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, 2002

[ ] 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, 2002: 135,112,360 shares of common stock.



NORDSTROM, INC. AND SUBSIDIARIES

INDEX

Page Number
PART I.
FINANCIAL

INFORMATION

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

Three Months
Six Months
Ended July
31, Ended
July 31, ----
-------------
----- -------
-------------
-- 2002 2001
2002 2001 ---
------- -----
----- -------
--- ---------
- ~~Net sales~~
~~$1,655,528~~
~~$1,545,759~~
~~$2,901,289~~
~~$2,763,799~~
~~Cost of sales~~
~~and related~~
~~buying and~~
~~occupancy~~
~~(1,104,265)~~
~~(1,040,908)~~
~~(1,928,562)~~
~~(1,839,338) -~~
_____________
_____________
_____________
~~--- Gross~~
~~profit~~
~~551,263~~
~~504,851~~
~~972,727~~
~~924,461~~
~~Selling,~~
~~general and~~
~~administrative~~
~~expenses~~
~~(496,685)~~
~~(457,441)~~
~~(881,560)~~
~~(854,147) ---~~
_____________
_____________
_____________
~~-- Operating~~
~~income 54,578~~
~~47,410 91,167~~
~~70,314~~
~~Interest~~
~~expense, net~~
~~(19,605)~~
~~(19,279)~~
~~(39,654)~~
~~(38,783)~~
~~Minority~~
~~interest~~
~~purchase and~~
~~reintegration~~
~~costs~~
~~(11,121) -~~
~~(53,168) -~~
~~Service~~
~~charge income~~
~~and other,~~

~~net 35,341 35,368 68,645 72,523~~

~~Earnings before income taxes and cumulative effect of accounting change 59,193 63,499 66,990 104,054~~
~~Income tax expense (22,858) (24,800) (41,868) (40,600)~~

~~Earnings before cumulative effect of accounting change 36,335 38,699 25,122 63,454~~
~~Cumulative effect of accounting change (net of tax) (13,359)~~

~~Net earnings $ 36,335 $ 38,699 $ 11,763 $ 63,454~~
~~========== ========== ========== ==========~~
~~Basic earnings per share $ .27 $ .29 $ .09 $ .47~~
~~========== ========== ========== ==========~~
~~Diluted earnings per share $ .27 $ .29 $ .09 $ .47~~
~~========== ========== ========== ==========~~
~~Cash dividends paid per share of common stock outstanding $ .09 $ .09 $ .18 $ .18~~
~~========== ========== ========== ==========~~

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



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

| | July 31, 2002 | January 31, 2002 | July 31, 2001 |
|---|---|---|---|
| ~~ASSETS~~ | | | |
| ~~Current Assets:~~ | | | |
| ~~Cash and cash equivalents~~ | ~~$ 247,838~~ | ~~$ 331,327~~ | ~~$ 36,829~~ |
| ~~Accounts receivable, net~~ | ~~764,013~~ | ~~698,475~~ | ~~749,957~~ |
| ~~Merchandise inventories~~ | ~~1,039,365~~ | ~~888,172~~ | ~~1,002,633~~ |
| ~~Prepaid expenses~~ | ~~31,880~~ | ~~34,375~~ | ~~29,146~~ |
| ~~Other current assets~~ | ~~105,272~~ | ~~102,249~~ | ~~93,083~~ |
| ~~Total current assets~~ | ~~2,188,368~~ | ~~2,054,598~~ | ~~1,911,648~~ |
| ~~Land, buildings and~~ | | | |

~~equipment (net of accumulated depreciation of $1,770,885, $1,663,409, and $1,619,418) 1,805,861 1,761,082 1,654,852~~

~~Intangible assets, net 140,106 138,331 141,510~~

~~Other assets 97,178 94,768 84,141~~

~~TOTAL ASSETS $4,231,513 $4,048,779 $3,792,151~~

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

~~LIABILITIES AND SHAREHOLDERS' EQUITY~~

~~Current Liabilities:~~

~~Notes payable $ 209 $ 148 $ 38,202~~

~~Accounts payable 684,814 490,988 601,407~~

~~Accrued salaries, wages and related benefits 233,279 236,373 228,034~~

~~Income taxes and other accruals 169,084 142,002 168,322~~

~~Current portion of long-term debt 4,769 78,227 90,061~~

~~Total current liabilities 1,092,155 947,738 1,126,026~~

~~Long-term debt 1,343,797 1,351,044 1,041,459~~

~~Deferred lease~~

~~credits~~
~~389,526~~
~~342,046~~
~~299,014~~
~~Other~~
~~liabilities~~
~~94,808~~
~~93,463~~
~~55,236~~
~~Shareholders'~~
~~Equity:~~
~~Common~~
~~stock, no~~
~~par:~~
~~500,000,000~~
~~shares~~
~~authorized;~~
~~135,089,518,~~
~~134,468,608~~
~~and~~
~~134,031,133~~
~~shares~~
~~issued and~~
~~outstanding~~
~~351,587~~
~~341,316~~
~~334,513~~
~~Unearned~~
~~stock~~
~~compensation~~
~~(2,345)~~
~~(2,680)~~
~~(3,345)~~
~~Retained~~
~~earnings~~
~~962,699~~
~~975,203~~
~~938,130~~
~~Accumulated~~
~~other~~
~~comprehensive~~
~~earnings~~
~~(loss) (714)~~
~~649 1,118 --~~
~~------------~~
~~------------~~
~~------ Total~~
~~shareholders'~~
~~equity~~
~~1,311,227~~
~~1,314,488~~
~~1,270,416 --~~
~~------------~~
~~------------~~
~~------- TOTAL~~
~~LIABILITIES~~
~~AND~~
~~SHAREHOLDERS'~~
~~EQUITY~~
~~$4,231,513~~
~~$4,048,779~~
~~$3,792,151~~
~~==========~~
~~==========~~
~~==========~~
~~These~~
~~statements~~
~~should be~~
~~read in~~
~~conjunction~~
~~with the~~
~~Notes to~~
~~Condensed~~
~~Consolidated~~
~~Financial~~
~~Statements~~
~~contained~~
~~herein.~~

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

Six Months
Ended July
31, -------
-----------
---- 2002
2001 ------
-- --------
~~OPERATING~~
~~ACTIVITIES:~~
~~Net~~
~~earnings~~
~~$11,763~~
~~$63,454~~
~~Adjustments~~
~~to~~
~~reconcile~~
~~net~~
~~earnings to~~
~~net cash~~
~~provided by~~
~~operating~~
~~activities:~~
~~Depreciation~~
~~and~~
~~amortization~~
~~111,917~~
~~102,178~~
~~Amortization~~
~~of~~
~~intangible~~
~~assets --~~
~~2,337~~
~~Amortization~~
~~of deferred~~
~~lease~~
~~credits and~~
~~other, net~~
~~(9,054)~~
~~(3,511)~~
~~Stock based~~
~~compensation~~
~~expense~~
~~2,087 3,126~~
~~Deferred~~
~~income~~
~~taxes, net~~
~~(3,357)~~
~~(3,485)~~
~~Impairment~~
~~of~~
~~intangibles~~
~~21,900 --~~
~~Write-off~~
~~of IT~~
~~investment~~
~~15,570 --~~
~~Minority~~
~~interest~~
~~purchase~~
~~expense~~
~~40,389 --~~
~~Change in:~~
~~Accounts~~
~~receivable,~~
~~net~~

~~(63,939)
(28,744)
Merchandise
inventories
(183,976)
(87,211)
Prepaid
expenses
4,362 2,304
Other
assets
2,787
(3,318)
Accounts
payable
237,380
150,654
Accrued
salaries,
wages and
related
benefits
(5,064)
(9,054)
Income
taxes and
other
accruals
26,411
14,842
Other
liabilities
4,098 2,698~~

~~Net
cash
provided by
operating
activities
213,274
206,270~~

~~INVESTING
ACTIVITIES:
Capital
expenditures
(184,507)
(178,886)
Additions
to deferred
lease
credits
58,449
59,057
Minority
interest
purchase
(70,000)
Other, net
(3,347)
(2,673)~~

~~Net
cash used
for
investing
activities
(199,405)
(122,502)~~

~~FINANCING
ACTIVITIES:
Proceeds
(payments)
from notes
payable 61
(44,858)
Proceeds
from long-~~

~~term borrowings 815 — Principal payments on long-term debt (84,053) (5,736) Proceeds from issuance of common stock 10,086 3,810 Cash dividends paid (24,267) (24,102) Purchase and retirement of common stock — (1,312) -------- -------- Net cash used in financing activities (97,358) (72,198) -------- -------- Net (decrease) increase in cash and cash equivalents (83,489) 11,570 Cash and cash equivalents at beginning of period 331,327 25,259 -------- -------- Cash and cash equivalents at end of period $247,838 $36,829 ======== ======== These statements should be read in conjunction with the Notes to Condensed Consolidated Financial Statements contained herein.~~

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

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the 2001 Nordstrom, Inc. Annual Report. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows have been included and are of a normal, recurring nature.

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements related to extinguishments of debt, provisions of the Motor Carrier Act of 1980 and lease transactions. Generally, SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. We elected to adopt SFAS No. 145 during the second quarter of 2002. The adoption of this statement did not have a material impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" by requiring that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred versus when an entity is committed to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We elected to adopt SFAS No. 146 during the second quarter of 2002. The adoption of this statement did not have a material impact on our financial statements.

Note 2 - Cumulative Effect of Accounting Change

Effective February 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives.

In connection with the adoption of SFAS No. 142, we reviewed the classification and useful lives of our intangible assets. Our intangible assets were determined to be either goodwill or indefinite lived tradename.



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

Note 2 - Cumulative Effect of Accounting Change (Cont.)

As required by SFAS No. 142, we defined our reporting unit as the Faconnable Business Unit, one level below our reportable Retail Stores segment. We then tested our intangible assets for impairment in the first quarter by comparing the fair value of the reporting unit with its carrying value. Fair value was determined using a discounted cash flow methodology. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. On an ongoing basis we expect to perform our impairment test during our first quarter or when other circumstances indicate we need to do so.

Based on our initial impairment test, we recognized an adjustment to goodwill of $21,900 in the first quarter of 2002, while the tradename was determined not to be impaired. The goodwill adjustment resulted from a reduction in management's estimate of future growth for this reporting unit. The impairment charge recognized in the first quarter is reflected as a cumulative effect of accounting change.

The changes in the carrying amount of our intangible assets for the period ended July 31, 2002, are as follows:

| | Retail Stores segment | | Catalog/ Internet segment | Total |
|---|---|---|---|---|
| | Goodwill | Tradename | Goodwill | |
| Balance as of February 1, 2002 | $ 38,198 | $ 100,133 | $ - | $ 138,331 |
| Impairment losses | (21,900) | - | - | (21,900) |
| Goodwill acquired through exercise of Nordstrom.com Put Agreement (see Note 9) | - | - | 23,675 | 23,675 |
| Balance as of July 31, 2002 | $ 16,298 | $ 100,133 | $ 23,675 | $ 140,106 |

The following table shows the actual results of operations for the three and six months ended July 31, 2002 and 2001 as well as pro-forma results adjusted for the exclusion of intangible amortization and the cumulative effect of the accounting change.

| Three Months Ended July 31, | Six Months Ended July 31, |
|---|---|

------------
-- 2002 2001
2002 2001 --
------- ----
----- ------
--- --------
- ~~Reported net income $ 36,335 $ 38,699 $ 11,763 $ 63,454~~
~~Intangible amortization, net of tax -- 712 -- 1,426~~
~~Cumulative effect of the accounting change, net of tax -- -- 13,359 --~~
~~Adjusted net income $ 36,335 $ 39,411 $ 25,122 $ 64,880~~
~~=========~~
~~=========~~
~~=========~~
~~=========~~





Note 2 - Cumulative Effect of Accounting Change (Cont.)
Three Months
Six Months
Ended Ended
July 31,
July 31, ---
------------
----- ------
------------
-- 2002 2001
2002 2001 --
------- ----
----- ------
--- --------
- ~~Basic and diluted earnings per share~~
~~Reported net income $ .27 $ .29 $ .09 $ .47~~
~~Intangible amortization, net of tax -- -- -- .01~~
~~Cumulative effect of the accounting change, net of tax -- -- .10 --~~

| | | | | |
|---|---|---|---|---|
| Adjusted net income | $ .27 | $ .29 | $ .19 | $ .48 |

Note 3 - Earnings Per Share

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Net earnings | $36,335 | $38,699 | $11,763 | $63,454 |
| Basic shares | 135,066,212 | 134,008,385 | 134,887,294 | 133,933,442 |
| Basic earnings per share | $0.27 | $0.29 | $0.09 | $0.47 |
| Dilutive effect of stock options and restricted stock | 753,673 | 413,825 | 878,448 | 233,664 |
| Diluted shares | 135,819,885 | 134,422,210 | 135,765,742 | 134,167,106 |
| Diluted earnings per share | $0.27 | $0.29 | $0.09 | $0.47 |
| Antidilutive stock options | 6,764,220 | 9,289,833 | 6,542,883 | 9,299,833 |

Note 4 - Accounts Receivable

The components of accounts receivable are as follows:

July 31,
January 31,
July 31,

(dollars in thousands)

| | 2002 | 2002 | 2001 |
|---|---|---|---|
| ~~Unrestricted trade receivables~~ | ~~$103,812~~ | ~~$73,157~~ | ~~$749,530~~ |
| ~~Restricted trade receivables~~ | ~~658,775~~ | ~~628,271~~ | ~~-~~ |
| ~~Other~~ | ~~23,557~~ | ~~21,325~~ | ~~21,285~~ |
| ~~Allowance for doubtful accounts~~ | ~~(22,131)~~ | ~~(24,278)~~ | ~~(20,858)~~ |
| ~~Accounts receivable, net~~ | ~~$764,013~~ | ~~$698,475~~ | ~~$749,957~~ |

The restricted trade receivables consist of Nordstrom Private Label Receivables. These receivables back the $300 million of Class A notes and the $200 million variable funding note issued by us in November 2001.





Note 5 - Debt

On May 1, 2002, we replaced the $200 million variable funding note backed by VISA credit card receivables ("Visa VFN") with 5-year term notes also backed by the VISA credit card receivables. Class A and B notes with a combined face value of $200 million were issued to third party investors. We used the proceeds to retire the $200 million outstanding on the Visa VFN. We retained a Transferor's Interest, subordinated Class C note, and an Interest Only Strip. In accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this debt and the related assets are not reflected in our consolidated balance sheets.

Note 6 - Limited Partnership

We own a 49% interest in a limited partnership which constructed a new corporate office building in which we are the primary occupant. During the first quarter of 2002, the limited partnership refinanced its construction loan obligation with an $85,000 mortgage secured by the property, of which $79,808 was included on our balance sheet at July 31, 2002. The obligation has a fixed interest rate of 7.68% and a term of 18 years. The $5,000 difference between the $90,000 outstanding under the original credit facility and the new mortgage was funded by Nordstrom, Inc.

Our financial statements include capitalized costs related to this building of $87,667 and $82,187, which includes noncash amounts of $68,631 and $67,225 as of July 31, 2002 and 2001. The corresponding finance obligation of $84,742 and $78,401 as of July 31, 2002 and 2001 is included in other long-term debt.

Note 7 - Supplementary Cash Flow Information

We capitalize certain property, plant and equipment during the construction period of commercial buildings, which are subsequently derecognized and leased back. During the six months ended July 31, 2001, the noncash activities related to the reclassification of new stores that qualified as sale and leaseback were $60,645.





Note 8 - Segment Reporting

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

Three months ended
Retail
Credit
Catalog/
Corporate
July 31, 2002 Stores
Operations
Internet
and Other
Eliminations
Total - ---
-----------
-----------
-----------
-----------
-----------
-----------
-----------
-----------
--------
~~Revenues from external customers~~
~~$1,588,539~~
~~- $66,989 -~~
~~-~~
~~$1,655,528~~
~~Service charge income -~~

~~$30,707 — 30,707 Intersegment revenues 9,421 14,560 — $ (23,981) — Interest expense, net (183) 5,474 152 $14,162 — 19,605 Net earnings (loss) 66,278 3,242 (11,710) (21,475) — 36,335 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 — $33,931 — — 33,931 Intersegment revenues 4,186 8,297 — $(12,483) — Interest expense, net 353 6,002 (50) $ 12,974 — 19,279 Net earnings (loss) 69,960 1,519 (2,939) (29,841) — 38,699 Six months ended Retail Credit Catalog/ Corporate July 31,~~

~~2002 Stores Operations Internet and Other Eliminations Total~~

~~Revenues from external customers $2,771,248 $130,041 — $2,901,289~~
~~Service charge income — $62,162 — 62,162~~
~~Intersegment revenues 13,239 24,466 — $ (37,705) —~~
~~Interest expense, net 1 11,913 337 $27,403 — 39,654~~
~~Earnings before cumulative effect of accounting change 123,212 4,820 (12,018) (90,892) — 25,122~~
~~Net earnings (loss) 109,853 4,820 (12,018) (90,892) — 11,763~~
~~Assets 2,756,239 758,682 76,183 640,409 — 4,231,513~~

~~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 - $70,555 - - - 70,555 Intersegment revenues 7,682 13,853 - $(21,535) - Interest expense, net 708 12,625 (98) $ 25,548 - 38,783 Net earnings (loss) 123,623 6,795 (7,186) (59,778) - 63,454 Assets 2,613,649 744,308 66,052 368,142 - 3,792,151~~

Note 9 - Nordstrom.com

On May 31, 2002, we purchased the outstanding shares of Nordstrom.com, Inc. series C preferred stock for $70,000. The excess of the purchase price over the fair market value of the preferred stock and professional fees resulted in a one-time charge of $42,047, which was recognized in the first quarter of 2002. A valuation allowance has been provided for the full amount of the tax benefit related to this charge, as management believes it is not likely that these benefits will be realized. After allocating the fair market value to the identifiable assets of Nordstrom.com, Inc., we recognized the excess purchase price as additional goodwill of $23,675.

In July 2002, $10,432 of expense was recognized related to the purchase of the outstanding Nordstrom.com options and warrants. The purchase of these outstanding options and warrants was completed in August 2002.





Note 9 - Nordstrom.com (Cont.)

In the second quarter of 2002, the accounting for the share repurchase was finalized resulting in a $659 reduction to the expense recognized in first quarter 2002 and additional professional fees of $1,348. We do not anticipate additional charges related to the Nordstrom.com minority interest purchase and reintegration.

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

July 31, 2002
-------------

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

~~$11,121 $53,168~~
~~============ ===========~~

Note 10 - Write-off of IT Investment

In July 2002 we recognized a non-recurring charge of $15,570 to write-down an IT investment in a supply chain tool intended to support our manufacturing division. Due to changes in business strategy, we determined that this asset was impaired. This non-cash charge in the Retail Stores segment will reduce this asset to its estimated market value. The entire amount of the charge was recorded in selling, general and administrative expenses.

Note 11 - Litigation

Cosmetics
- ---------
We were originally named as a defendant along with other department store and specialty retailers in nine separate but virtually identical class action lawsuits filed in various Superior Courts of the State of California in May, June and July 1998 that have now been consolidated in Marin County state court. In May 2000, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act.

Plaintiffs seek treble damages and restitution of an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period four years prior to the filing of the amended complaint. Defendants, including us, have answered the amended complaint denying the allegations. The retail defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions. Two retail defendants have filed motions for summary judgment, and plaintiffs have not yet moved for class certification. Pursuant to an order of the court, plaintiffs and defendants participated in mediation sessions in May and September 2001.





Note 11 - Litigation (Cont.)

Washington Public Trust Advocates
- ---------------------------------
By order dated August 9, 2002, the court granted our motion to dismiss us from

Washington Public Trust Advocates, ex rel., et al. v. City of Spokane, et al., as previously described, and dismissed us from that lawsuit. That order is subject to appeal until September 9, 2002.

Other
- -----
We are also subject to other ordinary routine litigation. We do not expect any material liability related to that litigation.

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

Dollars in Thousands

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of the 2001 Annual Report.

RESULTS OF OPERATIONS:
- ----------------------

Overview
- --------
Earnings for the quarter ended July 31, 2002 decreased to $36,335 from $38,699 for the same period in 2001. Earnings for the six months ended July 31, 2002 decreased to $11,763 from $63,454 for the same period in 2001. The decrease for the six months was attributable to three one-time charges related to the write-off of an IT investment, minority interest purchase and reintegration costs of Nordstrom.com, Inc., and the adoption of a new accounting pronouncement. Excluding these one-time charges, earnings for the quarter increased to $52,360 from $38,699 for the same period last year, and earnings for the six-month period increased to $82,805 from $63,454 for the same period last year. Diluted earnings per share before one-time charges were $.39 for the quarter compared to $.29 in the second quarter of last year. For the six months ended July 31, 2002, diluted earnings per share before one-time charges were $.61 compared to $.47 for the same period last year.

Year-over-year changes in net income before non-recurring items were as follows:

Three Months
Six Months
Ended Ended
July 31,
July 31, ---
-----------
----- ------
-----------
-- 2002 2001
2002 2001 --
------- ----
----- ------
--- --------
- ~~Reported~~
~~net income $~~
~~36,335 $~~
~~38,699 $~~
~~11,763 $~~
~~63,454 Non-~~
~~recurring~~
~~items, net~~
~~of tax:~~
~~Minority~~
~~interest~~
~~purchase and~~
~~reintegration~~
~~costs 6,527~~
~~-- 48,185 --~~
~~Goodwill~~
~~impairment --~~
~~-- 13,359 --~~
~~Write-off of~~
~~IT~~
~~investment~~
~~9,498 --~~
~~9,498 ------~~
~~------------~~
~~------------~~
~~-----------~~
~~Net income~~
~~before non-~~
~~recurring~~
~~items $~~

~~52,360 $ 38,699 $ 82,805 $ 63,454~~
~~========= ========= ========= =========~~
~~Diluted earnings per share before non-recurring items $ 0.39 $ 0.29 $ 0.61 $ 0.47~~
~~========= ========= ========= =========~~



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

Sales
- -----

Year-over-year changes in total company sales and comparable-store sales were as follows:

QTD % Change YTD % Change - ---------- ------- -- ---------- ------
Calendar 4-5-4* Calendar 4-5-4* --- ----- ---- ---- ----- --- ------
-- ~~Total Company sales 7.1% 7.0% 5.0% 4.8%~~
~~Comparable-store sales 2.1% 2.2% 0.5% 0.3%~~

* the 13 and 26 week periods ended August 3, 2002 and August 4, 2001.

The increase in total sales for the quarter and the six-month periods was a result of new store openings. Since August 1, 2001, we have opened 6 full-line stores and 9 Nordstrom Rack stores. The increase in comparable store sales (sales in stores open at least one full fiscal year at the beginning of the fiscal year) for the quarter is a result of our Anniversary and Half-Yearly sale events, as well as strong sales at Nordstrom Rack. The flat comparable store sales for the six-month period is a result of the strong sale events in the second quarter offset by the negative comparable store sales in the first quarter.

Gross Profit
- ------------

Gross profit as a percentage of net sales increased for the three-month period ended July 31, 2002, and remained flat for the six-month period ended July 31, 2002, as compared to the same periods in 2001. The increase for the quarter was primarily due to high markdowns taken in the prior year to reduce excess inventory. The six-month results remained flat due to increased occupancy costs from store openings that offset the improved markdown performance.

Selling, General and Administrative
- -----------------------------------

Before one-time charges of $15,570, selling, general and administrative expenses as a percentage of net sales decreased for the three month and six month periods ended July 31, 2002. The improvement was due to decreased payroll and benefit expenses, lower bad debt expense and lower catalog and shipping expenses at Nordstrom Direct (formerly Nordstrom.com) partially offset by higher IT expenses related to the implementation of our perpetual inventory system. The one-time charge related to a write-off of an IT investment in a supply chain tool at our manufacturing division.

Interest Expense
- ----------------

Interest expense, net increased in the three and six month periods ended July 31, 2002 compared to the same periods in 2001. The increase was due to higher average long-term borrowings, partially offset by a decrease in average short-term borrowings and long-term interest rates.

Service Charge Income and Other
- -------------------------------

Service charge income and other, net remained flat for the three month period ended July 31, 2002, but decreased slightly for the six month period ended July 31, 2002 compared to the same periods in 2001. The decrease for the six month period resulted from declining interest rates, as well as lower receivable balances. For the quarter, declining interest rates were offset by increasing receivable balances which resulted in the flat results compared to the same period last year.





Nordstrom.com
- --------------

On May 31, 2002, we purchased the outstanding shares of Nordstrom.com, Inc. series C preferred stock for $70,000. The excess of the purchase price over the fair market value of the preferred stock and professional fees resulted in a one-time charge of $42,047, which was recognized in the first quarter of 2002. A valuation allowance has been provided for the full amount of the tax benefit related to this charge, as management believes it is not likely that these benefits will be realized. After allocating the fair market value to the identifiable assets of Nordstrom.com, Inc., we recognized the excess purchase price as additional goodwill of $23,675.

In July 2002, $10,432 of expense was recognized related to the purchase of the outstanding Nordstrom.com options and warrants. The purchase of these outstanding options and warrants was completed in August 2002.

In the second quarter of 2002, the accounting for the share repurchase was finalized resulting in a $659 reduction to the expense recognized in first quarter 2002 and additional professional fees of $1,348. We do not anticipate additional charges related to the Nordstrom.com minority interest purchase and reintegration.

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

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

~~$11,121~~
~~$53,168~~
~~============~~
~~===========~~

Cumulative Effect of Accounting Change

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

Seasonality

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

LIQUIDITY AND CAPITAL RESOURCES:

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

Cash Flow from Operations

Net cash provided by operating activities for the six month period ended July 31, 2002 increased $7,004 compared to the same period last year. This increase was primarily due to the increase in net earnings before noncash items and an increase in accounts payable offset by an increase in merchandise inventories.





Capital Expenditures

For the six month period ended July 31, 2002, net cash used in investing activities increased $76,903 compared to the same period in 2001, primarily due to the $70,000 payment for the acquisition of the outstanding shares of Nordstrom.com, Inc. series C preferred stock. In addition, capital expenditures for new stores increased $5,621 for the six months ended July 31, 2002 compared to the same period in 2001. During the second quarter of fiscal 2002, we opened one new Nordstrom Rack store in Ontario, CA. Year to date, we have opened a total of three new full-line stores and three new Nordstrom Rack stores. Additionally, in August 2002, we opened a Nordstrom Rack store in Long Beach, California. Throughout the remainder of the year ending January 31, 2003, we expect to open five full-line stores in Dulles, Virginia; St. Louis, Missouri; Coral Gables, Florida; Orlando, Florida and Las Vegas, Nevada; and one Faconnable boutique in Coral Gables, Florida. For the entire year, gross square footage is expected to increase approximately 8 percent. Total square footage of our stores was 17,455,000 as of July 31, 2002, compared to 16,307,000 as of July 31, 2001.

Financing

For the six month period ended July 31, 2002, cash used by financing activities increased $25,160 primarily due to the scheduled retirement of $76,750 in medium-term notes compared to a $44,858 reduction in notes payable from the prior year.

CRITICAL ACCOUNTING POLICIES:

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

Realization of Streamline Deferred Tax Asset

As of July 31, 2002, we have $32,857 of capital loss carryforward related to the write off of our investment in Streamline.com, Inc. The utilization of this deferred tax asset is contingent upon the ability to generate capital gains within the next four years. No valuation allowance has been provided because management believes it is probable that the full benefit of the carryforward will be realized.

RECENT ACCOUNTING PRONOUNCEMENTS:

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements related to extinguishments of debt, provisions of the Motor Carrier Act of 1980 and lease transactions. Generally, SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. We elected to adopt SFAS No. 145 during the second quarter of 2002. The adoption of this statement did not have a material impact on our financial statements.





In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" by requiring that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred versus when an entity is committed to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We elected to adopt SFAS No. 146 during the second quarter of 2002. The adoption of this statement did not have a material impact on our financial statements.

FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT:

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

At July 31, 2002, we have $300 million of 8.95% fixed-rate debt converted to variable rate through the use of an interest rate swap. The interest rate swap reduced interest payments on our highest fixed-rate debt by taking advantage of the current low interest rates. A shift in future interest rates could adversely affect the amount of interest paid through this swap agreement.

The majority of our revenue, expense and capital expenditures are transacted in United States dollars. However, we periodically enter into foreign currency purchase orders for apparel and shoes denominated in Euros. We use forward contracts to hedge against fluctuations in foreign currency prices. The amounts of these contracts are immaterial. The use of derivatives is limited to only those financial instruments that have been authorized by our Chief

Financial Officer and Treasurer.

The functional currency of Faconnable, S.A. of Nice, France is the Euro. 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 currency exchange rates are included in other comprehensive earnings.



Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (CONT.)

Certain other information required under this item is included in Note 6 in the Notes to Condensed Consolidated Financial Statements.

## 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 11 in Notes to Condensed Consolidated Financial Statements

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

We held our Annual Shareholders Meeting on May 21, 2002, 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~~ | ~~123,044,226~~ | ~~2,006,980~~ |
| ~~Enrique Hernandez, Jr.~~ | ~~124,085,512~~ | ~~965,694~~ |
| ~~John A. McMillan~~ | ~~124,114,579~~ | ~~936,627~~ |
| ~~Bruce A. Nordstrom~~ | ~~124,122,615~~ | ~~928,591~~ |
| ~~John N. Nordstrom~~ | ~~124,125,080~~ | ~~926,126~~ |
| ~~Alfred E. Osborne, Jr.~~ | ~~108,653,169~~ | ~~16,398,037~~ |
| ~~William D. Ruckelshaus~~ | ~~108,638,142~~ | ~~16,413,064~~ |
| ~~Bruce G. Willison~~ | ~~108,854,893~~ | ~~16,196,313~~ |
| ~~Alison A. Winter~~ | | |

~~123,648,328~~
~~1,402,878~~

There were no abstentions and no broker non-votes.

(2) Approval of Amendment to the Company's Articles of Incorporation

The vote was 114,078,444 for, 10,396,970 against, and there were 575,792 abstentions. There were no broker non-votes.

(3) Approval of the 2002 Nonemployee Director Stock Incentive Plan

The vote was 95,623,346 for, 28,771,100 against, and there were 656,760 abstentions. There were no broker non-votes.

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

The vote was 119,232,521 for, 5,301,833 against, and there were 516,852 abstentions. There were no broker non-votes.

(5) Shareholder proposal regarding global human rights standards

The vote was 7,070,443 for, 98,764,672 against, and there were 5,835,841 abstentions and 13,380,250 broker non-votes.



## Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Articles of Incorporation of the Registrant, as amended and restated on May 21, 2002, are filed herein as an Exhibit.

10.1 The 2002 Nonemployee Director Stock Incentive Plan is filed herein as an Exhibit.

99.1 Certification of Chief Executive Officer regarding periodic report containing financial statements.

99.2 Certification of Chief Financial Officer regarding periodic report containing financial statements.

(b) Reports on Form 8-K

We filed a Form 8-K on May 17, 2002 to announce the purchase of the outstanding shares of Nordstrom.com, Inc. series C preferred stock.

## 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 12, 2002

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

I, Blake W. Nordstrom, certify that:

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

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

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

Date: September 12, 2002

/s/ Blake W. Nordstrom

Blake W. Nordstrom
President

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

I, Michael G. Koppel, certify that:

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

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

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

| | |
|---|---|
| Date: September 12, 2002 | /s/ Michael G. Koppel |
| | Michael G. Koppel<br>Executive Vice President and<br>Chief Financial Officer |



NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

| Exhibit | | Method of Filing |
|---|---|---|
| 3.1 | Articles of Incorporation of the Registrant, as amended and restated on May 21, 2002 | Filed herewith electronically |
| 10.1 | The 2002 Nonemployee Director Stock Incentive Plan | Filed herewith electronically |
| 99.1 | Certification of Chief Executive Officer regarding periodic report containing financial statements | Filed herewith electronically |
| 99.2 | Certification of Chief Financial Officer regarding periodic report containing financial statements | Filed herewith electronically |

Exhibit 3.1

# AMENDED AND RESTATED ARTICLES OF INCORPORATION OF NORDSTROM, INC.

Pursuant to the provisions of the Washington Business Corporation Act and RCW 23B.10.030 and RCW 23B.10.070, the following Amended and Restated Articles of Incorporation are hereby submitted for filing.

## ARTICLE I

The name of the corporation is Nordstrom, Inc.

## ARTICLE II

The period of duration of the corporation is perpetual.

## ARTICLE III

The purpose of the corporation is to engage in any and all business, the conduct of which is not forbidden to corporations by the Constitution, statutes or common law of the state of Washington.

## ARTICLE IV

1. The aggregate number of shares which the Corporation shall have authority to issue is 500,000,000 shares of Common Stock, all of which are without par value.

2. The shareholders of the corporation shall not have preemptive rights to acquire additional shares or securities convertible into shares offered for sale or otherwise issued by the corporation.

3. No shareholder will be permitted to cumulate his votes at any election of directors.

## ARTICLE V

The number of directors constituting the Board of Directors shall be such number, not less than three, as may be specified from time to time in the Bylaws.

## ARTICLE VI

The corporation shall have the right to purchase its own shares to the extent of unreserved and unrestricted surplus available therefor, whether capital surplus or earned surplus. The Board of Directors may, from time to time, distribute to the shareholders a portion of the assets of this corporation, in cash or property, out of the capital surplus of this corporation.

## ARTICLE VII

The power to adopt, alter, amend or repeal the Bylaws shall be vested in the Board of Directors.

## ARTICLE VIII

This corporation reserves the right to amend, change or repeal any provision of these Amended and Restated Articles of Incorporation in the manner now or hereafter prescribed by law, and all rights conferred upon shareholders herein are subject to this reserved power.

## ARTICLE IX

Any personal liability of a director to the corporation or its shareholders for monetary damages for conduct as a director is eliminated, except for any liability for any acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, for conduct violating RCW 23B.08.310, for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled, or for any act or omission occurring prior to the date when this Article becomes effective. If hereafter the Washington Business Corporation Act is amended to change the corporation's power to eliminate or limit the liability of a director to the corporation, then, upon the effective date of the amendment and without further act:

if the amendment permits further elimination or limitation of liability, the liability of a director shall be additionally eliminated and limited to such further extent, or

if the amendment changes to power to eliminate the liability of a director in any other respect, the liability of a director shall be eliminated and limited with respect to acts or omissions occurring after the effective date of the amendment to the fullest extent permitted by the Washington Business Corporation Act as so amended.

No amendment or repeal of these Amended and Restated Articles of Incorporation shall adversely affect any right or any elimination or limitation of liability of a director existing immediately prior to the amendment or repeal.

IN WITNESS WHEREOF, the undersigned submits these Amended and Restated Articles of Incorporation as of May 21, 2002.

/s/ N. Claire Chapmen
-------------------------------
N. Claire Chapman
Secretary

CERTIFICATE OF AMENDMENT TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
NORDSTROM, INC.

Pursuant to the provisions of the Washington Business Corporation Act and RCW 23B.10.060, the undersigned corporation hereby submits this Certificate of Amendment to the Articles of Incorporation for filing.

1. The name of the corporation is Nordstrom, Inc.

2. The text of paragraph 1 of Article IV shall be deleted in its entirety and replaced with the following (the "Amendment"):

ARTICLE IV

1. The aggregate number of shares which the Corporation shall have authority to issue is 500,000,000 shares of Common Stock, all of which are without par value.

3. The Amendment does not provide for an exchange, reclassification or cancellation of issued shares.

4. The Amendment was duly approved by the shareholders of the corporation on May 21, 2002.

5. The Amendment was approved by the shareholders of the corporation in accordance with the provisions of RCW 23B.10.030 and 23B.10.040.

DATED: May 21, 2002.

NORDSTROM, INC.

By /s/ N. Claire Chapman
----------------------------------
N. Claire Chapman
Secretary

Exhibit 99.1

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF CHIEF EXECUTIVE
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS

I, Blake W. Nordstrom, the President of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended July 31, 2002 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ Blake W. Nordstrom
---------------------
Blake W. Nordstrom
President
September 12, 2002

Exhibit 99.2

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF CHIEF FINANCIAL
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS

I, Michael G. Koppel, the Executive Vice President and Chief Financial Officer of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended July 31, 2002 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ Michael G. Koppel

----------------------

Michael G. Koppel
Executive Vice President and
Chief Financial Officer
September 12, 2002

Exhibit 10.1

# NORDSTROM, INC.
# 2002 NONEMPLOYEE DIRECTOR STOCK INCENTIVE PLAN

## ARTICLE 1. INTRODUCTION.

The purpose of the Plan is to promote the long-term success of the Company and the creation of Shareholder value by (a) encouraging the attraction and retention of Nonemployee Directors with exceptional qualifications and (b) linking Nonemployee Directors directly to Shareholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options or stock appreciation rights. Capitalized terms are defined in Section 15 below.

## ARTICLE 2. ADMINISTRATION.

2.1 Committee Composition. The Plan shall be administered by the Corporate Governance and Nominating Committee (the "Committee").

2.2 Committee Responsibilities. The Committee shall (a) select the Nonemployee Directors who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

## ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan may be authorized but unissued shares. The aggregate number of Options, SARs, Stock Units and Restricted Shares awarded under the Plan shall not exceed 450,000. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 10.

3.2 Additional Shares. If Restricted Shares or Common Shares issued upon the exercise of Options are forfeited, then such Common Shares shall again become available for Awards under the Plan. If Stock Units, Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall again become available for Awards under the Plan. If Stock Units are settled, then only the number of Common Shares (if any) actually issued in settlement of such Stock Units shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Common Shares (if any) actually issued in settlement of such SARs shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan.

3.3 Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Restricted Shares, Stock Units, Options or SARs available for Awards, whether or not such dividend equivalents are converted into Stock Units.

## ARTICLE 4. ELIGIBILITY.

4.1 Grants. Only Nonemployee Directors shall be eligible for the grant of Restricted Shares, Stock Units, NSOs or SARs.

## ARTICLE 5. OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 10.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price, as determined by the Committee.

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited.

5.5 Modification or Assumption of Options. Within the limitations of the Plan, the Committee may modify outstanding Options; provided that no Option shall be repriced. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.6 Buyout Provisions. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

ARTICLE 6. PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased, except the Committee (in its sole discretion) may at any time accept payment in any form(s) described in this Article 6.

6.2 Surrender of Stock. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Common Shares that have been owned by the Optionee for at least six months. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, Common Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the Common Shares being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

6.5 Promissory Note. To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) a full-recourse promissory note.

6.6 Other Forms of Payment. To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price may be paid in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE 7. STOCK APPRECIATION RIGHTS.

7.1 SAR Agreement. Each grant of an SAR under the Plan shall be evidenced by an SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

7.2 Number of Shares. Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 10.

7.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price.

7.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. An SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. An SAR may be included in an NSO at the time of grant or thereafter.

7.5 Exercise of SARs. Upon exercise of an SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when an SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify outstanding SARs; provided that no SAR shall be repriced. The foregoing notwithstanding, no modification of an SAR shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such SAR.

ARTICLE 8. RESTRICTED SHARES.

8.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

8.2 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

8.3 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other Shareholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

ARTICLE 9. STOCK UNITS.

9.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

9.2 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

9.3 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

9.4 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents.

Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

9.5 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Committee. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 10.

9.6 Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

9.7 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

ARTICLE 10. PROTECTION AGAINST DILUTION.

10.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

(a) The number of Options, SARs, Restricted Shares and Stock Units available for future Awards under Article 3;

(b) The number of Common Shares covered by each outstanding Option and SAR;

(c) The Exercise Price under each outstanding Option and SAR; or

(d) The number of Stock Units included in any prior Award which has not yet been settled.

Except as provided in this Article 10, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

10.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

10.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement shall provide for settlement of the full value, if any, of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards.

ARTICLE 11. DEFERRAL OF AWARDS.

To the extent permitted and consistent with the terms of the Nordstrom, Inc. Directors Deferred Compensation Plan ("DDCP"), the Committee (in its sole discretion) may permit or require a Participant to:

(a) Have cash that otherwise would be paid to such Participant as a result of the exercise of an SAR or the settlement of Stock Units credited to such Participant's DDCP account;

(b) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR converted into an equal number of Stock Units and credited to such Participant's DDCP account; or

(c) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR or the settlement of Stock Units converted into amounts credited as Stock Units to such Participant's DDCP account. Such amounts shall be determined by reference to the Fair Market Value of such Common Shares as of the date when they otherwise would have been delivered to such Participant.

Provided, however, that such deferral shall not be effective unless the Participant enters into a deferral agreement with respect to the particular award at such time and in such form and manner as the Committee determines appropriate.

ARTICLE 12. AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3.

ARTICLE 13. LIMITATION ON RIGHTS.

13.1 Shareholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a Shareholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when he or she becomes entitled to receive such Common Shares by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

13.2 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE 14. FUTURE OF THE PLAN.

14.1 Term of the Plan. The Plan, as set forth herein, shall become effective upon approval by the Company's shareholders. The Plan shall remain in effect until it is terminated under Section 14.2.

14.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's Shareholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

ARTICLE 15. DEFINITIONS.

15.1 "Award" means any award of an Option, an SAR, a Restricted Share or a Stock Unit under the Plan.

15.2 "Board" means the Company's Board of Directors, as constituted from time to time.

15.3 "Code" means the Internal Revenue Code of 1986, as amended.

15.4 "Committee" means a committee of the Board, as described in Article 2.

15.5 "Common Share" means one share of the common stock of the Company.

15.6 "Company" means Nordstrom, Inc., a Washington corporation.

15.7 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

15.8 "Exercise Price," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of an SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

15.9 "Fair Market Value" means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Wall Street Journal of the closing bid price of the Common Shares on the New York Stock Exchange. Such determination shall be conclusive and binding on all persons.

15.10 "NSO" means a stock option not described in sections 422 or 423 of the Code.

15.11 "Option" means a NSO granted under the Plan and entitling the holder to purchase Common Shares.

15.12 "Optionee" means an individual or estate who holds an Option or SAR.

15.13 "Nonemployee Director" shall mean a member of the Board who is not an employee or an officer of the Company.

15.14 "Participant" means an individual or estate who holds an Award.

15.15 "Plan" means this Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan, as amended from time to time.

15.16 "Restricted Share" means a Common Share awarded under the Plan.

15.17 "Restricted Stock Agreement" means the agreement between the Company and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Share.

15.18 "SAR" means a stock appreciation right granted under the Plan.

15.19 "SAR Agreement" means the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her SAR.

15.20 "Stock Option Agreement" means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

15.21 "Stock Unit" means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

15.22 "Stock Unit Agreement" means the agreement between the Company and the recipient of a Stock Unit which contains the terms, conditions and restrictions pertaining to such Stock Unit.