Court File No. CV-23-00695619-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC** and **NORDSTROM CANADA HOLDINGS II, LLC**

APPLICANTS

APPLICATION RECORD
VOLUME 3 OF 5

March 2, 2023

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Capital expenditures as a percentage of net sales in 2021 were in-line with our outlook and decreased compared with 2020 primarily due to a decrease in supply chain and technology spend as a percentage of net sales. Going forward, through 2025, we expect capital expenditure requirements on average to range from 3% to 4% of net sales, and primarily support investments in technology and our Supply Chain Network. Approximately $40 of our purchase obligation commitments relate to capital expenditures, of which about 60% is expected to impact our liquidity in the next year (see Note 13: Commitments and Contingencies in Item 8).

Financing Activities
The majority of our financing activities include long-term debt or Revolver proceeds and/or payments, dividend payments and repurchases of common stock.

Cash from financing activities decreased $1,074 between 2021 and 2020 primarily due to paying down the Secured Notes and the 4.0% senior unsecured notes due in October 2021.

In 2020, in response to uncertainty from the COVID-19 pandemic, we announced the suspension of our quarterly dividend payments beginning in the second quarter of 2020 and the immediate suspension of our share repurchase program. We remain committed to these programs over the long term and anticipate that we will be in a position to resume returning cash to shareholders in the first quarter of 2022 subject to the completion of certain year-end certification requirements with our bank group. We intend to resume share repurchases when appropriate.

Share Repurchases
In determining the sizing and timing of share repurchases, we analyze a number of different factors, including our liquidity position, current market and economic conditions, as well as alternative uses of capital, including those used to offset anticipated dilution from equity incentive plans. Share repurchases are made as conditions warrant, in the open market and are then retired. We repurchased no shares of our common stock in 2021 and had $707 remaining in share repurchase capacity as of January 29, 2022. The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to the discretion of the Board of Directors, contractual commitments, market and economic conditions and applicable SEC rules (see Note 11: Shareholders' Equity in Item 8).

Dividends
In determining the dividends to pay, we analyze our dividend payout ratio and dividend yield, while taking into consideration our current and projected operating performance and liquidity, subject to our Revolver covenants (see Note 5: Debt and Credit Facilities in Item 8). In 2021, we paid no dividends, compared with $58, or $0.37 per share, in 2020 (see Note 11: Shareholders' Equity in Item 8).

Cash Requirements
We have various commitments and other executory contracts that are disclosed in the following Notes to Consolidated Financial Statements in Item 8:

- Note 4: Leases
- Note 5: Debt and Credit Facilities
- Note 7: Self-Insurance
- Note 8: Supplemental Executive Retirement Plan
- Note 12: Income Taxes
- Note 13: Commitments and Contingencies

Other commitments include $77 for deferred compensation and other accrued benefits, $11 of which is payable within one year.

Off-Balance Sheet Arrangements
In connection with our workers' compensation programs, we have standby letters of credit issued on our behalf with $13 available and $2 outstanding as of January 29, 2022 (see Note 7: Self-Insurance in Item 8). In management's opinion, we have no off-balance sheet arrangements that have a material current or future effect on our financial condition or financial statements.

Free Cash Flow (Non-GAAP financial measure)
Free Cash Flow is one of our key liquidity measures and, when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate cash from our business.

Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by (used in) operating activities. The following is a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow:

Fiscal year	2021	2020	2019
Net cash provided by (used in) operating activities	**$705**	($348)	$1,236
Less: capital expenditures	**(506)**	(385)	(935)
(Less) Add: change in cash book overdrafts	**(32)**	(4)	8
Free Cash Flow	**$167**	($737)	$309

Adjusted EBITDA (Non-GAAP financial measure)
Adjusted EBITDA is one of our key financial metrics and, when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate pre-tax earnings and cash flow from our operations. Adjusted EBITDA excludes significant items which are non-operating in nature in order to evaluate our core operating performance against prior periods. The financial measure calculated under GAAP which is most directly comparable to Adjusted EBITDA is net earnings.

Adjusted EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, net earnings, overall change in cash or liquidity of the business as a whole. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of net earnings (loss) to Adjusted EBITDA:

Fiscal year	2021	2020	2019
Net earnings (loss)	**$178**	($690)	$496
Add (Less): income tax expense (benefit)	**68**	(538)	186
Add: interest expense, net	**246**	181	102
Earnings (loss) before interest and income taxes	**492**	(1,047)	784
Add: depreciation and amortization expenses	**615**	671	671
Less: amortization of developer reimbursements	**(78)**	(86)	(75)
Add: asset impairments	**—**	137	—
Adjusted EBITDA	**$1,029**	($325)	$1,380

CAPITAL RESOURCES

Borrowing Capacity and Activity

Our Revolver has a maximum borrowing capacity of $800, which expires in September 2023. Provided that we obtain written consent from our lenders, we have the option to increase the Revolver by up to $200, to a total of $1,000, and two options to extend the Revolver by one year. Our $800 commercial paper program has the effect of reducing available liquidity under the Revolver by an amount equal to the principal amount of commercial paper outstanding. Conversely, borrowings under our Revolver have the effect of reducing the available capacity of our commercial paper program by an amount equal to the amount outstanding. As of January 29, 2022, we had no borrowings outstanding under our Revolver and no issuances outstanding under our commercial paper program. For more information about our credit facilities, see Note 5: Debt and Credit Facilities in Item 8.

The following represents our principal long-term debt and Revolver activity:

	Long-term debt				Revolver			
Quarter	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
2021								
Borrowings	$675	$—	$—	$—	$200	$—	$200	$—
Payments	(600)	(500)	—	—	—	(200)	—	(200)
2020								
Borrowings	600	—	—	—	800	—	—	—
Payments	—	—	—	—	—	—	—	(800)

During 2020, we recorded debt issuance costs in other financing activities, net in the Consolidated Statement of Cash Flows (see Note 5: Debt and Credit Facilities in Item 8).

Impact of Credit Ratings and Revolver Covenants

Changes in our credit ratings may impact our costs to borrow, whether our personal property secures our Revolver and whether we are permitted to pay dividends or repurchase shares.

For our Revolver, the interest rate applicable to any borrowings we may enter into depends upon the type of borrowing incurred plus an applicable margin, which is determined based on our credit ratings. At the time of this report, our credit ratings and outlook were as follows:

	Credit Ratings	Outlook
Moody’s	Ba1	Stable
Standard & Poor’s	BB+	Stable
Fitch	BBB-	Negative

Should the ratings assigned to our long-term debt improve, the applicable margin associated with any borrowings under the Revolver may decrease, resulting in a lower borrowing cost under this facility. Conversely, should the ratings assigned to our long-term debt worsen, the applicable margin associated with any borrowings under the Revolver may increase, resulting in a higher borrowing cost under this facility.

As of January 29, 2022, we were in compliance with all our Revolver covenants. Under our current Revolver covenant structure, if our Leverage Ratio is greater than four or our unsecured debt is rated below BBB- with a stable outlook at Standard & Poor’s or Baa3 with a stable outlook at Moody’s, any outstanding borrowings under our Revolver will be secured by substantially all our personal property.

As of January 29, 2022, our Leverage Ratio was less than 3.75, thus we met the requirements under our Revolver amendment to pay dividends or repurchase shares. For more information about our Revolver covenants, see Note 5: Debt and Credit Facilities in Item 8.

Adjusted Debt to EBITDAR (Non-GAAP financial measure)

Adjusted Debt to EBITDAR is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness which could impact our credit rating and borrowing costs. This metric is calculated in accordance with our Revolver covenant and is a key component in assessing whether our revolving credit facility is secured or unsecured, as well as our ability to make dividend payments and share repurchases. Our goal is to manage debt levels to maintain an investment-grade credit rating while operating with an efficient capital structure.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, debt to net earnings, net earnings, debt or other GAAP financial measures. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of debt to net earnings to Adjusted Debt to EBITDAR:

	January 29, 2022
Debt	**$2,853**
Add: estimated capitalized operating lease liability[1]	1,373
Adjusted Debt	**$4,226**

	Four Quarters Ended January 29, 2022
Net earnings	**178**
Add: income tax expense	68
Add: interest expense, net	246
Adjusted earnings before interest and income taxes	**492**
Add: depreciation and amortization expenses	615
Add: rent expense, net[2]	229
Add: other Revolver covenant adjustments[3]	1
Adjusted EBITDAR	**$1,337**
Debt to Net Earnings	**16.0**
Adjusted Debt to EBITDAR	**3.2**

[1] Based upon the estimated lease liability as of the end of the period, calculated as the trailing four quarters of rent expense multiplied by six, a method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property and is calculated under the previous lease standard (ASC 840), consistent with our Revolver covenant calculation requirements. The estimated lease liability is not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitution for our results reported under GAAP.

[2] Rent expense, net of amortization of developer reimbursements, is added back for consistency with our Revolver covenant calculation requirements, and is calculated under the previous lease standard (ASC 840).

[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income and certain non-cash charges where relevant.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires that we make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. The following discussion highlights the estimates we believe are critical and should be read in conjunction with the Notes to Consolidated Financial Statements in Item 8. Our management has discussed the development and selection of these critical accounting estimates with the Audit and Finance Committee of our Board of Directors, and the Audit and Finance Committee has reviewed our disclosures that follow.

Sales Return Reserve

We reduce sales and cost of sales by an estimate of future customer merchandise returns, which is calculated based on historical and expected return patterns, and record a sales return allowance and an estimated returns asset. We record the impact of the sales return allowance in our separate Nordstrom and Nordstrom Rack banners. The majority of our returns from both digital and physical sales come through our stores. As a result of COVID-19 and the related change in customer buying trends, we experienced declines in 2020 in our online return rates, which historically are higher than our overall average return rates. In 2021, we saw increases in our online return rates, although they were still lower than rates in 2019. Accordingly, we adjusted our estimates of future return rates to reflect recent trends. Estimating future returns requires substantial judgment based on current and historical trends and actual returns may vary from our estimates. A 10% change in the sales return allowance net of the estimated returns asset would have approximately $22 impact on our EBIT for the year ended January 29, 2022. Due to the continued volatility surrounding COVID-19, we may not anticipate changes in return trends or the impact of the sales return reserve accurately in our results.

The Nordy Club Loyalty Program and Gift Cards

We record breakage revenue on unused points, unredeemed Nordstrom Notes and gift cards based on expected customer redemption. We estimate breakage for The Nordy Club and gift cards based on historical and expected trends. Actual redemptions may vary from our estimates. We have experienced a reduction in redemption rate trends of gift cards, leading to increased breakage rates. For The Nordy Club, we have seen an increase in redemption rates, leading to decreased breakage rates. A one percentage point change in our gift card breakage rate would impact our EBIT by approximately $41 for the year ended January 29, 2022.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. Inherent in the retail inventory method are certain management judgments that may affect the ending inventory valuation as well as gross profit. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. We record reserves for excess and obsolete inventory based on historical trends and specific identification.

We take physical inventory counts at our stores and Supply Chain Network locations and adjust for differences between recorded amounts and counted amounts. Following each physical inventory cycle and using the most recent physical inventory count and historical results, we record an estimate for shrink, based on a percentage of sales, until the next physical inventory count.

Impairment of Long-Lived Assets

When facts and circumstances indicate the carrying values of buildings, equipment and ROU assets may be impaired, we compare the carrying value to the related projected future cash flows, among other quantitative and qualitative analyses. Cash flow analysis requires judgment regarding many factors, such as revenues, growth rates, expenses and capital expenditures.

These projections are inherently subject to uncertainties and while we believe the inputs and assumptions utilized in our future cash flows are reasonable, our estimates may change in the near term based on our current and future performance.

Income Taxes

We pay income taxes based on the tax statutes, regulations and case law of the various jurisdictions in which we operate. Our income tax expense and deferred tax assets and liabilities reflect our best estimate of current and future taxes to be paid. Tax expense may be affected by numerous items, such as changes in tax law, changes in business operations, the results of tax audits and changes to our forecasts of income and loss due to economic and other conditions, such as COVID-19. Significant judgments and estimates are required in determining consolidated tax expense.

Deferred tax assets and liabilities arise from differences between the financial reporting and tax basis of assets and liabilities and for operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws expected to be in effect when the differences are expected to reverse. In evaluating the likelihood of realizing the benefit of our deferred tax assets, we consider all available evidence, including historical results and projected future taxable income. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage the underlying business.

We recorded a valuation allowance against certain foreign deferred tax assets as of January 29, 2022 and January 30, 2021 and intend to maintain the valuation allowance until there is sufficient evidence to support its reversal. We believe there is a reasonable possibility within the next 12 months sufficient positive evidence may become available to allow us to reach a conclusion the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain foreign deferred tax assets and decrease our income tax expense for the period the release is recorded.

The benefits of uncertain tax positions are recorded in our financial statements only after determining it is more likely than not the uncertain tax positions would sustain challenge by taxing authorities. We are periodically audited by federal, state and foreign tax authorities related to our tax filing positions and allocation of income among various tax jurisdictions. Although we believe our liabilities for uncertain tax positions are reasonable, because of the complexity of some of these uncertainties, the ultimate resolution may result in an outcome that is materially different from our current estimated liability. Furthermore, we are unable to reasonably estimate the timing of related future cash payments. Any differences will be reflected as increases or decreases to income tax expense in the period of resolution.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2020, the SEC adopted the final rule under SEC Release No. 33-10890, *Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, which eliminates the requirement for selected financial data, streamlines certain disclosures in MD&A and eliminates duplicative disclosures with the intention of simplifying reporting compliance. This final rule was effective for us beginning in the first quarter of 2021, and we elected to early adopt the amendments to provision 301, *Selected financial data* and provision 302, *Supplementary financial information* in the fourth quarter of 2020. The adoption of this final rule did not have a material effect on our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

(Dollars in millions)

INTEREST RATE RISK

For our long-term debt of $2,853, our exposure to interest rate risk is primarily limited to changes in fair value. As our debt is primarily fixed-rate, changes in interest rates do not materially impact our cash flows. However, changes in interest rates increase or decrease the fair value of our debt, depending on whether market rates are lower or higher than our fixed rates. As of January 29, 2022, the fair value of our long-term debt was $2,758 (see Note 5: Debt and Credit Facilities and Note 6: Fair Value Measurements in Item 8).

We are exposed to interest rate risk primarily from changes in short-term interest rates. Interest rate fluctuations can affect our interest income and interest expense. As of January 29, 2022, we had cash and cash equivalents of $322 which generate interest income at variable rates.

FOREIGN CURRENCY EXCHANGE RISK

The majority of our revenues, expenses and capital expenditures are transacted in U.S. Dollars. Our U.S. operations periodically enter into merchandise purchase orders denominated in British Pounds or Euros. From time to time, we may use forward contracts to hedge against fluctuations in foreign currency prices. As of January 29, 2022, our outstanding forward contracts did not have a material impact on our Consolidated Financial Statements.

Our Canadian operations are comprised of the Nordstrom.ca website, six Nordstrom stores and seven Nordstrom Rack stores. Our Canadian operations enter into merchandise purchase orders denominated in U.S. Dollars for some portion of our inventory. As sales in Canada are denominated in the Canadian Dollar, gross profit for our Canadian operations can be impacted by foreign currency fluctuations. As of January 29, 2022, activities associated with foreign currency exchange risk have not had a material impact on our Consolidated Financial Statements (see Note 1: Nature of Operations and Summary of Significant Accounting Policies in Item 8.)

There have been no material changes in our primary risk exposures or management of market risks since the prior year.

Item 8: Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of January 29, 2022 and January 30, 2021 and the related consolidated statements of earnings, comprehensive earnings, shareholders' equity, and cash flows, for each of the three years in the period ended January 29, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 29, 2022, and January 30, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 29, 2022, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 11, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below arose from the current-period audit of the financial statements that was communicated or required to be communicated to the Audit and Finance Committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Merchandise Inventories—Refer to Note 1 to the financial statements

Critical Audit Matter Description
The Company's merchandise inventories are generally stated at the lower of cost or market using the retail inventory method ("RIM"). Under the RIM, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. The value of the Company's inventory on the balance sheet is then reduced by a charge to cost of sales for retail inventory markdowns taken on the selling price. To determine if the retail value of its inventory should be marked down, the Company considers many factors, including current and anticipated demand, customer preferences, age of the merchandise and fashion trends. Recorded markdowns represent one of the most significant inputs into the RIM calculation due to their impact on inventory valuation. Accordingly, the Company's process of recording markdowns is subjective, particularly as it relates to timing of markdowns.

Given the management judgments necessary to identify and record markdowns in a timely manner, performing audit procedures to evaluate the timeliness of markdowns required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the timing of markdowns taken, included the following, among others:

- We tested the effectiveness of controls designed to ensure that markdowns are recorded timely.
- We evaluated the reasonableness of the timing of markdowns recorded by performing analytical procedures to compare current period trends to historical trends at varying levels of disaggregation (i.e., total company, operating segment, and business unit level) across multiple fiscal periods, including, but not limited to, metrics such as markdowns relative to sales trends, inventory turnover, and inventory aging.
- We evaluated management's ability to identify triggering events and accurately forecast markdown activity by:
    - Comparing actual markdowns recorded to management's historical forecasts
    - Reading forecasted information included in Company press releases
    - Reading internal communications to management and the Board of Directors.
- We performed a retrospective review of markdowns recorded in periods subsequent to fiscal year-end to assess whether any unusual trends occurred that would indicate untimely markdowns.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 11, 2022

We have served as the Company's auditor since 1970.

Nordstrom, Inc.
Consolidated Statements of Earnings
(In millions except per share amounts)

Fiscal year	2021	2020	2019
Net sales	$14,402	$10,357	$15,132
Credit card revenues, net	387	358	392
Total revenues	14,789	10,715	15,524
Cost of sales and related buying and occupancy costs	(9,344)	(7,600)	(9,932)
Selling, general and administrative expenses	(4,953)	(4,162)	(4,808)
Earnings (loss) before interest and income taxes	492	(1,047)	784
Interest expense, net	(246)	(181)	(102)
Earnings (loss) before income taxes	246	(1,228)	682
Income tax (expense) benefit	(68)	538	(186)
Net earnings (loss)	$178	($690)	$496
Earnings (loss) per share:			
Basic	$1.12	($4.39)	$3.20
Diluted	$1.10	($4.39)	$3.18
Weighted-average shares outstanding:			
Basic	159.0	157.2	155.2
Diluted	162.5	157.2	156.1

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

Nordstrom, Inc.
Consolidated Statements of Comprehensive Earnings
(In millions)

Fiscal year	2021	2020	2019
Net earnings (loss)	$178	($690)	$496
Postretirement plan adjustments, net of tax of ($6), $0 and $9	18	(1)	(27)
Foreign currency translation adjustment	2	(1)	(4)
Comprehensive net earnings (loss)	$198	($692)	$465

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

Nordstrom, Inc.
Consolidated Balance Sheets
(In millions)

	January 29, 2022	January 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	**$322**	$681
Accounts receivable, net	**255**	245
Merchandise inventories	**2,289**	1,863
Prepaid expenses and other	**306**	853
Total current assets	**3,172**	3,642
Land, property and equipment, net	**3,562**	3,732
Operating lease right-of-use assets	**1,496**	1,581
Goodwill	**249**	249
Other assets	**390**	334
Total assets	**$8,869**	$9,538
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$1,529**	$1,960
Accrued salaries, wages and related benefits	**383**	352
Current portion of operating lease liabilities	**242**	260
Other current liabilities	**1,160**	1,048
Current portion of long-term debt	**—**	500
Total current liabilities	**3,314**	4,120
Long-term debt, net	**2,853**	2,769
Non-current operating lease liabilities	**1,556**	1,687
Other liabilities	**565**	657
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common stock, no par value: 1,000 shares authorized; 159.4 and 157.8 shares issued and outstanding	**3,283**	3,205
Accumulated deficit	**(2,652)**	(2,830)
Accumulated other comprehensive loss	**(50)**	(70)
Total shareholders' equity	**581**	305
Total liabilities and shareholders' equity	**$8,869**	$9,538

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

Nordstrom, Inc.
Consolidated Statements of Shareholders' Equity
(In millions except per share amounts)

Fiscal year ended	January 29, 2022	January 30, 2021	February 1, 2020
Common stock			
Balance, beginning of year	**$3,205**	$3,129	$3,048
Issuance of common stock under stock compensation plans	**14**	16	29
Stock-based compensation	**64**	60	52
Balance, end of year	**$3,283**	$3,205	$3,129
Accumulated deficit			
Balance, beginning of year	**($2,830)**	($2,082)	($2,138)
Cumulative effect of adopted accounting standards	**—**	—	(25)
Net earnings (loss)	**178**	(690)	496
Dividends	**—**	(58)	(229)
Repurchase of common stock	**—**	—	(186)
Balance, end of year	**($2,652)**	($2,830)	($2,082)
Accumulated other comprehensive loss			
Balance, beginning of year	**($70)**	($68)	($37)
Other comprehensive earnings (loss)	**20**	(2)	(31)
Balance, end of year	**($50)**	($70)	($68)
Total	**$581**	$305	$979
Dividends per share	**$—**	$0.37	$1.48

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

Nordstrom, Inc.
Consolidated Statements of Cash Flows
(In millions)

Fiscal year	2021	2020	2019
Operating Activities			
Net earnings (loss)	**$178**	($690)	$496
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expenses	**615**	671	671
Asset impairment	**—**	137	—
Right-of-use asset amortization	**175**	168	183
Deferred income taxes, net	**(11)**	(7)	52
Stock-based compensation expense	**79**	67	69
Other, net	**81**	4	—
Change in operating assets and liabilities:			
Accounts receivable	**(10)**	(46)	82
Merchandise inventories	**(383)**	53	30
Prepaid expenses and other assets	**542**	(607)	(38)
Accounts payable	**(400)**	432	98
Accrued salaries, wages and related benefits	**31**	(157)	(71)
Other current liabilities	**112**	(143)	(94)
Lease liabilities	**(284)**	(237)	(259)
Other liabilities	**(20)**	7	17
Net cash provided by (used in) operating activities	**705**	(348)	1,236
Investing Activities			
Capital expenditures	**(506)**	(385)	(935)
Other, net	**(15)**	38	26
Net cash used in investing activities	**(521)**	(347)	(909)
Financing Activities			
Proceeds from revolving line of credit	**400**	800	—
Payments on revolving line of credit	**(400)**	(800)	—
Proceeds from long-term borrowings	**675**	600	499
Principal payments on long-term borrowings	**(1,100)**	—	(500)
(Decrease) increase in cash book overdrafts	**(32)**	(4)	8
Cash dividends paid	**—**	(58)	(229)
Payments for repurchase of common stock	**—**	—	(210)
Proceeds from issuances under stock compensation plans	**14**	16	29
Tax withholding on share-based awards	**(15)**	(9)	(17)
Other, net	**(86)**	(15)	(11)
Net cash (used in) provided by financing activities	**(544)**	530	(431)
Effect of exchange rate changes on cash and cash equivalents	**1**	(7)	—
Net decrease in cash and cash equivalents	**(359)**	(172)	(104)
Cash and cash equivalents at beginning of year	**681**	853	957
Cash and cash equivalents at end of year	**$322**	$681	$853
Supplemental Cash Flow Information			
Cash (received) paid during the year for:			
Income taxes, net of refunds	**($485)**	$23	$178
Interest, net of capitalized interest	**164**	168	111

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

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company
Founded in 1901 as a retail shoe business in Seattle, Washington, our Company is a leading fashion retailer that offers an extensive selection of high-quality brand-name and private label merchandise for women, men, young adults and children focused on apparel, shoes, beauty, accessories and home goods. This breadth of merchandise allows us to serve a wide range of customers who appreciate quality fashion and a superior shopping experience. We offer brand-name and private label merchandise across our digital and physical assets in both our Nordstrom and Nordstrom Rack banners. Our facilities and stores are located in 40 states in the U.S. and three provinces in Canada. Nordstrom includes:

- Nordstrom.com website and mobile application
- TrunkClub.com
- Nordstrom.ca
- 94 Nordstrom stores in the U.S.
- six Nordstrom stores and seven Nordstrom Rack stores in Canada
- seven Nordstrom Locals

Nordstrom Rack includes:

- NordstromRack.com website and mobile application
- HauteLook.com - prior to the first quarter of 2021
- 240 Nordstrom Rack stores in the U.S.
- two Last Chance clearance stores

Fiscal Year
We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2021 and all years within this document except 2017 are based on a 52-week fiscal year, while 2017 is based on a 53-week fiscal year.

Principles of Consolidation
The Consolidated Financial Statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires that we make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. Our most significant accounting judgments and estimates include revenue recognition, inventory valuation, long-lived asset recoverability and income taxes, all of which involve assumptions about future events. We may be unable to accurately predict the impact of COVID-19 going forward and as a result our estimates may change in the near term.

Revenue

Net Sales
We recognize sales revenue net of estimated returns and excluding sales taxes. Revenue from sales to customers shipped from our Supply Chain Network facilities, stores and directly from our vendors, which includes shipping revenue when applicable, is recognized at shipping point, the point in time where control has transferred to the customer. Costs to ship orders to customers are expensed as a fulfillment activity at shipping point, commissions from sales at our Nordstrom stores are expensed at the point of sale and both are recorded in SG&A expenses.

We reduce sales and cost of sales by an estimate of future customer merchandise returns, which is calculated based on historical and expected return patterns, and record a sales return allowance and an estimated returns asset. Our sales return allowance is classified in other current liabilities and our estimated returns asset, calculated based on the cost of merchandise sold, is classified in prepaid expenses and other on the Consolidated Balance Sheets. As of January 29, 2022 and January 30, 2021, our sales return allowance was $411 and $299 and our estimated returns asset was $186 and $134. Due to the seasonality of our business, these balances typically increase when higher sales occur in the last month of a period, such as the Anniversary Sale, which usually occurs at the end of the second quarter, and decrease in the following period. We record the impact of the sales return allowance in our separate Nordstrom and Nordstrom Rack banners. The majority of our returns from both digital and physical sales come through our stores. As a result of COVID-19 and the related change in customer buying trends, we experienced declines in 2020 in our online return rates, which historically are higher than our overall average return rates. In 2021, we saw increases in our online return rates, although they were still lower than rates in 2019. Accordingly, we adjusted our estimates of future return rates to reflect recent trends. Estimating future returns requires substantial judgment based on current and historical trends and actual returns may vary from our estimates.

Loyalty Program

The Nordy Club is our customer loyalty program that incorporates a traditional point and benefit system, while providing customers exclusive access to products and events, enhanced services, personalized experiences and more convenient ways to shop. Customers accumulate points based on their level of spending and type of participation. Upon reaching certain point thresholds, customers receive Nordstrom Notes, which can be redeemed for goods or services across Nordstrom and Nordstrom Rack. The Nordy Club benefits vary based on the level of customer spend, and include Bonus Points days and shopping and fashion events.

We offer customers access to a variety of payment products and services, including a selection of Nordstrom-branded Visa® credit cards in the U.S. and Canada, as well as a Nordstrom-branded private label credit card for Nordstrom purchases. When customers use a Nordstrom-branded credit or debit card, they also participate in The Nordy Club and receive additional benefits, which can vary depending on the level of spend, including early access to the Anniversary Sale, enhanced alteration and stylist benefits and incremental accumulation of points toward Nordstrom Notes.

As our customers earn points and Nordstrom Notes in The Nordy Club, a portion of underlying sales revenue is deferred based on an estimated stand-alone selling price of points, Nordstrom Notes and other loyalty benefits, such as alterations. We recognize the revenue and related cost of sale when the Nordstrom Notes are ultimately redeemed and reduce our contract liability. We include the deferred revenue in other current liabilities on the Consolidated Balance Sheets. We record breakage revenue of unused points and unredeemed Nordstrom Notes based on expected customer redemption. We estimate, based on historical and expected usage, that approximately 8% of Nordstrom Notes and points will be unredeemed. Estimating future breakage rates requires judgment based on current and historical trends and actual breakage rates may vary from our estimates. Other benefits of the loyalty program, including shopping and fashion events, are recorded in SG&A expenses as these are not a material right of the program.

As of January 29, 2022 and January 30, 2021, our outstanding performance obligation for The Nordy Club, which consists primarily of unredeemed points and Nordstrom Notes at retail value was $112 and $137. Almost all Nordstrom Notes are redeemed within approximately ten months of issuance.

Gift Cards

We record deferred revenue from the sale of gift cards at the time of purchase. As gift cards are redeemed, we recognize revenue and reduce our contract liability. Although our gift cards do not have an expiration date, we include this deferred revenue in other current liabilities on the Consolidated Balance Sheets as customers can redeem gift cards at any time. We record breakage revenue on unused gift cards based on expected customer redemption. We estimate, based on historical usage, that 3% of gift cards will be unredeemed and recognized as revenue. Estimating future breakage rates requires judgment based on current and historical trends and actual breakage rates may vary from our estimates. Higher volumes of gift cards issued over the last several years prior to COVID-19 combined with higher breakage rates resulted in an increase in breakage income for 2020. However, due to COVID-19 and the related change in customer buying trends there were fewer gift cards issued in the last two years, resulting in a decrease in breakage income for 2021. Breakage income was $39, $81 and $17 in 2021, 2020 and 2019.

As of January 29, 2022 and January 30, 2021, our outstanding performance obligation for unredeemed gift cards was $366 and $341. Almost all gift cards are redeemed within two years of issuance.

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

Credit Card Revenues, net

Although the primary purpose of offering our credit cards is to foster greater customer loyalty and drive more sales, we also receive credit card revenue through our program agreement with TD, whereby TD is the exclusive issuer of our consumer credit cards and we perform account servicing functions. Credit card revenues, net include our portion of the ongoing credit card revenue, net of credit losses, pursuant to our program agreement with TD.

Cost of Sales

Cost of sales primarily includes the purchase and manufacturing costs of inventory sold, net of vendor allowances, and in-bound freight expense.

Buying and Occupancy Costs

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

Selling, General and Administrative Expenses

SG&A expenses consist primarily of compensation and benefit, marketing, outbound supply chain and technology costs.

Severance

In 2020, we recorded $88 of restructuring costs in connection with our regional and corporate reorganization, including $25 recorded in cost of sales and related buying and occupancy costs and $63 in SG&A on the Consolidated Statement of Earnings.

Advertising

Advertising production costs for internet, magazines, store events and other media are expensed the first time the advertisement is run. Online marketing costs are expensed when incurred. Total advertising expenses, net of vendor allowances, of $300, $283 and $299 in 2021, 2020 and 2019 were included in SG&A expenses.

Shipping and Fulfillment Costs

Our shipping and fulfillment costs include payments to third-party shippers and costs to hold, move and prepare merchandise for shipment. These costs do not include in-bound freight to our Supply Chain Network facilities, which we include in the cost of our inventory. Shipping and fulfillment costs of $993, $828 and $627 in 2021, 2020 and 2019 were included in SG&A expenses.

Vendor Allowances

We receive allowances from merchandise vendors for purchase price adjustments, beauty expenses, advertising programs and various other expenses. Purchase price adjustments are recorded as a reduction of cost of sales at the point they have been earned and the related merchandise has been marked down or sold. Allowances for beauty expenses, advertising programs and other expenses are recorded in SG&A expenses as a reduction of the related costs when incurred. Vendor allowances earned are as follows:

Fiscal year	2021	2020	2019
Purchase price adjustments	**$108**	$77	$171
Beauty expenses	**103**	79	140
Advertising	**110**	82	101
Other	**3**	2	6
Total vendor allowances	**$324**	$240	$418

Stock-Based Compensation

The 2019 Plan authorizes the grant of stock options, PSUs, RSUs, stock appreciation rights and both restricted and unrestricted shares of common stock to employees and nonemployee directors. We grant stock-based awards under our 2019 Plan and employees may purchase our stock at a discount under our ESPP. We predominantly recognize stock-based compensation expense related to stock-based awards at their estimated grant date fair value, recorded on a straight-line basis over the requisite service period. Compensation expense for certain award holders is accelerated based upon age and years of service. Compensation expense for PSUs is adjusted based on the payout percentage of the PSU grant subject to achieving specific performance measures. The total compensation expense is reduced by actual forfeitures as they occur.

We estimate the grant date fair value of stock options using the Binomial Lattice option valuation model. The fair value of RSUs are determined based on the number of RSUs granted and the quoted price of our common stock on the date of grant, less the estimated present value of dividends over the vesting period. PSUs granted are classified as equity and the fair value is determined based on the number of PSUs granted and the quoted price of our common stock on the date of grant, less the estimated present value of dividends over the vesting period.

Issuance of common stock under stock compensation plans on the Consolidated Statements of Shareholders' Equity includes proceeds from our common stock option exercises and purchases of shares under the ESPP, while stock-based compensation primarily includes stock-based compensation expense for our common stock options, RSUs and PSUs partially offset by shares withheld for taxes on RSUs.

New Store Opening Costs
Non-capital expenditures associated with opening new stores, including marketing expenses, relocation expenses and occupancy costs, are charged to expense as incurred. These costs are included in both buying and occupancy costs and SG&A, according to their nature as disclosed above.

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

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

Income taxes require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred taxes, tax reserves or income tax expense.

CARES Act
On March 27, 2020, the CARES Act was signed into law. Among other provisions, the CARES Act provided for payroll tax credits for employee retention, deferral of payroll taxes and several income tax provisions including allowing for carryback of certain operating losses.

In accordance with our overall approach for determining our income tax provision, which uses an estimated annual effective tax rate based on our best estimates and adjusts for discrete taxable events that occur during the quarter, we made a reasonable estimate of the impacts of the CARES Act in our 2020 results. As of January 29, 2022, we completed our accounting for the impacts of the CARES Act, resulting in no material changes to previously recorded estimated amounts.

For the year ended January 30, 2021, we recognized $69 in employee retention payroll tax credits and elected to defer payment of the employer portion of social security taxes, both as provided for under the CARES Act and other COVID-19 related stimulus. For the year ended January 29, 2022, we recognized an additional $7 in COVID-19 payroll-related stimulus and paid in full the deferred employer portion of social security taxes.

Comprehensive Net Earnings
Comprehensive net earnings consist of net earnings and other gains and losses affecting equity that are excluded from net earnings. These consist of postretirement plan adjustments, net of related income tax effects, and foreign currency translation adjustments.

Cash Equivalents
Cash equivalents are short-term investments with an original maturity of three months or less from the date of purchase and are carried at cost, which approximates fair value. At the end of 2021 and 2020, checks not yet presented for payment drawn in excess of our bank deposit balances were $74 and $106 and included within accounts payable on our Consolidated Balance Sheets.

Nordstrom, Inc.
Notes to Consolidated Financial Statements

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

Accounts Receivable

Accounts receivable, net primarily includes receivables from TD related to our program agreement, non-Nordstrom-branded credit and debit cards and developer reimbursements.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories is determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. The value of our inventory on the balance sheet is then reduced by a charge to cost of sales for retail inventory markdowns taken on the selling price. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. We record reserves for excess and obsolete inventory based on historical trends and specific identification.

We take physical inventory counts at our stores and Supply Chain Network locations and adjust for differences between recorded amounts and counted amounts. Following each physical inventory cycle and using the most recent physical inventory count and historical results, we record an estimate for shrink, based on a percentage of sales, until the next physical inventory count.

Leases

We record leases, which consist primarily of operating leases, on the Consolidated Balance Sheets as operating lease ROU assets and operating lease liabilities, both of which include current and noncurrent portions. Operating lease liabilities are initially recognized based on the net present value of the fixed portion of our lease and common area maintenance payments from lease commencement through the lease term. To calculate the net present value, we apply an incremental borrowing rate. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest we would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use quoted interest rates obtained from financial institutions as an input to derive our incremental borrowing rate as the discount rate for the lease. We recognize ROU assets based on operating lease liabilities reduced by property incentives. We test ROU assets for impairment in the same manner as long-lived assets and exclude the related operating lease liability and operating lease payments in our analysis.

We lease the land, buildings, or land and buildings for many of our stores, office facilities and Supply Chain Network facilities. We also lease equipment and have service contracts including transportation agreements and warehouse agreements where we control identified assets such as vehicles, warehouse space and equipment and therefore represent embedded leases.

Land, Property and Equipment

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

We capitalize interest on construction in progress and software projects during the period in which expenditures have been made, activities are in progress to prepare the asset for its intended use and actual interest costs are being incurred. Depreciation and amortization are computed using the straight-line method over the asset's estimated useful life, which is determined by asset category as follows:

Asset	Life (in years)
Buildings and improvements	5 – 40
Store fixtures and equipment	3 – 15
Leasehold improvements	5 – 40
Capitalized software	2 – 7

Leasehold improvements and leased property and equipment that are purchased at the inception of the lease, or during the lease term, are amortized over the shorter of the lease term or the asset life. Lease terms include the fixed, non-cancellable term of a lease, plus any renewal periods determined to be reasonably assured.

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

Long-Lived Assets

When facts and circumstances indicate the carrying values of buildings, equipment and ROU assets may be impaired, we compare the carrying value to the related projected future cash flows, among other quantitative and qualitative analyses. Cash flow analysis requires judgment regarding many factors, such as revenues, growth rates, expenses and capital expenditures. These projections are inherently subject to uncertainties and while we believe the inputs and assumptions utilized in our future cash flows are reasonable, our estimates may change in the near term based on our current and future performance. Land, property and equipment are grouped at the lowest level at which there are identifiable cash flows when assessing impairment, while cash flows for our retail store assets are identified at the individual store level.

In 2020, as we optimized our mix of physical and digital assets to align with longer-term customer trends, we closed 16 Nordstrom stores, six Trunk Club clubhouses and three Jeffrey boutiques. In conjunction with these closures, we incurred non-cash impairment charges on long-lived tangible and ROU assets, primarily associated with the Nordstrom store closures, to adjust the carrying values to their estimated fair value. The following table provides details related to asset impairment charges as a result of COVID-19:

Fiscal year	2020
Long-lived asset impairment[1]	$96
Operating lease ROU asset impairment[1]	41
Total asset impairment	**$137**

[1] As of January 30, 2021, the carrying value of the applicable long-lived and operating lease ROU assets after impairment was $13 and $3.

These charges are primarily included in our Retail segment SG&A expense on the Consolidated Statement of Earnings.

Amortization expense for acquired intangibles was $7 in 2019. In 2019, as a result of the Nordstrom Trunk Club integration, we fully impaired the remaining acquired Nordstrom Trunk Club intangible asset and recorded a loss of $11. No amortization expense was recorded beyond 2019.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the related net assets acquired and is not subject to amortization. We review our goodwill annually for impairment, as of the first day of the fourth quarter, or when circumstances indicate that the carrying value may exceed the fair value. We perform this evaluation at the Nordstrom and NordstromRack.com reporting unit level, all within our Retail segment. When evaluating these assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we determine that it is more likely than not that the carrying value exceeds the fair value of the reporting unit, we perform a quantitative fair value test, where we compare the carrying value of the reporting unit to its estimated fair value, which is based on the expected present value of future cash flows (income approach), comparable public companies and acquisitions (market approach), or a combination of both. If fair value is lower than the carrying value, an impairment charge is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. As of January 29, 2022 and January 30, 2021, we had goodwill of $249. Based on the results of our tests, fair value substantially exceeded carrying value, and we therefore had no goodwill impairment in 2021, 2020 or 2019.

Investments

In July 2021, we acquired a minority interest in the Topshop, Topman, Miss Selfridge and HIIT brands through a strategic partnership with ASOS.com Ltd. We invest in financial interests that align with our business and omni-channel strategies, which are recorded in other assets in the Consolidated Balance Sheets and investing other, net on the Consolidated Statements of Cash Flows.

We hold a limited partnership interest in a corporate office building that is classified as held for sale, as we plan to sell our interest within one year. The carrying value of the interest is not material as of January 29, 2022.

Self-Insurance

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

Foreign Currency

Our Canadian operations are comprised of the Nordstrom.ca website, six Nordstrom stores and seven Nordstrom Rack stores. The functional currency of our Canadian operations is the Canadian Dollar. We translate assets and liabilities into U.S. Dollars using the exchange rate in effect at the balance sheet date, while we translate revenues and expenses using an average exchange rate for the period. We record these translation adjustments as a component of accumulated other comprehensive loss on the Consolidated Balance Sheets.

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

In addition, our U.S. operations incur certain expenditures denominated in Canadian Dollars and our Canadian operations incur certain expenditures denominated in U.S. Dollars. This activity results in transaction gains and losses that arise from exchange rate fluctuations, which are recorded as gains or losses in the Consolidated Statements of Earnings.

Reclassification
We reclassified our fiscal 2020 and 2019 Consolidated Statements of Cash Flows to conform with current period presentation. To adjust our net loss to reconcile to operating activity cash flows, we present depreciation and amortization separate from other, net, which includes the "make-whole" premium in the first quarter of 2021 (see Note 5: Debt and Credit Facilities).

NOTE 2: REVENUE

Contract Liabilities
Contract liabilities represent our obligation to transfer goods or services to customers and include deferred revenue for The Nordy Club (including points and Nordstrom Notes) and gift cards. Our contract liabilities are classified as current on the Consolidated Balance Sheets and are as follows:

	Contract Liabilities
Balance as of February 1, 2020	$576
Balance as of January 30, 2021	478
Balance as of January 29, 2022	**478**

Revenues recognized from our beginning contract liability balance were $244 and $261 for the years ended January 29, 2022 and January 30, 2021.

Disaggregation of Revenue
The following table summarizes our disaggregated net sales:

Fiscal year	2021	2020	2019
Nordstrom	**$9,640**	$6,997	$9,943
Nordstrom Rack	**4,762**	3,360	5,189
Total net sales	**$14,402**	$10,357	$15,132
Digital sales as a % of total net sales	**42%**	55%	33%

The following table summarizes the percent of net sales by merchandise category:

Fiscal year	2021	2020	2019
Women's Apparel	**28%**	29%	31%
Shoes	**25%**	26%	24%
Women's Accessories	**14%**	14%	11%
Men's Apparel	**14%**	12%	16%
Beauty	**12%**	12%	11%
Kids' Apparel	**4%**	4%	4%
Other	**3%**	3%	3%
Total net sales	**100%**	100%	100%

Nordstrom, Inc.
Notes to Consolidated Financial Statements
(Dollar and share amounts in millions except per share, per option and per unit amounts)

NOTE 3: LAND, PROPERTY AND EQUIPMENT
Land, property and equipment consist of the following:

	January 29, 2022	January 30, 2021
Land and land improvements	**$285**	$285
Buildings and building improvements	**1,338**	1,446
Leasehold improvements	**3,350**	3,212
Store fixtures and equipment	**4,038**	3,993
Capitalized software	**1,915**	1,724
Construction in progress	**373**	231
Land, property and equipment	**11,299**	10,891
Less: accumulated depreciation and amortization	**(7,737)**	(7,159)
Land, property and equipment, net	**$3,562**	$3,732

Our net non-cash investing activities primarily related to Nordstrom NYC and our Supply Chain Network capital expenditure accruals and resulted in a (decrease) increase to accounts payable of ($48) and $60 in 2020 and 2019.

NOTE 4: LEASES
We lease the land, buildings, or land and buildings for many of our stores, office facilities and Supply Chain Network facilities, as well as equipment. The majority of our fixed, non-cancellable lease terms are 15 to 30 years for Nordstrom stores, approximately 10 years for Nordstrom Rack stores and 5 to 20 years for office facilities and Supply Chain Network facilities. Many of our leases include options that allow us to extend the lease term beyond the initial commitment period. At the commencement of a lease, we generally include only the initial lease term as we have determined that options to extend are not reasonably certain to occur. The exercise of lease renewal options is generally at our sole discretion. At the renewal of an expiring lease, we reassess our options in the agreement and include all reasonably certain extensions in the measurement of our lease term.

Most of our leases also require we pay certain expenses, such as common area maintenance charges, real estate taxes and other executory costs, the fixed portion of which is included in Operating Lease Cost. We recognize Operating Lease Cost, which is primarily included in occupancy costs, on a straight-line basis over the lease term. Variable lease cost includes payments for variable common area maintenance charges and additional payments based on a percentage of sales, which are recognized when probable. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table summarizes the components of lease cost:

Fiscal year	2021	2020
Operating Lease Cost	**$265**	$263
Variable lease cost[1]	**100**	100
Sublease income	**(20)**	(19)
Total lease cost, net	**$345**	$344

[1] Variable lease cost includes short-term lease cost, which was immaterial in 2021 and 2020.

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

The following table summarizes future lease payments as of January 29, 2022:

Fiscal year	Operating Leases
2022	**$320**
2023	**339**
2024	**294**
2025	**246**
2026	**201**
Thereafter	**841**
Total lease payments[1]	**2,241**
Less: amount representing interest	**(443)**
Present value of net lease payments[2]	**$1,798**

[1] Total lease payments do not include payments for variable lease costs that are required by most of our lease agreements and are based on a percentage of sales.
[2] Total lease payments exclude $46 of lease payments for operating leases that were signed but not yet commenced as of January 29, 2022.

The following table includes supplemental information:

Fiscal year	2021	2020
Cash paid related to operating lease liabilities	**$371**	$332
Operating lease interest	**87**	95
Operating lease liabilities arising from lease agreements	**137**	79

	January 29, 2022	January 30, 2021
Weighted-average remaining lease term	**9 years**	9 years
Weighted-average discount rate	**4.7%**	4.7%

NOTE 5: DEBT AND CREDIT FACILITIES

Debt

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

	January 29, 2022	January 30, 2021
Long-term debt, net of unamortized discount:		
Senior notes, 4.00%, due October 2021	**$—**	$500
Senior notes, 2.30%, due April 2024	**250**	—
Secured Notes, 8.75%, due May 2025	**—**	600
Senior notes, 4.00%, due March 2027	**349**	349
Senior debentures, 6.95%, due March 2028	**300**	300
Senior notes, 4.375%, due April 2030	**500**	500
Senior notes, 4.25%, due August 2031	**425**	—
Senior notes, 7.00%, due January 2038	**147**	147
Senior notes, 5.00%, due January 2044[1]	**903**	900
Deferred bond issuance costs	**(21)**	(27)
Total long-term debt	**2,853**	3,269
Less: current portion	**—**	(500)
Total due beyond one year	**$2,853**	**$2,769**

[1] The unamortized discount on these notes was $63 and $66 as of January 29, 2022 and January 30, 2021.

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Notes to Consolidated Financial Statements
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Required principal payments on long-term debt are as follows:

Fiscal year[1]	
2022	**$—**
2023	**—**
2024	**250**
2025	**—**
2026	**—**
Thereafter	**2,689**

[1] Required principal payments exclude estimated future interest payments of $1,799 as of January 29, 2022, with $144 payable within one year.

During the first quarter of 2021, we issued $250 aggregate principal amount of 2.30% senior notes due April 2024 and $425 aggregate principal amount of 4.25% senior notes due August 2031. These notes are unsecured and can be redeemed at any time in whole or in part. The April 2024 notes can be redeemed at par starting in April 2022. With the net proceeds of these new notes, together with cash on hand, we retired our Secured Notes. We recorded $88 related to the redemption in interest expense, net, which primarily consisted of a one-time payment of $78 for a “make-whole” premium, and the write-off of unamortized balances associated with the debt discount and issuance costs. The “make-whole” premium payment was not included in cash paid during the period for interest, net of capitalized interest in the Supplemental Cash Flow Information. As a result of this redemption, all our outstanding long-term debt is unsecured and all real estate is unencumbered.

During the second quarter of 2021, we retired our 4.00% senior notes that were due October 2021 using cash on hand.

Interest Expense
The components of interest expense, net are as follows:

Fiscal year	2021	2020	2019
Interest on long-term debt and short-term borrowings	**$258**	$199	$151
Less:			
Interest income	**(1)**	(3)	(10)
Capitalized interest	**(11)**	(15)	(39)
Interest expense, net	**$246**	$181	$102

Credit Facilities
During the first quarter of 2021, we amended our Revolver. Under the Revolver, we are in a “Collateral Period” if our Leverage Ratio is greater than four or our unsecured debt is rated below BBB- with a stable outlook at Standard & Poor’s or Baa3 with a stable outlook at Moody’s. In the Collateral Period, any outstanding borrowings under our Revolver will be secured by substantially all our personal property, and we will be subject to asset coverage and minimum liquidity covenants, as well as a fixed charge coverage covenant. If our Leverage Ratio is less than or equal to four and our unsecured debt is rated at or above BBB- with a stable outlook at Standard & Poor’s and Baa3 with a stable outlook at Moody’s, any borrowings under our Revolver will be unsecured, we will not be subject to the above covenants and the restrictions on dividend payments and share repurchases will be removed. As of January 29, 2022, we were in a Collateral Period since we did not meet or exceed our credit rating threshold. We were in compliance with all our Revolver covenants.

Under our Revolver amendment, we created flexibility for dividends and share repurchases during the Collateral Period, provided no default or event of default exists as a result of such payments, the pro-forma Leverage Ratio as of the most recent fiscal quarter is less than 3.75, pro-forma liquidity at the date of such payments is at least $600, and the amount of such payments does not exceed the amount of the corresponding fiscal quarter of 2019. Additionally, the “make-whole” premium and unamortized deferred bond issuance costs related to the redemption of the Secured Notes are excluded from the Revolver amendment’s definition of interest expense. As of January 29, 2022, our Leverage Ratio was less than 3.75, thus we met the requirements under our Revolver amendment to pay dividends or repurchase shares.

The Revolver expires in September 2023 and any outstanding borrowings are classified in total current liabilities on the Consolidated Balance Sheets. In 2021, we borrowed $200 under our Revolver in the first quarter, which was fully repaid in the second quarter, and borrowed an additional $200 in the third quarter, which was fully repaid in the fourth quarter. As of January 29, 2022 and January 30, 2021, we had no borrowings outstanding under our Revolver.

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

The Revolver contains customary representations, warranties, covenants and terms, including paying a variable rate of interest and a commitment fee based on our debt rating, and is available for working capital, capital expenditures and general corporate purposes. Provided that we obtain written consent from our lenders, we have the option to increase the Revolver by up to $200, to a total of $1,000, and two options to extend the Revolver by one year.

Our $800 commercial paper program allows us to use the proceeds to fund 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 of reducing available liquidity under the Revolver by an amount equal to the principal amount of commercial paper outstanding. Conversely, borrowings under our Revolver have the effect of reducing the available capacity of our commercial paper program by an amount equal to the amount outstanding. As of January 29, 2022 and January 30, 2021, we had no issuances outstanding under our commercial paper program.

NOTE 6: FAIR VALUE MEASUREMENTS

We disclose our financial assets and liabilities that are measured at fair value in our Consolidated Balance Sheets by level within the fair value hierarchy as defined by applicable accounting standards:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that cannot be corroborated by market data that reflect the reporting entity's own assumptions

Financial Instruments Measured at Carrying Value

Financial instruments measured at carrying value on a recurring basis include cash and cash equivalents, accounts receivable, accounts payable and our Revolver, which approximate fair value due to their short-term nature.

Long-term debt is recorded at carrying value. If long-term debt was measured at fair value, we would use quoted market prices of the same or similar issues, which is considered a Level 2 fair value measurement. The following table summarizes the carrying value and fair value estimate of our long-term debt, including current maturities:

	January 29, 2022	January 30, 2021
Carrying value of long-term debt	**$2,853**	$3,269
Fair value of long-term debt	**2,758**	3,430

Non-financial Assets Measured at Fair Value on a Nonrecurring Basis

We also measure certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill, long-lived tangible and ROU assets, in connection with periodic evaluations for potential impairment. We estimate the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements. There were no material impairment charges for these assets for the year ended January 29, 2022. For more information regarding long-lived tangible and ROU asset impairment charges for the year ended January 30, 2021, see Note 1: Nature of Operations and Summary of Significant Accounting Policies.

NOTE 7: SELF-INSURANCE

Our self-insurance reserves are summarized as follows:

	January 29, 2022	January 30, 2021
Workers' compensation	**$77**	$74
Employee health and welfare	**28**	25
Other liability	**20**	15
Total self-insurance reserve	**$125**	$114

We are self-insured for the majority of our workers' compensation programs, employee health and welfare coverage and other liability.

Our workers' compensation policies have a retention per claim of $1 or less and no policy limits. Approximately 25% of our workers' compensation obligations are payable within one year. In connection with our workers' compensation programs, we have standby letters of credit issued on our behalf with $13 available and $2 outstanding as of January 29, 2022. These letters of credit are not reflected in our Consolidated Balance Sheets.

Our employee health and welfare programs do not use stop-loss coverage and participants contribute to the cost of their coverage through premiums and out-of-pocket expenses for deductibles, co-pays and co-insurance.

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

Other liability primarily includes commercial general liability obligations. Our commercial general liability policy, with a limit up to $101, has a retention per claim of $3 or less. Approximately 75% of our other liability reserve obligations are payable within one year. Beginning in 2021, we no longer carry an employment practices liability policy.

NOTE 8: SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

We have a SERP, which provides retirement benefits to certain officers and select employees. The SERP has different benefit levels depending on the participant's role. At the end of 2021, we had 57 participants in the plan, including eight officers and select employees eligible for SERP benefits, 46 retirees and three beneficiaries. This plan is non-qualified and does not have a minimum funding requirement. We selected the measurement date of January 31, the calendar month end closest to our fiscal year end, to value our SERP.

Benefit Obligations and Funded Status

Our benefit obligation and funded status is as follows:

	January 29, 2022	January 30, 2021
Change in benefit obligation:		
Benefit obligation at beginning of year	**$229**	$224
Participant service cost	**2**	2
Interest cost	**5**	6
Benefits paid	**(10)**	(10)
Actuarial (gain) loss	**(14)**	7
Benefit obligation at end of year	**212**	229
Change in plan assets:		
Fair value of plan assets at beginning of year	**—**	—
Employer contribution	**10**	10
Benefits paid	**(10)**	(10)
Fair value of plan assets at end of year	**—**	—
Underfunded status at end of year	**($212)**	($229)

The accumulated benefit obligation, which is the present value of benefits, assuming no future compensation changes, was $211 and $227 at the end of 2021 and 2020. Amounts recognized as liabilities in the Consolidated Balance Sheets consist of the following:

	January 29, 2022	January 30, 2021
Accrued salaries, wages and related benefits	**$11**	$11
Other liabilities (noncurrent)	**201**	218
Net amount recognized	**$212**	$229

Components of SERP Expense

The components of SERP expense recognized in SG&A expense on the Consolidated Statements of Earnings are as follows:

Fiscal year	2021	2020	2019
Participant service cost	**$2**	$2	$2
Interest cost	**5**	6	7
Amortization of net loss and other	**8**	9	1
Total SERP expense	**$15**	$17	$10

Accumulated Other Comprehensive Loss

Amounts recognized in accumulated other comprehensive loss (pre-tax) consist of the following:

	2021	2020	2019
Actuarial (gain) loss	**(14)**	7	34
Amortization of net loss and other	**(8)**	(9)	(1)
Total recognized in accumulated other comprehensive loss	**($22)**	**($2)**	**$33**

Nordstrom, Inc.
Notes to Consolidated Financial Statements
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Assumptions
Weighted-average assumptions used to determine our benefit obligation and SERP expense are as follows:

Fiscal year	2021	2020	2019
Assumptions used to determine benefit obligation:			
Discount rate	**3.19%**	2.62%	2.97%
Rate of compensation increase	**2.50%**	2.50%	2.50%
Assumptions used to determine SERP expense:			
Discount rate	**2.62%**	2.97%	4.27%
Rate of compensation increase	**2.50%**	2.50%	2.50%

Future Benefit Payments and Contributions
As of January 29, 2022, the expected future benefit payments based upon the assumptions described above and including benefits attributable to estimated future employee service are as follows:

Fiscal year	
2022	**$11**
2023	**12**
2024	**12**
2025	**12**
2026	**12**
2027 – 2031	**61**
Thereafter	**92**

NOTE 9: 401(K) PLAN
We provide a 401(k) plan for our employees that allows for employee elective contributions and our matching contributions. Employee elective contributions are funded through voluntary payroll deductions. Beginning January 1, 2021, the Company contributes a matching percentage of employee contributions to the Plan. Prior to January 1, 2021, the Plan allowed for discretionary Company contributions funded in an amount determined by our Board of Directors each year.

Total expenses related to Company contributions were $67 and $85 in 2021 and 2019 and were included in both buying and occupancy costs and SG&A expenses on our Consolidated Statements of Earnings. In 2020, due to COVID-19 and the steps we took to strengthen our financial flexibility, we temporarily paused our employer match contribution and incurred no expenses related to Company contributions.

NOTE 10: STOCK-BASED COMPENSATION
Under our deferred and stock-based compensation plan arrangements, we issued 1.6, 2.2 and 2.1 shares of common stock in 2021, 2020 and 2019. Under the 2019 Plan, the aggregate number of shares to be issued may not exceed 24.5 plus any shares currently outstanding under the 2010 Plan that are forfeited or expire during the term of the 2019 Plan. As of January 29, 2022, we have 24.5 shares authorized, 15.0 shares issued and outstanding and 17.4 shares remaining available for future grants under the 2019 Plan.

Under the ESPP, employees may make payroll deductions of up to 15% of their base and bonus compensation for the purchase of Nordstrom common stock. At the end of each six-month offering period, participants apply their accumulated payroll deductions toward the purchase of shares of our common stock at 90% of the fair market value on the last day of the offer period. As of January 29, 2022, we had 16.1 shares authorized and 3.3 shares available for issuance under the ESPP. We issued 0.5 and 1.0 shares under the ESPP during 2021 and 2020. At the end of 2021 and 2020, we had current liabilities of $6 and $5 for future purchases of shares under the ESPP.

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The following table summarizes our stock-based compensation expense:

Fiscal year	2021	2020	2019
RSUs	**$52**	$53	$49
Stock options	**22**	12	11
Other[1]	**5**	2	9
Total stock-based compensation expense, before income tax benefit	**79**	67	69
Income tax benefit	**(20)**	(26)	(18)
Total stock-based compensation expense, net of income tax benefit	**$59**	$41	$51

[1] Other stock-based compensation expense includes PSUs, ESPP and nonemployee director stock awards.

The stock-based compensation expense before income tax benefit was recorded in our Consolidated Statements of Earnings as follows:

Fiscal year	2021	2020	2019
Cost of sales and related buying and occupancy costs	**$15**	$16	$20
SG&A expenses	**64**	51	49
Total stock-based compensation expense, before income tax benefit	**$79**	$67	$69

Restricted Stock
Our Compensation, People and Culture Committee of our Board of Directors approves grants of restricted stock units to employees. The number of units granted to an individual are determined based upon a percentage of the recipient's base salary and the fair value of the restricted stock. Restricted stock units typically vest over four years.

A summary of restricted stock unit activity for 2021 is presented below:

Fiscal year	2021	
	Shares	**Weighted-average grant date fair value per unit**
Outstanding, beginning of year	**4.8**	**$37**
Granted	**1.8**	**31**
Vested	**(1.4)**	**35**
Forfeited or cancelled	**(0.6)**	**28**
Outstanding, end of year	**4.6**	**$36**

The aggregate fair value of restricted stock units vested during 2021, 2020 and 2019 was $50, $44 and $65. As of January 29, 2022, the total unrecognized stock-based compensation expense related to nonvested restricted stock units was $61, which is expected to be recognized over a weighted-average period of 28 months.

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Stock Options
Our Compensation, People and Culture Committee of our Board of Directors approves grants of non-qualified stock options to employees. We used the following assumptions to estimate the fair value for stock options at each grant date:

Fiscal year	2021	2020[1]	2019
Assumptions			
Risk-free interest rate: Represents the yield on U.S. Treasury zero-coupon securities that mature over the 10-year life of the stock options.	**0.11% – 1.51%**	0.18% – 0.62%	2.5% – 2.7%
Weighted-average volatility: Based on a combination of the historical volatility of our common stock and the implied volatility of exchange-traded options for our common stock.	**52.2%**	60.1%	34.6%
Weighted-average expected dividend yield: Our forecasted dividend yield for the next 10 years.	**3.4%**	3.4%	1.9%
Expected life in years: Represents the estimated period of time until option exercise. The expected term of options granted was derived from the output of the Binomial Lattice option valuation model and was based on our historical exercise behavior, taking into consideration the contractual term of the option and our employees' expected exercise and post-vesting employment termination behavior.	**8.3**	7.7	6.8
Grant Date Information			
Date of grant	**March 4, 2021**	**June 1, 2020**	**March 5, 2019**
Weighted-average fair value per option	**$13**	$7	15
Exercise price per option	**$36**	$17	45

[1] Additional non-qualified stock options were also granted to certain company leaders on August 27, 2020 at an exercise price per option of $15. The assumptions used to estimate the fair value for the additional stock options were similar to the 2020 grant assumptions presented in this table. In 2020, we also granted stock options to certain qualified employees outside of the June and August grant dates, which were insignificant in aggregate.

The number of awards granted to an individual are determined based upon award amounts and fair value of stock options at the time of grant. Our options primarily vest equally over a four-year period or at the end of two years, and expire ten years after the date of grant.

A summary of stock option activity for 2021 is presented below:

Fiscal year 2021	Shares	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Outstanding, beginning of year	11.0	$40		
Granted	1.2	36		
Exercised	—	37		
Forfeited or cancelled	(1.8)	42		
Outstanding, end of year	10.4	$39	5	$183
Vested, end of year	5.2	$54	3	$170
Vested or expected to vest, end of year	10.2	$40	5	$180

Fiscal year	2021	2020	2019
Aggregate intrinsic value of options exercised	$—	$1	$5
Fair value of stock options vested	$2	$8	$17

As of January 29, 2022, the total unrecognized stock-based compensation expense related to nonvested stock options was $12, which is expected to be recognized over a weighted-average period of 18 months.

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NOTE 11: SHAREHOLDERS' EQUITY

Changes in the number of issued and outstanding shares of our common stock in 2021, 2020 and 2019 are the result of share repurchases and compensation plan issuances (see Note 10: Stock-based Compensation). The following is a summary of the activity related to our share repurchase programs in 2021, 2020 and 2019:

	Shares	Average price per share	Amount
Capacity at February 2, 2019			$893
Shares repurchased	4.1	$45	(186)
Capacity at February 1, 2020			707
Shares repurchased	—	$—	—
Capacity at January 30, 2021			707
Shares repurchased	—	$—	—
Capacity at January 29, 2022			**$707**

The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to the discretion of the Board of Directors, contractual commitments, market and economic conditions and applicable SEC rules.

Our Revolver contains negative covenants with respect to payment of dividends and share repurchases. Under our Revolver amendment, we created flexibility for dividends and share repurchases, provided certain requirements are met (see Note 5: Debt and Credit Facilities).

We paid no dividends in 2021, $0.37 per share in 2020 and $1.48 per share in 2019.

NOTE 12: INCOME TAXES

U.S. and foreign components of earnings before income taxes were as follows:

Fiscal year	2021	2020	2019
U.S.	**$241**	($1,210)	$654
Foreign	**5**	(18)	28
Earnings (loss) before income taxes	**$246**	($1,228)	$682

Income tax expense (benefit) consists of the following:

Fiscal year	2021	2020	2019
Current income taxes:			
Federal	**$61**	($501)	$90
State and local	**18**	(34)	44
Foreign	**—**	4	—
Total current income tax expense (benefit)	**79**	(531)	134
Deferred income taxes:			
Federal	**(10)**	47	43
State and local	**(5)**	(57)	3
Foreign	**4**	3	6
Total deferred income tax (benefit) expense	**(11)**	(7)	52
Total income tax expense (benefit)	**$68**	($538)	$186

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A reconciliation of the statutory federal income tax rate to the effective tax rate on earnings (loss) before income taxes is as follows:

Fiscal year	2021	2020	2019
Statutory rate	**21.0%**	21.0%	21.0%
CARES Act impact	**(0.9%)**	17.6%	—
State and local income taxes, net of federal income taxes	**3.4%**	6.1%	5.4%
Federal credits	**(4.0%)**	0.5%	(0.9%)
Non-deductible expenses[1]	**2.7%**	(0.3%)	0.9%
Stock-based compensation[1]	**2.0%**	(1.0%)	0.8%
Valuation allowance[1]	**1.8%**	(0.8%)	(0.1%)
Taxes on foreign operations[1]	**1.3%**	0.4%	1.0%
Other, net[1]	**0.2%**	0.3%	(0.8%)
Effective tax rate	**27.5%**	43.8%	27.3%

[1] We reclassified immaterial prior year amounts that were included in the other, net category to conform with current period presentation.

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

	January 29, 2022	January 30, 2021
Deferred tax assets:		
Lease liabilities	**$471**	$505
Compensation and benefits accruals	**133**	139
Allowance for sales returns	**59**	43
Accrued expenses	**27**	28
Merchandise inventories	**35**	22
Gift cards	**25**	10
The Nordy Club loyalty program	**5**	19
Net operating losses	**81**	72
Other	**9**	23
Total deferred tax assets	**845**	861
Valuation allowance	**(28)**	(24)
Total deferred tax assets, net of valuation allowance	**817**	837
Deferred tax liabilities:		
ROU assets	**(326)**	(337)
Land, property and equipment	**(327)**	(341)
Debt exchange premium	**(12)**	(12)
Total deferred tax liabilities	**(665)**	(690)
Net deferred tax assets	**$152**	$147

The following sets forth information on approximate net operating loss carryforwards for income tax purposes:

	January 29, 2022	January 30, 2021
State	**$1,114**	$1,036
Foreign	**50**	54

The net operating loss carryforwards are subject to certain statutory limitations of applicable state and foreign laws. If not utilized, a portion of our state and foreign net operating loss carryforwards will begin to expire in 2024 and 2033.

As of January 29, 2022 and January 30, 2021, we believe there are certain foreign net operating loss carryforwards and deferred tax assets that will not be realized in the foreseeable future. As such, valuation allowances of $28 and $24 have been recorded as of January 29, 2022 and January 30, 2021. In 2021 and 2020, the valuation allowance increased $4 and decreased $17.

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

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Fiscal year	2021	2020	2019
Unrecognized tax benefit at beginning of year	**$32**	$22	$30
Gross increase to tax positions in prior periods	**11**	4	—
Gross increase to tax positions in current period	**6**	6	3
Lapses in statute	**—**	—	(1)
Settlements	**(2)**	—	(10)
Unrecognized tax benefit at end of year	**$47**	$32	$22

At the end of 2021 and 2020, $39 and $30 of the ending gross unrecognized tax benefit related to items which, if recognized, would affect the effective tax rate.

There was no material expense for interest and penalties in 2021, 2020 and 2019. At the end of 2021 and 2020, our liability for interest and penalties was $7 and $4.

We file income tax returns in the U.S. and a limited number of foreign jurisdictions. With few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations for years before 2012. As of January 29, 2022, we believe it is reasonably possible unrecognized tax benefits related to federal, state and local tax positions may decrease $39 by January 28, 2023, due to the completion of examinations and the expiration of various statutes of limitations.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Our estimated total purchase obligations, which primarily consist of inventory purchase orders and capital expenditure commitments, were $2,576 as of January 29, 2022. These purchase obligations are primarily payable within one year.

Our NYC flagship store opened in October 2019 and the related building and equipment assets were placed into service at the end of the third quarter of 2019. While our store has opened, construction continues in the residential condominium units above the store. As of January 29, 2022, we have a fee interest in the retail condominium unit. In the third quarter of 2021, we paid the majority of our final installment payment based on the developer meeting final pre-established construction and development milestones.

NOTE 14: EARNINGS PER SHARE

Earnings per basic share is computed using the weighted-average number of common shares outstanding during the year. Earnings per diluted share uses the weighted-average number of common shares outstanding during the year plus dilutive common stock equivalents, primarily RSUs and stock options. Dilutive common stock is calculated using the treasury stock method and includes unvested RSUs and outstanding options that would reduce the amount of earnings for which each share is entitled. Anti-dilutive shares (including stock options and other shares) are excluded from the calculation of diluted shares and earnings per diluted share because their impact could increase earnings per diluted share. The computation of earnings per share is as follows:

Fiscal year	2021	2020	2019
Net earnings (loss)	**$178**	($690)	$496
Basic shares	**159.0**	157.2	155.2
Dilutive effect of common stock equivalents	**3.5**	—	0.9
Diluted shares	**162.5**	157.2	156.1
Earnings (loss) per basic share	**$1.12**	($4.39)	$3.20
Earnings (loss) per diluted share	**$1.10**	($4.39)	$3.18
Anti-dilutive common stock equivalents	**8.1**	13.5	10.0

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NOTE 15: SEGMENT REPORTING

Segments
We continually monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments. We have one reportable "Retail" segment to align with how management operates and evaluates the results of our operations. Our principal executive officer, who is our CODM, reviews results on a total Company, Nordstrom and Nordstrom Rack basis and uses EBIT as a measure of profitability.

Our Retail reportable segment aggregates our two operating segments, Nordstrom and Nordstrom Rack. Nordstrom consists of Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and Nordstrom Local. Nordstrom Rack consists of NordstromRack.com, Nordstrom Rack-branded U.S. stores, Last Chance clearance stores and, prior to the first quarter of 2021, HauteLook.com.

Our Nordstrom and Nordstrom Rack operating segments both generate revenue by offering customers an extensive selection of high-quality brand-name and private label merchandise for women, men, young adults and children focused on apparel, shoes, beauty, accessories and home goods. We continue to focus on omni-channel initiatives by integrating the operations, merchandising and technology necessary to be consistent with our customers' expectations of a seamless shopping experience regardless of channel or business. Nordstrom and Nordstrom Rack have historically had similar economic characteristics and are expected to have similar economic characteristics and long-term financial performance in future periods. They also have other similar qualitative characteristics, including suppliers, method of distribution, type of customer and regulatory environment. Due to their similar qualitative and economic characteristics, we have aggregated our Nordstrom and Nordstrom Rack operating segments into a single reportable segment.

Amounts in the Corporate/Other column include unallocated corporate expenses and assets (including unallocated assets in corporate headquarters, consisting primarily of cash, land, buildings and equipment and deferred tax assets), inter-segment eliminations and other adjustments to segment results necessary for the presentation of consolidated financial results in accordance with GAAP.

Accounting Policy
We present our segment results for all years in the way that management views our results internally and the accounting policies of the operating segments are the same as those described in Note 1: Nature of Operations and Summary of Significant Accounting Policies.

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The following table sets forth information for our reportable segment:

	Retail	Corporate/Other	Total
Fiscal year 2021			
Net sales	**$14,402**	**$—**	**$14,402**
Credit card revenues, net	**—**	**387**	**387**
Earnings (loss) before interest and income taxes	**687**	**(195)**	**492**
Capital expenditures	**(218)**	**(288)**	**(506)**
Depreciation and amortization	**(350)**	**(265)**	**(615)**
Assets	**6,244**	**2,625**	**8,869**
Fiscal year 2020			
Net sales	$10,357	$—	$10,357
Credit card revenues, net	—	358	358
Loss before interest and income taxes	(924)	(123)	(1,047)
Capital expenditures	(175)	(210)	(385)
Depreciation and amortization	(404)	(267)	(671)
Assets	6,100	3,438	9,538
Fiscal year 2019			
Net sales	$15,132	$—	$15,132
Credit card revenues, net	—	392	392
Earnings (loss) before interest and income taxes	1,028	(244)	784
Capital expenditures	(726)	(209)	(935)
Depreciation and amortization	(428)	(233)	(661)
Assets	6,831	2,906	9,737

For information about disaggregated revenues, see Note 2: Revenue.

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

None.

Item 9A. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

For the purposes of the Exchange Act, our Chief Executive Officer, Erik B. Nordstrom, serves as our principal executive officer and our Chief Financial Officer, Anne L. Bramman, is our principal financial officer.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we have performed an evaluation of the design and effectiveness of our disclosure controls and procedures as of the last day of the period covered by this report.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified within the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework (2013),* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of January 29, 2022.

Deloitte & Touche LLP, an independent registered public accounting firm, was retained to audit our Consolidated Financial Statements and the effectiveness of our internal control over financial reporting. They have issued an attestation report on our internal control over financial reporting as of January 29, 2022, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Nordstrom, Inc. and subsidiaries (the “Company”) as of January 29, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 29, 2022, of the Company and our report dated March 11, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 11, 2022

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this item is included in the following sections of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Corporate Governance
Director Qualifications, Experience, and Nominating Process
Delinquent Section 16(a) Reports
Requirements and Deadlines for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders

The certifications of our Chief Executive Officer and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as exhibits to this 2021 Annual Report and were included as exhibits to each of our quarterly reports on Form 10-Q. Our Chief Executive Officer certified to the New York Stock Exchange ("NYSE") on June 2, 2021, pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Compensation of Executive Officers
Director Compensation
Compensation Committee Interlocks and Insider Participation
Compensation, People and Culture Committee Report

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

The information required under this item is included in the following sections of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Security Ownership of Certain Beneficial Owners and Management
Equity Compensation Plans

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

The information required under this item is included in the following sections of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the sections of which are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Corporate Governance
Certain Relationships and Related Transactions

Item 14. Principal Accountant Fees and Services.

Our independent registered public accounting firm is Deloitte & Touche LLP, Seattle, Washington, Auditor ID: 34.

The information required under this item is included in the *Ratification of the Appointment of Independent Registered Public Accounting Firm* section of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the section of which is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year.

PART IV

Item 15. Exhibit and Financial Statement Schedules.

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

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

Nordstrom, Inc. and Subsidiaries
Exhibit Index

Listed below are all exhibits included as part of this report. Those denoted with an asterisk (*) are a management contract, compensatory plan or arrangement:

		Incorporated by Reference		
	Exhibit	Form	Exhibit	Filing Date
3.1	Articles of Incorporation as amended and restated on May 25, 2005	8-K	3.1	May 31, 2005
3.2	Bylaws, as amended and restated on February 12, 2022	8-K	3.1	February 15, 2022
4.1	Description of Nordstrom, Inc. Securities	S-3	4.4	April 30, 2001
4.2	Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998	S-3/A	4.1	March 10, 1998
4.3	Indenture dated December 3, 2007, between the Company and Wells Fargo Bank, National Association	S-4/A	4.1	April 29, 2014
4.4	Form of 5.00% Global Note due 2044	S-4	4.2	March 28, 2014
4.5	Form of 5.00% Rule 144A Global Note due 2044	S-4	4.3	March 28, 2014
4.6	Form of 5.00% Regulation S Global Note due 2044	S-4	4.4	March 28, 2014
4.7	Form of 4.00% Note due 2027	8-K	4.1	March 9, 2017
4.8	Form of 5.00% Note due 2044	8-K	4.2	March 9, 2017
4.9	Form of 4.375% Note due 2030	8-K	4.1	November 6, 2019
4.10	Form of 2.300% Global Note due 2024	10-Q	4.2	September 3, 2021
4.11	Form of 4.250% Global Note due 2031	10-Q	4.3	September 3, 2021
4.12*	Trunk Club Newco, Inc. 2010 Equity Incentive Plan	S-8	4.1	August 27, 2014
4.13	Indenture, dated as of April 16, 2020, by and between Nordstrom, Inc. and Wells Fargo Bank, National Association, as indenture trustee	10-Q	4.1	June 10, 2020
10.1*	Nordstrom, Inc. 2019 Equity Incentive Plan (2020 Amendment)	DEF 14A	Appendix B	April 7, 2020
10.2*	Amended and Restated Nordstrom, Inc. Executive Management Bonus Plan	DEF 14A	Appendix A	April 8, 2016
10.3*	Nordstrom Deferred Compensation Plan (2019 Restatement)	10-Q	10.3	June 4, 2021
10.4*	Amendment 2021-1 to the Nordstrom Deferred Compensation Plan	10-Q	10.4	June 4, 2021
10.5*	Form of 2012 Nonqualified Stock Option Grant Agreement	8-K	10.1	November 18, 2011
10.6*	Form of 2013 Nonqualified Stock Option Grant Agreement	8-K	10.1	November 14, 2012
10.7*	Form of 2014 Nonqualified Stock Option Grant Agreement	8-K	10.1	March 4, 2014
10.8*	Form of the 2015 Nonqualified Stock Option Grant Agreement	8-K	10.1	February 19, 2015
10.9*	Form of the 2016 Nonqualified Stock Option Grant Agreement	8-K	10.1	March 1, 2016
10.10*	Form of 2016 Nonqualified Stock Option Grant Agreement, Supplemental Award	10-Q	10.2	August 30, 2016
10.11*	Form of the 2017 Nonqualified Stock Option Grant Agreement	8-K	10.1	February 23, 2017
10.12*	Form of 2019 Nonqualified Stock Option Award Agreement	8-K	10.1	March 4, 2019
10.13*	Form of 2019 Nonqualified Stock Option Award Agreement, Supplemental Award	8-K	10.2	March 4, 2019
10.14*	Form of 2020 Nonqualified Stock Option Award Agreement	8-K	10.1	March 3, 2020
10.15*	Form of 2020 Nonqualified Stock Option Award Agreement, Supplemental Award	10-Q	10.5	June 10, 2020
10.16*	Nordstrom, Inc. 2010 Equity Incentive Plan	DEF 14A	Appendix A	April 8, 2010
10.17*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended February 27, 2013	DEF 14A	Appendix A	April 1, 2013
10.18*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended and restated February 26, 2014	8-K	10.4	March 4, 2014
10.19*	Nordstrom, Inc. 2010 Equity Incentive Plan as amended and restated February 16, 2017	DEF 14A	Appendix A	April 5, 2017

		Incorporated by Reference		
	Exhibit	Form	Exhibit	Filing Date
10.20*	Nordstrom, Inc. Executive Severance Plan	10-K	10.23	March 20, 2020
10.21*	Form of 2019 Performance Share Unit Award Agreement	8-K	10.4	March 4, 2019
10.22*	Nordstrom Supplemental Executive Retirement Plan (2020 Restatement)	10-Q	10.1	September 4, 2020
10.23	Nordstrom Directors Deferred Compensation Plan (2017 Restatement)	10-K	10.48	March 19, 2018
10.24	2009 Form of Independent Director Indemnification Agreement	8-K	10.1	March 3, 2009
10.25	2010 Form of Independent Director Indemnification Agreement	10-K	10.78	March 18, 2011
10.26*	Form of 2017 Restricted Stock Unit Award Agreement, Supplemental Award	10-K	10.67	March 20, 2017
10.27*	Form of 2018 Restricted Stock Unit Award Agreement	8-K	10.1	March 8, 2018
10.28*	Form of 2019 Restricted Stock Unit Award Agreement	8-K	10.3	March 4, 2019
10.29*	Form of 2019 Restricted Stock Unit Award Agreement, Supplemental Award	10-Q	10.1	December 4, 2019
10.30*	Form of 2020 Restricted Stock Unit Award Agreement	8-K	10.2	March 3, 2020
10.31*	Form of Restricted Stock Unit Award Agreement – Supplemental Award	8-K	10.2	March 8, 2018
10.32*	Form of Restricted Stock Award under the 2019 Equity Incentive Plan	10-Q	10.4	June 10, 2020
10.33	Revolving Credit Agreement dated September 26, 2018, between Registrant and each of the initial lenders named therein as lenders; Bank of America, N.A. as administrative agent; and Wells Fargo Bank, National Association and U.S. Bank, National Association as co-syndication agents	8-K	10.1	October 2, 2018
10.34	First Amendment to Revolving Credit Agreement dated September 26, 2018	10-Q	10.3	June 10, 2020
10.35	Second Amendment to Revolving Credit Agreement dated September 26, 2018	10-Q	10.1	June 4, 2021
10.36	Credit Card Program Agreement by and among Nordstrom, Inc., Nordstrom FSB and TD Bank USA, N.A. dated May 25, 2015	10-Q	10.1	December 1, 2015
10.37	Letter agreement, dated June 7, 2017	8-K	99.2	June 8, 2017
21.1	Significant subsidiaries of the Registrant, filed herewith electronically			
23.1	Consent of Independent Registered Public Accounting Firm, filed as page 71 of this report			
31.1	Certification of Chief Executive Officer 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 Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith electronically			
101.INS	Inline XBRL Instance Document, filed herewith electronically			
101.SCH	Inline XBRL Taxonomy Extension Schema Document, filed herewith electronically			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith electronically			
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document, filed herewith electronically			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith electronically			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document, filed herewith electronically			
104	Cover Page Interactive Data File (Inline XBRL), filed herewith electronically			

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Anne L. Bramman
Anne L. Bramman
Chief Financial Officer
(Principal Financial Officer)

Date: March 11, 2022

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

Principal Financial Officer:

/s/ Anne L. Bramman
Anne L. Bramman
Chief Financial Officer

Principal Executive Officer:

/s/ Erik B. Nordstrom
Erik B. Nordstrom
Chief Executive Officer

Principal Accounting Officer:

/s/ Michael W. Maher
Michael W. Maher
Chief Accounting Officer

Directors:

/s/ Shellye L. Archambeau Shellye L. Archambeau Director	/s/ Stacy Brown-Philpot Stacy Brown-Philpot Director
/s/ James L. Donald James L. Donald Director	/s/ Kirsten A. Green Kirsten A. Green Director
/s/ Glenda G. McNeal Glenda G. McNeal Director	/s/ Erik B. Nordstrom Erik B. Nordstrom Director
/s/ Peter E. Nordstrom Peter E. Nordstrom Director	/s/ Brad D. Smith Brad D. Smith Chairman of the Board of Directors
/s/ Bradley D. Tilden Bradley D. Tilden Director	/s/ Mark J. Tritton Mark J. Tritton Director

Date: March 11, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-239087, 333-239086, 333-239083, 333-231969, 333-225295, 333-211825, 333-207396, 333-198413, 333-189301, 333-166961, 333-161803 on Form S-8 and No. 333-230379 on Form S-3 of our reports dated March 11, 2022, relating to the financial statements of Nordstrom Inc. and subsidiaries, and the effectiveness of Nordstrom, Inc. and subsidiaries' internal control over financial reporting, appearing in the Annual Report on Form 10-K of Nordstrom, Inc. for the year ended January 29, 2022.

/s/ Deloitte & Touche LLP
Seattle, Washington
March 11, 2022

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SHAREHOLDER INFORMATION

Executive Officers

Teri J. Bariquit, 56
Chief Merchandising Officer

Anne L. Bramman, 54
Chief Financial Officer

Alexis DePree, 43
Chief Supply Chain Officer

Michael W. Maher, 48
Senior Vice President,
Chief Accounting Officer

Scott A. Meden, 59
Chief Marketing Officer

Edmond Mesrobian, 61
Chief Technology Officer

Erik B. Nordstrom, 58
Chief Executive Officer

James F. Nordstrom, Jr., 49
President, Stores

Peter E. Nordstrom, 60
President and Chief Brand Officer

Farrell B. Redwine, 50
Chief Human Resources Officer

Ann Munson Steines, 56
General Counsel and
Corporate Secretary

Geevy S.K. Thomas, 57
President, Nordstrom Rack

Kenneth J. Worzel, 57
Chief Operating Officer

Board of Directors and Committees

Shellye L. Archambeau, 59
Former Chief Executive Officer
MetricStream, Inc.
Palo Alto, California

Stacy Brown-Philpot, 46
Former Chief Executive Officer
TaskRabbit, Inc.
San Francisco, California

James L. Donald, 68
Co-Chairman
Albertsons Companies, Inc.
Boise, Idaho

Kirsten A. Green, 50
Founder and Managing Partner
Forerunner Ventures
San Francisco, CA

Glenda G. McNeal, 61
President, Enterprise Strategic Partnerships
American Express
New York, New York

Erik B. Nordstrom, 58
Chief Executive Officer
Nordstrom, Inc.
Seattle, Washington

Peter E. Nordstrom, 60
President, Nordstrom Inc. and
Chief Brand Officer
Nordstrom, Inc.
Seattle, Washington

Brad D. Smith, 58
Nordstrom Inc. Chairman of the Board
Executive Chairman
Intuit Inc.
Mountain View, California

Bradley D. Tilden, 61
Chairman
Alaska Air Group
Seattle, Washington

Mark J. Tritton, 58
President and Chief Executive Officer
Bed Bath & Beyond
Union, New Jersey

Audit and Finance Committee
Bradley D. Tilden, Chair
Stacy Brown-Philpot
James L. Donald
Kirsten A. Green

Compensation, People and Culture Committee
Mark J. Tritton, Chair
Glenda G. McNeal
Brad D. Smith

Corporate Governance and Nominating Committee
Shellye L. Archambeau, Chair
Glenda G. McNeal
Brad D. Smith
Mark J. Tritton

Technology Committee
Stacy Brown-Philpot, Chair
Shellye L. Archambeau
James L. Donald
Kirsten A. Green

Shareholder Information

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Seattle, Washington

Transfer Agent and Registrar
Computershare
PO Box 505000
Louisville, KY 40233
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Foreign Shareholders (201) 680-6578
TDD Foreign Shareholders (781) 575-4592
www-us.computershare.com/investor

General Offices
1617 Sixth Avenue
Seattle, Washington 98101
Telephone (206) 628-2111

Annual Meeting
Wednesday, May 18, 2022
9:00 a.m. Pacific Daylight Time
virtualshareholdermeeting.com/JWN2022

Form 10-K
The Company's Annual Report on Form 10-K for the year ended January 29, 2022 will be provided to shareholders upon request to:

Nordstrom Investor Relations
1617 Sixth Avenue
Seattle, Washington 98101
(206) 303-3200
InvRelations@Nordstrom.com

Shareholder Information
Additional shareholder information, including Nordstrom's Corporate Governance Guidelines and Code of Conduct and Business Ethics, is available online at investor.nordstrom.com (Investor Relations, Corporate Governance). The Company intends to provide disclosure of any amendments or waivers to its Code of Conduct and Business Ethics online within four business days following the date of amendment or waiver. In addition, the Company is always willing to discuss matters of concern to shareholders. Shareholders may contact the Company at:

(206) 303-3200
InvRelations@Nordstrom.com

Certifications
We have filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as Exhibits 31.1 and 31.2 to our annual report on Form 10-K for the year ended January 29, 2022. After our 2022 Annual Meeting of Shareholders, we intend to file with the New York Stock Exchange the CEO certification regarding our compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12(a).

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

Court File No: CV-23-00695619-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC** and **NORDSTROM CANADA HOLDINGS II, LLC**

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

APPLICATION RECORD
VOLUME 3 OF 5

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Toronto ON M5X 1B8

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Marleigh Dick (LSO# 79390S)
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Lawyers for the Applicants