UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended July 31, 2001

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

For the transition period from _______ to _______
Commission File Number 001-15059

Nordstrom, Inc.
(Exact name of Registrant as specified in its charter)

Washington	91-0515058
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101
(Address of principal executive offices) (Zip code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Common stock outstanding as of August 31, 2001: 134,074,402 shares of common stock.

NORDSTROM, INC. AND SUBSIDIARIES

INDEX

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

Three Months Six Months Ended July 31, Ended July 31, ---- ------------ ----- ------- ------------ -- 2001 2000 2001 2000 --- ------- ----- ----- ------- --- --------- -

~~Net sales $1,545,759 $1,457,035 $2,763,799 $2,610,412~~
~~Cost of sales and related buying and occupancy (1,040,908) (954,313) (1,839,338) (1,699,968)~~
~~Gross profit 504,851 502,722 924,461 910,444~~
~~Selling, general and administrative expenses (457,441) (436,418) (854,147) (808,317)~~
~~Operating income 47,410 66,304 70,314 102,127~~
~~Interest expense, net (19,279) (14,296) (38,783) (27,592)~~
~~Write down of investment (10,540) (10,540)~~
~~Service charge income and other, net 35,368 33,033 72,523 64,195~~
~~Earnings before income taxes 63,499 74,501 104,054 128,190~~
~~Income tax expense (24,800) (29,100) (40,600) (50,000)~~

~~Net earnings $ 38,699 $ 45,401 $ 63,454 $ 78,190~~
~~========== ========== ========== ==========~~
~~Basic earnings per share $ .29 $ .35 $ .47 $ .60~~
~~========== ========== ========== ==========~~
~~Diluted earnings per share $ .29 $ .35 $ .47 $ .60~~
~~========== ========== ========== ==========~~
~~Cash dividends paid per share of common stock outstanding $ .09 $ .09 $ .18 $ .17~~
~~========== ========== ========== ==========~~
~~These statements should be read in conjunction with the Notes to Consolidated Financial Statements contained herein.~~

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

July 31, January 31, July 31, 2001 2001 2000 ---------- ---------- ---------

- ~~ASSETS Current Assets: Cash and cash equivalents $ 36,829 $ 25,259 $ 22,693 Short-term investment — — 9,373 Accounts receivable (net of allowance for doubtful accounts of $20,858, $16,531 and $15,364) 749,957 721,953 651,525 Merchandise inventories 1,002,633 945,687 944,815 Prepaid income taxes and other 122,225 120,083 109,262~~

~~Total current assets 1,911,644 1,812,982 1,737,668 Land, buildings and equipment (net of accumulated depreciation of $1,619,418, $1,554,081 and $1,457,698) 1,654,852 1,599,938 1,528,147 Available-for-sale investment — — 12,944 Goodwill(net of accumulated amortization of $1,237 and $429) 39,061 39,495 — Trademarks and other intangible assets (net of accumulated amortization of $2,351 and $822) 102,449 103,978 — Other assets~~

~~84,145~~
~~52,110~~
~~37,616~~
~~--- TOTAL~~
~~ASSETS~~
~~$3,792,151~~
~~$3,608,503~~
~~$3,316,375~~
~~==========~~
~~==========~~
~~==========~~
~~LIABILITIES~~
~~AND~~
~~SHAREHOLDERS'~~
~~EQUITY~~
~~Current~~
~~Liabilities:~~
~~Notes~~
~~payable $~~
~~38,202 $~~
~~83,060 $~~
~~213,020~~
~~Accounts~~
~~payable~~
~~601,407~~
~~466,476~~
~~559,780~~
~~Accrued~~
~~salaries,~~
~~wages and~~
~~related~~
~~benefits~~
~~228,034~~
~~234,833~~
~~185,728~~
~~Income taxes~~
~~and other~~
~~accruals~~
~~168,322~~
~~153,613~~
~~158,462~~
~~Current~~
~~portion of~~
~~long-term~~
~~debt 90,061~~
~~12,586 591 -~~
~~Total~~
~~current~~
~~liabilities~~
~~1,126,026~~
~~950,568~~
~~1,117,581~~
~~Long-term~~
~~debt~~
~~1,041,459~~
~~1,099,710~~
~~772,567~~
~~Deferred~~
~~lease~~
~~credits~~
~~299,014~~
~~275,252~~
~~216,749~~
~~Other~~
~~liabilities~~
~~55,236~~
~~53,405~~
~~55,547~~
~~Shareholders'~~
~~Equity:~~
~~Common~~
~~stock, no~~
~~par:~~
~~250,000,000~~
~~shares~~
~~authorized;~~

~~134,031,133, 133,797,757 and 129,145,901 shares issued and outstanding 334,513 330,394 251,336 Unearned stock compensation (3,345) (3,740) (7,662) Retained earnings 938,130 900,090 910,257 Accumulated other comprehensive earnings 1,118 2,824~~

~~Total shareholders' equity 1,270,416 1,229,568 1,153,931~~

~~TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $3,792,151 $3,608,503 $3,316,375~~

~~==========~~
~~==========~~
~~==========~~

~~These statements should be read in conjunction with the Notes to Consolidated Financial Statements contained herein.~~

NORDSTROM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands)
(unaudited)

Accumulated Other Common Stock Unearned Retained Comprehensive Shares Amount Compensation Earnings Earnings Total ---------------- -- ~~Balance at February 1, 2001 133,797,757 $330,394 $(3,740) $900,090 $2,824 $1,229,568 Net earnings - - - 63,454 - 63,454 Other comprehensive earnings: Foreign currency translation Adjustment - - - - (1,706) (1,706) ------- Comprehensive net earnings - - - - - - - 61,748 Cash dividends ($.18 per share) - - - (24,102) - (24,102) Issuance of common stock for: Stock option plans 14,890 276 - - - 276 Employee stock purchase Plan 279,477 3,534 - - - - 3,534 Stock-based compensation 15,009 309 395 - - 704 Purchase and retirement of common stock (76,000) - - (1,312) - (1,312) -- Balance at July 31,~~

~~2001 134,031,133 $334,513 $(3,345) $938,130 $1,118 $1,270,416~~
~~==~~
~~Balance at February 1, 2000 132,279,988 $247,559 $(8,593) $929,616 $17,032 $1,185,614 Net earnings - - - 78,190 - 78,190 Other comprehensive earnings: Unrealized loss on investment during period, net of tax - - - - (23,461) (23,461) Reclassification of realized loss - - - - 6,429 6,429 ------ Comprehensive net earnings - - - - - - 61,158 Cash dividends ($.17 per share) - - - (22,287) - (22,287) Issuance of common stock for: Stock option plans 155,256 3,594 - - - 3,594 Stock-based compensation 7,057 183 931 - - 1,114 Purchase and retirement of common stock (3,296,400) - - (75,262) - (75,262) -- Balance at July 31, 2000 129,145,901 $251,336 $(7,662) $910,257 $ - $1,153,931~~
~~==~~
~~These statements should be read in conjunction with the Notes to Consolidated Financial Statements contained herein.~~

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

Six Months Ended July 31, ------------------ ----- 2001 2000 ------ -- --------

~~OPERATING ACTIVITIES: Net earnings $63,454 $78,190 Adjustments to reconcile net earnings to net cash provided by operating activities: Depreciation and amortization 102,178 96,493 Amortization of goodwill 808 - Amortization of trademark and other intangible assets 1,529 - Amortization of deferred lease credits and other, net (3,511) (5,197) Stock-based compensation expense 3,126 4,878 Write-down of investment~~

~~10,540~~
~~Change in:~~
~~Accounts receivable, net~~
~~(28,744)~~
~~(34,536)~~
~~Merchandise inventories~~
~~(57,837)~~
~~(146,970)~~
~~Prepaid income taxes and other~~
~~(1,554)~~
~~(7,631)~~
~~Accounts payable~~
~~135,794~~
~~169,092~~
~~Accrued salaries, wages and related benefits~~
~~(9,054)~~
~~(29,344)~~
~~Income taxes and other accruals~~
~~14,842~~
~~16,657~~
~~Other liabilities~~
~~2,698 1,119~~

~~Net cash provided by operating activities~~
~~223,729~~
~~153,291~~

~~INVESTING ACTIVITIES:~~
~~Capital expenditures~~
~~(193,026)~~
~~(180,386)~~
~~Additions to deferred lease credits~~
~~59,057~~
~~26,557~~
~~Other, net~~
~~(5,992)~~
~~(5,312)~~

~~Net cash used for investing activities~~
~~(139,961)~~
~~(159,141)~~

~~FINANCING ACTIVITIES:~~
~~(Payments) proceeds from notes payable~~
~~(44,858)~~
~~142,086~~
~~Proceeds~~

~~from long-term borrowings — 11,177~~
~~Principal payments on long-term debt (5,736) (57,807)~~
~~Proceeds from issuance of common stock 3,810 3,594~~
~~Cash dividends paid (24,102) (22,287)~~
~~Purchase and retirement of common stock (1,312) (75,262)~~
~~———— ————~~
~~Net cash (used in) provided by financing activities (72,198) 1,501~~
~~———— ————~~
~~Net increase (decrease) in cash and cash equivalents 11,570 (4,349)~~
~~Cash and cash equivalents at beginning of period 25,259 27,042~~
~~———— ————~~
~~Cash and cash equivalents at end of period $36,829 $22,693~~
~~======== ========~~
~~These statements should be read in conjunction with the Notes to Consolidated Financial Statements contained herein.~~

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

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of July 31, 2001 and 2000, and the related consolidated statements of earnings, cash flows and shareholders' equity for the periods then ended, have been prepared from the accounts without audit.

The consolidated financial information applicable to interim periods is not necessarily indicative of the results for the fiscal year.

The financial information should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Nordstrom, Inc. Annual Report on Form 10-K for the fiscal year ended January 31, 2001.

In the opinion of management, the consolidated financial information includes all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position of Nordstrom, Inc. and subsidiaries as of July 31, 2001 and 2000, and the results of their operations and cash flows for the periods then ended, in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis.

The consolidated financial statements include the operating results of Faconnable, S.A. ("Faconnable") from the date of acquisition (Note 2).

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

Recent Accounting Pronouncements

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

In July 2001, the FASB issued SFAS No. 141 "Business Combinations" ("SFAS No. 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 is not expected to have a material impact. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. These statements will be effective for the Company on February 1, 2002. The Company is currently evaluating the impact of SFAS No. 142 on its consolidated financial position and results of operations.

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

Note 2 - Acquisition

On October 24, 2000, the Company acquired 100% of Faconnable, of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The Company paid $87,685 in cash and issued 5,074,000 shares of common stock of the Company, for a total consideration, including expenses, of $169,754. The acquisition is being accounted for under the purchase method of accounting, and, accordingly, Faconnable's results of operations have been included in the Company's results of operations since October 24, 2000. The purchase price has been allocated to Faconnable's assets and liabilities based on their estimated fair values as of the date of acquisition. Goodwill and other identifiable intangible assets related to this acquisition are being amortized over their estimated useful lives on a straight-line basis over 10 years to 35 years.

(dollars in thousands)

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

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

	Six Months Ended July 31, 2000
~~Net sales~~	~~$2,642,544~~
~~Net earnings~~	~~$ 77,941~~
~~Basic earnings per share~~	~~$ 0.58~~
~~Diluted earnings per share~~	~~$ 0.57~~

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

A summary of the Faconnable acquisition is as follows:

~~Fair value of identifiable assets acquired~~	~~$ 48,677~~
~~Intangible assets recorded~~	~~145,098~~
~~Liabilities assumed~~	~~(24,021)~~
~~Total purchase price~~	~~$ 169,754~~

Note 3 - Earnings Per Share

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

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

Options with an exercise price greater than the average market price for the periods indicated were not included in the computation of diluted earnings per share. These options totaled 9,289,833 and 5,710,292, respectively for the three months ended July 31, 2001 and 2000 and 9,299,833 and 5,710,292, respectively for the six months ended July 21, 2001 and 2000.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2001	2000	2001	2000
~~Net earnings~~	~~$38,699~~	~~$45,401~~	~~$63,454~~	~~$78,190~~
~~Basic shares~~	~~134,008,385~~	~~129,669,930~~	~~133,933,442~~	~~130,409,067~~
~~Basic earnings per share~~	~~$0.29~~	~~$0.35~~	~~$0.47~~	~~$0.60~~
~~Dilutive effect of stock options and restricted stock~~	~~413,825~~	~~430,217~~	~~233,664~~	~~451,566~~
~~Diluted shares~~	~~134,422,210~~	~~130,100,147~~	~~134,167,106~~	~~130,860,633~~
~~Diluted earnings per share~~	~~$0.29~~	~~$0.35~~	~~$0.47~~	~~$0.60~~

Note 4 - Investment

In September 1998, the Company made an investment in Streamline.com, Inc. ("Streamline"), an Internet grocery and consumer goods delivery company. Streamline ceased its operations effective November 22, 2000, due to failure to obtain additional capital to fund its operations. During 2000, the Company wrote off its entire investment in Streamline, for a total pre-tax loss on the investment of $32,857.

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

Note 5 - Debt

The Company owns a 49% interest in a limited partnership that is constructing a new corporate office building in which the Company will be the primary occupant. In accordance with Emerging Issues Task Force Issue No. 97-10 "The Effect of Lessee Involvement in Asset Construction," ("EITF Issue No. 97-10") the Company is considered to be the owner of the property. Construction in progress includes capitalized costs related to this building of $82,187, and $29,949 which includes noncash amounts of $67,225 and $14,762 as of July 31, 2001 and 2000. The corresponding finance obligation of $78,401 and $25,939 as of July 31, 2001 and 2000 is included in other long-term debt. This finance obligation will be amortized as rental payments are made by the Company to the limited partnership over the life of permanent financing, expected to be 20-25 years. The amortization began in August 2001 upon completion of construction. The Company is a guarantor of a $93,000 credit facility of the limited partnership. The credit facility provides for interest at either the LIBOR rate plus 0.75%, or the greater of the Federal Funds rate plus 0.5% and the prime rate, and matures in August 2002 (4.63% and 7.67% at July 31, 2001 and 2000).

Under EITF Issue No. 97-10, the Company capitalizes certain property, plant and equipment during the construction period of commercial buildings which is subsequently derecognized and leased back. During the six-months ended July 31, 2001, the noncash activity related to the derecognition of new stores that qualified as sale and leaseback were $60,645.

Note 6 - Segment Reporting

The following tables set forth information for the Company's reportable segments and a reconciliation to the consolidated totals:
Three
months
ended
Retail
Credit
Catalog/
Corporate
July 31,
2001 Stores
Operations
Internet
and Other
Eliminations
Total - ---

~~Revenues~~
~~from~~
~~external~~
~~customers~~
~~$1,483,443~~
~~- $62,316 -~~
~~-~~
~~$1,545,759~~
~~Service~~
~~charge~~
~~income -~~
~~$33,527 - -~~
~~- 33,527~~
~~Intersegment~~
~~revenues~~

~~4,186 8,297~~
~~$~~
~~(12,483)~~
~~Net earnings (loss)~~
~~70,463~~
~~2,480~~
~~(2,939)~~
~~$(31,305)~~
~~38,699~~
~~Three months ended~~
~~Retail~~
~~Credit~~
~~Catalog/~~
~~Corporate~~
~~July 31, 2000 Stores Operations Internet and Other Eliminations Total~~

~~Revenues from external customers~~
~~$1,382,950~~
~~$74,085~~
~~—~~
~~$1,457,035~~
~~Service charge income~~
~~$31,642~~
~~31,642~~
~~Intersegment revenues~~
~~7,654 7,419~~
~~$(15,073)~~
~~Net earnings (loss)~~
~~85,230~~
~~3,923~~
~~(6,897)~~
~~$(36,855)~~
~~45,401 Six months ended~~
~~Retail~~
~~Credit~~
~~Catalog/~~
~~Corporate~~
~~July 31, 2001 Stores Operations Internet and Other Eliminations Total~~

~~Revenues from external customers $2,631,780 - $132,019 --- $2,763,799 Service charge income - $ 69,700 - - - 69,700 Intersegment revenues 7,682 13,863 - - $(21,545) - Net earnings (loss) 124,672 8,026 (7,186) $(62,058) - 63,454 Assets 2,611,684 743,676 68,004 368,787 - 3,792,151~~

Note 6 - Segment Reporting (Cont.)

Six months ended Retail Credit Catalog/ Corporate July 31, 2000 Stores Operations Internet and Other Eliminations Total - ---
----

~~Revenues from external customers $2,467,889 - $142,523 --- $2,610,412 Service charge income - $62,594 - - - 62,594 Intersegment revenues 13,974~~

~~12,651~~
~~$(26,625)~~
~~Net earnings (loss)~~
~~141,949~~
~~7,440~~
~~(11,738)~~
~~$(59,461)~~
~~78,190~~
~~Assets~~
~~2,282,045~~
~~648,648~~
~~92,905~~
~~292,777~~
~~3,316,375~~

Note 7 - Contingent Liabilities

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

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

Last year, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act by various means, including restricting the sale of prestige cosmetics to department stores only; agreeing that all department and specialty stores will sell such cosmetics at the manufacturer's suggested retail price ("MSRP"); controlling the advertising of cosmetics and Gift-With-Purchase programs; and the manufacturer defendants guaranteeing the retailer defendants a gross margin equal to 40% of MSRP and buying back any unsold cosmetics to prevent discounting from MSRP.

Note 7 - Contingent Liabilities (cont.)

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

Credit Fees
- -----------
The Company's subsidiary, Nordstrom fsb, has been named a defendant in a

purported class action in the Federal District Court for the Eastern District of Pennsylvania. The case purports to be brought under the National Bank Act and the Arizona Consumer Loan Act of 1997. Plaintiff, a resident of Pennsylvania and a user of Nordstrom's credit through Nordstrom fsb, claims to represent all customers of Nordstrom who have been extended credit by Nordstrom fsb under revolving credit accounts for consumer purchases at Nordstrom stores. Plaintiff claims that Nordstrom fsb has been paid principal, interest and late fees in violation of said statutes on account of which plaintiff seeks recovery or forfeiture thereof. Counsel to Nordstrom fsb has advised the Company that in their opinion, plaintiff's claim is meritless. Nordstrom fsb moved to dismiss the complaint which motion was granted by court order on May 15, 2001; the plaintiff has filed a notice of appeal.

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

Saipan
- ------
The Company has reached a settlement, which is of an immaterial amount, in its previously described lawsuits relating to its sourcing of clothing products from independent garment manufacturers in Saipan (Commonwealth of Northern Marina Islands). The settlement is subject to court approval. The hearing for preliminary approval of the settlement is currently scheduled for February 28, 2002.

Note 7 - Contingent Liabilities (cont.)

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

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

The following "management's discussion and analysis of financial condition and results of operations" includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results.

Statements made in this filing that are not historical facts are forward looking information that involve risks and uncertainties. Forward-looking statements typically are identified by the use of such terms as "may," "will," "expect," "believe," "anticipate," "estimate," "plan" and similar words, although some forward-looking statements are expressed differently.

You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, which include, but are not limited to, the following: the Company's ability to predict fashion trends and consumer apparel buying patterns, the Company's ability to maintain and control proper inventory levels, the Company's ability to control costs and expenses, trends in personal bankruptcies and bad debt write-offs, employee relations, adverse weather conditions and other hazards of nature such as earthquakes and floods, the Company's ability to continue its expansion plans, and the impact of ongoing competitive market factors. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report.

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of the Nordstrom, Inc. Annual Report on Form 10-K for the fiscal year ended January 31, 2001.

Results of Operations:
- ----------------------
During the second quarter of 2001, sales increased 6.1% compared to the corresponding quarter in 2000. For the six-month period, sales increased 5.9% compared to the corresponding period in 2000. The increase for the quarter and the six-month period was primarily due to the opening of six full-line stores and 11 new Nordstrom Rack stores since May 1, 2000. Additionally, Anniversary Sale results increased 5.6% on a comparable store basis compared to the corresponding period in 2000. Comparable store sales (sales in stores open at least one full fiscal year at the beginning of the fiscal year) increased 0.6% for the quarter but decreased 1.3% for the six-month period. The impact of calendar adjustments over the quarter was negligible.

Gross profit (net sales less cost of sales and related buying and occupancy expenses) as a percentage of net sales decreased to 32.7% in the second quarter of 2001, as compared to 34.5% in the same period in 2000. For the six-month period, gross profit as a percentage of net sales decreased to 33.4%, as compared to 34.9% in the same period in 2000. The decrease for the quarter and the six-month period was due to higher markdowns and new store occupancy expenses as a percentage of sales.

For the second quarter of 2001, selling, general and administrative expenses as a percentage of net sales decreased to 29.6%, compared to 30.0% for the second quarter of 2000. For the six-month period, selling, general and administrative expenses as a percentage of net sales decreased to 30.9%, compared to 31.0% for the corresponding period in 2000. The decrease for the quarter and the six-month period was due to lower sales promotion and selling expenses as a percentage of sales, partially offset by the integration of the Faconnable European operations and new store operating expenses.

Interest expense, net increased 34.9% to $19,279 compared to the corresponding quarter in 2000. For the six-month period, interest expense, net increased 40.6% to $38,783. The increase for the quarter and the six-month period was due to higher average borrowings to finance capital expenditures, the purchase of Faconnable and the repurchase of shares.

A pre-tax loss of $10.5 million was recognized for the quarter ended July 31, 2000 to write down the value of an investment in Streamline. The Company's initial investment of $32.8 million had a market value of $22.3 million as of July 31, 2000. Streamline ceased its operations effective November 2000, at which time the Company wrote off the remainder of its investment.

Service charge income and other, net of $35,368 increased 7.1% compared to the corresponding quarter in 2000. For the six-month period, service charge income and other, net increased 13.0% to $72,523. The increase for the quarter was due to higher service charge income associated with increases in credit sales and the number of credit accounts.

Net earnings for the quarter ended July 31, 2001 decreased 14.8% to $38,699 from $45,401 in the same period in 2000. Net earnings for the six months ended July 31, 2001 decreased 18.8% to $63,454 from $78,190 in the same period in 2000. The decrease for the quarter and the six-month period was primarily due to lower gross profit and higher net interest expense.

Diluted earnings per share were $0.29 for the second quarter ended July 31, 2001, compared to diluted earnings per share of $0.35 in the second quarter last year. For the six months ended July 31, 2001, diluted earnings per share were $0.47, a decrease of 21.7% from the $0.60 achieved in the same period in 2000. The decrease in the diluted earnings per share for the quarter and the six-month period was due primarily to lower gross profit, higher net interest expense, and an increase in the number of shares outstanding.

Liquidity and Capital Resources:
- --------------------------------
The Company finances its working capital needs, capital expenditures, and share repurchase activity with cash provided by operations and borrowings.

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

The Company's cash and cash equivalents increased $11.6 million during the six-month period ended July 31, 2001, as cash provided by operating activities was more than the cash used for investing and financing activities. Net cash provided by operating activities increased $70.4 million compared to the six-month period ended July 31, 2000, primarily due to merchandise inventories and accrued salaries, partially offset by accounts payable.

For the six-month period ended July 31, 2001, net cash used in investing activities decreased approximately $19.2 million compared to the six-month period ended July 31, 2000, primarily due to an increase in deferred lease credits, partially offset by an increase in capital expenditures to fund new stores and remodels. During the second quarter of fiscal 2001, the Company did not open any new stores. For the year to date, the Company has opened a total of one new full-line and two new Nordstrom Rack stores. Additionally, in August 2001, the Company opened a Nordstrom Rack store in Roseville, California. Throughout the remainder of the year ending January 31, 2002, Nordstrom expects to open full-line stores in Columbus, Ohio; Tampa, Florida; and Chandler, Arizona; and five Nordstrom Rack stores. For the entire year ending January 31, 2002, gross square footage is expected to increase approximately six percent. Total square footage of the Company's stores was 16,307,000 as of July 31, 2001, compared to 14,858,000 as of July 31, 2000.

Although the Company has made commitments for stores opening in 2002 and beyond, it is possible that in one or more instances store site negotiations may be terminated and the store may not be built or delays may occur. Furthermore, environmental and land use regulations and the difficulties encountered by shopping center developers in securing financing could make future development of stores more difficult, time-consuming and expensive.

For the six-month period ended July 31, 2001, cash provided by financing activities decreased approximately $73.7 million compared to the six-month period ended July 31, 2000, primarily due to reduced borrowings, partially offset by a reduction in share repurchases.

During the six months ended July 31, 2001, the Company repurchased 76,000 shares of its common stock for approximately $1.3 million under the stock repurchase program. At July 31, 2001, the Company had remaining share repurchase authorization of approximately $82.4 million.

Seasonality

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

Recent Accounting Pronouncements

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

In July 2001, the FASB issued SFAS No. 141 "Business Combinations" ("SFAS

No. 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 is not expected to have a material impact. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. These statements will be effective for the Company on February 1, 2002. The Company is currently evaluating the impact of SFAS No. 142 on its consolidated financial position and results of operations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business, primarily as a result of its short-term borrowing and investment activities which generally bear interest at variable rates. Because the short-term borrowings and investments have maturities of three months or less, the Company believes that the risk of material loss is low, and that the carrying amount approximates fair value.

In addition, the functional currency of Faconnable, of Nice, France, is the French Franc. Assets and liabilities of Faconnable are translated into U.S. dollars at the exchange rate prevailing at the end of the period. Income and expenses are translated into U.S. dollars at the exchange rate prevailing on the respective dates of the transactions. The effects of changes in foreign exchange rates are included in other comprehensive earnings.

At July 31, 2001, the Company had outstanding borrowings of approximately $38.2 million under short-term notes payable, which bear interest from 4.10% to 4.15%, and matured from August 1, 2001 to August 14, 2001.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Note 7 in Notes to Consolidated Financial Statements

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

The Company held its Annual Shareholders Meeting on May 15, 2001, at which time the shareholders voted on the following proposals:

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

Name of Candidate	For	Withheld
D. Wayne Gittinger	110,874,403	6,223,478
Enrique Hernandez, Jr.	112,659,422	4,438,459
John A. McMillan	112,667,947	4,429,934
Bruce A. Nordstrom	112,185,938	4,911,943
John N. Nordstrom	112,119,761	4,978,120
Alfred E. Osborne, Jr.	104,965,059	12,132,822
William D. Ruckelshaus	104,984,481	12,113,400
Bruce G. Willison	105,019,095	12,078,786
Alison A. Winter	112,762,881	4,335,000

There were no abstentions and no broker non-votes.

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

The vote was 115,422,734 for, 1,113,683 against, and there were 561,464 abstentions. There were no broker non-votes.

(3) Shareholder proposal regarding performance-based executive compensation

The vote was 9,709,816 for, 89,578,702 against, and there were 1,155,759 abstentions and 16,653,604 broker non-votes.

(4) Shareholder proposal regarding vendor standards compliance mechanisms

The vote was 6,061,648 for, 91,253,552 against, and there were 3,129,080 abstentions and 16,653,601 broker non-votes.

(5) Shareholder proposal regarding global human rights standards

The vote was 5,478,051 for, 91,009,849 against, and there were 3,956,378 abstensions and 16,653,603 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Michael G. Koppel

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

Date: September 7, 2001