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 October 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 November 30, 2001: 134,407,930 shares of common stock.

NORDSTROM, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

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

Three Months
Nine Months
Ended October
31, Ended
October 31, ----

-- -------------
--------- 2001
2000 2001 2000 -
--------- ------
---- ----------
---------- ~~Net~~
~~sales $1,239,241~~
~~$1,262,390~~
~~$4,003,040~~
~~$3,872,802 Cost~~
~~of sales and~~
~~related buying~~
~~and occupancy~~
~~(836,961)~~
~~(823,868)~~
~~(2,676,299)~~
~~(2,523,836) ----~~
~~----------------~~
~~----------------~~
~~-------- Gross~~
~~profit 402,280~~
~~438,522~~
~~1,326,741~~
~~1,348,966~~
~~Selling, general~~
~~and~~
~~administrative~~
~~expenses~~
~~(399,568)~~
~~(444,390)~~
~~(1,253,715)~~
~~(1,252,707) -----~~
~~----------------~~
~~----------------~~
~~-------~~
~~Operating~~
~~income/(loss)~~
~~2,712 (5,868)~~
~~73,026 96,259~~
~~Interest~~
~~expense, net~~
~~(17,934)~~
~~(15,995)~~
~~(56,717)~~
~~(43,587) Write-~~
~~down of~~
~~investment --~~
~~(20,655) -~~
~~(31,195) Service~~
~~charge income~~
~~and other, net~~
~~32,317 36,998~~
~~104,840 101,193~~
~~----------------~~
~~----------------~~
~~----------~~

~~Earnings/(loss) before income taxes 17,095 (5,520) 121,149 122,670 Income tax (expense)/benefit (6,600) 2,200 (47,200) (47,800) -------- ---------------- ---------------- ---- Net earnings/(loss) $ 10,495 $ (3,320) $ 73,949 $ 74,870 ========== ========== ========== ========== Basic earnings per share $ .08 $ (.03) $ .55 $ .58 ========== ========== ========== ========== Diluted earnings per share $ .08 $ (.03) $ .55 $ .58 ========== ========== ========== ========== Cash dividends paid per share of common stock outstanding $ .09 $ .09 $ .27 $ .26 ========== ========== ========== ========== These statements should be read in conjunction with the Notes to Condensed Consolidated Financial Statements contained herein.~~

CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)
(unaudited)

October 31, January 31, October 31, 2001 2001 2000 ---------- ---------- ---------- ~~ASSETS Current Assets: Cash and cash equivalents $ 20,365 $ 25,259 $ 15,750 Short term investment -- -- 1,662 Accounts receivable (net of allowance for doubtful accounts of $20,692, $16,531 and $15,239) 699,450 721,953 638,936 Merchandise inventories 1,161,178 945,687 1,186,391 Prepaid expenses 38,477 28,760 38,244 Other current assets 102,408 91,323 77,010 ---------- ---------- ---------- Total current assets 2,021,878 1,812,982 1,957,993 Land, buildings and equipment (net of accumulated depreciation of $1,648,745, $1,554,081 and $1,506,360) 1,732,659 1,599,938 1,597,302 Intangible assets (net of accumulated amortization of $4,746, $1,251 and $102) 139,466 143,473~~

~~158,042~~
~~Other assets~~
~~81,148~~
~~52,110~~
~~53,249 ------~~
~~------------~~
~~------------~~
~~--- TOTAL~~
~~ASSETS~~
~~$3,975,151~~
~~$3,608,503~~
~~$3,766,586~~
~~==========~~
~~==========~~
~~==========~~
~~LIABILITIES~~
~~AND~~
~~SHAREHOLDERS'~~
~~EQUITY~~
~~Current~~
~~Liabilities:~~
~~Notes~~
~~payable $~~
~~167,663 $~~
~~83,060 $~~
~~110,612~~
~~Accounts~~
~~payable~~
~~637,694~~
~~466,476~~
~~624,011~~
~~Accrued~~
~~salaries,~~
~~wages and~~
~~related~~
~~benefits~~
~~223,549~~
~~234,833~~
~~195,209~~
~~Income taxes~~
~~and other~~
~~accruals~~
~~155,632~~
~~153,613~~
~~154,044~~
~~Current~~
~~portion of~~
~~long-term~~
~~debt 78,966~~
~~12,586~~
~~11,591 ------~~
~~------------~~
~~------------~~
~~--- Total~~
~~current~~
~~liabilities~~
~~1,263,504~~
~~950,568~~
~~1,095,467~~
~~Long-term~~
~~debt~~
~~1,045,441~~
~~1,099,710~~
~~1,070,020~~
~~Deferred~~
~~lease~~
~~credits~~
~~330,747~~
~~275,252~~
~~328,934~~
~~Other~~
~~liabilities~~
~~61,669~~
~~53,405~~
~~56,388~~
~~Shareholders'~~
~~Equity:~~
~~Common~~
~~stock, no~~
~~par:~~
~~250,000,000~~

~~shares authorized; 134,338,694, 133,797,757 and 133,999,405 shares issued and outstanding 338,589 330,394 330,990~~
~~Unearned stock compensation (3,148) (3,740) (3,937)~~
~~Retained earnings 936,560 900,090 888,724~~
~~Accumulated other comprehensive earnings 1,789 2,824~~
~~Total shareholders' equity 1,273,790 1,229,568 1,215,777~~
~~TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$3,975,151 \$3,608,503 \$3,766,586~~
~~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)

Nine Months

Ended
October 31,

- 2001 2000
-------- --

~~OPERATING ACTIVITIES:~~
~~Net earnings $73,949 $74,870~~
~~Adjustments to reconcile net earnings to net cash provided by operating activities:~~
~~Depreciation and amortization 155,679 149,195~~
~~Amortization of intangible assets 3,495 102~~
~~Amortization of deferred lease credits and other, net (4,974) (8,902)~~
~~Stock-based compensation expense 2,237 8,690~~
~~Write-down of investment -- 31,195~~
~~Change in:~~
~~Accounts receivable, net 21,951 (12,367)~~
~~Merchandise inventories (215,976) (377,042)~~
~~Prepaid expenses (5,780) (14,206)~~
~~Other current assets (3,368) (254)~~
~~Accounts payable 141,594 212,984~~
~~Accrued salaries, wages and related benefits (12,520) (20,496)~~
~~Income taxes and other accruals 2,133 5,090~~

~~Other liabilities 1,808 (10,255) ------------------ Net cash provided by operating activities 160,228 38,604 ------------------ INVESTING ACTIVITIES: Capital expenditures (290,472) (283,644) Additions to deferred lease credits 95,749 142,370 Payment for acquisition, net of cash acquired -- (83,377) Other, net (7,506) (5,614) ------------------ Net cash used for investing activities (202,229) (230,265) ------------------ FINANCING ACTIVITIES: Proceeds from notes payable 84,603 39,678 Proceeds from long-term borrowings -- 308,266 Principal payments on long-term debt (17,902) (57,911) Proceeds from issuance of common stock 7,885 6,098 Cash dividends paid (36,168) (33,877) Purchase and retirement of common stock (1,311) (81,885) ------------------ Net~~

~~cash provided by financing activities 37,107 180,369~~
~~------------~~
~~---- Net decrease in cash and cash equivalents (4,894) (11,292) Cash and cash equivalents at beginning of period 25,259 27,042~~
~~------------~~
~~---- Cash and cash equivalents at end of period $20,365 $15,750 ======== ========~~
~~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 2000 Nordstrom, Inc. Annual Report. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, 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.

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

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 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. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position. These statements will be effective for the Company on February 1, 2002.

In August 2001, the FASB released SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which will be effective for the Company on February 1, 2002. The adoption of this statement is not expected to have a material impact on the Company's financial statements.

Note 2 - Acquisition

On October 24, 2000, the Company acquired 100% of Faconnable as discussed in the Company's 2000 Annual Report. As part of the acquisition, the Company recorded gross intangibles of $158,144. In the fourth quarter of 2000, the Company adjusted the purchase price allocation, reducing goodwill by $13,420 to arrive at a gross intangible amount of $144,724 as of January 31, 2001. In 2001, the Company adjusted the purchase price allocation again, reducing goodwill by a net $512 to arrive at a gross intangible amount of $144,212 as of October 31, 2001.

Note 3 - Earnings Per Share

Three
Months Nine
Months
Ended
October 31,
Ended
October 31,

-- --------

----- 2001
2000 2001
2000 ------
----- -----
------ ----
------- ---

~~Net~~
~~earnings~~
~~(loss)~~
~~$10,495~~
~~$(3,320)~~
~~$73,949~~
~~$74,870~~
~~Basic~~
~~shares~~
~~134,149,137~~
~~129,315,092~~
~~134,006,130~~
~~130,041,747~~
~~Basic~~
~~earnings~~
~~(loss) per~~
~~share $0.08~~
~~$(.03)~~
~~$0.55 $0.58~~
~~Dilutive~~
~~effect of~~
~~stock~~
~~options and~~
~~restricted~~
~~stock~~
~~59,827 —~~
~~163,781~~
~~144,612~~
~~Diluted~~
~~shares~~
~~134,208,964~~
~~129,315,092~~
~~134,169,911~~
~~130,186,359~~
~~Diluted~~
~~earnings~~
~~(loss) per~~
~~share $0.08~~
~~$(.03)~~
~~$0.55 $0.58~~
~~Antidilutive~~
~~stock~~
~~options~~
~~10,486,554~~
~~8,913,270~~
~~8,888,040~~
~~5,754,360~~

Note 4 - Supplementary Cash Flow Information

The Company owns a 49% interest in a limited partnership which constructed a new corporate office building in which the Company is the primary occupant. The Company's financial statements include capitalized costs related to this building of $87,116, and $39,491, which includes noncash amounts of $72,058 and $24,402 as of October 31, 2001 and 2000. The corresponding finance obligation of $83,213 and $35,578 as of October 31, 2001 and 2000 is included in other long-term debt.

The Company capitalizes certain property, plant and equipment during the construction period of commercial buildings, which is subsequently derecognized and leased back. During the nine-months ended October 31, 2001, the noncash activity related to the reclassification of new stores that qualified as sale and leaseback was $60,645.

Note 5 - 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
October 31,
2001 Stores
Operations
Internet
and Other
Eliminations

Total - ---

~~Revenues from external customers $1,172,332 — $66,909 — — $1,239,241 Service charge income — $30,677 — — 30,677 Intersegment revenues 7,462 5,728 —— $(13,190) — Interest expense, net 87 5,478 68 $12,301 — 17,934 Net earnings (loss) 40,113 2,538 (1,132) (31,024) — 10,495 Three months ended Retail Credit Catalog/ Corporate October 31, 2000 Stores Operations Internet and Other Eliminations Total~~
~~———————————~~
~~———————————~~
~~———————————~~
~~———————————~~
~~———————————~~
~~———————————~~
~~———————————~~
~~———————————~~
~~————————~~
~~Revenues from external customers $1,181,807 — $80,583 — — $1,262,390 Service charge income — $34,071 — — — 34,071 Intersegment revenues 11,940 5,950 — —~~

~~$(17,890) —~~
~~Interest~~
~~expense,~~
~~net 195~~
~~7,475 (85)~~
~~$8,410 —~~
~~15,995 Net~~
~~earnings~~
~~(loss)~~
~~54,636~~
~~5,459~~
~~(12,971)~~
~~(50,444) —~~
~~(3,320)~~

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

Note 5 - Segment Reporting (Cont.)
Nine months
ended
Retail
Credit
Catalog/
Corporate
October 31,
2001 Stores
Operations
Internet
and Other
Eliminations
Total - ---

~~Revenues~~
~~from~~
~~external~~
~~customers~~
~~$3,804,112~~
~~— $198,928~~
~~——~~
~~$4,003,040~~
~~Service~~
~~charge~~
~~income —~~
~~$100,377 —~~
~~— 100,377~~
~~Intersegment~~
~~revenues~~
~~15,144~~
~~19,591 ——~~
~~$(34,735) —~~
~~Interest~~
~~expense,~~
~~net 795~~
~~18,103 (30)~~
~~$37,849 —~~
~~56,717 Net~~
~~earnings~~
~~(loss)~~
~~164,785~~
~~10,564~~
~~(8,318)~~
~~(93,082) —~~
~~73,949~~

~~Assets~~
~~2,812,324~~
~~683,332~~
~~83,265~~
~~396,229~~
~~3,975,151~~
~~Nine months~~
~~ended~~
~~Retail~~
~~Credit~~
~~Catalog/~~
~~Corporate~~
~~October 31,~~
~~2000 Stores~~
~~Operations~~
~~Internet~~
~~and Other~~
~~Eliminations~~
~~Total~~

~~Revenues~~
~~from~~
~~external~~
~~customers~~
~~$3,649,696~~
~~$223,106~~

~~$3,872,802~~
~~Service~~
~~charge~~
~~income~~
~~$96,665~~
~~96,665~~
~~Intersegment~~
~~revenues~~
~~25,914~~
~~18,601~~
~~$(44,515)~~
~~Interest~~
~~expense,~~
~~net 523~~
~~20,660~~
~~(490)~~
~~$22,894~~
~~43,587 Net~~
~~earnings~~
~~(loss)~~
~~196,585~~
~~12,899~~
~~(24,709)~~
~~(109,905)~~
~~74,870~~
~~Assets~~
~~2,797,775~~
~~637,780~~
~~85,240~~
~~245,791~~
~~3,766,586~~

Note 6 - Restructurings, Impairments and Other One-Time Charges

The following table provides a summary of restructuring, impairments and other charges:

2001 2000
1999 -------
- -------- -

~~Employee~~
~~severance~~
~~$1,791~~
~~$2,685 Other~~
~~expenses~~
~~1,206~~

~~Restructuring subtotal 1,791 - 3,891~~
~~Management severance - $13,000 -~~
~~Asset impairment - 10,227 4,053~~
~~Litigation settlement costs - - 2,056 -------~~

~~Total charges $1,791 $23,227 $10,000~~
~~======== ======== ========~~

In the third quarter of 2001, the Company streamlined its operations through a reduction in workforce of approximately 2,600 jobs. As a result, the Company recorded a charge of $1,791 in selling, general and administrative expenses relating to severance for approximately 195 employees. Personnel affected were primarily located in the corporate center and in full-line stores.

In the third quarter of 2000, the Company recorded an impairment charge of $10,227, consisting of $9,627 recorded in selling, general and administrative expenses and $600 in interest expense. Due to changes in business strategy, the Company determined that several in-process software projects were either impaired or obsolete. The charges consisted of $6,542 primarily related to the disposition of transportation management software. Additionally, merchandise software was written down $3,685 to its estimated fair value. During the same quarter, the Company also accrued $13,000 for certain severance costs related to a change in management, which was paid in the following quarter.

In the third quarter of 1999, the Company recorded a charge of $10,000 in selling, general and administrative expenses primarily associated with the restructuring of the Company's information technology services area. The charge consisted of $4,053 related to the disposition of several in-process software projects, $2,685 in employee severance and $1,206 in other miscellaneous costs. Additionally, the Company recorded $2,056 related to the settlement of two lawsuits. The restructuring included the termination of 50 employees in the information technology department.

Note 6 - Restructurings, Impairments and Other One-Time Charges (Cont.)

The following table presents the activity and balances of the reserves established in connection with the restructuring charges.

2001 2000 1999 ----- --- ------ -- ------- -

~~Beginning balance $178 $1,452 -~~
~~Additions 1,791 - $3,891~~
~~Payments (1,067) (1,220) (2,122)~~
~~Adjustments~~

~~7 (54)~~
~~(317)~~

~~Ending balance~~
~~$909 $178~~
~~$1,452~~
~~========~~
~~========~~
~~========~~

Note 7 - Interest Rate Swap Agreement

During the third quarter of 2001, the Company entered into a variable interest rate swap agreement. The swap has a $300,000 notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% (6.85% at October 31, 2001). The swap agreement qualifies as a fair value hedge and is recorded at fair market value in other assets.

Note 8 - Subsequent Events

Subsequent to the third quarter of 2001, the Company issued $300 million of Class A notes backed by Nordstrom Private Label Receivables ("PL Term"). The PL Term bears a fixed interest rate of 4.82% and has an expected maturity of five years. In addition, the Company issued a variable funding note backed by Nordstrom Private Label Receivables ("PL VFN") with a $200 million capacity. Interest on the PL VFN varies based on 30-day commercial paper rated at A1/P1. At this time, there have been no borrowings on the PL VFN. Proceeds will be used for general corporate purposes, capital expansion and to pay down short-term debt.

On November 20, 2001, the Company entered into a $300 million unsecured line of credit agreement with a group of commercial banks, which expires in November 2004. The new line of credit amends and replaces the existing $500 million line of credit, which was to expire in July 2002. At this time, there have been no borrowings.

Note 9 - Litigation

Cosmetics
- ---------
The Company remains a party to the cosmetics lawsuit, as previously described in the Company's 2000 Annual Report.

Note 9 - Litigation (Cont.)

Spokane
- -------
The Company has received a copy of an October 29, 2001 letter sent by Washington Public Trust Advocates, a Washington non-profit corporation ("WPTA") to the city council and mayor of the City of Spokane and the attorney general of the State of Washington requesting that the city and the state consider bringing an action against multiple defendants, including the Company. The claims arise from the development of River Park Square in Spokane, Washington with tax exempt bond financing. One of the allegations is that the tenant allowances to the Company from the developer constituted an

inappropriate subsidy. The WPTA letter and the draft complaint imply that, in the event the City of Spokane and/or the State of Washington fails or refuses to take action on the basis of WPTA's claims, WPTA will undertake the litigation as a "taxpayer derivative action." The amount of the claims asserted by WPTA against the Company appear to be in the range of $22.8 million (the alleged amount of tenant allowances to the Company), although one of the allegations is for a RICO violation and treble damages under that statute. No lawsuit has yet been filed.

Other
- -----
The Company is involved in routine litigation arising in the normal course of business. Management believes that the outcome of such litigation will not have a material impact on the Company's financial position, results of operations or liquidity.

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

The following discussion may include forward-looking statements regarding the Company's performance, liquidity and adequacy of capital resources. These statements are based on the Company's 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 the Company believes there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements.

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

	QTD % Change	YTD % Change
Company sales	(1.8)%	3.4%
Comparable store sales	(5.7)	(2.7)

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

During the third quarter of 2001, sales decreased 1.8% compared to the corresponding quarter in 2000. The decrease for the quarter is due primarily to weak customer demand. Sales were temporarily impacted in the days immediately following the events of September 11th but were offset by a previously unscheduled sale event. The increase in sales for the nine-month period was primarily due to the opening of 9 full-line stores and 12 new Nordstrom Rack stores since August 1, 2000. Comparable store sales decreased 5.7% for the quarter and 2.7% for the nine-month period.

Gross profit as a percentage of net sales decreased for the three month and nine month periods ended October 31, 2001, as compared to the same periods in 2000. The decrease in gross profits was due to higher markdowns and new store occupancy expenses.

For the three months and nine months ending October 31, 2001, selling, general and administrative expenses as a percentage of net sales decreased when compared to the same periods in 2000. The decrease this year was primarily due to nonrecurring charges in the third quarter of 2000 of $13 million in severance expenses resulting from a change in management, and a charge of approximately $10 million for the write-off of certain information technology investments. Additionally, the Company has been successful at controlling expenses such as sales promotion, direct selling and information technology during the current year.

Interest expense, net increased for both the quarter and the nine-month period when compared to the same periods in 2000. The increase for the quarter and the nine-month period was due to higher average long-term borrowings. This was partially offset by a decrease in short-term interest rates and average short-term borrowings.

Service charge income and other, net decreased 12.7% compared to the corresponding quarter in 2000. The decrease for the quarter resulted from lower service charge income due to declining interest rates. For the nine-month period, service charge income and other, net increased 3.6%. The increase for the nine-month period resulted primarily from an increase in service charge income due to a larger portfolio.

Net earnings for the quarter ended October 31, 2001 increased to $10,495 from a net loss of $3,320 in the same period in 2000. Diluted earnings per share were $0.08 for the third quarter ended October 31, 2001, compared to diluted loss per share of $0.03 in the third quarter last year. The increases in earnings and diluted earnings per share for the quarter were due primarily to nonrecurring charges in 2000 related to changes in management, the write-off of certain information technology investments, and the write-down of the Streamline investment. Net earnings for the nine months ended October 31, 2001 decreased 1.2% from the same period in 2000. For the nine months ended October 31, 2001, diluted earnings per share were $0.55, compared to diluted earnings per share of $0.58 achieved in the same period in 2000.

Liquidity and Capital Resources:

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

Net cash provided by operating activities during the nine-month period ended October 31, 2001 increased $121.6 million compared to the prior comparable period, primarily due to merchandise inventories and accounts receivable, partially offset by accounts payable.

For the nine-month period ended October 31, 2001, net cash used in investing activities decreased approximately $28.0 million compared to the nine-month period ended October 31, 2000, primarily due to payments in 2000 relating to the acquisition of Faconnable, partially offset by a decrease in additions to deferred lease credits. During the third quarter of fiscal 2001, the Company opened three new full-line stores in Columbus, Ohio; Tampa, Florida and Chandler, Arizona. The Company also opened five new Nordstrom Rack stores in Roseville, CA; Las Vegas, Nevada; San Francisco, CA; Grand Rapids, Michigan and Oxnard, California. For the year to date, the Company has opened a total of four new full-line and seven new Nordstrom Rack stores. Additionally, in November 2001, the Company opened a Nordstrom Rack store located in Dulles, Virginia. No other stores are scheduled to open in 2001. Total square footage of the Company's stores was 16,998,000 as of October 31, 2001, compared to 15,847,000 as of October 31, 2000.

For the nine-month period ended October 31, 2001, cash provided by financing activities decreased approximately $143.3 million compared to the nine-month period ended October 31, 2000, primarily due to the proceeds from the $300 million Senior Notes issued by the Company in 2000, partially offset by a reduction in share repurchases and increased payments on short-term and long-term debt.

During the nine months ended October 31, 2001, the Company repurchased 76,000 shares of its common stock for approximately $1.3 million under the stock repurchase program. At October 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

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. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position. These statements will be effective for the Company on February 1, 2002.

In August 2001, the FASB released SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which will be effective for the Company on February 1, 2002. The adoption of this statement is not expected to have a material impact on the Company's financial statements.

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.

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

The Company entered into a variable interest rate swap agreement in the third quarter of this year. The swap has a $300 million notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% (6.85% at October 31, 2001).

In addition, the functional currency of Faconnable, of Nice, France, is the European 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 exchange rates are included in other comprehensive earnings.

At October 31, 2001, the Company had outstanding borrowings of approximately $166.4 million under short-term notes payable, which bear interest from 3.00% to 3.05%, and matured from November 1, 2001 to November 5, 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 9 in Notes to Condensed Consolidated Financial Statements

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: December 10, 2001