

## PART I

### Item 1. Business.

#### DESCRIPTION OF BUSINESS

Founded in 1901 as a retail shoe business in Seattle, Nordstrom later incorporated in Washington state in 1946 and went on to become one of the leading fashion specialty retailers based in the U.S. As of March 16, 2015, we operate 290 U.S. stores located in 38 states as well as a robust ecommerce business through Nordstrom.com, Nordstromrack.com and HauteLook and TrunkClub.com. We also operate two Nordstrom full-line stores in Canada. The west and east coasts of the U.S. are the areas in which we have the largest presence. We have two reportable segments: Retail and Credit.

As of March 16, 2015, the **Retail** segment includes our 115 “Nordstrom” branded full-line stores in the U.S. and Nordstrom.com, 167 off-price Nordstrom Rack stores, two Canada full-line stores, Nordstromrack.com and HauteLook, and other retail channels including five Trunk Club showrooms and TrunkClub.com, our two Jeffrey boutiques and one clearance store that operates under the name “Last Chance.” Through these multiple retail channels, we strive to deliver the best customer experience possible. We offer an extensive selection of high-quality brand-name and private label merchandise focused on apparel, shoes, cosmetics and accessories. Our integrated Nordstrom full-line stores and online store allow us to provide our customers with a seamless shopping experience. In-store purchases are primarily fulfilled from that store’s inventory, but when inventory is unavailable at that store it may also be shipped to our customers from our fulfillment center in Cedar Rapids, Iowa, or from other Nordstrom full-line stores. Online purchases are primarily shipped to our customers from our Cedar Rapids fulfillment center, but may also be shipped from our Nordstrom full-line stores. Our customers can also pick up online orders in our Nordstrom full-line stores if inventory is available at one of our locations. These capabilities allow us to better serve customers across various channels and improve sales. Nordstrom Rack stores purchase high-quality brand-name merchandise primarily from the same vendors carried in Nordstrom full-line stores and also serve as outlets for clearance merchandise from our Nordstrom stores and other retail channels. During the year, we launched Nordstromrack.com and the associated mobile app. Nordstromrack.com combines the technology expertise of HauteLook with the merchant expertise of Nordstrom Rack. Nordstromrack.com and HauteLook offer limited-time sale events on fashion and lifestyle brands as well as a persistent selection of off-price, high-quality brand-name merchandise and are integrated with a single customer log-in, shared shopping cart and streamlined checkout process. Furthermore, we can accommodate returns from these sites by mail or at any Nordstrom Rack location.

Our **Credit** segment includes our wholly owned federal savings bank, Nordstrom fsb, through which we provide a private label credit card, two Nordstrom Visa credit cards and a debit card. The credit and debit cards feature a loyalty program designed to increase customer visits and spending. Although the primary purposes of our Credit segment are to foster greater customer loyalty and drive more sales, we also generate revenues from finance charges and other fees on these cards. In addition, we save on interchange fees that the Retail segment would incur if our customers used third-party cards.

For more information about our business and our reportable segments, see Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 16: Segment Reporting in Item 8: Financial Statements and Supplementary Data.

#### FISCAL YEAR

We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31<sup>st</sup>. References to 2014 and all years within this document are based on a 52-week fiscal year, except 2012, which is based on a 53-week fiscal year.

#### TRADEMARKS

We have 156 trademarks, each of which is the subject of one or more trademark registrations and/or trademark applications. Our most notable trademarks include Nordstrom, Nordstrom Rack, HauteLook, Halogen, BP., Zella, Caslon and Trunk Club. Each of our trademarks is renewable indefinitely, provided that it is still used in commerce at the time of the renewal.

#### RETURN POLICY

We have a fair and liberal approach to returns as part of our objective to provide high-quality customer service. We do not have a formal return policy at our Nordstrom full-line stores or online at Nordstrom.com. Our goal is to take care of our customers, which includes making returns and exchanges easy, whether in stores or online, where we offer free shipping and free returns. Our Nordstrom Rack stores generally accept returns up to 90 days from the date of purchase with the original price tag and sales receipt, and also accept returns of Nordstromrack.com and HauteLook merchandise. Nordstromrack.com and HauteLook generally accept returns of apparel, footwear and accessories within 90 days from the date of shipment.

#### SEASONALITY

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