



NORDSTROM

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EDITED TRANSCRIPT

Wednesday, May 9, 2012, 11:00 a.m. PDT; Nordstrom Annual Meeting of Shareholders

PARTICIPANTS

Rob Campbell

Nordstrom, Inc. – Treasurer and VP, Investor Relations

Rick Hernandez

Nordstrom, Inc. – Chairman of the Board

Blake Nordstrom

Nordstrom, Inc. - President

Pete Nordstrom

Nordstrom, Inc. – EVP and President, Merchandising

Craig Leavitt

Kate Spade New York. – Chief Executive Officer

Christopher LaPolice

Vince – President and Co-founder

Erik Nordstrom

Nordstrom, Inc. – EVP and President, Stores

PRESENTATION

Rob Campbell

Nordstrom, Inc. – Treasurer and VP, Investor Relations

[Slide 1] I'm Rob Campbell, Treasurer and Vice President of Investor Relations with Nordstrom.

[Slide 2] Before we get started, we'd like you to know that we may have some forward-looking statements today, and we want to remind you that all forward-looking statements in this meeting reflect management's expectations regarding future events and operating performance and speak only as of May 9, 2012. These statements may involve risks and uncertainties that could cause actual results to differ materially from the expected results. Such risks include but are not limited to the risk factors that are detailed in the company's most recent filings with the SEC such as our annual 10-K and quarterly 10-Q reports. The company undertakes no obligation to update or revise any such statements, whether as a result of new information, future events, or otherwise. Thank you.

Now please welcome our Chairman of the Board, Rick Hernandez.

Rick Hernandez

Nordstrom, Inc. – Chairman of the Board

[Slide 3] Well, good morning, everyone. On behalf of everyone at Nordstrom, I'd like to welcome all of you to our 2012 Meeting of Shareholders. As we'll hear throughout this meeting, your company is performing at a high level and finding more ways to improve customer experience across all channels. Nordstrom has achieved some impressive milestones and is continuing to grow, with a focus squarely on the customer.

[Slide 4] But before we go forward, I'd like the opportunity to introduce the board of directors, followed by the management team. So will each of you stand when I call your name?

[Slide 5] First, Phyllis. Phyllis Campbell is Chairman of the Pacific Northwest Region for JPMorgan Chase and also is a director with Alaska Air Group, Inc. Phyllis has been on our board since 2004 and serves on our Finance Committee and is chair of the Audit Committee.

[Slide 6] Michelle. Michelle Ebanks is our newest director. She joined the board last year and she is President of Essence Communications, Inc., a communications company dedicated to African American women, and she also serves as President of People en Espanol. She is on our Compensation and Finance Committees. Thank you, Michelle.

[Slide 7] As for me, I'm Chairman of Nordstrom, as you just heard, and I'm also President and CEO of Inter-Con Security Systems. I'm also principal partner of Interspan Communications. I joined the Nordstrom board 15 years ago and currently serve on the Compensation Committee and the Corporate Governance and Nominating Committee. I also serve as a director for McDonald's Corporation, Wells Fargo, and Chevron Corporation.

[Slide 8] Bob Miller. Bob is CEO of Albertsons, LLC, and previously served on the boards of the Rite Aid Corporation, Harrah's Entertainment, Inc., Fred Meyer, Inc., The Kroger Company, and Wild Oats Markets, Inc. Bob chairs our Finance Committee and is on our Audit Committee as well. Thank you, Bob.

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[Slide 9] And Blake, Blake Nordstrom. Blake is the President of Nordstrom and he has been on our board since 2005. Blake also serves as a director for the Federal Reserve Bank of San Francisco.

[Slide 10] Now Erik Nordstrom. Erik is President of Stores. In that role he supports the management, operations, strategy, finance, and store planning functions for all the stores. Erik has been a director since 2006.

[Slide 11] Pete Nordstrom. Pete supports all the buying, planning, and merchandising functions as President of Merchandising. He has also been on the board of directors since 2006. Thanks, Pete.

[Slide 12] Phil, Phil Satre. Phil has also been with the Nordstrom board since 2006. In addition to serving on our board, he is Chairman of the Board for NV Energy, Inc. and Chairman of International Game Technology. Phil leads our Corporate Governance and Nominating Committee and is on the Compensation Committee. Thank you, Phil.

[Slide 13] Kevin. Kevin Turner is Chief Operating Officer for Microsoft Corporation and he joined our board in 2010. Prior to Microsoft, Kevin worked for nearly 20 years at Wal-Mart Stores and served as CEO and President of the company's Sam's Club subsidiary. Kevin is a member of the Compensation and Finance Committees. Thank you, Kevin.

[Slide 14] And Bob Walter. Bob is chair of our Compensation Committee and a member of the Corporate Governance and Nominating Committee. He is the retired founder and former Chairman and CEO of Cardinal Health. Bob has been a Nordstrom director since 2008, and he is also on the boards of Yum Brands and American Express Company.

[Slide 15] And our final director, Alison Winter. Alison founded Braintree Holdings, LLC, in 2003, where she continues to serve as CEO. Alison was also a senior advisor and consultant of Northern Trust Corporation. She has spent 11 years on our board and is on our Audit and Corporate Governance and Nominating Committees. Thank you, Alison.

[Slide 16] We're also fortunate today to have with us a few of our retired directors, and I'd like to recognize them as well.

[Slide 17] The first is Wayne Gittinger. Wayne, could you please stand? Thank you.

[Slide 18] Next, Jack McMillan; and to his right is John Nordstrom [slide 19]; and our Chairman Emeritus, Bruce Nordstrom [slide 20]. I'd like you all to join with me in giving them a great big hand.

As we all know, among the great legacies of this company, many were founded by these gentlemen and through their hard work and their leadership and the values that they built into this great place.

[Slide 21] And I'd like to ask you now to also see the executive management team and for them to please stand. Please join me in recognizing this team for an outstanding performance in 2011. It's their vision and leadership that helps continue to build on Nordstrom's history of success. So on behalf of the entire board of directors, thank you all for your tireless efforts in support of our customers and our shareholders. Thank you very much.

[Slide 22] Now we'll kind of move to a little bit of the business of the meeting. We're joined today by Leah Grant, our inspector of elections and proxy tabulator for Broadridge. In addition, we have two representatives here from our independent auditor, Deloitte & Touche LLP, Karen Chang and John Salata, so welcome to you all.

Our General Counsel and Corporate Secretary, Robert Sari, has alerted me that we have a quorum. At this time we'd like to ask, if you have not already voted or if you would like to change your vote on any of the proposals, please raise your hand and someone will be sure to give you a new ballot and collect it from you. Are there any people? I see one here. Just raise your hand at any point and we'll be happy to give you a ballot.

There are four proposals that shareholders are being asked to vote on. First, the election of directors; second, the approval of the Amended and Restated Executive Management Bonus Plan; third, the ratification of the appointment of the independent registered public accounting firm; and fourth, an advisory vote to approve executive compensation.

[Slide 23] Before turning things over to Blake, I'd like to take a moment just to share a few thoughts about the business.

One of the unique things about Nordstrom is how the company has continued to evolve and adapt over the years by keeping one thing constant: a relentless focus on the customer, and striving to improve service quality. The entire team, from the people responsible for the customer experience in our stores and online to our support employees under the leadership team, recognizes our service reputation is the most important competitive advantage and single biggest reason for Nordstrom's success. It's a fragile thing, and staying relevant to the customer requires continuous improvement, innovation, and a steadfast resolve to putting the customer first. This is a company you can be proud of, as reflected in the fact that Nordstrom consistently ranks among the most respected and trusted brands in America. For example, the company has made *Fortune's* Best Companies to Work For list 15 times, every single year since its inception. The company also continues to earn high marks for workplace diversity. Nordstrom scored a perfect 100 percent on the Human Rights Campaign's Annual Corporate and Quality Index for the seventh straight year. Thank you.

A few months ago, Nordstrom once again made the *Fortune* list of Most Admired Companies and ranked number three worldwide for product quality among all companies surveyed for this ranking. Nordstrom has also been a perennial presence on the various customer service rankings, including making the top 10 for the National Retail Foundation's Customers' Choice Award each year since it began in 2005.

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In terms of results, I'm pleased to be able to report to you on yet another tremendous year of accomplishments. In 2011 the company achieved record sales for the second consecutive year, delivered solid returns, finished the year with \$1.9 billion in cash, and increased its advantage over the competition. Most notably, Nordstrom remains at the leading edge among its peer group with technology and is making strides in expanding the service experience and responding to the customers' changing expectations in-store, online, and through mobile.

Each year our leaders visit every single Nordstrom location all around the country to share with our employees how the company did in the previous year and where we will be headed. We thought you'd enjoy a peek behind the curtain and we're going to show a short video clip, one of the things that's shown at these meetings, and it speaks to some of the company's accomplishments, so please here's the video.

[Slide 24] VIDEO

[Slide 25] I hope you enjoyed that. That was kind of a short, as I said, behind-the-scenes peek at some of the things the company uses to communicate amongst our people.

It's important to note that this level of success doesn't really happen without great people. It takes a certain kind of person to work for Nordstrom. We have a really talented team of high-caliber, results-driven people who are committed to doing the right thing and winning by offering customers the absolute best service experience possible. As a shining example, I'd like to introduce you to one employee who represents what the Nordstrom service ethic is all about. Ted Dinunzio is a service ambassador at the Nordstrom store in my neighborhood of Pasadena, California, the Santa Anita store. Ted flew up here to be with us today and I'd like Ted to please stand, if he would.

Now, not too many of us in the room are aware of this, but Ted joined the company 13 years ago — when he was 85 years young. So we strive to make Nordstrom an inclusive place to shop and work, and Ted's a great example of how anyone with a passion for customer service can thrive at this company. Ted is one of my favorite employees, and in my estimation, anybody that talks to Ted has a much better day for having done so. I always enjoy seeing Ted myself when I come in to shop. So we recently asked Ted for his advice on customer service, and I'd like to share with you some of what he had to say, and I quote,

“Always put a smile on your face and look people straight in the eye. Most importantly, show your appreciation. Say goodbye. Tell the customer that we appreciate their coming to Nordstrom and we look forward to their coming back again. The reason I come to Nordstrom every day is you have to wake up with a purpose and have someplace meaningful to go”. So thank you, Ted, for those great words of advice.

So thank you also, Ted, for your wonderful years of service on behalf of our customers and of our company, thank you.

So as we look ahead, Nordstrom is in a strong position to take advantage of more opportunities to grow and reach new heights, not just because of the company's unique position in the marketplace or its improved service capabilities or sound investments for a solid future, but because of Ted and more than 57,000 men and women who work here and stand behind this company and who execute Nordstrom's customer-driven strategy each and every day. We want you to know that as a team, we are committed to continuing to earn your trust and your support, so thank you.

[Slide 26] And now, please help me welcome Blake Nordstrom.

Blake Nordstrom

Nordstrom, Inc. - President

[Slide 27] Good morning. On behalf of the team, we join Rick in welcoming all of you, and thank you for your goodwill and patronage and your support as shareholders.

A year ago at this time when we were together, I was commenting that it was a lot more fun than in previous years during the economic downturn to be in front of you sharing with you some pretty terrific results, and 2010 was a lot of record highs for us in many ways. I also commented at that time that we were really focused on customer service. Hopefully you hear that every year. It's our number one goal. And I want to emphasize that when we talk about customer service, we're certainly not trying to convey that we're the experts or we've got it all figured out. We're humbly aware that we've got lots of opportunities. But we believe as merchants our number one way to improve is to take care of the customer on their terms, regardless of channel, and so we really focus on being more innovative, being more nimble, closer to the customer, and trying new things.

[Slide 28] So next I want to talk about our results for 2011.

[Slide 29] It was a record year for the company -- \$10.5 billion in sales, a 12.7 percent increase, which equaled the same percentage increase from 2010, so a great year.

[Slide 30] This next slide, I think, is important to share with you because it shows how the business evolved from 2002 to 2011 and how the customer is choosing to shop with us. Our full-line stores -- our core business -- continue to be the lion's share of the business and contribute in many ways. Our Racks had a great year and you'll note that the e-commerce part of the business is really contributing.

[Slide 31] On a comparable store basis -- that's an industry term -- that is a way of looking at the business, those stores that have been open a year or longer, which is really the truest measure of our business, we had a 7.2 percent increase for 2011.

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[Slide 32] Okay, comp sales by quarter. Tomorrow afternoon we're going to announce the first quarter earnings. As we announced on May 3rd, for the first quarter, we had a 13.7 percent increase in total sales. In comp store sales, we picked up 8.5 percent. We've had ten quarters in a row of consistent improvement, so we're pleased by that.

[Slide 33] Another important metric to kind of the health and vitality of the business is the inventory, and how fresh and current is it, and how are we flowing it through, and we think it's important that that's continually improving. And so we're at an industry high, this turn of 5.6 percent, and it's a great reflection of the work of our merchandising team.

[Slide 34] So as shareholders, it's important that we're meeting and exceeding your expectations as investors, and dividends are one way to give back to our shareholders in an efficient way. We've had over time continuous improvement with our dividends. This last year we paid out 92 cents per share. That was an improvement over the 76 cents for the previous year.

[Slide 35] Okay, this next chart looks at total shareholder return, and it takes both stock price and the dividends and combines that. If you were to have made an investment back in the company ten years ago with \$100, as of the closing of the stock price last night, it's a little over \$500. So with this economy – it's had some ups and downs – this chart illustrates our ability to show shareholder value over the long term consistently above some of our peers.

[Slide 36] This whole notion of change. Things are changing fast, and it's inherent in what we do because we're in the fashion business. But it really seems the last couple years that the pace of change is accelerating, and I want to give you some examples of that. So when we think of a particular statistic, how long did it take for adoption for 50 million users — to get to that point? It took 38 years with radio to go from zero to 50 million people, yet it took the iPhone 33 months to get there. For TV it took 13 years to get to the 50 million mark. For Facebook it was 25 months. For the Internet it took four years, and for the iPad, 50 million users in 22 months. So it gives you an idea how things are really accelerating. I've got a video – it's about 60 seconds – and it gives you a sense of what's going on on the Internet in terms of pace of change, so let's show that video.

[Slides 37 & 38] VIDEO

[Slide 39] So again, I think it's a great reflection or example of how quickly things are changing, and so we're doing our best to stay in lock step with the customer, hopefully proactively on that front. And so we need to be able to service the customer, again, on their terms, and so these are exciting times for us as merchants. We really think service, speed, convenience, and innovation are really the cornerstones of that service experience.

[Slide 40] So I want to talk a little bit about service and give an example of one of the things we're working on: How can we give more personalized service? And one way is, we've been expanding our personal stylist program. We currently have 1,300 of what we think are our best people as part of the personal stylist program. This is three times as many people as we had just two years ago, so this portion of the business is contributing. Not every customer wants a one-on-one relationship with a salesperson, but we've found there are lots of opportunities where we can do a better job of getting connected, and so this has been very meaningful in the stores.

[Slide 41] From a technology point of view, technology is not just about behind the scenes or some big platform. It's what the customer's touching. It's tools that enable the customer to be more efficient with their time and make better decisions. So mobile point-of-sale is something that we've been working on, and last year we introduced 6,000 mobile point-of-sale devices in the summer before Anniversary Sale, and we've been learning a lot with those. We hope to, by the end of this year, have 100 percent or the same functionality that we currently have on our registers, and a year later from this time, when I address you again, these mobile point-of-sale devices will have 120 percent of the functionality of our registers. So we're going to be continuing to add to these devices. It's strictly because we think it can help the service experience.

[Slide 42] Next, e-commerce. We've talked about before that e-commerce represents a tremendous growth opportunity for us, and although we have a very robust Direct business, we think there are a lot of opportunities to grow that business. So we're investing a lot of resource, time, and energy and capabilities to make sure we're servicing the customer well there, and so we really think it represents a big opportunity going forward.

[Slide 43] One way to improve that experience is, last September we went to free shipping and free returns, and what we learned is the customer likes free. It was well-received and it has really helped our results, and you've seen it in those e-commerce numbers. And that decision was made and it's very expensive, but if we want to be the customers' retailer of choice online, they really were demanding free shipping and free returns. And so we were real pleased with the team and their ability to make that decision quickly on behalf of the customer. It's important that we're working on our speed of delivery and fulfillment, so the supply chain's really important there.

[Slide 44] Really today the customer has at their fingertips their handheld, and now more than ever there's transparency. The customer today has knowledge about fashion and product knowledge and price and availability, and so we're working hard to have that functionality so when that customer is making that split-second decision, that we're a viable choice for them.

[Slide 45] We're also trying to improve service online by our selection. So our stores, we've always prided ourselves as merchants on having an edited and balanced buy. Well, now the customer online is expecting that the full choice is there – that all the choices, all the brands, and all the items are there – and through the search engine online, they can efficiently get to those two or three choices to make their choice, so we're expanding our merchandising inventory both online and with our vendors to be able to do that.

[Slide 46] Next, the website itself. That's our face of Nordstrom to the customer and the ability for the customer to easily navigate our website and to be able to allow two-way communication and information about how they choose to shop or return or get knowledge about the product. We're working hard to improve the speed and convenience and ease of that as well.

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[Slide 47] Now, we've made some investments in the last year that I want to talk to you about. A year ago at this time, we bought a company called HauteLook, and that's in the flash sale sector. And there are companies like Gilt and Rue La La and Ideeli and HauteLook, and this is a large part of the business. It's been growing fast. In the year that we've been partnered with them, we couldn't be more pleased. We're learning a lot. They're based down in LA. They're a great group of people. They're close to the customer. We've been able to support them, and they've been able to teach us a few things as well. Last year they slightly exceeded their plan, which was a 60 percent increase, so they're having some pretty big gains. They also have been gathering members' names and customers, followers. They have over 8 million people now that are part of the membership program at HauteLook.

Lastly, Bonobos. We made a small investment with a business called Bonobos, that their core business is in men's product and in chino pants, and their focus is on fit and customer service online. And we've been able to partner with them, and we just recently put it in some of our stores. It's selling well. And we're learning from them about how they're providing service online and, we think, can look forward to a really good partnership with them as well.

[Slide 48] The Rack. Just recently here – and many of you were there, I see familiar faces – right across the street, Westlake Center, we moved after over 25 years being down on Second Avenue to Westlake Center, about a 42,000-square-foot facility. If you haven't been there, we'd encourage you to take a look. Each store is our latest and greatest in our current thinking, and that's certainly reflected in the Rack. They were able to use mobile point-of-sale. They have 16 mobile point-of-sale devices and 16 registers, and 'though it was pretty busy on that opening day and since, we think their customer service level has been greatly improved. We've been able to reduce those lines and the business today seems really good. And so we think there's a healthy synergy having the Rack next to our best full-line stores. When that store opened, this store has a great gain as well, and so there are a lot of positives from that. Overall, the Rack just surpassed \$2 billion in sales last year.

[Slide 49] So in conclusion, we just can't emphasize enough how important it is that this company stays grounded and true to the customer. We're doing our best to listen and we're doing our best to reduce bureaucracy and anything that would slow us down and remove us from the customer. Every decision needs to be based in the customer, our ability to put our focus on the customer and provide meaningful service, and I think it's reflected in our numbers, and you've heard us say sales are the truth. And so as we want to achieve these big goals, it's going to be in our team's ability to take care of the customer. And we know right now, as I speak to you, we're open across the country and we're online, and there are some cases where we're stubbing our toe. And trust me, we're very humble on that, we know that, but we just see a lot of exciting opportunities. And I know I shared that with you last year. But on behalf of the team, we couldn't be more encouraged and excited about the position we're in, the opportunities we have, and what we think is going to be a great 2012.

And now I'd like to have Rick come back up.

Rick Hernandez

Nordstrom, Inc. – Chairman of the Board

[Slide 50] Thank you, Blake. That was really informative.

At this time we'd like to collect any remaining ballots. So if you have a ballot please raise your hand so that our team can see you and collect it.

Okay. I'd also like to recap our proposals and then share the preliminary voting results. First, our first proposal is for the election of directors. Each nominee currently serves on our board and, as is our practice, all 11 directors have been nominated to serve for a one-year term.

The second proposal is for approval of the Amended and Restated Executive Management Bonus Plan. This proposal is to clarify and better define the board's original intent in adopting the current bonus plan as part of our compensation program for executives.

The third proposal is for the ratification of the appointment of Deloitte & Touche as the company's independent registered public accounting firm for another one-year term.

And the fourth proposal is for shareholders to provide an advisory non-binding vote on our compensation program and pay-for-performance philosophy. We hold this say-on-pay vote annually, and the proposal is consistent with our longstanding focus on transparency, gathering shareholder input, and closely aligning compensation with shareholder interest.

[Slide 51] Based on preliminary voting results provided by our tabulator, with more than 89 percent of the votes cast, I'd like to announce that all proposals have been approved. Final voting results will be posted on the Investor Relations section of our nordstrom.com website in a few days.

Now I'd like to invite Pete Nordstrom to come up and recognize our Partners in Excellence.

Pete Nordstrom

Nordstrom, Inc. – EVP and President, Merchandising

[Slide 52] Good morning. It is my privilege to be able to announce our Partners in Excellence award winners for this last year. We have literally thousands of vendors that we work with and what's become abundantly clear over time, and more so as time goes on, is that we cannot be successful without their partnership. And every year we sit in a room with the merchant leaders and talk about the people that have done a good job for us and who we want to recognize and hold up as a great example of being well-aligned on our strategies in serving the customer and delivering great product. We've been giving this award out now for about 20 years and it's an impressive group of people that we've been able to acknowledge over the years, and every year there are some that kind of rise to the top.

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[Slide 53] Our criteria are pretty broad. First of all, we want to be aligned on quality, it's certainly important to our customers, on value, on customer service – I think you've heard about that already today – partnership, as I mentioned, business ethics, fashion, results are very important, and participates in all channels. And I think that's really been something that's evolved over the last couple years. With all we've been doing in our aggressive growth in the Rack and online, it's important that our vendors see that path and make sure that they're working with us to serve our customers on their terms. And that's not always as easy as you might think, because the vendors have their own agenda on what's going to be best for their company. But we have a pretty compelling story to tell about our growth in these different areas and the winners that we have today, I think, speak to getting aligned around that idea.

[Slide 54] So our first winner is the Kate Spade Company, and we've been doing business with Kate Spade for about a decade now. They originally started as a handbag business that was super-popular, and they grew and evolved over the years. And while the major part of their business is still in handbags, they've expanded into a lot of different categories that are really meaningful to us. The accessory business is big. We do an at-home business with them, plus eyewear, fragrance, handbags, hosiery, jewelry, women's apparel, and shoes. Another example is weddings. You saw we have 18 wedding suites now. This is a relatively new business for us and we needed some collaborative help on that, and the Kate Spade folks were right there in helping develop a plan that would work for us and are an important part of that area as well.

Last year they were our 22nd largest vendor. Sales were nearly \$60 million. And in terms of the results, that was a 90 percent improvement over the year before, so you can see where they went kind of to the top of the list for us. One interesting side note of something that we sold besides a lot of handbags – and I kind of learned this last night, I guess it's the item of choice for young people – is the iPhone case that they make, and we sold 43,000 of their iPhone cases last year. That's a lot, and that business just continues to grow, and I think it speaks a lot to them really understanding what our customers are looking for. And in real-time we've got this collaborative spirit that's going on back and forth, and they've just been super-responsive – terrific partners, great growth, and a really promising future together.

So I'd like to introduce Craig Leavitt, the CEO of Kate Spade, to come on up and accept his award.

Thank you very much.

Craig Leavitt

Kate Spade New York. – Chief Executive Officer

Thank you so much. I really want to start by thanking Pete for his ongoing support of our brand and for his enthusiastic approach to expanding our business across new product categories and through broader door distribution. Thanks to him, there are a number of Kate Spade New York categories that are available in all Nordstrom doors and online. As Pete said, Kate Spade New York began its relationship with Nordstrom more than ten years ago, and we found early on that we shared a number of core values such as our passion for understanding our consumer and the importance of brand clarity of mission. We also found that there was a great synergy between the Kate Spade New York consumer and the Nordstrom customer. We've enjoyed such a special relationship with the Nordstrom team, working very closely as engaged and invested partners in growing our brand. You all have been key players in our overall success of the Kate Spade New York business over the last couple of years in particular. And while the list is nearly endless, I want to mention a few people in particular. I want to thank Margaret Myers and Scott Meden in particular for their support, and thank Michelle Sample, Laura Janney, Andrea Saal, Michelle Love, and Lori Marten for all their hard work and dedication to our success.

As merchants, the Nordstrom team approaches our brand with a great respect for our DNA, a clear understanding of our shared customer, and a willingness to embrace key initiatives. As associates, your team sells our brand with a deep knowledge of our product and a true engagement with our brand, while maintaining the clarity of your own Nordstrom core values we're selling. So thank you, merchants and associates.

Nordstrom was one of the first wholesalers to pick up our ready-to-wear collection back in 2009, and we have grown that business over 500 percent since our launch. 2011 was a record-breaking year for the Kate Spade New York business at Nordstrom – as Pete said, retail sales approaching \$60 million – and as we look at our projections, we see that we are on track to double that in 2013. When it came time to launch our new watch collection this spring, you were one of the first to fully support helping tell our story as a global lifestyle brand, and I'm pleased to say that we have far exceeded our initial projections in that category as well.

We greatly value your willingness to create an amazing multiple-category installation to support our Florence Broadhurst collection this year. And we recognize that this was very new for all of you, and we are so grateful for your collaboration with us, and to see what a great success it has been. And we appreciate your enthusiastic partnership as we move forward with new initiatives coming down the pipeline.

So I'm thrilled to accept this award on behalf of all the Kate Spade New York team, and I want to especially thank our wholesale team headed up by Marshall Cheek, for the great work they have done building strong relationships with our partner here today. Dina Borelli, Kristen Sereydynski and Katherine Lord are also here today, and I would like to extend a huge thank-you to them for their hard work and dedication to the Nordstrom business.

And lastly but certainly not least, we need to thank the Nordstrom consumer for their enthusiasm for our brand and for her continued loyalty. We look forward to more record-breaking business together as partners. Thank you.

Pete Nordstrom

Nordstrom, Inc. – EVP and President, Merchandising

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[Slide 55] Congratulations.

[Slide 56] Our next winner is Vince, and we've been doing business with Vince since 2003. I think the big story there is this is a pretty coveted brand that's not super-broadly distributed, and we have a nice growing business with them. We were selling Vince in our Via C department and then we started doing some men's business and that was great. But the bulk of the business was in women's, and what became clear is that our customers wanted it everywhere, and we only have Via C departments in about half our stores. So while it was a great, important part of what was going on there, and we were having really nice growth, it became abundantly clear that we could sell a heck of a lot more of this if we had it at every single store. So we had some internal issues we had to work through to enable that to happen, but once we got aligned on that – and that took a while – when you use the customer as the focus, though, you get to the right answer. So then the next assignment was for me to fly to New York and meet with Christopher and talk about how we could grow our business together, and he was respectful and nice and he listened to us. But he was definitely very careful about wanting to protect his brand and the growth of that, and he wanted to do more business but he was very careful about how it was all going to work. And I must say, he listened really respectfully and we finally just said, hey, look, we just want you to trust us. This is going to be great for both of us and it's going to be great for our customers. He said, okay. And from that time on, he was all in about how to make it work and he spent a lot of time in our stores meeting with our crew and talking about the product. It's not the most inexpensive product we sell and it takes a little bit of knowledge to be able to sell it well. They are our 51st largest vendor and we did \$39 million worth of retail sales with them last year. To put that in context, that's up from \$2.3 million in 2006, so you can see this is a rapidly growing business. So in 2011 we had actually a 112 percent increase with Vince, and it's just really been spectacular. They've been great partners in all ways. And I think the thing about Christopher and his team that we really like is that they challenge us, too, and it's a very constructive relationship that always ends up in a good place for the customer. So I'd like to introduce Christopher LaPolice, President and co-founder of Vince.

Christopher LaPolice,

Vince – President and co-founder

Pete pulled the trust card, so we couldn't say no.

Pete Nordstrom

Nordstrom, Inc. – EVP and President, Merchandising

Trust me.

Christopher LaPolice,

Vince – President and co-founder

Exactly. I would like to thank Pete for this award and being recognized for something that comes natural to us. It's a tremendous honor and we are thrilled to be recognized by such an esteemed and legendary company such as Nordstrom. I've been in the business for quite a long time and I've traveled the globe on behalf of our product, met all kinds of people, and have been in far-reaching places in order to make sure that the integrity and quality of Vince has remained intact. So needless to say, I thought I had seen it all, but I was wrong.

Last June I had the good fortune of being invited by Nordstrom to visit four regions in four days. The purpose was to meet some of the sales team to discuss our fall/winter collection. It was my pleasure to take advantage of such a great opportunity. What I thought would be a simple trip turned out to be something really quite extraordinary, and it wasn't just because it was the first time that I flew on a private jet. When I arrived for what I thought was a quick meet and greet at the Nordstrom store in Los Angeles, I saw a sea of people and wondered what was going on. But they had come to meet Vince, come on behalf of the product. Some had gotten up at 5:00 in the morning to be there, others carpooled with coworkers. There ended up being close to 200 people, many wearing Vince. Needless to say, I was blown away. I felt like a rock star at a sold-out show at Madison Square Garden.

The next stop on the magical mystery tour was Seattle, then DC and Chicago. Everywhere we went, it was the same response. I discovered what the people who work at Nordstrom are all about at all levels and have the same pride and passion as we do. Over those four days I experienced what Nordstrom is all about. It was engaging and inspirational.

Thank you for making us feel like a part of the Nordstrom family and for reminding me why I love this business.

Pete Nordstrom

Nordstrom, Inc. – EVP and President, Merchandising

Thanks, Christopher.

Christopher LaPolice,

Vince – President and co-founder

Thank you.

Pete Nordstrom

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Nordstrom, Inc. – EVP and President, Merchandising

[Slide 57] And now I have the privilege of introducing my brother, Erik Nordstrom, to the stage.

Erik Nordstrom

Nordstrom, Inc. – EVP and President, Stores

[Slide 58] Thank you, Pete. I get the honor of going a bit deeper on our favorite subject, which is customer service. It's been woven through here this morning, but it's just very important. Well, it's *the* most important subject internally and we want to give you all a glimpse of how we go after that subject. At these annual meetings, after having a successful year, it can be pretty fun. You get a lot of charts going up in the right direction and a lot of good numbers, and you can sit back and admire those. Well, it's important for all of us to know where those numbers come from. Those numbers come from the customer, and that relentless focus on the customer is what we must do each and every day, each and every customer that we come in contact with, be it coming through our doors in a store or visiting us online. We have an explicit goal each and every year. Our number 1 goal is to improve customer service. We don't get credit for that. That predates us by quite a bit. I'm not sure which one of you guys came up with that, but that was a good one. It predated you? Okay. And that may strike you as something that's easy to do, and I think a lot of companies do talk about customer service and a focus on service. I'll tell you, it's a lot harder to execute than it is to talk about.

Real good service takes a lot of things. It is hard work. We all grew up in the shoe departments, and I don't think it was our choice. My dad, he liked the shoe department for us because in shoes you're literally on your hands and knees in front of the customer, and there's something pretty good about that, so we learned a lot from those experiences. But great service, it takes hard work, it takes humility, it takes honesty, and it takes a lot of motivation from our folks. Increasingly, it also takes a lot of investment as a company to provide the tools so our people can take care of their customers.

There are lots of ways to address this subject. We mainly get after the subject of service by talking about it. We're a culture of storytelling. We're fortunate that we have a very strong culture in this company that predates us by a long time, and this culture around focusing on service and telling stories about it, it brings it to life. It lets our new people know what great Nordstrom service looks and feels like. So I want to share two things with you this morning. One's a video and one's a letter. The video was part of our state of the company video that Rick mentioned earlier in the meeting. It was showed to every single building in the company, and we'll go with that here.

[Slide 59] *VIDEO*

[Slide 60] We like that example for a lot of reasons. One, it's an example of folks in our company in different divisions coming together to take care of a customer. We had someone in our store and someone in our Direct division sitting in Cedar Rapids not hung up on whose customer is this, what division do I work in, all the internal issues that can sometimes be barriers to taking care of the customer. They thought about the customer. We're fortunate to have one of the heroes of that, Geoff. Geoff, stand up here. Geoff is with us this morning.

So Geoff Johnson works with us in Cedar Rapids, where we have our fulfillment center for our Direct division as well as our call center, and he's one of our all-stars at the call center. So Geoff, thanks for coming all the way out here, and thanks for what you do.

But I also want to share a letter with you, so bear with me. This is a good one. This was sent to our store manager in West Hartford, Connecticut. It says,

On March 17, 2012, I was shopping at Nordstrom Westfarms. I was so impressed with the customer service, but I was so much more impressed with what happened about six hours later. In the midst of rushing, I left my entire Nordstrom purchases on the ground in the parking lot. I didn't realize I left my purchases on the ground. Once I realized that my purchases were lost, I was heartbroken. A short time later, I received a call that came up on my phone caller ID which I didn't recognize, so I didn't answer it. Again the number came up and I didn't answer it again. After the third time, I answered the phone shouting, I'm at JFK and I will call you back, because I thought it was my husband playing around with his new phone. It was about 45 minutes before we were boarding and I got a page from TSA. It was someone from your store who found my bag and traveled from Farmington, Connecticut to JFK Airport. I was so, so impressed with the customer service. I asked the gentleman his name and he stated his name was Richard Dunbar. I asked him, do you work at Nordstrom, and he said yes, I work in housekeeping. And then he asked me if I have a Nordstrom card. I smiled and stated to him that you are trained very well. I offered to pay for his gas and he said no. He stated, just visit the store again. I want you to thank Richard Dunbar again for me. He saved me more than \$800 of my purchases. If your housekeeping team provides that type of experience, then I am very proud of what you have accomplished. Signed, a Nordstrom customer for life.

We get a lot of letters. That's a good one, and it really kind of goes to the core. Here's someone who could very easily define their job as being a housekeeping person in the traditional way, but Richard doesn't look at his job that way. He looks at his job as we certainly work to have all our folks do, that is — my job's to make this a good place for customers, and he had this opportunity to make a big impression. And he found these purchases in the parking lot and the flight information was in the bag, as well as the phone number. And he saw what time the flight was leaving and knew there wasn't time to mess around, so he immediately got in his car and was calling this number and, as you could tell, was being hung up on, and so since that didn't work, somehow he got TSA to page the customer and let her know that he was on the way with the purchase. So that type of motivated accountability, feeling that empowerment to take care of the customer, is what we work on a lot. And as Blake said, we don't nail it all the time by any means, but we're fortunate to have some really terrific people in this company who care a lot about this place, care a lot about their customers, and are making a huge difference for us, so thank you very much.

Blake Nordstrom

Nordstrom, Inc. - President

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[Slide 61] Now at this point in the meeting we'd like to open it up for any questions that you might have, and I think we have some folks with microphones, so if you could stand up and give us your question, we'll do our best to respond. So we've got one just to my right.

Shareholder #1

I have a comment. I think you should return to the practice when somebody buys a \$100 gift card, of giving them an option of whether to have it in a box or in an envelope. First impressions are important. If you give it to somebody in a box, they know they're getting a gift and you see the smiles and all that. If you give it to them in an envelope, they think they're getting a greeting card and they don't get any reaction until they open it.

Blake Nordstrom

Nordstrom, Inc. - President

Good point, thank you very much. That's something we can definitely get after. What else? Ooh, this is going to be easy. Yes sir, there's a microphone coming.

Shareholder #2

I know you've talked about this from time to time, regarding the way your suppliers treat their employees, particularly with overseas companies, and sort of what monitoring you do as a corporation versus just trusting that your suppliers are doing the right thing.

Blake Nordstrom

Nordstrom, Inc. - President

That's a really good question and it's something that we work hard on and worry about, because you think about reputationally what could hurt this company. And I always think of it as, what if we were on *60 Minutes* and something like what you're describing went afoul and you're looking in front of 100 million people. How would you explain that, because you're accountable? And no, we're not manufacturers. We partner and look very closely with our agents and with the manufacturers. And one of the challenges, too, is for those companies that are doing component work. So you might be working with manufacturer X but someone else is attaching a zipper. There are lots of hands or lots of people involved. And you hold us to a high standard in terms of ethics and integrity and fairness, and although there are different standards that we may feel is appropriate in this country, it is important that the common thread is that people are being dealt with with courtesy and respect and have appropriate work conditions. And so we work very, very hard on that. We're very proud of our program. We haven't had any incidents to speak of. I think if something were to arise, I think we would be able to look you in the eye and say reasonably, these are all the extra steps we've taken to ensure that doesn't occur. But it is something that we work very hard on.

All right. Brooke White helps us on these. She says, you've got to have more slides, you've got to have more charts. And so I guess you were right, Brooke. Those slides and charts answered all the questions.

I think at this point I will just reiterate we're not a faceless company and many of you in this room I know and you're not shy. So whether it's a phone call, a letter, an email, what have you, we do our best to respond to everything. And again, we appreciate your support as shareholders.

So with that, I'd like to welcome our Chairman back up to conclude the meeting.

Rick Hernandez

Nordstrom, Inc. - Chairman of the Board

[Slide 62] Well, I don't have much to say other than thank you all for attending the meeting. We're now adjourned. Have a great day.

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