulated other comprehensive loss to accumulated deficit, decreasing the beginning accumulated deficit for the year ended February 2, 2019.

Comprehensive Net Earnings
Comprehensive net earnings consist of net earnings and other gains and losses affecting equity that are excluded from net earnings. These consist of postretirement plan adjustments, net of related income tax effects, and foreign currency translation adjustments.

Cash Equivalents
Cash equivalents are short-term investments with a maturity of three months or less from the date of purchase and are carried at cost, which approximates fair value. At the end of 2019 and 2018, checks not yet presented for payment drawn in excess of our bank deposit balances were $110 and $102 and included within accounts payable on our Consolidated Balance Sheets.

Accounts Receivable
Accounts receivable, net primarily includes receivables from non-Nordstrom-branded credit and debit cards and, in 2019, developer reimbursements as a result of the adoption of the Lease Standard.

Merchandise Inventories
Merchandise inventories are generally stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. The value of our inventory on the balance sheet is then reduced by a charge to cost of sales for retail inventory markdowns taken on the selling price. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. We record obsolescence based on historical trends and specific identification.

We take physical inventory counts and adjust our records accordingly. Following each physical inventory cycle, we adjust shrinkage to actual results and an estimate is recorded for shrinkage from the count date to year end. We evaluate and determine our estimated shrinkage rate, which is based on a percentage of sales, using the most recent physical inventory and historical results.

Leases
During the first quarter of 2019, we adopted the Lease Standard using the transition method provided in ASU 2018-11. As a result, reporting periods beginning in the first quarter of 2019 are presented under the Lease Standard while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840 — *Leases*.

Upon adoption of the Lease Standard, we record leases, which consist primarily of operating leases, on the Consolidated Balance Sheet as operating lease ROU assets, current portion of operating lease liabilities and non-current operating lease liabilities. Operating lease liabilities are initially recognized based on the net present value of the fixed portion of our lease and common area maintenance payments from lease commencement through the lease term. To calculate the net present value, we apply an incremental borrowing rate. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest we would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use quoted interest rates obtained from financial institutions as an input to derive our incremental borrowing rate as the discount rate for the lease. We recognize ROU assets based on operating lease liabilities reduced by property incentives. We test ROU assets for impairment in the same manner as long-lived assets, and exclude the related operating lease liability and operating lease payments in our analysis.

We elected the following practical expedients permitted under the Lease Standard:

- Upon adoption, we did not reassess our prior conclusions about lease identification, lease classification or initial direct costs, and we did not use hindsight for leases existing at adoption date.
- We do not record leases with an initial term of 12 months or less on the balance sheet but continue to expense them on a straight-line basis over the lease term.
- We combine lease and non-lease components.

We lease the land, buildings, or land and buildings for many of our stores, office facilities and Supply Chain Network facilities. We also lease equipment and have service contracts including transportation agreements and warehouse agreements where we control identified assets such as vehicles, warehouse space and equipment and therefore represent embedded leases under the Lease Standard.

Before 2019, we recognized minimum rent expense, net of developer reimbursements, on a straight-line basis over the minimum lease term from the time we controlled the leased property. For scheduled rent escalation clauses during the lease terms, we recorded minimum rent expense on a straight-line basis over the terms of the leases, with the adjustments accrued as current and non-current deferred rent and included in other current liabilities and other liabilities on our Consolidated Balance Sheet. Contingent rental payments, typically based on a percentage of sales, were recognized in rent expense primarily in occupancy costs when payment of the contingent rent was probable.

Land, Property and Equipment
Land is recorded at historical cost, while property and equipment are recorded at cost less accumulated depreciation and amortization. Capitalized software includes the costs of developing or obtaining internal-use software, including external direct costs of materials and services and internal payroll costs related to the software project.

We capitalize interest on construction in progress and software projects during the period in which expenditures have been made, activities are in progress to prepare the asset for its intended use and actual interest costs are being incurred.

(Dollar and share amounts in millions except per share, per option and per unit amounts)

Depreciation and amortization are computed using the straight-line method over the asset's estimated useful life, which is determined by asset category as follows:

Asset	Life (in years)
Buildings and improvements	5 – 40
Store fixtures and equipment	3 – 15
Leasehold improvements	5 – 40
Capitalized software	2 – 7

Leasehold improvements and leased property and equipment that are purchased at the inception of the lease, or during the lease term, are amortized over the shorter of the lease term or the asset life. Lease terms include the fixed, non-cancellable term of a lease, plus any renewal periods determined to be reasonably assured.

We receive contributions from vendors for the construction of certain fixtures in our stores.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the related net assets acquired and is not subject to amortization. We review our goodwill annually for impairment or when circumstances indicate that the carrying value may exceed the fair value. As a result of early adopting ASU 2017-04 in the fourth quarter of 2019 (see the Recent Accounting Pronouncements section), we perform this evaluation at the reporting unit level, all within our Retail segment, comprised of the principal business units within our Retail segment, through the application of a quantitative fair value test. We compare the carrying value of the reporting unit to its estimated fair value, which is based on the expected present value of future cash flows (income approach), comparable public companies and acquisitions (market approach), or a combination of both. If fair value is lower than the carrying value, an impairment charge is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The following summarizes our goodwill activity for the past three fiscal years:

	Goodwill
Balance at January 28, 2017	$238
Additions	—
Balance at February 3, 2018	238
Additions	11
Balance at February 2, 2019	249
Additions	—
Balance at February 1, 2020	**$249**

Prior to the fourth quarter of 2019, we allocated goodwill to three reporting units, including Trunk Club, NRHL and Nordstrom U.S. We reviewed Trunk Club and NRHL goodwill as of the first day of the fourth quarter and Nordstrom U.S. goodwill as of the first day of the first quarter. We are integrating Trunk Club into our Full-Price business to enable a superior experience for customers, drive more business and gain efficiencies. As a result of this strategic change, Trunk Club is no longer a separate reporting unit and our Trunk Club and Nordstrom U.S. goodwill is now allocated to our Full-Price operating segment as of the fourth quarter of 2019. In connection with this change, we voluntarily elected to change our testing date to the first day of the fourth quarter, which better aligns with the timing of our long-term planning process. This accounting policy change is preferable to management, is not material, is not expected to produce different impairment results and did not result in a goodwill impairment charge in 2019.

We continue to make investments in evolving the customer experience, with a strong emphasis on integrating technology across our business. To support these efforts, we acquired two retail technology companies during 2018 and recorded $11 of goodwill from these acquisitions. Therefore, in 2018, we allocated this goodwill to our Nordstrom U.S. reporting unit, as the investments primarily benefit Nordstrom FLS and Nordstrom.com.

Long-Lived Assets

When facts and circumstances indicate that the carrying values of certain long-lived assets, including buildings, equipment, amortizable intangible and ROU assets, may be impaired, we perform an evaluation of recoverability by comparing the carrying values of the net assets to their related projected undiscounted future cash flows, in addition to other quantitative and qualitative analyses.

Land, property and equipment are grouped at the lowest level at which there are identifiable cash flows when assessing impairment, while cash flows for our retail store assets are identified at the individual store level.

Amortization expense for acquired intangibles was $7, $11 and $11 in 2019, 2018 and 2017. In 2019, as a result of the Trunk Club integration, we fully impaired the remaining acquired Trunk Club intangible asset and recorded a loss of $11. No future amortization expense will be recorded.

Self-Insurance
We retain a portion of the risk for certain losses related to employee health and welfare, workers' compensation and other liability claims. Liabilities associated with these losses include undiscounted estimates of both losses reported and losses incurred but not yet reported. We estimate our ultimate cost using an actuarially-based analysis of claims experience, regulatory changes and other relevant factors.

Foreign Currency
We have six Nordstrom FLS in Canada and six Nordstrom Rack stores in Canada. The functional currency of our Canadian operation is the Canadian Dollar. We translate assets and liabilities into U.S. Dollars using the exchange rate in effect at the balance sheet date, while we translate revenues and expenses using an average exchange rate for the period. We record these translation adjustments as a component of accumulated other comprehensive loss on the Consolidated Balance Sheets.

In addition, our U.S. operation incurs certain expenditures denominated in Canadian Dollars and our Canadian operation incurs certain expenditures denominated in U.S. Dollars. This activity results in transaction gains and losses that arise from exchange rate fluctuations, which are recorded as gains or losses in the Consolidated Statements of Earnings. As of February 1, 2020, activities associated with foreign currency exchange risk have not had a material impact on our Consolidated Financial Statements.

Recent Accounting Pronouncements
In January 2017, the FASB issued ASU No. 2017-04, *Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment by eliminating step two from the goodwill impairment test. This guidance is effective prospectively for fiscal years and interim periods within those years beginning after December 15, 2019, with early adoption permitted. We have elected to early adopt this ASU effective the beginning of the fourth quarter of 2019. Our adoption of this standard was not material to our Consolidated Financial Statements.

In March 2019, we adopted the SEC's rule on *FAST Act Modernization and Simplification of Regulation S-K*. The amendment aims to modernize and simplify certain reporting requirements and improve readability and navigability between disclosures. This final rule was effective for the first quarter of 2019. Our adoption of this final rule did not have a material effect on our Consolidated Financial Statements.

NOTE 2: LEASES
During the first quarter of 2019, we adopted the Lease Standard using the transition method provided in ASU 2018-11. As a result, reporting periods beginning in the first quarter of 2019 are presented under the Lease Standard while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840 — *Leases*.

Adoption of the Lease Standard did not have a material impact on our Consolidated Statement of Earnings, Consolidated Statement of Comprehensive Earnings, Consolidated Statement of Cash Flows or Consolidated Statement of Shareholders' Equity. The impact of adopting the Lease Standard resulted in the following on February 3, 2019:

- Increase in total assets and total liabilities of $1,849 primarily due to recognizing ROU assets and operating lease liabilities for most leases previously classified as operating leases.
- Reclassification of deferred property incentives, net of $568 to ROU assets on the Consolidated Balance Sheet.
- Reclassification of deferred property incentives, net of $339 from ROU assets to other current liabilities and other liabilities on the Consolidated Balance Sheet for property incentives that exceed the associated ROU asset. Property incentives that exceed the associated ROU asset are primarily due to leases with low fixed lease costs that may also have variable lease costs that are excluded from the ROU asset.
- Increase in beginning accumulated deficit of $25 primarily due to the net impact of removing a building and associated financial obligation from land, property and equipment and long-term debt, net on the Consolidated Balance Sheet related to a failed sale-leaseback transaction.

Nordstrom, Inc.
Notes to Consolidated Financial Statements
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The majority of our fixed, non-cancellable lease terms are 15 to 30 years for Nordstrom FLS, approximately 10 years for Nordstrom Rack stores and 5 to 20 years for office facilities and Supply Chain Network facilities. Many of our leases include options that allow us to extend the lease term beyond the initial commitment period. At the commencement of a lease, we generally include only the initial lease term as we have determined that options to extend are not reasonably certain to occur. The exercise of lease renewal options is generally at our sole discretion. At the renewal of an expiring lease, we reassess our options in the agreement and include all reasonably certain extensions in the measurement of our lease term.

Most of our leases also require we pay certain expenses, such as common area maintenance charges, real estate taxes and other executory costs, the fixed portion of which is included in Operating Lease Cost. We recognize Operating Lease Cost, which is primarily included in occupancy costs, on a straight-line basis over the lease term. Variable lease cost includes payments for variable common area maintenance charges and additional payments based on a percentage of sales, which are recognized when probable. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table summarizes the components of lease cost:

Fiscal year	**2019**
Operating Lease Cost	**$278**
Variable lease cost[1]	**105**
Sublease income	**(9)**
Total lease cost, net	**$374**

[1] Variable lease cost includes short-term lease cost, which was immaterial for the year ended February 1, 2020.

The following table summarizes future lease payments as of February 1, 2020:

Fiscal year	**Operating Leases**
2020	**$333**
2021	**353**
2022	**327**
2023	**300**
2024	**252**
Thereafter	**1,136**
Total lease payments	**2,701**
Less: amount representing interest	**(582)**
Present value of net lease payments[1]	**$2,119**

[1] Total lease payments exclude $12 of lease payments for operating leases that were signed but have not yet commenced.

The following table includes supplemental information:

Fiscal year	**2019**
Cash paid related to operating lease liabilities	**$360**
Operating lease interest	**101**
Operating lease liabilities arising upon adoption of the Lease Standard	**2,224**
Operating lease liabilities arising from the commencement of lease agreements	**150**
Cash received from developer reimbursements	**79**
Amortization of developer reimbursements	**75**

	February 1, 2020
Weighted-average remaining lease term	**10 years**
Weighted-average discount rate	**4.7%**

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

Previous Lease Standard Disclosures
The following table summarizes rent expense before adoption of the Lease Standard:

Fiscal year	2018	2017
Minimum rent	**$321**	$318
Percentage rent	**9**	11
Property incentives	**(79)**	(79)
Total rent expense	**$251**	**$250**

The rent expense above does not include common area maintenance charges, real estate taxes and other executory costs, which were $138 in 2018 and $121 in 2017.

The following table summarizes future minimum lease payments as of February 2, 2019, before adoption of the Lease Standard:

Fiscal year	Operating Leases
2019	**$322**
2020	**313**
2021	**294**
2022	**271**
2023	**249**
Thereafter	**1,160**
Total minimum lease payments	**$2,609**

NOTE 3: REVENUE

Contract Liabilities
Contract liabilities represent our obligation to transfer goods or services to customers and include deferred revenue for The Nordy Club (including points and Nordstrom Notes) and gift cards. Our contract liabilities are classified as current on the Consolidated Balance Sheet and are as follows:

	Contract Liabilities
Opening balance as of February 4, 2018	$498
Balance as of February 2, 2019	548
Balance as of February 1, 2020	**576**

Revenues recognized from our beginning contract liability balance were $313 and $307 for the years ended February 1, 2020 and February 2, 2019.

Disaggregation of Revenue
The following table summarizes our disaggregated net sales:

Fiscal year	2019	2018	2017
Net sales by business[1]:			
Full-Price	**$9,943**	$10,299	$10,452
Off-Price	**5,189**	5,181	4,956
Other	**—**	—	(271)
Total net sales	**$15,132**	$15,480	$15,137
Digital sales as % of net sales	**33%**	30%	27%

[1] We present our sales in the way that management views our results internally, including presenting 2019 and 2018 under the Revenue Standard while prior period amounts are not adjusted and allocating our sales return allowance and loyalty related adjustments to Full-Price and Off-Price. For 2017, Other primarily included unallocated sales return, in-transit and loyalty related adjustments necessary to reconcile sales by business to total net sales. If we applied the sales return allowance allocation and the loyalty related adjustments to 2017, Full-Price net sales would decrease $211, Off-Price net sales would decrease $60 and Other net sales would increase $271.

Nordstrom, Inc.
Notes to Consolidated Financial Statements
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The following table summarizes the percent of net sales by merchandise category:

Fiscal year	2019	2018	2017
Women’s Apparel	**31%**	32%	32%
Shoes	**24%**	24%	23%
Men’s Apparel	**16%**	16%	16%
Women’s Accessories	**11%**	11%	11%
Beauty	**11%**	11%	11%
Kids’ Apparel	**4%**	4%	4%
Other	**3%**	2%	3%
Total net sales	**100%**	100%	100%

NOTE 4: CREDIT CARD RECEIVABLE TRANSACTION

In October 2015, we completed the sale of a substantial majority of our U.S. Visa and private label credit card portfolio to TD. In November 2017, we sold the remaining balances, which consisted of employee credit card receivables for the U.S. Visa and Nordstrom private label credit cards to TD for an amount equal to the gross value of the outstanding receivables. At close of the November 2017 transaction, we received $55 in cash consideration reflecting the par value of the employee receivables sold.

Cash Flows Presentation

Nordstrom private label credit and debit cards can be used at a majority of our U.S. retail businesses, while Nordstrom Visa credit cards also may be used for purchases outside of Nordstrom. Prior to the completion of the credit card receivable transaction in November 2017, cash flows from the use of both the private label and Nordstrom Visa credit cards for sales originating at our stores and our digital channels were treated as an operating activity within the Consolidated Statements of Cash Flows, as they related to sales at Nordstrom. Additionally, cash flows arising from the use of Nordstrom Visa credit cards outside of our stores were treated as an investing activity within the Consolidated Statements of Cash Flows, as they represented loans made to our customers for purchases at third parties.

NOTE 5: LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

	February 1, 2020	February 2, 2019
Land and land improvements	**$288**	$111
Buildings and building improvements	**1,591**	1,240
Leasehold improvements	**3,263**	3,152
Store fixtures and equipment	**4,015**	3,832
Capitalized software	**1,547**	1,492
Construction in progress	**470**	741
Land, property and equipment	**11,174**	10,568
Less: accumulated depreciation and amortization	**(6,995)**	(6,647)
Land, property and equipment, net	**$4,179**	$3,921

Depreciation and amortization expense was $654, $661 and $655 in 2019, 2018 and 2017. Prior to the adoption of the Lease Standard, the total cost of property and equipment held under capital lease obligations was $26 at the end of 2018 and 2017, with related accumulated amortization of $26 and $25 in 2018 and 2017.

In 2019, we incurred $60 in net non-cash investing activities for accruals for capital expenditures, primarily related to Nordstrom NYC and our Supply Chain Network.

Nordstrom, Inc.
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NOTE 6: SELF-INSURANCE
Our self-insurance reserves are summarized as follows:

	February 1, 2020	February 2, 2019
Workers' compensation	**$79**	$77
Employee health and welfare	**25**	25
Other liability	**14**	15
Total self-insurance reserve	**$118**	$117

Our workers' compensation policies have a retention per claim of $1 or less and no policy limits.

We are self-insured for the majority of our employee health and welfare coverage and we do not use stop-loss coverage. Participants contribute to the cost of their coverage through premiums and out-of-pocket expenses for deductibles, co-pays and co-insurance.

Our liability policies, encompassing an employment practices liability, with a policy limit up to $30, and a commercial general liability, with a policy limit up to $151, have a retention per claim of $3 or less. Subsequent to the year ended February 1, 2020, the policy limit on a commercial general liability will decrease to $101.

NOTE 7: 401(K) PLAN
We provide a 401(k) plan for our employees that allows for employee elective contributions and our discretionary contributions. Employee elective contributions are funded through voluntary payroll deductions. Our discretionary contribution is funded in an amount determined by our Board of Directors each year. Total expenses related to Company contributions of $85, $102 and $110 in 2019, 2018 and 2017 were included in both buying and occupancy costs and SG&A expenses on our Consolidated Statements of Earnings. The $110 in 2017 included $94 of matching contributions and $16 for a one-time discretionary profit-sharing contribution.

NOTE 8: POSTRETIREMENT BENEFITS
We have a SERP, which provides retirement benefits to certain officers and select employees. The SERP has different benefit levels depending on the participant's role. At the end of 2019, we had 57 participants in the plan, including 11 officers and select employees eligible for SERP benefits, 44 retirees and two beneficiaries. This plan is non-qualified and does not have a minimum funding requirement.

Benefit Obligations and Funded Status
Our benefit obligation and funded status is as follows:

	February 1, 2020	February 2, 2019
Change in benefit obligation:		
Benefit obligation at beginning of year	**$190**	$200
Participant service cost	**2**	2
Interest cost	**7**	7
Benefits paid	**(9)**	(9)
Actuarial loss (gain)	**34**	(10)
Benefit obligation at end of year	**224**	190
Change in plan assets:		
Fair value of plan assets at beginning of year	**—**	—
Employer contribution	**9**	9
Benefits paid	**(9)**	(9)
Fair value of plan assets at end of year	**—**	—
Underfunded status at end of year	**($224)**	($190)

The accumulated benefit obligation, which is the present value of benefits, assuming no future compensation changes, was $222 and $188 at the end of 2019 and 2018.

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Amounts recognized as liabilities in the Consolidated Balance Sheets consist of the following:

	February 1, 2020	February 2, 2019
Accrued salaries, wages and related benefits	**$11**	$10
Other liabilities (noncurrent)	**213**	180
Net amount recognized	**$224**	$190

Components of SERP Expense
The components of SERP expense recognized in the Consolidated Statements of Earnings are as follows:

Fiscal year	2019	2018	2017
Participant service cost	**$2**	$2	$3
Interest cost	**7**	7	7
Amortization of net loss and other	**1**	5	3
Total SERP expense	**$10**	$14	$13

Amounts not yet reflected in SERP expense and included in accumulated other comprehensive loss (pre-tax) consist of the following:

	February 1, 2020	February 2, 2019
Accumulated loss	**($62)**	($30)
Prior service credit	**—**	1
Total accumulated other comprehensive loss	**($62)**	($29)

Assumptions
Weighted-average assumptions used to determine our benefit obligation and SERP expense are as follows:

Fiscal year	2019	2018	2017
Assumptions used to determine benefit obligation:			
Discount rate	**2.97%**	4.27%	3.95%
Rate of compensation increase	**2.50%**	2.50%	3.00%
Assumptions used to determine SERP expense:			
Discount rate	**4.27%**	3.95%	4.31%
Rate of compensation increase	**2.50%**	3.00%	3.00%

Future Benefit Payments and Contributions
As of February 1, 2020, the expected future benefit payments based upon the assumptions described above and including benefits attributable to estimated future employee service are as follows:

Fiscal year	
2020	$11
2021	11
2022	11
2023	12
2024	12
2025 – 2029	62

(Dollar and share amounts in millions except per share, per option and per unit amounts)

NOTE 9: DEBT AND CREDIT FACILITIES

Debt

A summary of our long-term debt is as follows:

	February 1, 2020	February 2, 2019
Long-term debt, net of unamortized discount:		
Senior notes, 4.75%, due May 2020	**$—**	$500
Senior notes, 4.00%, due October 2021	**500**	500
Senior notes, 4.00%, due March 2027	**349**	349
Senior debentures, 6.95%, due March 2028	**300**	300
Senior notes, 4.375%, due April 2030	**500**	—
Senior notes, 7.00%, due January 2038	**147**	146
Senior notes, 5.00%, due January 2044	**897**	895
Other[1]	**(17)**	(5)
Total long-term debt	**2,676**	2,685
Less: current portion	**—**	(8)
Total due beyond one year	**$2,676**	**$2,677**

[1] Other primarily includes deferred bond issue costs.

Required principal payments on long-term debt are as follows:

Fiscal year	
2020	$—
2021	500
2022	—
2023	—
2024	—
Thereafter	2,264

During 2019, we issued $500 aggregate principal amount of 4.375% senior unsecured notes due April 2030. With the proceeds of this issuance, we retired our $500 senior unsecured notes that were due May 2020. We incurred $8 of net interest expense related to the refinancing, which primarily included a one-time payment to 2020 Senior Note holders under a make-whole provision.

Interest Expense

The components of interest expense, net are as follows:

Fiscal year	2019	2018	2017
Interest on long-term debt and short-term borrowings	**$151**	$146	$168
Less:			
Interest income	**(10)**	(15)	(5)
Capitalized interest	**(39)**	(27)	(27)
Interest expense, net	**$102**	$104	$136

Credit Facilities

As of February 1, 2020, we had total short-term borrowing capacity of $800 under the Revolver that expires in September 2023. The Revolver contains customary representations, warranties, covenants and terms, including paying a variable rate of interest and a commitment fee based on our debt rating. The Revolver is available for working capital, capital expenditures and general corporate purposes. Provided that we obtain written consent from the lenders, we have the option to increase the Revolver by up to $200, to a total of $1,000, and two options to extend the Revolver by one year. For more information, see subsequent events in Note 1: Nature of Operations and Summary of Significant Accounting Policies.

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The Revolver requires that we maintain an adjusted debt to EBITDAR leverage ratio of no more than four times. The Revolver's ratio calculation methodology has not been impacted by the adoption of the Lease Standard. As of February 1, 2020 and February 2, 2019, we were in compliance with this covenant.

Our $800 commercial paper program allows us to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect, while it is outstanding, of reducing available liquidity under the Revolver by an amount equal to the principal amount of commercial paper.

As of February 1, 2020 and February 2, 2019, we had no issuances outstanding under our commercial paper program and no borrowings outstanding under our Revolver.

Our wholly owned subsidiary in Puerto Rico maintained a $52 unsecured borrowing facility to support our expansion into that market. Borrowings on this facility incurred interest at an annual rate based upon LIBOR plus 1.275% and also incurred a fee based on any unused commitment. In 2018, we fully repaid $47 outstanding on this facility, and did not renew the facility upon expiration in the fourth quarter of 2018.

NOTE 10: FAIR VALUE MEASUREMENTS

We disclose our financial assets and liabilities that are measured at fair value in our Consolidated Balance Sheets by level within the fair value hierarchy as defined by applicable accounting standards:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that cannot be corroborated by market data that reflect the reporting entity's own assumptions

Financial Instruments Measured at Carrying Value

Financial instruments measured at carrying value on a recurring basis include cash and cash equivalents, accounts receivable and accounts payable, which approximate fair value due to their short-term nature.

Long-term debt is recorded at carrying value. If long-term debt was measured at fair value, we would use quoted market prices of the same or similar issues, which is considered Level 2 fair value measurement. The following table summarizes the carrying value and fair value estimate of our long-term debt, including current maturities:

	February 1, 2020	February 2, 2019
Carrying value of long-term debt	**$2,676**	$2,685
Fair value of long-term debt	**2,905**	2,692

Non-financial Assets Measured at Fair Value on a Nonrecurring Basis

We also measure certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill, long-lived tangible, right-of-use and intangible assets, in connection with periodic evaluations for potential impairment. We estimate the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements. For additional information related to goodwill and intangible, long-lived and right-of-use assets and impairments, see Note 1: Nature of Operations and Summary of Significant Accounting Policies.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Our estimated total purchase obligations, which primarily consist of capital expenditure commitments and inventory purchase orders, were $1,618 as of February 1, 2020. In connection with the purchase of foreign merchandise, we have no outstanding trade letters of credit as of February 1, 2020.

Our NYC flagship store opened in October 2019 and the related building and equipment assets were placed into service as of the end of the third quarter. While our store has opened, construction continues in the residential condominium units above the store. As of February 1, 2020, we have a fee interest in the retail condominium unit. We are committed to make one remaining installment payment based on the developer meeting final pre-established construction and development milestones.

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NOTE 12: SHAREHOLDERS' EQUITY
The following is a summary of the activity related to our share repurchase programs in 2019, 2018, and 2017:

	Shares	Average price per share	Amount
Capacity at January 28, 2017			$529
February 2017 authorization (ended August 31, 2018)			500
Shares repurchased	4.6	$45	(206)
Expiration of unused October 2015 authorization capacity in March 2017			(409)
Capacity at February 3, 2018			414
August 2018 authorization (no expiration)			1,500
Shares repurchased	14.3	$49	(702)
Expiration of unused February 2017 authorization capacity in August 2018			(319)
Capacity at February 2, 2019			893
Shares repurchased	4.1	$45	(186)
Capacity at February 1, 2020			**$707**

The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to market and economic conditions and applicable SEC rules.

We paid dividends of $1.48 per share in 2019, 2018 and 2017. In February 2020, subsequent to year end, we declared a quarterly dividend of $0.37 per share, which will be paid on March 25, 2020 to shareholders of record as of March 10, 2020.

NOTE 13: STOCK-BASED COMPENSATION
We currently grant stock-based awards under our 2019 Plan and employees may purchase our stock at a discount under our ESPP. Under our deferred and stock-based compensation plan arrangements, the Company issued 2.1, 4.9, and 1.6 shares of common stock in 2019, 2018 and 2017.

Under the 2019 Plan, the aggregate number of shares to be issued may not exceed 9.5 plus any shares currently outstanding under the 2010 Plan that are forfeited or expire during the term of the 2019 Plan. As of February 1, 2020, we have 9.5 shares authorized, 12.2 shares issued and outstanding and 10.3 shares remaining available for future grants under the 2019 Plan. No future grants will be made under the 2002 Plan and the 2010 Plan.

Under the ESPP, employees may make payroll deductions of up to 10% of their base and bonus compensation for the purchase of Nordstrom common stock. At the end of each six-month offering period, participants apply their accumulated payroll deductions toward the purchase of shares of our common stock at 90% of the fair market value on the last day of the offer period. As of February 1, 2020, we had 12.6 shares authorized and 1.3 shares available for issuance under the ESPP. We issued 0.5 and 0.4 shares under the ESPP during 2019 and 2018. At the end of 2019 and 2018, we had current liabilities of $5 and $6 for future purchases of shares under the ESPP.

The following table summarizes our stock-based compensation expense:

Fiscal year	**2019**	**2018**	**2017**
RSUs	**$49**	$71	$51
Stock options	**11**	12	18
Other[1]	**9**	7	8
Total stock-based compensation expense, before income tax benefit	**69**	90	77
Income tax benefit	**(18)**	(23)	(20)
Total stock-based compensation expense, net of income tax benefit	**$51**	$67	$57

[1] Other stock-based compensation expense includes PSUs, ESPP and nonemployee director stock awards.

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The stock-based compensation expense before income tax benefit was recorded in our Consolidated Statements of Earnings as follows:

Fiscal year	2019	2018	2017
Cost of sales and related buying and occupancy costs	**$20**	$28	$25
SG&A expenses	**49**	62	52
Total stock-based compensation expense, before income tax benefit	**$69**	$90	$77

Restricted Stock

Our Compensation, People and Culture Committee of our Board of Directors approves grants of restricted stock units to employees. The number of units granted to an individual are determined based upon a percentage of the recipient's base salary and the fair value of the restricted stock. Restricted stock units typically vest over four years.

A summary of restricted stock unit activity for 2019 is presented below:

Fiscal year	2019	
	Shares	**Weighted-average grant date fair value per unit**
Outstanding, beginning of year	**3.9**	**$47**
Granted	**1.5**	**39**
Vested	**(1.6)**	**46**
Forfeited or cancelled	**(0.6)**	**45**
Outstanding, end of year	**3.2**	**$44**

The aggregate fair value of restricted stock units vested during 2019, 2018 and 2017 was $65, $54 and $26. As of February 1, 2020, the total unrecognized stock-based compensation expense related to nonvested restricted stock units was $79, which is expected to be recognized over a weighted-average period of 28 months.

Stock Options

Our Compensation, People and Culture Committee of our Board of Directors approves grants of nonqualified stock options to employees. We used the following assumptions to estimate the fair value for stock options at each grant date (excluding options granted in connection with the Trunk Club acquisition):

Fiscal year[1]	2019	2017
Assumptions		
Risk-free interest rate: Represents the yield on U.S. Treasury zero-coupon securities that mature over the 10-year life of the stock options.	2.5% – 2.7%	1.0% – 2.5%
Weighted-average volatility: Based on a combination of the historical volatility of our common stock and the implied volatility of exchange-traded options for our common stock.	34.6%	40.1%
Weighted-average expected dividend yield: Our forecasted dividend yield for the next 10 years.	1.9%	2.4%
Expected life in years: Represents the estimated period of time until option exercise. The expected term of options granted was derived from the output of the Binomial Lattice option valuation model and was based on our historical exercise behavior, taking into consideration the contractual term of the option and our employees' expected exercise and post-vesting employment termination behavior.	6.8	7.1
Grant Date Information		
Date of grant	March 5, 2019	February 28, 2017
Weighted-average fair value per option	$15	$16
Exercise price per option	$45	$47

[1] There were no stock options granted in 2018.

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A summary of stock option activity for 2019 is presented below:

Fiscal year	2019			
	Shares	**Weighted-average exercise price**	**Weighted-average remaining contractual life (years)**	**Aggregate intrinsic value**
Outstanding, beginning of year	**8.4**	**$53**		
Granted	**1.0**	**45**		
Exercised	**(0.4)**	**30**		
Forfeited or cancelled	**(0.7)**	**54**		
Outstanding, end of year	**8.3**	**$53**	**5**	**$132**
Vested, end of year	**6.9**	**$54**	**4**	**$118**
Vested or expected to vest, end of year	**8.1**	**$53**	**5**	**$130**

Fiscal year	2019	2018	2017
Aggregate intrinsic value of options exercised	**$5**	$67	$13
Fair value of stock options vested	**$17**	$22	$34

As of February 1, 2020, the total unrecognized stock-based compensation expense related to nonvested stock options was $10, which is expected to be recognized over a weighted-average period of 35 months.

NOTE 14: INCOME TAXES

In December 2017, the Tax Act was signed into law. Among numerous other provisions, the Tax Act significantly revised the U.S. federal corporate income tax by reducing the statutory rate from 35% to 21%. In accordance with SEC Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, we made a reasonable estimate of the Tax Act's impact and provisionally recorded this estimate in our 2017 results. As of February 2, 2019, we completed our accounting for the impacts of the Tax Act, resulting in no material changes to previously recorded provisional amounts.

U.S. and foreign components of earnings before income taxes were as follows:

Fiscal year	2019	2018	2017
U.S.	**$654**	$792	$803
Foreign	**28**	(59)	(13)
Earnings before income taxes	**$682**	$733	$790

Income tax expense consists of the following:

Fiscal year	2019	2018	2017
Current income taxes:			
Federal	**$90**	$147	$291
State and local	**44**	56	51
Total current income tax expense	**134**	203	342
Deferred income taxes:			
Federal	**43**	(5)	10
State and local	**3**	(3)	1
Foreign	**6**	(26)	—
Total deferred income tax expense (benefit)	**52**	(34)	11
Total income tax expense	**$186**	$169	$353

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A reconciliation of the statutory federal income tax rate to the effective tax rate on earnings before income taxes is as follows:

Fiscal year	2019	2018	2017
Statutory rate	**21.0%**	21.0%	33.7%
Tax Act impact	**—**	(0.1%)	6.1%
State and local income taxes, net of federal income taxes	**5.4%**	5.8%	4.5%
Federal credits	**(0.9%)**	(1.5%)	(0.7%)
Valuation allowance release	**—**	(1.2%)	—
Other, net	**1.8%**	(0.9%)	1.1%
Effective tax rate	**27.3%**	23.1%	44.7%

The components of deferred tax assets and liabilities are as follows:

	February 1, 2020	February 2, 2019
Deferred tax assets:		
Lease liabilities	**$555**	$—
Compensation and benefits accruals	**145**	139
Allowance for sales returns	**47**	52
Accrued expenses	**29**	28
Merchandise inventories	**20**	20
Gift cards	**39**	26
Loyalty program	**10**	12
Net operating losses	**33**	41
Other	**5**	5
Total deferred tax assets	**883**	323
Valuation allowance	**(41)**	(43)
Total net deferred tax assets	**842**	280
Deferred tax liabilities:		
ROU assets	**(377)**	—
Land, property and equipment basis and depreciation differences	**(312)**	(94)
Debt exchange premium	**(13)**	(13)
Total deferred tax liabilities	**(702)**	(107)
Net deferred tax assets	**$140**	$173

As of February 1, 2020, our state and foreign net operating loss carryforwards for income tax purposes were approximately $25 and $102. As of February 2, 2019, our state and foreign net operating loss carryforwards for income tax purposes were approximately $12 and $132. The net operating loss carryforwards are subject to certain statutory limitations of applicable state and foreign laws. If not utilized, a portion of our state and foreign net operating loss carryforwards will begin to expire in 2023 and 2033.

As of February 1, 2020 and February 2, 2019, we believe there are certain foreign net operating loss carryforwards and deferred tax assets that will not be realized in the foreseeable future. As such, valuation allowances of $41 and $43 have been recorded as of February 1, 2020 and February 2, 2019. The net change in valuation allowance for 2019 and 2018 was a decrease of $2 and $8, respectively.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Fiscal year	2019	2018	2017
Unrecognized tax benefit at beginning of year	**$30**	$31	$32
Gross increase to tax positions in prior periods	**—**	9	2
Gross decrease to tax positions in prior periods	**—**	(14)	(7)
Gross increase to tax positions in current period	**3**	6	5
Lapses in statute	**(1)**	(2)	(1)
Settlements	**(10)**	—	—
Unrecognized tax benefit at end of year	**$22**	$30	$31

At the end of 2019 and 2018, $22 and $26 of the ending gross unrecognized tax benefit related to items which, if recognized, would affect the effective tax rate.

There was no material expense for interest and penalties in 2019, 2018 and 2017. At the end of 2019 and 2018, our liability for interest and penalties was $3 and $3.

We file income tax returns in the U.S. and a limited number of foreign jurisdictions. With few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations for years before 2013. As of February 1, 2020, we believe unrecognized tax benefits related to federal, state and local tax positions will not decrease by January 30, 2021.

NOTE 15: EARNINGS PER SHARE

Earnings per basic share is computed using the weighted-average number of common shares outstanding during the year. Earnings per diluted share uses the weighted-average number of common shares outstanding during the year plus dilutive common stock equivalents, primarily restricted stock and stock options. Dilutive common stock is calculated using the treasury stock method and includes unvested RSUs and outstanding options that would reduce the amount of earnings for which each share is entitled. Anti-dilutive shares (including stock options and other shares) are excluded from the calculation of diluted shares and earnings per diluted share because their impact could increase earnings per diluted share. The computation of earnings per share is as follows:

Fiscal year	2019	2018	2017
Net earnings	**$496**	$564	$437
Basic shares	**155.2**	167.3	166.8
Dilutive effect of common stock equivalents	**0.9**	2.7	2.1
Diluted shares	**156.1**	170.0	168.9
Earnings per basic share	**$3.20**	$3.37	$2.62
Earnings per diluted share	**$3.18**	$3.32	$2.59
Anti-dilutive common stock equivalents	**10.0**	5.2	10.5

NOTE 16: SEGMENT REPORTING

Segments
We continually monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments. We have one reportable "Retail" segment to align with how management operates and evaluates the results of our operations. Our principal executive officer, who is our CODM, reviews results on a total company, Full-Price and Off-Price basis and uses EBIT as a measure of profitability.

Our Retail reportable segment aggregates our two operating segments, Full-Price and Off-Price. Full-Price consists of Nordstrom U.S. Full-Price stores, Nordstrom.com, Canada, Trunk Club, Jeffrey and Nordstrom Local. Off-Price consists of Nordstrom U.S. Rack stores, NRHL and Last Chance clearance stores.

Our Full-Price and Off-Price operating segments both generate revenue by offering customers an extensive selection of high-quality, brand-name and private label merchandise, which includes apparel, shoes, cosmetics and accessories for women, men, young adults and children. We continue to focus on omni-channel initiatives by integrating the operations, merchandising and technology necessary to be consistent with our customers' expectations of a seamless shopping experience regardless of channel or business. Full-Price and Off-Price have historically had similar economic characteristics and are expected to have similar economic characteristics and long-term financial performance in future periods. They also have other similar qualitative characteristics, including suppliers, method of distribution, type of customer and regulatory environment. Due to their similar qualitative and economic characteristics, we have aggregated our Full-Price and Off-Price operating segments into a single reportable segment.

Amounts in the Corporate/Other column include unallocated corporate expenses and assets (including unallocated assets in corporate headquarters, consisting primarily of cash, land, buildings and equipment and deferred tax assets), inter-segment eliminations and other adjustments to segment results necessary for the presentation of consolidated financial results in accordance with GAAP. We allocate Credit assets, loss before interest and income taxes and loss before income taxes to the Retail segment.

Accounting Policy
We present our segment results for all years in the way that management views our results internally, including presenting 2019 and 2018 under the Revenue Standard while prior period amounts are not adjusted. For 2019 and 2018, we generally use the same methodology to compute earnings before income taxes for our reportable segment as we do for the consolidated Company. As a result, for our Retail segment in 2019 and 2018, we defer a portion of underlying sales revenue as customers earn points and Nordstrom Notes in The Nordy Club, based on an estimated stand-alone selling price of primarily points and Nordstrom Notes, and recognize the deferred revenue and related cost of sales when the Nordstrom Notes are ultimately redeemed.

For 2017, prior to the adoption of the Revenue Standard, we estimated the net cost of Nordstrom Notes to be issued and redeemed. We recorded this cost as reward points were accumulated in cost of sales in our total company results. The related Nordstrom Notes expenses were included at face value in the Retail segment. As a result, our Corporate/Other column included an adjustment to reduce the Nordstrom Notes expense from face value to their estimated cost. In addition, the full amount of redemptions of our Nordstrom Notes were included in net sales for our Retail segment. The net sales amount in our Corporate/Other column primarily related to an entry to eliminate these transactions from our consolidated net sales. The impact of these types of adjustments on Retail segment EBIT and Corporate/Other loss before interest and income taxes in 2017 would be immaterial. Other than as described above, the accounting policies of our reportable segment are the same as those described in Note 1: Nature of Operations and Summary of Significant Accounting Policies.

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The following table sets forth information for our reportable segment:

	Retail	Corporate/Other	Total
Fiscal year 2019			
Net sales	**$15,132**	**$—**	**$15,132**
Credit card revenues, net	**—**	**392**	**392**
Earnings (loss) before interest and income taxes	**1,028**	**(244)**	**784**
Interest expense, net	**—**	**(102)**	**(102)**
Earnings (loss) before income taxes	**1,028**	**(346)**	**682**
Capital expenditures	**(726)**	**(209)**	**(935)**
Depreciation and amortization	**(428)**	**(233)**	**(661)**
Assets[1]	**6,831**	**2,906**	**9,737**
Fiscal year 2018			
Net sales	$15,480	$—	$15,480
Credit card revenues, net	—	380	380
Earnings (loss) before interest and income taxes[2]	1,059	(222)	837
Interest expense, net	—	(104)	(104)
Earnings (loss) before income taxes[2]	1,059	(326)	733
Capital expenditures	(415)	(239)	(654)
Depreciation and amortization	(436)	(233)	(669)
Assets	5,300	2,586	7,886
Fiscal year 2017			
Net sales	$15,408	($271)	$15,137
Credit card revenues, net	—	341	341
Earnings (loss) before interest and income taxes[2]	1,083	(157)	926
Interest expense, net	—	(136)	(136)
Earnings (loss) before income taxes[2]	1,083	(293)	790
Capital expenditures	(516)	(215)	(731)
Depreciation and amortization	(445)	(221)	(666)
Assets	5,477	2,638	8,115

[1] In 2019, we adopted the Lease Standard using the transition method provided in ASU 2018-11. See Note 2: Leases for further information.
[2] Certain reclassifications were made to 2018 and 2017 amounts to conform with current period presentation, which is the way that management views our results internally.

For information about disaggregated revenues, see Note 3: Revenue.

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NOTE 17: SELECTED QUARTERLY DATA[1] (UNAUDITED)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal year 2019					
Net sales	**$3,349**	**$3,778**	**$3,566**	**$4,439**	**$15,132**
Credit card revenues, net	**94**	**94**	**106**	**99**	**392**
Gross profit	**1,121**	**1,302**	**1,222**	**1,555**	**5,200**
SG&A expenses	**(1,138)**	**(1,180)**	**(1,135)**	**(1,355)**	**(4,808)**
EBIT[2]	**77**	**216**	**193**	**299**	**784**
Net earnings[2]	**37**	**141**	**126**	**193**	**496**
Earnings per basic share	**$0.24**	**$0.91**	**$0.81**	**$1.24**	**$3.20**
Earnings per diluted share[2]	**$0.23**	**$0.90**	**$0.81**	**$1.23**	**$3.18**
Dividends per share	**$0.37**	**$0.37**	**$0.37**	**$0.37**	**$1.48**
Fiscal year 2018					
Net sales	$3,469	$3,980	$3,648	$4,383	$15,480
Credit card revenues, net	92	87	100	101	380
Gross profit	1,181	1,391	1,213	1,540	5,325
SG&A expenses	(1,120)	(1,232)	(1,208)	(1,308)	(4,868)
EBIT[3]	153	246	105	333	837
Net earnings[3]	87	162	67	248	564
Earnings per basic share	$0.52	$0.97	$0.40	$1.50	$3.37
Earnings per diluted share[3]	$0.51	$0.95	$0.39	$1.48	$3.32
Dividends per share	$0.37	$0.37	$0.37	$0.37	$1.48

[1] Quarterly totals may not foot across due to rounding.
[2] In the fourth quarter of 2019, we incurred charges related to the integration of Trunk Club and debt refinancing costs, which reduced net earnings by $29, or $0.19 per diluted share. The integration charges reduced earnings before interest and income taxes by $32 and debt refinancing costs increased interest expense by $8.
[3] Results in the third quarter of 2018 include the Estimated Non-recurring Charge of $72, or $49 net of tax, and $0.28 per diluted share (see Note 1: Nature of Operations and Summary of Significant Accounting Policies).

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

None.

Item 9A. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

On March 3, 2020, we filed a Form 8-K announcing the appointment of Erik Nordstrom as Chief Executive Officer of Nordstrom, Inc. In light of this announcement, Erik will continue to serve as our principal executive officer for purposes of the Exchange Act. Our Chief Financial Officer is the Company’s principal financial officer for purposes of the Exchange Act.

As of the end of the period covered by this 2019 Annual Report, we performed an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the design and effectiveness of our disclosure controls and procedures (as defined in rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the SEC’s rules and forms. Our principal executive officer and principal financial officer also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended February 1, 2020, we adopted the Lease Standard. As a result of our adoption of the Lease Standard, we implemented a new lease accounting information system and modified our processes and internal controls over lease accounting.

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

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Exchange Act. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of February 1, 2020.

Deloitte & Touche LLP, an independent registered public accounting firm, was retained to audit our Consolidated Financial Statements and the effectiveness of our internal control over financial reporting. They have issued an attestation report on our internal control over financial reporting as of February 1, 2020, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Nordstrom, Inc. and subsidiaries (the "Company") as of February 1, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended February 1, 2020, of the Company and our report dated March 20, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the Company's adoption of Accounting Standards Codification 842, *Leases*, and an emphasis of a matter relating to the Company's subsequent events disclosed in Note 1 to the financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 20, 2020

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this item is included in the following sections of our Proxy Statement for our 2020 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Corporate Governance
Director Nominating Process
Section 16(a) Beneficial Ownership Reporting Compliance
Requirements and Deadlines for Submission of Proxy Proposals, Nomination of Directors and other Business of Shareholders

The certifications of our Chief Executive Officer and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as exhibits to this 2019 Annual Report and were included as exhibits to each of our quarterly reports on Form 10-Q. Our Chief Executive Officer certified to the New York Stock Exchange ("NYSE") on June 21, 2019 pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2020 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Compensation of Executive Officers
Director Compensation
Compensation, People and Culture Committee Interlocks and Insider Participation
Compensation, People and Culture Committee Report

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

The information required under this item is included in the following sections of our Proxy Statement for our 2020 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Security Ownership of Certain Beneficial Owners and Management
Equity Compensation Plans

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required under this item is included in the following sections of our Proxy Statement for our 2020 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Corporate Governance
Certain Relationships and Related Transactions

Item 14. Principal Accounting Fees and Services.

The information required under this item is included in the following section of our Proxy Statement for our 2020 Annual Meeting of Shareholders, the section of which is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Ratification of the Appointment of Independent Registered Public Accounting Firm

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following information required under this item is filed as part of this report:

(a)1. FINANCIAL STATEMENTS

(a)3. EXHIBITS

Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on pages 68 through 71 hereof.

All other schedules and exhibits are omitted because they are not applicable, not required or because the information required has been given as part of this report.

Table of Contents

Nordstrom, Inc. and Subsidiaries
Exhibit Index

	Exhibit	Method of Filing
3.1	Articles of Incorporation as amended and restated on May 25, 2005	Incorporated by reference from the Registrant's Form 8-K filed on May 31, 2005, Exhibit 3.1
3.2	Bylaws, as amended and restated on May 22, 2019	Incorporated by reference from the registrant's Form 8-K filed on May 29, 2019, Exhibit 3.1
4.1	Description of Nordstrom, Inc. Securities	Incorporated by reference from the Registrant's Form S-3 filed on April 30, 2001, Exhibit 4.4
4.2	Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998	Incorporated by reference from Registration No. 333-47035, Exhibit 4.1
4.3	Indenture dated December 3, 2007, between the Company and Wells Fargo Bank, National Association	Incorporated by reference from the Registrant's Form S-4/A filed on April 29, 2014, Exhibit 4.1
4.4	Form of 4.00% Note due 2021	Incorporated by reference from the Registrant's Form 8-K filed on October 11, 2011, Exhibit 4.1
4.5	Form of 5.00% Global Note due 2044	Incorporated by reference from the Registrant's Form S-4 filed on March 28, 2014, Exhibit 4.2
4.6	Form of 5.00% Rule 144A Global Note due 2044	Incorporated by reference from the Registrant's Form S-4 filed on March 28, 2014, Exhibit 4.3
4.7	Form of 5.00% Regulation S Global Note due 2044	Incorporated by reference from the Registrant's Form S-4 filed on March 28, 2014, Exhibit 4.4
4.8	Form of 4.00% Note due 2027	Incorporated by reference from the Registrant's Form 8-K filed on March 9, 2017, Exhibit 4.1
4.9	Form of 5.00% Note due 2044	Incorporated by reference from the Registrant's Form 8-K filed on March 9, 2017, Exhibit 4.2
4.10	Form of 4.375% Note due 2030	Incorporated by reference from the Registrant's From 8-K filed on November 6, 2019, Exhibit 4.1
4.11*	Trunk Club Newco, Inc. 2010 Equity Incentive Plan	Incorporated by reference from the Registrant's Form S-8 filed on August 27, 2014, Exhibit 4.1
10.1*	Nordstrom, Inc. 2019 Equity Incentive Plan	Incorporated by reference to Appendix B to the Registrant's Form DEF 14A filed on April 12, 2019
10.2*	Amended and Restated Nordstrom, Inc. Executive Management Bonus Plan	Incorporated by reference from the Registrant's Form DEF 14A filed on April 8, 2016
10.3*	Nordstrom Executive Deferred Compensation Plan (2017 Restatement)	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 3, 2018, Exhibit 10.7
10.4*	2010 Stock Option Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2009, Exhibit 10.1
10.5*	Form of 2011 Stock Option Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2010, Exhibit 10.1
10.6*	Form of 2012 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 18, 2011, Exhibit 10.1
10.7*	Form of 2013 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 14, 2012, Exhibit 10.1
10.8*	Form of 2014 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2014, Exhibit 10.1
10.9*	Form of the 2015 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on February 19, 2015, Exhibit 10.1
10.10*	Form of the 2016 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2016, Exhibit 10.1

*This exhibit is a management contract, compensatory plan or arrangement.

	Exhibit	Method of Filing
10.11*	Form of 2016 Nonqualified Stock Option Grant Agreement, Supplemental Award	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 2016, Exhibit 10.2
10.12*	Form of the 2017 Nonqualified Stock Option Grant Agreement	Incorporated by reference from the Registrant's Form 8-K filed on February 23, 2017, Exhibit 10.1
10.13*	Form of 2019 Nonqualified Stock Option Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2019, Exhibit 10.1
10.14*	Form of 2019 Nonqualified Stock Option Award Agreement, Supplemental Award	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2019, Exhibit 10.2
10.15*	Form of 2020 Nonqualified Stock Option Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2020, Exhibit 10.1
10.16*	2004 Equity Incentive Plan	Incorporated by reference from the Registrant's definitive proxy statement filed with the Commission on April 15, 2004
10.17*	Nordstrom, Inc. 2004 Equity Incentive Plan (2007 Amendment)	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.44
10.18*	Nordstrom, Inc. 2004 Equity Incentive Plan (2008 Amendment)	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.1
10.19*	Nordstrom, Inc. 2010 Equity Incentive Plan	Incorporated by reference to Appendix A to the Registrant's Form DEF 14A filed on April 8, 2010
10.20*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended February 27, 2013	Incorporated by reference to Appendix A to the Registrant's Form DEF 14A filed on April 1, 2013
10.21*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended and restated February 26, 2014	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2014, Exhibit 10.4
10.22*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended and restated February 16, 2017	Incorporated by reference to Appendix A to the Registrant's Form DEF 14A filed on April 5, 2017
10.23*	Nordstrom, Inc. Executive Severance Plan	Filed herewith electronically
10.24*	Amendment 2006-1 to the Nordstrom, Inc. Leadership Separation Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.56
10.25*	Amendment 2008-1, Nordstrom, Inc. Leadership Separation Plan	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.3
10.26*	Amendment 2011-1 to the Nordstrom Leadership Separation Plan	Incorporated by reference from the Registrant's Form 8-K filed on August 25, 2011, Exhibit 10.1
10.27*	Amendment 2013-1 to the Nordstrom Leadership Separation Plan	Incorporated by reference from the Registrant's Form 8-K filed on March 5, 2013, Exhibit 10.1
10.28*	Amendment 2016-1 to Nordstrom Leadership Separation Plan	Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2016, Exhibit 10.4
10.29*	Form of 2019 Performance Share Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2019, Exhibit 10.4
10.30*	Form of 2020 Performance Share Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2020, Exhibit 10.3
10.31*	Nordstrom Supplemental Executive Retirement Plan (2008 Restatement)	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.4
10.32*	Amendment 2009-1 to the Nordstrom Supplemental Executive Retirement Plan	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.4

*This exhibit is a management contract, compensatory plan or arrangement.

	Exhibit	Method of Filing
10.33*	Amendment 2014-1 to the Nordstrom Supplemental Executive Retirement Plan	Incorporated by reference from the Registrant's Form 8-K filed on August 25, 2014, Exhibit 10.1
10.34*	Amendment 2014-2 to the Nordstrom Supplemental Executive Retirement Plan	Incorporated by reference from the Registrant's Form 8-K filed on August 25, 2014, Exhibit 10.2
10.35	Nordstrom Directors Deferred Compensation Plan (2017 Restatement)	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 3, 2018, Exhibit 10.48
10.36	2009 Form of Independent Director Indemnification Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.1
10.37	2010 Form of Independent Director Indemnification Agreement	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended January 29, 2011, Exhibit 10.78
10.38*	Form of the 2015 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on February 19, 2015, Exhibit 10.2
10.39*	Form of the 2016 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2016, Exhibit 10.2
10.40*	Form of 2016 Restricted Stock Unit Award Agreement, Supplemental Award	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 2016, Exhibit 10.3
10.41*	Form of the 2017 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on February 23, 2017, Exhibit 10.2
10.42*	Form of 2017 Restricted Stock Unit Award Agreement, Supplemental Award	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended January 28, 2017, Exhibit 10.67
10.43*	Form of 2018 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 8, 2018, Exhibit 10.1
10.44*	Form of 2019 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 4, 2019, Exhibit 10.3
10.45*	Form of 2019 Restricted Stock Unit Award Agreement, Supplemental Award	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 2, 2019, Exhibit 10.1
10.46*	Form of 2020 Restricted Stock Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2020, Exhibit 10.2
10.47*	Form of Restricted Stock Unit Award Agreement – Supplemental Award	Incorporated by reference from the Registrant's Form 8-K filed on March 8, 2018, Exhibit 10.2
10.48	Revolving Credit Agreement dated September 26, 2018, between Registrant and each of the initial lenders named therein as lenders; Bank of America, N.A. as administrative agent; and Wells Fargo Bank, National Association and U.S. Bank, National Association as co-syndication agents	Incorporated by reference from the Registrant's Form 8-K filed on October 2, 2018, Exhibit 10.1
10.49	Credit Card Program Agreement by and among Nordstrom, Inc., Nordstrom FSB and TD Bank USA, N.A. dated May 25, 2015	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2015, Exhibit 10.1
10.50	Letter agreement, dated June 7, 2017	Incorporated by reference from the Registrant's Form 8-K filed on June 8, 2017, Exhibit 99.2, and the Registrant's SC 13D filed on June 8, 2017, Exhibit 3
21.1	Significant subsidiaries of the Registrant	Filed herewith electronically
23.1	Consent of Independent Registered Public Accounting Firm	Filed as page 73 of this report

*This exhibit is a management contract, compensatory plan or arrangement.

	Exhibit	Method of Filing
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 and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically
101.INS	Inline XBRL Instance Document	Filed herewith electronically
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith electronically
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith electronically
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document	Filed herewith electronically
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith electronically
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith electronically
104	Cover Page Interactive Data File (Inline XBRL)	Filed herewith electronically

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Anne L. Bramman
Anne L. Bramman
Chief Financial Officer
(Principal Financial Officer)

Date: March 20, 2020

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

Principal Financial Officer:

/s/ Anne L. Bramman
Anne L. Bramman
Chief Financial Officer

Principal Executive Officer:

/s/ Erik B. Nordstrom
Erik B. Nordstrom
Chief Executive Officer

Principal Accounting Officer:

/s/ Michael W. Maher
Michael W. Maher
Chief Accounting Officer

Directors:

/s/ Shellye L. Archambeau Shellye L. Archambeau Director	/s/ Stacy Brown-Philpot Stacy Brown-Philpot Director
/s/ Tanya L. Domier Tanya L. Domier Director	/s/ Kirsten A. Green Kirsten A. Green Director
/s/ Glenda G. McNeal Glenda G. McNeal Director	/s/ Erik B. Nordstrom Erik B. Nordstrom Director
/s/ Peter E. Nordstrom Peter E. Nordstrom Director	/s/ Brad D. Smith Brad D. Smith Chairman of the Board of Directors
/s/ Gordon A. Smith Gordon A. Smith Director	/s/ Bradley D. Tilden Bradley D. Tilden Director
/s/ B. Kevin Turner B. Kevin Turner Director	

Date: March 20, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-231969, 333-225295, 333-211825, 333-207396, 333-198413, 333-189301, 333-174336, 333-166961, 333-161803, 333-118756, 333-101110, 333-79791 on Form S-8 and No. 333-230379 on Form S-3 of our reports dated March 20, 2020, relating to the financial statements of Nordstrom Inc. and subsidiaries, and the effectiveness of Nordstrom, Inc. and subsidiaries' internal control over financial reporting, appearing in the Annual Report on Form 10-K of Nordstrom, Inc. for the year ended February 1, 2020.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 20, 2020

NORDSTROM, INC. EXECUTIVE SEVERANCE PLAN

(Effective December 31, 2019)

I. INTRODUCTION.

A. Purpose. The purpose of the Nordstrom, Inc. Executive Severance Plan ("the Plan") is to provide Employees of Nordstrom, Inc. ("the Company") or its subsidiaries and affiliates ("Affiliates") who qualify as Eligible Employees under this Plan with severance benefits upon their separation. For purposes of this Plan, an Affiliate of the Company means any other U.S. or Puerto Rico entity owned or controlled by the Company, unless such Affiliate is designated by the Company as not eligible to participate in the Plan. The Plan does not apply to any employment terminations other than those expressly described below.

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

B. Plan Governance.

1. Plan Sponsor and Administrator. The Company is the "Plan Sponsor" and the "Plan Administrator." The Company's Chief Human Resources Officer and the Company's department responsible for benefits provided under this Plan, currently the Compensation Department (the "Department"), have been selected to assist the Company in its day-to-day responsibilities with respect to the Plan. The Company is the named fiduciary charged with responsibility for administering the Plan; the Administrative Committee is the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits. The Administrative Committee, with the advice of the Company, will make such rules and computations and will take such other actions to administer the Plan as the Committee deems appropriate. The address of the Administrative Committee is: Nordstrom, Inc., C/O Compensation, PO Box 12338, Seattle, Washington 98111-9100.

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

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

2. Administrative Committee. The Plan Administrator may appoint an "Administrative Committee," consisting of one or more individuals who may (but need not) be employees of the Company. The Administrative Committee will be the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits. The Administrative Committee appointed by the Plan Administrator shall be empowered with the same level of authority and discretion as that set forth in Paragraph I.B. As of the Effective Date, the Administrative Committee for purposes of any individual designated by the Company as a Section 16 executive or reporting person for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, shall be the Compensation, People and Culture Committee of the Board of Directors of the Company. The Administrative Committee for all other employees shall be the Company's Chief Human Resources Officer and the Human Resources Executive, reporting to the Chief Human Resources Officer, who has responsibility for the Department.

II. ELIGIBLE EMPLOYEES.

A. Eligibility Criteria. Each Section 16 Officer of the Company or an Affiliate, who meets all of the following conditions will be considered an Eligible Employee, entitled to elect to participate in and receive benefits under the Plan upon satisfying the participation requirements contained in Article III of this Plan:

1. The Employee is not employed under a written contract of definite or indefinite duration;

2. The Employee is not eligible to receive benefits under any other severance program or arrangement established or provided by the Company or an Affiliate;

3. The Employee has not accepted an offer under any early retirement incentive plan, program, policy or arrangement sponsored by the Company;

4. The Employee is not a "Named Executive Officer" as defined in Item 402 of Securities and Exchange Commission Regulation S-K with the last name of Nordstrom;

5. If the Employee is employed by or through a divested business group (including a store, facility, department or division), the Employee is not offered employment by the purchaser of a divested business group in the same or an equivalent position, regardless of whether such offer is part of the agreement between the Company and the purchaser of that business.

B. Employee Defined - Ineligible Employees. All other Employees of the Company or its Affiliates not specifically described herein are not eligible to participate in the Plan and shall not be deemed an Eligible Employee. For this purpose, an Employee is defined as an individual who is classified by the Company or an Affiliate as being employed for regular employment. Individuals who are either hired by the Company for short-term work of a limited duration with an expected end date or other individuals classified by the Company (or an Affiliate) as either an independent contractor or employee of a nonaffiliated entity rather than as an employee of the Company or an Affiliate, shall not be considered Employees for purposes of this Plan, regardless of whether such individual is later determined by a court or a governmental administrative agency to be an employee of the Company or an Affiliate.

III. PARTICIPATION/ELIGIBILITY FOR BENEFITS.

A. Participation. An Eligible Employee who commences participation in this Plan is called a “Participant.” Participation in the Plan will commence upon the Eligible Employee’s proper and timely execution of a non-competition and non-solicitation agreement, the form and content of which will be determined by the Company. An Eligible Employee who is not on the Executive Team (as defined by the Company) shall not be subject to the non-competition agreement but will be required to properly and timely execute a non-solicitation agreement, the form and content of which will be determined by the Company. An Eligible Employee who does not execute the applicable agreement within the timeframe established by the Company shall not become a Participant and will be ineligible for benefits under the Plan.

A Participant must be involuntarily terminated from employment and must properly and timely execute a release of all claims (“Release”) without any alteration, addition or deletion as a condition of receiving the benefits described in Section IV. A Participant's participation will terminate on the date the Participant receives payment of all of the Participant's Cash Severance Benefits under the Plan or, if earlier, on the date the employee's eligibility expires.

1. Form of Release. The form and content of the Release will be determined by the Company. Such Release shall be effective according to its terms.

2. Timing of Release. The Eligible Employee may, as determined by the Company as appropriate, have a period of time to review and sign the Release and return it to the Company. For any period required by law after the Eligible Employee signs the Release, the Eligible Employee may revoke it, and it shall not be effective or enforceable until the revocation period expires. The filing of a claim under the Plan’s claim procedure (Article IX), shall toll any time requirement for signing and returning the Release until the claims procedure has been exhausted. If the Eligible Employee fails to sign and return the Release to the Company within the time and in the manner described herein, he or she will no longer be eligible for this Plan. For purposes of this paragraph, a Release is considered “returned” to the Company if it arrives within 5 days of the end of the period of time specified by the Company.

B. Loss of Eligibility. A Participant in the Plan will lose any rights he or she may have to benefits under the Plan, and his or her participation in the Plan will cease if, before the scheduled date of the Participant’s employment termination, the Participant:

1. Is terminated for cause. For this purpose, a termination for cause shall be defined as either a failure of the Employee to perform his/her duties at a level reasonably expected by the Company or as any form of misconduct, which shall include but not be limited to acts of dishonesty, poor judgment, insubordination, negligence, discrimination or harassment, or any violation of law or of the Company’s policies or performance standards. The Company shall have the sole discretion to determine whether a termination was “for cause.”

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

3. Dies or becomes disabled. For this purpose, a Participant will be considered Disabled under this Plan where such Participant receives a Social Security disability award or such Participant becomes eligible to receive long-term disability benefits under a group disability plan sponsored by the Company or an Affiliate.

4. Has voluntarily resigned from the Company.

IV. PLAN BENEFITS.

This Article IV sets forth the benefits provided to Participants under the Plan who are involuntarily terminated. For purposes of this provision, a Participant will be deemed to be involuntarily terminated if, among other things, the Participant terminates employment following a material diminution (at least 50%) of the Participant’s duties and responsibilities.

The benefits provided under the Plan include the following: (a) Cash Severance Benefits, (b) Medical/Dental Premium Assistance Benefits, and (c) Outplacement Benefits. The Company also may provide additional severance benefits to a Participant under this Plan, based on the particular circumstances surrounding that Participant's termination.

A. Cash Severance Benefits.

1. Severance Benefit Amount. A Participant will receive the Cash Severance Benefit amount specified in the Schedule of Benefits, based on his or her designated Management Level and Pay. Cash Severance Benefits will be calculated using a Participant's "Pay" as defined in section IV.A.3.

2. Payments. A Participant's Cash Severance Benefits under the Plan will be paid as a lump-sum payment as soon as administratively practicable following the later of: (i) the date the Company receives a properly executed and timely Release, or (ii) the expiration of any revocation period provided for in the Release. Subsequent payments, if any, will be made as soon as administratively practicable.

3. Pay. A Participant's "Pay" for the purposes of calculating the Cash Severance Benefit means a Participant's "Monthly Pay" (as defined in section IV.A.3.b), using the rate of Pay in effect on the Benefits Determination Date. Compensation paid to a Participant during a time period that the Participant temporarily continues in the same or another position at the request of the Company for a limited period of time following his or her originally scheduled Separation Date shall not be considered for "Pay" determination purposes. If the Participant is notified of their eligibility while on an approved leave of absence, "Pay" will be the rate of pay in effect during the pay period immediately preceding their leave of absence, if higher than the rate of pay in effect on the Benefit Determination Date.

a. Benefits Determination Date. For purposes of this section, "Benefit Determination Date" is the date that an Employee is notified of their involuntary termination, unless the Company's Chief Human Resources Officer exercises discretionary authority to establish an alternative Benefit Determination Date in writing.

b. "Monthly Pay" Defined. A Participant's "Monthly Pay" under this Paragraph IV.A.3.b, will shall be the Participants Annual Salary divided by twelve (12).

c. Annual Salary. A Participant's "Annual Salary" for the purposes of this Plan shall be the Participant's annual base salary (at the rate in effect on the Benefits Determination Date). "Annual Salary" shall exclude bonuses, equity compensation (such as stock options, performance share units, restricted stock, or other forms of equity-based compensation), and other supplemental pay or allowances provided by the Company to the participant.

4. Withholding. The Company will withhold applicable federal, state and local taxes and other deductions from any and all payments made under the Plan.

5. Offsets: A Participant's Cash Severance Benefits under this Plan will be reduced, dollar for dollar, by the following amounts, if applicable:

a. WARN. All amounts paid to the Participant in lieu of any required notice under the Worker Adjustment and Retraining Notification Act or its state or local law equivalents;

b. SERP. The Participant's gross monthly benefit under the Supplemental Executive Retirement Plan (SERP), calculated prior to any reduction under the SERP for Company contributions to its 401(k) Plan & Profit Sharing and Executive Deferred Compensation, multiplied by the total number of months covered by the Severance Period (as defined in Paragraph IV.D.1, below).

c. Amounts Due to the Company: Any indebtedness of the Participant to the Company or an Affiliate, where the indebtedness arose out of the employment relationship between the Participant and the Company or Affiliate. Examples of indebtedness include but are not limited to: (1) any relocation benefits received by the Participant that are subject to repayment under the terms of a Company or Affiliate policy and/or an agreement between the Participant and the Company or Affiliate, and (2) any signing, retention or other bonus paid to the Participant that is subject to repayment under the terms of a Company or Affiliate policy and/or an agreement between the Participant and the Company or Affiliate.

d. Amounts Paid Under State or Local Law: All amounts paid to the Participant under any federal, state, or local laws, including but not limited to laws that provide for payment to employees at separation of employment.

B. Medical/Dental Premium Assistance Benefit. Upon termination from the Company, the Participant shall have such rights to continue coverage under any Company- (or Affiliate-) sponsored health care plans (i.e., medical and dental) as are provided by Section 4980B(f) of the Internal Revenue Code of 1986, as amended, and Section 602 of ERISA (“COBRA”). In addition to the Cash Severance Benefit, a Participant may be eligible for benefits under subparagraph 1 or 2 below. The Participant will not be entitled to benefits under this paragraph if the Participant is not covered by any of the Company or Affiliate’s health care plans as of the Benefits Determination Date. If the Participant is notified of their eligibility while on an approved leave of absence, the Participant’s health plan eligibility will be determined as of the pay period immediately preceding their approved leave of absence. Additionally, the Participant will not be entitled to benefits under this paragraph if he/she is eligible to participate in the Company’s Retiree Medical Plan.

1. COBRA Continuation Payments. Unless the Company elects in its discretion to provide benefits under subparagraphs 2 below, the Company shall pay to the Participant, in a single lump sum (with applicable withholdings), an amount equal to the required COBRA premium of the Participant’s (and his or her enrolled dependents’) group health plan coverage in effect at the Benefit Determination Date for the time period specified in the Schedule of Benefits, not to exceed 18 months. Such amount shall be reduced by what would have been the Employee’s active Plan contribution for this coverage had she or he remained employed as of the Benefits Determination Date. Such payments shall be made on the same date as Cash Severance Benefit. If the Participant is eligible for and elects COBRA coverage, he or she shall be required to pay the entire COBRA premium for any period of coverage elected. Nothing in this Plan shall be construed as extending the Participant’s (or his or her dependents’) maximum period of coverage provided under COBRA or other applicable continuation coverage law.

2. Health Benefits After Termination. In its sole discretion, the Company may elect to provide benefits under this subparagraph 2 in lieu of the benefits described in subparagraph 1.

a. Payment for Coverage. For any Company (or Affiliate) sponsored employee health care plans in which the Participant elects COBRA, the Company will take appropriate steps to continue the Member's participation in each of those plans, by paying the Company's (or Affiliate’s) active plan contribution amount for the Participant’s (and his or her dependents') coverage for a period specified in the Schedule of Benefits, not to exceed 18 months. The Company’s payment under this paragraph shall be based on the health care plan coverage and the corresponding Company contribution as of the Benefits Determination Date. During this period, the Participant will be required to pay for any such COBRA continuation coverage elected by the Participant at the same level and on the same basis as the Participant's contribution to group health plan coverage for active employees. Thereafter, the Participant shall be responsible for the entirety of any COBRA premium obligations required to continue group health plan coverage under the terms of those plans.

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

C. Outplacement Assistance. Outplacement assistance will be provided to eligible Participants at the level and for the specified length of time provided in the Schedule of Benefits. The outplacement assistance offered under this Plan will be provided by a provider chosen by the Company, and the Company will directly pay the outplacement provider for the benefit offered under this Plan. Participants will not be eligible to commence outplacement assistance until the Company receives the signed Release, unless the Chief Human Resources Officer approves the outplacement assistance being commenced early. The Participant must initiate outplacement assistance within 90 days following the effective date of the signed Release unless the Chief Human Resources Officer determines that circumstances beyond the Participant’s control prevented them from initiating services. Participants who do not elect to utilize outplacement services will not receive any payment in lieu of the declined services.

D. <u>Subsequent Re-employment</u>.

1. <u>Re-employment During Severance Period</u>. If an Employee satisfies all of the conditions for eligibility and participation set forth in Articles II and III, except that he or she accepts an offer of employment with the Company or an Affiliate prior to the end of the period for which he or she has received or will receive Cash Severance Benefits under the Plan, or such other period to the extent discretely determined with respect to an Approved Employee Group (the "Severance Period"), then the employee will be considered a Participant under the Plan only to the extent of the employee's period of actual separation from service with the Company. Except in the case of temporary short-term reemployment anticipated to be of a duration of no more than five (5) consecutive weeks, a re-employed Participant will be required to repay the prorated portion of any Cash Severance Benefits received for the duration of their Severance Period during which they are actively at work for the Company. To eliminate the possibility of duplicative payments, a Participant's agreement to repay such amounts (if any) may be obtained, with his or her total repayment to be concluded prior to reemployment, or within a reasonable time after his or her reemployment as approved by the Department.

2. <u>Reemployment After Severance Period</u>. Participants who are subsequently re-employed by the Company after the Severance Period (defined in Paragraph IV.D.1) will not be required to repay any Cash Severance Benefits.

3. <u>New Hire Date</u>. In the event of a Participant's reemployment with the Company, such reemployed Participant's service date will not be restored for the purpose of this Plan.

E. <u>Administration of Benefits</u>.

1. <u>Welfare Plan Under ERISA</u>. The Plan is intended to be an employee welfare benefit plan governed by ERISA. Therefore, in accordance with 29 CFR § 2510.3-2(b), the following rules apply to benefits paid under the Plan:

a. Payments are not contingent, directly or indirectly, on a Participant's retirement;

b. The total amount of payments under this Plan cannot exceed the equivalent of twice the Participant's annual compensation during the year immediately preceding the Participant's termination of employment; and

c. All payments to the Participant under the Plan are completed within 24 months after the Participant's termination of employment.

2. <u>Compliance with Code Section 409A</u>. It is intended that benefits provided under the Plan will qualify for exemptions contained in final regulations under Code Section 409A. Therefore, severance benefits will be paid according to the following rules.

a. <u>Cash Severance Benefits and Medical/Dental Premium Assistance</u>.

(i) Exempt Payments. Cash Severance Benefits and Medical/Dental Premium Assistance are exempt from Code Section 409A to the extent that they satisfy both of the following conditions:

(a) Amount. The payments do not exceed two times the lesser of (A) the Participant's annualized compensation based on the Participant's annual rate of pay for services performed during the calendar year preceding the calendar year in which the Participant terminates employment, or (B) maximum amount that can be taken into account under a qualified retirement plan pursuant to Code Section 401(a)(17) for the year in which the Participant terminates employment.

(b) Duration. The payments are completed by the last day of the second calendar year following the calendar year in which the Participant terminates employment.

(ii) Non-Exempt Payment. To the extent that a payment amount does not qualify for exemption from Code Section 409A under Paragraph IV.E.2.a.(i), then that amount is subject to the following rules:

(a) Time and Form of Payment-General Rule. The amount will be paid in the form of a single lump sum within 90 days after the Participant's termination of employment, provided that the Participant may not designate the taxable year of payment.

(b) Delay for Key Employees. If the Participant is a "key employee," as defined in the Company's Executive Deferred Compensation Plan, then the amount will be paid in a single lump sum during the seventh month after the Participant's termination of employment.

b. Outplacement Assistance. Outplacement Assistance will not be provided for periods beyond the last day of the second calendar year following the calendar year in which the Participant's involuntary termination occurred, provided that all reimbursements must be paid not later than the third calendar year following the calendar year in which the Participant's Involuntary Termination occurred.

V. PAYMENTS TO AND FROM THE PLAN.

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

VI. AMENDMENT AND TERMINATION.

The Company reserves the right to amend or terminate the Plan at any time; provided, however, that no such amendment or termination will affect the right to any unpaid benefit of any Eligible Employee who became entitled to such benefits prior to such amendment or termination. The Board of Directors has the authority to amend or terminate the Plan. The Compensation, People and Culture Committee has the authority to amend the Plan. The Company's Chief Human Resources Officer has the authority to approve technical, administrative, and compliance amendments. Notwithstanding the preceding, no amendment or termination of the Plan that reduces benefits under the Plan shall become effective until a date that is 12 months following the date such amendment or termination is adopted.

VII. NON-ALIENATION OF BENEFITS.

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

VIII. LEGAL CONSTRUCTION.

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

IX. CLAIMS, INQUIRIES AND APPEALS.

A. Benefit Claims and Inquiries.

All benefit claims, and all inquiries concerning the Plan or present or future rights to benefits under the Plan, must be submitted to the Plan Administrator in writing and addressed as follows: "Nordstrom, Inc., Plan Administrator Under the Nordstrom Separation Program, Compensation, P.O. Box 12338, Seattle Washington 98111-9100." A benefit claim or inquiry must be signed by the Employee.

B. Denial of Claims.

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

C. Appeal: Requests for a Review.

Any person whose claim for benefits is denied (or is deemed denied) in whole or in part, or such person's duly authorized representative, may appeal from such denial by submitting a request for a review of the claim to the Administrative Committee within sixty (60) days after receiving written notice of such denial from the Plan Administrator (or, in the case of a deemed denial, within sixty (60) days after the application is deemed denied). The Plan Administrator will give the claimant or such representative an opportunity to review pertinent documents that are not privileged in preparing a request for a review. A request for review must be in writing and must be addressed as follows: "Plan Administrator Under the Nordstrom Separation Program, C/O Nordstrom Compensation, P.O. Box 12338, Seattle, Washington 98111-9100." A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the claimant deems pertinent. The Administrative Committee may require the applicant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

D. Decision on Review.

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

E. Rules and Procedures.

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

F. Exhaustion of Remedies.

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

X. OTHER PLAN INFORMATION.

A. Ending Date for Plan's Fiscal Year.

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

B. Agent for the Service of Legal Process.

The agent for the service of legal process with respect to the Plan is the Company's General Counsel, C/O Compensation, Nordstrom, Inc., PO Box 12338, Seattle Washington 98111-9100. The service of legal process may also be made on the Plan by serving the Plan Administrator.

XI. EMPLOYMENT STATUS.

This Plan in no way alters the relationship between an Eligible Employee and the Company as one of at-will employment.

XII. EXECUTION.

To record the adoption of the Plan as set forth herein, effective as of December 31, 2019 the Company has caused its authorized representative to execute the same this _____ day of _______, 2019.

NORDSTROM, INC.

By:
Its: Chief Human Resources Officer

Nordstrom Executive Severance Plan
Schedule of Benefits
Effective December 31, 2019

Management Level	Cash Severance Pay	Period of Medical/Dental Premium Assistance*	Outplacement Services
Section 16 Officers on the Executive Team	24 months of base pay	12 months	6 months
Section 16 Officers not on the Executive Team	18 months of base pay	12 months	6 months

*A Participant will not be entitled to premium assistance benefits if he/she is eligible to participate in the Company's Retiree Medical Plan.

Exhibit 21.1

Nordstrom, Inc. and Subsidiaries
Significant Subsidiaries of the Registrant
As of and for the fiscal year ended February 1, 2020

Name of Subsidiary	Jurisdiction of Incorporation
Nordstrom International Limited	Washington
Nordstrom Canada Holdings, LLC	Delaware
Trunk Club, Inc.	Delaware
Nordstrom Canada Leasing, LP	Alberta

Exhibit 31.1

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

I, Erik B. Nordstrom, certify that:

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

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

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

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

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

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

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

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

5. The registrant’s other certifying officer 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 the registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: March 20, 2020

/s/ Erik B. Nordstrom

Erik B. Nordstrom

Chief Executive Officer of
Nordstrom, Inc.

Exhibit 31.2

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

I, Anne L. Bramman, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 20, 2020

/s/ Anne L. Bramman

Anne L. Bramman

Chief Financial Officer of
Nordstrom, Inc.

Exhibit 32.1

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

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

In connection with the Annual Report of Nordstrom, Inc. (the “Company”) on Form 10-K for the period ended February 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Erik B. Nordstrom, Chief Executive Officer (Principal Executive Officer), and Anne L. Bramman, Chief Financial Officer (Principal Financial Officer), of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2020

/s/ Erik B. Nordstrom
Erik B. Nordstrom
Chief Executive Officer of Nordstrom, Inc.

/s/ Anne L. Bramman
Anne L. Bramman
Chief Financial Officer of Nordstrom, Inc.

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.