

notes to consolidated financial statements

The Black-Scholes method was used to estimate the fair value of the options at grant date based on the following factors:

Fiscal Year	2003	2002	2001
Stock Options:			
Risk-free interest rate	2.9%	4.3%	4.8%
Volatility	71.0%	69.0%	68.0%
Dividend yield	1.5%	1.5%	1.3%
Expected life in years	5.0	5.0	5.0
Weighted-average fair value			
at grant date	\$10	\$14	\$10
ESPP:			
Risk-free interest rate	1.1%	1.9%	4.3%
Volatility	71.0%	69.0%	68.0%
Dividend yield	1.5%	1.5%	1.3%
Expected life in years	0.5	0.5	0.5
Weighted-average fair value			
at grant date	\$7	\$7	\$5

For options issued in 2001 under the Nordstrom.com plans, we used a risk-free interest rate of 4.5%, volatility of 127%, dividend yield of 0% and expected life of 4 years to calculate the fair value at grant date of \$1.56.

Note 16: Accumulated Other Comprehensive Earnings

The following table shows the components of accumulated other comprehensive earnings:

January 31,	2004	2003	2002
Foreign currency translation	\$15,783	\$8,404	\$649
SERP adjustment	(11,679)	(6,511)	—
Securitization fair value			
adjustment	4,764	807	1,757
Total accumulated other			
comprehensive earnings	\$8,868	\$2,700	\$2,406

Note 17: Supplementary Cash Flow Information

We capitalize certain property, plant and equipment during the construction period of commercial buildings which is subsequently derecognized and reclassified to prepaid rent or deferred lease credits. We also had noncash activity related to the construction of our corporate office building. The noncash activity is as follows:

Fiscal Year	2003	2002	2001
Noncash activity:			
Reclassification			
of new stores	\$753	\$61,792	\$75,555
Corporate office construction	1,880	(3,951)	36,120
Supplementary cash flow information includes the following:			
Fiscal Year	2003	2002	2001
Cash paid during the year for:			
Interest (net of			
capitalized interest)	\$96,824	\$84,898	\$77,025
Income taxes	121,271	48,386	80,689

Note 18: Segment Reporting

We have four segments: Retail Stores, Credit Operations, Catalog/Internet, and Corporate and Other.

The Retail Stores segment derives its revenues from sales of high-quality apparel, shoes and accessories. It includes our full-line, Nordstrom Rack and Façonnable stores as well as our product development group, which coordinates the design and production of private label merchandise sold in our retail stores.

The Credit Operations segment revenues consist primarily of finance charges earned through issuance of the Nordstrom private label and VISA credit cards.

The Catalog/Internet segment generates revenues from direct mail catalogs and the Nordstrom.com website.

During 2003, Nordstrom Direct, which contains our Internet and catalog business, was consolidated into Nordstrom, Inc. as a division. As a result of this change, the Internet and catalog segment will be presented as part of our retail stores segment starting in 2004.

We use the same measurements to compute net earnings for reportable segments as we do for the consolidated company. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1.