NORDSTROM INC
Form 10-Q/A
June 03, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended July 31, 2004

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

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

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

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

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

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

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

YES X NO ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES X NO ____

Common stock outstanding as of August 19, 2004: 141,445,080 shares of common stock.

Explanatory Note

This Amendment to the Quarterly Report on Form 10-Q for Nordstrom, Inc. (the "Company") for the fiscal quarter ended July 31, 2004, is being filed to correct two errors in our previously issued financial statements: the statements of cash flows presentation of property incentive cash inflows and the balance sheet classification of leased assets that were previously treated as sale-leaseback transactions. In addition, we have reclassified balances in our previously issued financial statements to conform to our current presentation. The principal reclassification item relates to the balance sheet and cash flow presentation of our investments in Auction Rate Securities. See Note 9 in our Notes to Condensed Consolidated Financial Statements for a discussion of these corrections and reclassifications, and a reconciliation of amounts previously reported to those shown herein. We have also revised our discussion in Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations. Information not affected by the corrections and reclassifications as described in Note 9 remains unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on September 9, 2004. Our previously reported net earnings, earnings per share and shareholders' equity are not impacted by these corrections and reclassifications.

NORDSTROM, INC. AND SUBSIDIARIES

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

	Quarter Ended		Year to Date Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net sales	$1,953,480	$1,784,849	$3,488,970	$3,120,321
Cost of sales and related buying and occupancy costs	(1,270,892)	(1,194,429)	(2,243,824)	(2,080,524)
Gross profit	682,588	590,420	1,245,146	1,039,797
Selling, general and administrative expenses	(536,233)	(492,296)	(988,967)	(912,622)
Operating income	146,355	98,124	256,179	127,175
Interest expense, net	(14,091)	(26,134)	(50,775)	(46,362)
Service charge income and other, net	43,002	36,081	82,489	71,713
Earnings before income taxes	175,266	108,071	287,893	152,526
Income tax expense	(68,351)	(42,200)	(112,251)	(59,500)
Net earnings	$ 106,915	$ 65,871	$ 175,642	$ 93,026
Basic earnings per share	$ 0.76	$ 0.48	$ 1.26	$ 0.69
Diluted earnings per share	$ 0.75	$ 0.48	$ 1.23	$ 0.68
Basic shares	140,735	135,844	139,922	135,710

Diluted shares	143,497	136,338	142,741	136,016
Cash dividends paid per share of common stock outstanding	$ 0.11	$ 0.10	$ 0.22	$ 0.20

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

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

	July 31, 2004	January 31, 2004	August 2, 2003
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 319,332	$ 340,281	$ 241,940
Short-term investments	165,575	176,000	69,627
Accounts receivable, net	721,510	666,811	726,596
Retained interest in accounts receivable	381,940	272,294	218,401
Merchandise inventories	1,024,853	901,623	1,019,467
Current deferred tax assets	132,158	121,681	111,127
Prepaid expenses	48,105	46,153	44,547
Total current assets	2,793,473	2,524,843	2,431,705
Land, buildings and equipment (net of accumulated depreciation of $2,221,299, $2,121,158 and $2,014,814	1,772,752	1,807,778	1,820,870
Goodwill, net	51,714	51,714	51,714
Tradename, net	84,000	84,000	84,000
Other assets	110,942	100,898	97,246
TOTAL ASSETS	$4,812,881	$4,569,233	$4,485,535

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:			
Accounts payable	$ 699,432	$ 458,809	$ 617,172
Accrued salaries, wages and related benefits	241,823	276,007	212,479
Other accrued expenses	305,992	314,753	283,377
Income taxes payable	86,309	66,157	76,192
Current portion of long-term debt	103,129	6,833	6,084
Total current liabilities	1,436,685	1,122,559	1,195,304
Long-term debt	927,227	1,227,410	1,285,073
Deferred property incentives, net	391,837	407,856	406,314
Other liabilities	185,692	177,399	152,535
Shareholders' Equity:			
Common stock, no par: 500,000 shares authorized; 141,436, 138,377 and 135,891 shares issued and outstanding	517,718	424,645	362,293
Unearned stock compensation	(448)	(597)	(746)
Retained earnings	1,346,035	1,201,093	1,080,002
Accumulated other comprehensive earnings	8,135	8,868	4,760
Total shareholders' equity	1,871,440	1,634,009	1,446,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,812,881	$4,569,233	$4,485,535

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

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

	Year to Date Ended	
	July 31, 2004	August 2, 2003
	As Restated, see Note 9	
OPERATING ACTIVITIES:		
Net earnings	$175,642	$93,026
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	130,235	123,349
Amortization of deferred property incentives and other, net	(15,690)	(12,988)
Stock-based compensation expense	5,482	1,815

Deferred income taxes, net	(3,595)	1
Tax benefit on stock option exercises	17,823	252
Provision for bad debt expense	12,731	14,386
Change in operating assets and liabilities:		
Accounts receivable, net	(68,087)	(85,399)
Retained interest in accounts receivable	(111,110)	(91,371)
Merchandise inventories	(111,810)	(62,209)
Prepaid expenses	(463)	(973)
Other assets	(10,462)	(6,188)
Accounts payable	193,469	224,034
Accrued salaries, wages and related benefits	(34,864)	(3,588)
Other accrued expenses	(8,710)	4,307
Income taxes payable	1,505	13,247
Property incentives	689	28,908
Other liabilities	19,529	9,387
Net cash provided by operating activities	192,314	249,996
INVESTING ACTIVITIES:		
Capital expenditures	(102,201)	(131,874)
Proceeds from sale of assets	5,473	-
Sales of short-term investments	1,979,050	838,618
Purchases of short-term investments	(1,968,625)	(786,979)
Other, net	205	106
Net cash used in investing activities	(86,098)	(80,129)
FINANCING ACTIVITIES:		
Principal payments on long-term debt	(201,325)	(46,108)
Increase in cash book overdrafts	33,959	12,597
Proceeds from exercise of stock options	64,624	1,661
Proceeds from employee stock purchases	6,277	4,458
Cash dividends paid	(30,700)	(27,129)
Other, net	-	2,341
Net cash used in financing activities	(127,165)	(52,180)
Net (decrease) increase in cash and cash equivalents	(20,949)	117,687
Cash and cash equivalents at beginning of period	340,281	124,253
Cash and cash equivalents at end of period	$319,332	$241,940

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

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands except per share amounts)
(unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in our 2003 Amended Annual Report filed with the Securities and Exchange Commission on April 8, 2005. The same accounting policies are followed for preparing quarterly and annual financial data. All adjustments necessary for the fair presentation of the results of operations, financial position and cash flows have been included and are of a normal, recurring nature.

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

Critical Accounting Policies

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We regularly evaluate our estimates including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, post-retirement benefits, sales return accruals, contingent liabilities and litigation. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our accounting policies and methodologies in 2004 are consistent with those discussed in our 2003 Amended Annual Report.

Nordstrom fsb, the Company's wholly-owned bank subsidiary, offers a co-branded VISA credit card program to its customers. As of July 31, 2004, the total receivable balance of the VISA credit card program was $570,400. Nordstrom Credit Card Master Note Trust has issued $200,000 of asset backed notes that are securitized by the VISA credit card receivable pool. The remaining portion of the VISA credit card receivable pool is held in certificated form; it is accounted for as securitized investments in accordance with accounting principles generally accepted in the United States and previously published views of the Securities and Exchange Commission (SEC) staff.

Nordstrom fsb is regulated by the U.S. Department of the Treasury Office of Thrift Supervision ("OTS"). On September 1, 2004, the OTS directed Nordstrom, Inc. to account for a portion of its retained interest in the VISA credit card receivable pool as loan receivables instead of as securitized investments. At this time, we are working to resolve the difference between the accounting treatment asked for by the OTS and our accounting treatment. Our accounting is consistent with the advice of our independent auditors. If the accounting treatment asked for by the OTS were to be applied to our full retained interest in accounts receivable balance, we would combine that amount ($381,940 as of July 31, 2004) with accounts receivable, net, reduce the unrealized gain recorded in other comprehensive income ($3,871, net of tax), and establish an additional allowance for loan losses (up to approximately $17,200, or $10,500 net of tax). We are continuing to discuss this matter with the OTS, and we expect to receive input from the SEC staff to aid in the resolution of this matter in the third quarter of 2004.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Reclassifications

Certain reclassifications of previously reported balances have been made to conform with our current presentation.

See Note 9 for a discussion of the significant reclassifications and a reconciliation of amounts previously reported to those shown herein.

Stock Compensation

We apply APB No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under our stock-based compensation programs, which is described more fully in our 2003 Annual Report.

If we had elected to recognize compensation cost based on the fair value of the options and shares at grant date, net earnings and earnings per share would have been as follows:

	Quarter Ended		Year to Date Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net earnings, as reported	$106,915	$65,871	$175,642	$93,026
Add: stock-based compensation expense included in reported net earnings, net of tax	2,573	1,054	3,344	1,107
Deduct: stock-based compensation expense determined under fair value, net of tax	(6,649)	(4,451)	(12,300)	(10,727)
Pro forma net earnings	$102,839	$62,474	$166,686	$83,406
Earnings per share:				
Basic - as reported	$0.76	$0.48	$1.26	$0.69
Diluted - as reported	$0.75	$0.48	$1.23	$0.68
Basic - pro forma	$0.73	$0.46	$1.19	$0.61
Diluted - pro forma	$0.72	$0.46	$1.17	$0.61

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands except per share amounts)
(unaudited)

Note 2 - Postretirement Benefits

The expense components of our Supplemental Executive Retirement Plan, which provides retirement benefits to certain officers and select employees, are as follows:

	Quarter Ended		Year to Date Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Service cost	$372	$205	$744	$410
Interest cost	991	855	1,982	1,710
Amortization of net loss	386	188	772	376
Amortization of prior service cost	240	173	480	346
Total expense	$1,989	$1,421	$3,978	$2,842

Note 3 - Earnings Per Share

	Quarter Ended		Year to Date Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Net earnings	$106,915	$65,871	$175,642	$93,026
Basic shares	140,735	135,844	139,922	135,710
Dilutive effect of stock options and performance share units	2,762	494	2,819	306
Diluted shares	143,497	136,338	142,741	136,016
Basic earnings per share	$0.76	$0.48	$1.26	$0.69
Diluted earnings per share	$0.75	$0.48	$1.23	$0.68
Antidilutive stock options	-	8,225	10	9,687

Note 4 - Accounts Receivable

The components of accounts receivable are as follows:

	July 31, 2004	January 31, 2004	August 2, 2003
Trade receivables:			

(amounts in thousands except per share amounts)

Unrestricted	$24,228	$25,228	$27,584
Restricted	618,109	589,992	638,572
Allowance for doubtful accounts	(19,934)	(20,320)	(21,146)
Trade receivables, net	622,403	594,900	645,010
Other	99,107	71,911	81,586
Accounts receivable, net	$721,510	$666,811	$726,596

Note 4 - Accounts Receivable (Cont.)

The restricted private label receivables back the $300,000 Class A notes and the $150,000 variable funding note renewed in May 2004. Other accounts receivable consist primarily of third party credit card receivables, vendor receivables and cosmetic rebate receivables, which are believed to be fully realizable as they are collected soon after they are earned.

Note 5 - Debt

During the first quarter of 2004, we retired $196,770 of our 8.95% senior notes and $973 of our 6.7% medium-term notes for a total cash payment of $219,587. We recognized $20,842 of net expense in the first quarter of 2004 related to this purchase.

In May 2004, we replaced our existing $300,000 unsecured line of credit with a $350,000 unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31%. The margin increases to 0.41% if more than $175,000 is outstanding on the facility. The line of credit agreement expires in three years and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating.

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label receivables and reduced the capacity by $50,000 to $150,000. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the facility.

We did not make any borrowings under our unsecured line of credit or our variable funding note backed by Nordstrom private label receivables during 2004.

We have an interest rate swap outstanding recorded in other liabilities. Our swap has a $250,000 notional amount, expires in 2009 and is designated as a fully effective fair value hedge. Under the agreement, we received a fixed rate of 5.63% and paid a variable rate based on LIBOR plus a margin of 2.3% set at six-month intervals (5.095% at July 31, 2004.) The fair value of our interest rate swap is as follows:

	July 31, 2004	January 31, 2004	August 2, 2003
Interest rate swap fair value	($11,901)	($8,091)	($15,283)

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands except per share amounts)
(unaudited)

Note 6 - Comprehensive Net Earnings

	Year to Date Ended	
	July 31, 2004	August 2, 2003
Net earnings	$175,642	$93,026
Foreign currency translation adjustment	160	1,670
Securitization adjustment, net of tax of $571 and ($970)	(893)	1,517
SERP adjustment, net of tax $0 and $721	-	(1,127)
Comprehensive net earnings	$174,909	$95,086

Note 7 - Segment Reporting

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

Quarter ended July 31, 2004	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Tot
Net sales	$1,868,808	$-	$84,672	$-	$-	$1,953,4
Service charge income	-	39,054	-	-	-	39,0
Intersegment revenues	9,723	11,051	-	-	(20,774)	
Interest expense, net	(138)	(5,862)	18	(8,109)	-	(14,0
Earnings before taxes	211,593	9,837	4,246	(50,410)	-	175,2
Net earnings (loss)	129,070	6,000	2,589	(30,744)	-	106,9

Quarter ended August 2, 2003	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Tot
Net sales	$1,713,561	$-	$71,288	$-	$-	$1,784,8
Service charge income	-	34,603	-	-	-	34,6
Intersegment revenues	8,270	10,390	-	-	(18,660)	
Interest expense, net	(24)	(5,442)	(4)	(20,664)	-	(26,1
Earnings before taxes	162,196	5,326	974	(60,425)	-	108,0
Net earnings (loss)	98,833	3,242	597	(36,801)	-	65,8

Year to date ended July 31, 2004	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Tot
Net sales	$3,323,415	$-	$165,555	$-	$-	$3,488,9
Service charge income	-	79,210	-	-	-	79,2
Intersegment revenues	13,760	18,651	-	-	(32,411)	
Interest expense, net	(263)	(11,225)	87	(39,374)	-	(50,7
Earnings before taxes	388,716	19,960	10,237	(131,020)	-	287,8
Net earnings (loss)	237,153	12,177	6,245	(79,933)	-	175,6
Assets	2,736,279	1,042,091	120,729	913,782	-	4,812,8

Year to date ended August 2, 2003	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Tot
Net sales	$2,982,892	$-	$137,429	$-	$-	$3,120,3
Service charge income	-	68,535	-	-	-	68,5
Intersegment revenues	14,521	17,238	-	-	(31,759)	
Interest expense, net	(118)	(10,815)	12	(35,441)	-	(46,3
Earnings before taxes	257,992	11,706	(1,485)	(115,687)	-	152,5
Net earnings (loss)	157,349	7,139	(905)	(70,557)	-	93,0
Assets	2,789,310	860,089	105,128	731,008	-	4,485,5

As of July 31, 2004, January 31, 2004, and August 2, 2003, Retail Stores assets included $35,998 of goodwill and $84,000 of tradename, and Catalog/Internet assets included $15,716 of goodwill. Goodwill and tradename included in all segments totaled $135,714.

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands except per share amounts)
(unaudited)

Note 8 - Litigation

We are involved in routine claims, proceedings, and litigation arising from the normal course of our business. We do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our results of operations, financial position, or liquidity.

Note 9 - Restatement and Reclassifications

Subsequent to issuance of our 2004 quarterly financial statements, we have corrected two errors in our previously issued financial statements: the statements of cash flows presentation of property incentive cash inflows and the balance sheet classification of leased assets that were previously treated as sale-leaseback transactions. Our previously reported net earnings, earnings per share and shareholders' equity are not impacted by these corrections.

Statements of cash flows presentation of property incentives cash inflows: On February 7, 2005, the Chief Accountant of the U.S. Securities and Exchange Commission ("SEC") released a letter expressing the SEC's views on certain lease accounting matters and their application under generally accepted accounting principles in the United States of America. Following the issuance of this letter, we reviewed our lease accounting policies and determined that our classification of property incentives in our consolidated statements of cash flows was not in accordance with GAAP.

We historically recognized property incentives in our consolidated statements of cash flows as a separate line item in investing activities. After a review of our lease accounting policies, we determined that property incentives should be classified in operating activities and, accordingly, have restated our statements of cash flows.

(amounts in thousands except per share amounts)

Leased assets previously treated as sale-leaseback transactions: From 1998 to 2000, we partnered with developers to build five new full-line stores. We controlled the construction phase of the new stores' development and we received payments from the developers to offset a portion of the related capital expenditures. In our previously issued financial statements, we treated those stores as being sold to and leased back from the developer. As we analyzed our lease accounting in connection with the SEC Staff's letter discussed above, we determined that sale-leaseback accounting treatment was not correct because we have ongoing involvement at the stores. We have restated our previously issued balance sheets by classifying the stores' assets in land, buildings and equipment, the developer payment in deferred property incentives, and eliminating the net of those two balances, which was previously recorded in other assets and prepaid expenses. The impact to earnings is not material.

Reclassifications

We have reclassified balances in our previously issued financial statements to conform to our current presentation. The principal reclassification item is as follows:

Note 9 - Restatement and Reclassifications (cont.)

Auction rate securities: In order to maximize our earnings on available capital, we invest in high-quality bonds known as Auction Rate Securities ("ARS"), which we had classified as cash equivalents in previously issued financial statements. The interest rates for ARS that we invest in are set for short periods, ranging from seven to 35 days, via auction. At the end of each interest period, we choose to rollover our holdings or redeem the investment for cash. A `market maker' facilitates the redemption of the ARS and the underlying issuers are not required to redeem the investments within 90 days of our purchase of the investments. We have reclassified $165,575, $176,000 and $69,627 at the end of July 31, 2004, January 31, 2004 and August 2, 2003 to short term investments and we have reflected the purchases and sales of these securities in our statements of cash flows for 2003 through 2004.

In addition to this reclassification, we have revised the grouping of some liabilities within the current liabilities section of the 2003 and 2004 balance sheets.

The following table summarizes the impacts of the restatements and reclassifications on the previously issued financial statements:

	Year to Date Ended July 31, 2004	
	As	As Restated

	Originally Reported	Restatement Adjustments	Reclass Adjustments	and Reclassified
Consolidated Statement of Cash Flows				
Net cash provided by operating activities	$ 191,625	$ 689	$ -	$ 192,314
Net cash used in investing activities	(95,834)	(689)	10,425	(86,098)
Consolidated Balance Sheet	July 31, 2004			
Cash and cash equivalents	$ 484,907	$ -	$ (165,575)	$ 319,332
Short-term investments	-	-	165,575	165,575
Prepaid expenses	52,194	(4,089)	-	48,105
Total current assets	2,797,562	(4,089)	-	2,793,473
Land, buildings and equipment net	1,691,507	81,245	-	1,772,752
Other assets	158,561	(47,619)	-	110,942
Total assets	4,783,344	29,537	-	4,812,881
Accounts payable	805,098	-	(105,666)	699,432
Other accrued expenses	200,326	-	105,666	305,992
Total current liabilities	1,436,685	-	-	1,436,685
Deferred property incentives, net	362,300	29,537	-	391,837
Total liabilities and shareholders' equity	4,783,344	29,537	-	4,812,881

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands except per share amounts)
(unaudited)

Note 9 - Restatement and Reclassifications (cont.)

	Year to Date Ended August 2, 2003			
	As Originally Reported	Restatement Adjustments	Reclass Adjustments	As Restated and Reclassified
Consolidated Statement of Cash Flows				
Net cash provided by operating activities	$ 221,088	$ 28,908	$ -	$ 249,996
Net cash used in investing activities	(102,860)	(28,908)	51,639	(80,129)

Consolidated Balance Sheet	August 2, 2003			
Cash and cash equivalents	$ 311,567	$ -	$ (69,627)	$ 241,940
Short-term investments	-	-	69,627	69,627
Prepaid expenses	48,053	(3,506)	-	44,547
Total current assets	2,435,211	(3,506)	-	2,431,705
Land, buildings and equipment net	1,735,202	85,668	-	1,820,870
Other assets	147,876	(50,630)	-	97,246
Total assets	4,454,003	31,532	-	4,485,535
Accounts payable	709,108	-	(91,936)	617,172
Other accrued expenses	191,441	-	91,936	283,377
Total current liabilities	1,195,304	-	-	1,195,304
Deferred property incentives, net	374,782	31,532	-	406,314
Total liabilities and shareholders' equity	4,454,003	31,532	-	4,485,535

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

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of our 2003 Amended Annual Report. All dollar amounts are in millions except per share amounts.

RESULTS OF OPERATIONS:

Overview

Earnings for the second quarter of 2004 increased 62% to $106.9 or $0.75 per diluted share from $65.9 or $0.48 per diluted share for the same period in 2003. For the year to date period ended July 31, 2004, earnings increased 89% to $175.6 or $1.23 per diluted share from $93.0 or $0.68 per diluted share for the same period in 2003. Our results improved in the quarter and year to date periods due to strong sales, significant improvement in gross margin and overall expense leverage.

Sales

Total sales increased 9.4% for the quarter and 12.5% year to date on a 4-5-4 comparable basis due to substantial same-store sales increases and store openings. Same-store sales on a 4-5-4 comparable basis increased 6.8% for the quarter and 9.5% year to date. The sales growth for the quarter and year to date periods is attributable to a strong Anniversary sale event, our continuous improvement in merchandising efforts, supported by our enhanced information systems, and the improved overall retail environment, especially in the first quarter. In the twelve months ended July 31, 2004, we have opened four full-line stores and two Nordstrom Rack stores. See our GAAP sales reconciliation on page 16.

All of our geographic regions and major merchandise divisions reported same-store sales increases in the second quarter and year to date.

Gross Profit

	Second Quarter		Year to Date	
	2004	2003	2004	2003
Gross profit as a percent of sales	34.9%	33.1%	35.7%	33.3%

Gross profit as a percentage of sales improved 180 basis points for the quarter and 240 basis points for the year to date period ended July 31, 2004. The quarter and year to date performance was due to increased sales volume and lower markdowns resulting from our ongoing improvement in managing inventory. On a same-store basis, our inventory balance as of July 31, 2004 declined 1.5% compared to August 2, 2003.

Selling, General and Administrative Expense

	Second Quarter		Year to Date	
	2004	2003	2004	2003
Selling, general and administrative expense as a percent of sales	27.4%	27.6%	28.4%	29.2%

Selling, general and administrative expense as a percent of sales improved for the quarter and year to date period ended July 31, 2004 due primarily to overall expense control and leverage on our same-store sales growth. We saw improvements in all of our controllable core operating expense components. Specifically, we were able to leverage the favorable sales performance in nonselling labor and other discretionary costs. This was partially offset by an increase in incentive compensation costs as a result of our improved operating performance.

Interest Expense

Interest expense, net decreased $12.0 for the quarter ended July 31, 2004 when compared to the same period in 2003 due to $6.4 of debt prepayment premiums recorded in 2003 and a reduction in outstanding borrowings in 2004.

Interest expense, net for the year to date period ended July 31, 2004 increased due to $20.8 in additional expense incurred in the current year related to debt retirement, offset by $6.4 in debt retirement expenses for the prior year. Interest expense on outstanding debt decreased versus the same period last year primarily due to the lower overall debt levels. Over the 12 months ended July 31, 2004, we have retired $260.1 of our outstanding long-term debt.

Service Charge Income and Other

Service charge income and other, net increased $6.9 for the quarter and $10.8 for the year to date periods ended July 31, 2004 primarily due to income recorded from our VISA securitization. The quarter and year to date service charge income benefited from substantial increases in our VISA receivables compared to the same periods in 2003.

Seasonality

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

GAAP Sales Reconciliation

We converted to a 4-5-4 Retail Calendar at the beginning of 2003. This change in our fiscal calendar has resulted in one less day of sales being included in our year to date 2004 results versus the same period in the prior year. Sales performance numbers included in this document have been calculated on a comparative 4-5-4 basis. We believe that adjusting for the difference in days provides a more comparable basis from which to evaluate sales performance. The following reconciliation bridges the reported GAAP sales to the 4-5-4 comparable sales.

Sales reconciliation ($M)	YTD 2003	YTD 2004	Dollar Increase	% Change Total Sales	% Change Comp Sales
Number of days GAAP	183	182			
GAAP sales	$3,120.3	$3,489.0	$368.7	11.8%	N/A
Less Feb. 1, 2003 sales	($18.2)	--			
Reported 4-5-4 sales	$3,102.1	$3,489.0	$386.9	12.5%	9.5%
4-5-4 Adjusted days	182	182			

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

LIQUIDITY AND CAPITAL RESOURCES

In 2004, we used our cash flow from operations for investments in new stores, store remodels and technology, for dividends to our shareholders, and to pre-pay a portion of our long term debt. We have not borrowed funds in 2004.

Cash Flow from Operations

Cash flow provided by operating activities decreased by $57.7 to $192.3 in 2004. Higher net earnings were offset by our merchandise purchase and payment flow changes in 2004 as compared to 2003, increased performance-based compensation payments and decreased property incentive receipts due to fewer store openings. Toward the end of 2003 and into 2004, we have achieved a more even flow of merchandise purchases in relation to our sales trends. The merchandise inventory increase in 2004 is in sync with our sales growth and the seasonal nature of our business; the payables leverage we achieved on this inventory growth is consistent with our merchandising improvements. The improvement in our 2003 financial results as compared to 2002 resulted in an increase in our performance-based compensation payments in 2004 as compared to the prior year.

Cash Flow Used in Investing

Net cash used in investing activities increased in 2004 as compared to 2003 from the reduction in our short-term investments, which was used to repurchase outstanding debt. Compared to the prior year, we focused our capital expenditures on the improvement of existing facilities while decreasing our spending on new store openings and information systems. Year to date, we opened one full-line store in Charlotte, NC. We expect to open one full-line store in Miami, FL in November 2004. In the first half of 2003, we opened one full-line store; in the second half of 2003, we opened three full-line stores and two Nordstrom Rack stores.

Cash Flow Used in Financing

For the year to date period ended July 31, 2004, cash used in financing activities increased primarily due to our current year debt repurchase, offset by an increase in the proceeds received from employee stock option exercises (due to the increase in the price of our common stock in 2004) and disbursement timing differences that increased our cash book overdraft balance.

During the first quarter of 2004, we retired $196.8 of our 8.95% senior notes and $1.0 of our 6.7% medium-term notes for a total cash payment of $219.6. We recorded $20.8 of net expense in the first quarter of 2004 related to these purchases.

In May 2004, we replaced our existing $300.0 unsecured line of credit with a $350.0 unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31%. The margin increases to 0.41% if more than $175.0 is outstanding on the facility. The line of credit agreement expires in three years and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating.

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

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label receivables and reduced the capacity by $50.0 to $150.0. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the facility.

We did not make any borrowings under our unsecured line of credit or our variable funding note backed by Nordstrom private label receivables during 2004.

In August 2004, the Board of Directors authorized $300.0 of share repurchases. This authorization extends for three years to August 2007, although we expect the shares to be acquired through open market transactions during the next 12 to 24 months. This replaces the current remaining share repurchase authority of $82.4. The actual number and timing of share repurchases will be subject to market conditions and applicable SEC rules.

We maintain a level of liquidity to allow us to cover our seasonal cash needs and rely on short-term borrowings only as needed. We believe that our operating cash flows, existing cash and available credit facilities are sufficient to finance our cash requirements for the next 12 months. We plan to pay the remaining $96.5 of our 6.7% medium-term notes due in July 2005 with existing cash and cash from operations.

Over the long term, we manage our cash and capital structure to strengthen our financial position and maintain flexibility for future strategic initiatives. We continuously assess our debt and leverage levels, capital expenditure requirements, principal debt payments, dividend payouts, potential share repurchases, and future investments or acquisitions. We believe our operating cash flows, existing cash, available credit facilities, as well as any potential future facilities will be sufficient to fund these scheduled future payments and potential long-term initiatives.

CRITICAL ACCOUNTING POLICIES:

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We regularly evaluate our estimates including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, post-retirement benefits, sales return accruals, contingent liabilities and litigation. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our accounting policies and methodologies in 2004 are consistent with those discussed in our 2003 Amended Annual Report.

Nordstrom fsb, the Company's wholly-owned bank subsidiary, offers a co-branded VISA credit card program to its customers. As of July 31, 2004, the total receivable balance of the VISA credit card program was $570.4. Nordstrom Credit Card Master Note Trust has issued $200.0 of asset backed notes that are securitized by the VISA credit card receivable pool. The remaining portion of the VISA credit card receivable pool is held in certificated form; it is accounted for as securitized investments in accordance with accounting principles generally accepted in the United States and previously published views of the Securities and Exchange Commission (SEC) staff.

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

Nordstrom fsb is regulated by the U.S. Department of the Treasury Office of Thrift Supervision ("OTS"). On September 1, 2004, the OTS directed Nordstrom, Inc. to account for a portion of its retained interest in the VISA credit card receivable pool as loan receivables instead of as securitized investments. At this time, we are working to resolve the difference between the accounting treatment asked for by the OTS and our accounting treatment. Our accounting is consistent with the advice of our independent auditors. If the accounting treatment asked for by the OTS were to be applied to our full retained interest in accounts receivable balance, we would combine that amount ($381.9 as of July 31, 2004) with accounts receivable, net, reduce the unrealized gain recorded in other comprehensive income ($3.9, net of tax), and establish an additional allowance for loan losses (up to approximately $17.2, or $10.5 net of tax). We are continuing to discuss this matter with the OTS, and we expect to receive input from the SEC staff to aid in the resolution of this matter in the third quarter of 2004.

FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT:

The preceding disclosures included forward-looking statements regarding our performance, liquidity and adequacy of capital resources. These statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are qualified by the risks and challenges posed by our ability to predict fashion trends, consumer apparel buying patterns, our ability to control costs, weather conditions, hazards of nature such as earthquakes and floods, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, employee relations, our ability to continue our expansion plans, and the impact of economic and competitive market forces, including the impact of terrorist activity or the impact of a war on us, our customers and the retail industry. As a result, while we believe there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, we performed an evaluation under the supervision and with the participation of management, including our President and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, our President and our Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective in the timely recording, processing, summarizing and reporting of material financial and non-financial information.

In May 2004 we implemented a new human resources management system to replace all of our mainframe legacy systems relating to human resources. This system will enhance the integration with our existing financial systems and provide us with improved management and information on our labor and benefits. Many processes have been automated and the system lays the foundation for additional improvements in the future. Management is taking the necessary steps to monitor and maintain appropriate internal controls during this period of change. These steps include testing before the implementation, deploying resources to mitigate internal control risks, implementing reviews to ensure the accuracy of our data and processes, and performing multiple levels of reconciliations and analysis.

Item 4. CONTROLS AND PROCEDURES (CONT.)

Other than as described above, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Cosmetics

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

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the four years prior to the filing of the amended complaint. Defendants, including us, have answered the amended complaint denying the allegations. The defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions.

We entered into a settlement agreement with the plaintiffs and the other defendants on July 13, 2003. In furtherance of the settlement agreement, the case was refiled in the United States District Court for the Northern District of California on behalf of a class of all persons who currently reside in the United States and who purchased "Department Store" cosmetics from the defendants during the period May 29, 1994 through July 16, 2003. The Court has given preliminary approval to the settlement. A summary notice of class certification and the terms of the settlement has been disseminated to class members. A hearing on whether the Court will grant final approval of the settlement has been scheduled for November 16, 2004. If approved by the Court, the settlement will result in the plaintiffs' claims and the claims of all class members being dismissed, with prejudice, in their entirety. In connection with the settlement agreement, the defendants will provide class members with certain free products and pay the plaintiffs' attorneys' fees, awarded by the Court up to $24 million. Our share of the cost of the settlement will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other

We are involved in various routine legal proceedings incidental to the ordinary course of business. In management's opinion, the outcome of pending legal proceedings, separately and in the aggregate, will not have a material adverse effect on our business or consolidated financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Repurchases

	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Units)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or (Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
Feb. 2004 (2/1/04 to 2/28/04)	-	-	-	$82 million
Mar. 2004 (2/29/04 to 4/3/04)	-	-	-	$82 million
Apr. 2004 (4/4/04 to 5/1/04)	672 (1)	$39.99	-	$82 million
May. 2004 (5/2/04 to 5/29/04)	-	-	-	$82 million
Jun. 2004 (5/30/04 to 7/3/04)	-	-	-	$82 million
Jul. 2004 (7/4/04 to 7/31/04)	-	-	-	$82 million

(1) The 672 shares redeemed were not part of a publicly announced repurchase plan or program. These shares were owned and tendered by an employee to Nordstrom as payment for an option exercise.

(2) In May 1995, the Board of Directors authorized $1.1 billion of share repurchases, with no expiration date. As of July 31, 2004, we have $82 million remaining in share repurchases. In August 2004, the Board of Directors authorized $300.0 million of share repurchases. For further details, see the liquidity discussion in Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

We held our Annual Shareholders Meeting on May 25, 2004, at which time the shareholders voted on the following proposals:

(1) Election of Directors

Name of Candidate	For	Withheld
D. Wayne Gittinger	127,401,661	3,744,178
Enrique Hernandez, Jr.	129,175,632	1,970,207
Jeanne P. Jackson	128,852,005	2,293,834
Bruce A. Nordstrom	128,896,633	2,249,206
John N. Nordstrom	128,899,784	2,246,055
Alfred E. Osborne, Jr., Ph.D.	124,174,502	6,971,336
William D. Ruckelshaus	124,134,089	7,011,750
Alison A. Winter	129,147,657	1,998,181

There were no abstentions and no broker non-votes.

(2) Approval of the Nordstrom, Inc. 2004 Equity Incentive Plan

The vote was 98,592,580 for, 16,437,312 against, and there were 773,699 abstentions. There were 15,342,248 broker non-votes.

(3) Approval of the Nordstrom, Inc. Executive Management Group Bonus Plan

The vote was 111,708,317 for, 3,164,523 against, and there were 930,751 abstentions. There were 15,342,248 broker non-votes.

(4) Ratification of the Appointment of Independent Auditors

The vote was 128,220,533 for, 2,223,774 against, and there were 701,532 abstentions. There were no broker non-votes.

Item 6. Exhibits

10.1 Revolving Credit Facility dated May 14, 2004, between Registrant and a group of commercial banks.

10.2 Nordstrom, Inc. Executive Management Group Bonus Plan is hereby incorporated by reference from the Registrant's definitive proxy statement filed with the Commission on April 15, 2004.

10.3 2004 Equity Incentive Plan is hereby incorporated by reference from the Registrant's definitive proxy statement filed with the Commission on April 15, 2004.

10.4 Commitment of Nordstrom, Inc. to Nordstrom fsb dated June 17, 2004.

10.5 Nordstrom fsb Segregated Earmarked Deposit Agreement And Security Agreement by and between Nordstrom fsb and Nordstrom, Inc. dated July 1, 2004.

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

31.2 Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 Certification of President regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Michael G. Koppel

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

Date: June 3, 2005

NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

Exhibit		Method of Filing
10.1	Revolving Credit Facility dated May 14, 2004 between Registrant and a group of commercial banks	Incorporated by reference from Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.1
10.2	Nordstrom, Inc. Executive Management Group Bonus Plan	Incorporated by reference from Registrant's definitive proxy

		statement filed with the Commission on April 15, 2004.
10.3	2004 Equity Incentive Plan	Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004.
10.4	Commitment of Nordstrom, Inc. to Nordstrom fsb dated June 17, 2004	Incorporated by reference from Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.4
10.5	Nordstrom fsb Segregated Earmarked Deposit Agreement And Security Agreement by and between Nordstrom fsb and Nordstrom, Inc. dated July 1, 2004.	Incorporated by reference from Registrant's Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.4
31.1	Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
31.2	Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
32.1	Certification of President regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically
32.2	Certification of Chief Financial Officer regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically