

NORDSTROM INC
Form 10-K
March 18, 2011
Table of Contents

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

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 29, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 001-15059

NORDSTROM, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-0515058
(IRS Employer
Identification No.)

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

98101
(Zip Code)

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

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

Title of each class
Common stock, without par value

Name of each exchange on which registered
New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 30, 2010 the aggregate market value of the Registrant's voting and non-voting stock held by non-affiliates of the Registrant was approximately \$6.2 billion using the closing sales price on that day of \$34.00. On March 11, 2011, 218,078,190 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2011 Annual Meeting of Shareholders scheduled to be held on May 11, 2011 are incorporated into Part III.

Nordstrom, Inc. and subsidiaries 1

Table of Contents

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Table of Contents**TABLE OF CONTENTS**

| | Page |
|--|-------------|
| PART I | |
| Item 1. <u>Business.</u> | 4 |
| Item 1A. <u>Risk Factors.</u> | 6 |
| Item 1B. <u>Unresolved Staff Comments.</u> | 9 |
| Item 2. <u>Properties.</u> | 9 |
| Item 3. <u>Legal Proceedings.</u> | 13 |
| Item 4. <u>Removed and Reserved.</u> | 13 |
| PART II | |
| Item 5. <u>Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.</u> | 14 |
| Item 6. <u>Selected Financial Data.</u> | 16 |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u> | 17 |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk.</u> | 35 |
| Item 8. <u>Financial Statements and Supplementary Data.</u> | 36 |
| Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u> | 63 |
| Item 9A. <u>Controls and Procedures.</u> | 63 |
| Item 9B. <u>Other Information.</u> | 63 |
| PART III | |
| Item 10. <u>Directors, Executive Officers and Corporate Governance.</u> | 63 |
| Item 11. <u>Executive Compensation.</u> | 63 |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.</u> | 64 |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence.</u> | 64 |
| Item 14. <u>Principal Accounting Fees and Services.</u> | 64 |
| PART IV | |
| Item 15. <u>Exhibits, Financial Statement Schedules.</u> | 64 |
| <u>Signatures</u> | 65 |
| <u>Consent of Independent Registered Public Accounting Firm</u> | 66 |
| <u>Exhibit Index</u> | 67 |

Nordstrom, Inc. and subsidiaries 3

Table of Contents

PART I

Item 1. Business.

DESCRIPTION OF BUSINESS

Founded in 1901 as a retail shoe business in Seattle, Nordstrom later incorporated in the state of Washington in 1946. We are one of the nation's leading fashion specialty retailers, with 207 U.S. stores located in 28 states as of March 18, 2011. The west and east coasts are the areas in which we have the largest presence. We have two reportable segments: Retail and Credit.

The **Retail** segment includes our 115 Nordstrom full-line stores, our Nordstrom online store at www.nordstrom.com, 89 off-price Nordstrom Rack stores, two Jeffrey boutiques and one clearance store that operates under the name Last Chance. Through these multiple retail channels, we offer our customers a wide selection of high-quality brand name and private label merchandise focused on apparel, shoes, cosmetics and accessories. Our Nordstrom full-line stores and online store are substantially integrated, allowing us to provide our customers with a seamless shopping experience across channels. Our online store's merchandise is primarily shipped from our fulfillment center in Cedar Rapids, Iowa and we have the ability to fulfill online orders from any of our Nordstrom full-line stores. Additionally we offer our customers the option to purchase items on our website and pick them up in our Nordstrom full-line stores. These capabilities allow us to better serve customers across various channels and improve sales. The Nordstrom Rack stores purchase high-quality name brand merchandise directly from vendors and also serve as outlets for clearance merchandise from our Nordstrom stores.

Our **Credit** segment includes our wholly owned federal savings bank, Nordstrom fsb, through which we provide a private label credit card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. The credit and debit cards feature a shopping-based loyalty program designed to increase customer visits and spending. Although the primary purpose of our Credit business is to foster greater customer loyalty and drive more sales, we also generate revenues through finance charges and other fees on these cards.

For more information about our business and our reportable segments, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations on page 17 and Note 14 of the Notes to Consolidated Financial Statements in Item 8.

FISCAL YEAR

We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2010, 2009 and 2008 relate to the 52-week fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009. References to 2011 relate to the 52-week fiscal year ending January 28, 2012.

TRADEMARKS

We have 119 trademarks, each of which is the subject of one or more trademark registrations and/or trademark applications. Our most notable trademarks include Nordstrom, Nordstrom Rack, Halogen, Caslon, Classiques Entier, John W. Nordstrom and BP. Each of our trademarks is renewable indefinitely provided that it is still used in commerce at the time of the renewal.

RETURN POLICY

We offer our customers a liberal return policy at our Nordstrom full-line stores and online at www.nordstrom.com. Our Nordstrom Rack stores accept returns up to 30 days from the date of purchase with the original price tag and sales receipt. In general, our return policy is considered to be more generous than industry standards.

SEASONALITY

Due to our Anniversary Sale in July, the holidays in December and the half-yearly sales that occur in the second and fourth quarters, our sales are typically higher in the second and fourth quarters of the fiscal year than in the first and third quarters.

INVENTORY

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We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to our Anniversary Sale, which extends over the last two weeks of July. Also, we purchase and receive a larger amount of merchandise in the fall as we prepare for the holiday shopping season (from late November through early January). We pay for our merchandise purchases under the terms established with our vendors.

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In order to offer merchandise that our customers want, we purchase merchandise from a wide variety of high-quality suppliers, including domestic and foreign businesses. We also have arrangements with agents and contract manufacturers to produce our private label merchandise. We expect our suppliers to meet our Nordstrom Partnership Guidelines, which address our corporate social responsibility standards for matters such as legal and regulatory compliance, labor, health and safety and the environment.

COMPETITIVE CONDITIONS

We operate in a highly competitive business environment. We compete with other national, regional and local retail establishments that may carry similar lines of merchandise, including department stores, specialty stores, boutiques and Internet businesses. Our specific competitors vary from market to market. We believe the keys to competing in our industry include, first and foremost, customer service, fashion newness, quality of product, the shopping experience across all channels, depth of selection, store environment and location.

Table of Contents

EMPLOYEES

During 2010, we employed approximately 52,000 employees on a full- or part-time basis. Due to the seasonal nature of our business, employment increased to approximately 55,000 employees in July 2010 and 54,000 in December 2010. Substantially all of our employees are non-union. We believe our relationship with our employees is good.

CAUTIONARY STATEMENT

Certain statements in this Annual Report on Form 10-K contain or may suggest forward-looking information (as defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties, including, but not limited to, anticipated financial results (including, but not limited to, our anticipated same store-sales results, credit card revenues, gross profit rate, selling, general and administrative expenses, net interest expense, effective tax rate, earnings per share and operating cash flows), anticipated store openings, capital expenditures, dividend payout and trends in our operations. Such statements are based upon the current beliefs and expectations of the company's management and are subject to significant risks and uncertainties. Actual future results may differ materially from historical results or current expectations depending upon factors including, but not limited to: the impact of economic and market conditions and the resultant impact on consumer spending patterns; our ability to maintain our relationships with vendors; our ability to respond to the business environment, consumer preferences and fashion trends; effective inventory management; successful execution of our growth strategy, including possible expansion into new markets, technological investments, acquisitions and the timely completion of construction associated with newly planned stores, relocations and remodels, which may be impacted by the financial health of third parties; our ability to maintain relationships with our employees and to effectively train and develop our future leaders; successful execution of our multi-channel strategy; our compliance with applicable banking and related laws and regulations impacting our ability to extend credit to our customers; impact of the current regulatory environment and financial system and health care reforms; our compliance with information security and privacy laws and regulations, employment laws and regulations and other laws and regulations applicable to us; trends in personal bankruptcies and bad debt write-offs; changes in interest rates; efficient and proper allocation of our capital resources; availability and cost of credit; our ability to safeguard our brand and reputation; successful execution of our information technology strategy; disruptions in our supply chain; the geographic locations of our stores; public health concerns and the resulting impact on consumer spending patterns, supply chain and employee health; weather conditions and hazards of nature that affect consumer traffic and consumers' purchasing patterns; the effectiveness of planned advertising, marketing and promotional campaigns; our ability to control costs; and the timing and amounts of share repurchases by the company, if any, or any share issuances by the company, including issuances associated with option exercises or other matters. These and other factors could affect our financial results and cause actual results to differ materially from any forward-looking information we may provide. We undertake no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

SEC FILINGS

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (SEC). All material we file with the SEC is publicly available at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

WEBSITE ACCESS

Our website address is www.nordstrom.com. We make available free of charge on or through our website our annual and quarterly reports on Form 10-K and 10-Q (including related filings in XBRL format), current reports on Form 8-K, statements of changes in beneficial ownership of securities on Form 4 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file the report with or furnish it to the SEC. Interested parties may also access a webcast of quarterly earnings conference calls and other financial events through our website.

CORPORATE GOVERNANCE

We have a long-standing commitment to upholding a high level of ethical standards. In addition, as required by the listing standards of the New York Stock Exchange (NYSE) and the rules of the SEC, we have adopted Codes of Business Conduct and Ethics for our employees, officers and directors (Codes of Ethics) and Corporate Governance Guidelines. We have posted on our website our Codes of Ethics, our Corporate Governance Guidelines and our Committee Charters for the Audit, Compensation, Corporate Governance and Nominating, and Finance Committees.

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These items are also available in print to any person, without charge, upon request to:

Nordstrom Investor Relations

P.O. Box 2737

Seattle, Washington 98111-2737

(206) 303-3200

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Nordstrom, Inc. and subsidiaries 5

Table of Contents

Item 1A. Risk Factors.

Dollars in millions

Our business faces many risks. We believe the risks described below outline the items of most concern to us. However, these are not the only risks we face.

ECONOMIC CONDITIONS

The deterioration in economic conditions that began in 2007 affected our business in several ways. Elevated unemployment, the tightening of consumer credit and the decline in the housing and stock markets in the United States all contributed to a reduction in consumer spending, which in turn had a negative impact on our revenues. We sell high-quality apparel, shoes, cosmetics and accessories, which many consumers consider to be discretionary items. During economic downturns, fewer customers may shop in our stores and on our website, and those who do shop may limit the amount of their purchases, all of which may lead to lower sales, higher markdowns and increased marketing and promotional spending in response to lower demand. The deterioration of economic conditions also adversely affected our credit customers' payment patterns and delinquency rates, increasing our bad debt expense. Our business has improved and some macroeconomic indicators suggest that a modest economic recovery has begun, however key factors such as employment levels, consumer credit and housing market conditions remain weak. A sluggish economic recovery or a renewed downturn could have a significant adverse effect on our business.

In addition, many states where we conduct business are facing significant budget shortfalls as a result of the economic downturn, and may seek to address those shortfalls through unfavorable changes in tax laws and interpretation of existing laws. An increase in our tax liabilities could adversely affect our results of operations.

IMPACT OF COMPETITIVE MARKET FORCES

The fashion specialty retail industry is highly competitive. We compete with other national, regional and local retail establishments that may carry similar lines of merchandise, including department stores, specialty stores, boutiques and Internet businesses. If we are unable to remain competitive in the key areas of customer service, fashion newness, quality of products, the shopping experience across all channels, depth of selection, store environment and location, we may lose market share to our competitors and our sales and profitability could suffer.

Our Credit segment faces competition from large banks and other credit card companies, some of which have substantial financial resources. Many of our competitors offer general-purpose credit card products with a variety of loyalty programs. In addition, there is intense competition for cardholders with prime credit ratings who make up a significant portion of our credit portfolio. If we do not effectively respond to the competitive banking and credit card environment, we could lose market share to our competitors, which would have an adverse effect on our credit business.

AVAILABILITY AND COST OF MERCHANDISE

Our relationships with our merchandise vendors have been a significant contributor to our success and our position as a retailer of high-quality fashion merchandise. We have no guaranteed supply arrangements with our key vendors, many of whom limit the number of retail channels they use to sell their merchandise. Competition to obtain and sell this merchandise is intense. Nearly all of the brands of our top vendors are sold by competing retailers, and many of our top vendors also have their own dedicated retail stores. If one or more of our top vendors were to limit or reduce our access to their merchandise, our business could be adversely affected. Further, if our merchandise costs increase due to increased raw material or labor costs or other factors, our ability to respond or the effect of our response could adversely affect our sales or gross margins.

ABILITY TO RESPOND TO CONSUMER PREFERENCES AND FASHION TRENDS

We strive to ensure the merchandise we offer and our shopping experience remain current and compelling to our customers. We make decisions regarding inventory purchases well in advance of the season in which it will be sold. Therefore, our ability to predict or respond to changes in fashion trends, consumer preferences and spending patterns, and to match our merchandise levels, mix and shopping experience to sales trends and consumer tastes, significantly impacts our sales and operating results. If we do not identify and respond to emerging trends in consumer spending and preferences quickly enough, we may harm our ability to retain our existing customers or attract new customers. If we purchase too much inventory, we may be forced to sell our merchandise at higher average markdown levels and lower average margins, which could harm our business. Conversely, if we fail to purchase enough merchandise, we may lose opportunities for additional sales and damage our relationships with our customers.

GROWTH STRATEGY

Our strategic growth plan includes opening new Nordstrom full-line and Nordstrom Rack stores, with 6 announced Nordstrom full-line and 18 announced Nordstrom Rack store openings, the majority of which will occur by 2012. The availability and cost of suitable locations for our stores depends on a number of factors, including competition from other retailers and businesses, local land use and other regulations, new shopping center construction and developers' financial condition. New store openings also involve certain risks, including constructing, furnishing and supplying a store in a timely and cost effective manner and accurately assessing the demographic or retail environment for a particular location. Our sales at new, relocated or remodeled stores may not meet our projections, which could adversely affect our return on investment.

We are also pursuing other growth opportunities, which may include acquisitions of, or investments in, other businesses, as well as new technologies or other investments to improve the customer shopping experience in our stores and online. If these investments do not perform as expected, our profitability and growth could be adversely affected.

Table of Contents

LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

The training and development of our future leaders is important to our long-term success. If we do not effectively implement our strategic and business planning processes to attract, retain, train and develop future leaders, our business may suffer. We rely on the experience of our senior management, who have specific knowledge relating to us and our industry that is difficult to replace. If unexpected leadership turnover occurs without adequate succession plans, the loss of the services of any of these individuals, or any negative perceptions of our business as a result of those losses, could damage our brand image and our business.

MERCHANDISE PLANNING

We are making investments to improve our multi-channel merchandise planning, procurement and allocation capabilities. These efforts involve changes in personnel, processes and technology over a period of several years. If we encounter challenges associated with change management, the ability to hire and retain key personnel involved in these efforts, implementation of associated information technology or adoption of new processes, our ability to continue to successfully execute our strategy could be adversely affected. As a result, we may not derive the expected benefits to our sales and profitability, or we may incur increased costs relative to our current projections.

FINANCIAL SYSTEM REFORMS

The recent financial crisis resulted in increased legislative and regulatory changes affecting the financial industry. The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act) included new rules and restrictions on credit card pricing, finance charges and fees, customer billing practices and payment application. These rules required us to make changes to our credit card business practices and systems, and we expect more regulations and interpretations of the new rules to emerge. Depending on the nature and extent of the full impact from these rules, and any interpretations or additional rules, the revenues and profitability of our Credit segment could be adversely affected.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted in July 2010. It significantly restructures regulatory oversight and other aspects of the financial industry, creates a new federal agency to supervise and enforce consumer lending laws and regulations and expands state authority over consumer lending. Numerous regulations will be issued in the near future to implement the requirements of this Act. The final regulatory details remain uncertain at this time. Depending on the nature and extent of these regulations, and the enforcement approach of regulators under the new law, there could be an adverse impact to our Credit segment.

INFORMATION SECURITY AND PRIVACY

The protection of our customer, employee and company data is important to us. Our customers have a high expectation that we will adequately protect their personal information. In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with new and constantly changing requirements across our business units. A significant breach of customer, employee or company data could damage our reputation, our brand and our relationship with our customers and result in lost sales, fines and lawsuits. In addition, a security breach could require that we expend significant additional resources related to our information security systems and could result in disruption of our operations.

CONSUMER CREDIT

Our credit card operations help drive sales in our stores, allow our stores to avoid third-party transaction fees and generate additional revenues from extending credit. Our credit card revenues and profitability are subject in large part to economic and market conditions that are beyond our control, including, but not limited to, interest rates, consumer credit availability, consumer debt levels, unemployment trends, laws and regulations and other factors. Elevated levels of unemployment have historically corresponded with increased credit card delinquencies and write-offs, which may continue in the future. Further, these economic conditions could impair our ability to assess the creditworthiness of our customers if the criteria and/or models we use to underwrite and manage our customers become less predictive of future losses. This could cause our losses to rise and have a negative impact on our results of operations.

CAPITAL MANAGEMENT AND LIQUIDITY

Our access to debt and equity capital, and our ability to invest capital to maximize the total returns to our shareholders, is critical to our long-term success. We utilize capital to finance our operations, make capital expenditures and acquisitions, manage our debt levels and return value to our shareholders through dividends and share repurchases. Our ability to obtain capital and the cost of the capital depend on company performance, financial market conditions and independent rating agencies' short- and long-term debt ratings, which are based largely on our performance as measured by credit metrics including interest coverage and leverage ratios. If our access to capital is restricted or if our cost of capital increases, our operations and financial condition could be adversely affected. Further, if we do not properly allocate our capital to maximize returns, our operations, cash flows and returns to shareholders could be adversely affected.

BRAND AND REPUTATION

We have a well-recognized brand that consumers may associate with a high level of customer service and quality merchandise. Any significant damage to our brand or reputation could negatively impact sales, reduce employee morale and productivity and diminish customer trust, any of which would harm our business.

Nordstrom, Inc. and subsidiaries 7

Table of Contents

INFORMATION TECHNOLOGY STRATEGY

We make investments in information technology to sustain our competitive position. In 2011, we expect to spend approximately \$185 on information technology operations and systems development, which is key to our growth. We must monitor and choose the right investments and implement them at the right pace. Excessive technological change could impact the effectiveness of adoption, and could make it more difficult for us to realize benefits from the technology. Targeting the wrong opportunities, failing to make the best investments or making an investment commitment significantly above or below our needs may result in the loss of our competitive position. In addition, if we do not maintain our current systems we may see interruptions to our business and increase our costs in order to bring our systems up to date.

HEALTH CARE REFORM

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the Health Care Reform Acts) were signed into law. These laws include numerous health care related provisions which will take effect over a four year period beginning in 2010. Increased costs required to meet the requirements of the Health Care Reform Acts and any interpretations or additional rules resulting from the Acts could adversely affect our profitability. In addition, if it is necessary to make changes to the health benefits provided to our employees as a result of the Health Care Reform Acts, we may not be able to offer competitive health care benefits to attract and retain employees.

LAWS, REGULATIONS AND LITIGATION

Our policies, procedures and practices are designed to comply with federal, state, local and foreign laws, rules and regulations, including those imposed by the SEC, NYSE, the banking industry and foreign countries, which may change from time to time. These laws and regulations are complex, continuously evolving and the related enforcement is increasingly aggressive, particularly in the state of California, which has increased the cost of compliance. Significant legislative changes, including those that relate to employment matters, could impact our relationship with our workforce, which could increase our expenses and adversely affect our operations. Possible legislative changes include changes to an employer's obligation to recognize collective bargaining units. In addition, if we fail to comply with applicable laws and regulations we could be subject to damage to our reputation, class action lawsuits, legal and settlement costs, civil and criminal liability, increased cost of regulatory compliance, restatements of our financial statements, disruption of our business and loss of customers. Any required changes to our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, we are regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

BUSINESS CONTINUITY

Our business and operations could be materially and adversely affected by supply chain disruptions, severe weather patterns, natural disasters, widespread pandemics and other natural or man-made disruptions. We derive a significant amount of our total sales from stores located on the west and east coasts, particularly in California, which increases our exposure to conditions in these regions. These disruptions could cause, among other things, a decrease in consumer spending that would negatively impact our sales; staffing shortages in our stores, distribution centers, or corporate offices; interruptions in the flow of merchandise to our stores; disruptions in the operations of our merchandise vendors or property developers; increased costs; and a negative impact on our reputation and long-term growth plans.

ANTI-TAKEOVER PROVISIONS

We are incorporated in the state of Washington and subject to Washington state law. Some provisions of Washington state law could interfere with or restrict takeover bids or other change-in-control events affecting us. For example, one provision prohibits us, except under specified circumstances, from engaging in any significant business transaction with any shareholder who owns 10% or more of our common stock (an acquiring person) for a period of five years following the time that the shareholder became an acquiring person.

Table of Contents**Item 1B. Unresolved Staff Comments.**

None.

Item 2. Properties.

The following table summarizes the number of retail stores owned or leased by us, and the percentage of total store square footage represented by each listed category as of January 29, 2011:

| | Number of stores | % of total store square footage |
|---------------------------------------|------------------|------------------------------------|
| Leased stores on leased land | 109 | 30.7% |
| Owned stores on leased land | 60 | 45.7% |
| Owned stores on owned land | 34 | 22.9% |
| Partly owned and partly leased stores | 1 | 0.7% |
| Total | 204 | 100.0% |

The following table summarizes our store opening activity during the last three years:

| Fiscal year | 2010 | 2009 | 2008 |
|--------------------------------------|------------|------------|------------|
| Number of stores, beginning of year | 184 | 169 | 156 |
| Stores opened | 20 | 16 | 14 |
| Stores closed | | (1) | (1) |
| Number of stores, end of year | 204 | 184 | 169 |

In 2010, we opened three Nordstrom full-line stores (Braintree, Massachusetts; Newport Beach, California; and Santa Monica, California), relocated one Nordstrom full-line store (Cerritos, California), opened seventeen Nordstrom Rack stores (Houston, Texas; Kendall, Florida; Coral Gables, Florida; Denver, Colorado; Framingham, Massachusetts; Atlanta, Georgia; New York, New York; Arlington, Virginia; Fairfax, Virginia; Durham, North Carolina; St. Louis, Missouri; Boca Raton, Florida; Chicago, Illinois; Tampa, Florida; Lakewood, California; Burbank, California; and Peoria, Arizona) and relocated one Nordstrom Rack store (Spokane Valley, Washington).

To date in 2011, we have opened three Nordstrom Rack stores (Aventura, Florida; Austin, Texas; and Arlington, Texas). During the remainder of 2011, we are scheduled to open three Nordstrom full-line stores (Newark, Delaware; Nashville, Tennessee; and St. Louis, Missouri), open fourteen additional Nordstrom Rack stores (Fremont, California; Charlotte, North Carolina; Lakewood, Colorado; Cherry Hill, New Jersey; Washington, D.C.; Annapolis, Maryland; West Covina, California; Redondo Beach, California; Tucson, Arizona; Indianapolis, Indiana; Sugar Land, Texas; Burlington, Massachusetts; Tigard, Oregon; and Lenexa, Kansas) and relocate two Nordstrom Rack stores (Boulder, Colorado and Henderson, Nevada).

We also own six merchandise distribution centers (Portland, Oregon; Dubuque, Iowa; Ontario, California; Newark, California; Upper Marlboro, Maryland; and Gainesville, Florida) and own one fulfillment center on leased land (Cedar Rapids, Iowa), which are utilized by our Retail segment. Our administrative offices in Seattle, Washington are a combination of leased and owned space. We also lease an office building in the Denver, Colorado metropolitan area for our Credit segment.

Table of Contents

As of January 29, 2011, the total square footage of our Nordstrom full-line stores was 20,452,000, and the total square footage of our Nordstrom Rack and other stores was 3,386,000. The following table lists our retail store facilities as of January 29, 2011:

| Location | Store Name | Square Footage (000 s) | Year Store Opened |
|-----------------------------------|---------------------------------------|---------------------------|----------------------|
| Nordstrom Full-Line Stores | | | |
| ALASKA | | | |
| Anchorage | Anchorage 5 th Avenue Mall | 97 | 1975 |
| ARIZONA | | | |
| Chandler | Chandler Fashion Center | 149 | 2001 |
| Scottsdale | Scottsdale Fashion Square | 235 | 1998 |
| CALIFORNIA | | | |
| Arcadia | Santa Anita | 151 | 1994 |
| Brea | Brea Mall | 195 | 1979 ¹ |
| Canoga Park | Topanga | 213 | 1984 ¹ |
| Cerritos | Los Cerritos Center | 144 | 1981 ¹ |
| Corte Madera | The Village at Corte Madera | 116 | 1985 |
| Costa Mesa | South Coast Plaza | 235 | 1978 ¹ |
| Escondido | North County | 156 | 1986 |
| Glendale | Glendale Galleria | 147 | 1983 |
| Irvine | Irvine Spectrum Center | 130 | 2005 |
| Los Angeles | The Grove | 120 | 2002 |
| Los Angeles | Westside Pavilion | 150 | 1985 |
| Mission Viejo | The Shops at Mission Viejo | 172 | 1999 |
| Montclair | Montclair Plaza | 134 | 1986 |
| Newport Beach | Fashion Island | 143 | 2010 |
| Palo Alto | Stanford Shopping Center | 187 | 1984 |
| Pleasanton | Stoneridge Mall | 173 | 1990 |
| Redondo Beach | South Bay Galleria | 161 | 1985 |
| Riverside | Galleria at Tyler | 164 | 1991 |
| Roseville | Galleria at Roseville | 149 | 2000 |
| Sacramento | Arden Fair | 190 | 1989 |
| San Diego | Fashion Valley | 220 | 1981 |
| San Diego | Horton Plaza | 149 | 1985 |
| San Diego | University Towne Center | 130 | 1984 |
| San Francisco | San Francisco Centre | 350 | 1988 |
| San Francisco | Stonestown Galleria | 174 | 1988 |
| San Jose | Valley Fair | 232 | 1987 ¹ |
| San Mateo | Hillsdale Shopping Center | 149 | 1982 |
| Santa Ana | MainPlace | 169 | 1987 |
| Santa Barbara | Paseo Nuevo | 186 | 1990 |
| Santa Monica | Santa Monica Place | 132 | 2010 |
| Thousand Oaks | Thousand Oaks | 145 | 2008 |
| Walnut Creek | Broadway Plaza | 193 | 1984 |
| COLORADO | | | |
| Broomfield | FlatIron Crossing | 172 | 2000 |
| Denver | Cherry Creek Shopping Center | 142 | 2007 |
| Lone Tree | Park Meadows | 245 | 1996 |
| CONNECTICUT | | | |
| Farmington | Westfarms | 189 | 1997 |
| FLORIDA | | | |
| Aventura | Aventura Mall | 172 | 2008 |

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| Location | Store Name | Square Footage (000 s) | Year Store Opened |
|----------------------|------------------------------|---------------------------|-------------------|
| Boca Raton | Town Center at Boca Raton | 193 | 2000 |
| Coral Gables | Village of Merrick Park | 212 | 2002 |
| Miami | Dadeland Mall | 150 | 2004 |
| Naples | Waterside | 81 | 2008 |
| Orlando | The Florida Mall | 174 | 2002 |
| Palm Beach Gardens | The Gardens | 150 | 2006 |
| Tampa | International Plaza | 172 | 2001 |
| Wellington | The Mall at Wellington Green | 127 | 2003 |
| GEORGIA | | | |
| Atlanta | Perimeter Mall | 243 | 1998 |
| Atlanta | Phipps Plaza | 140 | 2005 |
| Buford | Mall of Georgia | 172 | 2000 |
| HAWAII | | | |
| Honolulu | Ala Moana Center | 211 | 2008 |
| ILLINOIS | | | |
| Chicago | Michigan Avenue | 274 | 2000 |
| Oak Brook | Oakbrook Center | 249 | 1991 |
| Schaumburg | Woodfield Shopping Center | 215 | 1995 |
| Skokie | Old Orchard Center | 209 | 1994 |
| INDIANA | | | |
| Indianapolis | Circle Centre | 216 | 1995 |
| Indianapolis | Fashion Mall | 134 | 2008 |
| KANSAS | | | |
| Overland Park | Oak Park Mall | 219 | 1998 |
| MARYLAND | | | |
| Annapolis | Annapolis Mall | 162 | 1994 |
| Bethesda | Montgomery Mall | 225 | 1991 |
| Columbia | The Mall in Columbia | 173 | 1999 |
| Towson | Towson Town Center | 205 | 1992 |
| MASSACHUSETTS | | | |
| Braintree | South Shore Plaza | 155 | 2010 |
| Burlington | Burlington Mall | 143 | 2008 |
| Natick | Natick Collection | 154 | 2007 |
| Peabody | Northshore Mall | 143 | 2009 |
| MICHIGAN | | | |
| Clinton Township | Partridge Creek | 122 | 2008 |
| Novi | Twelve Oaks Mall | 172 | 2007 |
| Troy | Somerset Collection | 258 | 1996 |
| MINNESOTA | | | |
| Bloomington | Mall of America | 240 | 1992 |
| MISSOURI | | | |
| Des Peres | West County | 193 | 2002 |
| NEVADA | | | |
| Las Vegas | Fashion Show | 207 | 2002 |
| NEW JERSEY | | | |
| Cherry Hill | Cherry Hill Mall | 143 | 2009 |
| Edison | Menlo Park | 204 | 1991 |
| Freehold | Freehold Raceway Mall | 174 | 1992 |
| Paramus | Garden State Plaza | 282 | 1990 |
| Short Hills | The Mall at Short Hills | 188 | 1995 |

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| NEW YORK | | | |
|----------------|---------------------------|-----|------|
| Garden City | Roosevelt Field | 241 | 1997 |
| White Plains | The Westchester | 219 | 1995 |
| NORTH CAROLINA | | | |
| Charlotte | SouthPark | 151 | 2004 |
| Durham | The Streets at Southpoint | 149 | 2002 |

¹This store has been subsequently relocated.

Table of Contents

| Location | Store Name | Square Footage (000 s) | Year Store Opened |
|---|-------------------------------------|-----------------------------------|--------------------------|
| Nordstrom Full-Line Stores (continued) | | | |
| OHIO | | | |
| Beachwood | Beachwood Place | 231 | 1997 |
| Cincinnati | Kenwood Towne Centre | 144 | 2009 |
| Columbus | Easton Town Center | 174 | 2001 |
| OREGON | | | |
| Portland | Clackamas Town Center | 121 | 1981 |
| Portland | Downtown Portland | 174 | 1966 ¹ |
| Portland | Lloyd Center | 150 | 1963 ¹ |
| Salem | Salem Center | 71 | 1980 |
| Tigard | Washington Square | 189 | 1974 ¹ |
| PENNSYLVANIA | | | |
| King of Prussia | King of Prussia | 238 | 1996 |
| Pittsburgh | Ross Park | 143 | 2008 |
| RHODE ISLAND | | | |
| Providence | Providence Place | 206 | 1999 |
| TEXAS | | | |
| Austin | Barton Creek Square | 150 | 2003 |
| Dallas | Galleria Dallas | 249 | 1996 |
| Dallas | NorthPark Center | 212 | 2005 |
| Frisco | Stonebriar Centre | 149 | 2000 |
| Houston | Houston Galleria | 226 | 2003 |
| Hurst | North East Mall | 149 | 2001 |
| San Antonio | The Shops at La Cantera | 149 | 2005 |
| UTAH | | | |
| Murray | Fashion Place | 144 | 1981 ¹ |
| Orem | University Mall | 122 | 2002 |
| VIRGINIA | | | |
| Arlington | The Fashion Centre at Pentagon City | 241 | 1989 |
| Dulles | Dulles Town Center | 148 | 2002 |
| McLean | Tysons Corner Center | 211 | 1988 |
| Norfolk | MacArthur Center | 166 | 1999 |
| Richmond | Short Pump Town Center | 128 | 2003 |
| WASHINGTON | | | |
| Bellevue | Bellevue Square | 285 | 1967 ¹ |
| Lynnwood | Alderwood | 151 | 1979 ¹ |
| Seattle | Downtown Seattle | 383 | 1963 ¹ |
| Seattle | Northgate Mall | 122 | 1965 |
| Spokane | River Park Square | 137 | 1974 ¹ |
| Tacoma | Tacoma Mall | 144 | 1966 ¹ |
| Tukwila | Southcenter | 170 | 1968 |
| Vancouver | Vancouver | 71 | 1977 |
| Location | Store Name | Square Footage (000 s) | Year Store Opened |
| Nordstrom Rack and Other Stores | | | |
| ARIZONA | | | |
| Chandler | Chandler Festival Rack | 37 | 2000 |

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| | | | |
|-------------------|--|----|-------------------|
| Peoria | Arrowhead Crossing Rack | 36 | 2010 |
| Phoenix | Last Chance | 48 | 1992 ¹ |
| Scottsdale | Scottsdale Promenade Rack | 38 | 2000 |
| CALIFORNIA | | | |
| Brea | Brea Union Plaza Rack | 45 | 1999 |
| Burbank | Burbank Empire Center Rack | 35 | 2010 |
| Chino | Chino Spectrum Towne Center Rack | 38 | 1987 ¹ |
| Colma | Colma Rack | 31 | 1987 |
| Costa Mesa | Metro Pointe at South Coast Rack | 50 | 1983 ¹ |
| East Palo Alto | Ravenswood 101 Rack | 41 | 2009 |
| Fresno | Villaggio Retail Center Rack | 32 | 2002 |
| Glendale | Glendale Fashion Center Rack | 36 | 2000 |
| Laguna Hills | Laguna Hills Mall Rack | 35 | 2008 |
| Lakewood | Lakewood Center Rack | 33 | 2010 |
| Long Beach | Long Beach CityPlace Rack | 33 | 2002 |
| Los Angeles | Beverly Connection Rack | 30 | 2009 |
| Los Angeles | The Promenade at Howard Hughes Center Rack | 41 | 2001 |
| Ontario | Ontario Mills Mall Rack | 40 | 2002 |
| Oxnard | Esplanade Shopping Center Rack | 38 | 2001 |
| Pasadena | Hastings Village Rack | 42 | 2009 |
| Roseville | Creekside Town Center Rack | 36 | 2001 |
| Sacramento | Howe `Bout Arden Center Rack | 54 | 1999 |
| San Diego | Mission Valley Rack | 57 | 1985 ¹ |
| San Francisco | 555 Ninth Street Retail Center Rack | 43 | 2001 |
| San Jose | Oakridge Rack | 30 | 2009 |
| San Jose | Westgate Mall Rack | 48 | 1998 |
| San Leandro | San Leandro Rack | 44 | 1990 |
| San Marcos | Grand Plaza Rack | 35 | 2006 |
| Woodland Hills | Topanga Rack | 64 | 1984 |
| COLORADO | | | |
| Broomfield | Flatiron Marketplace Rack | 36 | 2001 |
| Denver | Cherry Creek Rack | 40 | 2010 |
| Lone Tree | Meadows Marketplace Rack | 34 | 1998 |
| FLORIDA | | | |
| Boca Raton | University Commons Rack | 36 | 2010 |
| Coral Gables | Miracle Marketplace Rack | 33 | 2010 |
| Kendall | The Palms at Town & Country Rack | 35 | 2010 |
| Orlando | Millenia Crossing Rack | 36 | 2009 |
| Sunrise | The Oasis at Sawgrass Mills Rack | 27 | 2003 |
| Tampa | Walter s Crossing Rack | 45 | 2010 |
| GEORGIA | | | |
| Atlanta | Buckhead Station Rack | 39 | 2010 |
| Atlanta | Jeffrey | 12 | 2007 |
| Buford | Mall of Georgia Crossing Rack | 44 | 2000 |
| HAWAII | | | |
| Honolulu | Ward Centers Rack | 34 | 2000 |

¹This store has been subsequently relocated.

Table of Contents

| Location | Store Name | Square Footage (000 s) | Year Store Opened |
|--|--|-----------------------------------|--------------------------|
| Nordstrom Rack and Other Stores (continued) | | | |
| ILLINOIS | | | |
| Chicago | Chicago Avenue Rack | 39 | 2010 |
| Chicago | The Shops at State and Washington Rack | 41 | 2003 |
| Naperville | Springbrook Prairie Pavilion Rack | 37 | 2008 |
| Northbrook | Northbrook Rack | 40 | 1996 |
| Oak Brook | The Shops at Oak Brook Place Rack | 42 | 2000 |
| Orland Park | Orland Park Place Rack | 35 | 2009 |
| Schaumburg | Woodfield Rack | 45 | 1994 |
| MARYLAND | | | |
| Gaithersburg | Gaithersburg Rack | 49 | 1999 |
| Towson | Towson Rack | 31 | 1992 |
| MASSACHUSETTS | | | |
| Danvers | Liberty Tree Mall Rack | 43 | 2008 |
| Framingham | Shoppers World Rack | 40 | 2010 |
| MICHIGAN | | | |
| Grand Rapids | Centerpointe Mall Rack | 40 | 2001 |
| Troy | Troy Marketplace Rack | 40 | 2000 |
| MINNESOTA | | | |
| Bloomington | Mall of America Rack | 41 | 1998 |
| Maple Grove | Arbor Lakes Rack | 34 | 2009 |
| MISSOURI | | | |
| St. Louis | Brentwood Square Rack | 34 | 2010 |
| NEVADA | | | |
| Las Vegas | Silverado Ranch Plaza Rack | 33 | 2001 |
| NEW JERSEY | | | |
| Paramus | Bergen Town Center Rack | 34 | 2009 |
| NEW YORK | | | |
| New York | Jeffrey | 11 | 2007 |
| New York | Union Square Rack | 32 | 2010 |
| Westbury | The Mall at the Source Rack | 48 | 1997 |
| White Plains | City Center Rack | 36 | 2008 |
| Location | Store Name | Square Footage (000 s) | Year Store Opened |
| NORTH CAROLINA | | | |
| Durham | Renaissance Center Rack | 31 | 2010 |
| OHIO | | | |
| Cincinnati | Rookwood Pavilion Rack | 35 | 2009 |
| Lyndhurst | Legacy Village Rack | 40 | 2008 |
| OREGON | | | |
| Beaverton | Tanasbourne Town Center Rack | 53 | 1998 |
| Clackamas | Clackamas Promenade Rack | 28 | 1983 ¹ |
| Portland | Downtown Portland Rack | 32 | 1986 ¹ |

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PENNSYLVANIA

| | | | |
|-----------------|--------------------------------------|----|------|
| King of Prussia | The Overlook at King of Prussia Rack | 45 | 2002 |
|-----------------|--------------------------------------|----|------|

TEXAS

| | | | |
|-------------|-----------------------------|----|------|
| Austin | Gateway Center Rack | 35 | 2009 |
| Dallas | Shops at Park Lane Rack | 36 | 2009 |
| Houston | The Centre at Post Oak Rack | 31 | 2010 |
| Plano | Preston Shepard Place Rack | 39 | 2000 |
| San Antonio | The Rim Rack | 35 | 2008 |
| Southlake | Shops of Southlake Rack | 36 | 2009 |

UTAH

| | | | |
|----------------|---------------------------------|----|------|
| Salt Lake City | Sugarhouse Rack | 31 | 1991 |
| Sandy | The Commons at South Towne Rack | 35 | 2009 |

VIRGINIA

| | | | |
|------------|---------------------------|----|------|
| Arlington | Pentagon Centre Rack | 34 | 2010 |
| Fairfax | Fair Lakes Promenade Rack | 38 | 2010 |
| Sterling | Dulles Town Crossing Rack | 41 | 2001 |
| Woodbridge | Potomac Mills Rack | 46 | 1990 |

WASHINGTON

| | | | |
|----------------|---------------------------------------|----|-------------------|
| Auburn | SuperMall of the Great Northwest Rack | 48 | 1995 |
| Bellevue | Factoria Mall Rack | 46 | 1997 |
| Lynnwood | Golde Creek Plaza Rack | 38 | 1985 ¹ |
| Seattle | Downtown Seattle Rack | 42 | 1987 |
| Spokane Valley | Spokane Valley Plaza Rack | 30 | 2000 ¹ |
| Tukwila | Southcenter Square Rack | 35 | 2007 |

¹This store has been subsequently relocated.

Table of Contents

Item 3. Legal Proceedings.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits alleging violations of state and/or federal wage and hour laws. Some of these suits purport or may be determined to be class actions and/or seek substantial damages and some may remain unresolved for several years. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. While we cannot predict the outcome of these matters with certainty, we do not believe any currently identified claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our results of operations, financial position or cash flows.

Item 4. Removed and Reserved.

Nordstrom, Inc. and subsidiaries 13

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.****MARKET, SHAREHOLDER AND DIVIDEND INFORMATION**

Our common stock, without par value, is traded on the New York Stock Exchange under the symbol JWN. The approximate number of holders of common stock as of March 11, 2011 was 140,000, based upon the number of registered and beneficial shareholders, as well as the number of employee shareholders in the Nordstrom 401(k) Plan and Profit Sharing Plan. On this date we had 218,078,190 shares of common stock outstanding.

The high and low sales prices of our common stock and dividends declared for each quarter of 2010 and 2009 are presented in the table below:

| | Common Stock Price | | | | Dividends per Share | |
|-------------|--------------------|---------|---------|---------|---------------------|--------|
| | 2010 | | 2009 | | 2010 | 2009 |
| | High | Low | High | Low | | |
| 1st Quarter | \$46.22 | \$32.78 | \$23.17 | \$11.19 | \$0.16 | \$0.16 |
| 2nd Quarter | \$44.00 | \$30.75 | \$26.70 | \$18.15 | \$0.20 | \$0.16 |
| 3rd Quarter | \$39.99 | \$28.44 | \$36.52 | \$26.25 | \$0.20 | \$0.16 |
| 4th Quarter | \$43.95 | \$38.34 | \$39.01 | \$31.32 | \$0.20 | \$0.16 |
| Full Year | \$46.22 | \$28.44 | \$39.01 | \$11.19 | \$0.76 | \$0.64 |

SHARE REPURCHASES

Dollar and share amounts in millions, except per share amounts

Following is a summary of our fourth quarter share repurchases:

| | Total Number of Shares (or Units) Purchased | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Publicly Announced Plans or Programs Purchased as Part of of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ¹ | Maximum Number (or Approximate Dollar Value) |
|---|---|--|---|--|
| November 2010 (October 31, 2010 to November 27, 2010) | 0.1 | \$43.54 | 0.1 | \$467 |
| December 2010 (November 28, 2010 to | 0.7 | \$42.24 | 0.7 | \$438 |

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January 1, 2011)

January 2011

(January 2, 2011 to

| | | | | |
|-------------------|-----|---------|-----|-------|
| January 29, 2011) | 0.6 | \$41.89 | 0.6 | \$411 |
| Total | 1.4 | \$42.12 | 1.4 | |

¹In August 2010, our Board of Directors authorized a program to repurchase up to \$500 of our outstanding common stock, through January 28, 2012. Through January 29, 2011, we repurchased 2.3 shares of our common stock under this program, for an aggregate purchase price of \$89. The actual amount and timing of future share repurchases, if any, will be subject to market conditions and applicable Securities and Exchange Commission rules.

Table of Contents**STOCK PRICE PERFORMANCE**

The following graph compares, for each of the last five fiscal years ending January 29, 2011, the cumulative total return of Nordstrom, Inc. common stock, Standard & Poor's Retail Index and Standard & Poor's 500 Index. The Retail Index is comprised of 31 retail companies, including Nordstrom, Inc., representing an industry group of the Standard & Poor's 500 Index. The cumulative total return of Nordstrom, Inc. common stock assumes \$100 invested on January 28, 2006 in Nordstrom, Inc. common stock and assumes reinvestment of dividends.

| End of fiscal year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Nordstrom, Inc. common stock | 100 | 136 | 97 | 32 | 89 | 107 |
| Standard & Poor's Retail Index | 100 | 114 | 92 | 56 | 86 | 108 |
| Standard & Poor's 500 Index | 100 | 113 | 109 | 64 | 84 | 99 |

Nordstrom, Inc. and subsidiaries 15

Table of Contents**Item 6. Selected Financial Data.**

Dollars in millions except per square foot and per share amounts

The following selected financial data are derived from the audited Consolidated Financial Statements and should be read in conjunction with Item 1A Risk Factors, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and related notes included in Item 8 of this Annual Report on Form 10-K.

| Fiscal year | 2010 | 2009 | 2008 | 2007⁶ | 2006⁷ |
|---|-------------|-------------|-------------|-------------------------|-------------------------|
| Earnings Results | | | | | |
| Net sales | \$9,310 | \$8,258 | \$8,272 | \$8,828 | \$8,561 |
| Credit card revenues | 390 | 369 | 301 | 252 | 105 |
| Gross profit ¹ | 3,413 | 2,930 | 2,855 | 3,302 | 3,207 |
| Selling, general and administrative (SG&A) expenses: | | | | | |
| Retail | (2,412) | (2,109) | (2,103) | (2,161) | (2,180) |
| Credit | (273) | (356) | (274) | (198) | (92) |
| Earnings on investment in asset-backed securities, net ² | | | | 18 | 109 |
| Earnings before interest and income taxes (EBIT) | 1,118 | 834 | 779 | 1,247 | 1,149 |
| Interest expense, net | (127) | (138) | (131) | (74) | (43) |
| Earnings before income taxes (EBT) | 991 | 696 | 648 | 1,173 | 1,106 |
| Net earnings | 613 | 441 | 401 | 715 | 678 |
| Balance Sheet and Cash Flow Data | | | | | |
| Accounts receivable, net | \$2,026 | \$2,035 | \$1,942 | \$1,788 | \$684 |
| Investment in asset-backed securities ² | | | | | 428 |
| Merchandise inventories | 977 | 898 | 900 | 956 | 997 |
| Current assets | 4,824 | 4,054 | 3,217 | 3,361 | 2,742 |
| Land, buildings and equipment, net | 2,318 | 2,242 | 2,221 | 1,983 | 1,757 |
| Total assets | 7,462 | 6,579 | 5,661 | 5,600 | 4,822 |
| Current liabilities | 1,879 | 2,014 | 1,601 | 1,635 | 1,433 |
| Long-term debt, including current portion | 2,781 | 2,613 | 2,238 | 2,497 | 631 |
| Shareholders' equity | 2,021 | 1,572 | 1,210 | 1,115 | 2,169 |
| Cash flow from operations | 1,177 | 1,251 | 848 | 312 | 1,142 |
| Performance Metrics | | | | | |
| Same-store sales percentage increase (decrease) ³ | 8.1% | (4.2%) | (9.0%) | 3.9% | 7.5% |
| Gross profit % of net sales | 36.7% | 35.5% | 34.5% | 37.4% | 37.5% |
| Retail SG&A % of net sales | 25.9% | 25.5% | 25.4% | 24.5% | 25.5% |
| Total SG&A % of net sales | 28.8% | 29.8% | 28.7% | 26.7% | 26.5% |
| EBIT % of total revenues | 11.5% | 9.7% | 9.1% | 13.7% | 13.3% |
| EBT % of total revenues | 10.2% | 8.1% | 7.6% | 12.9% | 12.8% |
| Net earnings % of total revenues | 6.3% | 5.1% | 4.7% | 7.9% | 7.8% |
| Return on average shareholders' equity | 34.1% | 31.7% | 34.5% | 43.6% | 31.8% |
| Sales per square foot ⁴ | \$397 | \$368 | \$388 | \$435 | \$423 |
| Retail SG&A expense per square foot ⁴ | \$103 | \$94 | \$99 | \$106 | \$108 |
| Inventory turnover rate ⁵ | 5.56 | 5.41 | 5.20 | 5.16 | 5.06 |
| Per Share Information | | | | | |
| Earnings per diluted share | \$2.75 | \$2.01 | \$1.83 | \$2.88 | \$2.55 |
| Dividends declared per share | 0.76 | 0.64 | 0.64 | 0.54 | 0.42 |
| Book value per share | 9.27 | 7.22 | 5.62 | 5.05 | 8.43 |
| Store Information (at year end) | | | | | |
| Nordstrom full-line stores | 115 | 112 | 109 | 101 | 98 |
| Nordstrom Rack and other stores ⁶ | 89 | 72 | 60 | 55 | 57 |
| International Façonnable boutiques ⁶ | | | | | 36 |
| Total square footage | 23,838,000 | 22,773,000 | 21,876,000 | 20,502,000 | 20,170,000 |

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¹Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs (for all segments).

²On May 1, 2007, we combined our Nordstrom private label credit card and Nordstrom VISA credit card programs into one securitization program. At that time the Nordstrom VISA credit card receivables were brought on-balance sheet.

³Same-store sales include sales from stores that have been open at least one full year at the beginning of the year and sales from our online store.

⁴Sales per square foot and Retail SG&A expense per square foot are calculated as net sales and Retail SG&A expense, respectively, divided by weighted average square footage. Weighted average square footage includes a percentage of year-end square footage for new stores equal to the percentage of the year during which they were open.

⁵Inventory turnover rate is calculated as annual cost of sales and related buying and occupancy costs (for all segments) divided by 4-quarter average inventory.

⁶During the third quarter of 2007, we completed the sale of our Façonnable business and realized a gain on sale of \$34 (\$21, net of tax). Results of operations for fiscal year 2007 include the international Façonnable boutiques through August 31, 2007 and the domestic Façonnable boutiques through October 31, 2007. Prior to the sale, the domestic Façonnable boutiques were included in Nordstrom Rack and other stores.

⁷Fiscal year 2006 includes an extra week (the 53rd week) as a result of our 4-5-4 retail reporting calendar. The 53rd week is not included in our calculation of same-store sales.

Table of Contents

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

Dollar, share and square footage amounts in millions except percentages, per share and per square foot amounts

OVERVIEW

Nordstrom is a fashion specialty retailer offering high-quality apparel, shoes, cosmetics and accessories for women, men and children. We offer a wide selection of brand name and private label merchandise through various channels: our Nordstrom branded full-line stores and website, our off-price Nordstrom Rack stores and our Jeffrey boutiques. Our stores are located throughout the United States. In addition, we offer our customers a variety of payment products and services, including credit and debit cards with an associated loyalty program.

We started to experience positive momentum in our business in the second half of 2009, which continued throughout 2010, allowing us to achieve record sales and inventory turnover and increased gross profit. This reflected our ongoing efforts in multi-channel execution, merchandising and inventory management, combined with store expansion and other growth initiatives and, most important, improving customer service. We strive to provide an outstanding customer experience, regardless of channel, with a balanced offering of compelling new fashion and a high level of service. Our multi-channel capabilities allow us to better serve our customers by offering greater access to our inventory and making it easier for them to shop with us however and whenever they choose. We are continuing to invest in these capabilities as part of our commitment to provide a superior shopping experience.

Our strong financial position has enabled us to continue to invest in our business during the economic downturn through store growth and remodels, technology, merchandising systems and other opportunities. During 2010, we opened three Nordstrom full-line stores and seventeen Nordstrom Rack stores, and relocated one Nordstrom full-line store and one Nordstrom Rack store. Overall, our new stores are delivering a high return on investment while allowing us to expand our presence in top retail markets across the country. In 2011, we plan to open three Nordstrom full-line stores and seventeen Nordstrom Rack stores, and to relocate two Nordstrom Rack stores. We are also working to improve the customer experience by investing in areas such as mobile shopping and sales floor tools, social media and updated merchandise allocation and assortment systems in order to evolve with our customers' changing needs and expectations.

Our credit business began to recover during 2010 as economic conditions improved. Customer payment rates have returned to pre-recession levels, resulting in improved delinquency and write-off trends, while our credit and debit card volumes have increased. We continue to open accounts with high credit quality.

In February 2011, we reached an agreement to acquire HauteLook, Inc., a leader in the online private sale marketplace. This acquisition, which we expect to close during the first quarter of 2011, will enable us to participate in this fast-growing channel and provide a platform that can lead to greater innovation and speed in the way we serve customers in all channels.

We begin 2011 in a strong position and are gaining market share in a competitive retail industry. Our customer-driven model enables us to adapt quickly to the changing consumer environment. We continue to operate under a solid financial framework focused on creating a superior shopping experience for our customers and producing high returns for our shareholders.

RESULTS OF OPERATIONS

Our reportable segments are Retail and Credit. Our Retail segment includes our Nordstrom branded full-line stores and online store, and our Nordstrom Rack and Jeffrey stores. For purposes of discussion and analysis of our results of operations, we combine our Retail segment results with revenues and expenses in the Corporate/Other column of our segment reporting footnote (collectively, the Retail Business). We analyze our results of operations through earnings before interest and income taxes for our Retail Business and Credit, while interest expense, income taxes and net earnings are discussed on a total company basis.

Table of Contents**Retail Business****Summary**

The following table summarizes the results of our Retail Business for the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009:

| Fiscal year | 2010 | | 2009 | | 2008 | |
|--|---------|----------------|---------|----------------|---------|----------------|
| | Amount | % of net sales | Amount | % of net sales | Amount | % of net sales |
| Net sales | \$9,310 | 100.0% | \$8,258 | 100.0% | \$8,272 | 100.0% |
| Cost of sales and related buying and occupancy costs | (5,831) | (62.6%) | (5,273) | (63.9%) | (5,367) | (64.9%) |
| Gross profit | 3,479 | 37.4% | 2,985 | 36.1% | 2,905 | 35.1% |
| Other revenues | | N/A | (1) | N/A | (1) | N/A |
| Selling, general and administrative expenses | (2,412) | (25.9%) | (2,109) | (25.5%) | (2,103) | (25.4%) |
| Earnings before interest and income taxes | 1,067 | 11.5% | 875 | 10.6% | 801 | 9.7% |

Retail Business Net Sales

| Fiscal year | 2010 | 2009 ¹ | 2008 ¹ |
|--|----------------|-------------------|-------------------|
| Net sales by channel: | | | |
| Nordstrom full-line stores | \$6,995 | \$6,360 | \$6,630 |
| Direct | 705 | 563 | 501 |
| Nordstrom | 7,700 | 6,923 | 7,131 |
| Nordstrom Rack and other | 1,720 | 1,440 | 1,241 |
| Total Retail segment sales | 9,420 | 8,363 | 8,372 |
| Corporate/Other | (110) | (105) | (100) |
| Total | \$9,310 | \$8,258 | \$8,272 |
| Net sales increase (decrease) | 12.7% | (0.2%) | (6.3%) |
| Same-store sales increase (decrease) by channel: | | | |
| Nordstrom full-line stores | 7.9% | (7.2%) | (12.4%) |
| Direct | 25.1% | 14.5% | 8.4% |
| Nordstrom | 9.3% | (5.0%) | (10.6%) |
| Nordstrom Rack and other | 0.7% | 2.5% | 3.1% |
| Total | 8.1% | (4.2%) | (9.0%) |
| Sales per square foot | \$397 | \$368 | \$388 |
| Percentage of net sales by merchandise category: | | | |
| Women's apparel | 34% | 34% | 34% |
| Shoes | 23% | 22% | 21% |
| Men's apparel | 15% | 15% | 16% |
| Women's accessories | 12% | 12% | 12% |
| Cosmetics | 10% | 11% | 11% |
| Children's apparel | 3% | 3% | 3% |

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| | | | |
|--------------|-------------|-------------|-------------|
| Other | 3% | 3% | 3% |
| Total | 100% | 100% | 100% |

¹Prior to February 2010, merchandise purchased from our online store that was later returned to our Nordstrom full-line stores was reported as a deduction from Nordstrom full-line store sales. Beginning in February 2010, we now deduct these returns from Direct sales instead of from Nordstrom full-line store sales in order to better align sales and sales returns within each channel. For purposes of comparison, 2009 and 2008 net sales results for both Nordstrom full-line stores and Direct have been revised to reflect this realignment of returns. This realignment of sales returns between channels had no effect on total Retail segment sales.

NET SALES 2010 VS 2009

Net sales for 2010 increased 12.7% compared with 2009. During the year, we opened three Nordstrom full-line stores, relocated one Nordstrom full-line store, opened seventeen Nordstrom Rack stores and relocated one Nordstrom Rack store. These stores represented 3.3% of our total net sales for 2010, and increased our gross square footage by 4.7%. Same-store sales increased 8.1%, with increases of 9.3% at Nordstrom and 0.7% at Nordstrom Rack.

Table of Contents

Nordstrom net sales were \$7,700, up 11.2% compared with 2009, with same-store sales up 9.3%. The number of sales transactions increased in 2010 compared with 2009, while the average selling price of Nordstrom merchandise was approximately flat. Category highlights included jewelry, shoes and dresses. The Midwest and South were the top-performing geographic regions for 2010. Our sales growth was due in large part to the success of our merchandising, inventory management and multi-channel initiatives. In the fall of 2009, we updated our inventory platform to allow for shared inventory across all of our Nordstrom full-line stores and our website, allowing us to fulfill online orders from any full-line store or from our fulfillment center. These enhancements increased sales and led to significant improvements in our sell-through and inventory turnover rates beginning in the second half of 2009 and continuing throughout 2010.

Nordstrom Rack net sales were \$1,720, up 19.5% compared with 2009, while same-store sales increased 0.7% for the year. Cosmetics and shoes were the strongest performing categories for the year. The number of sales transactions increased in 2010 compared with 2009, partially offset by declines in the average selling price of Nordstrom Rack merchandise.

NET SALES 2009 VS 2008

Net sales for 2009 were approximately flat compared with 2008. During 2009, we opened three Nordstrom full-line stores and thirteen Nordstrom Rack stores. These stores represented 2.6% of our total net sales for 2009, and increased our gross square footage by 4.1% during 2009. Same-store sales decreased 4.2%, with a decrease of 5.0% at Nordstrom, partially offset by an increase of 2.5% at Nordstrom Rack.

Nordstrom net sales were \$6,923, down 2.9% compared with 2008, with same-store sales down 5.0%. Although the number of sales transactions increased compared with 2008, the average selling price of our Nordstrom merchandise decreased. During 2009, we made continued progress on our multi-channel strategy, providing our customers with easier access to more of our merchandise. These enhancements led to increased sales in the second half of the year. Category highlights included women's shoes, dresses and jewelry. The South and Mid-Atlantic were the top-performing geographic regions for 2009.

Nordstrom Rack net sales were \$1,440, up 16.0% compared with 2008, with same-store sales up 2.5%. The shoes and women's apparel categories led the positive performance for the year. In 2009, both the average selling price of Nordstrom Rack merchandise and the number of sales transactions increased compared with 2008.

Retail Business Gross Profit

| Fiscal year | 2010 | 2009 | 2008 |
|--------------------------------------|---------|---------|---------|
| Gross profit ¹ | \$3,479 | \$2,985 | \$2,905 |
| Gross profit rate ² | 37.4% | 36.1% | 35.1% |
| Inventory turnover rate ³ | 5.56 | 5.41 | 5.20 |

¹Gross profit is calculated as net sales less Retail Business cost of sales and related buying and occupancy costs. Retailers do not uniformly record the costs of buying and occupancy and supply chain operations (freight, purchasing, receiving, distribution, etc.) between gross profit and selling, general and administrative expense. As such, our gross profit and selling, general and administrative expenses and rates may not be comparable to other retailers' expenses and rates.

²Gross profit rate is calculated as gross profit divided by net sales.

³Inventory turnover rate is calculated as annual cost of sales and related buying and occupancy costs (for all segments) divided by 4-quarter average inventory.

GROSS PROFIT 2010 VS 2009

Retail gross profit increased \$494 in 2010 compared with 2009 primarily due to higher sales and merchandise margin, partially offset by increases in occupancy costs for new Nordstrom full-line and Nordstrom Rack stores opened during both 2010 and 2009. Our gross profit rate improved 123 basis points compared with 2009 primarily due to improvement in our merchandise margin, as well as leveraging buying and occupancy costs on higher net sales. As a result of our merchandising and multi-channel capabilities, we achieved increases in regular-priced selling along with a higher inventory turnover rate. Our merchandising efforts enabled us to manage inventory levels consistent with sales trends and maintain fresh flow of merchandise into our stores.

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GROSS PROFIT 2009 VS 2008

Retail gross profit in 2009 increased \$80 from 2008 while our gross profit rate improved 101 basis points. The improvement in 2009 was driven by improvement in our merchandise margin, particularly in the second half of the year. The latter half of 2008 was highly promotional among retailers, meaning many competitors took steep markdowns and/or offered special events or incentives to attract customers, as sales declined. We were able to be less promotional and reduce markdowns during 2009, particularly during the second half of the year, by aligning inventory with sales trends and improving our inventory turnover rate. The improvement in our merchandise margin was offset by an increase in our buying and occupancy costs primarily driven by performance-related incentives that were a result of strong company performance relative to our plans for 2009.

Nordstrom, Inc. and subsidiaries 19

Table of Contents**Retail Business Selling, General and Administrative Expenses**

| Fiscal year | 2010 | 2009 | 2008 |
|---|----------------|-------------|-------------|
| Selling, general and administrative expenses | \$2,412 | \$2,109 | \$2,103 |
| Selling, general and administrative rate ¹ | 25.9% | 25.5% | 25.4% |
| Selling, general and administrative expense per square foot | \$103 | \$94 | \$99 |

¹Selling, general and administrative rate is calculated as selling, general and administrative expenses for our Retail Business as a percentage of net sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 2010 VS 2009

Our Retail selling, general and administrative expenses (Retail SG&A) increased \$303 in 2010 compared with 2009. The majority of the increase in expense dollars was due to higher sales volume and expenses for new stores. Our Retail SG&A rate increased 38 basis points for 2010 compared with 2009. The increase was in part due to planned increases in marketing and technology expenses as we continue to reinvest in the business and expand our capabilities in areas such as online marketing and social media. The increased Retail SG&A rate also reflects higher fulfillment costs as we shipped more items to our customers due to the shared inventory platform between our online and full-line stores.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 2009 VS 2008

Our Retail SG&A increased \$6 due to increased performance-related incentives, partially offset by lower variable expenses in conjunction with lower sales volume and cost savings resulting from our focus on controlling our fixed costs.

Table of Contents

Credit Segment

The Nordstrom credit and debit card products are designed to strengthen customer relationships and grow retail sales by providing valuable services, loyalty benefits and payment products. We believe that owning all aspects of our credit business allows us to fully integrate our rewards program with our retail stores and provide better service to our customers, thus deepening our relationship with them and driving greater customer loyalty. Our Nordstrom private label credit and debit cards can be used only in Nordstrom stores and on our website (inside volume), while our Nordstrom VISA cards also may be used for purchases outside of Nordstrom (outside volume). Cardholders participate in the Nordstrom Fashion Rewards® program, through which they accumulate points based on their level of spending (generally two points per dollar spent at Nordstrom and one point per dollar spent outside of Nordstrom). Upon reaching two thousand points, customers receive twenty dollars in Nordstrom Notes®, which can be redeemed for goods or services in our stores or online. As customers increase their level of spending they receive additional benefits, including rewards such as complimentary shipping, early access to sale events and unique fashion and shopping events. Our cardholders tend to visit our stores more frequently and spend more with us than non-cardholders. We believe the Fashion Rewards program helps drive sales in our Retail segment.

The table below provides a detailed view of the operational results of our Credit segment, consistent with the segment disclosure provided in the Notes to Consolidated Financial Statements. In order to better reflect the economic contribution of our credit and debit card program, intercompany merchant fees are also included in the table below. **Intercompany merchant fees** represent the estimated intercompany income of our Credit segment from the usage of our cards in the Retail segment. To encourage the use of Nordstrom cards in our stores, the Credit segment does not charge the Retail segment an intercompany interchange merchant fee. On a consolidated basis, we avoid costs that would be incurred if our customers used third-party cards.

Interest expense is assigned to the Credit segment in proportion to the amount of estimated capital needed to fund our credit card receivables, which assumes a mix of 80% debt and 20% equity. The average credit card receivable investment metric included in the following table represents our best estimate of the amount of capital for our Credit segment that is financed by equity. Based on our research, debt as a percentage of credit card receivables for other credit card companies ranges from 70% to 90%. We believe that debt equal to 80% of our credit card receivables is appropriate given our overall capital structure goals.

| Fiscal year | 2010 | | 2009 | | 2008 | |
|--|-------------|------------------------------|---------------|------------------------------|---------------|------------------------------|
| | Amount | % of credit card receivables | Amount | % of credit card receivables | Amount | % of credit card receivables |
| Finance charge revenue | \$266 | 12.7% | \$264 | 12.6% | \$215 | 11.3% |
| Interchange third party | 76 | 3.7% | 71 | 3.4% | 69 | 3.6% |
| Late fees and other revenue | 48 | 2.3% | 35 | 1.7% | 18 | 0.9% |
| Total credit card revenues | 390 | 18.7% | 370 | 17.6% | 302 | 15.8% |
| Interest expense | (21) | (1.0%) | (41) | (2.0%) | (50) | (2.6%) |
| Net credit card income | 369 | 17.7% | 329 | 15.7% | 252 | 13.2% |
| Cost of sales and related buying and occupancy costs loyalty program | (66) | (3.2%) | (55) | (2.6%) | (50) | (2.7%) |
| Selling, general and administrative expenses | (273) | (13.1%) | (356) | (17.0%) | (274) | (14.3%) |
| Total expense | (339) | (16.3%) | (411) | (19.6%) | (324) | (17.0%) |
| Credit segment earnings (loss) before income taxes, as presented in segment disclosure | 30 | 1.4% | (82) | (3.9%) | (72) | (3.8%) |
| Intercompany merchant fees | 58 | 2.8% | 50 | 2.4% | 48 | 2.5% |
| Credit segment contribution (loss), before income taxes | \$88 | 4.2% | \$(32) | (1.5%) | \$(24) | (1.3%) |
| Credit and debit card volume: | | | | | | |
| Outside | \$3,838 | | \$3,603 | | \$3,576 | |
| Inside | 2,953 | | 2,521 | | 2,423 | |
| Total volume | \$6,791 | | \$6,124 | | \$5,999 | |
| Average credit card receivables | \$2,088 | | \$2,099 | | \$1,911 | |
| Average credit card receivable investment (assuming 80% of accounts receivable is funded with debt) | \$418 | | \$420 | | \$382 | |
| Credit segment contribution (loss), net of tax, as a percentage of average credit card receivable investment | 12.8% | | (4.7%) | | (3.9%) | |

Table of Contents

Credit Card Revenues

Credit card revenues include finance charges, interchange fees, late fees and other fees. Finance charges represent interest earned on unpaid balances while late fees are assessed when cardholders pay less than their minimum balance by the payment due date. Interchange fees are earned from the use of Nordstrom VISA credit cards at merchants outside of Nordstrom.

CREDIT CARD REVENUES 2010 VS 2009

Credit card revenues increased \$20 in 2010 compared with 2009 primarily due to higher late fees, particularly in the first half of the year. As the year progressed, improving economic conditions led to an increase in general consumer spending, improved payment rates, lower revolving balances and reduced delinquencies. Our average credit card receivable balance in 2010 was \$2,088, a decrease of \$11, or 0.5%, from 2009.

Slightly higher average annual percentage rates, partially offset by lower revolving balances from improvements in customer payment rates, resulted in a small increase in finance charges to \$266, or 12.7% of average credit card receivables in 2010 compared with \$264, or 12.6% of average credit card receivables in 2009. Increased use of our Nordstrom VISA credit cards at third parties resulted in an increase in interchange revenue to \$76, or 3.7% of average credit card receivables in 2010 compared with \$71, or 3.4% of average credit card receivables in 2009. Delinquencies increased during the first half of 2010 compared with the first half of 2009. Additionally, legal and regulatory changes in 2009 and 2010 affected our pricing and billing terms. Taken together, these factors resulted in an increase in late fees and other revenue to \$48, or 2.3% of average credit card receivables in 2010 compared with \$35, or 1.7% of average receivables in 2009.

CREDIT CARD REVENUES 2009 VS 2008

Credit card revenues increased to \$370 in 2009 compared with \$302 in 2008 due primarily to higher finance charges and late fees. Worsening economic conditions led to a decline in general consumer spending, reduced payment rates, increased revolving balances and increased delinquencies. Our average credit card receivable balance in 2009 was \$2,099, an increase of \$188, or 9.8%, over 2008.

Increased revolving balances, combined with an increase in our annual percentage rate terms implemented in the fourth quarter of 2008, resulted in an increase in finance charges to \$264, or 12.6% of average credit card receivables in 2009. This compared with \$215, or 11.3% of average credit card receivables in 2008. Increased delinquencies resulted in an increase in late fees and other revenue to \$35, or 1.7% of average credit card receivables in 2009, compared with \$18, or 0.9% of average credit card receivables in 2008.

Credit Segment Interest Expense

Interest expense decreased to \$21 in 2010 from \$41 in 2009 and \$50 in 2008. These year-over-year decreases were due to lower interest rates.

Credit Segment Cost of Sales and Related Buying and Occupancy Costs

Cost of sales and related buying and occupancy costs, which includes the estimated cost of Nordstrom Notes that will be issued and redeemed under our Fashion Rewards program, increased to \$66 in 2010 compared with \$55 in 2009 and \$50 in 2008. The increases were due to a higher number of Fashion Rewards customers, larger average spend per customer, increased inside volume and increased utilization of program benefits. We provide these benefits to our customers as participation in the Fashion Rewards program generates enhanced customer loyalty and incremental sales in our stores.

Credit Segment Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Credit segment (Credit SG&A) are made up of operational and marketing expenses, and bad debt. These expenses are summarized in the following table:

| Fiscal year | 2010 | 2009 | 2008 |
|---|---------------|---------------|---------------|
| Operational and marketing expenses | \$ 124 | \$ 105 | \$ 101 |
| Bad debt expense | 149 | 251 | 173 |
| Total selling, general and administrative expenses | \$ 273 | \$ 356 | \$ 274 |

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 2010 VS 2009

Total Credit SG&A decreased \$83 in 2010 compared with 2009, due primarily to lower bad debt expense, partially offset by increases in operational and marketing expenses. The decrease in bad debt expense reflects continued improvement in our credit trends which are further discussed below. Operational and marketing expenses are incurred to support and service our credit and debit card products and the related rewards programs. The increase in these expenses in 2010 was primarily driven by increased information technology expenses, higher collection agency fees from increased recovery efforts and expenses related to our Fashion Rewards program.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 2009 VS 2008

Total Credit SG&A increased \$82 in 2009 compared with 2008 due primarily to increased bad debt expense. The increase in bad debt expense reflects higher write-offs due to consumer credit trends which are further discussed below.

Table of Contents**Allowance for Credit Losses and Credit Trends**

The following table illustrates activity in the allowance for credit losses for the past three fiscal years:

| Fiscal year | 2010 | 2009 | 2008 |
|---|--------------|-------------|-------------|
| Allowance at beginning of year | \$190 | \$138 | \$73 |
| Bad debt provision | 149 | 251 | 173 |
| Write-offs | (211) | (209) | (116) |
| Recoveries | 17 | 10 | 8 |
| Allowance at end of year | \$145 | \$190 | \$138 |
| 30+ days delinquent as a percentage of ending credit card receivables | 3.0% | 5.3% | 3.7% |
| Net write-offs as a percentage of average credit card receivables | 9.2% | 9.5% | 5.6% |
| Allowance as a percentage of ending credit card receivables | 6.9% | 8.8% | 6.8% |

CREDIT TRENDS 2010 VS 2009

During 2010, our delinquency and net write-off results improved. Write-offs were higher during the first half of 2010, reflecting accounts that became delinquent during the second half of 2009. By the fourth quarter of 2010, net write-offs were \$39, or 7.2% of average credit card receivables compared with \$56, or 10.5% of average credit card receivables in the fourth quarter of 2009. As a result of the continued improvements in our delinquency and write-off results, including in California, we reduced our allowance for credit losses by \$45 during 2010, from \$190 to \$145.

CREDIT TRENDS 2009 VS 2008

Delinquency rates and write-offs ran at elevated levels throughout 2009 as a result of economic conditions, including rising unemployment. California experienced particular weakness relative to our other geographic regions and accounted for approximately 50% of our write-offs. In light of the economic environment and based on our delinquency and write-off trends, we increased our allowance for credit losses by \$52, from \$138 to \$190 in 2009.

CREDIT QUALITY

The quality of our credit card receivables at any time reflects, among other factors, general economic conditions, the creditworthiness of our cardholders and the success of our account management and collection activities. In general, credit quality tends to decline, and the risk of credit losses tends to increase, during periods of deteriorating economic conditions. Through our underwriting and risk management standards and practices, we seek to maintain a high quality cardholder portfolio, thereby mitigating our exposure to credit losses. As of January 29, 2011, 76.2% of our credit card receivables were from cardholders with FICO scores of 660 or above (generally considered prime according to industry standards) compared with 71.2% as of January 30, 2010.

Recent Regulatory Changes

In May 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act) was passed, resulting in new restrictions on credit card pricing, finance charges and fees, customer billing practices and payment application. These rules required us to make changes to our credit card business practices and systems. We have completed and implemented the necessary changes and new procedures to enable compliance with those rules that are currently effective, and we expect more regulations and interpretations of the new rules to emerge. Depending on the nature and extent of the full impact from these rules, and any interpretations or additional rules, the practices, revenues and profitability of our Credit segment could be adversely affected.

In addition, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted. This law significantly restructures regulatory oversight and other aspects of the financial industry. It creates a new federal agency to supervise and enforce consumer lending laws and regulations and expands state authority over consumer lending. Numerous regulations will be issued within the next year to implement the requirements of this Act. The final regulatory details remain highly uncertain at this time. Depending on the nature and extent of these regulations, and the enforcement approach of regulators under the new law, there could be an adverse impact to our Credit segment.

Table of Contents**Total Company Results****Interest Expense, Net**

| Fiscal year | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|
| Interest on long-term debt and short-term borrowings | \$ 133 | \$ 148 | \$ 145 |
| Less: | | | |
| Interest income | (1) | (3) | (3) |
| Capitalized interest | (5) | (7) | (11) |
| Interest expense, net | \$ 127 | \$ 138 | \$ 131 |

INTEREST EXPENSE, NET 2010 VS 2009

Interest expense, net decreased \$11 in 2010 compared with 2009 due to lower interest rates, partially offset by higher debt balances.

INTEREST EXPENSE, NET 2009 VS 2008

Interest expense, net increased \$7 in 2009 compared with 2008 due to higher average debt levels resulting from the \$400 debt offering in the second quarter of 2009, partially offset by the \$250 senior notes which matured in January 2009 and the impact of declining variable interest rates.

Income Tax Expense

| Fiscal year | 2010 | 2009 | 2008 |
|--------------------|-------------|-------------|-------------|
| Income tax expense | \$378 | \$255 | \$247 |
| Effective tax rate | 38.2% | 36.6% | 38.1% |

The following table illustrates the components of our effective tax rate for 2010, 2009 and 2008:

| Fiscal year | 2010 | 2009 | 2008 |
|---|--------------|--------------|--------------|
| Statutory rate | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal income taxes | 3.4 | 3.5 | 3.4 |
| Deferred tax adjustment | | (1.8) | (3.2) |
| Permanent differences | (0.2) | (0.6) | 2.0 |
| Other, net | | 0.5 | 0.9 |
| Effective tax rate | 38.2% | 36.6% | 38.1% |

INCOME TAX EXPENSE 2010 VS 2009

The increase in the effective tax rate for 2010 compared with 2009 was primarily due to the impact of a non-recurring benefit of approximately \$12 from a deferred tax adjustment during the first quarter of 2009 related to the closure of our 2007 federal tax return audit.

INCOME TAX EXPENSE 2009 VS 2008

In 2009 and 2008, our effective tax rate was impacted by adjustments related to our deferred tax assets primarily driven by the closure of several tax years under audit, as well as permanent items related to investment valuation.

Table of Contents**Fourth Quarter Results**

| Quarter ended | January 29, 2011 | January 30, 2010 |
|--|-------------------------|-------------------------|
| Net sales | \$2,816 | \$2,539 |
| Credit card revenues | 100 | 101 |
| Gross profit | 1,058 | 946 |
| Selling, general and administrative (SG&A) expenses: | | |
| Retail | (697) | (631) |
| Credit | (55) | (106) |
| Net earnings | 232 | 172 |
| Earnings per diluted share | \$1.04 | \$0.77 |
| % of net sales: | | |
| Gross profit | 37.6% | 37.3% |
| Retail SG&A | 24.8% | 24.9% |

Our fourth quarter performance reflected continued improvement in our sales and gross margin trends throughout the year. Net earnings for the fourth quarter of 2010 were \$232, or \$1.04 per diluted share compared with \$172, or \$0.77 per diluted share in 2009.

NET SALES

Total sales for the quarter increased 10.9% to \$2,816. During the quarter, we opened one Nordstrom Rack store. Same-store sales increased 6.7%, with increases of 7.2% at Nordstrom and 3.9% at Nordstrom Rack.

Nordstrom same-store sales increased 7.2% for the quarter. Both the number of sales transactions and the average selling price of our merchandise increased for the quarter ended January 29, 2011 compared with the same period last year. Category highlights for the quarter were jewelry, dresses and shoes. The South and Midwest were the top-performing geographic regions relative to the fourth quarter of 2009. We continued to drive sales growth through customer service, our merchandise offering and multi-channel capabilities.

Nordstrom Rack net sales increased \$93, or 24.1% for the quarter. Nordstrom Rack same-store sales increased 3.9% for the fourth quarter of 2010 compared with the fourth quarter of 2009. The increase in part reflects a promotional event that occurred during the quarter. The number of sales transactions increased for the quarter, partially offset by decreases in the average selling price of Rack merchandise. Cosmetics, accessories and shoes were the leading categories for Nordstrom Rack.

GROSS PROFIT

Our gross profit rate increased 34 basis points to 37.6% from 37.3% last year. The improvement was mainly driven by our ability to leverage buying and occupancy expenses during the quarter as well as a slight improvement in merchandise margin. As a result of our merchandising and multi-channel capabilities, we achieved increases in regular priced selling and in our inventory turnover rate. We ended the quarter with inventory per square foot up 3.8% on a 6.0% increase in sales per square foot compared with the fourth quarter of 2009.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for our Retail Business increased \$66 compared with last year's fourth quarter. The increase was largely driven by higher sales volume, and by expenses for the three Nordstrom stores and seventeen Nordstrom Rack stores opened since the fourth quarter of 2009. Our Retail SG&A rate decreased approximately 10 basis points primarily due to the timing of performance-related expenses, partially offset by higher overhead expenses related to technology and marketing as we continued to invest in improving the customer experience.

In the fourth quarter, selling, general and administrative expenses for our Credit segment were \$55, down from \$106 in 2009. The decrease was primarily driven by lower bad debt expense resulting from continued improvements in our credit trends.

For further information on our quarterly results in 2010 and 2009, refer to Note 15 in the Notes to Consolidated Financial Statements in Item 8.

Table of Contents**2011 Outlook**

Our expectations for 2011, excluding the impact of our HauteLook acquisition, are as follows:

| | |
|---|--|
| Same-store sales | 2 to 4 percent increase |
| Credit card revenues | \$0 to \$10 increase |
| Gross profit rate ¹ | 10 basis point decrease to 10 basis point increase |
| Selling, general and administrative (SG&A) expenses: | |
| Retail | \$120 to \$160 increase |
| Credit | \$0 to \$10 decrease |
| Selling, general and administrative expense rate ² | 45 to 65 basis point decrease |
| Interest expense, net | \$0 to \$5 decrease |
| Effective tax rate | 39.0 percent |
| Earnings per diluted share | \$2.95 to \$3.10 |
| Diluted shares outstanding | 223.3 |

¹Includes both our Retail gross profit and the cost of our loyalty program, which is recorded in our Credit segment, as a percentage of net sales.

²Selling, general and administrative rate is calculated as SG&A expense for the total company as a percentage of net sales.

We plan to open three Nordstrom full-line stores and seventeen Nordstrom Rack stores and relocate two Nordstrom Rack stores during 2011. This will increase our retail square footage by approximately 4.3%.

We expect our gross profit rate to remain approximately flat in 2011, after the significant improvement experienced in 2010.

The majority of the increase in our Retail SG&A expenses relates to our expectations for increased variable expenses consistent with the planned increase in sales, to additional expenses from stores opened during 2010 and 2011, and to strengthening our capabilities to enable continued improvement in the customer experience.

For our Credit segment, we expect a slight increase in credit card revenues as a result of increased volume, offset by higher payment rates. We expect Credit SG&A expenses to be flat to down slightly when compared with 2010 results, which included \$45 of reductions in our allowance for credit losses.

Interest expense, net is anticipated to be flat to down slightly due primarily to lower borrowing facility fees.

Table of Contents**Return on Invested Capital (ROIC) (Non-GAAP financial measure)**

We define Return on Invested Capital (ROIC) as follows:

$$\text{ROIC} = \frac{\text{Net Operating Profit After Taxes (NOPAT)}}{\text{Average Invested Capital}}$$

We believe that ROIC is a useful financial measure for investors in evaluating our operating performance. When analyzed in conjunction with our net earnings and total assets and compared to return on assets (net earnings divided by average total assets), it provides investors with a useful tool to evaluate our ongoing operations and our management of assets from period to period. ROIC is one of our key financial metrics, and we also incorporate it into our executive incentive measures. We believe that overall performance as measured by ROIC correlates directly to shareholders' return over the long term. For the 12 fiscal months ended January 29, 2011, our ROIC increased to 13.6% compared with 12.1% for the 12 fiscal months ended January 30, 2010. ROIC is not a measure of financial performance under GAAP, should not be considered a substitute for return on assets, net earnings or total assets as determined in accordance with GAAP, and may not be comparable with similarly titled measures reported by other companies. The closest measure calculated using GAAP amounts is return on assets, which increased to 8.6% from 7.1% for the 12 fiscal months ended January 29, 2011, compared with the 12 fiscal months ended January 30, 2010. The following is a comparison of return on assets to ROIC:

| | 12 fiscal months ended | |
|--|------------------------|------------------|
| | January 29, 2011 | January 30, 2010 |
| Net earnings | \$613 | \$441 |
| Add: income tax expense | 378 | 255 |
| Add: interest expense | 128 | 138 |
| Earnings before interest and income tax expense | 1,119 | 834 |
| Add: rent expense | 62 | 43 |
| Less: estimated depreciation on capitalized operating leases ¹ | (32) | (23) |
| Net operating profit | 1,149 | 854 |
| Estimated income tax expense ² | (439) | (313) |
| Net operating profit after tax (NOPAT) | \$710 | \$541 |
| Average total assets ³ | \$7,091 | \$6,197 |
| Less: average non-interest-bearing current liabilities ⁴ | (1,796) | (1,562) |
| Less: average deferred property incentives ³ | (487) | (462) |
| Add: average estimated asset base of capitalized operating leases ⁵ | 425 | 311 |
| Average invested capital | \$5,233 | \$4,484 |
| Return on assets | 8.6% | 7.1% |
| ROIC | 13.6% | 12.1% |

¹Capitalized operating leases is our best estimate of the asset base we would record for our operating leases as if we had classified them as capital or purchased the property. Asset base is calculated as described in footnote 5 below.

²Based upon our effective tax rate multiplied by the net operating profit for the 12 fiscal months ended January 29, 2011 and January 30, 2010.

³Based upon the trailing 12-month average.

⁴Based upon the trailing 12-month average for accounts payable, accrued salaries, wages and related benefits, and other current liabilities.

⁵Based upon the trailing 12-month average of the monthly asset base, which is calculated as the trailing 12-months rent expense multiplied by 8.

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Our ROIC increased compared with the prior year primarily due to an increase in our earnings before interest and income taxes. This was partly offset by an increase in our average invested capital, attributable primarily to growth in cash and cash equivalents.

Nordstrom, Inc. and subsidiaries 27

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

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

Over the long term, we manage our cash and capital structure to maximize shareholder return, maintain our solid financial position and allow flexibility for strategic initiatives. We regularly assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, potential share repurchases and other future investments. We believe our existing cash on-hand, operating cash flows, available credit facilities and potential future borrowings will be sufficient to fund these scheduled future payments and potential long-term initiatives.

Operating Activities

Net cash provided by operating activities was \$1,177 in 2010 and \$1,251 in 2009. The majority of our operating cash inflows are derived from sales. We also receive cash payments for property incentives from developers. Our operating cash outflows generally consist of payments to our merchandise vendors (net of vendor allowances), payments to our employees for wages, salaries and other employee benefits and payments to our landlords for rent. Operating cash outflows also include payments for income taxes and interest payments on our short- and long-term borrowings.

The decrease in cash provided by operating activities in 2010 compared with 2009 was due primarily to working capital initiatives undertaken in 2009, which resulted in increased cash generated from operating activities in that year. Additionally, in 2010, we made higher payments for performance-related incentives and income taxes compared with 2009, relating to the improved earnings performance we experienced in 2009 as compared with 2008.

In 2011, we expect our operating cash flows to increase as a result of higher sales and earnings.

Investing Activities

Net cash used in investing activities was \$462 in 2010 and \$541 in 2009. Our investing cash flows primarily consist of capital expenditures and changes in credit card receivables associated with cardholder purchases outside of Nordstrom using our Nordstrom VISA credit cards.

CAPITAL EXPENDITURES

Our capital expenditures over the last three years totaled \$1,322, with \$399 in 2010, \$360 in 2009 and \$563 in 2008. Capital expenditures included investments in new stores and relocations, remodels and information technology improvements.

Capital expenditures increased in 2010 compared with 2009 due to greater store remodel activity and the timing of expenditures incurred for new stores. The following table summarizes our store count and square footage activity for the past three fiscal years:

| Fiscal year | Store count | | | Square footage | | |
|-----------------------------------|-------------|------------|------------|----------------|-------------|-------------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Total, beginning of period | 184 | 169 | 156 | 22.8 | 21.9 | 20.5 |
| Store openings: | | | | | | |
| Nordstrom full-line stores | 3 | 3 | 8 | 0.4 | 0.5 | 1.2 |
| Nordstrom Rack and other stores | 17 | 13 | 6 | 0.6 | 0.4 | 0.2 |
| Closed stores | | (1) | (1) | | | |
| Total, end of period | 204 | 184 | 169 | 23.8 | 22.8 | 21.9 |

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Additionally, we relocated one Nordstrom full-line store and one Nordstrom Rack store in 2010, compared with one Nordstrom full-line store in 2009. Our 2010 store openings and relocations increased our gross square footage by 4.7%.

To date in 2011, we have opened three Nordstrom Rack stores. During the remainder of 2011, we anticipate opening three Nordstrom full-line stores and fourteen additional Nordstrom Rack stores, as well as relocating two Nordstrom Rack stores. This will increase our gross square footage by approximately 4.3%.

Table of Contents

We received property incentives from our developers of \$95 in 2010, \$96 in 2009 and \$119 in 2008. These incentives are included in our cash provided by operations in our consolidated statements of cash flows. However, operationally we view these as an offset to our capital expenditures. Our capital expenditure percentages, net of property incentives, for the last three years by category are summarized as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|
| Category and expenditure percentage: | | | |
| New store openings, relocations and remodels | 67% | 74% | 85% |
| Information technology | 15% | 13% | 8% |
| Other | 18% | 13% | 7% |
| Total | 100% | 100% | 100% |

Other capital expenditures consist of ongoing improvements to our stores in the ordinary course of business and expenditures related to various growth initiatives.

We expect that our capital expenditures, net of property incentives, will be approximately \$2,200 over the next five years, with approximately \$400 to \$440 in 2011. Over these five years, we expect that approximately 72% of our net capital expenditures will be for new store openings, relocations and remodels; 15% for information technology; and 13% for other projects. Our current five-year plans include 22 new stores and 4 relocations announced through 2013, and 2 new stores announced with dates to be determined. These would represent a 6.1% increase in square footage. Of the announced new stores, 18 will be Nordstrom Rack stores. We believe that we have the capacity for additional capital investments should opportunities arise.

CHANGE IN CREDIT CARD RECEIVABLES ORIGINATED AT THIRD PARTIES

The Nordstrom VISA credit cards allow our customers to make purchases at merchants outside of our stores and accumulate points for our Nordstrom Fashion Rewards[®] program. In 2010, net cash outflows from customers' third-party purchases using their Nordstrom VISA credit cards decreased to \$66, compared with \$182 in 2009, as a result of improved payment rates.

Financing Activities

Net cash used in financing activities was \$4 in 2010 compared with \$13 provided by financing activities in 2009. Our financing activities include our short-term and long-term borrowing activity, dividends paid and repurchases of common stock.

SHORT-TERM AND LONG-TERM BORROWING ACTIVITY

During 2010, we issued \$500 of senior unsecured notes at 4.75%, due May 2020. After deducting the original issue discount, underwriting fees and other expenses of \$2, net proceeds from the offering were \$498. Additionally, we retired \$350 of securitized notes in April 2010 using available cash. We had no short-term borrowings and no amounts outstanding on our revolving line of credit during the year.

DIVIDENDS

In 2010, we paid dividends of \$167, or \$0.76 per share, compared with \$139, or \$0.64 per share, in 2009. During the second quarter of 2010, we increased our quarterly dividend from \$0.16 per share to \$0.20 per share. In determining the amount of dividends to pay, we analyze our dividend payout ratio and dividend yield, while taking into consideration our operating performance and capital resources. We plan to target a 25% to 30% dividend payout ratio, which is calculated as our dividend payments divided by net earnings.

In February 2011, we declared a first quarter dividend of \$0.23 per share.

SHARE REPURCHASES

In August 2010, our Board of Directors authorized a program to repurchase up to \$500 of our outstanding common stock, through January 28, 2012. Under this program, we have repurchased 2.3 shares of our common stock for an aggregate purchase price of \$89, and had \$411 in remaining capacity. The actual amount and timing of future share repurchases, if any, will be subject to market conditions and applicable Securities and Exchange Commission rules.

Table of Contents**Free Cash Flow (Non-GAAP financial measure)**

We define Free Cash Flow as:

$$\text{Free Cash Flow} = \text{Net Cash Provided By Operating Activities} - \text{Capital Expenditures} - \text{Change in Credit Card Receivables Originated at Third Parties} - \text{Cash Dividends Paid} +/(-) \text{Increase/(Decrease) in Cash Book Overdrafts}$$

Free Cash Flow is one of our key liquidity measures, and, in conjunction with GAAP measures, provides us with a meaningful analysis of our cash flows. We believe that our ability to generate cash is more appropriately analyzed using this measure. Free Cash Flow is not a measure of liquidity under GAAP and should not be considered a substitute for operating cash flows as determined in accordance with GAAP. In addition, Free Cash Flow does have limitations:

Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs; and

Other companies in our industry may calculate Free Cash Flow differently than we do, limiting its usefulness as a comparative measure.

To compensate for these limitations, we analyze Free Cash Flow in conjunction with other GAAP financial and performance measures impacting liquidity, including operating cash flows. The closest measure calculated using GAAP amounts is net cash provided by operating activities, which was \$1,177 and \$1,251 for the 12 months ended January 29, 2011 and January 30, 2010. The following is a reconciliation of our net cash provided by operating activities and Free Cash Flow:

| Fiscal year | 2010 | 2009 |
|---|----------------|----------------|
| Net cash provided by operating activities | \$1,177 | \$1,251 |
| Less: Capital expenditures | (399) | (360) |
| Change in credit card receivables originated at third parties | (66) | (182) |
| Cash dividends paid | (167) | (139) |
| Add: Increase in cash book overdrafts | 37 | 9 |
| Free Cash Flow | \$582 | \$579 |
| Net cash used in investing activities | \$(462) | \$(541) |
| Net cash (used in) provided by financing activities | \$(4) | \$13 |

Credit Capacity and Commitments

As of January 29, 2011, we had total short-term borrowing capacity available for general corporate purposes of \$950. Of the total capacity, we had \$650 under our commercial paper program, which is backed by our unsecured revolving credit facility (revolver), and \$300 under our Variable Funding Note facility (2007-A VFN).

Our \$650 revolver, which expires in August 2012, is available for working capital, capital expenditures and general corporate purposes. Under the terms of the agreement, we pay a variable rate of interest and a facility fee based on our debt rating. Under the revolver, we have the option to increase the revolving commitment by up to \$100, to a total of \$750, provided that we obtain written consent from the lenders who choose to increase their commitment. During 2010, we had no borrowings under our revolver.

Our \$650 commercial paper program allows us to use the proceeds to fund share repurchases as well as operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect, while it is outstanding, of reducing borrowing capacity under our revolver by an amount equal to the principal amount of commercial paper. During 2010, we had no outstanding issuances under our \$650 commercial paper program.

During 2010, we renewed our 2007-A VFN. The 2007-A VFN has a capacity of \$300 and matures in January 2012. The 2007-A VFN is backed by substantially all of the Nordstrom private label card receivables and a 90% interest in the co-branded Nordstrom VISA credit card receivables. Borrowings under the 2007-A VFN incur interest based upon the cost of commercial paper issued by a third-party bank conduit plus

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specified fees. We pay a commitment fee for the notes based on the size of the commitment. During 2010, we had no borrowings against this facility.

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Our wholly owned federal savings bank, Nordstrom fsb, also maintains a variable funding facility with a short-term credit capacity of \$100. This facility is backed by the remaining 10% interest in the Nordstrom VISA credit card receivables and is available, if needed, to provide liquidity support to Nordstrom fsb. Borrowings under the facility incur interest based upon the cost of commercial paper issued by the third-party bank conduit plus specified fees. During 2010, Nordstrom fsb had no borrowings under this facility.

We maintain trade and standby letters of credit to facilitate international payments. As of January 29, 2011, we have \$10 available under a trade letter of credit, with \$6 outstanding. We additionally hold a \$15 standby letter of credit, with \$12 outstanding under this facility at the end of the year.

Table of Contents

Impact of Credit Ratings

Under the terms of our \$650 revolver, any borrowings we may incur will accrue interest at a floating base rate tied to either:

- (i) LIBOR or
- (ii) the higher of:
 - a. the federal funds rate plus 50 basis points or
 - b. the prime rate.

The rate depends upon the type of borrowing incurred, plus in each case an applicable margin. This applicable margin varies depending upon the credit ratings assigned to our long-term unsecured debt. At the time of this report, our long-term unsecured debt ratings, outlook and resulting applicable margin were as follows:

| | Credit ratings | Outlook |
|-------------------|-----------------------|----------------|
| Moody's | Baa1 | Stable |
| Standard & Poor's | A- | Stable |

Base interest

| rate | Applicable margin |
|-------------|--------------------------|
| LIBOR | 1.750% |
| All other | 0.750% |

Should the ratings assigned to our long-term unsecured debt improve, the applicable margin associated with our borrowings may decrease, resulting in a slightly lower cost of capital under this facility. Should the ratings assigned to our long-term unsecured debt worsen, the applicable margin associated with our borrowings may increase, resulting in a slightly higher cost of capital under this facility.

Debt Covenants

The revolver requires that we maintain a fixed charge coverage ratio of at least two times, and a leverage ratio of not greater than four times. The fixed coverage ratio is defined as:

Earnings before Interest, Income Taxes, Depreciation, Amortization and Rent (EBITDAR) less gross capital expenditures

Interest expense, net + rent expense

The leverage ratio is defined as:

Adjusted Debt

EBITDAR

(See additional discussion of Adjusted Debt to EBITDAR below).

As of January 29, 2011 and January 30, 2010, we were in compliance with these covenants. We will continue to monitor these covenants to ensure that we make any necessary adjustments to our plans and believe that we will remain in compliance with these covenants during 2011.

Table of Contents**Adjusted Debt to EBITDAR (Non-GAAP financial measure)**

We define Adjusted Debt to EBITDAR as follows:

Adjusted Debt to EBITDAR = **Adjusted Debt
EBITDAR**

Adjusted Debt to EBITDAR is one of our key financial metrics, and we believe that our debt levels are best analyzed using this measure. Our current goal is to manage debt levels to maintain an investment-grade credit rating as well as operate with an efficient capital structure for our size, growth plans and industry. Investment-grade credit ratings are important to maintaining access to a variety of short-term and long-term sources of funding, and we rely on these funding sources to continue to grow our business. We believe a higher ratio, among other factors, could result in rating agency downgrades. In contrast, we believe a lower ratio would result in a higher cost of capital and could negatively impact shareholder returns. As of January 29, 2011, our Adjusted Debt to EBITDAR was 2.2 compared with 2.5 as of January 30, 2010. The decrease was primarily the result of an increase in earnings before interest and income taxes in 2010 compared with 2009.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should not be considered a substitute for debt to net earnings, net earnings or debt as determined in accordance with GAAP. In addition, Adjusted Debt to EBITDAR does have limitations:

Adjusted Debt is not exact, but rather our best estimate of the total company debt we would hold if we had purchased the property and issued debt associated with our operating leases;
EBITDAR does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, including leases, or the cash requirements necessary to service interest or principal payments on our debt; and
Other companies in our industry may calculate Adjusted Debt to EBITDAR differently than we do, limiting its usefulness as a comparative measure.

To compensate for these limitations, we analyze Adjusted Debt to EBITDAR in conjunction with other GAAP financial and performance measures impacting liquidity, including operating cash flows, capital spending and net earnings. The closest measure calculated using GAAP amounts is debt to net earnings, which was 4.5 and 5.9 for 2010 and 2009. The following is a comparison of debt to net earnings and Adjusted Debt to EBITDAR:

| | 2010 ¹ | 2009 ¹ |
|--|-------------------|-------------------|
| Debt | \$2,781 | \$2,613 |
| Add: rent expense x 8 ² | 500 | 341 |
| Less: fair value of interest rate swaps included in long-term debt | (25) | |
| Adjusted Debt | \$3,256 | \$2,954 |
| Net earnings | 613 | 441 |
| Add: income tax expense | 378 | 255 |
| Add: interest expense, net | 127 | 138 |
| Earnings before interest and income taxes | 1,118 | 834 |
| Add: depreciation and amortization of buildings and equipment, net | 327 | 313 |
| Add: rent expense | 62 | 43 |
| EBITDAR | \$1,507 | \$1,190 |
| Debt to Net Earnings | 4.5 | 5.9 |
| Adjusted Debt to EBITDAR | 2.2 | 2.5 |

¹The components of adjusted debt are as of the end of 2010 and 2009, while the components of EBITDAR are for the 12 months ended January 29, 2011 and January 30, 2010.

²The multiple of eight times rent expense used to calculate adjusted debt is a commonly used method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease, or we had purchased the property.

Table of Contents**Contractual Obligations**

The following table summarizes our contractual obligations and the expected effect on our liquidity and cash flows as of January 29, 2011. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business and credit available to us under existing and potential future facilities.

| | Total | Less than | | | More than |
|-----------------------------|----------------|----------------|----------------|--------------|----------------|
| | | 1 year | 1-3 years | 3-5 years | 5 years |
| Long-term debt | \$4,384 | \$148 | \$792 | \$646 | \$2,798 |
| Capital lease obligations | 15 | 2 | 4 | 5 | 4 |
| Operating leases | 1,031 | 111 | 208 | 188 | 524 |
| Purchase obligations | 1,302 | 1,207 | 66 | 21 | 8 |
| Other long-term liabilities | 237 | 15 | 39 | 28 | 155 |
| Total | \$6,969 | \$1,483 | \$1,109 | \$888 | \$3,489 |

Included in the required debt repayments disclosed above are estimated total interest payments of \$1,638 as of January 29, 2011, payable over the remaining life of the debts.

The capital and operating lease obligations in the table above do not include payments for operating expenses that are required by most of our lease agreements. Such expenses, which include common area charges, real estate taxes and other executory costs, totaled \$65 in 2010, \$60 in 2009 and \$56 in 2008. In addition, some of our leases require additional rental payments based on a percentage of our sales, referred to as percentage rent. Percentage rent, which is also excluded from the obligations in the table above, was \$9 in each of 2010, 2009 and 2008.

Purchase obligations primarily consist of purchase orders for unreceived goods or services and capital expenditure commitments.

Other long-term liabilities consist of workers' compensation and general liability insurance reserves and postretirement benefits. The payment amounts presented above were estimated based on historical payment trends. Other long-term liabilities not requiring cash payments, such as deferred property incentives and deferred revenue, were excluded from the table above. Also excluded from the table above are unrecognized tax benefits of \$21, as we are unable to reasonably estimate the timing of future cash payments, if any, for these liabilities.

We had no off-balance sheet arrangements, other than operating leases entered into in the normal course of business, during 2010.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. The following discussion highlights the estimates we believe are critical and should be read in conjunction with the Notes to Consolidated Financial Statements in Item 8. Our management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures that follow.

Allowance for Credit Losses

The allowance for credit losses reflects our best estimate of the losses inherent in our receivables as of the balance sheet date, including uncollectible finance charges and fees. We estimate such credit losses based on several factors, including historical aging and delinquency trends, write-off experience, concentration and risk metrics, and general economic conditions.

We believe the allowance for credit losses is adequate to cover anticipated losses in our credit card receivables under current conditions; however, significant deterioration in any of the factors mentioned above could materially change these expectations. During 2009, increases in unemployment and associated delinquency and write-off trends prompted us to record significant increases to our allowance for credit losses, which increased from \$138 at January 31, 2009 to \$190 at January 30, 2010. As credit trends began to improve during 2010, we reduced our allowance for credit losses by \$45, from \$190 at January 30, 2010 to \$145 at January 29, 2011. A 10% change in our allowance for credit losses would have affected net earnings by \$9 for the fiscal year ended January 29, 2011.

Revenue Recognition

We recognize revenue from sales at our retail stores at the point of sale, net of an allowance for estimated sales returns. We estimate customer merchandise returns based on historical return patterns and reduce sales and cost of sales accordingly.

Although we believe we have sufficient current and historical knowledge to record reasonable estimates of sales returns, there is a possibility that actual returns could differ from recorded amounts. In the past three years, we have made no material changes to our estimates included in the calculations of our sales return reserve. A 10% change in the sales return reserve would have had a \$5 impact on our net earnings for the year ended January 29, 2011.

Table of Contents

Inventory

Our merchandise inventories are stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories and the resulting gross margins are determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. Inherent in the retail inventory method are certain management judgments that may affect the ending inventory valuation as well as gross margin.

We reserve for obsolescence based on historical trends and specific identification. Our obsolescence reserve contains uncertainties as the calculations require management to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends.

We do not believe that the assumptions used in these estimates will change significantly based on prior experience. In the past three years, we have made no material changes to our estimates included in the calculations of the obsolescence reserve. A 10% change in the obsolescence reserve would not have had a material effect on our net earnings for the year ended January 29, 2011.

Income Taxes

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available to us. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount which we believe is cumulatively greater than 50% likely to be realized. Our unrecognized tax benefit was \$43 as of both January 29, 2011 and January 30, 2010.

Unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred tax assets, tax reserves or income tax expense. Such adjustments did not materially impact our effective income tax rate in 2010, but reduced our effective income tax rate by 1.8 percentage points in 2009.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 to our consolidated financial statements for a discussion of recent accounting pronouncements. We do not expect any of these pronouncements to have a material effect on our results of operations, liquidity or capital resources.

Table of Contents**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Dollars in millions

INTEREST RATE RISK

Our primary exposure to market risk is through changes in interest rates. As of January 29, 2011, we have gross credit card receivables of \$2,103, which generate finance charge income at a combination of fixed and variable rates, and long-term debt of \$2,781, including \$1,150 that bears interest at LIBOR-based rates. Changing interest rates can therefore affect our credit card revenues and interest expense. The annualized effect of a one-percentage-point change in interest rates would not materially affect our net earnings, cash flows or the fair value of our fixed-rate debt.

We manage our net interest rate exposure through our mix of fixed and variable rate borrowings and associated current and long-term assets. From time to time, we may also enter into interest rate swap transactions for purposes of hedging the exposure of changes in fair value of our long-term debt from interest rate risk. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

The table below presents information about our long-term debt obligations and interest rate swaps that are sensitive to changes in interest rates as of January 29, 2011. For debt obligations, including our capital leases, the table presents principal amounts, at book value, by maturity date, and related weighted average interest rates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are the predetermined dollar principal on which the exchanged interest payments are based.

| Dollars in millions | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter | Total at | Fair value at |
|-----------------------------|------|-------|------|-------|------|------------|-------------|-------------------|
| | | | | | | | January 29, | January 29, |
| | | | | | | | 2011 | 2011 |
| Long-term debt | | | | | | | | |
| Fixed | \$6 | \$6 | \$7 | \$406 | \$8 | \$1,823 | \$2,256 | \$2,513 |
| Avg. int. rate | 8.8% | 8.5% | 8.4% | 6.8% | 8.5% | 6.2% | 6.3% | |
| Variable | | \$500 | | | | | \$500 | \$497 |
| Avg. int. rate ¹ | | 0.3% | | | | | 0.3% | |
| Interest rate swaps | | | | | | | | |
| Fixed to variable | | | | | | \$650 | \$650 | \$25 ² |
| Avg. pay rate ¹ | | | | | | 3.1% | 3.1% | |
| Avg. receive rate | | | | | | 6.3% | 6.3% | |

¹Interest rates as of January 29, 2011.

²Our interest rate swaps were in an asset position as of January 29, 2011.

FOREIGN CURRENCY EXCHANGE RISK

The majority of our revenues, expenses and capital expenditures are transacted in U.S. dollars. However, we periodically enter into merchandise purchase orders denominated in Euros. From time to time we may use forward contracts to hedge against fluctuations in foreign currency prices. As of January 29, 2011, we had no outstanding forward contracts.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance, with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 29, 2011.

Deloitte & Touche LLP, an independent registered public accounting firm, is retained to audit Nordstrom's Consolidated Financial Statements and the effectiveness of the Company's internal control over financial reporting. Its accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States). Deloitte & Touche LLP has issued an attestation report on the Company's internal control over financial reporting as of January 29, 2011.

/s/ Michael G. Koppel

Michael G. Koppel

Executive Vice President and Chief Financial Officer

/s/ Blake W. Nordstrom

Blake W. Nordstrom

President

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Seattle, Washington

We have audited the internal control over financial reporting of Nordstrom, Inc. and subsidiaries (the Company) as of January 29, 2011, based on criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 29, 2011 of the Company and our report dated March 18, 2011, expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 18, 2011

Nordstrom, Inc. and subsidiaries 37

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Seattle, Washington

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the Company) as of January 29, 2011 and January 30, 2010, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended January 29, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 29, 2011 and January 30, 2010, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 29, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 18, 2011

Table of Contents**Nordstrom, Inc.****Consolidated Statements of Earnings**

In millions except per share amounts

| Fiscal year | 2010 | 2009 | 2008 |
|--|----------------|-------------|-------------|
| Net sales | \$9,310 | \$8,258 | \$8,272 |
| Credit card revenues | 390 | 369 | 301 |
| Total revenues | 9,700 | 8,627 | 8,573 |
| Cost of sales and related buying and occupancy costs | (5,897) | (5,328) | (5,417) |
| Selling, general and administrative expenses: | | | |
| Retail | (2,412) | (2,109) | (2,103) |
| Credit | (273) | (356) | (274) |
| Earnings before interest and income taxes | 1,118 | 834 | 779 |
| Interest expense, net | (127) | (138) | (131) |
| Earnings before income taxes | 991 | 696 | 648 |
| Income tax expense | (378) | (255) | (247) |
| Net earnings | \$613 | \$441 | \$401 |
| Earnings per share: | | | |
| Basic | \$2.80 | \$2.03 | \$1.85 |
| Diluted | \$2.75 | \$2.01 | \$1.83 |
| Weighted average shares outstanding: | | | |
| Basic | 218.8 | 216.8 | 216.6 |
| Diluted | 222.6 | 219.7 | 219.2 |

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

Table of Contents**Nordstrom, Inc.****Consolidated Balance Sheets**

In millions

| | January 29, 2011 | January 30, 2010 |
|--|------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$1,506 | \$795 |
| Accounts receivable, net | 2,026 | 2,035 |
| Merchandise inventories | 977 | 898 |
| Current deferred tax assets, net | 236 | 238 |
| Prepaid expenses and other | 79 | 88 |
| Total current assets | 4,824 | 4,054 |
| Land, buildings and equipment (net of accumulated depreciation of \$3,520 and \$3,316) | 2,318 | 2,242 |
| Goodwill | 53 | 53 |
| Other assets | 267 | 230 |
| Total assets | \$7,462 | \$6,579 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$846 | \$726 |
| Accrued salaries, wages and related benefits | 375 | 336 |
| Other current liabilities | 652 | 596 |
| Current portion of long-term debt | 6 | 356 |
| Total current liabilities | 1,879 | 2,014 |
| Long-term debt, net | 2,775 | 2,257 |
| Deferred property incentives, net | 495 | 469 |
| Other liabilities | 292 | 267 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, no par value: 1,000 shares authorized; 218.0 and 217.7 shares issued and outstanding | 1,168 | 1,066 |
| Retained earnings | 882 | 525 |
| Accumulated other comprehensive loss | (29) | (19) |
| Total shareholders' equity | 2,021 | 1,572 |
| Total liabilities and shareholders' equity | \$7,462 | \$6,579 |

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

Table of Contents**Nordstrom, Inc.****Consolidated Statements of Shareholders' Equity**

In millions except per share amounts

| | Common Stock | | Retained | Accumulated Comprehensive Other | Total |
|---|--------------|----------------|--------------|---------------------------------------|----------------|
| | Shares | Amount | Earnings | Loss | |
| Balance at February 2, 2008 | 220.9 | \$936 | \$201 | \$(22) | \$1,115 |
| Net earnings | | | 401 | | 401 |
| Other comprehensive earnings: | | | | | |
| Postretirement plan adjustments, net of tax of (\$8) | | | | 12 | 12 |
| Comprehensive net earnings | | | | | 413 |
| Dividends (\$0.64 per share) | | | (138) | | (138) |
| Effect of postretirement plan measurement date change | | | (3) | | (3) |
| Issuance of common stock for: | | | | | |
| Stock option plans | 0.8 | 17 | | | 17 |
| Employee stock purchase plan | 0.6 | 17 | | | 17 |
| Other | | 1 | | | 1 |
| Stock-based compensation | | 26 | | | 26 |
| Repurchase of common stock | (6.9) | | (238) | | (238) |
| Balance at January 31, 2009 | 215.4 | \$997 | \$223 | \$(10) | \$1,210 |
| Net earnings | | | 441 | | 441 |
| Other comprehensive loss: | | | | | |
| Postretirement plan adjustments, net of tax of \$6 | | | | (9) | (9) |
| Comprehensive net earnings | | | | | 432 |
| Dividends (\$0.64 per share) | | | (139) | | (139) |
| Issuance of common stock for: | | | | | |
| Stock option plans | 1.5 | 27 | | | 27 |
| Employee stock purchase plan | 0.7 | 13 | | | 13 |
| Other | 0.1 | 1 | | | 1 |
| Stock-based compensation | | 28 | | | 28 |
| Balance at January 30, 2010 | 217.7 | \$1,066 | \$525 | \$(19) | \$1,572 |
| Net earnings | | | 613 | | 613 |
| Other comprehensive loss: | | | | | |
| Postretirement plan adjustments, net of tax of \$7 | | | | (10) | (10) |
| Comprehensive net earnings | | | | | 603 |
| Dividends (\$0.76 per share) | | | (167) | | (167) |
| Issuance of common stock for: | | | | | |
| Stock option plans | 2.1 | 51 | | | 51 |
| Employee stock purchase plan | 0.4 | 13 | | | 13 |
| Other | | 1 | | | 1 |
| Stock-based compensation | 0.1 | 37 | | | 37 |
| Repurchase of common stock | (2.3) | | (89) | | (89) |
| Balance at January 29, 2011 | 218.0 | \$1,168 | \$882 | \$(29) | \$2,021 |

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

Table of Contents**Nordstrom, Inc.****Consolidated Statements of Cash Flows**

In millions

| Fiscal year | 2010 | 2009 | 2008 |
|---|----------------|-------------|-------------|
| Operating Activities | | | |
| Net earnings | \$613 | \$441 | \$401 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization of buildings and equipment | 327 | 313 | 302 |
| Amortization of deferred property incentives and other, net | (54) | (42) | (21) |
| Deferred income taxes, net | 2 | (58) | (36) |
| Stock-based compensation expense | 42 | 32 | 28 |
| Tax benefit from stock-based compensation | 15 | 6 | 3 |
| Excess tax benefit from stock-based compensation | (16) | (7) | (4) |
| Provision for bad debt expense | 149 | 251 | 173 |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | (74) | (159) | (93) |
| Merchandise inventories | (80) | (1) | 53 |
| Prepaid expenses and other assets | 1 | (38) | 38 |
| Accounts payable | 72 | 168 | 16 |
| Accrued salaries, wages and related benefits | 37 | 120 | (54) |
| Other current liabilities | 42 | 81 | (48) |
| Deferred property incentives | 95 | 96 | 119 |
| Other liabilities | 6 | 48 | (29) |
| Net cash provided by operating activities | 1,177 | 1,251 | 848 |
| Investing Activities | | | |
| Capital expenditures | (399) | (360) | (563) |
| Change in credit card receivables originated at third parties | (66) | (182) | (232) |
| Other, net | 3 | 1 | 3 |
| Net cash used in investing activities | (462) | (541) | (792) |
| Financing Activities | | | |
| (Repayments) proceeds from commercial paper borrowings, net | | (275) | 275 |
| Proceeds from long-term borrowings, net of discounts | 498 | 399 | 150 |
| Principal payments on long-term borrowings | (356) | (25) | (410) |
| Increase in cash book overdrafts | 37 | 9 | 20 |
| Cash dividends paid | (167) | (139) | (138) |
| Repurchase of common stock | (84) | | (264) |
| Proceeds from exercise of stock options | 35 | 21 | 13 |
| Proceeds from employee stock purchase plan | 13 | 13 | 17 |
| Excess tax benefit from stock-based compensation | 16 | 7 | 4 |
| Other, net | 4 | 3 | (9) |
| Net cash (used in) provided by financing activities | (4) | 13 | (342) |
| Net increase (decrease) in cash and cash equivalents | 711 | 723 | (286) |
| Cash and cash equivalents at beginning of year | 795 | 72 | 358 |
| Cash and cash equivalents at end of year | \$1,506 | \$795 | \$72 |

Supplemental Cash Flow Information

Cash paid during the year for:

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| | | | |
|--|--------------|-------|-------|
| Interest (net of capitalized interest) | \$121 | \$134 | \$145 |
| Income taxes | \$381 | \$240 | \$340 |

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

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**The Company**

Founded in 1901 as a shoe store in Seattle, Washington, today Nordstrom, Inc. is a fashion specialty retailer that offers customers a well-edited selection of high-quality fashion brands focused on apparel, shoes, cosmetics and accessories for men, women and children. This breadth of merchandise allows us to serve a wide range of customers who appreciate quality fashion and a superior shopping experience. We offer a wide selection of brand name and private label merchandise through multiple retail channels: our 115 Nordstrom branded full-line stores and online store at www.nordstrom.com (collectively, Nordstrom), 86 off-price Nordstrom Rack stores, two Jeffrey boutiques and one clearance store. Our stores are located throughout the United States.

Through our Credit segment, we provide our customers with a variety of payment products and services, including a Nordstrom private label card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. These products also allow our customers to participate in our loyalty program.

Fiscal Year

We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2010, 2009 and 2008 relate to the 52-week fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009. References to 2011 relate to the 52-week fiscal year ending January 28, 2012.

Principles of Consolidation

The consolidated financial statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. Our significant accounting judgments and estimates include the allowance for credit losses, sales return reserve, inventory obsolescence reserve and unrecognized tax benefits.

Net Sales

We recognize revenue from sales at our retail stores at the point of sale, net of estimated returns and excluding sales taxes. Revenue from our sales to customers shipped directly from our stores and our online and catalog sales includes shipping revenue, when applicable, and is recognized upon estimated receipt by the customer. We estimate customer merchandise returns based on historical return patterns and reduce sales and cost of sales accordingly. Activity in the allowance for sales returns, net, for the past three fiscal years is as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|--------------------------------|-------------|-------------|-------------|
| Allowance at beginning of year | \$76 | \$70 | \$56 |
| Additions | 1,180 | 1,030 | 1,051 |
| Returns, net ¹ | (1,171) | (1,024) | (1,037) |

| | | | |
|---------------------------------|-------------|-------------|-------------|
| Allowance at end of year | \$85 | \$76 | \$70 |
|---------------------------------|-------------|-------------|-------------|

¹Returns, net consists of actual returns offset by the value of the merchandise returned and the sales commission reversed.

Credit Card Revenues

Credit card revenues include finance charges, late fees and other fees generated by our combined Nordstrom private label card and Nordstrom VISA credit card programs, and interchange fees generated by the use of Nordstrom VISA cards at third-party merchants. These fees are assessed according to the terms of the related cardholder agreements and recognized as revenue when earned.

Cost of Sales

Cost of sales includes the purchase cost of inventory sold (net of vendor allowances), in-bound freight and certain costs of loyalty program benefits related to our credit and debit cards.

Buying and Occupancy Costs

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

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Rent

We recognize minimum rent expense, net of landlord reimbursements, on a straight-line basis over the minimum lease term from the time that we control the leased property. For leases that contain predetermined, fixed escalations of the minimum rent, we recognize the rent expense on a straight-line basis and record the difference between the rent expense and the rent payable as a liability. Contingent rental payments, typically based on a percentage of sales, are recognized in rent expense when payment of the contingent rent is probable.

We receive incentives from landlords to construct stores in certain developments. These property incentives are recorded as a deferred credit and recognized as a reduction of rent expense on a straight-line basis over the lease term. At the end of 2010 and 2009, the deferred credit balance was \$553 and \$518.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of compensation and benefits costs (other than those included in buying and occupancy costs), advertising, shipping and handling costs, bad debt expense related to our credit card operations and other miscellaneous expenses.

Advertising

Advertising production costs for Internet, magazines, store events and other media are expensed the first time the advertisement is run. Total advertising expenses, net of vendor allowances, of \$114, \$85 and \$98 in 2010, 2009 and 2008 were included in selling, general and administrative expenses.

Vendor Allowances

We receive allowances from merchandise vendors for cosmetic selling expenses, purchase price adjustments, cooperative advertising programs and various other expenses. Allowances for cosmetic selling expenses are recorded in selling, general and administrative expenses as a reduction of the related costs when incurred. Purchase price adjustments are recorded as a reduction of cost of sales at the point they have been earned and the related merchandise has been sold. Allowances for cooperative advertising and promotion programs and other expenses are recorded in selling, general and administrative expenses as a reduction of the related costs when incurred. Any allowances in excess of actual costs incurred that are included in selling, general and administrative expenses are recorded as a reduction of cost of sales. The following table shows vendor allowances earned during the year:

| Fiscal year | 2010 | 2009 | 2008 |
|---------------------------------------|--------------|-------------|-------------|
| Cosmetic selling expenses | \$118 | \$106 | \$112 |
| Purchase price adjustments | 96 | 91 | 96 |
| Cooperative advertising and promotion | 67 | 63 | 65 |
| Other | 2 | 2 | 3 |
| Total vendor allowances | \$283 | \$262 | \$276 |

Shipping and Handling Costs

Our shipping and handling costs include payments to third-party shippers and costs to hold, move and prepare merchandise for shipment. These costs do not include inbound freight to our distribution centers, which we include in the cost of our inventory. Shipping and handling costs of \$133, \$103 and \$106 in 2010, 2009 and 2008 were included in selling, general and administrative expenses.

Loyalty Program

Customers who use our Nordstrom private label credit or debit card or our Nordstrom VISA credit cards can participate in the Nordstrom Fashion Rewards® program through which customers accumulate points based on their level of spending. Upon reaching a certain threshold, customers receive Nordstrom Notes®, which can be redeemed for goods or services in our stores and online. As cardholders increase their level of spending, they also receive benefits such as free shipping and fashion events. We estimate the net cost of Nordstrom Notes that will be issued and redeemed, and record this cost as rewards points are accumulated. These costs are recorded in cost of sales given that we provide customers with products and services for these rewards. Other costs of the loyalty program, which primarily include shipping and fashion events, are recorded in selling, general and administrative expenses based on estimates of benefits expected to be accumulated and redeemed.

Stock-Based Compensation

We recognize stock-based compensation expense related to stock options at their estimated grant-date fair value, recorded on a straight-line basis over the requisite service period. The total compensation expense is reduced by estimated forfeitures expected to occur over the vesting period of the award. We estimate the fair value of stock options granted using the Binomial Lattice option valuation model. Stock-based compensation expense also includes amounts related to performance share units and our Employee Stock Purchase Plan, based on their fair values as of the end of each reporting period.

New Store Opening Costs

Non-capital expenditures associated with opening new stores, including marketing expenses, relocation expenses and temporary occupancy costs, are charged to expense as incurred. These costs are included in both buying and occupancy costs and selling, general and administrative expenses according to their nature as disclosed above.

Table of Contents

Nordstrom, Inc.

Notes to Consolidated Financial Statements

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

Gift Cards

We recognize revenue from the sale of gift cards when the gift card is redeemed by the customer, or we recognize breakage income when the likelihood of redemption, based on historical experience, is deemed to be remote. Based on an analysis of our program since its inception in 1999, we determined that balances remaining on cards issued beyond five years are unlikely to be redeemed and therefore may be recognized as income. Breakage income was \$9, \$8 and \$7 in 2010, 2009 and 2008. To date, our breakage rate is approximately 3.1% of the amount initially issued as gift cards. Gift card breakage income is included in selling, general and administrative expenses in our consolidated statement of earnings. We had outstanding gift card liabilities of \$188 and \$174 at the end of 2010 and 2009, which are included in other current liabilities.

Income Taxes

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

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

Interest and penalties related to income tax matters are classified as a component of income tax expense.

Comprehensive Net Earnings

Comprehensive net earnings include net earnings and other comprehensive earnings and losses. Other comprehensive earnings and losses in 2010, 2009 and 2008 consisted of adjustments, net of tax, related to our postretirement benefit obligations. Accumulated other comprehensive losses at the end of 2010 and 2009 consisted of unrecognized losses on postretirement benefit obligations.

Cash Equivalents

Cash equivalents are short-term investments with a maturity of three months or less from the date of purchase and are carried at amortized cost, which approximates fair value. Our cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at the end of 2010 and 2009 included \$111 and \$74 of checks not yet presented for payment drawn in excess of our bank deposit balances.

Accounts Receivable

Accounts receivable includes credit card receivables from our Nordstrom private label and VISA credit cards as well as credit and debit card receivables due from third party financial institutions. We record credit card receivables on our consolidated balance sheets at the outstanding balance, net of an allowance for credit losses. The allowance for credit losses reflects our best estimate of the losses inherent in our receivables as of the balance sheet date, including uncollectible finance charges and fees. We estimate such credit losses based on several factors, including historical aging and delinquency trends, write-off experience, concentration and risk metrics and general economic conditions. Credit card receivables constitute unsecured consumer loans, for which the risk of cardholder default and associated credit losses tend to increase as general economic conditions deteriorate.

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We consider a credit card account delinquent if the minimum payment is not received by the payment due date. Our aging method is based on the number of completed billing cycles during which the customer has failed to make a minimum payment. Delinquent accounts, including accrued finance charges and fees, are written off when they are determined to be uncollectible, usually after they become 150 days past due. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely.

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We recognize finance charges on delinquent accounts until they become 120 days past due, after which we place accounts on non-accrual status. Payments received for accounts on non-accrual status are applied to accrued finance charges, fees and principal balances consistent with other accounts, with subsequent finance charge income recognized only when actually received. Non-accrual accounts may return to accrual status when we receive three consecutive minimum payments or the equivalent lump sum.

Our Nordstrom private label credit card can be used only in Nordstrom stores and on our website, while our Nordstrom VISA cards allow our customers the option of using the cards for purchases of Nordstrom merchandise and services, as well as for purchases outside of Nordstrom. Cash flows from the use of both the private label and Nordstrom VISA credit cards for sales originating at our stores are treated as an operating activity within the consolidated statements of cash flows, as they relate to sales at Nordstrom. Cash flows arising from the use of Nordstrom VISA cards outside of our stores are treated as an investing activity within the consolidated statements of cash flows, as they represent loans made to our customers for purchases at third parties.

Nordstrom, Inc. and subsidiaries 45

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market, using the retail method (weighted average cost).

Land, Buildings and Equipment

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

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

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

| Asset | Life (in years) |
|------------------------------|---|
| Buildings and improvements | 5 40 |
| Store fixtures and equipment | 3 15 |
| Leasehold improvements | Shorter of initial lease term or asset life |
| Capitalized software | 3 7 |

Leasehold improvements made at the inception of the lease are amortized over the shorter of the asset life or the initial lease term. Leasehold improvements made during the lease term are amortized over the shorter of the asset life or the remaining lease term. Lease terms include the fixed, non-cancelable term of a lease, plus any renewal periods determined to be reasonably assured.

When facts and circumstances indicate that the carrying values of long-lived tangible assets may be impaired, we perform an evaluation of recoverability by comparing the carrying values of the net assets to their related projected undiscounted future cash flows in addition to other quantitative and qualitative analyses. Upon indication that the carrying values of long-lived assets will not be recoverable, we recognize an impairment loss. We estimate the fair value of the assets using the expected present value of future cash flows of the assets. Land, building and equipment are grouped at the lowest level at which there are identifiable cash flows when assessing impairment. Cash flows for our retail store assets are identified at the individual store level.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the related net assets acquired, and is not subject to amortization. We review our goodwill annually for impairment as of the first day of the first quarter or when circumstances indicate its carrying value may not be recoverable. We perform this evaluation at the reporting unit level, comprised of the principal business units within our Retail segment, through the application of a two-step fair value test. The first step of the test compares the carrying value of the reporting unit to its estimated fair value, which is based on the expected present value of future cash flows. If fair value does not exceed carrying value then a second step is performed to quantify the amount of the impairment. Based on the results of our tests, fair value substantially exceeds carrying value, therefore we had no goodwill impairment in 2010, 2009 or 2008.

Self Insurance

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

Derivatives

Our interest rate swap agreements (collectively, the swap) are intended to hedge the exposure of changes in the fair value of our fixed-rate senior notes due in 2018 from interest rate risk. The swap is designated as a fully effective fair value hedge. As such, the interest rate swap fair value is included in other assets or other liabilities on our consolidated balance sheet, with an offsetting adjustment to the carrying value of our long-term debt (included in other unsecured debt). See Note 7: Debt and Credit Facilities for additional information related to our swap.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature.

The estimated fair value of long-term debt, including current maturities and excluding the value of our interest rate swap, was \$3,010 and \$2,810 at the end of 2010 and 2009, compared with carrying values of \$2,757 and \$2,613. The estimated fair value of the swap was a \$25 asset and a \$1 liability at the end of 2010 and 2009. The fair value of long-term debt is estimated using quoted market prices of the same or similar issues, while the fair value of our swap is estimated based upon observable market-based inputs for identical or comparable arrangements from reputable third-party brokers, adjusted for credit risk. As such, these are considered Level 2 measurements, as defined by applicable fair value accounting standards.

Recent Accounting Pronouncements

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which was subsequently modified by ASU No. 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*. The provisions of this ASU (as modified), which are effective beginning with this annual report for the year ended January 29, 2011, did not impact our consolidated financial position or statement of operations, as its requirements are disclosure-only in nature.

In December 2010, the FASB Emerging Issues Task Force (EITF) issued ASU No. 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. ASU No. 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts to require Step 2 of the goodwill impairment test to be performed if it is more likely than not that goodwill impairment exists. We do not expect the provisions of this ASU, which are effective for us as of the beginning of 2011, to have a material impact on our consolidated financial statements.

NOTE 2: ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

| | January 29, 2011 | January 30, 2010 |
|--|------------------|------------------|
| Credit card receivables: | | |
| Nordstrom VISA credit card receivables | \$1,431 | \$1,477 |
| Nordstrom private label card receivables | 672 | 685 |
| Total credit card receivables | 2,103 | 2,162 |
| Allowance for credit losses | (145) | (190) |
| Credit card receivables, net | 1,958 | 1,972 |
| Other accounts receivable | 68 | 63 |
| Accounts receivable, net | \$2,026 | \$2,035 |

As of January 29, 2011 and January 30, 2010, \$2,061 and \$2,136 of our credit card receivables are restricted under our securitization program. On a daily basis, 100% of the restricted Nordstrom private label credit card receivables and 90% of the restricted Nordstrom VISA credit card receivables are transferred to a third-party trust to secure the Series 2007-2 Notes and our 2007-A variable funding note. In addition, these restricted receivables secured our Series 2007-1 Notes, which were retired April 2010. The remaining 10% of the restricted Nordstrom VISA credit card receivables are retained by our wholly owned federal savings bank, Nordstrom fsb, to secure their variable funding facility. As of January 29, 2011 and January 30, 2010, a portion of our restricted receivables were unencumbered by outstanding borrowings and credit

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facilities. Our credit card securitization agreements set a maximum percentage of receivables that can be associated with various receivable categories, such as employee or foreign receivables. As of January 29, 2011 and January 30, 2010, these maximums were not exceeded.

Other accounts receivable consist primarily of credit and debit card receivables due from third-party financial institutions and vendor claims.

Nordstrom, Inc. and subsidiaries 47

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Activity in the allowance for credit losses for the past three fiscal years is as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|---------------------------------|--------------|--------------|--------------|
| Allowance at beginning of year | \$190 | \$138 | \$73 |
| Bad debt provision | 149 | 251 | 173 |
| Write-offs | (211) | (209) | (116) |
| Recoveries | 17 | 10 | 8 |
| Allowance at end of year | \$145 | \$190 | \$138 |

For purposes of determining impairment and recording the associated allowance for credit losses, we evaluate our credit card receivables on a collective basis as they are composed of large groups of smaller-balance homogeneous loans and therefore are not individually evaluated for impairment. Under certain circumstances, we may make modifications to a customer's payment terms that constitute a troubled debt restructuring (TDR). These modifications typically result in reduced or waived fees and finance charges, and/or reduced minimum payments. Receivables classified as TDRs were 2.7% and 4.3% of our total credit card receivables as of January 29, 2011 and January 30, 2010, and are included in the collective evaluation of our credit card receivables in determining our allowance for credit losses.

Credit Quality

The primary indicators of the credit quality of our credit card receivables are aging and delinquency, particularly the levels of account balances delinquent 30 days or more as these are the accounts most likely to be written off. The following table illustrates the aging and delinquency status of our credit card receivables:

| | January 29, 2011 | | January 30, 2010 | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | Balance | % of Total | Balance | % of Total |
| Current | \$1,942 | 92.4% | \$1,901 | 87.9% |
| 1-29 days delinquent | 97 | 4.6% | 147 | 6.8% |
| 30+ days delinquent: | | | | |
| 30-59 days delinquent | 24 | 1.1% | 35 | 1.6% |
| 60-89 days delinquent | 17 | 0.8% | 27 | 1.3% |
| Greater than 90 days delinquent | 23 | 1.1% | 52 | 2.4% |
| Total 30+ days delinquent | \$64 | 3.0% | \$114 | 5.3% |
| Total credit card receivables | \$2,103 | 100.0% | \$2,162 | 100.0% |
| Receivables not accruing finance charges | \$14 | | \$38 | |
| Receivables greater than 90 days delinquent and still accruing finance charges | \$21 | | \$45 | |

We also evaluate credit quality using FICO credit scores. The following table illustrates the distribution of our credit card receivables across FICO score ranges:

January 29, 2011¹

January 30, 2010¹

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| FICO Score Range | Balance | % of Total | Balance | % of Total |
|--------------------------------------|----------------|-------------------|----------------|-------------------|
| 801+ | \$314 | 14.9% | \$128 | 5.9% |
| 720 800 | 731 | 34.8% | 806 | 37.3% |
| 660 719 | 558 | 26.5% | 606 | 28.0% |
| 600 659 | 274 | 13.0% | 281 | 13.0% |
| 001 599 | 155 | 7.4% | 284 | 13.2% |
| Other ² | 71 | 3.4% | 57 | 2.6% |
| Total credit card receivables | \$2,103 | 100.0% | \$2,162 | 100.0% |

¹Credit scores for our cardholders are updated at least every 60 days. Amounts listed in the table reflect the most recently obtained credit scores as of the dates indicated.

²Other consists of amounts not yet posted to customers' accounts and receivables from customers for whom FICO scores are temporarily unavailable.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 3: LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

| | January 29, 2011 | January 30, 2010 |
|---|------------------|------------------|
| Land and land improvements | \$72 | \$70 |
| Buildings and building improvements | 919 | 924 |
| Leasehold improvements | 1,914 | 1,735 |
| Store fixtures and equipment | 2,341 | 2,267 |
| Capitalized software | 404 | 382 |
| Construction in progress | 188 | 180 |
| | 5,838 | 5,558 |
| Less: accumulated depreciation and amortization | (3,520) | (3,316) |
| Land, buildings and equipment, net | \$2,318 | \$2,242 |

The total cost of buildings and equipment held under capital lease obligations was \$28 at the end of both 2010 and 2009, with related accumulated amortization of \$23 in 2010 and \$22 in 2009. The amortization of capitalized leased buildings and equipment of \$1 in both 2010 and 2009 was recorded in depreciation expense.

NOTE 4: SELF INSURANCE

Our self insurance reserves are summarized as follows:

| | January 29, 2011 | January 30, 2010 |
|-----------------------------|------------------|------------------|
| Workers compensation | \$50 | \$50 |
| Employee health and welfare | 18 | 20 |
| General liability | 11 | 10 |
| Total | \$79 | \$80 |

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

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

Our general liability policies, encompassing employment practices liability and commercial general liability, have a retention per claim of \$1 or less and a policy limit up to \$25 and \$150, respectively.

NOTE 5: 401(k) AND PROFIT SHARING

We provide a 401(k) and profit sharing plan for our employees. Our Board of Directors establishes our profit sharing contribution each year. The 401(k) component is funded by voluntary employee contributions. In February 2009, the plan was amended to replace our fixed company matching contribution with a discretionary contribution in an amount determined by our Board of Directors. Our expense related to the profit sharing component and the matching contributions of the 401(k) component totaled \$86, \$74 and \$39 in 2010, 2009 and 2008.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 6: POSTRETIREMENT BENEFITS

We have an unfunded defined benefit Supplemental Executive Retirement Plan (SERP), which provides retirement benefits to certain officers and select employees. The SERP has different benefit levels depending on the participant's role in the company. At the end of 2010 and 2009, there were 36 and 35 officers and select employees eligible for SERP benefits. This plan is non-qualified and does not have a minimum funding requirement.

Benefit Obligations and Funded Status

| | January 29, 2011 | January 30, 2010 |
|---|------------------|------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$102 | \$85 |
| Participant service cost | 2 | 2 |
| Interest cost | 6 | 6 |
| Benefits paid | (4) | (4) |
| Actuarial loss | 16 | 13 |
| Benefit obligation at end of year | \$122 | \$102 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | | |
| Employer contribution | \$4 | \$4 |
| Benefits paid | (4) | (4) |
| Fair value of plan assets at end of year | | |
| Underfunded status at end of year | \$(122) | \$(102) |

The accumulated benefit obligation, which is the present value of benefits, assuming no future compensation changes, was \$116 and \$96 at the end of 2010 and 2009.

Amounts recognized as liabilities in the consolidated balance sheets consist of the following:

| | January 29, 2011 | January 30, 2010 |
|------------------------------|------------------|------------------|
| Current liabilities | \$5 | \$5 |
| Noncurrent liabilities | 117 | 97 |
| Net amount recognized | \$122 | \$102 |

Components of SERP Expense

The components of SERP expense recognized in the consolidated statements of earnings are as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|------------------------------------|-------------|------------|-------------|
| Participant service cost | \$2 | \$2 | \$2 |
| Interest cost | 6 | 6 | 6 |
| Amortization of net loss | 2 | | 2 |
| Amortization of prior service cost | | | 1 |
| Total SERP expense | \$10 | \$8 | \$11 |

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

| | January 29, 2011 | January 30, 2010 |
|---|------------------|------------------|
| Accumulated loss | \$(36) | \$(22) |
| Prior service cost | (2) | (2) |
| Total accumulated other comprehensive loss | \$(38) | \$(24) |

In 2011, we expect \$4 of costs currently in accumulated other comprehensive loss to be recognized as components of SERP expense.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Assumptions

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

| Fiscal year | 2010 | 2009 | 2008 |
|--|--------------|-------------|-------------|
| Assumptions used to determine benefit obligation: | | | |
| Discount rate | 5.60% | 5.95% | 6.95% |
| Rate of compensation increase | 3.00% | 3.00% | 3.00% |
| Assumptions used to determine SERP expense: | | | |
| Discount rate | 5.95% | 6.95% | 6.35% |
| Rate of compensation increase | 3.00% | 3.00% | 3.00% |

Future Benefit Payments and Contributions

As of January 29, 2011, the expected future benefit payments based upon the assumptions described above and including benefits attributable to estimated future employee service are as follows:

| Fiscal year | |
|--------------------|-----|
| 2011 | \$5 |
| 2012 | 6 |
| 2013 | 6 |
| 2014 | 7 |
| 2015 | 8 |
| 2016-2020 | 44 |

In 2011, we expect to make contributions to the plan of \$5.

NOTE 7: DEBT AND CREDIT FACILITIES**Debt**

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

| | January 29, 2011 | January 30, 2010 |
|--|-------------------------|-------------------------|
| Secured | | |
| Series 2007-1 Class A Notes, 4.92%, retired April 2010 | | \$326 |
| Series 2007-1 Class B Notes, 5.02%, retired April 2010 | | 24 |
| Series 2007-2 Class A Notes, one-month LIBOR plus 0.06% per year, due April 2012 | \$454 | 454 |
| Series 2007-2 Class B Notes, one-month LIBOR plus 0.18% per year, due April 2012 | 46 | 46 |

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| | | |
|--|----------------|---------|
| Mortgage payable, 7.68%, due April 2020 | 55 | 60 |
| Other | 14 | 15 |
| | 569 | 925 |
| Unsecured | | |
| Senior notes, 6.75%, due June 2014, net of unamortized discount | 399 | 399 |
| Senior notes, 6.25%, due January 2018, net of unamortized discount | 647 | 647 |
| Senior notes, 4.75%, due May 2020, net of unamortized discount | 498 | |
| Senior debentures, 6.95%, due March 2028 | 300 | 300 |
| Senior notes, 7.00%, due January 2038, net of unamortized discount | 343 | 343 |
| Other | 25 | (1) |
| | 2,212 | 1,688 |
| | | |
| Total long-term debt | 2,781 | 2,613 |
| Less: current portion | (6) | (356) |
| Total due beyond one year | \$2,775 | \$2,257 |

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The Series 2007-2 Class A & B Notes are secured by substantially all of the Nordstrom private label card receivables and a 90% interest in the Nordstrom VISA credit card receivables. Our mortgage payable is secured by an office building which had a net book value of \$75 at the end of 2010.

Nordstrom, Inc. and subsidiaries 51

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

During 2010, we retired our \$350 Series 2007-1 Class A & B Notes, which had been secured by our restricted receivables. We also issued \$500 of senior unsecured notes at 4.75%, due May 2020. After deducting the original issue discount of \$2, net proceeds from the offering were \$498.

Other secured debt as of January 29, 2011 consists primarily of capital lease obligations. Other unsecured debt as of January 29, 2011 consists primarily of an adjustment to the carrying value of our long-term debt associated with the fair value of our interest rate swaps.

We have interest rate swap agreements (collectively, the swap) with a \$650 notional amount maturing in 2018. Under the swap, we receive a fixed rate of 6.25% and pay a variable rate based on one-month LIBOR plus a margin of 2.9% (3.1% at January 29, 2011). See Note 1: Nature of Operations and Summary of Significant Accounting Policies for additional information related to our swap.

Required principal payments on long-term debt, excluding capital lease obligations, are as follows:

| Fiscal year | |
|--------------------|-------|
| 2011 | \$5 |
| 2012 | 505 |
| 2013 | 5 |
| 2014 | 405 |
| 2015 | 6 |
| Thereafter | 1,820 |

Interest Expense

The components of interest expense, net are as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|--|--------------|--------------|--------------|
| Interest on long-term debt and short-term borrowings | \$133 | \$148 | \$145 |
| Less: | | | |
| Interest income | (1) | (3) | (3) |
| Capitalized interest | (5) | (7) | (11) |
| Interest expense, net | \$127 | \$138 | \$131 |

Credit Facilities

As of January 29, 2011, we had total short-term borrowing capacity available for general corporate purposes of \$950. Of the total capacity, we had \$650 under our commercial paper program, which is backed by our unsecured revolving credit facility, and \$300 under our Variable Funding Note facility (2007-A VFN).

Our \$650 unsecured revolving credit facility (the revolver), which expires in August 2012, is available for working capital, capital expenditures and general corporate purposes. We have the option to increase the revolving commitment by up to \$100, to a total of \$750, provided that we obtain written consent from the lenders who choose to increase their commitment. Under the terms of the agreement, we pay a variable rate of interest and a facility fee based on our debt rating. The revolver requires that we maintain a leverage ratio of not greater than four times Adjusted Debt to Earnings before Interest, Income Taxes, Depreciation, Amortization and Rent (EBITDAR). The revolver also requires that we maintain a fixed charge coverage ratio of at least two times, defined as:

EBITDAR less gross capital expenditures

Interest expense, net + rent expense

As of January 29, 2011 and January 30, 2010 we were in compliance with these covenants.

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Our \$650 commercial paper program allows us to use the proceeds to fund share repurchases as well as operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect, while it is outstanding, of reducing borrowing capacity under our revolver by an amount equal to the principal amount of commercial paper.

At the end of both 2010 and 2009, we had no outstanding borrowings under our revolver and no outstanding issuances under our commercial paper program.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

During 2010, we renewed our 2007-A VFN. The 2007-A VFN has a capacity of \$300 and matures in January 2012. The 2007-A VFN is backed by substantially all of the Nordstrom private label card receivables and a 90% interest in the co-branded Nordstrom VISA credit card receivables. Borrowings under the 2007-A VFN incur interest based upon the cost of commercial paper issued by a third-party bank conduit plus specified fees. We pay a commitment fee for the notes based on the size of the commitment. At the end of both 2010 and 2009, we had no outstanding issuances against this facility.

Our wholly owned federal savings bank, Nordstrom fsb, also maintains a variable funding facility with a short-term credit capacity of \$100. This facility is backed by the remaining 10% interest in the Nordstrom VISA credit card receivables and is available, if needed, to provide liquidity support to Nordstrom fsb. At the end of 2010 and 2009, Nordstrom fsb had no outstanding borrowings under this facility. Borrowings under the facility incur interest based upon the cost of commercial paper issued by the third-party bank conduit plus specified fees.

NOTE 8: LEASES

We lease the land or the land and buildings at many of our stores. Additionally, we lease office facilities, warehouses and equipment. Most of these leases are classified as operating leases and they expire at various dates through 2080. The majority of our fixed, non-cancelable lease terms are 15 to 30 years for Nordstrom full-line stores and 10 to 15 years for Nordstrom Rack stores. Many of our leases include options that allow us to extend the lease term beyond the initial commitment period, subject to terms agreed to at lease inception. Most of our leases also provide for payment of operating expenses, such as common area charges, real estate taxes and other executory costs, and some leases require additional payments based on sales, referred to as percentage rent.

Future minimum lease payments as of January 29, 2011 are as follows:

| Fiscal year | Capital leases | Operating leases |
|--|-----------------------|-------------------------|
| 2011 | \$2 | \$111 |
| 2012 | 2 | 108 |
| 2013 | 2 | 100 |
| 2014 | 2 | 96 |
| 2015 | 3 | 92 |
| Thereafter | 4 | 524 |
| Total minimum lease payments | 15 | \$1,031 |
| Less: amount representing interest | (5) | |
| Present value of net minimum lease payments | \$10 | |

Rent expense for 2010, 2009 and 2008 was as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|-----------------------------------|-------------|-------------|-------------|
| Minimum rent: | | | |
| Store locations | \$94 | \$76 | \$63 |
| Offices, warehouses and equipment | 19 | 13 | 13 |
| Percentage rent | 9 | 9 | 9 |
| Property incentives | (60) | (55) | (48) |
| Total rent expense | \$62 | \$43 | \$37 |

The rent expense above does not include common area charges, real estate taxes and other executory costs which were \$65 in 2010, \$60 in 2009 and \$56 in 2008.

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

Our estimated total purchase obligations, capital expenditure contractual commitments and inventory purchase orders were \$1,302 as of January 29, 2011. In connection with the purchase of foreign merchandise, we have outstanding trade letters of credit totaling \$6 as of January 29, 2011.

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We are subject from time to time to various claims and lawsuits arising in the ordinary course of business including lawsuits alleging violations of state and/or federal wage and hour laws. Some of these suits purport or may be determined to be class actions and/or seek substantial damages and some may remain unresolved for several years. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. While we cannot predict the outcome of these matters with certainty, we do not believe any currently identified claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our results of operations, financial position or cash flows.

Nordstrom, Inc. and subsidiaries 53

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 10: SHAREHOLDERS' EQUITY**Share Repurchase Program**

In August 2010, our Board of Directors authorized a program to repurchase up to \$500 of our outstanding common stock, through January 28, 2012. The following is a summary of the activity related to our share repurchase programs in 2008, 2009 and 2010:

| Period | Shares | Average price per share | Amount |
|--|--------|----------------------------|----------------|
| Capacity at February 2, 2008 | | | \$1,364 |
| Shares repurchased | 6.9 | \$34.29 | (238) |
| Capacity at January 31, 2009 | | | \$1,126 |
| Shares repurchased | | | |
| Unused capacity upon program expiration in August 2009 | | | (1,126) |
| Capacity at January 30, 2010 | | | |
| August 2010 authorization | | | 500 |
| Shares repurchased | 2.3 | \$39.12 | (89) |
| Capacity at January 29, 2011 | | | \$411 |

The actual number and timing of future share repurchases, if any, will be subject to market conditions and applicable Securities and Exchange Commission rules.

Dividends

We paid dividends of \$0.76 per share in 2010 and \$0.64 per share in each of 2009 and 2008.

NOTE 11: STOCK COMPENSATION PLANS

We currently have three stock-based compensation plans: the 2010 Equity Incentive Plan (2010 Plan), our Employee Stock Purchase Plan and the 2002 Nonemployee Director Stock Incentive Plan.

In 2010, our shareholders approved the adoption of the 2010 Plan, which replaced the 2004 Equity Incentive Plan (2004 Plan). The 2010 Plan authorizes the grant of stock options, performance share units, restricted stock units, stock appreciation rights and both restricted and unrestricted shares of common stock to employees. The aggregate number of shares to be issued under the 2010 Plan may not exceed 11.6 plus any shares currently outstanding under the 2004 Plan, which are forfeited or which expire during the term of the 2010 Plan. No future grants will be made under the 2004 Plan. As of January 29, 2011, we have 54.4 shares authorized, 27.4 shares issued and outstanding and 11.8 shares available for grant.

Under the Employee Stock Purchase Plan (ESPP), employees may make payroll deductions of up to ten percent of their base and bonus compensation. At the end of each six-month offering period, participants may apply their accumulated payroll deductions toward the purchase of shares of our common stock at 90% of the fair market value on the last day of the offer period. As of January 29, 2011, we had 9.4 shares authorized and 1.3 shares available for issuance under the ESPP. We issued 0.4 shares under the ESPP during 2010. At the end of 2010 and 2009, we had current liabilities of \$5 and \$4, respectively, for future purchases of shares under the ESPP.

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The 2002 Nonemployee Director Stock Incentive Plan authorizes the grant of stock awards to our nonemployee directors. These awards may be deferred or issued in the form of restricted or unrestricted stock, non-qualified stock options or stock appreciation rights. As of January 29, 2011, we had 0.9 shares authorized and 0.6 remaining shares available for issuance. In 2010, we deferred shares with a total expense of \$1.

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The following table summarizes our stock-based compensation expense:

| Fiscal year | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|
| Stock options | \$35 | \$26 | \$24 |
| Performance share units | 3 | 3 | |
| Employee stock purchase plan | 2 | 1 | 2 |
| Other | 2 | 2 | 2 |
| Total stock-based compensation expense before income tax benefit | 42 | 32 | 28 |
| Income tax benefit | (16) | (12) | (10) |
| Total stock-based compensation expense, net of income tax benefit | \$26 | \$20 | \$18 |

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

The stock-based compensation expense before income tax benefit was recorded in our consolidated statements of earnings as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|---|-------------|-------------|-------------|
| Cost of sales and related buying and occupancy costs | \$13 | \$10 | \$10 |
| Selling, general and administrative expenses | 29 | 22 | 18 |
| Total stock-based compensation expense before income tax benefit | \$42 | \$32 | \$28 |

The benefits of tax deductions in excess of the compensation cost recognized for stock-based awards are classified as financing cash inflows and are reflected as Excess tax benefit from stock-based compensation in the consolidated statements of cash flows.

Stock Options

We used the following assumptions to estimate the fair value for stock options at grant date:

| Fiscal year | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|
| Risk-free interest rate: Represents the yield on U.S. Treasury zero-coupon securities that mature over the 10-year life of the stock options. | 0.5% - 4.0% | 0.7% - 3.3% | 2.0% - 4.3% |
| Weighted average volatility: Based on a combination of the historical volatility of our common stock and the implied volatility of exchange traded options for our common stock. | 40.0% | 61.0% | 45.0% |
| Weighted average expected dividend yield: Our forecasted dividend yield for the next ten years. | 1.3% | 1.3% | 1.3% |
| Expected life in years: Represents the estimated period of time until option exercise. The expected term of options granted was derived from the output of the Binomial Lattice option valuation model and was based on our historical exercise behavior, taking into consideration the contractual term of the option and our employees' expected exercise and post-vesting employment termination behavior. | 5.7 | 5.3 | 5.5 |

The weighted average fair value per option at the grant date was \$13, \$7 and \$15 in 2010, 2009 and 2008. In 2010, 2009 and 2008, stock option awards to employees were approved by the Compensation Committee of our Board of Directors and their exercise price was set at \$36.94, \$13.47 and \$38.02, the closing price of our common stock on February 26, 2010, February 27, 2009 and February 28, 2008 (the dates of grant). The stock option awards provide recipients with the opportunity for financial rewards when our stock price increases. The awards are determined based upon a percentage of the recipients' base salary and the fair value of the stock options. In 2010, we awarded stock options to 1,259 employees compared with 1,213 and 1,230 employees in 2009 and 2008.

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As of January 29, 2011, we have 14.7 options outstanding under the 2010 Plan. Options vest over four years, and expire ten years after the date of grant. A summary of the stock option activity for 2010 is presented below:

| Fiscal year | 2010 | | | | Aggregate intrinsic value |
|--|-------------|--|---|--|---------------------------------|
| | Shares | Weighted- average exercise price | Weighted-average remaining contractual life (years) | | |
| Outstanding, beginning of year | 14.5 | \$24 | | | |
| Granted | 2.6 | 37 | | | |
| Exercised | (2.1) | 17 | | | |
| Cancelled | (0.3) | 30 | | | |
| Expired | | 11 | | | |
| Outstanding, end of year | 14.7 | \$27 | 6 | | \$218 |
| Options exercisable at end of year | 7.5 | \$28 | 5 | | \$111 |
| Options vested or expected to vest at end of year | 13.8 | \$27 | 6 | | \$204 |

The total intrinsic value of options exercised during 2010, 2009 and 2008 was \$51, \$23 and \$14. The total fair value of stock options vested during 2010, 2009 and 2008 was \$27, \$25 and \$24. As of January 29, 2011, the total unrecognized stock-based compensation expense related to nonvested stock options was \$36, which is expected to be recognized over a weighted average period of 28 months.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Performance Share Units

We grant performance share units to executive officers as one of the ways to align compensation with shareholder interests. Performance share units vest after a three-year period only when our total shareholder return (reflecting daily stock price appreciation and compounded reinvestment of dividends) is positive and outperforms companies in a defined group of competitors determined by the Compensation Committee of our Board of Directors. The percentage of units that are earned depends on our relative position at the end of the vesting period and can range from 0% to 125% of the number of units granted.

Performance share units are payable in either cash or stock as elected by the employee; therefore, they are classified as a liability award. The liability is remeasured, with a corresponding adjustment to earnings, at each fiscal quarter-end during the vesting period. The performance share unit liability is remeasured using the estimated percentage of units earned multiplied by the closing market price of our common stock on the current period-end date and is pro-rated based on the amount of time passed in the vesting period. The price used to issue stock or cash for the performance share units upon vesting is the closing market price of our common stock on the vest date.

Following is a summary of performance share unit activity:

| | (68,503) | (68,503) | (68,503) |
|--|----------------|----------------|----------------|
| Fiscal year | 2010 | 2009 | 2008 |
| Outstanding, beginning of year | 209,446 | 117,389 | 113,743 |
| Granted | 70,530 | 144,891 | 79,504 |
| Vested but unearned | | (44,827) | (57,006) |
| Vested and earned | (68,503) | | |
| Cancelled | (12,287) | (8,007) | (18,852) |
| Outstanding, end of year | 199,186 | 209,446 | 117,389 |
| Total fair value of performance share units earned | \$2 | | |
| Total fair value of performance share units settled or to be settled in cash | \$2 | | |

As of January 29, 2011 and January 30, 2010, our other liabilities included \$6 and \$3 for performance share units. As of January 31, 2009, we had no liabilities related to performance share units. As of January 29, 2011, the remaining unrecognized stock-based compensation expense for unvested performance share units was \$2, which is expected to be recognized over a weighted average period of 12 months.

NOTE 12: INCOME TAXES

Income tax expense consists of the following:

| | \$378 | \$378 | \$378 |
|----------------------------------|-------------|-------------|-------------|
| Fiscal year | 2010 | 2009 | 2008 |
| Current income taxes: | | | |
| Federal | \$ 324 | \$ 275 | \$ 244 |
| State and local | 52 | 38 | 39 |
| Total current income tax expense | 376 | 313 | 283 |

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| | | | |
|---|---------------|---------------|---------------|
| Deferred income taxes: | | | |
| Current | 2 | (28) | (29) |
| Non-current | | (30) | (7) |
| Total deferred income tax expense (benefit) | 2 | (58) | (36) |
| Total income tax expense | \$ 378 | \$ 255 | \$ 247 |

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

| | \$378 | \$378 | \$378 |
|---|--------------|--------------|--------------|
| Fiscal year | 2010 | 2009 | 2008 |
| Statutory rate | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal income taxes | 3.4 | 3.5 | 3.4 |
| Deferred tax adjustment | | (1.8) | (3.2) |
| Permanent differences | (0.2) | (0.6) | 2.0 |
| Other, net | | 0.5 | 0.9 |
| Effective tax rate | 38.2% | 36.6% | 38.1% |

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

In 2009 and 2008, the IRS completed its routine examination of our federal filings for the 2007 and 2002 through 2006 years, respectively. As a result of adjustments identified in the IRS examinations and revisions of estimates, we increased our deferred tax assets, which resulted in a reduction in our effective tax rate in 2009 and 2008.

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

| | January 29, 2011 | January 30, 2010 |
|--|------------------|------------------|
| Compensation and benefits accruals | \$146 | \$123 |
| Accrued expenses | 75 | 67 |
| Merchandise inventories | 25 | 24 |
| Land, buildings and equipment basis and depreciation differences | | 13 |
| Gift cards and gift certificates | 18 | 18 |
| Loyalty reward certificates | 17 | 12 |
| Allowance for credit losses | 56 | 74 |
| Federal benefit of state taxes | 9 | 11 |
| Other | 14 | 11 |
| Total deferred tax assets | 360 | 353 |
| Land, buildings and equipment basis and depreciation differences | (4) | |
| Total deferred tax liabilities | (4) | |
| Net deferred tax assets | \$356 | \$353 |

A reconciliation of the beginning and ending amount of unrecognized tax benefits for 2010, 2009 and 2008 is as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|---|-------------|-------------|-------------|
| Unrecognized tax benefit at beginning of year | \$43 | \$28 | \$27 |
| Gross increase to tax positions in prior periods | 3 | 18 | 2 |
| Gross decrease to tax positions in prior periods | (3) | (3) | (1) |
| Gross increase to tax positions in current period | 3 | 3 | 4 |
| Lapse of statute | | | (1) |
| Settlements | (3) | (3) | (3) |
| Unrecognized tax benefit at end of year | \$43 | \$43 | \$28 |

At the end of 2010, 2009 and 2008, \$22, \$25 and \$10 of the ending gross unrecognized tax benefit balance relates to deferred items which, if recognized, would not impact the effective tax rate.

Our income tax expense included \$5 in 2010 and \$2 in each of 2009 and 2008 of tax-related interest and penalties. At the end of 2010, 2009 and 2008, our liability for interest and penalties was \$11, \$7 and \$6.

We file income tax returns in federal and various state and local jurisdictions. With few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations for years before 2001. The federal tax return for 2008 is under concurrent year processing (accelerated audits), which is expected to be completed in 2011. We also currently have an open audit in France for the years 2001 through 2004, related to our Façonnable business which we sold in 2007. Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by \$15 by January 28, 2012, subject to the completion of examinations and the expiration of various statutes of limitations.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 13: EARNINGS PER SHARE

Earnings per basic share is computed using the weighted average number of common shares outstanding during the year. Earnings per diluted share uses the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents, primarily stock options.

The computation of earnings per share is as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|-----------------------------------|---------------|-------------|-------------|
| Net earnings | \$613 | \$441 | \$401 |
| Basic shares | 218.8 | 216.8 | 216.6 |
| Dilutive effect of stock options | 3.8 | 2.9 | 2.6 |
| Diluted shares | 222.6 | 219.7 | 219.2 |
| Earnings per basic share | \$2.80 | \$2.03 | \$1.85 |
| Earnings per diluted share | \$2.75 | \$2.01 | \$1.83 |

Options and other equity instruments totaling 6.1 shares in 2010, 7.2 shares in 2009 and 4.9 shares in 2008 were excluded from earnings per diluted share because their impact was anti-dilutive.

NOTE 14: SEGMENT REPORTING

Through 2009, our reportable segments consisted of **Retail Stores, Direct** and **Credit**. Our **Retail Stores** segment included our Nordstrom full-line stores and our Nordstrom Rack off-price stores. Our **Direct** segment consisted of our online store, nordstrom.com.

Effective with the first quarter of 2010, we now view our Nordstrom full-line stores and our Nordstrom online store as a single Nordstrom operating segment. Through our multi-channel initiatives, we have substantially integrated the operations, merchandising and technology of our Nordstrom full-line and online stores, consistent with our customers' expectations of a seamless shopping experience regardless of channel. As a result, we have also realigned our internal reporting to our president, who is our chief operating decision maker, to be consistent with these multi-channel initiatives. We aggregate our Nordstrom and Nordstrom Rack operating segments into a single reportable segment, which we refer to as **Retail**, based on their similar economic and other qualitative characteristics.

Through our **Credit** segment, we provide our customers with a variety of payment products and services, including a Nordstrom private label card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. Our credit and debit card products also include a loyalty program that provides benefits to our cardholders based on their level of spending.

Amounts in the **Corporate/Other** column include unallocated corporate expenses and assets, inter-segment eliminations and other adjustments to segment results necessary for the presentation of consolidated financial results in accordance with generally accepted accounting principles.

In general, we use the same measurements to compute earnings before income taxes for reportable segments as we do for the consolidated company. However, redemptions of our Nordstrom Notes[®] are included in net sales for our Retail segment. The sales amount in our Corporate/Other column includes an entry to eliminate these transactions from our consolidated net sales. There is no impact to consolidated earnings before income taxes for this adjustment. In addition, our sales return reserve and other corporate adjustments are recorded in the Corporate/Other column. Other than as described above, the accounting policies of the operating segments are the same as those described in the

summary of significant accounting policies in Note 1.

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

The following tables set forth information for our reportable segments. The segment information for fiscal years 2009 and 2008 presented below has been adjusted to reflect our 2010 reportable segments.

| Fiscal year 2010 | Retail | Credit | Corporate/Other | Total |
|--|---------------|---------------|------------------------|----------------|
| Net sales | \$9,420 | | \$(110) | \$9,310 |
| Net sales increase | 12.6% | N/A | N/A | 12.7% |
| Credit card revenues | | \$390 | | 390 |
| Earnings (loss) before interest and income taxes | 1,406 | 51 | (339) | 1,118 |
| Interest expense, net | | (21) | (106) | (127) |
| Earnings (loss) before income taxes | 1,406 | 30 | (445) | 991 |
| Earnings (loss) before income taxes | | | | |
| as a % of net sales | 14.9% | N/A | N/A | 10.6% |
| Capital expenditures | 361 | 1 | 37 | 399 |
| Depreciation and amortization | 295 | 2 | 30 | 327 |
| Goodwill | 53 | | | 53 |
| Assets ¹ | 3,234 | 2,060 | 2,168 | 7,462 |
| Fiscal year 2009 | Retail | Credit | Corporate/Other | Total |
| Net sales | \$8,363 | | \$(105) | \$8,258 |
| Net sales decrease | (0.1%) | N/A | N/A | (0.2%) |
| Credit card revenues | | \$370 | (1) | 369 |
| Earnings (loss) before interest and income taxes | 1,191 | (41) | (316) | 834 |
| Interest expense, net | | (41) | (97) | (138) |
| Earnings (loss) before income taxes | 1,191 | (82) | (413) | 696 |
| Earnings (loss) before income taxes | | | | |
| as a % of net sales | 14.2% | N/A | N/A | 8.4% |
| Capital expenditures | 341 | 7 | 12 | 360 |
| Depreciation and amortization | 281 | 2 | 30 | 313 |
| Goodwill | 53 | | | 53 |
| Assets ¹ | 2,929 | 2,070 | 1,580 | 6,579 |
| Fiscal year 2008 | Retail | Credit | Corporate/Other | Total |
| Net sales | \$8,372 | | \$(100) | \$8,272 |
| Net sales decrease | (4.9%) | N/A | N/A | (6.3%) |
| Credit card revenues | | \$302 | (1) | 301 |
| Earnings (loss) before interest and income taxes | 1,071 | (22) | (270) | 779 |
| Interest expense, net | | (50) | (81) | (131) |
| Earnings (loss) before income taxes | 1,071 | (72) | (351) | 648 |
| Earnings (loss) before income taxes | | | | |
| as a % of net sales | 12.8% | N/A | N/A | 7.8% |
| Capital expenditures | 544 | 2 | 17 | 563 |
| Depreciation and amortization | 267 | 1 | 34 | 302 |

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| | | | | |
|---------------------|-------|-------|-----|--------------|
| Goodwill | 53 | | | 53 |
| Assets ¹ | 2,863 | 1,963 | 835 | 5,661 |

¹Assets in Corporate/Other include unallocated assets in corporate headquarters, consisting primarily of cash, land, buildings and equipment and deferred tax assets.

Nordstrom, Inc. and subsidiaries 59

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

Within our reportable segments we also monitor sales by channel, as we believe sales are an important measure of our performance. Net sales by channel were as follows:

| Fiscal year | 2010 | 2009 | 2008 |
|----------------------------|----------------|-------------|-------------|
| Nordstrom full-line stores | \$6,995 | \$6,360 | \$6,630 |
| Direct | 705 | 563 | 501 |
| Nordstrom | 7,700 | 6,923 | 7,131 |
| Nordstrom Rack and other | 1,720 | 1,440 | 1,241 |
| Total Retail segment sales | 9,420 | 8,363 | 8,372 |
| Corporate/Other | (110) | (105) | (100) |
| Total net sales | \$9,310 | \$8,258 | \$8,272 |

Online orders fulfilled from our Nordstrom full-line stores are included in Direct sales. Items purchased online and picked up in our Nordstrom full-line stores are included in Nordstrom full-line store sales. Prior to February 2010, merchandise purchased from our online store that was later returned to our Nordstrom full-line stores was reported as a deduction from Nordstrom full-line store sales. Beginning in February 2010, we now deduct these returns from Direct sales instead of from Nordstrom full-line store sales in order to better align sales and sales returns within each channel. For purposes of comparison, 2009 and 2008 net sales results for both Nordstrom full-line stores and Direct have been revised to reflect this realignment of returns. This realignment of sales returns between channels had no effect on total Retail segment sales.

The following table summarizes net sales by merchandise category:

| Fiscal year | 2010 | | 2009 | | 2008 | |
|------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Net sales | % of total | Net sales | % of total | Net sales | % of total |
| Women's apparel | \$3,184 | 34% | \$2,845 | 34% | \$2,812 | 34% |
| Shoes | 2,094 | 23% | 1,787 | 22% | 1,721 | 21% |
| Men's apparel | 1,415 | 15% | 1,262 | 15% | 1,362 | 16% |
| Women's accessories | 1,101 | 12% | 970 | 12% | 963 | 12% |
| Cosmetics | 972 | 10% | 895 | 11% | 921 | 11% |
| Children's apparel | 303 | 3% | 283 | 3% | 269 | 3% |
| Other | 241 | 3% | 216 | 3% | 224 | 3% |
| Total net sales | \$9,310 | 100% | \$8,258 | 100% | \$8,272 | 100% |

Table of Contents**Nordstrom, Inc.****Notes to Consolidated Financial Statements**

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

NOTE 15: SELECTED QUARTERLY DATA (UNAUDITED)

| Fiscal year 2010 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
|--|--------------------|--------------------|--------------------|--------------------|----------------|
| Net sales | \$1,990 | \$2,417 | \$2,087 | \$2,816 | \$9,310 |
| Same-store sales percentage change | 12.0% | 8.4% | 5.8% | 6.7% | 8.1% |
| Credit card revenues | 97 | 98 | 95 | 100 | 390 |
| Gross profit ¹ | 747 | 852 | 756 | 1,058 | 3,413 |
| Selling, general and administrative expenses: | | | | | |
| Retail | 533 | 613 | 569 | 697 | 2,412 |
| Credit | 92 | 65 | 61 | 55 | 273 |
| Earnings before income taxes | 188 | 240 | 190 | 373 | 991 |
| Net earnings | 116 | 146 | 119 | 232 | 613 |
| Net earnings as a percentage of total revenues | 5.6% | 5.8% | 5.4% | 8.0% | 6.3% |
| Earnings per basic share | \$0.53 | \$0.67 | \$0.54 | \$1.06 | \$2.80 |
| Earnings per diluted share | \$0.52 | \$0.66 | \$0.53 | \$1.04 | \$2.75 |
| Fiscal year 2009 | | | | | |
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
| Net sales | \$1,706 | \$2,145 | \$1,868 | \$2,539 | \$8,258 |
| Same-store sales percentage change | (13.2%) | (9.8%) | (1.2%) | 6.9% | (4.2%) |
| Credit card revenues | 86 | 87 | 95 | 101 | 369 |
| Gross profit ¹ | 599 | 727 | 658 | 946 | 2,930 |
| Selling, general and administrative expenses: | | | | | |
| Retail | 447 | 531 | 500 | 631 | 2,109 |
| Credit | 92 | 77 | 81 | 106 | 356 |
| Earnings before income taxes | 115 | 170 | 134 | 277 | 696 |
| Net earnings | 81 | 105 | 83 | 172 | 441 |
| Net earnings as a percentage of total revenues | 4.5% | 4.7% | 4.2% | 6.5% | 5.1% |
| Earnings per basic share | \$0.38 | \$0.49 | \$0.38 | \$0.79 | \$2.03 |
| Earnings per diluted share | \$0.37 | \$0.48 | \$0.38 | \$0.77 | \$2.01 |

¹Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs.**NOTE 16: SUBSEQUENT EVENT**

In February 2011, we entered into an agreement to acquire HauteLook, Inc., an online private sale retailer, for \$180 in Nordstrom stock, with a portion subject to ongoing vesting requirements. In addition, the agreement provides for additional payments of up to \$90 in Nordstrom stock under a three-year earn-out provision which is subject to HauteLook's performance and vesting requirements for HauteLook's existing management team. The transaction is expected to close in the first quarter of 2011 and is subject to customary closing conditions, including regulatory and HauteLook shareholder approvals.

Table of Contents

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Table of Contents

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

None.

Item 9A. Controls and Procedures.

As of the end of the period covered by this Annual Report on Form 10-K, the Company performed an evaluation under the supervision and with the participation of management, including our President and Chief Financial Officer, of the design and effectiveness of our disclosure controls and procedures (as defined in rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, our President and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the Commission's rules and forms. Our President and Chief Financial Officer also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

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

| | Page |
|---|-------------|
| <u>Management's Report on Internal Control Over Financial Reporting</u> | 36 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 37 |

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this item is included in the following sections of our Proxy Statement for our 2011 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Executive Officers

Election of Directors

Board Committees

Director Nominating Process

Website Access to Corporate Governance Documents

Section 16(a) Beneficial Ownership Reporting Compliance

Corporate Governance

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The certifications of our President and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as exhibits to this Annual Report on Form 10-K and were included as exhibits to each of our quarterly reports on Form 10-Q. Our President certified to the New York Stock Exchange (NYSE) on June 11, 2010 pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2011 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Compensation of Executive Officers

Compensation Discussion and Analysis

Director Compensation

Compensation Committee Interlocks and Insider Participation

Nordstrom, Inc. and subsidiaries 63

Table of Contents

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

The information required under this item is included in the following sections of our Proxy Statement for our 2011 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Security Ownership of Certain Beneficial Owners and Management

Equity Compensation Plans

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

The information required under this item is included in the following sections of our Proxy Statement for our 2011 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Election of Directors

Certain Relationships and Related Transactions

Item 14. Principal Accounting Fees and Services.

The information required under this item is included in the following section of our Proxy Statement for our 2011 Annual Meeting of Shareholders, which section is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Ratification of the Appointment of Independent Registered Public Accounting Firm

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(a)1. FINANCIAL STATEMENTS

| | Page |
|---|-------------|
| <u>Management's Report on Internal Control Over Financial Reporting</u> | 36 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 37 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 38 |
| <u>Consolidated Statements of Earnings</u> | 39 |
| <u>Consolidated Balance Sheets</u> | 40 |
| <u>Consolidated Statements of Shareholders' Equity</u> | 41 |
| <u>Consolidated Statements of Cash Flows</u> | 42 |

(a)3. EXHIBITS

Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on pages 67 through 73 hereof.

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

Table of Contents

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

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

Date: March 18, 2011

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

Principal Financial Officer:

/s/ Michael G. Koppel
Michael G. Koppel
Executive Vice President and Chief Financial Officer

Principal Executive Officer:

/s/ Blake W. Nordstrom
Blake W. Nordstrom
President

Principal Accounting Officer:

/s/ James A. Howell
James A. Howell
Vice President, Finance

Directors:

| | |
|--|--|
| /s/ Phyllis J. Campbell Phyllis J. Campbell Director | /s/ Enrique Hernandez, Jr. Enrique Hernandez, Jr. Chairman of the Board of Directors |
|--|--|

| | |
|--|--|
| /s/ Robert G. Miller Robert G. Miller Director | /s/ Blake W. Nordstrom Blake W. Nordstrom Director |
|--|--|

| | |
|--|--|
| /s/ Erik B. Nordstrom Erik B. Nordstrom Director | /s/ Peter E. Nordstrom Peter E. Nordstrom Director |
|--|--|

| | |
|--|--|
| /s/ Philip G. Satre Philip G. Satre Director | /s/ Felicia D. Thornton Felicia D. Thornton Director |
|--|--|

| | |
|--|--|
| /s/ B. Kevin Turner B. Kevin Turner Director | /s/ Robert D. Walter Robert D. Walter Director |
|--|--|

/s/ Alison A. Winter

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Alison A. Winter
Director

Date: March 18, 2011

Nordstrom, Inc. and subsidiaries 65

Table of Contents

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-166961, 333-161803, 333-63403, 333-40064, 333-40066, 333-79791, 333-101110, 333-118756, and 333-146049 on Form S-8 of our reports dated March 18, 2011, relating to the consolidated financial statements of Nordstrom, Inc. and subsidiaries, and the effectiveness of Nordstrom, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Nordstrom, Inc. for the year ended January 29, 2011.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 18, 2011

66

Table of Contents**Nordstrom, Inc. and Subsidiaries****Exhibit Index**

| | Exhibit | Method of Filing |
|------|---|--|
| 3.1 | Articles of Incorporation as amended and restated on May 25, 2005 | Incorporated by reference from the Registrant's Form 8-K filed on May 31, 2005, Exhibit 3.1 |
| 3.2 | Bylaws, as amended and restated on November 19, 2008 | Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 3.1 |
| 4.1 | Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998 | Incorporated by reference from Registration No. 333-47035, Exhibit 4.1 |
| 4.2 | Senior indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 | Incorporated by reference from Registration No. 333-69281, Exhibit 4.3 |
| 4.3 | Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 | Incorporated by reference from Registration No. 333-69281, Exhibit 4.4 |
| 4.4 | Series 2007-2 Note purchase agreement, dated as of April 25, 2007, by and between Nordstrom Credit Card Master Note Trust II and J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc., as representative of the initial purchasers | Incorporated by reference from the Registrant's Form 8-K filed on May 1, 2007, Exhibit 4.2 |
| 4.5 | Amended and Restated Master Indenture, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II and Wells Fargo Bank, National Association, as indenture trustee | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 4.1 |
| 4.6 | Series 2007-2 Indenture Supplement, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II and Wells Fargo Bank, National Association, as indenture trustee | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 4.3 |
| 4.7 | Form of 6.25% Note due January 2018 | Incorporated by reference from the Registrant's Form 8-K filed on December 3, 2007, Exhibit 4.1 |
| 4.8 | Form of 6.75% Note due June 2014 | Incorporated by reference from the Registrant's Form 8-K filed on May 26, 2009, Exhibit 4.1 |
| 4.9 | Note Purchase Agreement, dated as of November 13, 2009, by and between Nordstrom Credit Card Receivables II LLC, Nordstrom fsb, Nordstrom Credit, Inc., Falcon Asset Securitization Company, LLC and J.P. Morgan Chase Bank, N.A. | Incorporated by reference from the Registrant's Form 8-K filed on November 18, 2009, Exhibit 4.2 |
| 4.10 | First Amendment to the Note Purchase Agreement dated November 13, 2009, by and between Nordstrom Credit Card Receivables II LLC, Nordstrom fsb, Nordstrom Credit, Inc., Falcon Asset Securitization Company, LLC and J.P. Morgan Chase Bank, N.A., dated January 20, 2010 | Incorporated by reference from the Registrant's Form 8-K filed on January 21, 2010, Exhibit 4.1 |

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- | | | |
|------|---|---|
| 4.11 | Form of 4.75% Note due May 1, 2020 | Incorporated by reference from the Registrant's Form 8-K filed on April 23, 2010, Exhibit 4.1 |
| 4.12 | Second Amendment to the Note Purchase Agreement dated November 13, 2009, by and between Nordstrom Credit Card Receivables II LLC, Nordstrom fsb, Nordstrom Credit, Inc., the conduit purchasers from time to time party thereto, the committed purchasers from time to time party thereto, the agents from time to time party thereto, and the administrative agent, dated January 11, 2011 | Incorporated by reference from the Registrant's Form 8-K filed on January 13, 2011, Exhibit 4.1 |

Nordstrom, Inc. and subsidiaries 67

Table of Contents

| | Exhibit | Method of Filing |
|--------|---|--|
| 10.1 | Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1991, Exhibit 10.1 |
| 10.2 | Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc. | Incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1 |
| 10.3* | 1997 Nordstrom Stock Option Plan, amended and restated on February 16, 2000 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.1 |
| 10.4 | Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc. | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1 |
| 10.5 | Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A. | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3 |
| 10.6 | Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A. | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002, Exhibit 10.38 |
| 10.7 | Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.2 |
| 10.8 | Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and Life Investors Insurance Company of America | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.3 |
| 10.9 | Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.4 |
| 10.10 | The 2002 Nonemployee Director Stock Incentive Plan | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002, Exhibit 10.1 |
| 10.11* | Nordstrom, Inc. Leadership Separation Plan (Effective March 1, 2005) | Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended January 29, 2005, Exhibit 10.43 |
| 10.12* | Nordstrom, Inc. Executive Management Group Bonus Plan | Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004 |
| 10.13* | 2004 Equity Incentive Plan | Incorporated by reference from the Registrant's definitive proxy statement filed with the Commission on April 15, 2004 |
| 10.14 | Commitment of Nordstrom, Inc. to Nordstrom fsb dated June 17, 2004 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.4 |
| 10.15 | Nordstrom fsb Segregated Earmarked Deposit Agreement and Security Agreement by and between Nordstrom fsb and | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, |

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

68

Table of Contents

| | Exhibit | Method of Filing |
|--------|---|--|
| 10.16 | Revolving Credit Facility Agreement dated November 4, 2005, between Registrant and each of the initial lenders named therein as Lenders, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Syndication Agents, U.S. Bank, National Association, as Documentation Agent and Bank of America, N.A. as administrative agent | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005, Exhibit 10.1 |
| 10.17 | Director Compensation Summary | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 3, 2007, Exhibit 10.54 |
| 10.18* | 2007 Stock Option Notice Award Agreement and Form of Notice | Incorporated by reference from the Registrant's Form 8-K filed on February 26, 2007, Exhibit 10.1 |
| 10.19 | Form of Restricted Stock Award under the 2002 Nonemployee Director Stock Incentive Plan | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007, Exhibit 10.1 |
| 10.20 | Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan (2007 Amendment) | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.39 |
| 10.21* | Nordstrom Executive Deferred Compensation Plan (2007) | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.40 |
| 10.22 | Nordstrom Directors Deferred Compensation Plan (2007) | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.41 |
| 10.23* | Nordstrom, Inc. 2004 Equity Incentive Plan (2007 Amendment) | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.44 |
| 10.24 | First Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated March 1, 2000 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.32 |
| 10.25 | Second Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated March 2, 2000 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.33 |
| 10.26 | Third Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated October 1, 2001 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.34 |
| 10.27 | Fourth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated November 1, 2002 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.35 |
| 10.28 | Fifth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated November 1, 2005 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.36 |
| 10.29* | Forms of Notice of 2001 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.40 |
| 10.30 | | |

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| | Sixth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated May 1, 2007 | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.37 |
| 10.31* | Forms of Notice of 1999 Stock Option Grant and Stock Option Agreements under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.38 |

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

Nordstrom, Inc. and subsidiaries 69

Table of Contents

| | Exhibit | Method of Filing |
|--------|---|--|
| 10.32* | Form of Notice of 2002 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.41 |
| 10.33* | Form of Notice of 2003 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.42 |
| 10.34* | Form of Notice of 2004 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.43 |
| 10.35* | Form of Notice of 2005 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 2004 Equity Incentive Plan | Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 10.1 |
| 10.36* | Form of Notice of 2006 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 2004 Equity Incentive Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.45 |
| 10.37 | Participation Agreement, dated as of May 1, 2007, by and between Nordstrom fsb, as seller and Nordstrom Credit, Inc., as purchaser | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.1 |
| 10.38 | Servicing Agreement, dated as of May 1, 2007, by and between Nordstrom fsb, and Nordstrom Credit, Inc. | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.2 |
| 10.39 | Amended and Restated Receivables Purchase Agreement, dated as of May 1, 2007, by and between Nordstrom Credit, Inc., as seller and Nordstrom Credit Card Receivables II LLC, as purchaser | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.3 |
| 10.40 | Amended and Restated Transfer and Servicing Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Receivables II LLC, as transferor, Nordstrom fsb, as servicer, Wells Fargo Bank, National Association, as indenture trustee, and Nordstrom Credit Card Master Note Trust II, as issuer | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.4 |
| 10.41 | Second Amended and Restated Trust Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Receivables II LLC, as transferor, and Wilmington Trust Company, as owner trustee | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.5 |
| 10.42 | Amended and Restated Administration Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II, as issuer, and Nordstrom fsb, as administrator | Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.6 |
| 10.43* | Amendment 2006-1 to the Nordstrom, Inc. Leadership Separation Plan | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.56 |
| 10.44 | Notice of Exercise of Accordion on Revolving Credit Facility Agreement dated May 13, 2008 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 2, 2008, Exhibit 10.1 |

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| 10.45* | Nordstrom 401(k) Plan & Profit Sharing, amended and restated on August 27, 2008 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008, Exhibit 10.1 |
| 10.46* | Nordstrom, Inc. Employee Stock Purchase Plan, amended and restated on August 27, 2008 | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008, Exhibit 10.2 |

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

70

Table of Contents

| | Exhibit | Method of Filing |
|--------|---|---|
| 10.47* | Nordstrom, Inc. 2004 Equity Incentive Plan (2008 Amendment) | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2008, Exhibit 10.1 |
| 10.48* | Amendment 2008-1 to the Nordstrom Executive Deferred Compensation Plan (2007) | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2008, Exhibit 10.2 |
| 10.49* | Amendment 2008-1, Nordstrom, Inc. Leadership Separation Plan | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2008, Exhibit 10.3 |
| 10.50* | Nordstrom Supplemental Executive Retirement Plan (2008) | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2008, Exhibit 10.4 |
| 10.51* | 2008 Stock Option Notice Award Agreement and Form of Notice | Incorporated by reference from the Registrant s Form 8-K filed on February 22, 2008, Exhibit 10.1 |
| 10.52* | 2008 Performance Share Unit Agreement and Form of Notice | Incorporated by reference from the Registrant s Form 8-K filed on February 22, 2008, Exhibit 10.2 |
| 10.53* | Form of Notice of 2000 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan | Incorporated by reference from the Registrant s Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.39 |
| 10.54 | 2009 Form of Independent Director Indemnification Agreement | Incorporated by reference from the Registrant s Form 8-K filed on March 3, 2009, Exhibit 10.1 |
| 10.55* | 2009 Nonqualified Stock Option Grant Agreement and Form of Notice | Incorporated by reference from the Registrant s Form 8-K filed on March 3, 2009, Exhibit 10.2 |
| 10.56* | 2009 Performance Share Unit Award Agreement and Form of Notice | Incorporated by reference from the Registrant s Form 8-K filed on March 3, 2009, Exhibit 10.3 |
| 10.57* | Amendment 2009-1 to the Nordstrom Supplemental Executive Retirement Plan | Incorporated by reference from the Registrant s Form 8-K filed on March 3, 2009, Exhibit 10.4 |
| 10.58* | Amendment 2009-1 to the Nordstrom 401(k) Plan & Profit Sharing | Incorporated by reference from the Registrant s Form 8-K filed on March 3, 2009, Exhibit 10.5 |
| 10.59* | Nordstrom, Inc. Executive Management Bonus Plan | Incorporated by reference from the Registrant s Form 10-Q for the quarter ended May 2, 2009, Exhibit 10.6 |
| 10.60* | Amendment 2008-2 to the Nordstrom Executive Deferred Compensation Plan | Incorporated by reference from the Registrant s Form S-8 filed on September 9, 2009, Exhibit 10.4 |
| 10.61 | Amendment 2009-1 to the Nordstrom Directors Deferred Compensation Plan | Incorporated by reference from the Registrant s Form S-8 filed on September 9, 2009, Exhibit 10.5 |
| 10.62* | 2010 Stock Option Award Agreement | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2009, Exhibit 10.1 |
| 10.63* | 2010 Performance Share Unit Award Agreement | Incorporated by reference from the Registrant s Form 8-K filed on November 24, 2009, Exhibit 10.2 |
| 10.64 | Confirmation of transaction between The Royal Bank of Scotland plc and Nordstrom Inc., dated as of December 22, 2009 | Incorporated by reference from the Registrant s Form 8-K filed on December 23, 2009, Exhibit 10.1 |

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10.65 Confirmation of transaction between Wachovia Bank N.A. and Nordstrom Inc., dated as of December 22, 2009 Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2009, Exhibit 10.2

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

Nordstrom, Inc. and subsidiaries 71

Table of Contents

| | Exhibit | Method of Filing |
|--------|--|---|
| 10.66* | Nordstrom, Inc. 2010 Equity Incentive Plan | Incorporated by reference to Appendix A to the Registrant's Form DEF 14A filed on April 8, 2010 |
| 10.67* | Amendment 2009-2 to the Nordstrom 401(k) Plan & Profit Sharing | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended May 1, 2010, Exhibit 10.2 |
| 10.68* | Amendment 2009-3 to the Nordstrom 401(k) Plan & Profit Sharing | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended May 1, 2010, Exhibit 10.3 |
| 10.69* | Amendment 2010-1 to the Nordstrom 401(k) Plan & Profit Sharing | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended May 1, 2010, Exhibit 10.4 |
| 10.70* | Amendment 2010-2 to the Nordstrom 401(k) Plan & Profit Sharing | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended May 1, 2010, Exhibit 10.5 |
| 10.71 | Press release dated August 19, 2010 announcing that its Board of Directors authorized a \$500 million share repurchase program | Incorporated by reference from the Registrant's Form 8-K filed on August 19, 2010, Exhibit 99.1 |
| 10.72 | Revolving Credit Facility Agreement dated August 14, 2009, between Registrant and each of the initial lenders named therein as Lenders; Bank of America, N.A., as Agent; Wells Fargo Bank, N.A., as Syndication Agent; The Royal Bank of Scotland PLC and U.S. Bank National Association, as Co-Documentation Agents; and Banc of America Securities LLC and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Co-Book Managers | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2010, Exhibit 10.1 |
| 10.73 | Officers' Certificate pursuant to Section 5(h) of the Underwriting Agreement, dated May 20, 2009, among Nordstrom, Inc. and several underwriters, in connection with the issuance and sale of \$400M 6.75% Notes due 2014 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2010, Exhibit 10.2 |
| 10.74 | Officers' Certificate pursuant to Section 1.2 of the Indenture, dated as of December 3, 2007, between Nordstrom, Inc. and Wells Fargo Bank, N.A., in connection with the issuance of \$400M 6.75% Notes due 2014 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2010, Exhibit 10.3 |
| 10.75* | Form of 2011 Stock Option Award Agreement | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2010, Exhibit 10.1 |
| 10.76* | Form of 2011 Performance Share Unit Award Agreement | Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2010, Exhibit 10.2 |
| 10.77* | Amendment 2010-2 to the Nordstrom Executive Deferred Compensation Plan (2007 Restatement) | Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2010, Exhibit 10.1 |
| 10.78 | 2010 Form of Independent Director Indemnification Agreement | Filed herewith electronically |

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

Table of Contents

| | Exhibit | Method of Filing |
|---------|---|-----------------------------------|
| 21.1 | Significant subsidiaries of the Registrant | Filed herewith electronically |
| 23.1 | Consent of Independent Registered Public Accounting Firm | Filed as page 66 of this report |
| 31.1 | Certification of President required by Section 302(a) of the Sarbanes- Oxley Act of 2002 | Filed herewith electronically |
| 31.2 | Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002 | Filed herewith electronically |
| 32.1 | Certification of President and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith electronically |
| 101.INS | XBRL Instance Document | Furnished herewith electronically |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Furnished herewith electronically |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Furnished herewith electronically |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document | Furnished herewith electronically |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | Furnished herewith electronically |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Furnished herewith electronically |