NORDSTROM INC
Form 10-K
March 22, 2010

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

(Mark One)

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

For the fiscal year ended January 30, 2010

OR

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

For the transition period from __________ to ___________

Commission file number 001-15059

NORDSTROM, INC.

(Exact name of Registrant as specified in its charter)

Washington	**91-0515058**
(State or other jurisdiction of incorporation or organization)	(IRS employer Identification No.)
1617 Sixth Avenue, Seattle, Washington	**98101**
(Address of principal executive offices)	(Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common stock, without par value	**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 þ NO o

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 o NO þ

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 þ NO o

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 þ NO o

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. o

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 þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 31, 2009 the aggregate market value of the Registrant s voting and non-voting stock held by non-affiliates of the Registrant was approximately $4.8 billion using the closing sales price on that day of $26.44. On March 12, 2010, 218,020,643 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2010 Annual Meeting of Shareholders scheduled to be held on May 18, 2010 are incorporated into Part III.

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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 187 U.S. stores located in 28 states as of March 19, 2010. The west and east coasts are the areas in which we have the largest presence. We have four reportable segments: Retail Stores, Direct, Credit, and Other.

The **Retail Stores** segment derives its revenues from sales of high-quality apparel, shoes, cosmetics and accessories. It includes our 112 Nordstrom full-line stores, 72 off-price Nordstrom Rack stores, two Jeffrey boutiques, and one clearance store that operates under the name Last Chance. The Nordstrom Rack stores purchase merchandise directly from manufacturers and also serve as outlets for clearance merchandise from our full-line stores.

Direct generates revenues from sales of high-quality apparel, shoes, cosmetics and accessories by serving our customers on the Internet at www.nordstrom.com. The Direct segment s merchandise is primarily shipped from our fulfillment center in Cedar Rapids, Iowa. However, beginning in the third quarter of 2009, we linked our Direct segment s inventory with that of our full-line stores and now have the ability to fulfill online orders from any of our full-line stores. This has given our customers access to more of our merchandise. Additionally we offer our customers the option to purchase items on our Web site and pick them up in our full-line stores. These enhancements have enabled us to better serve customers across various channels and improve sales.

Our **Credit** segment includes our wholly owned federal savings bank, Nordstrom fsb, through which we offer a private label card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. The credit and debit cards feature a shopping-based 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.

Our **Other** segment includes our product development team, called Nordstrom Product Group, which designs and contracts to manufacture private label merchandise sold in our Retail Stores and Direct segments. In addition, this segment includes our corporate center operations.

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 16 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 2009, 2008 and 2007 relate to the 52-week fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008, respectively. References to 2010 relate to the 52-week fiscal year ending January 29, 2011.

TRADEMARKS

We have 136 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, John W. Nordstrom, Caslon, and Classiques Entier. 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 fair and liberal return policy at our full-line stores and online at Nordstrom Direct. 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 and liberal 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 historically higher in the second and fourth quarters of the fiscal year than in the first and third quarters.

INVENTORY

We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to our Anniversary Sale, which 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.

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

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COMPETITIVE CONDITIONS

Our business 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. Our specific competitors vary from market to market. We believe the keys to competing in our industry include customer service, fashion newness, quality of product, the shopping experience, depth of selection, store environment and location.

EMPLOYEES

During 2009, we employed approximately 48,000 employees on a full- or part-time basis. Due to the seasonal nature of our business, employment increased to approximately 51,000 employees in July 2009 and 53,000 in December 2009. We do not have a significant number of employees who are members of a union. We believe our relationship with our employees is good.

CAUTIONARY STATEMENT

Certain statements in this Annual Report on Form 10-K contain 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, anticipated store openings, capital expenditures and dividend yield, and trends in company operations. Such statements are based upon 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 deteriorating economic and market conditions and the resultant impact on consumer spending patterns, the company s ability to respond to the business environment and fashion trends, the company s ability to safeguard its brand and reputation, effective inventory management, efficient and proper allocation of the company s capital resources, successful execution of the company s store growth strategy including the timely completion of construction associated with newly planned stores, relocations and remodels, all of which may be impacted by the financial health of third parties, the company s compliance with applicable banking and related laws and regulations impacting the company s ability to extend credit to its customers, trends in personal bankruptcies and bad debt write-offs, availability and cost of credit, impact of the current regulatory environment and financial system reforms, changes in interest rates, disruptions in the company s supply chain, the company s ability to maintain its relationship with vendors and developers who may be experiencing economic difficulties, the geographic locations of the company s stores, the company s ability to maintain its relationships with its employees and to effectively train and develop its future leaders, the company s compliance with information security and privacy laws and regulations, employment laws and regulations and other laws and regulations applicable to the company, successful execution of the company s information technology strategy, successful execution of the company s multi-channel strategy, risks related to fluctuations in world currencies, 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, and the company s ability to control costs. These and other factors could affect our financial results and cause actual results to differ materially from any forward-looking information we may provide. The company undertakes 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 Web site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

WEB SITE ACCESS

Our Web site address is www.nordstrom.com. We make available free of charge on or through our Web site 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 Exchange Act 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 over our Web site.

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 Web site our Codes of Ethics, our Corporate Governance Guidelines, and our Committee Charters for the Audit, Compensation, Corporate Governance and Nominating, and Finance committees. These items are also available in print to any person, without charge, upon request to:

Nordstrom, Inc. Investor Relations
P.O. Box 2737
Seattle, Washington 98111-2737
(206) 303-3200
invrelations@nordstrom.com

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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. Additional risks and uncertainties, not presently known to us or that we currently consider immaterial, may also impair our business operations.
DETERIORATION OF ECONOMIC CONDITIONS
The deterioration in economic conditions over the past two years has hurt our business in several ways. Rising unemployment, tightening of consumer credit and the decline in the housing market in the United States have all contributed to a reduction in consumer spending. This has had a significant 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 Web site, 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 has also adversely affected our credit customers payment patterns and delinquency rates, increasing our bad debt expense. While some macroeconomic indicators suggest that a modest economic recovery has begun, 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.
ABILITY TO RESPOND TO THE BUSINESS ENVIRONMENT AND FASHION TRENDS
We strive to ensure the merchandise we offer remains 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 and mix 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 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.
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 by 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 and other matters. Increases in unemployment have corresponded with rising 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, which could cause our losses to rise and have a negative impact on our results of operations.
REGULATORY ENVIRONMENT AND FINANCIAL SYSTEM REFORMS
Current economic conditions, particularly in the financial markets, have resulted in increased legislative and regulatory actions. 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 provisions are likely to affect our credit business practices and could have a negative impact on our revenues and profitability.
In addition, Congress and the Obama Administration are currently considering various proposals for reform of the financial system. Proposed reforms include the elimination of the thrift charter and all retailer-owned bank charters, creation of a new federal agency to supervise and enforce consumer lending laws and regulations, and expanded state authority over consumer lending. The final details of financial system reform legislation, if any, are highly uncertain at this time. Depending on the nature and extent of any reforms, our credit business could be significantly adversely affected.
LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING
The training and development of our future leaders is important to our long-term growth. If we do not effectively

implement our strategic and business planning processes to attract, retain, train and develop future leaders, our long-term growth 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.

INFORMATION SECURITY AND PRIVACY

The protection of our customer, employee and company data is important to us. The regulatory environment surrounding information security and privacy is increasingly demanding, with new and constantly changing requirements across our business units. In addition, our customers have a high expectation that we will adequately protect their personal information. A significant breach of customer, employee or company data could damage our reputation 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, particularly our online sales operations.

BRAND AND REPUTATION

We have a well-recognized brand that many consumers believe offers 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.

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STORE GROWTH PLANS

Our five-year strategic growth plan includes opening several new full-line and Rack stores, with 30 announced store openings. The majority of these openings will occur by 2012. We compete with other retailers and businesses for suitable locations for our stores. Local land use and other regulations may impact our ability to find suitable locations. We also depend on the work of our developer partners to sustain our store growth plans. Developer delays of shopping center construction, expansion or renovation projects, or developer financial difficulties, could cause the delay or cancellation of our expected store openings or remodels, or could adversely affect maintenance and leasing at some shopping centers in which we have stores.

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 future sales at new, relocated or remodeled stores may not meet our projections, which could affect our return on investment. Performance in our new stores could also be negatively impacted if we are unable to hire employees who are able to deliver the level of service our customers have come to expect when shopping in our stores. Our inability to execute our store growth strategy in a way that generates appropriate returns on investment could affect our future growth and profitability.

INFORMATION TECHNOLOGY STRATEGY

We make investments in information technology to sustain our competitive position. In 2010, we expect to spend approximately $160 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.

MULTI-CHANNEL STRATEGY EXECUTION

Over the past several years, we have made changes in our business to improve the shopping experience across all channels. These changes included aligning our online merchandise offering with our full-line stores to create a seamless experience for our customers between our stores and Web site, combining the full-line stores and Direct merchandise organizations; providing a more focused catalog offering; and creating a shared inventory platform between Direct and our full-line stores. We plan to make additional changes in our multi-channel merchandise planning process over the next few 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 this 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.

IMPACT OF COMPETITIVE MARKET FORCES

The retail industry environment continues to change for many of our vendors and customers. In the future, our competition may partner more effectively with vendors to serve consumers needs. If we do not effectively respond to changes in our environment, we may see a loss of market share to competitors, declining sales and declining profitability due to higher markdowns.

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.

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 and working capital, make capital expenditures, manage our debt levels and return value to our shareholders through dividends and share repurchases. As a result of the financial crisis, global credit and equity markets have undergone significant disruption, making it difficult for many businesses to obtain financing on acceptable terms or at all. Our ability to obtain capital and the cost of the capital depend on 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 and cash flows could be adversely affected and our long-term cost of capital could increase.

SUPPLY CHAIN DISRUPTION

The effective and efficient operation of our supply chain, including merchandise sourcing and procurement, receiving and distribution, is critical to the success of our business. Our supply chain operations may be adversely impacted by difficulties with our suppliers, such as production capacity constraints, errors in meeting merchandise specifications, including specifications dictated by consumer product safety laws, insufficient quality control, failures to meet production deadlines, or increases in manufacturing costs. Additionally, unforeseen disruptions in our supply chain due to severe weather, natural or man-made disasters, labor disputes, shipping problems, or information systems malfunction, may adversely affect our ability to deliver merchandise to our stores or our customers and could increase our costs.

RELATIONSHIPS WITH VENDORS

Our relationships with our merchandise vendors have been a significant contributor to our past success and our position as a retailer of high-quality fashion merchandise. Some of our vendors have experienced serious cash flow problems due to the credit market crisis and economic deterioration. To address these problems, our vendors could attempt to increase their prices, alter payment terms or seek other relief, all of which could increase our costs. In some cases, they may be forced to reduce their operations or file for bankruptcy protection, which could have an adverse effect on our business if we are unable to procure the desired merchandise on acceptable terms.

We also 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 increase sales of merchandise through their own stores or to the stores of our competitors, or to limit or reduce our access to their merchandise, our business could be adversely affected.

GEOGRAPHIC LOCATION OF STORES

A significant amount of our total sales is derived from stores located on the west and east coasts, particularly California, which increases our exposure to local economic conditions, severe weather, natural disasters and other natural or man-made disruptions within these regions. Deterioration in economic conditions and consumer confidence within these regions has negatively impacted our business, including a reduction in overall sales, reduced gross margins and increased expenses, including bad debt expense. Any continued economic deterioration, severe weather patterns, natural disasters or other disruptions in these regions, could have a significant adverse effect on our business. In addition, many states in these regions are facing significant budget shortfalls, and may seek to address those shortfalls through unfavorable changes in tax laws and interpretation of existing laws which could adversely affect our results of operations.

EMPLOYMENT LAWS AND REGULATIONS

Our policies and procedures are designed to comply with employment laws and regulations set forth by the federal government and in each of the states and municipalities where we do business. These include laws and regulations related to wages and hours, meals and rest periods, and commissions. These laws and regulations are complex and continuously evolving, and the related enforcement is increasingly aggressive, particularly in the state of California. Significant legislative changes that impact our relationship with our workforce could increase our expenses and adversely affect our operations. Possible legislative changes include changes to an employer s obligation to recognize collective bargaining units, the process by which collective bargaining agreements are negotiated or imposed and health care mandates. 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, disruption of our business, changes to our employment practices, and loss of customers and employees, which could result in a loss of sales, increased employment costs, low employee morale, and harm to our business and results of operations.

REGULATORY COMPLIANCE

Our policies and procedures are designed to comply with all applicable laws and regulations, including those imposed by the SEC, NYSE, the banking industry and foreign countries. Additional legal and regulatory requirements, and the fact that foreign laws occasionally conflict with domestic laws, have increased the complexity of the regulatory environment and the cost of compliance. Failure to comply with the various regulations may result in damage to our reputation, civil and criminal liability, fines and penalties, increased cost of regulatory compliance and restatements of our financial statements.

IMPACT OF PUBLIC HEALTH CONCERNS

Our business and operations could be materially and adversely affected by a regional or widespread pandemic, which 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; supply chain disruptions; or disruptions in the operations of our merchandise vendors or property developers. Any of these effects could have a significant adverse impact on our sales, costs, reputation and long-term growth plans.

FOREIGN CURRENCY

We purchase a portion of our inventory from foreign suppliers whose cost to us is affected by fluctuations of their local currency against the U.S. dollar or who price their merchandise in currencies other than the U.S. dollar. Changes in the value of the U.S. dollar relative to foreign currencies may increase our cost of goods sold, and if we are unable to pass these cost increases on to our customers, our gross margins, and ultimately our earnings, would decrease.

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.

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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 at January 30, 2010:

	Number of Stores	% of total store square footage
Owned on leased land	58	46.5%
Leased stores	91	28.9%
Owned stores on owned land	34	23.9%
Partly owned and partly leased	1	0.7%
Total	184	100.0%

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

Fiscal year	2009	2008	2007[1]
Number of stores, beginning of year	**169**	156	191
Stores opened	**16**	14	5
Stores acquired	**-**	-	2
Sale of Façonnable boutiques	**-**	-	(41)
Stores closed	**(1)**	(1)	(1)
Number of stores, end of year	**184**	169	156

[1]During the third quarter of 2007, we completed the sale of our Façonnable business. Fiscal year 2007 includes international Façonnable boutiques through August 31, 2007 and domestic Façonnable boutiques through October 31, 2007 as follows: 36 international and 4 domestic boutiques at the beginning of 2007; one international boutique opened during 2007; and all 41 boutiques sold as part of the sale of the Façonnable business.

In 2009, we opened three full-line stores (Cherry Hill, New Jersey; Peabody, Massachusetts; and Cincinnati, Ohio), relocated one full-line store (Murray, Utah) and opened thirteen Rack stores (Paramus, New Jersey; Dallas, Texas; Sandy, Utah; Orland Park, Illinois; East Palo Alto, California; Southlake, Texas; Maple Grove, Minnesota; Los Angeles, California; Pasadena, California; San Jose, California; Austin, Texas; Orlando, Florida; and Cincinnati, Ohio). To date in 2010, we have opened three new Rack stores (Houston, Texas; Kendall, Florida; and Coral Gables, Florida). During the remainder of 2010, we are scheduled to open three full-line stores (Braintree, Massachusetts; Newport Beach, California; and Santa Monica, California), relocate one full-line store (Cerritos, California) and open fourteen additional Rack stores (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).

We also own six merchandise distribution centers, located in Portland, Oregon; Dubuque, Iowa; Ontario, California; Newark, California; Upper Marlboro, Maryland; and Gainesville, Florida, which are utilized by the Retail Stores segment. The Direct segment utilizes one fulfillment center in Cedar Rapids, Iowa, which is owned on leased land. 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.

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The following table lists our retail store facilities as of January 30, 2010:

Location	**Store Name**	**Square Footage**	**Year Store Opened**
Full-Line Stores			
ALASKA			
Anchorage	Anchorage 5th Avenue Mall	97,000	1975
ARIZONA			
Chandler	Chandler Fashion Center	149,000	2001
Scottsdale	Scottsdale Fashion Square	235,000	1998
CALIFORNIA			
Arcadia	Santa Anita	151,000	1994
Brea	Brea Mall	195,000	1979[1]
Canoga Park	Topanga	213,000	1984[1]
Cerritos	Los Cerritos Center	122,000	1981
Corte Madera	The Village at Corte Madera	116,000	1985
Costa Mesa	South Coast Plaza	235,000	1978[1]
Escondido	North County	156,000	1986
Glendale	Glendale Galleria	147,000	1983
Irvine	Irvine Spectrum Center	130,000	2005
Los Angeles	The Grove	120,000	2002
Los Angeles	Westside Pavilion	150,000	1985
Mission Viejo	The Shops at Mission Viejo	172,000	1999
Montclair	Montclair Plaza	134,000	1986
Palo Alto	Stanford Shopping Center	187,000	1984
Pleasanton	Stoneridge Mall	173,000	1990

Location	**Store Name**	**Square Footage**	**Year Store Opened**
HAWAII			
Honolulu	Ala Moana Center	211,000	2008
ILLINOIS			
Chicago	Michigan Avenue	274,000	2000
Oak Brook	Oakbrook Center	249,000	1991
Schaumburg	Woodfield Shopping Center	215,000	1995
Skokie	Old Orchard Center	209,000	1994
INDIANA			
Indianapolis	Circle Centre	216,000	1995
Indianapolis	Fashion Mall	134,000	2008
KANSAS			
Overland Park	Oak Park Mall	219,000	1998
MARYLAND			
Annapolis	Annapolis Mall	162,000	1994
Bethesda	Montgomery Mall	225,000	1991
Columbia	The Mall in Columbia	173,000	1999
Towson	Towson Town Center	205,000	1992
MASSACHUSETTS			
Burlington	Burlington Mall	143,000	2008

Redondo Beach	South Bay Galleria	161,000	1985
Riverside	Galleria at Tyler	164,000	1991
Roseville	Galleria at Roseville	149,000	2000
Sacramento	Arden Fair	190,000	1989
San Diego	Fashion Valley	220,000	1981
San Diego	Horton Plaza	149,000	1985
San Diego	University Towne Center	130,000	1984
San Francisco	San Francisco Centre	350,000	1988
San Francisco	Stonestown Galleria	174,000	1988
San Jose	Valley Fair	232,000	1987[1]
San Mateo	Hillsdale Shopping Center	149,000	1982
Santa Ana	MainPlace	169,000	1987
Santa Barbara	Paseo Nuevo	186,000	1990
Thousand Oaks	Thousand Oaks	145,000	2008
Walnut Creek	Broadway Plaza	193,000	1984
COLORADO			
Broomfield	FlatIron Crossing	172,000	2000
Denver	Cherry Creek Shopping Center	142,000	2007
Lone Tree	Park Meadows	245,000	1996
CONNECTICUT			
Farmington	Westfarms	189,000	1997
FLORIDA			
Aventura	Aventura Mall	172,000	2008
Boca Raton	Town Center at Boca Raton	193,000	2000
Coral Gables	Village of Merrick Park	212,000	2002
Miami	Dadeland Mall	150,000	2004
Natick	Natick Collection	154,000	2007
Peabody	Northshore Mall	143,000	2009
MICHIGAN			
Clinton Township	Partridge Creek	122,000	2008
Novi	Twelve Oaks Mall	172,000	2007
Troy	Somerset Collection	258,000	1996
MINNESOTA			
Bloomington	Mall of America	240,000	1992
MISSOURI			
Des Peres	West County	193,000	2002
NEVADA			
Las Vegas	Fashion Show	207,000	2002
NEW JERSEY			
Cherry Hill	Cherry Hill Mall	143,000	2009
Edison	Menlo Park	204,000	1991
Freehold	Freehold Raceway Mall	174,000	1992
Paramus	Garden State Plaza	282,000	1990
Short Hills	The Mall at Short Hills	188,000	1995
NEW YORK			
Garden City	Roosevelt Field	241,000	1997
White Plains	The Westchester	219,000	1995
NORTH CAROLINA			

Naples	Waterside	81,000	2008	Charlotte	SouthPark	151,000	2004
Orlando	The Florida Mall	174,000	2002	Durham	The Streets at Southpoint	149,000	2002
Palm Beach Gardens	The Gardens	150,000	2006				
Tampa	International Plaza	172,000	2001	OHIO			
Wellington	The Mall at Wellington Green	127,000	2003	Beachwood	Beachwood Place	231,000	1997
				Cincinnati	Kenwood Towne Centre	144,000	2009
GEORGIA				Columbus	Easton Town Center	174,000	2001
Atlanta	Perimeter Mall	243,000	1998				
Atlanta	Phipps Plaza	140,000	2005	OREGON			
Buford	Mall of Georgia	172,000	2000	Portland	Clackamas Town Center	121,000	1981

[1]This store has been subsequently relocated.

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Location	Store Name	Square Footage	Year Store Opened
Full-Line Stores (continued)			
OREGON (continued)			
Portland	Downtown Portland	174,000	1966[1]
Portland	Lloyd Center	150,000	1963[1]
Salem	Salem Center	71,000	1980
Tigard	Washington Square	189,000	1974[1]
PENNSYLVANIA			
King of Prussia	King of Prussia	238,000	1996
Pittsburgh	Ross Park	143,000	2008
RHODE ISLAND			
Providence	Providence Place	206,000	1999
TEXAS			
Austin	Barton Creek Square	150,000	2003
Dallas	Galleria Dallas	249,000	1996

Location	Store Name	Square Footage	Year Store Opened
Nordstrom Rack Group (continued)			
Los Angeles, CA	Beverly Connection Rack	30,000	2009
Los Angeles, CA	The Promenade at Howard Hughes Center Rack	41,000	2001
Ontario, CA	Ontario Mills Mall Rack	40,000	2002
Oxnard, CA	Esplanade Shopping Center Rack	38,000	2001
Pasadena, CA	Hastings Village Rack	42,000	2009
Roseville, CA	Creekside Town Center Rack	36,000	2001
Sacramento, CA	Howe `Bout Arden Center Rack	54,000	1999
San Diego, CA	Mission Valley Rack	57,000	1985[1]
San Francisco, CA	555 Ninth Street Retail Center Rack	43,000	2001
San Jose, CA	Oakridge Rack	30,000	2009
San Jose, CA	Westgate Mall Rack	48,000	1998
San Leandro, CA	San Leandro Rack	44,000	1990
San Marcos, CA	Grand Plaza Rack	35,000	2006
	Topanga Rack	64,000	1984

Dallas	NorthPark Center	212,000	2005
Frisco	Stonebriar Centre	149,000	2000
Houston	Houston Galleria	226,000	2003
Hurst	North East Mall	149,000	2001
San Antonio	The Shops at La Cantera	149,000	2005
UTAH			
Murray	Fashion Place	144,000	1981[1]
Orem	University Mall	122,000	2002
VIRGINIA			
Arlington	The Fashion Centre at Pentagon City	241,000	1989
Dulles	Dulles Town Center	148,000	2002
McLean	Tysons Corner Center	211,000	1988
Norfolk	MacArthur Center	166,000	1999
Richmond	Short Pump Town Center	128,000	2003
WASHINGTON			
Bellevue	Bellevue Square	285,000	1967[1]

Woodland Hills, CA			
Broomfield, CO	Flatiron Marketplace Rack	36,000	2001
Lone Tree, CO	Meadows Marketplace Rack	34,000	1998
Orlando, FL	Millenia Crossing Rack	36,000	2009
Sunrise, FL	The Oasis at Sawgrass Mills Rack	27,000	2003
Buford, GA	Mall of Georgia Crossing Rack	44,000	2000
Honolulu, HI	Ward Centers Rack	34,000	2000
Chicago, IL	The Shops at State and Washington Rack	41,000	2003
Naperville, IL	Springbrook Prairie Pavilion Rack	37,000	2008
Northbrook, IL	Northbrook Rack	40,000	1996
Oak Brook, IL	The Shops at Oak Brook Place Rack	42,000	2000
Orland Park, IL	Orland Park Place Rack	35,000	2009
Schaumburg, IL	Woodfield Rack	45,000	1994
Danvers, MA	Liberty Tree Mall Rack	43,000	2008
Gaithersburg, MD	Gaithersburg Rack	49,000	1999
Towson, MD	Towson Rack	31,000	1992
Grand Rapids, MI	Centerpointe Mall Rack	40,000	2001
Troy, MI	Troy Marketplace Rack	40,000	2000
Bloomington, MN	Mall of America Rack	41,000	1998
Maple Grove,	Arbor Lakes Rack	34,000	2009

Lynnwood	Alderwood	151,000	1979[1]
Seattle	Downtown Seattle	383,000	1963[1]
Seattle	Northgate Mall	122,000	1965
Spokane	River Park Square	137,000	1974[1]
Tacoma	Tacoma Mall	144,000	1966[1]
Tukwila	Southcenter	170,000	1968
Vancouver	Vancouver	71,000	1977
Other			
Atlanta, GA	Jeffrey	12,000	2007
New York, NY	Jeffrey	11,000	2007
Nordstrom Rack Group			
Chandler, AZ	Chandler Festival Rack	37,000	2000
Phoenix, AZ	Last Chance	48,000	1992[1]
Scottsdale, AZ	Scottsdale Promenade Rack	38,000	2000
Brea, CA	Brea Union Plaza Rack	45,000	1999
Chino, CA	Chino Spectrum	38,000	1987[1]

MN			
Paramus, NJ	Bergen Town Center Rack	34,000	2009
Las Vegas, NV	Silverado Ranch Plaza Rack	33,000	2001
Westbury, NY	The Mall at the Source Rack	48,000	1997
White Plains, NY	City Center Rack	36,000	2008
Cincinnati, OH	Rookwood Pavilion Rack	35,000	2009
Lyndhurst, OH	Legacy Village Rack	40,000	2008
Beaverton, OR	Tanasbourne Town Center Rack	53,000	1998
Clackamas, OR	Clackamas Promenade Rack	28,000	1983[1]
Portland, OR	Downtown Portland Rack	32,000	1986[1]
King of Prussia, PA	The Overlook at King of Prussia Rack	45,000	2002
Austin, TX	Gateway Center Rack	35,000	2009
Dallas, TX	Park Lane Rack	36,000	2009
Plano, TX	Preston Shepard Place Rack	39,000	2000
San Antonio, TX	The Rim Rack	35,000	2008
Southlake, TX	Shops of Southlake Rack	36,000	2009
Salt Lake City, UT	Sugarhouse Rack	31,000	1991
Sandy, UT	The Commons at Southtowne Rack	35,000	2009
Sterling, VA	Dulles Town Crossing Rack	41,000	2001
Woodbridge, VA	Potomac Mills Rack	46,000	1990

	Towne Center Rack						
Colma, CA	Colma Rack	31,000	1987				
Costa Mesa, CA	Metro Pointe at South Coast Rack	50,000	1983[1]	Auburn, WA	SuperMall of the Great Northwest Rack	48,000	1995
East Palo Alto, CA	Ravenswood 101 Rack	41,000	2009	Bellevue, WA	Factoria Mall Rack	46,000	1997
Fresno, CA	Villaggio Retail Center Rack	32,000	2002	Lynnwood, WA	Golde Creek Plaza Rack	38,000	1985[1]
Glendale, CA	Glendale Fashion Center Rack	36,000	2000	Seattle, WA	Downtown Seattle Rack	42,000	1987
Laguna Hills, CA	Laguna Hills Mall Rack	35,000	2008	Spokane, WA	NorthTown Mall Rack	28,000	2000
Long Beach, CA	Long Beach CityPlace Rack	33,000	2002	Tukwila, WA	Southcenter Square Rack	35,000	2007

[1]This store has been subsequently relocated.

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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 by us of state and/or federal wage and hour laws. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. While we cannot predict the outcome of these matters with certainty, we do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Item 4. Reserved.

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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 12, 2010 was 134,493 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 218,020,643 shares of common stock outstanding.

The high and low sales prices of our common stock and dividends declared for each quarter of 2009 and 2008 are presented in the table below:

	Common Stock Price					
	2009		**2008**		**Dividends per Share**	
	High	**Low**	**High**	**Low**	**2009**	**2008**
1st Quarter	$23.17	$11.19	$40.59	$30.72	$0.16	$0.16
2nd Quarter	$26.70	$18.15	$38.65	$25.67	$0.16	$0.16
3rd Quarter	$36.52	$26.25	$37.00	$13.66	$0.16	$0.16
4th Quarter	$39.01	$31.32	$18.17	$6.61	$0.16	$0.16
Full Year	$39.01	$11.19	$40.59	$6.61	$0.64	$0.64

STOCK PRICE PERFORMANCE

The following graph compares, for each of the last five fiscal years ending January 30, 2010, 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 30 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 29, 2005 in Nordstrom, Inc. common stock and assumes reinvestment of dividends.

PERFORMANCE GRAPH

End of fiscal year:	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Nordstrom, Inc. common stock	100	179	243	172	56	**158**
Standard & Poor s Retail Index	100	108	123	99	61	**93**
Standard & Poor s 500 Index	100	110	124	119	71	**92**

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Item 6. Selected Financial Data.

(Dollars in millions except sales 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	2009	2008	2007[6]	2006[7]	200
Earnings Results					
Net sales	**$8,258**	$8,272	$8,828	$8,561	$7,72
Credit card revenues	**369**	301	252	105	9
Gross profit[1]	**2,930**	2,855	3,302	3,207	2,83
Selling, general and administrative (SG&A) expenses[2]:					
Retail stores, direct and other segments (Retail[2])	**(2,109)**	(2,103)	(2,161)	(2,180)	(2,00
Credit segment[2]	**(356)**	(274)	(198)	(92)	(8
Earnings on investment in asset-backed securities, net[2,3]	**-**	-	18	109	8
Earnings before interest and income taxes (EBIT)	**834**	779	1,247	1,149	93
Interest expense, net	**(138)**	(131)	(74)	(43)	(4
Earnings before income taxes (EBT)	**696**	648	1,173	1,106	88
Net earnings	**441**	401	715	678	55
Balance Sheet and Cash Flow Data					
Accounts receivable, net	**$2,035**	$1,942	$1,788	$684	$64
Investment in asset-backed securities	**-**	-	-	428	56
Merchandise inventories	**898**	900	956	997	95
Current assets	**4,054**	3,217	3,361	2,742	2,87
Land, buildings and equipment, net	**2,242**	2,221	1,983	1,757	1,77
Total assets	**6,579**	5,661	5,600	4,822	4,92
Current liabilities	**2,014**	1,601	1,635	1,433	1,62
Long-term debt, including current portion	**2,613**	2,238	2,497	631	93
Shareholders equity	**1,572**	1,210	1,115	2,169	2,09
Cash flow from operations	**1,251**	848	312	1,142	77
Performance Metrics					
Same-store sales percentage (decrease) increase[4]	**(4.2%)**	(9.0%)	3.9%	7.5%	6.0%
Gross profit % of net sales	**35.5%**	34.5%	37.4%	37.5%	36.7%
SG&A % of net sales:					
Retail	**25.5%**	25.4%	24.5%	25.5%	26.0%
Total	**29.8%**	28.7%	26.7%	26.5%	27.1%
EBIT as a percentage of total revenues	**9.7%**	9.1%	13.7%	13.3%	11.9%
EBT as a percentage of total revenues	**8.1%**	7.6%	12.9%	12.8%	11.3%
Net earnings as a percentage of total revenues	**5.1%**	4.7%	7.9%	7.8%	7.1%
Return on average shareholders equity	**31.7%**	34.5%	43.6%	31.8%	28.4%
Sales per square foot[5]	**$368**	$388	$435	$423	$39
Retail SG&A expense per square foot[5]	**$94**	$99	$106	$108	$10
Per Share Information					
Earnings per diluted share	**$2.01**	$1.83	$2.88	$2.55	$1.9

Dividends per share	**0.64**	0.64	0.54	0.42	0.3
Book value per share	**7.22**	5.62	5.05	8.43	7.7
Store Information (at year end)					
Full-line stores	**112**	109	101	98	9
Rack and other stores[6]	**72**	60	55	57	5
International Façonnable boutiques[6]	**-**	-	-	36	3
Total square footage	**22,773,000**	21,876,000	20,502,000	20,170,000	20,070,00

[1]Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs (for all segments).
[2]In 2009, we reclassified other income and expense, net in our consolidated statement of earnings, which was previously presented separately. A portion of other income and expense, net has been reclassified to earnings on investment in asset-backed securities, net, and the remaining portion has been reclassified to selling, general and administrative expenses.
[3]On 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.
[4]Same-stores include stores that have been open at least one full year at the beginning of the year and sales from our Direct segment.
[5]Sales 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.
[6]During 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 Rack and other stores.
[7]Fiscal 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.

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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. We offer our products through various channels: our Nordstrom branded full-line stores and Web site (which we refer to as multi-channel), 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 loyalty program associated with a variety of payment products and services, including credit and debit cards.

We believe our multi-channel offering is important to our success and is consistent with our commitment to customer service. Our goal is to provide a seamless integrated shopping experience to our customers whenever and however they choose to shop. With that in mind, we are continuing to make improvements to our multi-channel capabilities. In 2008, we launched the Buy Online, Pick Up in Store service, which allows customers to purchase merchandise online and then pick up their item(s) at a Nordstrom store on the same day. In 2009, we updated our inventory platform to create shared inventory across all of our full-line stores and our online store, allowing us to fulfill online orders from any full-line store. These enhancements have led to greater merchandise selections online, improved convenience, as well as significant improvements in our sell-through rates (the proportion of available merchandise that we are able to sell) and inventory turnover.

Our merchandising efforts have also been a significant contributor to our recent success. By managing our inventory levels effectively during the economic downturn that began approximately two years ago, we were well positioned to increase purchases as sales improved and maintain fresh merchandise in our stores without taking excessive markdowns. Our customers have continued to respond favorably to our merchandise assortment, thereby contributing to additional sales growth and higher rates of regular-priced sales.

Throughout 2009, we demonstrated discipline in the management of our expenses. Our model is focused on controlling our fixed expenses, while flexing our variable and performance-related expenses with our sales and earnings results. Our sales per square foot in 2009 declined to $368, consistent with our sales per square foot of $369 in 2004. However, as a result of our expense management efforts, we decreased our selling, general and administrative expenses per square foot for our Retail Stores, Direct and Other segments over the same time period, from $100 in 2004 to $94 in 2009. This flexibility in managing our business and the ability to adjust quickly to changes in trends have put us in a healthy position heading into 2010.

The economic environment continues to have a significant impact on our customers. Consumers are cautious about spending, unemployment levels continue to be high and economic uncertainty remains. As a result of these conditions, we experienced elevated delinquency and write-off rates on our credit card portfolio. We expect unemployment levels will remain elevated during 2010.

We recognize the importance of increasing our presence in top retail markets across the country. During 2009 we opened three Nordstrom full-line stores, relocated another, and opened 13 Nordstrom Racks. In 2010 we will continue to open full-line and Rack stores while returning to a more regular remodeling schedule of five-to-six in 2010, compared to one remodel in 2009, as we continue to pursue our long-term growth strategy.

We entered 2009 with considerable uncertainty, including an economic downturn and a volatile retail environment. Our continued focus on improving service through our multi-channel offering, improved merchandising and disciplined inventory, expense and capital management, enabled us to adapt as our trends improved, and as a result we are well positioned going into 2010. Following a year of improving performance and with a more efficient business model, we are focused on improving execution and growing our market share. We believe that our response to the adversity of the past two years has left us better positioned financially, competitively, and most important, with our customers.

RESULTS OF OPERATIONS

Retail Stores, Direct and Other Segments

Summary

Our Retail Stores segment includes our full-line, Rack and Jeffrey stores; our Direct segment includes our online store; and our Other segment includes our product development group and corporate center operations (collectively the Retail Business). The following table summarizes the combined sales and expenses of our Retail Business for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008:

Fiscal year	**2009**	**2008**	**2007**
Net sales	**$8,258**	$ 8,272	$8,828
Cost of sales and related buying and occupancy costs	**(5,273)**	(5,367)	(5,479)
Gross profit[1]	**2,985**	2,905	3,349
Selling, general and administrative expenses	**(2,109)**	(2,103)	(2,161)
% of net sales:			
Cost of sales and related buying and occupancy costs	**63.9%**	64.9%	62.1%
Gross profit	**36.1%**	35.1%	37.9%
Selling, general and administrative expenses	**25.5%**	25.4%	24.5%

[1]Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs for our Retail Business.

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Retail Business Net Sales

Fiscal year	2009	2008	2007
Net sales	**$8,258**	$8,272	$8,828
Net sales (decrease) increase	**(0.2%)**	(6.3%)	3.1%
Same-store (decrease) increase by channel:			
Full-line stores	**(7.2%)**	(12.4%)	2.5%
Direct	**14.5%**	8.4%	17.9%
Multi-channel	**(5.0%)**	(10.6%)	3.5%
Rack	**2.5%**	3.1%	8.7%
Total company	**(4.2%)**	(9.0%)	3.9%
Percentage of net sales by merchandise category:			
Women s apparel	**34%**	34%	35%
Shoes	**22%**	21%	20%
Men s apparel	**15%**	16%	18%
Women s accessories	**12%**	12%	11%
Cosmetics	**11%**	11%	11%
Children s apparel	**3%**	3%	3%
Other	**3%**	3%	2%
Total	**100%**	100%	100%

NET SALES - 2009 VS 2008

Net sales for 2009 were approximately flat compared to 2008. The decline in multi-channel same-store sales was mostly offset by new store openings during 2009 and an increase in same-store sales for Rack.

Our multi-channel same-store sales declined 5.0% compared to 2008 as the decrease at our full-line stores was partially offset by the strong performance of Direct. During 2009, we made continued progress on our multi-channel strategy, providing our customers with access to more of our merchandise. In the fall of 2009, we updated our inventory platform to allow for shared inventory across all of our full-line stores and our Web site, 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 rates and inventory turnover, following their implementation in the second half of the year. Our merchandising efforts also contributed to our improving multi-channel sales trends during the second half of the year. By managing our inventory levels effectively during the downturn in sales over the past two years, we had the flexibility to increase purchases as sales improved and maintain current merchandise in our stores without taking excessive markdowns. As a result, our percentage of regular price sales improved measurably over the course of the year.

Same-store sales for our full-line stores decreased 7.2% compared to the same period last year. Highlights for the year included both women s shoes and accessories. Women s shoes benefited from sales of high-end shoes and boots, while fashion jewelry led accessories. Men s clothing, particularly young contemporary wear and men s furnishings, remained challenging throughout the year. This continues the trend we experienced last year as sales of men s clothing declined in conjunction with economic deterioration. The South and Mid-Atlantic regions were the top performing geographic areas for full-line stores. California and the Northwest had same-store sales below the full-line store average in 2009, although we saw improvements in both regions during the latter part of the year.

Direct s net sales increased 14.5% for the year, with results driven by the accessories, women s apparel and women s shoes categories. Accessories benefited from the sales of handbags and fashion jewelry while women s apparel was led by special occasion dresses. Junior footwear and high-end shoes drove the improvement in women s shoes. The growth in our Direct business was helped by our investments in technology and systems to better align our merchandise offering and improve the online shopping experience.

Rack had its eighth consecutive year of positive sales growth with a same-store sales increase of 2.5% for the year. The shoes and women s apparel categories led the positive performance for the year. Junior and active footwear drove shoes while women s apparel benefited from knitwear and blouses.

During 2009 we opened three full-line and thirteen Rack stores. These stores represent 2.6% of our total net sales for 2009, and increased our gross square footage by 4.1% during 2009.

NET SALES - 2008 VS 2007

Net sales declined 6.3% in 2008 compared to 2007. The decrease was due to same-store sales declines in our full-line stores, partially offset by increases in same-store sales for Rack and Direct, as well as new store openings.

Same-store sales for our full-line stores decreased 12.4% compared to the same period in 2007 primarily as a result of the economic downturn. The largest same-store sales decreases came in women s apparel and men s apparel. Women s apparel continued to experience a market-wide deterioration and we saw a decline in men s apparel correspond to the economic downturn, particularly during the fourth quarter. Regionally, business trends were most challenging in markets undergoing the largest housing price corrections. California was the most challenging region throughout 2008, with same-store sales below the full-line store average. All other regions were above the same-store sales average for full-line stores.

Direct net sales increased 8.4% in 2008, driven by our efforts to better align our merchandise offering and experience with our full-line stores. Our new Buy Online, Pick Up in Store service was launched in 2008 and proved to be a convenient and valued service for our customers. The accessories, women s apparel and kids merchandise categories led the growth in our Direct sales in 2008.

Rack same-store sales increased 3.1% for the year in 2008. The accessories category, led by designer handbags, and men s apparel category, led by premium denim, drove this growth. All regions contributed to the positive same-store sales results.

During 2008 we opened eight full-line and six Rack stores. These stores represented 3.3% of our total net sales for fiscal 2008, and increased our gross square footage by 6.7% during 2008.

SAME-STORE SALES OUTLOOK - 2010

We expect 2010 same-store sales to increase approximately 2% to 4%. The same-store sales increase in the first half of 2010 is expected to be approximately 300 basis points higher than in the second half of 2010.

As of March 19, 2010, we have opened three Rack stores. In total, we plan to open three full-line stores, relocate one full-line store and open fourteen additional Rack stores during the remainder of 2010. This will increase retail square footage by approximately 4.5%.

Retail Business Gross Profit

Fiscal year	**2009**	**2008**	**2007**
Gross profit[1]	**$2,985**	$2,905	$3,349
Gross profit rate[2]	**36.1%**	35.1%	37.9%
Average inventory per square foot	**$43.96**	$49.00	$52.70
Inventory turnover rate[3]	**5.41**	5.20	5.16

[1]Gross profit is calculated as net sales less Retail Business cost of sales and related buying and occupancy costs.

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

[3]Inventory 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 - 2009 VS 2008

Retail gross profit increased $80 from last year while our gross profit rate improved 101 basis points compared with the same period in 2008. Retail gross profit consists of merchandise margin offset by buying and occupancy costs. The improvement for the year was driven by overall 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. All major merchandise categories at our full-line stores contributed to this improvement over 2008. The improvement in our merchandise margin was offset by an increase in our buying and occupancy costs. Buying and occupancy costs as a percentage of sales increased 51 basis points. This increase was primarily driven by incentives that were a result of strong company performance relative to our plans for 2009.

Our inventory turnover rate increased 4.0% over last year while our average inventory per square foot decreased 10.3%. Our merchandising efforts have enabled us to manage inventory levels consistent with sales trends and maintain fresh merchandise in our stores. Combined with the increased sell-through resulting from our improved multi-channel inventory capabilities, these efforts led to a significant increase in our inventory turnover rate.

GROSS PROFIT - 2008 VS 2007

Retail gross profit in 2008 decreased $444 from 2007 while our gross profit rate declined 280 basis points. The deterioration in 2008 was driven primarily by a decrease in our merchandise margin rate as we utilized markdowns to respond to slower sales and a more promotional environment. All major merchandise categories at our full-line stores contributed to this decrease. Our buying and occupancy costs as a percentage of sales increased 76 basis points as many of these costs were fixed relative to the sales decline.

Our inventory turnover rate improved slightly in 2008 while our average inventory per square foot decreased 7.0%. Our merchants efforts to align inventory levels to lower demand resulted in the improvement in our inventory turnover rate and our lower inventory per square foot. Our objective was to match the change in inventory per square foot, which declined 7.0% on average, with our same-store sales rate, which declined 9.0% for the year.

GROSS PROFIT OUTLOOK - 2010

In 2010, we expect a 20 to 60 basis point improvement in our total company gross profit rate, which includes both our Retail gross profit and our cost of loyalty points within our Credit segment. We expect greater improvement in the first half of the year when compared to 2009, when weaker sales trends in the first and second quarters increased markdown pressure. The improvement will be partially offset by additional occupancy expense for the three new full-line and seventeen new Rack stores in 2010.

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.

Retail Business Selling, General and Administrative Expenses

Fiscal year	2009	2008	2007
Selling, general and administrative expenses	**$2,109**	$2,103	$2,161
Selling, general and administrative rate[1]	**25.5%**	25.4%	24.5%

[1]Selling, 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 - 2009 VS 2008

Our Retail Business selling, general and administrative expenses (Retail SG&A) increased $6 due to increased performance-related incentives, partially offset by lower variable expenses and cost savings resulting from controlling our fixed costs. We increased our provision for performance-related expense as the year progressed to reflect the improved performance of our overall business relative to our plan. This reflects our pay for performance approach to compensation. Our variable expenses decreased in conjunction with lower sales volume, and we worked diligently to maintain our discipline in managing fixed costs. During 2009, we opened three full-line stores and thirteen Rack stores, which contributed $41 of additional expenses. Although we opened more stores compared to 2008, the majority were Rack stores, which incur lower expenses than a full-line store. These drivers led our Retail SG&A expenses as a percentage of net sales to be approximately flat versus last year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES - 2008 VS 2007

Our SG&A expenses for our Retail Business decreased $58 due to lower variable expenses as well as cost savings resulting from our focus on controlling fixed expenses, partially offset by the additional expenses related to our new stores. During 2008, we opened eight full-line stores and six Rack stores, which contributed $72 of additional expenses. Our Retail SG&A expenses as a percentage of net sales increased 94 basis points. The increase as a percentage of net sales was due to the fixed nature of many of our selling, general and administrative expenses and the impact of declining sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES OUTLOOK - 2010

In 2010, our Retail SG&A dollars are expected to increase $125 to $175, while our Retail SG&A expenses as a percentage of net sales will decrease 10 to 20 basis points. The majority of this increase relates to our expectations for increased variable expenses consistent with the planned increase in sales, as well as approximately $50 to $60 of additional selling, general and administrative expenses from new stores to be opened during 2010.

Gain on Sale of Façonnable

During the third quarter of 2007, we completed the sale of the Façonnable business in exchange for cash of $216, net of transaction costs, and realized a gain on sale of $34. The impact to reported earnings per diluted share for 2007 was $0.09, net of tax of $13.

Credit Segment

The Nordstrom credit 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 our credit card 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. Cardholders can participate in the Nordstrom Fashion Rewards® program, through which customers 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. As customers increase their level of spending they receive additional benefits, including rewards such as complimentary shipping and alterations in our retail stores. Our cardholders tend to visit our stores more frequently and spend more with us than non-cardholders. We believe the Fashion Rewards program, including these additional rewards, helps drive sales in our Retail Stores and Direct segments.

The table below illustrates a detailed view of the operational results of our Credit segment, consistent with the segment disclosure provided in the notes to the consolidated financial statements. In order to view the economic contribution of our credit card program, the following items are also included in the table below:

> **Intercompany merchant fees** represent the estimated intercompany income of our credit business from the usage of our cards in the Retail Stores and Direct segments. To encourage the use of Nordstrom cards in our stores, the Credit segment does not charge the Retail Stores and Direct segments an intercompany interchange merchant fee. On a consolidated basis, we avoid costs that would be incurred if our customers used third-party cards.
>
> During 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. While the underlying economics of the business did not change (Nordstrom has always owned 100% of its Credit segment), the accounting for this business segment did change. For comparability between years, **off-balance sheet income (expense), net** (credit card revenues, net of bad debt and interest expense) is shown for 2007.

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 accounts receivable investment metric included in the following table represents our best estimate of the amount of capital for our credit card program that is financed by equity. As a means of assigning a comparable cost of capital for our credit card business, we believe it is important to maintain a capital structure similar to other financial institutions. 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	**2009**	**2008**	**2007**
Finance charge revenue	**$264**	$215	$194
Interchange - third party	**71**	69	47
Late fees and other revenue	**35**	18	12
Total credit card revenues	**370**	302	253
Interest expense	**(41)**	(50)	(64)
Net credit card income	**329**	252	189
Cost of sales and related buying and occupancy costs - loyalty program	**(55)**	(50)	(47)
Selling, general and administrative expenses	**(356)**	(274)	(198)
Total expense	**(411)**	(324)	(245)

Earnings on investment in asset-backed securities, net	**-**	-	18
Credit segment loss before income taxes, as presented in segment disclosure	**(82)**	(72)	(38)
Inter-company merchant fees	**50**	48	48
Off-balance sheet income, net[1]	**-**	-	9
Credit segment (loss) contribution, before income taxes	**($32)**	($24)	$19
Average accounts receivable investment (assuming 80% of accounts receivable is funded with debt)	**$420**	$382	$332
Credit segment (loss) contribution, net of tax, as a percentage of average accounts receivable investment	**(4.7%)**	(3.9%)	3.5%

[1]In 2007, this includes off-balance sheet finance charges and other income of $22, off-balance sheet interest expense of $6, and off-balance sheet bad debt expense of $7.

Net Credit Card Income

Credit card revenues include finance charges, interchange fees, late fees and other fees. Interchange fees are earned from the use of Nordstrom VISA credit cards at merchants outside of Nordstrom.

Credit card revenues increased to $370 in 2009 compared with $302 in 2008 due to an increase in our annual percentage rate terms implemented in the fourth quarter of 2008, growth in our accounts receivable balance and increased finance charges and late fees associated with increased delinquencies during the economic downturn. The increase in credit card revenues from $253 in 2007 to $302 in 2008 was in part due to the Nordstrom VISA portfolio being on-balance sheet for a full year in fiscal 2008 compared to only three quarters in fiscal 2007. The increase was also due to portfolio growth and the change in our credit card pricing terms implemented in the fourth quarter of 2008, partially offset by a significant reduction in the average prime rate.

In 2010, credit card revenues are expected to increase $35 to $45, due to moderate growth in our accounts receivable. In May 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act) was passed. In January 2010, final rules implementing portions of the Credit CARD Act were issued, including new restrictions on credit card pricing, finance charges and fees, customer billing practices and payment application. These rules are requiring 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 had a mandatory effective date of February 22, 2010. However, the Credit CARD Act s full impact on our business is unknown at this time. Additional proposed rules implementing other portions of the Credit CARD Act, effective in August 2010, were published in early March, and interpretations of the new and proposed rules continue to emerge. Depending on the nature and extent of the full impact from these rules, any interpretations or additional rules, the practices, revenues and profitability of our credit business could be adversely affected.

Interest expense decreased to $41 in 2009 from $50 in 2008 and $64 in 2007. These year-over-year decreases were due to declining variable interest rates, partially offset by higher average borrowings.

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 $55 in 2009 compared with $50 in 2008. The increase was primarily due to increased use of Nordstrom credit cards, resulting in additional expense related to the Fashion Rewards program. Cost of sales and related buying and occupancy costs of $50 in 2008 increased slightly from $47 in 2007 due to growth in volume.

Credit Segment Selling, General and Administrative Expenses

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

Fiscal year	**2009**	**2008**	**2007**
Operational and marketing expense	**$105**	$101	$91
Bad debt expense	**251**	173	107
Total credit selling, general and administrative expense	**$356**	$274	$198

Operational and marketing expenses are incurred to support and service our credit card products and the related rewards programs, and are included in selling, general and administrative expenses in the consolidated statement of earnings. Operational and marketing expense remained relatively constant at $105 in 2009 compared with $101 in 2008. This reflects expenses that are relatively fixed when compared to portfolio growth and our continued focus on controlling expenses. The increase to $101 in 2008 compared with $91 in 2007 was due to additional marketing expenses as a result of an increase in promotions related to our loyalty program in 2008.

Bad debt expense increased to $251 in 2009 from $173 in 2008 due to increased write-offs reflecting consumer credit trends.

The following table illustrates the allowance for doubtful accounts activity for the past three fiscal years:

Fiscal year	**2009**	**2008**	**2007**
Allowance at beginning of period	**$138**	$73	$17
Bad debt provision[1]	**251**	173	86
Net write-offs (on-balance sheet)	**(199)**	(108)	(30)
Allowance at end of period	**$190**	$138	$73
Allowance as a percentage of ending accounts receivable	**8.8%**	6.8%	4.1%
	5.3%	3.7%	2.5%

Delinquent balances over thirty days as a percentage of accounts receivable			
Bad debt provision as a percentage of average on-balance sheet accounts receivable	**11.9%**	9.1%	5.8%
Net write-offs as a percentage of average receivables[2]	**9.5%**	5.6%	3.5%

[1] In 2007, the one-time transitional charge-offs on the Nordstrom VISA receivables of $21 are included in bad debt expense in selling, general and administrative expenses. These charge-offs represent actual write-offs on the Nordstrom VISA credit card portfolio during the eight-month transitional period and are not included in the allowance for doubtful accounts activity in the table above for 2007.

[2] Calculated as net write-offs for the combined Nordstrom private label and Nordstrom VISA portfolio as a percentage of average receivables, including average off-balance sheet receivables in 2007 of $182.

Delinquency rates and write-offs ran at elevated levels throughout 2009. As of January 30, 2010, our delinquency rate was 5.3%, an increase from 3.7% in 2008 and 2.5% in 2007. Write-offs increased $91 to $199, or 9.5% of average receivables in 2009 compared with $108, or 5.6% of average receivables in 2008. Our write-offs have a strong long-term correlation with national unemployment rates, and this trend continued during 2009 as U.S. unemployment increased from 7.6% to 9.7%. In California, unemployment rates in 2009 trended above the national unemployment rate. California continues to experience particular weakness relative to our other geographic regions and accounts for approximately 50% of our total write-offs. We are currently planning our business assuming an average unemployment rate of approximately 10.5% in 2010. In light of this economic

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environment and based on our delinquency and write-off trends, we increased our allowance for doubtful accounts by $52 to $190 in 2009 compared with an increase of $65 to $138 in 2008.

We anticipate that 2010 selling, general and administrative expenses for our Credit segment will decrease by $10 to $25, primarily due to lower bad debt expense relative to 2009 as growth in the unemployment rate and growth in our associated write-offs slows down.

Total Company Results

Interest Expense, Net

Fiscal year	2009	2008	2007
Interest expense, net	**$138**	$131	$74

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.

Interest expense, net increased $57 in 2008 compared with 2007 due to higher average debt levels resulting from the $1,000 debt offering in the fourth quarter of 2007, as well as the $850 securitization transaction in May 2007.

We anticipate interest expense, net to decrease by $15 to $25 in 2010 due to lower debt levels, reductions in interest rates and lower borrowing facility fees.

Income Tax Expense

Fiscal year	2009	2008	2007
Income tax expense	**$255**	$247	$458
Effective tax rate	**36.6%**	38.1%	39.0%

The increase in our income tax expense in 2009 compared with 2008 was driven by the increase in our earnings before income taxes, while the decline in income tax expense in 2008 compared with 2007 correlated with the decline in earnings before income taxes.

The following table illustrates the components of our effective tax rate for 2009, 2008 and 2007:

Fiscal year	2009	2008	2007
Statutory rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal income taxes	**3.5**	3.4	3.4
Deferred tax adjustment	**(1.8)**	(3.2)	-
Permanent differences	**(0.6)**	2.0	-
Other, net	**0.5**	0.9	0.6
Effective tax rate	**36.6%**	38.1%	39.0%

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. These adjustments reduced our effective tax rate by 2.4% and 1.2% in 2009 and 2008, respectively.

We anticipate our effective tax rate to be approximately 39.0% in 2010.

Net Earnings and Earnings per Diluted Share

Fiscal year	2009	2008	2007

Net earnings	**$441**	$401	$715
Net earnings as a percentage of total revenues	**5.1%**	4.7%	7.9%
Earnings per diluted share	**$2.01**	$1.83	$2.88

In 2009, net earnings increased 9.9% and earnings per diluted share increased $0.18 primarily as a result of improved gross profit and continued expense performance, partially offset by increased performance-related expenses related to our strong operating results relative to our plan and increased bad debt expense.

In 2008, net earnings decreased 43.9% and earnings per diluted share decreased 36.5% as a result of lower sales volume, increased markdowns and higher bad debt expense, partially offset by decreased variable costs and reductions in fixed expenses. The decline in earnings per share was also partially offset by the impact of share repurchases, which caused our weighted average shares outstanding to decrease in 2008 compared with 2007.

We expect our earnings per diluted share to be in the range of $2.35 to $2.55 in 2010.

Fourth Quarter Results

Quarter Ended	January 30, 2010	January 31, 2009
Net sales	$2,539	$2,301
Cost of sales and related buying and occupancy costs	(1,593)	(1,565)
Gross profit	946	736
Selling, general and administrative expenses	(737)	(665)
Net earnings	172	68
Earnings per diluted share	$0.77	$0.31
% of net sales:		
Cost of sales and related buying and occupancy costs	62.7%	68.0%
Gross profit	37.3%	32.0%
Selling, general and administrative expenses	29.0%	28.9%

Our fourth quarter performance reflected continued improvement in our sales and gross margin trends that we experienced throughout the year, particularly in the second half. Earnings per diluted share were $0.77 for the quarter ended January 30, 2010 compared to $0.31 for the quarter ended January 31, 2009. Net earnings for the fourth quarter of 2009 were $172 compared with $68 in 2008.

NET SALES

Total sales for the quarter increased 10.3% to $2,539 while same-store sales improved 6.9%. Multi-channel same-store sales increased 7.1%, with full-line same-store sales increasing 3.9% and Direct sales increasing 32.1%. Our multi-channel results benefited this year from both the comparison to a difficult period last year, as well as our shared inventory platform which enables online orders to be fulfilled from our full-line stores.

Results in full-line stores improved, as same-store sales increased 3.9% for the quarter. Our top performing categories were women s better apparel, women s shoes, and accessories. Women s better apparel benefited primarily from sweaters. Women s shoes were led by high-end shoes and junior shoes, while jewelry drove the increase in accessories. The Midwest, South and Northwest regions were the top performing geographic regions for full-line stores relative to the fourth quarter of 2008.

Net sales for the Direct segment increased 32.1%, led by the performance of women s shoes and apparel. Shoes was driven by junior shoes and high-end footwear, while coats and dresses performed well in women s apparel.

Rack same-store sales increased 4.6% for the fourth quarter. Shoes, driven by juniors and active footwear, and women s clothing, driven by denim and knit tops, were the leading categories for Rack.

GROSS PROFIT

Our gross profit rate increased 527 basis points to 37.3% from 32.0% last year. The improvement was mainly driven by merchandise margin as a percentage of net sales, partially offset by the impact of higher performance-related expenses included in buying and occupancy. Markdowns improved in the fourth quarter of 2009 when compared with the highly promotional fourth quarter experienced in 2008. We were effective in our management of inventory and ended the year with an inventory turn of 5.4, the highest in recent company history. We also ended the quarter with inventory per square foot down 4.1% from the fourth quarter of 2008.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative dollars for our Retail Business increased $56 compared to last year s fourth quarter. The increase was largely driven by increased performance-related expenses due to our strong performance relative to our plan and higher variable expenses as a result of the improvement in sales. Our new store expenses in the fourth quarter of 2009 were $13, which partially offset fixed expense savings during the quarter. These drivers contributed to the 11 basis point increase in Retail Business selling, general and administrative expenses.

In the fourth quarter, selling, general and administrative expenses for our credit segment were $106, up from $90 in 2008. A majority of the increase was driven by higher bad debt expense from increased write-offs associated with higher unemployment.

For further information on our quarterly results in 2009 and 2008, refer to Note 15 in the Notes to Consolidated Financial Statements in Item 8.

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Return on Invested Capital (ROIC) (Non-GAAP financial measure)

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

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

We believe that ROIC is a useful financial measure for investors in evaluating our operating performance for the periods presented. When read in conjunction with our net earnings and total assets and compared to return on 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. Our research has shown that, historically, overall performance as measured by ROIC correlates directly to shareholders return over the long term. For the 12 fiscal months ended January 30, 2010, our ROIC increased to 12.1% compared to 11.6% for the 12 fiscal months ended January 31, 2009. 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 to similarly titled measures reported by other companies. The closest GAAP measure is return on assets, which increased slightly to 7.1% from 7.0% for the 12 fiscal months ended January 30, 2010 compared to the 12 fiscal months ended January 31, 2009. The following is a reconciliation of return on assets to ROIC:

	12 fiscal months ended	
	January 30, 2010	**January 31, 2009**
Net earnings	**$441**	$401
Add: income tax expense	**255**	247
Add: interest expense, net	**138**	131
Earnings before interest and income taxes	**834**	779
Add: rent expense	**43**	37
Less: estimated depreciation on capitalized operating leases[1]	**(23)**	(19)
Net operating profit	**854**	797
Estimated income tax expense[2]	**(313)**	(303)
Net operating profit after tax (NOPAT)	**$541**	$494
Average total assets[3]	**$6,197**	$5,768
Less: average non-interest-bearing current liabilities[4]	**(1,562)**	(1,447)
Less: average deferred property incentives[3]	**(462)**	(400)
Add: average estimated asset base of capitalized operating leases[5]	**311**	322

Average invested capital	**$4,484**	$4,243
Return on assets	**7.1%**	7.0%
ROIC	**12.1%**	11.6%

[1]Depreciation based upon estimated asset base of capitalized operating leases as described in footnote 5 below.
[2]Based upon our effective tax rate multiplied by the net operating profit for the fiscal years ended January 30, 2010 and January 31, 2009.
[3]Based upon the trailing 12-month average.
[4]Based upon the trailing 12-month average for accounts payable, accrued salaries, wages and related benefits, and other current liabilities.
[5]Based upon the trailing 12-month average of the monthly asset base, which is calculated as the trailing 12 months rent expense multiplied by 8.

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

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, strengthen our financial position and maintain flexibility for future strategic initiatives. We continuously assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, potential share repurchases and future investments or acquisitions. 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.

For the fiscal year ended January 30, 2010, cash and cash equivalents increased by $723 to $795, primarily due to cash provided by operations of $1,251, partially offset by $360 of capital expenditures; and $182 of purchases, net of payments, made by our customers for third-party merchandise and services using Nordstrom VISA credit cards. Additionally, we received proceeds from long-term borrowings of $399, repaid commercial paper and long-term borrowings totaling $300, and paid cash dividends of $139.

Operating Activities

Net cash provided by operating activities was $1,251 in 2009 and $848 in 2008. The majority of our operating cash inflows are related to sales to our customers, including the collection of accounts receivable. We also receive cash payments for property incentives from developers. Our operating cash outflows generally consist of payments to our inventory 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 increase in cash provided by operating activities in 2009 compared with 2008 was due to working capital initiatives and improved earnings. The positive impact from the change in accrued salaries, wages and related benefits primarily reflects the increase in performance-related expenses as our overall results improved relative to our plans in 2009 that will be paid in the first quarter of fiscal year 2010.

In 2010, although we expect net earnings to increase, we expect our operating cash flows to decline. This is a result of increases in working capital to support sales growth and payment of performance-related expenses that were included in accrued salaries, wages and related benefits at the end of 2009.

Investing Activities

Net cash used in investing activities was $541 in 2009 and $792 in 2008. Our investing cash flows primarily consist of capital expenditures and, beginning in the second quarter of 2007 (when we brought our Nordstrom VISA credit card receivables on-balance sheet), customer purchases (net of payments) for goods and services outside of Nordstrom using the Nordstrom VISA credit cards.

CAPITAL EXPENDITURES

Our capital expenditures over the last three years totaled $1,424, with $360 in 2009, $563 in 2008 and $501 in 2007. Compared with 2008, capital expenditures declined as we opened fewer full-line stores in 2009. While we opened more Rack stores in 2009 compared with 2008, the investment to open a Rack store is significantly less than a full-line store. Additionally, we reduced the number of full-line store remodels in 2009 compared with 2008.

Our capital expenditures included investments in new store openings and relocations, major and minor remodels, and information technology improvements. We also received property incentives from our developers of $96 in 2009, $119 in 2008 and $58 in 2007. 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 percentage, net of property incentives, for the last three years by category are summarized in the following table:

Fiscal year	**2009**	**2008**	**2007**
Category and expenditure percentage:			

New store openings and relocations	**59%**	55%	51%
Remodels (major and minor)	**15%**	30%	27%
Information technology	**13%**	8%	8%
Other	**13%**	7%	14%
Total	**100%**	100%	100%

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The following table summarizes our store count and square footage activity during 2009:

	Store Count			Square Footage		
	Total	Full line Stores	Rack and Other Stores	Total	Full line Stores	Rack and Other Stores
Balance at January 31, 2009	169	109	60	21.9	19.6	2.3
New store openings	16	3	13	0.9	0.4	0.5
Store closings	(1)	-	(1)	-	-	-
Balance at January 30, 2010	**184**	**112**	**72**	**22.8**	**20.0**	**2.8**

In 2009 we opened three full-line stores and opened thirteen Rack stores. Together these openings increased our gross square footage by 4.1%.

To date in 2010, we have opened three Rack stores. During the remainder of 2010, we anticipate opening three full-line stores, relocating one full-line store and opening fourteen additional Rack stores.

We expect that our capital expenditures (net of property incentives) will be approximately $2,100 over the next five years, with approximately $325 to $375 in 2010. Over these five years, we plan to use 37% of this investment to build new and relocated stores, 41% on remodels (major and minor), 11% on information technology and 11% for other projects. Our current five-year plans include 28 new stores announced through 2012, and two announced with dates to be determined, which represents a 9% increase in square footage. Almost one third of these stores will be in the South. 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 Nordstrom and accumulate points for our Nordstrom Fashion Rewards®. In 2009, we experienced a decrease in third party purchases made by our customers using their Nordstrom VISA credit cards. This decrease was driven by reductions in general consumer spending in response to economic conditions during 2009. This caused a decrease in cash used for accounts receivable originating at third parties, which was $182 in 2009 compared with $232 in 2008.

Financing Activities

Our net cash provided by financing activities was $13 in 2009 compared with $342 used in financing activities in 2008. 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 2009, we issued $400 of senior unsecured notes at 6.75% due June 2014. After deducting the original issue discount, underwriting fees and other expenses of $4, net proceeds from the offering were $396. These net borrowings were partially offset by the repayment of $275 in commercial paper borrowings and regularly scheduled principal payments of $25 on other long term borrowings.

During the year, we entered into interest rate swap agreements (collectively, the swap) to manage the interest rate risk associated with our fixed-rate borrowings. Our swap transaction has a $650 notional amount and matures 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 30, 2010).

DIVIDENDS

Fiscal year	2009	2008	2007
Cash dividends paid per share	**$0.64**	$0.64	$0.54

In 2009, we paid dividends of $0.64 per share, which was consistent with our dividend payments for 2008. This followed twelve consecutive years of annual dividend increases. In determining the amount of dividends to pay, we analyze our dividend payout ratio and dividend yield, and balance the dividend payment with our operating performance and capital resources. For the dividend yield, which is calculated as our dividends per share divided by our stock price, we plan to target a 1.0% to 1.5% long-term yield. We will balance any potential future dividend changes with our operating performance and available capital resources.

In February 2010, we declared a first quarter dividend of $0.16 per share, which is consistent with 2009.

SHARE REPURCHASES

Our reported results for 2008 include $264 in share repurchases. During 2008, we repurchased 6.9 shares of our common stock for an aggregate purchase price of $238, at an average price per share of $34.29. In addition, our results for the period include the settlement of $26 in repurchases initiated in the fourth quarter of 2007. In August 2007 our Board of Directors authorized a $1,500 share repurchase program and in November 2007 authorized an additional $1,000 for share repurchases, bringing the total program to $2,500. We suspended our share repurchase program in September 2008, with $1,126 of remaining capacity. During 2009 we did not repurchase shares. The share repurchase program expired in August 2009. The actual amount and timing of any future share repurchases will be subject to market conditions, approval by our Board of Directors, and applicable Securities and Exchange Commission rules.

Free Cash Flow (Non-GAAP financial measure)

We define Free Cash Flow as:

Free Cash Flow = Net Cash Provided By Operating Activities Capital Expenditures Change in Credit Card Receivables Originated at Third Parties Cash Dividends Paid + Increase in Cash Book Overdrafts

Free cash flow is one of our key liquidity measures, and we believe that our cash levels are 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 GAAP measure is net cash provided by operating activities, which was $1,251 and $848 for the 12 months ended January 30, 2010 and January 31, 2009. The following is a reconciliation of our net cash provided by operating activities and free cash flow:

	Fiscal year	
	2009	**2008**
Net cash provided by operating activities	**$1,251**	$848
Less: Capital expenditures	**(360)**	(563)
Change in credit card receivables originated at third parties	**(182)**	(232)
Cash dividends paid	**(139)**	(138)
Add: Increase in cash book overdrafts	**9**	20
Free Cash Flow	**$579**	$(65)
Net cash used in investing activities	**$(541)**	$(792)
Net cash provided by (used in) financing activities	**$13**	$(342)

Credit Capacity and Commitments

As of January 30, 2010, 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).

During 2009, we entered into a new unsecured revolving credit facility (the revolver) with a capacity of $650. This revolver replaced our previously existing $650 unsecured line of credit, which was scheduled to expire in November 2010. The 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. 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. As of January 30, 2010 we had no outstanding issuances under our $650 commercial paper

program and no outstanding borrowings under our revolver.
During 2009, we renewed our 2007-A VFN. The 2007-A VFN has a capacity of $300 and matures in January 2011. 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. Under the renewed 2007-A VFN, we have the option to reduce the total capacity or, provided that written consent is obtained from each of the parties to the Note Purchase Agreement, the facility contains the option to increase the total capacity. As of January 30, 2010, 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 2009 and 2008, 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.
We maintain import and standby letters of credit to facilitate international payments. As of January 30, 2010, we have $10 available under an import letter of credit, with $5 outstanding. We additionally hold a $15 standby letter of credit, with $12 outstanding under this facility at the end of the year.

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We currently have an automatic shelf registration statement on file with the Securities and Exchange Commission. Under the terms of the registration statement, and subject to the filing of certain post-effective amendments, we are authorized to issue an unlimited principal amount of debt securities.

Our next debt maturity is a $350 securitized note due in April 2010. Beginning in the first quarter of 2010, we will make monthly cash deposits into a restricted account until the note is due in accordance with the debt agreement. We will continue to monitor the credit markets and our potential financing needs in order to ensure we have adequate cash on hand to pay this debt when it becomes due. We expect to retire the $350 securitized note with available cash when it matures.

Debt Covenants

Our $650 unsecured line of credit requires that we maintain a leverage ratio of not greater than four times Adjusted Debt to EBITDAR, and a fixed charge coverage ratio of at least two times.

The fixed charge coverage ratio is defined as:

$$\frac{\text{EBITDAR less gross capital expenditures}}{\text{Interest expense, net + rent expense}}$$

As of January 30, 2010 and January 31, 2009 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 2010. See additional disclosure of Adjusted Debt to EBITDAR on the following page.

The following table shows our credit ratings at the date of this report:

Credit Ratings	**Moody s**	**Standard and Poor s**
Senior unsecured debt	Baa2	BBB+
Commercial paper	P-2	A-2
Senior unsecured outlook	Stable	Positive

These ratings could change depending on our performance and other factors. Our $100 variable funding facility can be cancelled or not renewed if our debt ratings fall below Standard and Poor s BB+ rating or Moody s Ba1 rating. Our other outstanding debt is not subject to termination or interest rate adjustments based on changes in our credit ratings. We are currently three ratings above the minimum for our Standard and Poor s covenant requirements, and two ratings above the minimum for our Moody s covenant requirements.

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Adjusted Debt to EBITDAR (Non-GAAP financial measure)

We define Adjusted Debt to Earnings before Interest, Income Taxes, Depreciation, Amortization and Rent (EBITDAR) as follows:

$$\textbf{Adjusted Debt to EBITDAR} = \frac{\textbf{Adjusted Debt}}{\textbf{EBITDAR}}$$

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 both January 30, 2010 and January 31, 2009, our Adjusted Debt to EBITDAR was 2.5.

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 GAAP measure is debt to net earnings, which was 5.9 and 6.3 for 2009 and 2008, respectively.

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

	2009[1]	**2008**[1]
Debt[2]	**$2,613**	$2,513
Add: rent expense x 8[3]	**341**	298
Adjusted Debt	**$2,954**	$2,811
Net earnings	**441**	401
Add: income tax expense	**255**	247
Add: interest expense, net	**138**	131
Earnings before interest and income taxes	**834**	779
Add: depreciation and amortization of buildings and equipment	**313**	302
Add: rent expense	**43**	37

EBITDAR	**$1,190**	$1,118
Debt to Net Earnings	**5.9**	6.3
Adjusted Debt to EBITDAR	**2.5**	2.5

[1]The components of adjusted debt are as of the end of 2009 and 2008, while the components of EBITDAR are for the 12 months ended January 30, 2010 and January 31, 2009.
[2]Debt included $275 of commercial paper borrowings outstanding as of January 31, 2009. There were no outstanding commercial paper borrowings as of January 30, 2010.
[3]The multiple of eight times rent expense used to calculate adjusted debt is our best estimate of the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease, or if we had purchased the property.

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Contractual Obligations

The following table summarizes our contractual obligations and the expected effect on our liquidity and cash flows as of January 30, 2010. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business and credit available to us under existing and potential future facilities.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	**$4,141**	$478	$746	$625	$2,292
Capital lease ob					