

NIKE INC

FORM 10-K (Annual Report)

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Address	ONE BOWERMAN DR BEAVERTON, OR 97005-6453
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Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2004

or

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

For the transition period from _____ to _____.

Commission File No. 1-10635

NIKE, Inc.

(Exact name of Registrant as specified in its charter)

Oregon

(State or other jurisdiction of incorporation)

One Bowerman Drive

Beaverton, Oregon 97005-6453

(Address of principal executive offices) (Zip Code)

93-0584541

(IRS Employer Identification No.)

(503) 671-6453

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Class B Common Stock

(Title of each class)

New York Stock Exchange

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of November 30, 2003, the aggregate market value of the Registrant's Class A Common Stock held by nonaffiliates of the Registrant was \$1,209,841,286 and the aggregate market value of the Registrant's Class B Common Stock held by nonaffiliates of the Registrant was \$11,519,983,440.

As of July 26, 2004, the number of shares of the Registrant's Class A Common Stock outstanding was 77,581,484 and the number of shares of the Registrant's Class B Common Stock outstanding was 185,783,487.

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of Registrant's Proxy Statement for the annual meeting of shareholders to be held on September 20, 2004 are incorporated by reference into Part III of this Report.

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ANNUAL REPORT ON FORM 10-K
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PART I

Item 1. Business

General

NIKE, Inc. was incorporated in 1968 under the laws of the state of Oregon. As used in this report, the terms “we”, “us”, “NIKE” and the “Company” refer to NIKE, Inc. and its predecessors, subsidiaries and affiliates, unless the context indicates otherwise. Our Internet address is www.nike.com. On our NIKE Corporate web site, located at www.nikebiz.com, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934. All such filings on our NIKE Corporate web site are available free of charge. Also available on the NIKE Corporate web site are the charters of the committees of our board of directors, as well as our corporate governance guidelines and code of ethics; copies of any of these documents will be provided in print to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453.

Our principal business activity is the design, development and worldwide marketing of high quality footwear, apparel, equipment, and accessory products. NIKE is the largest seller of athletic footwear and athletic apparel in the world. We sell our products to retail accounts and through a mix of independent distributors, licensees and subsidiaries in over 120 countries around the world. Virtually all of our products are manufactured by independent contractors. Virtually all footwear and apparel products are produced outside the United States, while equipment products are produced both in the United States and abroad.

Products

NIKE’s athletic footwear products are designed primarily for specific athletic use, although a large percentage of the products are worn for casual or leisure purposes. We place considerable emphasis on high quality construction and innovative design for men, women and children. Running, basketball, children’s, cross-training and women’s shoes are currently our top-selling product categories and we expect them to continue to lead in product sales in the near future. However, we also market shoes designed for outdoor activities, tennis, golf, soccer, baseball, football, bicycling, volleyball, wrestling, cheerleading, aquatic activities, hiking, and other athletic and recreational uses.

We sell active sports apparel covering most of the above categories, athletically inspired lifestyle apparel, as well as athletic bags and accessory items. NIKE apparel and accessories are designed to complement our athletic footwear products, feature the same trademarks and are sold through the same marketing and distribution channels. We often market footwear, apparel and accessories in “collections” of similar design or for specific purposes. We also market apparel with licensed college and professional team and league logos.

We sell a line of performance equipment under the NIKE® brand name, including sport balls, eyewear, skates, bats, gloves, and other equipment designed for sports activities. We also have agreements for licensees to produce and sell NIKE brand swimwear, women’s sports bras, cycling apparel, maternity exercise wear, children’s clothing, school supplies, timepieces, and electronic media devices. We also sell small amounts of various plastic products to other manufacturers through our wholly-owned subsidiary, NIKE IHM, Inc. and plastic injected and metal products to other manufacturers through our wholly-owned subsidiary, BAUER Italia S.p.A.

We sell a line of dress and casual footwear, apparel and accessories for men and women under the brand names Cole Haan®, g Series®, and Bragano® through our wholly-owned subsidiary, Cole Haan Holdings Incorporated, headquartered in Yarmouth, Maine.

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Our wholly-owned subsidiary, Bauer NIKE Hockey Inc., headquartered in Greenland, New Hampshire, manufactures and distributes ice skates, skate blades, in-line roller skates, protective gear, hockey sticks, hockey jerseys, licensed apparel and accessories under the Bauer ® and NIKE ® brand names. Bauer also offers a full selection of products for street and roller hockey.

Our wholly-owned subsidiary Hurley International LLC, headquartered in Costa Mesa, California, designs and distributes a line of action sports apparel for surfing, skateboarding, and snowboarding, and youth lifestyle apparel and footwear under the Hurley ® brand name.

On September 4, 2003, the Company purchased Converse Inc., headquartered in North Andover, Massachusetts, which designs and distributes athletic and casual footwear, apparel, and accessories under the Converse ®, Chuck Taylor ®, All Star ®, One Star ®, and Jack Purcell ® brand names.

Sales and Marketing

Financial information about geographic and segment operations appears in Note 17 of the consolidated financial statements on page 57.

We experience moderate fluctuations in aggregate sales volume during the year. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal and geographic demand for particular types of footwear, apparel, and equipment.

Because NIKE is a consumer products company, the relative popularity of various sports and fitness activities and changing design trends affect the demand for our products. We must therefore respond to trends and shifts in consumer preferences by adjusting the mix of existing product offerings, developing new products, styles and categories, and influencing sports and fitness preferences through aggressive marketing. This is a continuing risk. Failure to timely and adequately respond could have a material adverse affect on our sales and profitability.

United States Market

During fiscal 2004, sales in the United States (including U.S. sales of Cole Haan, Bauer NIKE Hockey, Hurley, NIKE Golf, and Converse) accounted for approximately 47 percent of total revenues, compared to 49 percent in fiscal 2003 and 53 percent in fiscal 2002. We sell to approximately 28,000 retail accounts in the United States. The NIKE brand domestic retail account base includes a mix of footwear stores, sporting goods stores, athletic specialty stores, department stores, skate, tennis and golf shops, and other retail accounts. During fiscal year 2004, our three largest customers accounted for approximately 26 percent of NIKE brand sales in the United States excluding sales from NIKE Golf and Bauer NIKE Hockey, and 23 percent of total sales in the United States.

We make substantial use of our “futures” ordering program, which allows retailers to order five to six months in advance of delivery with the commitment that 90 percent of their orders will be delivered within a set time period at a fixed price. In fiscal year 2004, 90 percent of our U.S. wholesale footwear shipments (excluding Cole Haan, Bauer NIKE Hockey, Hurley, NIKE Golf, and Converse) were made under the futures program, compared to 91 percent in fiscal 2003 and 92 percent in fiscal 2002. In fiscal 2004 and 2003, 67 percent of our U.S. wholesale apparel shipments (excluding U.S. licensed team apparel, Cole Haan, Bauer NIKE Hockey, Hurley, NIKE Golf and Converse) were made under the futures program, compared to 69 percent in 2002.

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We utilize 21 NIKE sales offices to solicit sales in the United States. We also utilize 10 independent sales representatives to sell specialty products for golf, cycling, water sports and outdoor activities. In addition, we operate the following retail outlets in the United States:

	Number
U.S. Retail Stores	
NIKE factory stores (which carry primarily B-grade and closeout merchandise)	78
NIKE stores (including NIKE Women Stores)	5
NIKETOWNS (designed to showcase NIKE products)	13
Employee-only stores	4
Cole Haan stores (including factory and employee stores)	65
Total	165

NIKE's domestic distribution centers for footwear are located in Wilsonville, Oregon, Memphis, Tennessee, and Greenland, New Hampshire. Apparel and equipment products are shipped from our Memphis, Tennessee, Tigard, Oregon, and Foothill Ranch, California distribution centers. Cole Haan and Bauer NIKE Hockey products are distributed primarily from Greenland, New Hampshire, Converse products are shipped from Ontario and Fontana, California, and Hurley products are shipped from Costa Mesa, California.

International Markets

We sell our products in over 120 countries outside of the United States through retail accounts, independent distributors, licensees, subsidiaries and branch offices. Non-U.S. sales (including Non-U.S. sales of Cole Haan, Bauer NIKE Hockey, Hurley, NIKE Golf, and Converse) accounted for 53 percent of total revenues in fiscal 2004, compared to 51 percent in fiscal 2003 and 47 percent in fiscal 2002. We operate 23 distribution centers in Europe, Asia, Australia, Latin America, Africa and Canada, and also distribute through independent distributors and licensees. We estimate that we sell to more than 23,000 retail accounts outside the United States, excluding sales by independent distributors and licensees. In many countries and regions, including Japan, Canada, Asia, some Latin American countries, and Europe, we have a futures ordering program for retailers similar to the United States futures program described above. NIKE's three largest customers outside of the U.S. accounted for approximately 13 percent of non-U.S. sales.

We operate the following retail outlets outside the United States:

	Number
Non-U.S. Retail Stores	
NIKE factory stores	126
NIKE stores and employee-only stores	2
NIKETOWNS	2
Cole Haan stores (including factory and employee stores)	35
Total	165

International branch offices and subsidiaries of NIKE are located in Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Croatia, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, Indonesia, India, Ireland, Israel, Italy, Japan, Korea, Lebanon, Malaysia, Mexico, New Zealand, The Netherlands, Norway, Peoples Republic of China, The Philippines, Poland, Portugal, Russia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, and Vietnam.

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Orders

Worldwide futures orders for NIKE brand athletic footwear and apparel, scheduled for delivery from June through November 2004, were \$5.6 billion compared to \$5.0 billion for the same period last year. Based upon historical data, we expect that approximately 95 percent of these orders will be filled in that time period, although some orders may be cancelled. Futures orders are not necessarily indicative of future sales trends. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, and retail sales across all brands.

Product Research and Development

We believe that our research and development efforts are a key factor in our past and future success. Technical innovation in the design of footwear, apparel, and athletic equipment receive continued emphasis as NIKE strives to produce products that reduce injury, aid athletic performance and maximize comfort.

In addition to NIKE's own staff of specialists in the areas of biomechanics, exercise physiology, engineering, industrial design and related fields, we also utilize research committees and advisory boards made up of athletes, coaches, trainers, equipment managers, orthopedists, podiatrists and other experts who consult with us and review designs, materials and concepts for product improvement. Employee athletes wear-test and evaluate products during the design and development process.

Manufacturing

Virtually all of our footwear is produced outside of the United States. In fiscal 2004, contract suppliers in China, Indonesia, Vietnam, and Thailand manufactured 36 percent, 24 percent, 22 percent, and 16 percent of total NIKE brand footwear, respectively. We also have manufacturing agreements with independent factories in Argentina, Brazil, India, Mexico, and South Africa to manufacture footwear for sale primarily within those countries. Our largest single footwear supplier accounted for approximately 7 percent of total fiscal 2004 footwear production.

Almost all of NIKE brand apparel production for sale to the United States market was manufactured outside of the United States by independent contract manufacturers located in 37 countries. Most of this apparel production occurred in Bangladesh, China, Greece, Honduras, India, Indonesia, Malaysia, Mexico, Pakistan, The Philippines, Sri Lanka, Taiwan, Thailand, and Turkey. All of our apparel production for sale to the international market was manufactured outside the U.S. Our largest single apparel supplier accounted for approximately 5 percent of total fiscal 2004 apparel production.

The principal materials used in our footwear products are natural and synthetic rubber, plastic compounds, foam cushioning materials, nylon, leather, canvas, and polyurethane films used to make AIR-SOLE cushioning components. NIKE IHM, Inc., a wholly-owned subsidiary of NIKE, is our sole supplier of the AIR-SOLE cushioning components used in footwear. The principal materials used in our apparel products are natural and synthetic fabrics and threads, plastic and metal hardware, and specialized performance fabrics designed to repel rain, retain heat, or efficiently transport body moisture. NIKE and its contractors and suppliers buy raw materials in bulk. Most raw materials are available in the countries where manufacturing takes place. We have thus far experienced little difficulty in satisfying our raw material requirements.

Since 1972, Sojitz Corporation of America ("Sojitz America") and its predecessor, Nissho Iwai American Corporation, a subsidiary of Nissho Iwai Corporation, a large Japanese trading company that recently merged with Nichimen Corporation, have performed significant import-export financing services for us. Currently, Sojitz

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America provides such financing services with respect to at least 80% of the NIKE products sold outside of the United States, Europe and Japan. Approximately 12% of NIKE products are sold outside of the United States, Europe and Japan. Any failure of Sojitz America to provide these services or any failure of Sojitz America's banks could disrupt our ability to acquire products from our suppliers and to deliver products to our customers outside of the United States, Europe and Japan. Such a disruption could result in cancelled orders that would adversely affect sales and profitability. However, we believe that any such disruption would be short term in duration due to the ready availability of alternative sources of financing at competitive rates. Our current agreements with Sojitz America expire on May 31, 2005.

International Operations and Trade

Our international operations and sources of supply are subject to the usual risks of doing business abroad, such as possible revaluation of currencies, export duties, anti-dumping duties, quotas, safeguard measures, trade restrictions, restrictions on the transfer of funds and, in certain parts of the world, political instability and terrorism. We have not, to date, been materially affected by any such risk, but cannot predict the likelihood of such developments occurring. We believe that we have the ability to develop, over a period of time, adequate alternative sources of supply for the products obtained from our present suppliers outside of the United States. If events prevented us from acquiring products from our suppliers in a particular country, our operations could be temporarily disrupted and we could experience an adverse financial impact. However, we believe that we could abate any such disruption within a period of no more than 12 months, and that much of the adverse impact on supply would, therefore, be of a short-term nature. We believe that our principal competitors are subject to similar risks.

As a result of the Trade Act of 2003, the United States has implemented significant new Federal requirements for cargo security, focused on imports of containerized cargo. We are a significant importer of containerized cargo. Accordingly, we participate actively in appropriate governmental programs, such as the Customs Trade Partnership Against Terrorism ("C-TPAT"), to reduce risks of possible supply disruptions caused by U.S. and international cargo security mandates and terrorism.

All of our products manufactured overseas and imported into the United States and other countries are subject to customs duties collected by customs authorities. Customs information submitted by us is routinely subject to review by customs authorities. We are unable to predict whether additional customs duties, anti-dumping duties, quotas, safeguard measures, or other trade restrictions may be imposed on the importation of our products in the future. Such actions could result in increases in the cost of our products generally and might adversely affect the sales or profitability of NIKE and the imported footwear and apparel industry as a whole. Accordingly, we are actively monitoring the developments described below.

Imports into the European Union

In 1994, the European Commission ("EU") imposed quotas on certain types of footwear manufactured in China. These quotas replaced national quotas that had previously been in effect in several European Member States. Footwear designed for use in sporting activities, meeting certain technical criteria and having a CIF (cost, insurance and freight) price above 9 euros ("Special Technology Athletic Footwear" or "STAF"), has been excluded from the quotas. As a result of the STAF exclusion, and the amount of quota made available to us, the quotas have not, to date, had a material effect on our business. In addition, the EU has confirmed that footwear quotas will be eliminated globally beginning January 1, 2005. However, as part of China's 2001 accession to the World Trade Organization ("WTO"), China entered into an agreement with the EU and other WTO members to abide by a special safeguard arrangement whereby quotas could be imposed on any product sourced in China, including footwear, if there was a surge in imports from China into another WTO country, and after a legal proceeding it was determined that such imports were injuring a domestic producer. Additionally, under longstanding WTO rules, all WTO member countries reserve the right to impose (1) safeguard measures

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(temporary quotas) if it can be demonstrated in a legal proceeding that increased imports are injuring another WTO member's domestic industry; and (2) anti-dumping measures if it can be demonstrated in a legal proceeding that imports are being sold at an unfair low price in another WTO member's home market.

Accordingly, with the phase-out of the quotas at the beginning of 2005, and the expiration of a separate EU anti-dumping case in 2003 against footwear made in China, Indonesia and Thailand, there may be renewed pressure from some sectors within Europe to re-impose some level of trade protection on imported footwear. While it is unlikely that the EU will pursue any such action, we will monitor the circumstances closely and if action is initiated, we will work to mitigate any significant business risks. We believe that our major competitors stand in much the same position of risk regarding these potential trade measures.

On May 1, 2004 ten new countries joined the EU and the EU single market. An agreement was reached to increase the current EU quotas on footwear to account for the enlarged EU market. NIKE and other manufacturers do not expect this expansion of the EU single market to present any significant challenges to the importation into the EU of sports footwear produced in China, since the EU increased quotas take into account the enlarged consumer and market demand.

If EU trade measures become substantially more restrictive we would consider shifting, to the extent possible, the production of our sports footwear to other countries in order to maintain competitive pricing and access to these markets. We believe that we are prepared to deal effectively with any such change of circumstances and that any adverse impact would be of a temporary nature. We continue to closely monitor international restrictions and maintain our multi-country sourcing strategy and contingency plans. We believe that our principal competitors are subject to similar risks regarding these trade measures.

Imports into the United States

We currently source a portion of our footwear and apparel products from factories in Vietnam. In 2001, the United States Congress and the Vietnamese National Assembly approved a comprehensive bilateral trade agreement, which, among other things, provides reciprocal, non-discriminatory Normal Trade Relations ("NTR") between the U.S. and Vietnam. Following that approval, the U.S. granted an annual extension of NTR to Vietnam. The U.S. President must renew this grant annually with the opportunity for review by Congress. In June 2004, President Bush renewed NTR for Vietnam for an additional year and we anticipate Congress will support this decision. We currently believe that, absent unforeseen circumstances, the President will continue his annual extensions of NTR to Vietnam and that Congress will support the President's decisions. The annual extensions on NTR will remain in place until Vietnam enters the WTO, at which time the U.S. must grant Vietnam permanent NTR. Vietnam's WTO accession negotiations are ongoing, and may conclude as early as the end of 2005. Ongoing NTR trading status for Vietnam will allow us to expand our production and marketing opportunities in Vietnam and allow for Vietnamese-sourced product to continue to enter the United States at NTR tariff rates.

Expiration of the Textile and Apparel Multi-Fiber Arrangement

Under the WTO, the Multi-Fiber Arrangement, a four-decade old agreement that allows WTO countries to impose quotas on the import of textile and apparel products, will expire on January 1, 2005. This effectively means that all trade of textile and apparel products between WTO members will be free from quotas at the end of the 2004 calendar year. Elimination of textile and apparel quotas is significant for NIKE and other textile and apparel companies as it provides these companies greater flexibility in their global sourcing decisions. At the same time, we are monitoring closely actions by textile and apparel importing countries to ensure that they do not unilaterally attempt to re-impose restrictions through some other legal mechanism, such as safeguards, anti-dumping measures, or in the case of China (as part of the agreement reached in China's 2001 WTO accession), through the short-term re-imposition of quotas on certain categories of textile and apparel products in order to

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protect a domestic market from surging Chinese imports. In the event of any significant protectionist trade actions, we will evaluate alternative sourcing options and will work to mitigate any significant business risks. We believe that our principal competitors are subject to similar risks regarding these potential trade measures.

Competition

The athletic footwear, apparel and equipment industry is keenly competitive in the United States and on a worldwide basis. We compete internationally with an increasing number of athletic and leisure shoe companies, athletic and leisure apparel companies, sports equipment companies, and large companies having diversified lines of athletic and leisure shoes, apparel and equipment, including Reebok, Adidas and others. The intense competition and the rapid changes in technology and consumer preferences in the markets for athletic and leisure footwear and apparel, and athletic equipment, constitute significant risk factors in our operations.

NIKE is the largest seller of athletic footwear and athletic apparel in the world. Performance and reliability of shoes, apparel, and equipment, new product development, price, product identity through marketing and promotion, and customer support and service are important aspects of competition in the athletic footwear, apparel and equipment industry. To help market our products, we contract with prominent and influential athletes, coaches, teams, colleges, and sports leagues to endorse our brands and use our products, and we actively sponsor sporting events and clinics. We believe that we are competitive in all of these areas.

Trademarks and Patents

We utilize trademarks on nearly all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying the Company, and in distinguishing our goods from the goods of others. We consider our NIKE[®] and Swoosh Design[®] trademarks to be among our most valuable assets and we have registered these trademarks in over 100 countries. In addition, we own many other trademarks that we utilize in marketing our products. We continue to vigorously protect our trademarks against infringement.

NIKE has an exclusive, worldwide license to make and sell footwear using patented “Air” technology. The process utilizes pressurized gas encapsulated in polyurethane. Some of the early NIKE AIR[®] patents have expired, which may enable competitors to use certain types of similar technology. Subsequent NIKE AIR patents will not expire for several years. We also have hundreds of U.S. and foreign patents covering components, features, and designs used in various athletic and leisure shoes, apparel, and equipment. These patents expire at various times, and have a remaining duration of from now to at least 2024, although the duration of patents varies by country. We believe that our success depends primarily upon skills in design, research and development, production and marketing rather than upon our patent position. However, we have followed a policy of filing applications for United States and foreign patents on inventions, designs and improvements that we deem valuable.

Employees

We had approximately 24,667 employees at May 31, 2004. Management considers its relationship with employees to be excellent. None of our employees are represented by a union, with the exception of Bauer NIKE Hockey Inc. Of Bauer NIKE Hockey’s North American employees, approximately 47 percent, or approximately 232, are covered by three union collective bargaining agreements with three separate bargaining units, and all of Bauer NIKE Hockey’s approximately 130 non-immigrant employees in Italy are covered by three collective bargaining agreements. The collective bargaining agreements expire on various dates from 2005 through 2007. There has never been a material interruption of operations due to labor disagreements.

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Executive Officers of the Registrant

The executive officers of NIKE as of July 25, 2004 are as follows:

Philip H. Knight, Chief Executive Officer, Chairman of the Board, and President — Mr. Knight, 66, a director since 1968, is a co-founder of NIKE and, except for the period from June 1983 through September 1984, served as its President from 1968 to 1990, and from June 2000 to present. Prior to 1968, Mr. Knight was a certified public accountant with Price Waterhouse and Coopers & Lybrand and was an Assistant Professor of Business Administration at Portland State University.

Donald W. Blair, Vice President and Chief Financial Officer — Mr. Blair, 46, joined NIKE in November 1999. Prior to joining NIKE, he held a number of financial management positions with Pepsico, Inc., including Vice President, Finance of Pepsi-Cola Asia, Vice President, Planning of PepsiCo's Pizza Hut Division, and Senior Vice President, Finance of The Pepsi Bottling Group, Inc. Prior to joining Pepsico, Mr. Blair was a certified public accountant with Deloitte, Haskins, and Sells.

Thomas E. Clarke, President of New Ventures — Dr. Clarke, 53, a director since 1994, joined the Company in 1980. He was appointed divisional Vice President in charge of marketing in 1987, elected corporate Vice President in 1989, appointed General Manager in 1990, and served as President and Chief Operating Officer from 1994 to 2000. Dr. Clarke previously held various positions with the Company, primarily in research, design, development and marketing. Dr. Clarke holds a doctorate degree in biomechanics.

Wesley A. Coleman, Vice President, Global Human Resources — Mr. Coleman, 54, has been employed by Nike since 2002 in his current role. Prior to joining NIKE, he held a number of Human Resource positions over a 20-year period with S.C. Johnson and Sons, Inc., including Vice President HR, North America and Vice President HR, Asia/Pacific.

Charles D. Denson, President of the NIKE Brand — Mr. Denson, 48, has been employed by NIKE since February 1979. Mr. Denson held several positions within the Company, including his appointments as Director of USA Apparel Sales in 1994, divisional Vice President, US Sales in 1994, divisional Vice President European Sales in 1997, divisional Vice President and General Manager, NIKE Europe in 1998, Vice President and General Manager of NIKE USA in June 2000, and President of the NIKE Brand in March 2001.

Gary M. DeStefano, President of USA Operations — Mr. DeStefano, 47, has been employed by NIKE since 1982, with primary responsibilities in sales and regional administration. Mr. DeStefano was appointed Director of Domestic Sales in 1990, divisional Vice President in charge of domestic sales in 1992, Vice President of Global Sales in 1996, Vice President and General Manager of Asia Pacific in March 1997, and President of USA Operations in March 2001.

Trevor Edwards, Vice President, Global Brand Management — Mr. Edwards, 41, joined the Company in 1992. He was appointed Marketing Manager, Strategic Accounts, Foot Locker in 1993, Director of Marketing, the Americas in 1995, Director of Marketing, Europe in 1997, Vice President, Marketing for Europe, Middle East and Africa in 1999, and Vice President, US Brand Marketing in 2000. Mr. Edwards was appointed corporate Vice President, Global Brand Management in November 2002.

Mindy F. Grossman, Vice President of Global Apparel — Ms. Grossman, 46, joined NIKE in October 2000. Prior to joining NIKE, she was President and Chief Executive Officer of Polo Jeans Company/Ralph Lauren, a division of Jones Apparel Group, Inc. from 1995 to 2000. Prior to that, Ms. Grossman was Vice President of New Business Development at Polo Ralph Lauren Corp. from 1994 to 1995, President of The Warnaco Group Inc. Chaps Ralph Lauren division, and Senior Vice President of The Warnaco Group Inc. Menswear division from 1991 to 1994.

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Adam S. Helfant, Vice President, Global Sports Marketing — Mr. Helfant, 39, joined NIKE in 1995 in the Company's legal department, and was appointed Director of Business Affairs for Global Sports Marketing in 1997, Director of Global Sports Marketing in 1998, Director of US Sports Marketing in 2001, Vice President of US Sports Marketing in 2003, and corporate Vice President, Global Sports Marketing effective August 2004. Prior to joining NIKE, he was in private practice and an attorney for NHL Enterprises, Inc.

P. Eunan McLaughlin, Vice President, Europe, Middle East & Africa — Mr. McLaughlin, 46, joined NIKE as Director of Sales, NIKE Europe in February 1999, and was appointed Vice President Commercial Sales and Retail in 2000, Vice President, Asia Pacific in 2001, and Vice President, Europe, Middle East & Africa in May 2004. Prior to joining NIKE, he was Partner and Vice President of Consumer & Retail Practices Division, Korn/Ferry International from 1996 to 1999. From 1983 to 1996 Mr. McLaughlin held various positions with Mars, Inc. in Finance, Sales, Marketing and General Management.

D. Scott Olivet, Vice President, NIKE Subsidiaries and New Business Development — Mr. Olivet, 42, joined NIKE in August 2001. Prior to joining NIKE, he was a Senior Vice President of Gap Inc., responsible for real estate, store design, and construction across Gap, Banana Republic, and Old Navy brands from 1998 to 2001. Prior to that, Mr. Olivet was employed by Bain & Company, an international strategic consulting firm from 1984 to 1998 (a Partner from 1993 to 1998). In addition to direct client work, Mr. Olivet was the leader of the firm's worldwide practice in organizational effectiveness and change management.

Mark G. Parker, President of the NIKE Brand — Mr. Parker, 48, has been employed by NIKE since 1979 with primary responsibilities in product research, design and development, marketing, and brand management. Mr. Parker was appointed divisional Vice President in charge of development in 1987, corporate Vice President in 1989, General Manager in 1993, Vice President of Global Footwear in 1998, and President of the NIKE Brand in March 2001.

Eric D. Sprunk, Vice President, Global Footwear — Mr. Sprunk, 40, joined the Company in 1993. He was appointed Finance Director and General Manager of the Americas in 1994, Finance Director, NIKE Europe in 1995, Regional General Manager, NIKE Europe Footwear in 1998, and Vice President & General Manager of the Americas in 2000. Mr. Sprunk was appointed corporate Vice President, Global Footwear in June 2001.

Lindsay D. Stewart, Vice President and Chief of Staff, and Secretary — Mr. Stewart, 57, joined NIKE as Assistant Corporate Counsel in 1981. Mr. Stewart became Corporate Counsel in 1983. He was appointed Vice President and General Counsel in 1991, and Chief of Staff in March 2001. Prior to joining NIKE, Mr. Stewart was in private practice and an attorney for Georgia-Pacific Corporation.

Roland P. Wolfram, Vice President and General Manager, Asia Pacific — Mr. Wolfram, 44, joined NIKE as Vice President, Strategic Planning in November 1998, and was appointed Vice President, Global Operations & Technology in 2002, and Vice President, Asia Pacific in April 2004. Prior to NIKE, Mr. Wolfram was Vice President and General Manager at Pacific Bell Video Services.

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Item 2. *Properties*

Following is a summary of principal properties owned or leased by NIKE.

The NIKE World Campus, owned by NIKE and located in Beaverton, Oregon, USA, is a 176 acre facility of 16 buildings which functions as our world headquarters and is occupied by almost 6,000 employees engaged in management, research, design, development, marketing, finance, and other administrative functions from nearly all divisions of the Company. We also lease various office facilities in the surrounding metropolitan area. We lease a similar, but smaller, administrative facility in Hilversum, The Netherlands, which serves as the headquarters for the Europe, Middle East and Africa Region.

There are three significant distribution and customer service facilities for NIKE brand products in the United States. Two of them are located in Memphis, Tennessee, one of which is leased, and one is located in Wilsonville, Oregon, which is leased. Cole Haan and Bauer NIKE Hockey also operate a leased distribution facility in Greenland, New Hampshire. Leased distribution facilities for other brands and subsidiaries are located in various parts of the country. We also lease distribution and customer service facilities in many parts of the world, the most significant of which are the Japan distribution facility located in Tomisatomachi, Japan, and the Europe distribution facility located in Laakdal, Belgium.

We manufacture NIKE Air-Sole cushioning materials and components at a NIKE IHM, Inc. manufacturing facility located in Beaverton, Oregon.

Aside from the principal properties described above, we lease approximately 22 production offices outside the United States, approximately 100 sales offices and showrooms worldwide, and approximately 65 administrative offices worldwide. We lease approximately 330 retail stores worldwide, which consist primarily of factory outlet stores. See “*United States Market*” and “*International Markets*” on pages 3 and 4 of this report. Our leases expire at various dates through the year 2034.

Item 3. *Legal Proceedings*

There are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or of which any of our property is the subject.

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

No matter was submitted during the fourth quarter of the 2004 fiscal year to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

NIKE’s Class B Common Stock is listed on the New York Stock Exchange and trades under the symbol NKE. At July 26, 2004, there were 19,069 holders of record of our Class B Common Stock and 21 holders of record of our Class A Common Stock. These figures do not include beneficial owners who hold shares in nominee name. The Class A Common Stock is not publicly traded but each share is convertible upon request of the holder into one share of Class B Common Stock.

We refer to the table entitled “Selected Quarterly Financial Data” in Item 6, which lists, for the periods indicated, the range of high and low closing sales prices on the New York Stock Exchange. That table also describes the amount and frequency of all cash dividends declared on our common stock for the 2004 and 2003 fiscal years.

The following table presents a summary of share repurchases made by NIKE during the quarter ended May 31, 2004 under the four-year \$1.0 billion share repurchase program authorized by our Board of Directors and announced in June 2000.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
				(in millions)
March 1 — March 31, 2004	701,700	\$ 74.89	701,700	\$ 118.2
April 1 — April 30, 2004	1,580,992	\$ 74.75	1,580,992	
May 1 — May 31, 2004	—	—	—	—
Total	2,282,692	\$ 74.79	2,282,692	—

During the quarter ended May 31, 2004 we completed the \$1.0 billion share repurchase program. On June 24, 2004, our Board of Directors authorized and announced a new \$1.5 billion share repurchase program to be completed over the next four fiscal years.

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Item 6. Selected Financial Data

	Financial History				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(In millions, except per share data and financial ratios)				
Year Ended May 31,					
Revenues	\$12,253.1	\$10,697.0	\$ 9,893.0	\$ 9,488.8	\$ 8,995.1
Gross margin	5,251.7	4,383.4	3,888.3	3,703.9	3,591.3
Gross margin %	42.9%	41.0%	39.3%	39.0%	39.9%
Restructuring charge, net	—	—	—	0.1	(2.5)
Income before accounting change	945.6	740.1	668.3	589.7	579.1
Cumulative effect of change in accounting principle	—	266.1	5.0	—	—
Net income	945.6	474.0	663.3	589.7	579.1
Basic earnings per common share:					
Income before accounting change	3.59	2.80	2.50	2.18	2.10
Cumulative effect of change in accounting principle	—	1.01	0.02	—	—
Net income	3.59	1.79	2.48	2.18	2.10
Diluted earnings per common share:					
Income before accounting change	3.51	2.77	2.46	2.16	2.07
Cumulative effect of change in accounting principle	—	1.00	0.02	—	—
Net income	3.51	1.77	2.44	2.16	2.07
Average common shares outstanding	263.2	264.5	267.7	270.0	275.7
Diluted average common shares outstanding	269.7	267.6	272.2	273.3	279.4
Cash dividends declared per common share	0.74	0.54	0.48	0.48	0.48
Cash flow from operations	1,514.4	922.0	1,082.2	656.5	699.6
Price range of common stock					
High	78.56	57.85	63.99	59.438	64.125
Low	49.60	38.53	40.81	35.188	26.563
At May 31,					
Cash and equivalents	\$ 828.0	\$ 634.0	\$ 575.5	\$ 304.0	\$ 254.3
Short-term investments	400.8	—	—	—	—
Inventories	1,633.6	1,514.9	1,373.8	1,424.1	1,446.0
Working capital	3,503.0	2,766.5	2,321.5	1,838.6	1,456.4
Total assets	7,891.6	6,821.1	6,440.0	5,819.6	5,856.9
Long-term debt	682.4	551.6	625.9	435.9	470.3
Redeemable Preferred Stock	0.3	0.3	0.3	0.3	0.3
Shareholders' equity	4,781.7	3,990.7	3,839.0	3,494.5	3,136.0
Year-end stock price	71.15	55.99	53.75	41.100	42.875
Market capitalization	18,724.2	14,758.8	14,302.5	11,039.5	11,559.1
Financial Ratios:					
Return on equity	21.6%	18.9%	18.2%	17.8%	17.9%
Return on assets	12.9%	11.2%	10.9%	10.1%	10.4%
Inventory turns	4.4	4.4	4.3	4.0	4.1
Current ratio at May 31	2.7	2.4	2.3	2.0	1.7
Price/Earnings ratio at May 31 (Diluted before accounting change)	20.3	20.2	21.8	19.0	20.7

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The Company's Class B Common Stock is listed on the New York Stock Exchange and trades under the symbol NKE. At May 31, 2004, there were approximately 160,000 shareholders of Class A and Class B common stock.

Selected Quarterly Financial Data

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2004	2003	2004	2003	2004	2003	2004	2003
(Unaudited)								
(In millions, except per share data and financial ratios)								
Revenues	\$3,024.9	\$2,796.3	\$2,837.1	\$2,514.7	\$2,904.0	\$2,400.9	\$3,487.1	\$2,985.1
Gross margin	1,301.5	1,157.1	1,199.6	1,010.1	1,221.9	976.0	1,528.7	1,240.2
Gross margin %	43.0%	41.4%	42.3%	40.2%	42.1%	40.7%	43.8%	41.5%
Income before accounting change	261.2	217.2	179.1	152.0	200.3	124.7	305.0	246.2
Basic earnings per common share before accounting change	0.99	0.82	0.68	0.57	0.76	0.47	1.16	0.93
Diluted earnings per common share before accounting change	0.98	0.81	0.66	0.57	0.74	0.47	1.13	0.92
Net income (loss)	261.2	(48.9)	179.1	152.0	200.3	124.7	305.0	246.2
Average common shares outstanding	262.9	265.3	263.3	264.7	263.5	263.9	263.2	264.0
Diluted average common shares outstanding	267.2	269.1	269.5	267.5	271.1	266.7	270.8	267.6
Cash dividends declared per common share	0.14	0.12	0.20	0.14	0.20	0.14	0.20	0.14
Price range of common stock								
High	57.50	57.85	67.48	48.23	74.60	48.43	78.56	56.56
Low	49.60	40.50	55.07	38.53	63.22	41.19	65.81	45.51

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

NIKE designs, develops and markets high quality footwear, apparel, equipment, and accessory products worldwide. We are the largest seller of athletic footwear and athletic apparel in the world and sell our products primarily through a combination of retail accounts in the United States and through a mix of independent distributors, licensees and subsidiaries in over 120 countries. Our goal is to deliver value to five constituencies: shareholders, consumers, business partners, employees and the community. We aim to deliver that value by focusing on our mission ...

To bring inspiration and innovation to every athlete in the world*

**If you have a body, you are an athlete.*

and building our capabilities in four key areas:

- Deepening our relationship with consumers;
- Delivering superior, innovative product to the marketplace;
- Making our supply chain a competitive advantage, through operational discipline and excellence; and
- Accelerating growth through focused execution.

We believe we can create value for our shareholders in striving for the following key long-term financial goals:

- High single digit revenue growth;
- Mid-teens earnings per share growth;
- Increased return on invested capital and accelerated cash flows; and
- Delivery of consistent results through management of our diversified portfolio of businesses.

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In fiscal 2004 we met or surpassed these goals primarily through a combination of revenue growth and gross margin improvements across our businesses, management of working capital and share repurchases. In addition, the impact of foreign currency changes has had a significant favorable impact on this year's financial results. Although in any particular quarter or even annual period we may not meet some or all of the financial goals outlined above, we believe these are appropriate goals for the longer term.

Results of Operations

	2004	2003	% Change	2002	% Change
Revenues	\$12,253.1	\$10,697.0	15%	\$9,893.0	8%
Cost of sales	7,001.4	6,313.6	11%	6,004.7	5%
Gross margin	5,251.7	4,383.4	20%	3,888.3	13%
Gross margin %	42.9%	41.0%		39.3%	
Selling and administrative	3,702.0	3,154.1	17%	2,835.8	11%
% of Revenues	30.2%	29.5%		28.7%	
Income before cumulative effect of accounting change	945.6	740.1	28%	668.3	11%
Net income	945.6	474.0	99%	663.3	(29)%
Diluted earnings per share — before accounting change	3.51	2.77	27%	2.46	13%
Diluted earnings per share	3.51	1.77	98%	2.44	(27)%

Fiscal 2004 Compared to Fiscal 2003

Consolidated Operating Results

In fiscal 2004, consolidated revenues grew 15 percent versus fiscal 2003; seven percentage points of this growth can be attributed to changes in currency exchange rates, primarily the stronger euro. Excluding the impact of changes in foreign currency, revenue growth in our international regions contributed 3 percentage points to the consolidated revenue growth and all three of our international regions posted higher revenues, with our Asia Pacific Region making the largest contribution. Converse, which was acquired at the beginning of the second quarter of fiscal 2004, contributed 2 percentage points of consolidated revenue growth. See the accompanying *Notes to Consolidated Financial Statements (Note 15 — Acquisition)* for additional information related to the acquisition. Improved sales in the U.S Region and increases in our Other businesses drove the balance of the consolidated revenue growth.

During fiscal 2004, our consolidated gross margin percentage improved 190 basis points versus the prior year, from 41.0% to 42.9%. The primary factors contributing to the improved gross margin percentage for fiscal 2004 were as follows:

- (1) Changes in hedge rates, primarily the euro, represented 70 basis points of improvement for fiscal 2004. The positive impact of hedge rates on the fiscal 2004 gross margin percentage was most significant in the fourth quarter, contributing 140 basis points of the year-over-year quarterly improvement. As a majority of product purchases for fiscal 2005 have been hedged, we expect a positive impact on our gross margin percentage in fiscal 2005 due to improved year-over-year hedge rates, primarily for the euro. See the accompanying *Notes to Consolidated Financial Statements (Note 16 — Risk Management and Derivatives)* for additional information on hedges.
- (2) Higher in-line pricing margins (net revenue for current product offerings minus landed product cost) drove approximately 70 basis points of the improvement in the consolidated gross margin percentage for fiscal 2004. This is primarily attributable to improved footwear margins as a result of lower product costs due to manufacturing efficiencies, reduced materials costs and lower air freight.

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- (3) Improved profitability on wholesale closeout sales (non-current product offerings), primarily in the U.S. and Europe, Middle East and Africa (EMEA) regions due to improved closeout pricing margins, partially offset by increased obsolescence reserves due to a less favorable mix of product remaining in closeout inventory. These factors represented approximately 10 basis points of the improvement in the consolidated gross margin percentage for fiscal 2004.
- (4) Most of the remaining increase was due to improved gross margin percentages for NIKE-owned retail stores in the U.S. and EMEA regions, which contributed approximately 30 basis points of the improvement in consolidated gross margins for fiscal 2004.

Fiscal 2004 selling and administrative expense, comprised of demand creation and operating overhead, grew 17% versus fiscal 2003. Demand creation (advertising and promotion) expense grew 18% to \$1,377.9 million in fiscal 2004. Seven percentage points of the increase in demand creation was due to changes in currency exchange rates. Excluding the impact of changes in foreign currency rates, the increase in demand creation spending for the fiscal year was attributable to higher spending on endorsement contracts in the U.S., primarily basketball (3 percentage point impact), incremental investment in retail marketing in the U.S., EMEA, and Asia Pacific regions (3 percentage point impact), and higher advertising spending in the Asia Pacific region (1 percentage point impact). The addition of Converse contributed 2 percentage points of the demand creation increase for the year.

Operating overhead for fiscal 2004 was \$2,324.1 million, a 17% increase over fiscal 2003. Currency exchange rates contributed 5 percentage points of the increase. The addition of Converse accounted for 2 percentage points of growth. Other key factors driving the increase in operating overhead for the fiscal year were: (a) increased incentive-based compensation for employees (3 percentage points); and (b) increased costs to support the growth of our NIKE Golf, Cole Haan, Bauer NIKE Hockey and Hurley businesses (2 percentage points). The remaining increase, about 5 percentage points, is primarily attributable to normal wage increases and some added infrastructure necessary to support global business growth, including costs related to our worldwide supply chain initiative and additional factory outlet stores in the EMEA Region.

Over the last five years, as part of the ongoing initiative to upgrade our worldwide supply chain, we have implemented new systems in Canada, the U.S. and EMEA regions and are now implementing them in Japan, Southeast Asia and our Hong Kong Apparel operations. Over the next few years, we will work to continue to enhance the systems and related processes in these operations and complete the implementation of new systems in the remainder of our global operations. This initiative is intended to improve revenue (by increasing our ability to respond to market conditions); improve margins (by lowering the volume of close-out inventories and distribution costs including inbound air freight); and improve cash flow (by reducing inventories and accounts receivable through better visibility). In the U.S. and EMEA regions, where the new systems have been in place for over a year, we have begun to see improvements in several key performance measures including gross margins (see above) and cash flows (see below). The ultimate level of benefit to revenues, margins, and cash flows will not be known until the new systems and processes have been implemented in the remaining countries in which we operate and globally integrated in subsequent years. At fiscal year end, approximately 80 percent of NIKE's businesses had completed implementation of the new systems. During the period of implementation, operating overhead expense will continue to include both the cost of implementing and operating new systems and the cost of supporting the legacy systems. We anticipate completing the majority of the remaining implementations over the next two years.

Other expense, net, was \$74.7 million for fiscal 2004 compared to \$77.5 million in fiscal 2003. Beginning this fiscal year, interest income and profit sharing expense previously included in other expense, net, are included in interest expense, net, and selling and administrative expense, respectively. The presentation of prior year amounts has been adjusted to conform to the current classification. The most significant components of other expense, net (comprising approximately 64 percent of this year's net expense and 79 percent of fiscal 2003's net expense), was foreign currency losses (primarily hedge losses on intercompany charges to a European subsidiary, whose functional currency is the euro), and hedge losses from that subsidiary's investments in U.S. Dollar denominated debt securities available-for-sale. These losses are reflected in the Corporate line in our segment

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presentation of pre-tax income in the accompanying *Notes to Consolidated Financial Statements (Note 17 — Operating Segments and Related Information)*. The hedge losses reflect that the euro has strengthened considerably since we entered into these hedge contracts. Also included in other expense, net, for fiscal 2004 was an increase in net losses on asset disposals, including a loss of \$5.3 million on land gifted to the NIKE Foundation in the first quarter.

In 2004, net foreign currency losses in other expense, net, were more than offset by favorable translation of foreign currency denominated profits, most significantly in EMEA. Our estimate of the net impact of these losses and the favorable translation is a \$157 million addition to consolidated income before income taxes compared to the prior year. Consistent with our existing policies, in fiscal 2005 we have continued to hedge a portion of anticipated intercompany charges and investments in U.S. Dollar denominated debt securities available-for-sale. We expect the net impact of any hedge losses or gains and the offsetting translation impact will result in a significantly lower net benefit to fiscal 2005 than was realized in fiscal 2004.

Our effective tax rate for fiscal 2004 was 34.8%, which is higher than the fiscal 2003 rate of 34.1% as a result of a higher tax provision on foreign earnings in fiscal 2004.

Included in net income for fiscal 2003 was a \$266.1 million charge for the cumulative effect of implementing Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets," (FAS 142). This charge related to the impairment of goodwill and trademarks associated with Bauer NIKE Hockey and the goodwill of Cole Haan, reflecting that the fair values we estimated for these assets were less than the carrying values. See the accompanying *Notes to Consolidated Financial Statements (Note 4 — Identifiable Intangible Assets and Goodwill)* for further information.

Worldwide futures and advance orders for footwear and apparel scheduled for delivery from June through November 2004 were 11.3% higher than such orders reported for the comparable period of fiscal 2003. One point of this reported increase was due to changes in currency exchange rates versus the same period last year. Excluding this currency impact, higher average selling prices for footwear across all regions contributed 3 points of the growth in overall futures and advance orders. The remaining increase was due to volume increases for both apparel and footwear. On our June 24, 2004 press release, we reported that worldwide futures and advance orders for this period were up 10.7% as compared to last year. Our futures program permits changes to orders for a short period of time following the order deadline. Such changes to orders, most notably in the U.S. and Asia Pacific regions, increased the growth in worldwide futures for the June through November period by 0.6 percentage points to 11.3%. As always, the reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, and retail sales across all brands.

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Operating Segments

The breakdown of revenues follows:

	Fiscal 2004	Fiscal 2003	FY04 vs. FY03 % CHG	Fiscal 2002	FY03 vs. FY02 % CHG
(Dollars in millions)					
U.S. Region					
Footwear	\$ 3,070.4	\$ 3,019.5	2%	\$3,135.5	(4)%
Apparel	1,433.5	1,351.0	6%	1,255.7	8%
Equipment	289.8	287.9	1%	278.4	3%
Total U.S.	4,793.7	4,658.4	3%	4,669.6	—
EMEA Region					
Footwear	2,232.2	1,896.0	18%	1,543.8	23%
Apparel	1,333.8	1,133.1	18%	977.9	16%
Equipment	268.4	212.6	26%	174.8	22%
Total EMEA	3,834.4	3,241.7	18%	2,696.5	20%
Asia Pacific Region					
Footwear	855.3	730.6	17%	638.2	14%
Apparel	612.3	497.8	23%	400.6	24%
Equipment	145.8	120.8	21%	96.1	26%
Total Asia Pacific	1,613.4	1,349.2	20%	1,134.9	19%
Americas Region					
Footwear	412.0	337.3	22%	359.1	(6)%
Apparel	165.8	148.1	12%	167.1	(11)%
Equipment	47.0	41.6	13%	41.9	(1)%
Total Americas	624.8	527.0	19%	568.1	(7)%
	10,866.3	9,776.3	11%	9,069.1	8%
Other	1,386.8	920.7	51%	823.9	12%
Total Revenues	\$12,253.1	\$10,697.0	15%	\$9,893.0	8%

The discussion following includes disclosure of “pre-tax income” for our operating segments. We have reported pre-tax income for each of our operating segments in accordance with Statement of Financial Accounting Standard No. 131, “Disclosures about Segments of an Enterprise and Related Information.” As discussed in *Note 17 — Operating Segments and Related Information* in the accompanying *Notes to Consolidated Financial Statements*, certain corporate costs are not included in pre-tax income of our operating segments.

For EMEA, our largest international region, changes in foreign currency exchange rates accounted for 16 percentage points of the reported increase in revenues in fiscal 2004. The remaining increase over the prior year was primarily driven by NIKE-owned retail (due to the addition of new stores in fiscal 2004) and increased footwear volume (led by soccer product). Excluding the impact of currency exchange movements, sales in each EMEA business unit (footwear, apparel, equipment) grew versus fiscal 2003.

After several years in which the region’s revenues grew substantially faster than the overall market in Europe, fiscal 2004 revenue growth for EMEA was more in line with the growth of the overall market. Futures orders for the region scheduled for delivery from June through November 2004 were 9 percentage points higher than such orders received for the comparable period of fiscal 2003; changes in currency exchange rates accounted for about 3 percentage points of this growth. An increase in the region’s footwear average price per pair contributed to this futures order growth.

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EMEA pre-tax income for fiscal 2004 was \$750.7 million, up 41% versus the prior year. Higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs. The improved gross margins were primarily the result of improved year-over-year hedge rates and higher in-line and closeout pricing margins.

In the Asia Pacific Region, fiscal 2004 revenues increased 20% year-over-year. Eight percentage points of growth for the fiscal year were due to changes in currency exchange rates. Excluding the impact of currency exchange movements, sales in each Asia Pacific business unit grew versus fiscal 2003. The region's revenue growth was primarily due to unit volume increases, with significant revenue growth in China (driven by expansion of retail distribution and strong consumer demand) and Japan (driven by strong consumer demand).

Pre-tax income for the Asia Pacific Region increased to \$354.9 million in fiscal 2004, up 21% versus fiscal 2003. Higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs. The higher gross margins were primarily attributable to higher in-line pricing margins and the benefit of better hedge rates on product purchases, partially offset by lower profitability of closeouts.

In the Americas Region, revenues increased 19% compared to fiscal 2003, with 8 percentage points of the growth due to changes in currency exchange rates. Excluding the currency effects, the revenue growth was driven primarily by stronger consumer demand in South America and sales in each Americas business unit grew versus fiscal 2003.

In fiscal 2004, pre-tax income for the Americas Region increased 6% from the prior year, to \$101.9 million. The increase in pre-tax income was attributable to changes in currency exchange rates slightly offset by reduced gross margins and higher selling and administrative costs. Gross margins fell due to lower in-line pricing margins as well as weaker currency exchange rates in Mexico.

In the U.S. Region, revenues for fiscal 2004 grew 3% versus fiscal 2003, as revenues increased in each business unit. The increase in apparel sales was primarily driven by growth in sport performance product and increased consumer demand for team licensed apparel primarily in the first half of fiscal 2004.

The increase in footwear revenue was due to an increase in average wholesale selling price per pair and increased sales in NIKE-owned retail stores, partially offset by a slight decline in wholesale unit sales. The increase in average wholesale selling price per pair was partially due to a larger percentage of sales of products with a suggested retail price over \$100. The slight decline in U.S. footwear wholesale unit sales was largely due to changes in distribution to several retail customers. For the first half of the year, sales to our largest customer, Foot Locker, were lower as a result of changes to our distribution strategy implemented in fiscal 2002 and 2003; while the decline in first half sales resulted in slightly lower sales for the full year, our year-over-year sales to Foot Locker grew in the second half of fiscal 2004. In addition, fiscal 2004 sales declined for another large customer, Footstar, which declared bankruptcy in March 2004. The sales declines for Foot Locker and Footstar were partially offset by increased sales to other accounts.

For the U.S. Region, futures orders scheduled for delivery from June through November 2004 increased 11 percentage points versus the prior year. Higher orders from Foot Locker were a factor in this increase. During our fiscal fourth quarter, Foot Locker acquired additional stores from Footstar. Further, as announced in November 2003 additional premium product offerings were made available to select Foot Locker locations beginning with the Fall 2004 season. Growth in futures orders from Foot Locker as compared to the prior year's orders from Foot Locker and Footstar combined, contributed 3 percentage points of the overall region's futures orders growth. Additionally, futures orders grew as a result of increases in average wholesale selling price per pair for footwear, due to increased orders for products with a suggested retail price over \$100.

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For fiscal 2004, pre-tax income for the U.S. Region was \$1,015.1 million, a 5% increase versus fiscal 2003. Higher revenues and gross margins drove the increase, more than offsetting higher selling and administrative costs. The improved gross margins were primarily the result of higher in-line and closeout pricing margins and expanded retail margins.

The Other segment includes results from Bauer NIKE Hockey Inc., Cole Haan Holdings Incorporated, Converse Inc., Hurley International LLC and NIKE Golf. Revenues for Other grew 51% in fiscal 2004 compared to fiscal 2003; the addition of Converse contributed 24 percentage points of the increase. The remainder of the increase was due to revenue growth at NIKE Golf, Cole Haan, Hurley and Bauer NIKE Hockey.

Pre-tax income for Other improved to \$75.3 million in fiscal 2004, versus income of \$5.2 million in fiscal 2003. The addition of Converse, combined with improved results from NIKE Golf and Cole Haan, drove the year-over-year improvement.

Fiscal 2003 Compared to Fiscal 2002

Consolidated Operating Results

Revenue growth in our international regions drove the 8% increase in consolidated revenues in fiscal 2003 as compared to fiscal 2002. Changes in currency exchange rates, primarily the euro, contributed 4 percentage points of the consolidated revenue growth.

In fiscal 2003, our consolidated gross margin percentage improved 170 basis points as compared to fiscal 2002, from 39.3% to 41.0%. Significant factors contributing to the improved gross margin percentage were as follows:

- (1) Product cost reductions resulting from our global initiatives to improve efficiency and reduce materials costs; and
- (2) A higher mix of sales of classic footwear models which are generally more profitable than our more complex performance models.

Lower pricing of NIKE Golf products as a result of market conditions discussed below partially offset these positive margin drivers. Changes in currency exchange rates did not have a material impact on our gross margin percentage in fiscal 2003 as the benefit of stronger hedge rates in some currencies was offset by weaker hedge rates in other currencies.

Selling and administrative expense increased as a percentage of revenues from 28.7% in fiscal 2002 to 29.5% in fiscal 2003. Both demand creation and operating overhead expense increased as a percentage of revenues. Demand creation expense grew from \$1,027.9 million in fiscal 2002 to \$1,166.8 million in fiscal 2003. Higher costs incurred in the EMEA Region drove the growth in demand creation expense, reflecting, 1) a stronger euro currency exchange rate compared to the U.S. dollar, which resulted in higher U.S. dollar expenses for costs that are euro-denominated, 2) our new endorsement agreement with the Manchester United soccer team that became effective in August 2002, and 3) costs of our World Cup marketing campaign incurred in the first quarter of fiscal 2003. Higher demand creation expenses were also incurred in the Asia Pacific and Americas regions due to the World Cup marketing campaign. We also increased demand creation spending in the U.S. in order to drive continued consumer demand for footwear while we realigned our distribution to retail customers.

Operating overhead increased from \$1,807.9 million in fiscal 2002 to \$1,987.3 million in fiscal 2003. Major drivers of this increase were the stronger euro exchange rate, incremental costs related to our on-going development of systems and processes supporting our worldwide supply chain, (primarily reflected in the corporate line in our segment presentation of pre-tax income in *Note 17 — Operating Segments and Related Information*), investments in headcount for our NIKE Golf business, the addition of Hurley overhead costs beginning in the fourth quarter of fiscal 2002, and overhead costs of additional retail stores in the EMEA and Asia Pacific regions.

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Interest expense, net, decreased from \$34.0 million in fiscal 2002 to \$28.8 million in fiscal 2003, a decline of 15%. The decrease reflected both lower interest rates and lower average debt levels, as we have used cash flow from operations to reduce total debt.

Other expense, net was \$77.5 million in fiscal 2003 compared to \$1.2 million in fiscal 2002. Significant amounts included in other expense, net were goodwill amortization (fiscal 2002 only), and certain foreign currency gains and losses.

An increase in net foreign currency losses was the largest contributor to the increase in other expense, net for fiscal 2003 versus fiscal 2002. These foreign currency losses were primarily due to hedge losses on intercompany charges to a European subsidiary, whose functional currency is the euro. These losses are reflected in the Corporate line in our segment presentation of pre-tax income in the accompanying *Notes to Consolidated Financial Statements (Note 17 — Operating Segments and Related Information)*. The hedge losses reflected that the euro had strengthened considerably since we entered into these hedge contracts. In fiscal 2003, net foreign currency losses in other expense, net were more than offset by favorable translation of foreign currency denominated profits. Our estimate of the net impact of these losses and the favorable translation was a \$13 million addition to consolidated income before income taxes.

Our fiscal 2003 effective tax rate was 34.1%, relatively consistent with the fiscal 2002 effective rate of 34.3%.

Included in fiscal 2003 net income was a \$266.1 million charge for the cumulative effect of implementing FAS 142. This charge related to the impairment of goodwill and trademarks associated with Bauer NIKE Hockey and the goodwill of Cole Haan, reflecting that the fair values we estimated for these assets were less than the carrying values. In addition, the adoption of this accounting standard resulted in a reduction to goodwill and intangible asset amortization of \$13.1 million as compared to fiscal 2002. See the accompanying *Notes to Consolidated Financial Statements (Note 4 — Identifiable Intangible Assets and Goodwill)* for further information.

Operating Segments

Our largest international region, EMEA, reported 20% revenue growth in fiscal 2003 compared to fiscal 2002. This growth reflected a 15 percentage point improvement due to changes in currency exchange rates. Growth in the emerging markets in Central and Eastern Europe was the key driver of the balance of the increase, as our distribution continued to expand in these markets and customer demand increased. Excluding the effect from changes in currency exchange rates, each of our EMEA business units delivered revenue growth versus the prior year.

EMEA pre-tax income grew from \$422.4 million in fiscal 2002 to \$532.0 million in fiscal 2003. Higher revenues and improved gross margins drove the increase, more than offsetting incremental selling and administrative costs.

In Asia Pacific, revenues increased 19% in fiscal 2003; five percentage points of this growth were due to changes in currency exchange rates. Excluding the benefit from changes in currency exchange rates, sales in each Asia Pacific business unit grew in fiscal 2003, as did sales in almost every country of the region, particularly Japan and Korea, driven primarily by heightened consumer demand for our products following the 2002 World Cup and our related marketing campaign, and China, driven primarily by an expansion of retail distribution of our products.

Pre-tax income for the Asia Pacific Region increased from \$216.2 million in fiscal 2002 to \$292.6 million in fiscal 2003. This increase reflected higher revenues and improved gross margins that more than offset higher selling and administrative costs.

In the Americas Region, fiscal 2003 revenues decreased 7% compared to fiscal 2002, reflecting higher sales in local currencies that were more than offset by a 15 percentage point decline due to changes in currency exchange rates. This currency exchange impact was due to weaker currencies in the Latin American markets, partially offset by the stronger Canadian dollar. Excluding the currency exchange rate impact, the region

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experienced sales growth in the footwear and equipment business units slightly offset by a small percentage decrease in the apparel business unit. On a geographic basis, excluding currency exchange rate impacts, the region experienced sales growth in Brazil, Argentina, and Mexico, reflecting stronger consumer demand. The sales growth in Argentina reflected a rebound since fiscal 2002 when that country underwent an economic crisis.

Pre-tax income for the Americas Region grew from \$92.1 million in fiscal 2002 to \$96.5 million in fiscal 2003. Pre-tax income improved despite lower reported revenues primarily due to an improved gross margin percentage.

In the U.S. Region, revenues were down slightly in fiscal 2003, at \$4,658.4 million versus \$4,669.6 million in fiscal 2002. U.S. footwear revenues were down 4%, more than offsetting sales growth in U.S. apparel and equipment. U.S. apparel sales increased \$95.3 million, primarily driven by increased consumer demand for team licensed apparel. Lower revenues in the footwear business unit were largely the result of a significant change in our U.S. footwear distribution.

During fiscal 2003, we began a realignment of our U.S. footwear distribution to address the changing retail marketplace, including our largest customer's (Foot Locker) reduction in emphasis on premium footwear in its offerings. The objectives of this realignment were to improve the presentation and profitability of the NIKE brand in the U.S. As a result of changes in both Foot Locker's orders and our product offerings to this account, our fiscal 2003 sales to Foot Locker in the U.S. were significantly below the level of fiscal 2002. At the same time, we expanded the premium products available to other athletic specialty and independent retailers that focus on premium footwear offerings, increasing sales to these accounts significantly.

Our unit sales of footwear in the U.S. increased slightly as compared to fiscal 2002. However, this volume increase was more than offset by a decline in the average price per pair of footwear sold. The reduction in average price per pair in fiscal 2003 versus fiscal 2002 reflected a higher percentage of sales of classic footwear and kids' models, which have a lower average price than our more complex adult performance models.

U.S. Region pre-tax income increased from \$956.0 million in fiscal 2002 to \$963.2 million in fiscal 2003. Pre-tax income improved, despite lower revenues and higher selling and administrative expense, due to improved gross margins.

Revenues for Other grew 12% in fiscal 2003 compared to fiscal 2002. The addition of revenues from our Hurley business, purchased in the fourth quarter of fiscal 2002, drove the increase in Other revenues.

Pre-tax income for Other declined from \$43.7 million in fiscal 2002 to \$5.2 million in fiscal 2003. Reduced profitability at NIKE Golf drove this decline, reflecting significantly weaker demand in the U.S. golf market versus fiscal 2002 and start-up issues we experienced at a third-party distribution facility.

Liquidity and Capital Resources

Fiscal 2004 Cash Flow Activity

Cash provided by operations was \$1.5 billion in fiscal 2004, compared to \$922.0 million in fiscal 2003. Our primary source of operating cash flow was net income of \$945.6 million. In addition to the improvement in net income, the increase in cash compared to the prior year was attributable to changes in our investment in working capital primarily driven by accounts receivable and accounts payable (excluding the acquisition of Converse and the effects of foreign currency, which were reported separately). In fiscal 2004 accounts receivable provided cash to the Company due to improved account management through better utilization of supply chain systems, especially in EMEA. Accounts payable provided cash to the Company due to the timing of inventory receipts and vendor payments. The changes in other working capital components were consistent with normal business operations.

Cash used by investing activities during fiscal 2004 was \$946.5 million, compared to \$215.6 million invested during fiscal 2003. The most significant uses of cash for investing activities in fiscal 2004 were the

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purchase of short-term investments and the acquisition of Converse, which accounted for \$400.8 million and \$289.1 million, respectively. The remaining investing activities are consistent with the prior year and primarily reflect capital expenditures on computer equipment and software to support both normal business operations as well as our supply chain systems upgrade, continued investment in NIKE-owned retail stores, and construction of a storage facility in Japan, which was completed in fiscal 2004.

Cash used by financing activities in fiscal 2004 was \$398.5 million, down from \$606.5 million in the prior year. In fiscal 2004, the principal uses of cash for financing activities were share repurchases, payments of long-term debt, and dividends, offset by proceeds from the exercise of stock options and debt issuance. Net cash used by financing activities was higher in fiscal 2003 primarily due to increased repayments of short-term debt in that period.

The share repurchases were part of a \$1.0 billion share repurchase program that began in fiscal 2001. In fiscal 2004, we repurchased 6.4 million shares of NIKE's Class B common stock for \$414.3 million, completing the program. Over the course of the four-year program, we purchased a total of 18.7 million shares of NIKE's Class B common stock. In June 2004, the Board of Directors approved a new \$1.5 billion share repurchase program to be completed over the next four years. We expect to continue to fund the new program from operating cash flow. The timing and the ultimate amount of shares purchased under the program will be dictated by our capital needs and stock market conditions.

Dividends declared per share of common stock for fiscal 2004 were \$0.74, compared to \$0.54 in fiscal 2003. We have paid a dividend every quarter since February 1984. We review our dividend policy from time to time, and based upon current projected earnings and cash flow requirements we anticipate continuing to pay a quarterly dividend in the foreseeable future.

Contractual Obligations

Our significant long-term contractual obligations as of May 31, 2004 are as follows:

Description of Commitment	Cash Payments Due During the Year Ended May 31,						Total
	2005	2006	2007	2008	2009	Thereafter	
	(In millions)						
Operating Leases	\$ 171.7	\$143.4	\$120.9	\$103.4	\$ 85.3	\$ 523.5	\$1,148.2
Long-term Debt	6.6	6.1	255.8	31.1	6.1	380.0	685.7
Endorsement Contracts ¹	355.5	322.7	323.1	208.6	128.4	375.2	1,713.5
Product Purchase Obligations ²	1,648.9	—	—	—	—	—	1,648.9
Other ³	260.5	19.8	8.2	5.9	3.9	1.3	299.6
Total	\$2,443.2	\$492.0	\$708.0	\$349.0	\$223.7	\$1,280.0	\$5,495.9

¹ The amounts listed for endorsement contracts represent approximate amounts of base compensation and minimum guaranteed royalty fees we are obligated to pay athlete and sport team endorsers of our products. Actual payments under some contracts may be higher than the amounts listed as these contracts provide for bonuses to be paid to the endorsers based upon athletic achievements and/or royalties on product sales in future periods. Actual payments under some contracts may also be lower as a limited number of contracts include provisions for reduced payments if athletic performance declines in future periods.

In addition to the cash payments, we are obligated to furnish the endorsers with NIKE products for their use. It is not possible to determine how much we will spend on this product on an annual basis as the contracts do not stipulate a specific amount of cash to be spent on the product. The amount of product provided to the endorsers will depend on many factors including general playing conditions, the number of sporting events in which they participate, and our own decisions regarding product and marketing initiatives. In addition, the costs to design, develop, source, and purchase the products furnished to the endorsers are incurred over a period of time and are not necessarily tracked separately from similar costs incurred for products sold to customers.

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- 2 We generally order product four to five months in advance of sale based primarily on advanced futures orders received from customers. The amounts listed for product purchase obligations represent agreements (including open purchase orders) to purchase products in the ordinary course of business that are enforceable and legally binding and that specify all significant terms. The reported amounts exclude product purchase liabilities included in accounts payable on the Consolidated Balance Sheet.
- 3 Other amounts primarily include service and marketing commitments made in the ordinary course of business. The amounts represent the minimum payments required by legally binding contracts and agreements, including open purchase orders for non-product purchases. The reported amounts exclude those liabilities included in accounts payable or accrued liabilities on the Consolidated Balance Sheet.

Excluded from the table above is a commitment to an outsourcing contractor that provides us with information technology operations management services through 2006. The amount of the payments in future years depends on our level of monthly use of the different elements of the contractor's services. If we were to terminate the entire contract as of May 31, 2004, we would be required to provide the contractor with four months' notice and pay a termination fee of \$18.7 million. Our monthly payments to the contractor currently approximate \$6 million.

We also have the following outstanding short-term debt obligations as of May 31, 2004. Please refer to the accompanying *Notes to Consolidated Financial Statements (Note 6 — Short-term Borrowings and Credit Lines)* for further description and interest rates related to the short-term debt obligations listed below.

	Outstanding as of
	May 31, 2004
	(In millions)
Notes payable, due at mutually agreed-upon dates, generally ninety days from issuance or on demand	\$ 146.0
Payable to Sojitz Corporation of America (Sojitz America) for the purchase of inventories, generally due sixty days after shipment of goods from a foreign port	\$ 43.9

As of May 31, 2004, letters of credit of \$551.6 million were outstanding, primarily for the purchase of inventory. All letters of credit generally expire within one year.

Capital Resources

In October 2001, we filed a shelf registration statement with the Securities and Exchange Commission ("SEC") under which \$1 billion in debt securities may be issued. In May 2002, we commenced a medium-term note program under the shelf registration that allows us to issue up to \$500 million in medium-term notes, as our capital needs dictate. We entered into this program to provide additional liquidity to meet our working capital and general corporate cash requirements. During fiscal 2004, we issued five notes under the medium-term note program totaling \$150 million. Four of those notes totaling \$100 million have fixed coupon interest rates of 5.15% and mature on October 15, 2015. The other \$50 million note has a fixed coupon interest rate of 4.70% and matures on October 1, 2013. For each of the notes, we have entered into interest rate swap agreements whereby we receive fixed interest payments at the same rate as the notes and pay variable interest payments based on the three-month or six-month London Inter Bank Offering Rate ("LIBOR") plus a spread. The swaps have the same notional amounts and maturity dates as the notes, and are accounted for as fair value hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), except for the swap for the \$50 million note maturing October 1, 2013. The swap for that note has the same notional amount and fixed coupon interest rate as the note, but expires October 2, 2006. Accordingly, the swap does not qualify for fair value hedge accounting, so changes in the fair value of this swap are recorded in net income each period as a component of other expense, net. After issuance of these notes, \$760 million remains available to be issued under the shelf registration. We may issue additional notes under the shelf registration in fiscal 2005 depending on general corporate needs.

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As of May 31, 2004, we had a 5-year \$750 million revolving credit facility in place with a group of banks, and we currently have no amounts outstanding under the facility. The maturity date is November 20, 2008 and the facility can be extended for one additional year on the anniversary date. Based on our current long-term senior unsecured debt ratings of A and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.22%. The facility fee is 0.08% of the total commitment.

If our long-term debt rating were to decline, the facility fee and interest rate under our committed credit facility would increase. Conversely, if our long-term debt rating were to improve, the facility fee and interest rate would decrease. Changes in our long-term debt rating would not trigger acceleration of maturity of any then outstanding borrowings or any future borrowings under the committed credit facilities. Under this committed credit facility, we have agreed to various covenants. These covenants include limits on our disposal of fixed assets and the amount of debt secured by liens we may incur, and set a minimum capitalization ratio. In the event we were to have any borrowings outstanding under this facility, failed to meet any covenant, and were unable to obtain a waiver from a majority of the banks, any borrowings would become immediately due and payable. As of May 31, 2004, we were in full compliance with each of these covenants and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at May 31, 2004 or May 31, 2003. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

We currently believe that cash generated by operations, together with access to external sources of funds as described above, will be sufficient to meet our operating and capital needs in the foreseeable future.

Critical Accounting Policies

Our previous discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for revenue recognition, the reserve for uncollectible accounts receivable, inventory reserves, and contingent payments under endorsement contracts. These policies require that we make estimates in the preparation of our financial statements as of a given date. However, since our business cycle is relatively short, actual results related to these estimates are generally known within the six-month period following the financial statement date. Thus, these policies generally affect only the timing of reported amounts across two to three quarters.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Revenue Recognition

We record wholesale revenues when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. Title passes generally upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale.

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In some instances, we ship product directly from our supplier to the customer and recognize revenue when the product is delivered to and accepted by the customer. Our revenues may fluctuate in cases when our customers delay accepting shipment of product for periods up to several weeks.

In certain countries outside of the U.S., precise information regarding the date of receipt by the customer is not readily available. In these cases, we estimate the date of receipt by the customer based upon historical delivery times by geographic location. On the basis of our tests of actual transactions, we have no indication that these estimates have been materially inaccurate historically.

As part of our revenue recognition policy, we record estimated sales returns and miscellaneous claims from customers as reductions to revenues at the time revenues are recorded. We base our estimates on historical rates of product returns and claims, and specific identification of outstanding claims and outstanding returns not yet received from customers. Actual returns and claims in any future period are inherently uncertain and thus may differ from our estimates. If actual or expected future returns and claims were significantly greater or lower than the reserves we had established, we would record a reduction or increase to net revenues in the period in which we made such determination.

Reserve for Uncollectible Accounts Receivable

We make ongoing estimates relating to the collectibility of our accounts receivable and maintain a reserve for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the reserve, we consider our historical level of credit losses and make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Since we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a larger reserve might be required. In the event we determined that a smaller or larger reserve was appropriate, we would record a credit or a charge to selling and administrative expense in the period in which we made such a determination.

Inventory Reserves

We also make ongoing estimates relating to the net realizable value of inventories, based upon our assumptions about future demand and market conditions. If we estimate that the net realizable value of our inventory is less than the cost of the inventory recorded on our books, we record a reserve equal to the difference between the cost of the inventory and the estimated net realizable value. This reserve is recorded as a charge to cost of sales. If changes in market conditions result in reductions in the estimated net realizable value of our inventory below our previous estimate, we would increase our reserve in the period in which we made such a determination and record a charge to cost of sales.

Contingent Payments under Endorsement Contracts

A significant portion of our demand creation expense relates to payments under endorsement contracts. In general, endorsement payments are expensed uniformly over the term of the contract. However, certain contract elements may be accounted for differently, based upon the facts and circumstances of each individual contract.

Some of the contracts provide for contingent payments to endorsers based upon specific achievements in their sports (e.g., winning a championship). We record selling and administrative expense for these amounts when the endorser achieves the specific goal.

Some of the contracts provide for payments based upon endorsers maintaining a level of performance in their sport over an extended period of time (e.g., maintaining a top ranking in a sport for a year). These amounts are reported in selling and administrative expense when we determine that it is probable that the specified level of performance will be maintained throughout the period. In these instances, to the extent that actual payments to the endorser differ from our estimate due to changes in the endorser's athletic performance, increased or decreased selling and administrative expense may be reported in a future period.

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Some of the contracts provide for royalty payments to endorsers based upon a predetermined percentage of sales of particular products. We expense these payments in cost of sales as the related sales are made. In certain contracts, we offer minimum guaranteed royalty payments. For contractual obligations for which we estimate that we will not meet the minimum guaranteed amount of royalty fees through sales of product, we record the amount of the guaranteed payment in excess of that earned through sales of product in selling and administrative expense uniformly over the remaining guarantee period.

Property, Plant and Equipment

Property, plant and equipment, including buildings, equipment, and computer hardware and software is recorded at cost (including, in some cases, the cost of internal labor) and is depreciated over its estimated useful life. Changes in circumstances (such as technological advances or changes to our business operations) can result in differences between the actual and estimated useful lives. In those cases where we determine that the useful life of a long-lived asset should be shortened, we increase depreciation expense over the remaining useful life to depreciate the asset's net book value to its salvage value.

When events or circumstances indicate that the carrying value of property, plant and equipment may be impaired, we estimate the future undiscounted cash flows to be derived from the asset to determine whether or not a potential impairment exists. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair market value. Any impairment charges are recorded as other expense, net. We estimate future undiscounted cash flows using assumptions about our expected future operating performance. Our estimates of undiscounted cash flows may change in future periods due to, among other things, technological changes, economic conditions, changes to our business operations or inability to meet business plans. Such changes may result in impairment charges in the period in which such changes in estimates are made.

Goodwill and Other Intangible Assets

We adopted FAS 142 effective for the first quarter of fiscal 2003. In accordance with FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but instead measured for impairment at least annually in the fourth quarter, or when events indicate that an impairment exists. As required by FAS 142, in our impairment tests for goodwill and other indefinite-lived intangible assets, we compare the estimated fair value of goodwill and other intangible assets to the carrying value. If the carrying value exceeds our estimate of fair value, we calculate impairment as the excess of the carrying value over our estimate of fair value. Our estimates of fair value utilized in goodwill and other indefinite-lived intangible asset tests may be based upon a number of factors, including our assumptions about the expected future operating performance of our reporting units. Our estimates may change in future periods due to, among other things, technological change, economic conditions, changes to our business operations or inability to meet business plans. Such changes may result in impairment charges recorded in future periods.

As discussed further above, upon adoption of FAS 142 in fiscal 2003, we recorded an impairment charge related to goodwill and other indefinite-lived intangible assets of \$266.1 million. This charge is shown on our consolidated statement of income as the cumulative effect of accounting change. Post the first quarter of fiscal 2003, any goodwill impairment charges would be classified as a separate line item on our consolidated statement of income as part of income before income taxes and cumulative effect of accounting change. Other indefinite-lived intangible asset impairment charges would be classified as other expense, net.

Intangible assets that are determined to have definite lives are amortized over their useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired. In these cases, we estimate the future undiscounted cash flows to be derived from the asset to determine whether or not a potential impairment exists. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair value. Any impairment charges would be classified as other expense, net.

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Hedge Accounting for Derivatives

We use forward exchange contracts and option contracts to hedge certain anticipated foreign currency exchange transactions, as well as any resulting receivable or payable balance. When specific criteria required by FAS 133 have been met, changes in fair values of hedge contracts relating to anticipated transactions are recorded in other comprehensive income rather than net income until the underlying hedged transaction affects net income. In most cases, this results in gains and losses on hedge derivatives being released from other comprehensive income into net income some time after the maturity of the derivative. One of the criteria for this accounting treatment is that the forward exchange contract amount should not be in excess of specifically identified anticipated transactions. By their very nature, our estimates of anticipated transactions may fluctuate over time and may ultimately vary from actual transactions. When anticipated transaction estimates or actual transaction amounts decrease below hedged levels, or when the timing of transactions changes significantly, we are required to reclassify at least a portion of the cumulative changes in fair values of the related hedge contracts from other comprehensive income to other expense, net during the quarter in which such changes occur. Once an anticipated transaction estimate or actual transaction amount decreases below hedged levels, we make adjustments to the related hedge contract in order to reduce the amount of the hedge contract to that of the revised anticipated transaction.

Taxes

We record valuation allowances against our deferred tax assets, when necessary, in accordance with SFAS No. 109, "Accounting for Income Taxes." Realization of deferred tax assets (such as net operating loss carryforwards) is dependent on future taxable earnings and is therefore uncertain. At least quarterly, we assess the likelihood that our deferred tax asset balance will be recovered from future taxable income. To the extent we believe that recovery is not likely, we establish a valuation allowance against our deferred tax asset, increasing our income tax expense in the year such determination is made.

In addition, we have not recorded U.S. income tax expense for foreign earnings that we have declared as indefinitely reinvested offshore, thus reducing our overall income tax expense. The amount of earnings designated as indefinitely reinvested offshore is based upon the actual deployment of such earnings in our offshore assets and our expectations of the future cash needs of our U.S. and foreign entities. Income tax considerations are also a factor in determining the amount of foreign earnings to be indefinitely reinvested offshore.

We carefully review all factors that drive the ultimate disposition of foreign earnings declared as reinvested offshore, and apply stringent standards to overcoming the presumption of repatriation. Despite this approach, because the determination involves our future plans and expectations of future events, the possibility exists that amounts declared as indefinitely reinvested offshore may ultimately be repatriated. For instance, the actual cash needs of our U.S. entities may exceed our current expectations, or the actual cash needs of our foreign entities may be less than our current expectations. This would result in additional income tax expense in the year we determined that amounts were no longer indefinitely reinvested offshore. Conversely, our approach may also result in accumulated foreign earnings (for which U.S. income taxes have been provided) being determined in the future to be indefinitely reinvested offshore. In this case, our income tax expense would be reduced in the year of such determination.

On an interim basis, we estimate what our effective tax rate will be for the full fiscal year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the fiscal year progresses, we continually refine our estimate based upon actual events and earnings by jurisdiction during the year. This continual estimation process periodically results in a change to our expected effective tax rate for the fiscal year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision equals the expected annual rate.

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Other Contingencies

In the ordinary course of business, we are involved in legal proceedings regarding contractual and employment relationships, product liability claims, trademark rights, and a variety of other matters. We record contingent liabilities resulting from claims against us, including related legal costs, when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. We disclose contingent liabilities when there is a reasonable possibility that the ultimate loss will materially exceed the recorded liability. Estimating probable losses requires analysis of multiple factors, in some cases including judgments about the potential actions of third party claimants and courts. Therefore, actual losses in any future period are inherently uncertain. Currently, we do not believe that any of our pending legal proceedings or claims will have a material impact on our financial position or results of operations. However, if actual or estimated probable future losses exceed our recorded liability for such claims, we would record additional charges as other expense, net during the period in which the actual loss or change in estimate occurred.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

In the normal course of business and consistent with established policies and procedures, we employ a variety of financial instruments to manage exposure to fluctuations in the value of foreign currencies and interest rates. It is our policy to utilize these financial instruments only where necessary to finance our business and manage such exposures; we do not enter into these transactions for speculative purposes.

We are exposed to foreign currency fluctuation as a result of our international sales, product sourcing and funding activities. Our foreign currency risk management objective is to reduce the variability of local entity cash flows as a result of exchange rate movements. We use forward exchange contracts, options and cross-currency swaps to hedge certain anticipated but not yet firmly committed transactions as well as certain firm commitments and the related receivables and payables, including third party or intercompany transactions.

When we begin hedging exposures depends on the nature of the exposure and market conditions. Generally, all anticipated and firmly committed transactions that are hedged are to be recognized within twelve months, although at May 31, 2004 we had forward contracts hedging anticipated transactions that will be recognized in as many as 18 months. The majority of the contracts expiring in more than twelve months relate to the anticipated purchase of inventory by our European and Japanese subsidiaries. We use forward contracts and cross-currency swaps to hedge foreign currency denominated payments under intercompany loan agreements. When intercompany loans are hedged, it is typically for their expected duration. Hedged transactions are principally denominated in European currencies, Japanese yen, Canadian dollars, Korean won, Mexican pesos and Australian dollars.

Our earnings are also exposed to movements in short and long-term market interest rates. Our objective in managing this interest rate exposure is to limit the impact of interest rate changes on earnings and cash flows, and to reduce overall borrowing costs. To achieve these objectives, we maintain a mix of medium and long-term fixed rate debt, commercial paper, and bank loans and have entered into interest rate swaps under which we receive fixed interest and pay variable interest.

Market Risk Measurement

We monitor foreign exchange risk, interest rate risk and related derivatives using a variety of techniques including a review of market value, sensitivity analysis, and Value-at-Risk (VaR). Our market-sensitive derivative and other financial instruments, as defined by the SEC, are foreign currency forward contracts, foreign currency option contracts, cross-currency swaps, interest rate swaps, intercompany loans denominated in foreign currencies, fixed interest rate U.S. dollar denominated debt, and fixed interest rate Japanese yen denominated debt.

We use VaR to monitor the foreign exchange risk of our foreign currency forward and foreign currency option derivative instruments only. The VaR determines the maximum potential one-day loss in the fair value of these foreign exchange rate-sensitive financial instruments. The VaR model estimates assume normal market conditions and a 95% confidence level. There are various modeling techniques that can be used in the VaR

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computation. Our computations are based on interrelationships between currencies and interest rates (a “variance/co-variance” technique). These interrelationships are a function of foreign exchange currency market changes and interest rate changes over the preceding one year. The value of foreign currency options does not change on a one-to-one basis with changes in the underlying currency rate. We adjusted the potential loss in option value for the estimated sensitivity (the “delta” and “gamma”) to changes in the underlying currency rate. This calculation reflects the impact of foreign currency rate fluctuations on the derivative instruments only, and hence does not include the impact of such rate fluctuations on the underlying based transactions that are anticipated transactions, firm commitments, cash balances and accounts and loans receivable and payable denominated in foreign currencies, including those which are hedged by these instruments.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that we will incur, nor does it consider the potential effect of favorable changes in market rates. It also does not represent the full extent of the possible loss that may occur. Actual future gains and losses will differ from those estimated because of changes or differences in market rates and interrelationships, hedging instruments and hedge percentages, timing and other factors.

The estimated maximum one-day loss in fair value on our foreign currency sensitive financial instruments, derived using the VaR model, was \$24.9 million and \$21.0 million at May 31, 2004 and May 31, 2003, respectively. The increase in VaR as of May 31, 2004 occurred due to the effect of currency volatility on existing trades on the May 31, 2004 VaR computation versus the effect of currency volatility on existing trades on the May 31, 2003 VaR computation. Such a hypothetical loss in fair value of our derivatives would be offset by increases in the value of the underlying transactions being hedged. The average monthly change in the fair values of foreign currency forward and foreign currency option derivative instruments was \$50.0 million and \$43.3 million for fiscal 2004 and fiscal 2003, respectively.

Details of other market-sensitive financial instruments and derivative financial instruments not included in the VaR calculation above are provided in the table below, except the interest rate swaps which are described below. These instruments include intercompany loans denominated in foreign currencies, fixed interest rate Japanese yen denominated debt, fixed interest rate U.S. dollar denominated debt, cross-currency swaps and interest rate swaps. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

	Expected Maturity Date					Total	Fair Value
	Year Ended May 31,						
	2005	2006	2007	2008	2009	Thereafter	
(In millions, except interest rates)							
Foreign Exchange Risk							
Euro Functional Currency							
Intercompany loan — U.S. dollar denominated — Fixed rate							
Principal payments	\$ —	—	—	—	—	270.4	\$ 270.4
Average interest rate	—	—	—	—	—	2.4%	2.4%
Intercompany loan — British pound denominated — Fixed rate							
Principal payments	\$ 68.8	—	—	—	—	—	\$ 68.8
Average interest rate	4.8%	—	—	—	—	—	4.8%
U.S. Dollar Functional Currency							
Intercompany loan — Japanese yen denominated — Variable rate							
Principal payments	\$207.7	—	—	—	—	—	\$207.7
Average interest rate	0.3%	—	—	—	—	—	0.3%
Intercompany loan — Canadian dollar denominated — Fixed rate							
Principal payments	\$ 25.8	—	—	—	—	—	\$ 25.8
Average interest rate	2.3%	—	—	—	—	—	2.3%
Japanese Yen Functional Currency							
Long-term Japanese yen debt — Fixed rate							

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	Expected Maturity Date							Fair Value
	Year Ended May 31,							
	2005	2006	2007	2008	2009	Thereafter	Total	
	(In millions, except interest rates)							
Principal payments	\$ 5.9	5.9	5.9	5.9	5.9	161.3	\$190.8	\$ 215.4
Average interest rate	3.3%	3.4%	3.4%	3.4%	3.5%	2.5%	2.9%	
Interest Rate Risk								
Japanese Yen Functional Currency								
Long-term Japanese yen debt — Fixed rate								
Principal payments	\$ 5.9	5.9	5.9	5.9	5.9	161.3	\$190.8	\$ 215.4
Average interest rate	3.3%	3.4%	3.4%	3.4%	3.5%	2.5%	2.9%	
U.S. Dollar Functional Currency								
Long-term U.S. dollar debt — Fixed rate								
Principal payments	\$ —	—	250.0	25.0	—	215.0	\$490.0	\$ 502.6
Average interest rate	5.3%	5.3%	5.2%	5.1%	5.1%	5.1%	5.2%	

Intercompany loans and related interest amounts eliminate in consolidation. Intercompany loans are generally hedged against foreign exchange risk through the use of forward contracts and swaps with third parties.

The fixed interest rate Japanese yen denominated debts were issued by and are accounted for by two of our Japanese subsidiaries. Accordingly, the monthly remeasurement of these instruments due to changes in foreign exchange rates is recognized in accumulated other comprehensive loss upon the consolidation of these subsidiaries.

There were no significant changes in debt or cross-currency swap market risks during fiscal 2004. Cross-currency swaps outstanding as of May 31, 2003 matured in fiscal 2004 and no new cross-currency swaps were executed during fiscal 2004. The U.S. dollar fair values of intercompany loans denominated in foreign currencies was \$711.8 million at May 31, 2003, which is the same as the carrying values of the loans prior to their elimination. The U.S. dollar fair value of the fixed rate Japanese yen denominated debt that was outstanding at May 31, 2003 was \$234.5 million versus a carrying value of \$190.1 million at that date. The U.S. dollar fair values of the fixed rate U.S. dollar denominated debt, the euro swap payable and the U.S. dollar swap receivable as of May 31, 2003 were \$582.2 million, \$193.5 million and \$211.6 million, respectively, versus carrying values of \$540.0 million, \$186.0 million and \$200.0 million, respectively, at that date.

In fiscal 2002 we issued a \$250 million long-term fixed-rate corporate bond which matures in August 2006. In fiscal 2003 and 2004, we issued an additional \$240 million in long-term fixed-rate corporate bonds which mature on various dates beginning in July 2007 through October 2015. Fixed interest rates on these bonds range from 4.7% to 5.66%. For each of the bonds issued in fiscal 2002, 2003 and fiscal 2004, we have entered into interest rate swap agreements whereby we receive fixed interest payments at the same rate as the bonds and pay variable interest payments based on the three-month or six-month LIBOR plus a spread. Each swap has the same notional amount and maturity date as the corresponding bond, except for one swap for a \$50 million bond issued in fiscal 2004 maturing in October 2013. That swap expires in October 2006. As a result of the interest rate swap agreements, the average effective interest rate payable on these bonds was 2.4% at May 31, 2004 and 2.5% at May 31, 2003. These interest rate swaps are accounted for as fair value hedges, so changes in the recorded fair values of the swaps are offset by changes in the recorded fair value of the related debt, except for the \$50 million swap expiring in October 2006 which is not accounted for as a hedge. Accordingly, changes in the fair value of this swap are recorded to net income each period. The recorded fair value of the interest rate swaps accounted for as fair value hedges was a net \$3.3 million gain at May 31, 2004 and a \$25.5 million gain at May 31, 2003. The fair value of the \$50 million interest rate swap expiring October 2006 was a \$0.6 million loss at May 31, 2004.

In fiscal 2003 we also entered into an interest rate swap agreement related to a Japanese yen denominated intercompany loan with one of our Japanese subsidiaries. The Japanese subsidiary pays variable interest on the intercompany loan based on 3-month LIBOR plus a spread. Under the interest rate swap agreement, the subsidiary pays fixed interest payments at 0.8% and receives variable interest payments based on 3-month LIBOR plus a spread based on a notional amount of 8 billion Japanese yen. This interest rate swap is not accounted for as a hedge, accordingly changes in the fair value of the swap are recorded to net income each period. The recorded fair value of the swap was a \$0.4 million gain at May 31, 2004 and a \$1.0 million loss at May 31, 2003.

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Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information, including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the SEC, including Forms 8-K, 10-Q, and 10-K, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products, and the various market factors described above; difficulties in implementing, operating, and maintaining NIKE's increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning, and inventory control; interruptions in data and communications systems; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders, currency exchange rate fluctuations, order cancellations, and the fact that a significant portion of our revenue is not derived from futures orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property; performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; increases in borrowing costs due to any decline in our debt ratings; changes in business strategy or development plans; general risks associated with doing business outside the United States, including without limitation, import duties, tariffs, quotas, political and economic instability, and terrorism; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

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Item 8. *Financial Statements and Supplemental Data*

Management of NIKE, Inc. is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with the generally accepted accounting principles we considered appropriate in the circumstances and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

Our accounting systems include controls designed to reasonably assure that assets are safeguarded from unauthorized use or disposition and which provide for the preparation of financial statements in conformity with generally accepted accounting principles. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

An Internal Audit department reviews the results of its work with the Audit Committee of the Board of Directors, presently consisting of three outside directors. The Audit Committee is responsible for the appointment of the independent registered public accounting firm and reviews with the independent registered public accounting firm, management and the internal audit staff, the scope and the results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of NIKE as they deem appropriate. The independent registered public accounting firm and the internal auditors have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(A)(1) present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(A)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the consolidated financial statements, effective June 1, 2002, the Company changed its method of accounting for goodwill and intangible assets in accordance with the Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". In addition, as discussed in Note 1 to the consolidated financial statements, effective June 1, 2001, the Company changed its method of accounting for derivative instruments in accordance with the Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities."

/s/ P RICEWATERHOUSE C OOPERS LLP

Portland, Oregon
June 24, 2004

NIKE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended May 31,		
	2004	2003	2002
	(In millions, except per share data)		
Revenues	\$12,253.1	\$10,697.0	\$9,893.0
Cost of sales	7,001.4	6,313.6	6,004.7
Gross Margin	5,251.7	4,383.4	3,888.3
Selling and administrative	3,702.0	3,154.1	2,835.8
Interest expense, net (Notes 6 and 7)	25.0	28.8	34.0
Other expense, net (Note 16)	74.7	77.5	1.2
Income before income taxes and cumulative effect of accounting change	1,450.0	1,123.0	1,017.3
Income taxes (Note 8)	504.4	382.9	349.0
Income before cumulative effect of accounting change	945.6	740.1	668.3
Cumulative effect of accounting change, net of income taxes of (\$-, \$- and \$3.0) (Note 4, Note 1)	—	266.1	5.0
Net income	\$ 945.6	\$ 474.0	\$ 663.3
Basic earnings per common share — before accounting change (Notes 1 and 11)	\$ 3.59	\$ 2.80	\$ 2.50
Cumulative effect of accounting change	—	1.01	0.02
	\$ 3.59	\$ 1.79	\$ 2.48
Diluted earnings per common share — before accounting change (Notes 1 and 11)	\$ 3.51	\$ 2.77	\$ 2.46
Cumulative effect of accounting change	—	1.00	0.02
	\$ 3.51	\$ 1.77	\$ 2.44

The accompanying notes to consolidated financial statements are an integral part of this statement.

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NIKE, INC.
CONSOLIDATED BALANCE SHEETS

	May 31,	
	2004	2003
	(In millions)	
ASSETS		
Current Assets:		
Cash and equivalents	\$ 828.0	\$ 634.0
Short-term investments	400.8	—
Accounts receivable, less allowance for doubtful accounts of \$95.3 and \$81.9	2,120.2	2,083.9
Inventories (Note 2)	1,633.6	1,514.9
Deferred income taxes (Note 8)	165.0	221.8
Prepaid expenses and other current assets	364.4	332.5
	5,512.0	4,787.1
Property, plant and equipment, net (Note 3)	1,586.9	1,620.8
Identifiable intangible assets, net (Note 4)	366.3	118.2
Goodwill (Note 4)	135.4	65.6
Deferred income taxes and other assets (Note 8)	291.0	229.4
	\$7,891.6	\$6,821.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 7)	\$ 6.6	\$ 205.7
Notes payable (Note 6)	146.0	75.4
Accounts payable (Note 6)	763.8	572.7
Accrued liabilities (Notes 5 and 16)	974.4	1,036.2
Income taxes payable	118.2	130.6
	2,009.0	2,020.6
Long-term debt (Note 7)	682.4	551.6
Deferred income taxes and other liabilities (Note 8)	418.2	257.9
Commitments and contingencies (Notes 14 and 16)	—	—
Redeemable Preferred Stock (Note 9)	0.3	0.3
Shareholders' Equity:		
Common Stock at stated value (Note 10):		
Class A convertible — 77.6 and 97.8 shares outstanding	0.1	0.2
Class B — 185.5 and 165.8 shares outstanding	2.7	2.6
Capital in excess of stated value	887.8	589.0
Unearned stock compensation	(5.5)	(0.6)
Accumulated other comprehensive loss (Note 13)	(86.3)	(239.7)
Retained earnings	3,982.9	3,639.2
	4,781.7	3,990.7
	\$7,891.6	\$6,821.1

The accompanying notes to consolidated financial statements are an integral part of this statement.

NIKE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Cash provided (used) by operations:			
Net income	\$ 945.6	\$ 474.0	\$ 663.3
Income charges not affecting cash:			
Cumulative effect of accounting change	—	266.1	5.0
Depreciation	252.1	239.3	223.5
Deferred income taxes	19.0	55.0	15.9
Amortization and other	58.3	23.2	48.1
Income tax benefit from exercise of stock options	47.2	12.5	13.9
Changes in certain working capital components:			
Decrease (increase) in accounts receivable	82.5	(136.3)	(135.2)
(Increase) decrease in inventories	(55.9)	(102.8)	55.4
(Increase) decrease in prepaids and other current assets	(103.5)	60.9	16.9
Increase in accounts payable, accrued liabilities and income taxes payable	269.1	30.1	175.4
	<u>1,514.4</u>	<u>922.0</u>	<u>1,082.2</u>
Cash provided (used) by investing activities:			
Purchases of short-term investments	(400.8)	—	—
Additions to property, plant and equipment and other	(213.9)	(185.9)	(282.8)
Disposals of property, plant and equipment	11.6	14.8	15.6
Increase in other assets	(53.4)	(46.3)	(28.7)
(Decrease) increase in other liabilities	(0.9)	1.8	(6.9)
Acquisition of subsidiary, net of cash acquired	(289.1)	—	—
	<u>(946.5)</u>	<u>(215.6)</u>	<u>(302.8)</u>
Cash provided (used) by financing activities:			
Proceeds from long-term debt issuance	153.8	90.4	329.9
Reductions in long-term debt including current portion	(206.6)	(55.9)	(80.3)
Decrease in notes payable	(0.3)	(351.1)	(433.1)
Proceeds from exercise of stock options and other stock issuances	253.6	44.2	59.5
Repurchase of stock	(419.8)	(196.3)	(226.9)
Dividends — common and preferred	(179.2)	(137.8)	(128.9)
	<u>(398.5)</u>	<u>(606.5)</u>	<u>(479.8)</u>
Effect of exchange rate changes	24.6	(41.4)	(28.1)
	<u>194.0</u>	<u>58.5</u>	<u>271.5</u>
Cash and equivalents, beginning of year	634.0	575.5	304.0
	<u>634.0</u>	<u>575.5</u>	<u>304.0</u>
Cash and equivalents, end of year	<u>\$ 828.0</u>	<u>\$ 634.0</u>	<u>\$ 575.5</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized interest	\$ 37.8	\$ 38.9	\$ 54.2
Income taxes	418.6	330.2	262.0

The accompanying notes to consolidated financial statements are an integral part of this statement.

NIKE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock				Capital in Excess of Stated Value	Unearned Stock Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Class A		Class B						
	Shares	Amount	Shares	Amount					
	(In millions, except per share data)								
Balance at May 31, 2001	99.1	\$ 0.2	169.5	\$ 2.6	\$ 459.4	\$ (9.9)	\$ (152.1)	\$ 3,194.3	\$3,494.5
Stock options exercised			1.7		72.9				72.9
Conversion to Class B Common Stock	(1.0)		1.0						—
Repurchase of Class B Common Stock			(4.3)		(5.2)			(232.5)	(237.7)
Dividends on Common stock (\$.48 per share)								(128.6)	(128.6)
Issuance of shares to employees and others			0.2		13.2	(1.9)			11.3
Amortization of unearned compensation						6.5			6.5
Forfeiture of shares from employees			(0.1)		(1.6)	0.2		(1.5)	(2.9)
Comprehensive income (Note 13):									
Net income								663.3	663.3
Other comprehensive income (net of tax benefit of \$13.0):									
Foreign currency translation							(1.5)		(1.5)
Cumulative effect of change in accounting principle (Note 1)							56.8		56.8
Adjustment for fair value of hedge derivatives							(95.6)		(95.6)
Comprehensive income							(40.3)	663.3	623.0
Balance at May 31, 2002	98.1	\$ 0.2	168.0	\$ 2.6	\$ 538.7	\$ (5.1)	\$ (192.4)	\$ 3,495.0	\$3,839.0
Stock options exercised			1.3		48.2				48.2
Conversion to Class B Common Stock	(0.3)		0.3						—
Repurchase of Class B Common Stock			(4.0)		(4.8)			(186.2)	(191.0)
Dividends on Common stock (\$.54 per share)								(142.7)	(142.7)
Issuance of shares to employees			0.3		9.6	(0.2)			9.4
Amortization of unearned compensation						3.7			3.7
Forfeiture of shares from employees			(0.1)		(2.7)	1.0		(0.9)	(2.6)
Comprehensive income (Note 13):									
Net income								474.0	474.0
Other comprehensive income (net of tax benefit of \$72.8):									
Foreign currency translation							127.4		127.4
Adjustment for fair value of hedge derivatives							(174.7)		(174.7)
Comprehensive income							(47.3)	474.0	426.7
Balance at May 31, 2003	97.8	\$ 0.2	165.8	\$ 2.6	\$ 589.0	\$ (0.6)	\$ (239.7)	\$ 3,639.2	\$3,990.7
Stock options exercised			5.5		284.9				284.9
Conversion to Class B Common Stock	(20.2)	(0.1)	20.2	0.1					—
Repurchase of Class B Common Stock			(6.4)		(7.6)			(406.7)	(414.3)
Dividends on Common stock (\$.74 per share)								(194.9)	(194.9)
Issuance of shares to employees			0.4		23.2	(7.5)			15.7
Amortization of unearned compensation						2.6			2.6
Forfeiture of shares from employees					(1.7)			(0.3)	(2.0)
Comprehensive income (Note 13):									
Net income								945.6	945.6
Other comprehensive income (net of tax expense of \$69.0):									
Foreign currency translation							27.5		27.5
Adjustment for fair value of hedge derivatives							125.9		125.9
Comprehensive income							153.4	945.6	1,099.0
Balance at May 31, 2004	77.6	\$ 0.1	185.5	\$ 2.7	\$ 887.8	\$ (5.5)	\$ (86.3)	\$ 3,982.9	\$4,781.7

The accompanying notes to consolidated financial statements are an integral part of this statement.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of NIKE, Inc. and its subsidiaries (the “Company”). All significant intercompany transactions and balances have been eliminated.

Recognition of Revenues

Wholesale revenues are recognized when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. Title passes generally upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale. Provisions for sales discounts, returns and miscellaneous claims from customers are made at the time of sale.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and included in cost of sales.

Advertising and Promotion

Advertising production costs are expensed the first time the advertisement is run. Media (TV and print) placement costs are expensed in the month the advertising appears. A significant amount of the Company’s promotional expenses result from payments under endorsement contracts. Accounting for endorsement payments is based upon specific contract provisions. Generally, endorsement payments are expensed uniformly over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Prepayments made under contracts are included in prepaid expenses and other current assets or other assets depending on the length of the contract. Through cooperative advertising programs, we reimburse our retail customers for certain of their costs of advertising our products. We record these costs in selling and administrative expense at the point in time when we are obligated to our customers for the costs. This obligation may arise prior to the related advertisement being run. Total advertising and promotion expenses were \$1,377.9, \$1,166.8 million, and \$1,027.9 million for the years ended May 31, 2004, 2003 and 2002, respectively. Prepaid advertising and promotion expenses recorded as appropriate in prepaid expenses and other current assets and other assets totaled \$154.6 million and \$135.2 million at May 31, 2004 and 2003, respectively.

Cash and Equivalents

Cash and equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less at date of purchase. The carrying amounts reflected in the consolidated balance sheet for cash and cash equivalents approximate fair value due to the short maturities.

Short-term Investments

Short-term investments consist of U.S. Treasury debt securities with original maturities of six months or less. Debt securities which the Company has the ability and positive intent to hold to maturity are carried at amortized cost. Available-for-sale debt securities are recorded at fair value with any net unrealized gains and losses reported, net of tax, in other comprehensive income. Realized gains or losses are determined based on the specific identification method. The Company holds no investments considered to be trading securities. Amortized cost of both available-for-sale and held-to-maturity debt securities approximates fair market value due to their short maturities. All investments held at May 31, 2004 have remaining maturities of 120 days or less.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Included in interest expense, net for the years ended May 31, 2004, 2003, and 2002, was interest income of \$15.3 million, \$14.1 million and \$13.6 million, respectively, related to short-term investments and cash and cash equivalents.

Inventory Valuation

Inventories are stated at the lower of cost or market. Inventories are valued on a first-in, first-out (FIFO) or moving-average cost basis.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements over 2 to 40 years and principally on a declining balance basis for machinery and equipment over 2 to 15 years. Computer software is depreciated on a straight-line basis over 3 to 10 years.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets” (FAS 144), the Company estimates the future undiscounted cash flows to be derived from an asset to assess whether or not a potential impairment exists when events or circumstances indicate the carrying value of a long-lived asset may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair market value.

Identifiable Intangible Assets and Goodwill

In accordance with SFAS No. 142 “Goodwill and Other Intangible Assets” (FAS 142), goodwill and intangible assets with indefinite lives are no longer amortized but instead are measured for impairment at least annually in the fourth quarter, or when events indicate that an impairment exists. As required by FAS 142, in the Company’s impairment test of goodwill, we compare the fair value of the applicable reporting unit to its carrying value. If the carrying value of the reporting unit exceeds the estimate of fair value, we calculate the impairment as the excess of the carrying value of goodwill over its implied fair value. In the impairment tests for indefinite-lived intangible assets, we compare the estimated fair value of the indefinite-lived intangible assets to the carrying value. If the carrying value exceeds the estimate of fair value, we calculate impairment as the excess of the carrying value over the estimate of fair value. See Note 4 for discussion of the Company’s adoption of FAS 142.

Intangible assets that are determined to have definite lives are amortized over their useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired in accordance with FAS 144 discussed above.

Foreign Currency Translation and Foreign Currency Transactions

Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income (loss) in shareholders’ equity.

Transaction gains and losses generated by the effect of foreign exchange on recorded assets and liabilities denominated in a currency different from the functional currency of the applicable Company entity are recorded in other expense, net in the period in which they occur.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounting for Derivatives and Hedging Activities

The Company uses derivative financial instruments to limit exposure to changes in foreign currency exchange rates and interest rates. The Company accounts for derivatives pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted (FAS 133), which was adopted on June 1, 2001. FAS 133 establishes accounting and reporting standards for derivative instruments and requires that all derivatives be recorded at fair value on the balance sheet. Changes in the fair value of derivative financial instruments are either recognized in other comprehensive income (a component of shareholders' equity) or net income depending on whether the derivative is being used to hedge changes in cash flows or changes in fair value.

In accordance with the transition provisions, the Company recorded a one-time transition adjustment as of June 1, 2001 on both the consolidated statement of income and the consolidated balance sheet. The transition adjustment on the consolidated statement of income was a charge of \$5.0 million, net of tax effect. This amount related to an investment that was adjusted to fair value in accordance with FAS 133. The transition adjustment on the consolidated balance sheet represented the initial recognition of the fair values of hedge derivatives outstanding on the adoption date and realized gains and losses on effective hedges for which the underlying exposure had not yet affected earnings. The transition adjustment on the consolidated balance sheet was an increase in current assets of \$116.4 million, an increase in noncurrent assets of \$87.0 million, an increase in current liabilities of \$151.6 million, and an increase in other comprehensive income of approximately \$56.8 million, net of tax effect. The majority of the \$56.8 million recorded in other comprehensive income as of June 1, 2001 related to outstanding derivatives at that date. Because exchange rates on the transition date were different from those on the maturity dates of these derivatives and because some contracts maturing during the year ended May 31, 2002 were entered into after the transition date, amounts ultimately reclassified to earnings during the year ended May 31, 2002, as described in Note 13, were significantly different from this amount.

Unrealized derivative gains and losses recorded in current and non-current assets and liabilities and amounts recorded in other comprehensive income are non-cash items and therefore are taken into account in the preparation of the consolidated statement of cash flows based on their respective balance sheet classifications.

See Note 16 for more information on our Risk Management program and Derivatives.

Stock-Based Compensation

The Company uses the intrinsic value method to account for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by SFAS No. 123 "Accounting for Stock-Based Compensation" (FAS 123). The Company's policy is to grant stock options with an exercise price equal to the market value at the date of grant, and accordingly, no compensation expense is recognized.

As required by FAS 123 and amended by SFAS No. 148 "Accounting for Stock-Based Compensation — Transition and Disclosure" (FAS 148), the Company has computed, for pro forma disclosure purposes, the fair value of options granted and employees' purchase rights under the Employee Stock Purchase Plan (ESPP) during the years ended May 31, 2004, 2003 and 2002 using the Black-Scholes option pricing model. The weighted average assumptions used for stock option grants for each of these years were a dividend yield of 1%, expected volatility of the market price of the Company's common stock of 44%, 38%, and 38% for the years ended May 31, 2004, 2003 and 2002, respectively; a weighted-average expected life of the options of approximately five years; and interest rates of 2.9%, 3.8%, and 4.8% for the years ended May 31, 2004, 2003 and 2002, respectively. These interest rates are reflective of option grant dates throughout the year.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Options were assumed to be exercised over the five year expected life for purposes of this valuation. Adjustments for forfeitures are made as they occur. For the years ended May 31, 2004, 2003 and 2002, the total value of the options granted, for which no previous expense has been recognized, was computed as approximately \$102.3 million, \$89.8 million, and \$73.4 million, respectively, which would be amortized on a straight line basis over the vesting period of the options. The weighted average fair value per share of the options granted in the years ended May 31, 2004, 2003 and 2002 are \$20.36, \$17.45, and \$16.02, respectively.

If the Company had accounted for these stock options and ESPP purchase rights issued to employees in accordance with FAS 123, the Company's pro forma net income and pro forma earnings per share (EPS) would have been reported as follows:

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Net income as reported	\$945.6	\$474.0	\$663.3
Add: Stock-based compensation expense included in reported net income, net of tax	—	—	—
Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of tax	(48.7)	(42.2)	(36.1)
Pro forma net income	\$896.9	\$431.8	\$627.2
Earnings per Share:			
Basic — as reported	\$ 3.59	\$ 1.79	\$ 2.48
Basic — pro forma	\$ 3.41	\$ 1.63	\$ 2.34
Diluted — as reported	\$ 3.51	\$ 1.77	\$ 2.44
Diluted — pro forma	\$ 3.35	\$ 1.62	\$ 2.30

The pro forma effects of applying FAS 123 may not be representative of the effects on reported net income and earnings per share for future years since options vest over several years and additional awards are made each year.

Income Taxes

United States income taxes are provided currently on financial statement earnings of non-U.S. subsidiaries expected to be repatriated. The Company determines annually the amount of undistributed non-U.S. earnings to invest indefinitely in its non-U.S. operations. The Company accounts for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. See Note 8 for further discussion.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting weighted average outstanding shares, assuming conversion of all potentially dilutive stock options and awards. See Note 11 for further discussion.

NIKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to fiscal year 2004 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Note 2 — Inventories

Inventories by major classification are as follows:

	May 31,	
	2004	2003
	(In millions)	
Finished goods	\$ 1,609.7	\$ 1,484.1
Work-in-progress	10.6	15.2
Raw materials	13.3	15.6
	\$ 1,633.6	\$ 1,514.9

Note 3 — Property, Plant and Equipment

Property, plant and equipment includes the following:

	May 31,	
	2004	2003
	(In millions)	
Land	\$ 179.5	\$ 191.1
Buildings	813.6	785.0
Machinery and equipment	1,608.6	1,538.7
Leasehold improvements	470.2	433.4
Construction in process	60.4	40.6
	3,132.3	2,988.8
Less accumulated depreciation	1,545.4	1,368.0
	\$ 1,586.9	\$ 1,620.8

Capitalized interest was \$0.3 million, \$0.8 million, and \$1.7 million for the years ended May 31, 2004, 2003 and 2002, respectively.

Note 4 — Identifiable Intangible Assets and Goodwill:

Adoption of FAS 142

The Company adopted FAS 142 effective June 1, 2002. In accordance with FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but instead are measured for impairment at least annually in the fourth quarter, or when events indicate that an impairment exists. Intangible assets that are determined to have definite lives are amortized over their useful lives.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As required by FAS 142, the Company performed impairment tests on goodwill and other intangible assets with indefinite lives, which consisted only of certain trademarks, as of June 1, 2002. As a result of the impairment tests, the Company recorded a \$266.1 million cumulative effect of accounting change for the year ended May 31, 2003. Under FAS 142, goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The Company estimated the fair value of its reporting units by using a combination of discounted cash flow analyses and comparisons with the market values of similar publicly-traded companies.

Included in the Company's \$266.1 million impairment charge was a \$178.5 million charge related to the impairment of the goodwill associated with the Bauer NIKE Hockey ("Bauer") and Cole Haan reporting units. These reporting units are reflected in the Company's Other operating segment. Since the Company's purchase of Bauer in 1995, the hockey equipment and apparel markets have not grown as fast as expected and the in-line skate market has contracted significantly. As a result, we determined that the goodwill acquired at Bauer had been impaired. The goodwill impairment at Cole Haan reflected the significantly lower fair value calculated on the basis of reduced operating income in the year following the September 11, 2001 terrorist attacks.

The remaining \$87.6 million of the impairment charge relates to trademarks associated with Bauer. Under FAS 142, impairment of an indefinite-lived asset exists if the net book value of the asset exceeds its fair value. The Company estimated the fair value of trademarks using the relief-from-royalty approach, which is a standard form of discounted cash flow analysis typically used for the valuation of trademarks. The impairment of the Bauer trademarks reflects the same circumstances as described above related to the Bauer goodwill impairment.

The following table summarizes the Company's identifiable intangible assets balances as of May 31, 2004 and May 31, 2003:

	May 31, 2004			May 31, 2003		
	Gross Carrying	Accumulated Amortization	Net Carrying	Gross Carrying	Accumulated Amortization	Net Carrying
	Amount		Amount	Amount		Amount
(In millions)						
Amortized intangible assets:						
Patents	\$ 27.9	\$ (11.9)	\$ 16.0	\$ 24.9	\$ (10.4)	\$ 14.5
Trademarks	14.1	(11.5)	2.6	12.9	(10.6)	2.3
Other	17.0	(10.8)	6.2	7.5	(1.1)	6.4
Total	\$ 59.0	\$ (34.2)	\$ 24.8	\$ 45.3	\$ (22.1)	\$ 23.2
Unamortized intangible assets — Trademarks			\$ 341.5			
Total			\$ 366.3			\$ 118.2

Amortization expense of identifiable assets with definite lives, which is included in selling and administrative expense, was \$12.0 million, \$3.6 million and \$2.6 million for the years ended May 31, 2004, 2003, and 2002, respectively. The amortization expense of indefinite-lived intangible assets and goodwill, which was included in other expense, net, was \$13.1 million for the year ended May 31, 2002. Following the adoption of FAS 142, no such amortization was recorded. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ending May 31, 2005 through May 31, 2009 is as follows: 2005: \$3.5 million; 2006: \$3.3 million; 2007: \$2.8 million; 2008: \$2.4 million; 2009: \$2.2 million.

The results for the year ended May 31, 2002 do not reflect the provisions of FAS 142. The reported net income before cumulative effect of accounting change was \$668.3 million for the year ended May 31, 2002. Had

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the Company adopted FAS 142 on June 1, 2001, for the year ended May 31, 2002, net income before cumulative effect of accounting change would have been \$681.4 million as a result of not recording \$8.6 million in goodwill amortization and \$4.5 million in trademark amortization. Basic and diluted earnings per common share before accounting change would have increased \$0.05 for the year ended May 31, 2002.

During the second quarter ended November 30, 2003 the Company completed the acquisition of Converse Inc. (“Converse”). As a result, \$69.1 million was allocated to goodwill, \$246.2 million was allocated to unamortized trademarks and \$8.6 million was allocated to other amortized intangible assets and was fully amortized over the last nine months of the year ended May 31, 2004. See Note 15 for additional information related to the acquisition. The remaining increase to goodwill for the year ended May 31, 2004 represents payments related to a prior acquisition. The change in the book value of goodwill, which relates to the Company’s Other operating segment, is as follows (in millions):

Goodwill — May 31, 2003	\$ 65.6
Acquisition of Subsidiaries	69.8
	<u> </u>
Goodwill — May 31, 2004	<u>\$135.4</u>

Note 5 — Accrued Liabilities

Accrued liabilities include the following:

	May 31,	
	2004	2003
	(In millions)	
Fair value of derivatives	\$141.3	\$ 313.1
Accrued compensation and benefits	339.0	245.7
Accrued tax	87.5	73.1
Accrued endorser compensation	86.9	70.2
Dividends payable	52.6	36.9
Other ¹	267.1	297.2
	<u>\$974.4</u>	<u>\$1,036.2</u>

¹ Other consists of various accrued expenses and no individual item accounted for more than \$50 million of the balance at May 31, 2004 or 2003.

Note 6 — Short-Term Borrowings and Credit Lines

Commercial paper outstanding, notes payable to banks, and interest-bearing accounts payable to Sojitz Corporation of America (“Sojitz America”), formerly known as Nissho Iwai American Corporation (“NIAC”) as of May 31, 2004 and 2003, are summarized below:

	May 31,			
	2004		2003	
	Borrowings	Interest Rate	Borrowings	Interest Rate
	(In millions)		(In millions)	
Notes payable and commercial paper:				
U.S. operations	\$ 28.3	0.67% ¹	\$ 2.3	4.25%
Non-U.S. operations	117.7	3.18%	73.1	5.26%
	<u>\$ 146.0</u>		<u>\$ 75.4</u>	
Sojitz America	43.9	1.88%	49.6	2.06%

¹ Weighted average interest rate includes non-interest bearing overdrafts.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The carrying amounts reflected in the consolidated balance sheet for notes payable approximate fair value due to the short maturities.

The Company had no commercial paper outstanding at May 31, 2004 and 2003.

The Company purchases through Sojitz America certain athletic footwear and apparel it acquires from non-U.S. suppliers. These purchases are for the Company's operations outside of the U.S., Europe, and Japan. Accounts payable to Sojitz America are generally due up to 60 days after shipment of goods from the foreign port. The interest rate on such accounts payable is the 60 day London Interbank Offered Rate ("LIBOR") as of the beginning of the month of the invoice date, plus 0.75%.

The Company has a 5-year \$750 million revolving credit facility in place with a group of banks under which no amounts are outstanding. The facility matures on November 20, 2008 and can be extended for one additional year on the anniversary date. Based on the Company's current long-term senior unsecured debt ratings the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.22%. The facility fee is 0.08% of the total commitment. Under this agreement, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 2004.

Note 7 — Long-Term Debt

Long-term debt includes the following:

	May 31,	
	2004	2003
	(In millions)	
6.375% Corporate Bond, payable December 1, 2003	\$ —	\$200.0
5.5% Corporate Bond, payable August 15, 2006	254.9	266.3
4.8% Corporate Bond, payable July 9, 2007	25.4	27.1
5.375% Corporate Bond, payable July 8, 2009	25.5	27.6
5.66% Corporate Bond, payable July 23, 2012	25.5	28.1
5.4% Corporate Bond, payable August 7, 2012	14.9	16.4
4.7% Corporate Bond, payable October 1, 2013	50.0	—
5.15% Corporate Bonds, payable October 15, 2015	98.7	—
4.3% Japanese yen note, payable June 26, 2011	93.2	90.1
2.6% Japanese yen note, maturing August 20, 2001 through November 20, 2020	67.5	69.2
2.0% Japanese yen note, maturing August 20, 2001 through November 20, 2020	30.1	30.8
Other	3.3	1.7
	<u>689.0</u>	<u>757.3</u>
Total	689.0	757.3
Less current maturities	6.6	205.7
	<u>\$682.4</u>	<u>\$551.6</u>

The fair value of long-term debt is estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Company's long-term debt, including current portion, is approximately \$721.4 million at May 31, 2004 and \$818.4 million at May 31, 2003.

The Company has interest rate swap agreements with the same notional amount and maturity dates as the \$250.0 million corporate bond maturing August 15, 2006, whereby the Company receives fixed interest

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

payments at the same rate as the bond and pays variable interest payments based on the three-month LIBOR plus a spread. The interest rates payable on these swap agreements were approximately 2.7% at May 31, 2004 and 2003.

The Company has an effective shelf registration statement with the Securities and Exchange Commission for \$1 billion of debt securities. During the years ended May 31, 2004 and 2003, the Company issued a total of \$150 million and \$90 million, respectively, in notes under the medium term note program of the shelf registration. The notes have coupon rates that range from 4.70% to 5.66%. The maturities range from July 9, 2007 to October 15, 2015. For each of these notes, the Company has entered into interest rate swap agreements whereby the Company receives fixed interest payments at the same rate as the notes and pay variable interest payments based on the three-month or six-month LIBOR plus a spread. Each swap has the same notional amount and maturity date as the corresponding note, except for the swap for the \$50 million note maturing October 1, 2013, which expires October 2, 2006. At May 31, 2004, the interest rates payable on these swap agreements range from approximately 1.6% to 3.3%. After issuance of these notes, \$760 million remains available to be issued under the shelf registration.

In June 1996, one of the Company's Japanese subsidiaries borrowed 10,500 million Japanese yen in a private placement with a maturity of June 26, 2011. Interest is paid semi-annually. The agreement provides for early retirement after year ten.

In July 1999, another of the Company's Japanese subsidiaries assumed 13,000 million in Japanese yen loans as part of its agreement to purchase a distribution center in Japan, which serves as collateral for the loans. These loans mature in equal quarterly installments during the period August 20, 2001 through November 20, 2020. Interest is also paid quarterly.

Amounts of long-term debt maturities in each of the years ending May 31, 2005 through 2009 are \$6.6 million, \$6.1 million, \$255.8 million, \$31.1 million and \$6.1 million, respectively.

Note 8 — Income Taxes

Income before income taxes and cumulative effect of accounting change is as follows:

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Income before income taxes and cumulative effect of accounting change:			
United States	\$ 607.7	\$ 444.8	\$ 511.2
Foreign	842.3	678.2	506.1
	<u>\$ 1,450.0</u>	<u>\$ 1,123.0</u>	<u>\$ 1,017.3</u>

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NIKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The provision for income taxes is as follows:

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Current:			
United States			
Federal	\$185.3	\$125.6	\$156.5
State	43.3	33.6	32.0
Foreign	266.8	190.0	147.7
	495.4	349.2	336.2
Deferred:			
United States			
Federal	3.9	11.3	(3.3)
State	2.4	8.6	3.3
Foreign	2.7	13.8	12.8
	9.0	33.7	12.8
	\$504.4	\$382.9	\$349.0

Deferred tax (assets) and liabilities are comprised of the following:

	May 31,	
	2004	2003
	(In millions)	
Deferred tax assets:		
Allowance for doubtful accounts	\$ (13.8)	\$ (11.8)
Inventory reserves	(13.1)	(10.0)
Sales return reserves	(30.7)	(27.4)
Deferred compensation	(82.2)	(68.1)
Reserves and accrued liabilities	(27.4)	(28.5)
Tax basis inventory adjustment	(15.3)	(15.9)
Property, plant, and equipment	(36.2)	(28.9)
Foreign loss carryforwards	(29.1)	(32.5)
Foreign tax credit carryforwards	(24.4)	—
Hedges	(49.7)	(110.9)
Other	(17.2)	(17.7)
	(339.1)	(351.7)
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	95.5	60.1
Property, plant and equipment	109.5	94.3
Intangibles	101.6	—
Hedges	5.9	2.6
Other	8.8	13.7
	321.3	170.7
Net deferred tax asset before valuation allowance	(17.8)	(181.0)
Valuation allowance	27.1	13.0
Net deferred tax liability (asset)	\$ 9.3	\$(168.0)



NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate follows:

	Year Ended May 31,		
	2004	2003	2002
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	2.1	2.5	2.2
Foreign earnings	(0.6)	(2.7)	(3.1)
Other, net	(1.7)	(0.7)	0.2
Effective income tax rate	34.8%	34.1%	34.3%

The Company has indefinitely reinvested approximately \$706.1 million of the cumulative undistributed earnings of certain foreign subsidiaries, of which \$180.0 million was earned during the year ended May 31, 2004. Such earnings would be subject to U.S. taxation if repatriated to the U.S. The amount of unrecognized deferred tax liability associated with the permanently reinvested cumulative undistributed earnings was approximately \$160.0 million.

Deferred tax assets at May 31, 2004 and 2003 were reduced by a valuation allowance relating to tax benefits of certain foreign subsidiaries with operating losses where it is more likely than not that the deferred tax assets will not be realized.

A benefit was recognized for foreign loss carryforwards of \$19.6 million at May 31, 2004. Such losses expire as follows (millions):

Year Ended May 31,	2007	2008	2009	2010	2011	Indefinite
Expiration Amount	0.9	10.4	0.9	0.7	0.1	6.6

During the years ended May 31, 2004, 2003, and 2002 income tax benefits attributable to employee stock option transactions of \$47.2 million, \$12.5 million, and \$13.9 million, respectively, were allocated to shareholders' equity.

Note 9 — Redeemable Preferred Stock

Sojitz America (formerly NIAC) is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of Sojitz America or the Company at par value aggregating \$0.3 million. A cumulative dividend of \$0.10 per share is payable annually on May 31 and no dividends may be declared or paid on the common stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years ended May 31, 2004. As the holder of the Redeemable Preferred Stock, Sojitz America does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

Note 10 — Common Stock

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 110 million and 350 million, respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the “1990 Plan”). The 1990 Plan provides for the issuance of up to 50 million shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses and the sale of restricted stock. The exercise price for incentive stock options may not be less than the fair market value of the underlying shares on the date of grant and substantially all grants vest ratably over four years and expire 10 years from the date of grant. The exercise price for non-statutory stock options, stock appreciation rights and the purchase price of restricted stock may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. As of May 31, 2004 the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

From time to time, the Company grants restricted stock and unrestricted stock to key employees under the 1990 plan. The number of shares granted to employees during the years ended May 31, 2004 and May 31, 2003 were not material. Recipients of restricted shares are entitled to cash dividends and to vote their respective shares throughout the period of restriction. The value of all of the granted shares was established by the market price on the date of grant. Unearned compensation was charged for the market value of the restricted shares. The unearned compensation is shown as a reduction of shareholders’ equity and is being amortized ratably over the vesting period. During the years ended May 31, 2004, 2003, and 2002, respectively, the Company recognized \$2.4 million, \$2.7 million and \$4.3 million in selling and administrative expense related to the grants, net of forfeitures.

During the years ended May 31, 2004, 2003 and 2002, the Company also granted shares of restricted stock under the Long-Term Incentive Plan (“LTIP”), adopted by the Board of Directors and approved by shareholders in September 1997. The LTIP provides for the issuance of up to 1,000,000 shares of Class B Common Stock. Under the LTIP, awards are made to certain executives in their choice of either cash or stock, based on performance targets established over varying time periods. Once performance targets are achieved, cash or shares of stock are issued. For certain plan years, shares of stock issued remain restricted for an additional three-year vesting period. In other plan years, shares are immediately vested upon grant. Unvested shares are subject to forfeiture if the executive’s employment terminates within that period. In plan years with a three-year vesting period, plan participants are entitled to cash dividends and to vote their respective shares. The value of the restricted shares is established by the market price on the date of issuance. Unearned compensation is charged for the market value of the restricted shares. The unearned compensation is shown as a reduction of shareholders’ equity and is being amortized ratably over the service and vesting periods. Under the LTIP 8,000 shares with a price of \$54.80 were issued with no restrictions during the year ended May 31, 2004 for the plan period ended May 31, 2003. No shares were issued during the year ended May 31, 2003 as performance targets for the plan period ended May 31, 2002 were not met. A total of 38,000 restricted shares with an average price of \$49.50 were issued during the year ended May 31, 2002 for the plan period ended May 31, 2001. Related to the LTIP the Company recognized \$18.9 million, \$9.9 million and \$9.0 million of selling and administrative expense in the years ending May 31, 2004, 2003 and 2002, respectively, net of forfeitures.

NIKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following summarizes the stock option transactions under plans discussed above:

	Shares	Weighted Average Option Price
	(In thousands)	
Options outstanding May 31, 2001	14,165	\$ 41.28
Exercised	(1,687)	33.62
Surrendered	(724)	44.43
Granted	4,687	42.68
Options outstanding May 31, 2002	16,441	42.31
Exercised	(1,307)	29.56
Surrendered	(713)	45.23
Granted	5,278	48.83
Options outstanding May 31, 2003	19,699	44.82
Exercised	(5,526)	42.67
Surrendered	(579)	47.14
Granted	5,215	52.14
Options outstanding May 31, 2004	18,809	\$ 47.42
Options exercisable at May 31,		
2002	7,590	\$ 42.30
2003	9,730	44.18
2004	8,177	45.00

The following table sets forth the exercise prices, the number of options outstanding and exercisable and the remaining contractual lives of the Company's stock options at May 31, 2004:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Number of Options Exercisable	Weighted Average Exercise Price
\$14.94-\$27.69	1,771	\$ 26.87	5.20	1,754	\$ 26.86
28.13- 42.36	3,223	42.26	7.05	1,216	42.14
42.50- 48.44	1,870	47.57	3.93	1,828	47.62
48.65- 48.98	4,332	48.98	8.12	762	48.98
49.01- 52.24	5,008	52.19	9.02	135	50.62
52.44- 74.88	2,605	55.90	4.80	2,483	55.71

In September 2001, the Company's shareholders approved the establishment of an ESPP under which 3,000,000 shares of Class B Stock are reserved for issuance to employees. The plan qualifies as a noncompensatory employee stock purchase plan under Section 423 of the Internal Revenue Code. In February 2003, the Company's Board of Directors approved a Foreign Subsidiary ESPP under which 1,000,000 shares of Class B Stock are reserved for issuance to employees. Employees are eligible to participate through payroll deductions in amounts ranging from 1% to 10% of their compensation not to exceed limitations set out under Section 423. At the end of each six-month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period. Under the ESPPs 318,000, 249,000, and 78,000 shares were issued during the years ended May 31, 2004, 2003, and 2002, respectively.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 11 — Earnings Per Share

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 11.7 million and 4.2 million shares of common stock were outstanding at May 31, 2003, and 2002, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. There were no such antidilutive options outstanding at May 31, 2004.

	Year Ended May 31,		
	2004	2003	2002
	(In millions, except per share data)		
Determination of shares:			
Average common shares outstanding	263.2	264.5	267.7
Assumed conversion of dilutive stock options and awards	6.5	3.1	4.5
Diluted average common shares outstanding	269.7	267.6	272.2
Basic earnings per common share — before cumulative effect of accounting change	\$ 3.59	\$ 2.80	\$ 2.50
Cumulative effect of accounting change	—	1.01	0.02
	\$ 3.59	\$ 1.79	\$ 2.48
Diluted earnings per common share — before cumulative effect of accounting change	\$ 3.51	\$ 2.77	\$ 2.46
Cumulative effect of accounting change	—	1.00	0.02
	\$ 3.51	\$ 1.77	\$ 2.44

Note 12 — Benefit Plans

The Company has a profit sharing plan available to substantially all U.S.-based employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of \$20.6 million, \$16.0 million, and \$14.4 million to the plan are included in selling and administrative expenses in the consolidated financial statements for the years ended May 31, 2004, 2003 and 2002, respectively. The Company has a voluntary 401(k) employee savings plan. The Company matches a portion of employee contributions with common stock. Company contributions to the savings plan were \$15.9 million, \$15.0 million, and \$13.7 million for the years ended May 31, 2004, 2003 and 2002, respectively, and are included in selling and administrative expenses.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 13 — Comprehensive Income

Comprehensive income is as follows:

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Net income	\$ 945.6	\$ 474.0	\$663.3
Other comprehensive income (loss):			
Change in cumulative translation adjustment and other (net of tax (expense)/benefit of \$(4.7) in 2004, \$(22.4) in 2003, \$2.2 in 2002)	27.5	127.4	(1.5)
Recognition in net income of previously deferred unrealized loss on securities, due to accounting change (net of tax (benefit) of \$(2.2))	—	—	3.4
Changes due to cash flow hedging instruments (Note 16):			
Initial recognition of net deferred gain as of June 1, due to accounting change (net of tax (expense) of \$(28.7))	—	—	53.4
Net (loss) gain on hedge derivatives (net of tax benefit of \$33.5 in 2004, \$160.8 in 2003 and \$31.5 in 2002)	(72.9)	(311.9)	(73.3)
Reclassification to net income of previously deferred (gains) and losses related to hedge derivatives (net of tax (benefit)/expense of (\$97.8) in 2004, (\$65.6) in 2003 and \$10.2 in 2002)	198.8	137.2	(22.3)
Other comprehensive income (loss)	153.4	(47.3)	(40.3)
Total comprehensive income	\$1,099.0	\$ 426.7	\$623.0

The components of accumulated other comprehensive loss are as follows:

	May 31,	
	2004	2003
	(In millions)	
Cumulative translation adjustment and other	\$ 4.7	\$ (22.8)
Net deferred loss on hedge derivatives	(91.0)	(216.9)
	\$(86.3)	\$(239.7)

Note 14 — Commitments and Contingencies

The Company leases space for certain of its offices, warehouses and retail stores under leases expiring from one to thirty years after May 31, 2004. Rent expense was \$206.7 million, \$183.2 million and \$159.9 million for the years ended May 31, 2004, 2003 and 2002, respectively. Amounts of minimum future annual rental commitments under non-cancelable operating leases in each of the five years ending May 31, 2005 through 2009 are \$171.7 million, \$143.4 million, \$120.9 million, \$103.4 million, \$85.3 million, respectively, and \$523.5 million in later years.

As of May 31, 2004 and 2003, the Company had letters of credit outstanding totaling \$551.6 million and \$704.4 million, respectively. These letters of credit were issued primarily for the purchase of inventory.

In the ordinary course of its business, the Company is involved in legal proceedings involving contractual and employment relationships, product liability claims, trademark rights, and a variety of other matters. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company's financial position or results of operations.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15 — Acquisition

On September 4, 2003, the Company acquired 100 percent of the equity shares of Converse. Converse designs, distributes, and markets high performance and casual athletic footwear and apparel. The acquisition was accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". The cash purchase price, including acquisition costs, was approximately \$310 million. The results of Converse's operations have been included in the consolidated financial statements since the date of the acquisition as part of the Company's Other operating segment.

All assets and liabilities of Converse have been recorded in the Company's consolidated balance sheet based on their estimated fair values at the date of acquisition. Identifiable intangible assets and goodwill relating to the purchase approximated \$254.8 and \$69.1 million, respectively. Identifiable intangible assets include \$246.2 million for trademarks that have an indefinite life, and \$8.6 million of other intangible assets that were amortized over nine months. The purchase accounting included a deferred tax liability of \$105.1 million recorded for the book-tax difference in future tax consequences for the acquired identifiable indefinite-lived intangible assets, which is the primary reason that goodwill was also recorded in the transaction. The pro forma effect of the acquisition on the combined results of operations was not significant.

Note 16 — Risk Management and Derivatives

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates. The Company uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to either specific assets and liabilities on the balance sheet or specific firm commitments or forecasted transactions.

Substantially all derivatives entered into by the Company are designated as either cash flow or fair value hedges. All derivatives are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as other current assets or other non-current assets, depending on the instrument's maturity date. Unrealized loss positions are recorded as accrued liabilities or other non-current liabilities. Changes in fair values of outstanding cash flow hedge derivatives that are highly effective are recorded in other comprehensive income, until net income is affected by the variability of cash flows of the hedged transaction. Fair value hedges are recorded in net income and are offset by the change in fair value of the underlying asset or liability being hedged.

Cash Flow Hedges

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenues, product costs, selling and administrative expenses, investments in U.S. dollar-denominated available-for-sale debt securities and intercompany transactions, including intercompany borrowings, will be adversely affected by changes in exchange rates. It is the Company's policy to utilize derivatives to reduce foreign exchange risks where internal netting strategies cannot be effectively employed.

Derivatives used by the Company to hedge foreign currency exchange risks are forward exchange contracts, options and cross-currency swaps. These instruments protect against the risk that the eventual net cash inflows and outflows from foreign currency denominated transactions will be adversely affected by changes in exchange rates. The cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany loan agreements. Hedged transactions are denominated primarily in European currencies, Japanese yen, Canadian dollars, Korean won, Mexican pesos, and Australian dollars. The Company hedges up to 100% of anticipated exposures typically twelve months in advance but has hedged as much as 32 months in advance. When intercompany loans are hedged, it is typically for their expected duration.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Substantially all foreign currency derivatives entered into by the Company qualify for and are designated as foreign-currency cash flow hedges, including those hedging foreign currency denominated firm commitments.

Changes in fair values of outstanding cash flow hedge derivatives that are highly effective are recorded in other comprehensive income, until net income is affected by the variability of cash flows of the hedged transaction. In most cases amounts recorded in other comprehensive income will be released to net income some time after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure. Results of hedges of revenue and product costs are recorded in revenue and cost of sales, respectively, when the underlying hedged transaction affects net income. Results of hedges of selling and administrative expense are recorded together with those costs when the related expense is recorded. Results of hedges of both anticipated sales of U.S. dollar-denominated available-for-sale securities and anticipated intercompany transactions are recorded in other expense, net when the transaction occurs. Hedges of recorded balance sheet positions are recorded in other expense, net currently together with the transaction gain or loss from the hedged balance sheet position. Net foreign currency transaction gains and losses, which includes hedge results captured in revenues, cost of sales, selling and administrative expense and other expense, net, were a \$304.3 million loss, a \$180.9 million loss, and a \$42.7 million gain for the years ended May 31, 2004, 2003, and 2002, respectively.

Premiums paid on options are initially recorded as deferred charges. The Company assesses effectiveness on options based on the total cash flows method and records total changes in the options' fair value to other comprehensive income to the degree they are effective.

As of May 31, 2004, \$103.3 million of deferred net losses (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to net income during the next twelve months as a result of underlying hedged transactions also being recorded in net income. Actual amounts ultimately reclassified to net income are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of May 31, 2004, the maximum term over which the Company is hedging exposures to the variability of cash flows for all forecasted and recorded transactions is 18 months.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting prospectively.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified to net income when the forecasted transaction affects net income. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive loss will be recognized immediately in net income. In all situations in which hedge

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in current-period net income. Any hedge ineffectiveness is recorded in current-period net income. Effectiveness for cash flow hedges is assessed based on forward rates.

For each of the years ended May 31, 2004 and 2003 the Company recorded in other expense, net an insignificant loss representing the total ineffectiveness of all derivatives. An insignificant gain was recorded in other expense, net for the year ended May 31, 2002. Net income for each of the years ended May 31, 2004, 2003 and 2002 was not materially affected due to discontinued hedge accounting.

Fair Value Hedges

The Company is also exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives currently used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps.

Substantially all interest rate swap agreements are designated as fair value hedges of the related long-term debt and meet the shortcut method requirements under FAS 133. Accordingly, changes in the fair values of the interest rate swap agreements are exactly offset by changes in the fair value of the underlying long-term debt. No ineffectiveness has been recorded to net income related to interest rate swaps designated as fair value hedges for the years ended May 31, 2004, 2003 and 2002.

As discussed in Note 7, during the year ended May 31, 2004, the Company issued a \$50 million medium-term note maturing October 1, 2013 and simultaneously entered into a received-fixed, pay-variable interest rate swap with the same notional amount and fixed interest rate as the note. However, the swap expires October 2, 2006. This interest rate swap is not accounted for as a hedge, accordingly changes in the fair value of the swap are recorded to net income each period as a component of other expense, net. As of May 31, 2004, the recorded fair value of the swap was a \$0.6 million loss.

During the year ended May 31, 2003 the Company also entered into an interest rate swap agreement related to a Japanese yen denominated intercompany loan with one of the Company's Japanese subsidiaries. The Japanese subsidiary pays variable interest on the intercompany loan based on 3-month LIBOR plus a spread. Under the interest rate swap agreement, the subsidiary pays fixed interest payments at 0.8% and receives variable interest payments based on 3-month LIBOR plus a spread based on a notional amount of 8 billion Japanese yen. This interest rate swap is not accounted for as a hedge, accordingly changes in the fair value of the swap are recorded to net income each period as a component of other expense, net. As of May 31, 2004, the recorded fair value of the swap was a \$0.4 million gain. As of May 31, 2003, the recorded fair value of the swap was a \$1.0 million loss.

The fair values of all derivatives recorded on the consolidated balance sheet are as follows:

	May 31,	
	2004	2003
	(In millions)	
Unrealized Gains:		
Foreign currency exchange contracts, options and cross-currency swaps	\$ 83.1	\$ 71.5
Interest rate swaps	7.0	25.5
Unrealized (Losses):		
Foreign currency exchange contracts, options and cross-currency swaps	(144.5)	(322.7)
Interest rate swaps	(3.9)	(1.0)

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Concentration of Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines which are continually monitored and reported to senior management according to prescribed guidelines. The Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result of the above considerations, the Company considers the risk of counterparty default to be minimal.

In addition to hedging instruments, the Company is subject to concentrations of credit risk associated with cash and equivalents and accounts receivable. The Company places cash and equivalents with financial institutions with investment grade credit ratings and, by policy, limits the amount of credit exposure to any one financial institution. The Company considers its concentration risk related to accounts receivable to be mitigated by the Company's credit policy, the significance of outstanding balances owed by each individual customer at any point in time and the geographic dispersion of these customers.

Note 17 — Operating Segments and Related Information

Operating Segments. The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions for operations participating in NIKE brand sales activity excluding NIKE Golf and Bauer NIKE Hockey. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment. The "Other" category shown below represents activities of Cole Haan Holdings Incorporated, Bauer NIKE Hockey, Inc., Hurley International LLC, NIKE Golf, and beginning September 4, 2003, Converse Inc., which are considered immaterial for individual disclosure.

Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations. Effective June 1, 2003 the assets, liabilities, and operating expenses of NIKE IHM, Inc. which primarily manufactures NIKE Air components, have been reclassified to the Corporate category from the Other, reflecting current management of these operations. NIKE IHM, Inc. information for the applicable prior year periods have been reclassified to conform to the current year presentation.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company evaluates performance of individual operating segments based on pre-tax income. On a consolidated basis, this amount represents income before income taxes and cumulative effect of accounting change as shown in the Consolidated Statements of Income. Reconciling items for pre-tax income represent corporate costs that are not allocated to the operating segments for management reporting including certain currency exchange rate gains and losses on transactions, amortization of indefinite-lived intangible assets and goodwill (for the year ended May 31, 2002 only), and intercompany eliminations for specific income statement items in the Consolidated Statements of Income.

Additions to long-lived assets as presented following represent capital expenditures and additions to identifiable intangibles and goodwill. During the year ended May 31, 2004 the Company purchased identifiable intangible assets and goodwill relating to the acquisition of Converse which have been allocated to the Other category and have been excluded from the additions to long-lived assets presented below (see Note 15 for further information). Generally, other additions to identifiable intangible assets are considered corporate costs and are not attributable to any specific operating segment. See Note 4 for further discussion on identifiable intangible assets and goodwill. Additions to other long-lived assets are not significant and are comprised of additions to miscellaneous corporate assets not attributable to any specific operating segment.

NIKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Inventory, net			
United States	\$ 570.6	\$ 640.6	\$ 613.4
Europe, Middle East, and Africa	477.9	383.4	336.5
Asia Pacific	163.9	143.5	148.0
Americas	82.9	84.2	62.9
Other	311.7	239.4	193.0
Corporate	26.6	23.8	20.0
	<u>\$ 1,633.6</u>	<u>\$ 1,514.9</u>	<u>\$ 1,373.8</u>
Property, Plant and Equipment, net			
United States	\$ 193.0	\$ 215.7	\$ 241.9
Europe, Middle East, and Africa	232.0	241.4	212.2
Asia Pacific	379.7	386.3	378.4
Americas	12.7	11.0	12.4
Other	94.3	82.1	77.0
Corporate	675.2	684.3	692.6
	<u>\$ 1,586.9</u>	<u>\$ 1,620.8</u>	<u>\$ 1,614.5</u>

Revenues by Major Product Lines. Revenues to external customers for NIKE brand products are attributable to sales of footwear, apparel, and equipment. Other revenues to external customers primarily include external sales by Cole Haan Holdings Incorporated, Bauer NIKE Hockey Inc., Hurley International LLC, NIKE Golf, and beginning September 4, 2003, Converse Inc.

	Year Ended May 31,		
	2004	2003	2002
	(In millions)		
Footwear	\$ 6,569.9	\$ 5,983.4	\$ 5,676.6
Apparel	3,545.4	3,130.0	2,801.3
Equipment	751.0	662.9	591.2
Other	1,386.8	920.7	823.9
	<u>\$ 12,253.1</u>	<u>\$ 10,697.0</u>	<u>\$ 9,893.0</u>

Revenues and Long-Lived Assets by Geographic Area. Geographical area information is similar to that shown previously under operating segments with the exception of the Other activity, which has been allocated to the geographical areas based on the location where the sales originated. Revenues derived in the U.S. were \$5,781.0 million, \$5,263.8 million, and \$5,246.3 million, for the years ended May 31, 2004, 2003, and 2002, respectively. Our largest concentrations of long-lived assets are in the U.S. and Japan. Long-lived assets attributable to operations in the U.S., which are primarily comprised of net property, plant & equipment and net identifiable intangible assets and goodwill, were \$1,495.4 million, \$1,223.6 million, and \$1,217.7 million at May 31, 2004, 2003, and 2002, respectively. Long-lived assets attributable to operations in Japan were \$334.7 million, \$336.4 million, and \$321.6 million at May 31, 2004, 2003, and 2002, respectively.

Major Customers. During the years ended May 31, 2004 and 2003 the Company did not have a significant customer that accounted for more than 10% of consolidated revenues. During the year ended May 31, 2002, revenues derived from Foot Locker, Inc. represented 11% of the Company's consolidated revenues. Sales to this customer are included in all segments of the Company.

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Item 9. *Changes In and Disagreements with Accountants on Accounting and Financial Disclosure*

There has been no change of accountants nor any disagreements with accountants on any matter of accounting principles or practices or financial statement disclosure required to be reported under this Item.

Item 9A. *Controls and Procedures*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of May 31, 2004.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Company's internal controls over financial reporting.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information required by Item 401 of Regulation S-K regarding directors is included under “Election of Directors” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers is included under “Executive Officers of the Registrant” in Item 1 of this Report. The information required by Item 405 of Regulation S-K is included under “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 406 of Regulation S-K is included under “Code of Business Conduct and Ethics” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by this Item is included under “Director Compensation and Retirement Plan,” “Executive Compensation” (but excluding the Performance Graph), “Compensation Committee Interlocks and Insider Participation” and “Employment Contracts and Termination of Employment and Change-in-Control Arrangements” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

The information required by this Item is included under “Stock Holdings of Certain Owners and Management” and under “Equity Compensation Plans” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

The information required by this Item is included under “Certain Transactions and Business Relationships” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item is included under “Ratification Of Independent Registered Public Accounting Firm” in the definitive Proxy Statement for our 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

(A) The following documents are filed as part of this report:

	Form 10-K Page No.
1. FINANCIAL STATEMENTS:	
Report of Independent Registered Public Accounting Firm	34
Consolidated Statements of Income for each of the three years ended May 31, 2004	35
Consolidated Balance Sheets at May 31, 2004 and 2003	36
Consolidated Statements of Cash Flows for each of the three years ended May 31, 2004	37
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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. EXHIBITS:

3.1	Restated Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
3.2	Third Restated Bylaws, as amended.
4.1	Restated Articles of Incorporation, as amended (see Exhibit 3.1).
4.2	Third Restated Bylaws, as amended (see Exhibit 3.2).
4.3	Indenture dated as of December 13, 1996 between the Company and Bank One Trust Company, National Association (successor in interest to The First National Bank of Chicago), as Trustee (incorporated by reference from Exhibit 4.01 to Amendment No. 1 to Registration Statement No. 333-15953 filed by the Company on November 26, 1996).
4.4	Form of Officers' Certificate relating to the Company's 5.5% Notes and form of 5.5% Note (incorporated by reference to Exhibits 4.2 and 4.3 of the Company's Form 8-K dated August 17, 2001).
4.5	Form of Officers' Certificate relating to the Company's Fixed Rate Medium-Term Notes and the Company's Floating Rate Medium-Term Notes, form of Fixed Rate Note and form of Floating Rate Note (incorporated by reference to Exhibits 4.2, 4.3 and 4.4 of the Company's Form 8-K dated May 29, 2002).
4.6	Credit Agreement dated as of November 20, 2003 among NIKE, Inc., Bank of America, N.A., individually and as Agent, and the other banks party thereto (incorporated by reference from Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2003).
10.1	Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).*

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10.2	Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 21, 1987).
10.3	NIKE, Inc. 1990 Stock Incentive Plan.*
10.4	NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2000).*
10.5	NIKE, Inc. Long-Term Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2002).*
10.6	NIKE, Inc. Deferred Compensation Plan Amended and Restated effective June 1, 2004.*
10.7	NIKE, Inc. Foreign Subsidiary Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2003).*
10.8	Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Mark G. Parker dated October 6, 1994 (incorporated by reference from Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001).*
10.9	Employment Agreement, and Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Mindy F. Grossman dated September 6, 2000 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2002).*
10.10	Amendment to Employment Agreement between NIKE, Inc. and Mindy F. Grossman dated March 17, 2003 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2003).*
10.11	Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Charles D. Denson dated March 26, 2001 (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2003).*
10.12	Amendment to Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Charles D. Denson dated March 4, 2003 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2003).*
12.1	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm (set forth on page F-2 of this Annual Report on Form 10-K).
31	Rule 13a-14(a) Certifications.
32	Section 1350 Certifications.

* Management contract or compensatory plan or arrangement.

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The exhibits filed herewith do not include certain instruments with respect to long-term debt of NIKE and its subsidiaries, inasmuch as the total amount of debt authorized under any such instrument does not exceed 10% of the total assets of NIKE and its subsidiaries on a consolidated basis. NIKE agrees, pursuant to Item 601(b)(4)(iii) of Regulation S-K, that it will furnish a copy of any such instrument to the SEC upon request.

Upon written request to Investor Relations, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453, NIKE will furnish shareholders with a copy of any Exhibit upon payment of \$.10 per page, which represents our reasonable expenses in furnishing Exhibits.

(B) Reports on Form 8-K:

The following reports on Form 8-K were furnished during the fiscal quarter ending May 31, 2004:

March 18, 2004: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Third Quarter Earnings Release.

March 19, 2004: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Transcript of Earnings Conference Call.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Write-Offs Net of Recoveries</u>	<u>Balance at End of Period</u>
	(In millions)				
For the year ended May 31, 2002:					
Allowance for doubtful accounts	\$ 72.1	\$ 23.7	\$ 4.2	\$ (19.6)	\$ 80.4
For the year ended May 31, 2003:					
Allowance for doubtful accounts	\$ 80.4	\$ 25.8	\$ 1.2	\$ (25.5)	\$ 81.9
For the year ended May 31, 2004:					
Allowance for doubtful accounts	\$ 81.9	\$ 36.4	\$ 0.1	\$ (23.1)	\$ 95.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the documents listed below of our report dated June 24, 2004, relating to the financial statements and financial statement schedule of NIKE, Inc., which appears in this Form 10-K:

1. Registration Statement on Form S-8 (No. 2-81419) of NIKE, Inc.;
2. Registration Statement on Form S-3 (No. 33-43205) of NIKE, Inc.;
3. Registration Statement on Form S-3 (No. 33-48977) of NIKE, Inc.;
4. Registration Statement on Form S-3 (No. 33-41842) of NIKE, Inc.;
5. Registration Statement on Form S-8 (No. 33-63995) of NIKE, Inc.;
6. Registration Statement on Form S-3 (No. 333-15953) of NIKE, Inc.;
7. Registration Statement on Form S-8 (No. 333-63581) of NIKE, Inc.;
8. Registration Statement on Form S-8 (No. 333-63583) of NIKE, Inc.;
9. Registration Statement on Form S-3 (No. 333-71975) of NIKE, Inc.;
10. Registration Statement on Form S-8 (No. 333-68864) of NIKE, Inc.;
11. Registration Statement on Form S-8 (No. 333-68886) of NIKE, Inc.;
12. Registration Statement on Form S-8 (No. 333-71660) of NIKE, Inc.;
13. Registration Statement on Form S-3 (No. 333-71324) of NIKE, Inc.;
14. Registration Statement on Form S-8 (No. 333-104822) of NIKE, Inc.;
15. Registration Statement on Form S-8 (No. 333-104824) of NIKE, Inc.; and
16. Registration Statement on Form S-8 (No. 333-117059) of NIKE, Inc.

/s/ P RICEWATERHOUSE C OOPERS LLP

Portland, Oregon
July 30, 2004

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <u>/s/ D OUGLAS G. H OUSER</u> Douglas G. Houser	Director	July 30, 2004
<hr/> <u>/s/ J EANNE P. J ACKSON</u> Jeanne P. Jackson	Director	July 30, 2004
<hr/> <u>/s/ J OHN E. J AQUA</u> John E. Jaqua	Director	July 30, 2004
<hr/> <u>/s/ C HARLES W. R OBINSON</u> Charles W. Robinson	Director	July 30, 2004
<hr/> <u>/s/ J OHN R. T HOMPSON , J R .</u> John R. Thompson, Jr.	Director	July 30, 2004

NIKE, Inc.

Third Restated Bylaws

(Adopted September 17, 1995;
Amended November 21, 2002)

NIKE, Inc.

Third Restated Bylaws

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NIKE, Inc.

Third Restated Bylaws

ARTICLE 1 - Offices

Section 1. Principal Office. The registered office and principal executive offices of NIKE, Inc., an Oregon corporation (the "Corporation"), shall be located in Beaverton, Oregon, or such other location as the Board of Directors may determine.

Section 2. Additional Offices. The Corporation may also have offices at such other places, either within or without Oregon, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE 2 - Shareholders

Section 1. Place of Meetings. Meetings of the shareholders of the Corporation shall be held at Beaverton, Oregon, or any other place, either within or without Oregon, selected by the Board of Directors, or in the absence of a selection by the Board of Directors, by the Chairman of the Board.

Section 2. Annual Meetings. The annual meeting of the shareholders shall be held on the third Monday in September of each year if not a legal holiday, and if a legal holiday then on the next succeeding business day, at such time as may be designated by the Board of Directors and specified in the notice of the meeting. The Board of Directors shall have the discretion to designate a different annual meeting date for any year, provided that the date so designated is within 60 days of the date specified in the preceding sentence. At the annual meeting, the shareholders shall elect by vote a Board of Directors, consider reports of the affairs of the Corporation, and transact such other business as may properly be brought before the meeting.

Section 3. Special Meetings. The Corporation shall hold a special meeting of shareholders upon the call of the Chairman of the Board or the Board of Directors, or if the holders of at least 10 percent of all votes entitled to be cast on any issue proposed to be considered at the special meeting sign, date and deliver to the Secretary of the Corporation one or more written demands for the meeting describing the purpose or purposes for which it is to be held. Special meetings of the shareholders may not be called by any other person or persons.

Section 4. Notice of Meetings and Waiver.

(a) General. The Corporation shall notify shareholders in writing of the date, time and place of each annual and special shareholders meeting not earlier than 60 days nor less than ten days before the meeting date. Except as otherwise required by applicable law, the Corporation is required to give notice only to shareholders entitled to vote at the meeting. Such notice is effective when mailed if it is mailed postage prepaid and is correctly addressed to the

shareholder's address shown in the Corporation's current record of shareholders. Except as otherwise required by applicable law, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. Notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called.

(b) Adjourned Meetings. If an annual or special shareholders meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is fixed, or is required by law to be fixed, notice of the adjourned meeting shall be given to persons who are shareholders as of the new record date. A determination of shareholders entitled to notice of or to vote at a shareholders meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(c) Waiver of Notice. A shareholder's attendance at a meeting waives objection to (i) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 5. Quorum. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless otherwise required by law, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. In the absence of a quorum, a majority of those present in person or represented by proxy may adjourn the meeting from time to time until a quorum exists. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting if a quorum exists.

Section 6. Voting Rights. The voting rights of holders of stock of the Corporation, and the circumstances under which any class of stock has special voting rights and the manner of exercise thereof, are as set forth in the Restated Articles of Incorporation, as amended (the "Restated Articles"). Only shares of stock are entitled to vote. Except as otherwise provided in the Restated Articles or by applicable law: (i) each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders meeting; (ii) if a quorum exists, action on a matter, other than the election of directors, by a voting group shall be approved if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action; and (iii) directors shall be elected by a plurality of the votes cast by holders of the shares entitled to vote in the election at a meeting at which a quorum is present.

Section 7. Voting of Shares by Certain Holders. If the name signed on a vote, consent, waiver or proxy corresponds to the name of a shareholder, the Corporation, if acting in good

faith, is entitled to accept the vote, consent, waiver or proxy and give it effect as the act of the shareholder. If the name signed on a vote, consent, waiver or proxy does not correspond to the name of its shareholder, the Corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver or proxy and give it effect as the act of the shareholder if authorized by ORS 60.237 or any successor provision dealing with acceptance of votes.

Shares of the Corporation are not entitled to be voted if (i) they are owned, directly or indirectly, by another domestic or foreign corporation, and (ii) the Corporation owns, directly or indirectly, a majority of the shares entitled to be voted for the directors of such other corporation. This paragraph does not limit the power of a corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

Any redeemable shares that the Corporation may issue are not entitled to be voted after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

Section 8. Proxies. A shareholder entitled to vote or to execute any waiver or consent may do so either in person or by written proxy duly executed and filed at or before the meeting at which it is to be used with the Secretary at the Corporation or other officer or agent of the Corporation authorized to tabulate votes. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the Corporation authorized to tabulate votes. An appointment is valid for 11 months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

Section 9. Shareholder Lists. After fixing a record date for a meeting, the Corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group, by class or series of shares and show the address of and the number of shares held by each shareholder. The shareholder list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting for which the list was prepared is given and continuing through the meeting. Such list shall be kept on file at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, or the shareholder's agent or attorney, shall be entitled on written demand to inspect and, subject to the requirements of law, to copy the list during regular business hours and at the shareholder's expense during the period it is available for inspection. The Corporation shall make the shareholder list available at the meeting, and any shareholder, or the shareholder's agent or attorney, is entitled to inspect the list at any time during the meeting or any adjournment. The original stock transfer book shall be prima facie evidence as to who are the shareholders entitled to inspect such list or to vote at any meeting of shareholders. Refusal or failure to prepare or make available the shareholder list does not affect the validity of action taken at the meeting.

Section 10. Business of Shareholder Meetings.

(a) The Chairman of the Board, or such other officer of the Corporation designated by the Board of Directors, shall call meetings of the shareholders to order and shall act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer, or any person he or she designates, shall also have the authority in his or her sole discretion to regulate the conduct of any such meeting, including, without limitation: the establishment of rules for determining if business is to be brought before such meeting; the establishment of procedures for the maintenance of order and safety; setting limitations on the time allotted to questions or comments on the affairs of the Corporation; imposing restrictions on entry to such meeting of shareholders after the time prescribed for the commencement thereof; determining the opening and closing of the voting polls; imposing restrictions on the persons (other than shareholders or their proxies) who may attend such meeting; ascertaining whether any shareholder or his or her proxy may be excluded from such meeting based upon any determination by the presiding officer, in his or her discretion, that any such person has disrupted or is likely to disrupt the proceedings thereat; and by determining the circumstances in which any person may make a statement or ask questions at such meeting.

(b) Only business within the purpose or purposes described in the meeting notice may be conducted at a special shareholders meeting.

(c) At the annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder, and (iv) under law, an appropriate subject of shareholder action.

(d) In addition to any other applicable requirements, including, without limitation, requirements relating to solicitation of proxies and proposals of security holders under the Securities Exchange Act of 1934, as amended, (the "Proxy Rules") for business to be properly brought before the annual meeting by a shareholder, including nominations of persons for election to the Board of Directors, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be received by the Secretary at the principal executive offices of the Corporation, not less than 60 days prior to the meeting. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder; (iv) any material interest of the shareholder in such business; (v) a description of all arrangements or understandings between such shareholder and any other person or persons in connection with the proposal of such business, (vi) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting; and (vii) with regard to nominations, all information required by the Proxy Rules.

(e) No business shall be conducted at an annual or special meeting except in accordance with the procedures set forth in this Section 10. The presiding officer at a shareholders meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section. If the presiding officer should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) The Chairman of the Board shall, in advance of any meeting of shareholders, appoint one or more inspectors of election to act at the meeting. The inspectors of election shall decide upon the qualifications of voters, count the votes, declare the results and make a written report thereof.

ARTICLE 3 - Directors

Section 1. Powers. The Corporation shall have a Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors.

Section 2. Number and Qualifications. The number of directors shall be determined by resolution of the Board of Directors, and shall not be less than five. Any decrease in the number of directors designated by the Board of Directors shall not shorten an incumbent director's term. Directors need not be residents of Oregon or shareholders of the Corporation.

Section 3. Election and Tenure. The directors shall be elected at the annual meeting of the shareholders, by separate vote of the Class A and Class B Common Stock in the manner required by the Restated Articles. Their term of office shall begin immediately after election. The terms of all directors, including a director elected to fill a vacancy, expire at the next annual shareholders meeting following their election. Despite the expiration of a director's term, the director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors.

Section 4. Vacancies. A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director or upon an increase in the number of directors. If a vacancy occurs on the Board of Directors as a result of death, resignation or removal from office of a director who is elected by a separate class vote of the common stock, it shall be filled by the affirmative vote of a majority of the remaining directors similarly elected by such class. If none shall be remaining, the vacancy shall be filled by all directors then in office. If the directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by an affirmative vote of a majority of all of the directors remaining in office. If a vacancy occurs on the Board of Directors as a result of an increase in the number of directors, the Board of Directors may fill such vacancy, provided they may not elect more than three additional directors in any period between annual shareholders meetings to fill such vacancies.

Section 5. Resignation. A director may resign at any time by delivering written notice to the Chairman of the Board of Directors, the Board of Directors or the Corporation.

Section 6. Removal. The shareholders may remove one or more directors with or without cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove the director. A director may be removed by the shareholders only at a meeting called for the purpose of removing the director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

Section 7. Meetings - Notice and Waiver.

(a) The Board of Directors may hold regular or special meetings in or out of Oregon.

(b) Regular meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting. The Board of Directors may fix, by resolution, the time and place for the holding of regular meetings.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, or a majority of directors. Notice of special meetings of the Board of Directors shall be preceded by at least 48 hours' notice of the date, time, place and general purpose of the meeting. The notice shall be given orally, either in person or by telephone, or shall be delivered in writing, either personally, by mail or by facsimile or by telegram.

(d) Notice of the time and place of holding any adjourned meeting need not be given if such time and place are fixed at the meeting adjourned.

(e) The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice, or consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 8. Quorum and Vote.

(a) A majority of the directors in office shall constitute a quorum for the transaction of business. A majority of the directors present, in the absence of a quorum, may adjourn from time to time but may not transact any business. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors, unless a different vote is required by law.

(b) A director who is present at a meeting of the Board of Directors, or is present at a meeting of a committee of the Board of Directors, when corporate action is taken, is deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding the meeting or transacting business at the meeting, (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 9. Compensation . Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, without limitation, an annual fee, a fixed sum for attending each Board and committee meeting, and their expenses of attendance at each meeting of the Board or a committee. No such payment shall preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, consultant or otherwise and receiving compensation for that service.

ARTICLE 4 - Committees

Section 1. Committees of the Board of Directors . The Board of Directors shall designate an Executive Committee, a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation Committee, a Finance Committee, and a Corporate Responsibility Committee, each of which shall have powers and authority of the Board of Directors to the extent provided for in charters for each committee adopted by the Board of Directors. The Board of Directors may designate one or more additional committees of the Board with such powers as shall be specified in charters adopted by the Board. Each committee shall consist of two or such greater number of directors as shall be determined from time to time by resolution of the Board of Directors.

Section 2. Actions of the Committees . Each committee shall keep regular minutes of its meetings. All action taken by a committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to approval and revision by the Board, provided that no legal rights of third parties shall be affected by such revisions.

Section 3. Procedures . The provisions of Article 3 of these Bylaws governing meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors shall apply to committees and their members as well.

Section 4. Appointment of Committee Members . The members of each committee shall be appointed by the Board of Directors by resolution and shall serve until the first meeting of the Board of Directors after the annual meeting of shareholders and until their successors are elected and qualified or until the members' earlier resignation or removal. The Board of Directors shall designate the Chair of each committee other than the Executive Committee. The Chairman of the Board shall serve as Chair of the Executive Committee. The Board may also designate the Vice Chair of any committee, as appropriate. Vacancies may be filled by the Board of Directors at any meeting.

With the approval of the Board of Directors, the Chairman of the Board may designate one or more directors to serve as an alternate member or members at any committee meeting to replace any absent or disqualified member. The Chairman of the Board may designate a committee member as acting Chair of that committee, in the absence of the elected committee Chair or a Vice Chair.

ARTICLE 5 - Officers

Section 1. Designation; Appointment.

(a) The officers of the Corporation shall be a Chairman of the Board and Chief Executive Officer, a President and Chief Operating Officer, one or more Vice Presidents, a Treasurer, a Secretary and such other officers and assistant officers as the Board of Directors or the Chairman of the Board shall from time to time appoint, none of whom need be members of the Board of Directors. The officers shall hold office at the pleasure of the Board of Directors if appointed by the Board, or the Chairman of the Board if appointed by the Chairman. Subject to the terms of any contract of employment between the Corporation and such officer, any officer appointed by the Board of Directors or the Chairman of the Board may be removed at any time by the Board of Directors or the Chairman, respectively.

The same individual may simultaneously hold more than one office in the Corporation. A vacancy in any office because of death, resignation, removal or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office. The salaries and other compensation of the officers of the Corporation shall be fixed by or in the manner designated by the Board of Directors.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board of Directors or the Secretary. Unless the notice specifies a later effective date, a resignation is effective at the earliest of the following: (i) when received; (ii) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postage prepaid and correctly addressed; or (iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date, if the Board of Directors provides that the successor shall not take office until the effective date.

Section 2. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shareholders and will be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the Chairman of the Board shall have general supervision, direction and control of the business and affairs of the

Corporation and shall perform other duties commonly incident to such office. The Chairman of the Board will have authority to execute on behalf of the Corporation all contracts, deeds, agreements, stock certificates and other instruments. The Chairman of the Board will be the Chair of the Executive Committee and an ex officio a member of all other standing committees, will have the general powers and duties of management usually vested in the Chief Executive Officer of a corporation and will have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 3. President. The President will be the Chief Operating Officer of the Corporation, and will have such duties of general supervision, direction and control of the business and affairs of the Corporation as are authorized by the Board of Directors and the Chairman of the Board. In the absence of the Chairman of the Board, the President will perform the duties and responsibilities of the Chairman of the Board. The President will be ex officio a member of all the standing committees, have the general powers and duties of management usually vested in the office of Chief Operating Officer of a corporation and will have such other powers and duties as may be prescribed by the Board of Directors, the Chairman of the Board or these Bylaws.

Section 4. Vice Presidents. Each Executive Vice President, Senior Vice President and Vice President shall have such powers and perform such duties as may be assigned to the officer by the Board of Directors or by the Chairman of the Board or the President or these Bylaws. In the absence or disability of the Chairman of the Board and the President, the Chairman of the Board's duties and powers shall be performed and exercised by a senior officer designated by the Board of Directors or the Chairman of the Board.

Section 5. Secretary. The Secretary shall attend all meetings of the shareholders and of the Board of Directors, and shall record all acts and proceedings thereof in the minute book of the Corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the shareholders, of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board may designate from time to time. An Assistant Secretary is authorized to assume and perform the duties of the Secretary in the absence of the Secretary, and to also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board shall designate from time to time.

Section 6. Treasurer. The Treasurer shall perform all duties and acts incident to the position of Treasurer, shall have custody and be responsible for the Corporation's funds and securities, shall supervise the investments of its funds, and shall deposit all money and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be authorized, taking proper vouchers for such disbursements, and shall render to the Board of Directors, whenever required, an account of all the transactions of the Treasurer and of the financial condition of the Corporation. The Treasurer shall perform such other duties as may be assigned, and shall report to the Chief Financial Officer or, in the absence of the Chief Financial Officer, to the Chairman of the Board. In the absence of the Treasurer, an Assistant

Treasurer is authorized to assume the duties of the Treasurer, and to also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board shall designate from time to time.

Section 7. Assistant Officers. Such other officers as the Board of Directors, the Chairman of the Board or the President may designate, including a Deputy Chairman of the Board of Directors and Assistant Officers, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chairman of the Board.

Section 8. Divisional Officers. The Board of Directors or the Chairman of the Board may from time to time appoint persons to hold nominal titles as officers of divisions or of other areas of the Corporation's business ("Divisional Officers"). No Divisional Officer shall by reason of such appointment become a corporate officer or have the authority of a corporate officer. Each Divisional Officer shall only perform such duties and have such powers as may be assigned to the person by the Board of Directors or the Chairman of the Board. Any title given to any Divisional Officer may be withdrawn, with or without cause at any time, by the Board of Directors or the Chairman, and any duty or authority delegated to any such person may be withdrawn, with or without cause at any time, by the Board of Directors or the Chairman.

ARTICLE 6 - Certificates and Transfer of Shares

Section 1. Certificates for Shares.

(a) Form. Certificates for shares shall be in such form as the Board of Directors may designate, shall state the name of the Corporation and the state law under which the Corporation is organized, shall state the name of the person to whom the shares represented by the certificate are issued, and shall state the number and class of shares and the designation of the series, if any, the certificate represents. If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences and limitations applicable to each class, the variations in rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations for future series shall be summarized on the front or back of each certificate, or each certificate may state conspicuously on its front or back that the Corporation shall furnish shareholders with this information on request in writing and without charge.

(b) Signing. Each certificate for shares shall be signed, either manually or in facsimile, by (i) the Chairman of the Board or the President and (ii) the Secretary or an Assistant Secretary of the Corporation. The certificates may bear the corporate seal or its facsimile. If any officer who has signed a share certificate, either manually or in facsimile, no longer holds office when the certificate is issued, the certificate shall nevertheless be valid.

Section 2. Transfer on the Books. Upon surrender to the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and subject to any limitations on transfer appearing on the certificate or in the Corporation's stock transfer records, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. Lost Certificates. In the event a certificate is represented to be lost, stolen or destroyed, a new certificate shall be issued in place thereof upon such proof of the loss, theft or destruction and upon the giving of such bond or other indemnity as may be required by the Corporation.

Section 4. Transfer Agents and Registrars. The Board of Directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the Corporation who will have such powers and duties as the Board of Directors may specify.

Section 5. Record Date. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 70 nor less than 10 days before the date of such meeting, nor more than 70 days prior to any other action. If no record date is fixed by the Board of Directors, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice of such meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE 7 - General Provisions

Section 1. Records. The Corporation shall maintain all records required by law. All such records shall be kept at its principal office, registered office or at any other place designated by the Chairman of the Board of the Corporation, or as otherwise provided by applicable law. The records of the Corporation allowed to be inspected by shareholders shall be open to inspection by the shareholders or the shareholders' agents or attorneys in the manner and to the extent required by applicable law.

Section 2. Seal. The corporate seal, if any, shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation.

Section 3. Amendment of Bylaws. Except as otherwise provided by applicable law or by the Restated Articles, the Board of Directors may amend or repeal these Bylaws at any regular or special meeting. The Corporation's shareholders may also amend or repeal these Bylaws, as authorized by applicable laws.

Section 4. Action Without a Meeting. Any action required or permitted by law to be taken at any meeting of the Board of Directors, or at any meeting of a committee of the Board of Directors, or at any meeting of shareholders may be taken without a meeting if the action is taken by all members of the Board or the Committee or all shareholders. The action shall be evidenced by one or more written consents describing the action taken, signed by each director, committee member or shareholder and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section 4 is effective when the last director or shareholder signs the consent, unless the consent specifies an earlier or later effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

Section 5. Telephonic Meetings. The Board of Directors or any committee thereof may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through, use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. All directors participating in a Board or committee meeting by this means shall be deemed to be present in person at the meeting.

Section 6. Fiscal Year. The fiscal year of the Corporation shall extend from June 1 until May 31 of the following calendar year.

Section 7. Execution of Corporate Instruments.

(a) The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, and such execution or signature shall be binding upon the Corporation.

(b) Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trusts, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments shall be executed, signed or endorsed by the Chairman of the Board, the President, the Treasurer, or any Vice President. All other instruments and documents requiring the corporate signature may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

(c) All checks and drafts drawn on banks or other depositories on funds to the credit of the Corporation or in special accounts of the Corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

ARTICLE 8 - Transactions With Interested Directors

Section 1. Validity of Transaction .

(a) No transaction involving the Corporation shall be voidable by the Corporation solely because of a director's direct or indirect interest in the transaction if:

(i) The material facts of the transaction and the director's interest were disclosed or known to the Board of Directors or a committee of the Board of Directors, and the Board of Directors or committee authorized, approved or ratified the transaction;

(ii) The material facts of the transaction and the director's interest were disclosed or known to the shareholders entitled to vote and the shareholders authorized, approved or ratified the transaction by the affirmative vote of the holders of a majority of the issued and outstanding shares of the Corporation, or by written consent; or

(iii) The transaction was fair and reasonable to the Corporation.

(b) This Article 8 shall not invalidate any contract, transaction or determination that would otherwise be valid under applicable law.

Section 2. Indirect Interest . Solely for purposes of this Article 8, a director of the Corporation has an indirect interest in a transaction if another entity in which the director has a material financial interest or in which the director is a general partner is a party to the transaction; or the transaction with another entity of which the director is a director, officer or trustee is a party to the transaction and the transaction is or should be considered by the Board of Directors.

Section 3. Authorization by Board . For purposes of Section 1 of this Article 8, a transaction in which a director has an interest is authorized, approved or ratified by the Board of Directors if it receives the affirmative vote of a majority of the directors on the Board of Directors, or on the committee, who have no direct or indirect interest in the transaction. A transaction may not be authorized, approved or ratified under this Article 8 by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve or ratify the transaction, a quorum shall be present for the purpose of taking action under this Article 8. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction shall not affect the validity of any action taken under Section 1 of this Article 8 by the Board of Directors or a committee thereof, if the transaction is otherwise authorized, approved or ratified as provided in Section 1 of this Article 8.

Section 4. Authorization by Shareholders . For purposes of Section 1 of this Article 8, a transaction in which a director has an interest is authorized, approved or ratified if it receives the vote of a majority of the shares entitled to vote under this Article 8 voting as a single voting group. Shares owned by or voted under the control of a director who has a direct or indirect interest in the transaction, and shares owned by or voted under the control of any entity described in paragraph (a) of Section 2 of this Article 8 may be counted in a vote of shareholders to

determine whether to authorize, approve or ratify a transaction by vote of the shareholders under Section 1 of this Article 8. A majority of the shares, whether or not present, that are entitled to be counted in a vote on the transaction under this Article 8 constitutes a quorum for the purpose of taking action under this Article 8.

ARTICLE 9 - Indemnification

(a) The Corporation shall indemnify to the fullest extent permitted by law, any person who is made, or threatened to be made, a party to or witness in, or is otherwise involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including any action, suit or proceeding by or in the right of the Corporation) by reason of the fact that:

(i) the person is or was a director or officer of the Corporation or any of its subsidiaries;

(ii) the person is or was serving as a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Corporation or any of its subsidiaries; or

(iii) the person is or was serving, at the request of the Corporation or any of its subsidiaries, as a director or officer, or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise.

(b) The Corporation may indemnify its employees and other agents to the fullest extent permitted by law.

(c) The expenses incurred by a director or officer or other indemnified person in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise, which the director or officer is made or threatened to be made a party to or witness in, or is otherwise involved in, shall be paid by the Corporation in advance upon written request if the indemnified person:

(i) furnishes the Corporation a written affirmation that in good faith the person believes that he or she is entitled to be indemnified by the Corporation; and

(ii) furnishes the Corporation a written undertaking to repay such advance to the extent that it is ultimately determined by a court that such person is not entitled to be indemnified by the Corporation. Such advances shall be made without regard to the person's ability to repay such expenses and without regard to the person's ultimate entitlement to indemnification under this Article or otherwise.

(d) The rights of indemnification provided in this Article 9 shall be in addition to any rights to which a person may otherwise be entitled under any articles of incorporation, bylaw, agreement, statute, policy of insurance, vote of shareholders or Board of Directors, or otherwise;

shall continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation; and shall inure to the benefit of the heirs, executors and administrators of such person.

(e) Any repeal of this Article 9 shall be prospective only and no repeal or modification of this Article 9 shall adversely affect any right or protection that is based upon this Article 9 and pertains to an act or omission that occurred prior to the time of such repeal or modification.

(f) As a condition precedent to indemnification under this Article 9, not later than 30 days after receipt by the director or officer of notice of the commencement of any proceeding the director or officer shall, if a claim in respect of the proceeding is to be made against the Corporation under this Article 9, notify the Corporation in writing of the commencement of the proceeding. The failure to properly notify the Corporation shall not relieve the Corporation from any liability which it may have to the director or officer otherwise than under this Article 9. With respect to any proceeding as to which the director or officer so notifies the Corporation of the commencement:

(i) The Corporation shall be entitled to participate in the proceeding at its own expense.

(ii) Except as otherwise provided in this paragraph (f), the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense of the proceeding, with legal counsel reasonably satisfactory to the director or officer. The director or officer shall have the right to use separate legal counsel in the proceeding, but the corporation shall not be liable to the director or officer under this Article 9 for the fees and expenses of separate legal counsel incurred after notice from the Corporation of its assumption of the defense, unless (A) the director or officer reasonably concludes that there may be a conflict of interest between the Corporation and the director or officer in the conduct of the defense of the proceeding, or (B) the Corporation does not use legal counsel to assume the defense of such proceeding. The Corporation shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Corporation or as to which the director or officer has made the conclusion provided for in (A) above.

(iii) If two or more persons who may be entitled to indemnification from the Corporation, including the director or officer seeking indemnification, are parties to any proceeding, the Corporation may require the director or officer to use the same legal counsel as the other parties. The director or officer shall have the right to use separate legal counsel in the proceeding, but the Corporation shall not be liable to the director or officer under this Article 9 for the fees and expenses of separate legal counsel incurred after notice from the Corporation of the requirement to use the same legal counsel as the other parties, unless the director or officer reasonably concludes that there may be a conflict of interest between the director or officer and any of the other parties required by the Corporation to be represented by the same legal counsel.

(iv) The Corporation shall not be liable to indemnify the director or officer under this Article 9 for any amounts paid in settlement of any proceeding effected without its

written consent, which shall not be unreasonably withheld. The director or officer shall permit the Corporation to settle any proceeding that the Corporation assumes the defense of, except that the Corporation shall not settle any action or claim in any manner that would impose any penalty or limitation on the director or officer without such person's written consent.

(g) Notwithstanding any provision in this Article 9, the Corporation shall not be obligated under this Article 9 to make any indemnification or advance any expenses in connection with any claim made against any director or officer:

(i) for which payment is required to be made to or on behalf of the director or officer under any insurance policy, except with respect to any excess amount to which the director or officer is entitled under this Article 9 beyond the amount of payment under such insurance policy;

(ii) if a court having jurisdiction in the matter finally determines that such indemnification is not lawful under any applicable statute or public policy;

(iii) in connection with any proceeding (or part of any proceeding) initiated by the director or officer, or any proceeding by the director or officer against the Corporation or its directors, officers, employees or other persons entitled to be indemnified by the Corporation, unless: (A) the Corporation is expressly required by law to make the indemnification; (B) the proceeding was authorized by the Board of Directors; or (C) the director or officer initiated the proceeding pursuant to subsection (i) of this Article 9 and the director or officer is successful in whole or in part in such proceeding; or

(iv) for an accounting of profits made from the purchase and sale by the director or officer of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act, or similar provision of any state statutory law or common law.

(h) In the event of payment under this Article 9, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the director or officer. The director or officer shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

(i) Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Article 9 shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the Corporation and the director or officer. Any director or officer may enforce any right to indemnification or advances under this Article 9 in any court of competent jurisdiction if: (i) the Corporation denies the claim for indemnification or advances, in whole or in part, or (ii) the Corporation does not dispose of such claim within 45 days of request therefor. It shall be a defense to any such enforcement action (other than an action brought to enforce a claim for advancement of expenses pursuant to, and in compliance with, this Article 9) that the director or officer is not entitled to indemnification under this Article 9. However, except as provided in subsection (f) of this Article 9, the Corporation shall not assert any defense to an action brought to enforce a claim for advancement of expenses pursuant to this Article 9 if the director or officer

has tendered to the Corporation the affirmation and undertaking required hereunder. The burden of proving by clear and convincing evidence that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the director or officer has met the applicable standard of conduct nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that indemnification is improper because the director or officer has not met such applicable standard of conduct, shall be asserted as a defense to the action or create a presumption that the director or officer is not entitled to indemnification under this Article 9 or otherwise. The director's or officer's expenses incurred in connection with successfully establishing such person's right to indemnification or advances, in whole or in part, in any proceeding shall also be paid or reimbursed by the Corporation.

(j) The rights conferred on any person by this Article 9 shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) To the fullest extent permitted by law, the Corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Article 9.

(l) If this Article 9 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Article 9 that shall not have been invalidated, or by any other applicable law.

ARTICLE 10 - Limitation of Director Liability

To the fullest extent permitted by law, no director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director. Without limiting the generality of the foregoing, if the Oregon Revised Statutes are amended, after this Article 10 becomes effective, to authorize corporate action further eliminating or limiting the personal liability of directors of the Corporation, then the liability of directors of the Corporation shall be eliminated or limited to the fullest extent permitted by the Oregon Revised Statutes, as so amended. No amendment or repeal of this Article 10, nor the adoption of any provision of these Bylaws inconsistent with this Article 10, nor a change in the law, shall adversely affect any right or protection that is based upon this Article 10 and pertains to conduct that occurred prior to the time of such amendment, repeal, adoption or change. No change in the law shall reduce or eliminate the rights and protections set forth in this Article 10 unless the change in the law specifically requires such reduction or elimination.

NIKE, Inc. 1990 Stock Incentive Plan

1. Purpose. The purpose of this Stock Incentive Plan (the “Plan”) is to enable NIKE, Inc. (the “Company”) to attract and retain as directors, officers, employees, consultants, advisors and independent contractors people of initiative and ability and to provide additional incentives to such persons.

2. Shares Subject to the Plan. Subject to adjustment as provided below and in paragraph 10, the shares to be offered under the Plan shall consist of Class B Common Stock of the Company (“Shares”), and the total number of Shares that may be issued under the Plan shall not exceed fifty million (50,000,000) Shares. If an option or stock appreciation right granted under the Plan expires, terminates or is canceled, the unissued Shares subject to such option or stock appreciation right shall again be available under the Plan. If Shares sold or awarded as a bonus under the Plan are forfeited to the Company or repurchased by the Company, the number of Shares forfeited or repurchased shall again be available under the Plan.

3. Effective Date and Duration of Plan.

(a) Effective Date. The Plan shall become effective when adopted by the Board of Directors of the Company. However, no option or stock appreciation right granted under the Plan shall become exercisable until the Plan is approved by the affirmative vote of the holders of a majority of the Common Stock of the Company represented at a shareholders meeting at which a quorum is present and any awards under the Plan prior to such approval shall be conditioned on and subject to such approval. Subject to this limitation, options and stock appreciation rights may be granted and Shares may be awarded as bonuses or sold under the Plan at any time after the effective date and before termination of the Plan.

(b) Duration. The Plan shall continue in effect until all Shares available for issuance under the Plan have been issued and all restrictions on such Shares have lapsed. The Board of Directors may suspend or terminate the Plan at any time except with respect to options and Shares subject to restrictions then outstanding under the Plan. Termination shall not affect any outstanding options, any right of the Company to repurchase Shares or the forfeitability of Shares issued under the Plan.

4. Administration.

The Plan shall be administered by a committee appointed by the Board of Directors of the Company consisting of not less than two directors (the “Committee”), which shall determine and designate from time to time the individuals to whom awards shall be made, the amount of the awards and the other terms and conditions of the awards, except that only the Board of Directors may amend or terminate the Plan as provided in paragraphs 3 and 13. Subject to the provisions of the Plan, the Committee may from time to time adopt and amend rules and regulations relating to administration of the Plan, advance the lapse of any waiting period, accelerate any exercise date, waive or modify any restriction applicable to Shares (except those restrictions imposed by law) and make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect, and it shall be the sole and final judge of such expediency. Notwithstanding anything to the contrary contained in this Paragraph 4, the Committee may delegate to the Chief Executive Officer of the Company the authority to grant awards with respect to a maximum of 50,000 Shares to any eligible employee who is not, at the time of such grant, subject to the reporting requirements and liability provisions contained in Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”) and the regulations thereunder.

5. Types of Awards; Eligibility. The Committee may, from time to time, take the following action, separately or in combination, under the Plan: (i) grant Incentive Stock Options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), as provided in paragraph 6(b); (ii)

grant options other than Incentive Stock Options (“Non-Statutory Stock Options”) as provided in paragraph 6(c); (iii) award stock bonuses as provided in paragraph 7; (iv) sell shares subject to restrictions as provided in paragraph 8; and (v) grant stock appreciation rights as provided in paragraph 9. Any such awards may be made to employees, including employees who are officers or directors, of the Company or any parent or subsidiary corporation of the Company and to other individuals described in paragraph 1 who the Committee believes have made or will make an important contribution to the Company or its subsidiaries; provided, however, that only employees of the Company shall be eligible to receive Incentive Stock Options under the Plan. The Committee shall select the individuals to whom awards shall be made. The Committee shall specify the action taken with respect to each individual to whom an award is made under the Plan. No employee may be granted options or stock appreciation rights under the Plan for more than 200,000 Shares in any calendar year.

6. Option Grants.

(a) Grant. The Committee may grant options under the Plan. With respect to each option grant, the Committee shall determine the number of Shares subject to the option, the option price, the period of the option, the time or times at which the option may be exercised and whether the option is an Incentive Stock Option or a Non-Statutory Stock Option.

(b) Incentive Stock Options. Incentive Stock Options shall be subject to the following terms and conditions:

(i) An Incentive Stock Option may be granted under the Plan to an employee possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary of the Company only if the option price is at least 110 percent of the fair market value of the Shares subject to the option on the date it is granted, as described in paragraph 6(b)(iii), and the option by its terms is not exercisable after the expiration of five years from the date it is granted.

(ii) Subject to paragraphs 6(b)(i) and 6(d), Incentive Stock Options granted under the Plan shall continue in effect for the period fixed by the Committee, except that no Incentive Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

(iii) The option price per share shall be determined by the Committee at the time of grant. Subject to paragraph 6(b)(i), the option price shall not be less than 100 percent of the fair market value of the Shares covered by the Incentive Stock Option at the date the option is granted. The fair market value shall be deemed to be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal on the day preceding the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee.

(iv) No Incentive Stock Option shall be granted on or after the tenth anniversary of the last action by the Board of Directors approving an increase in the number of shares available for issuance under the Plan, which action was subsequently approved within 12 months by the shareholders.

(c) Non-Statutory Stock Options. The option price for Non-Statutory Stock Options shall be determined by the Committee at the time of grant. The option price may not be less than 75 percent of the fair market value of the Shares covered by the Non-Statutory Stock Option on the date the option is granted. The fair market value of Shares covered by a Non-Statutory Stock Option shall be determined pursuant to paragraph 6(b)(iii).

(d) Exercise of Options. Except as provided in paragraph 6(f), no option granted under the Plan may be exercised unless at the time of such exercise the optionee is employed by the Company or any parent or subsidiary corporation of the Company and shall have been so employed continuously since the date such option was granted. Absence on leave or on account of illness or disability under rules

established by the Committee shall not, however, be deemed an interruption of employment for this purpose. Except as provided in paragraphs 6(f), 10 and 11, options granted under the Plan may be exercised from time to time over the period stated in each option in such amounts and at such times as shall be prescribed by the Committee, provided that options shall not be exercised for fractional shares. Unless otherwise determined by the Committee, if the optionee does not exercise an option in any one year with respect to the full number of Shares to which the optionee is entitled in that year, the optionee's rights shall be cumulative and the optionee may purchase those Shares in any subsequent year during the term of the option.

(e) Nontransferability. Except as provided below, each stock option granted under the Plan by its terms shall be nonassignable and nontransferable by the optionee, either voluntarily or by operation of law, and each option by its terms shall be exercisable during the optionee's lifetime only by the optionee. A stock option may be transferred by will or by the laws of descent and distribution of the state or country of the optionee's domicile at the time of death. A Non-Statutory Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The Committee may, in its discretion, authorize all or a portion of a Non-Statutory Stock Option granted to an optionee to be on terms which permit transfer by the optionee to (i) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, or (iii) a partnership in which Immediate Family Members are the only partners, provided that (x) there may be no consideration for any transfer, (y) the stock option agreement pursuant to which the options are granted must expressly provide for transferability in a manner consistent with this paragraph, and (z) subsequent transfers of transferred options shall be prohibited except by will or by the laws of descent and distribution. Following any transfer, options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of paragraphs 6(d), 6(g), 10 and 11 the term "optionee" shall be deemed to refer to the transferee. The events of termination of employment of paragraph 6(f), shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, and all other references to employment, termination of employment, life or death of the optionee, shall continue to be applied with respect to the original optionee.

(f) Termination of Employment or Death .

(i) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates for any reason other than because of retirement, physical disability or death, the option may be exercised at any time prior to the expiration date of the option or the expiration of three months after the date of such termination of employment, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination.

(ii) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates as a result of the optionee's retirement, the option may be exercised by the optionee to the extent specified in this paragraph 6(f)(ii) at any time prior to the expiration date of the option or the expiration of three months after the date of such termination of employment, whichever is the shorter period. For purposes of this paragraph 6(f), "retirement" means a termination of employment that occurs at a time when (A) the optionee's retirement point total is at least 55, and (B) the optionee has at least five full years of service as an employee of the Company or a parent or subsidiary corporation of the Company. For purposes of this paragraph 6(f), "retirement point total" means the sum of the optionee's age in full years plus the optionee's full years of service as an employee of the Company or a parent or subsidiary corporation of the Company. Upon retirement, the optionee may exercise the portion of the option that the optionee was entitled to exercise immediately prior to retirement plus a percentage of the remaining unvested portion of the option based on the optionee's retirement point total at the time of retirement as set forth in the following table:

Retirement Point Total	Percent of Unvested Option That Becomes Exercisable
55 or 56	20%
57	40%
58	60%
59	80%
60	100%

(iii) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates because the optionee becomes disabled (within the meaning of Section 22(e)(3) of the Code), the option may be exercised by the optionee free of the limitations on the amount that may be purchased in any one year specified in the option agreement at any time prior to the expiration date of the option or the expiration of one year after the date of such termination, whichever is the shorter period.

(iv) Unless otherwise provided at the time of grant, in the event of the death of the optionee while in the employ of the Company or a parent or subsidiary corporation of the Company, the option may be exercised free of the limitations on the amount that may be purchased in any one year specified in the option agreement at any time prior to the expiration date of the option or the expiration of one year after the date of such death, whichever is the shorter period, but only by the person or persons to whom such optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution of the state or country of domicile at the time of death.

(v) The Committee, at the time of grant or at any time thereafter, may extend the three-month and one-year expiration periods any length of time not later than the original expiration date of the option, and may increase the portion of an option that is exercisable, subject to such terms and conditions as the Committee may determine.

(vi) To the extent that the option of any deceased optionee or of any optionee whose employment terminates is not exercised within the applicable period, all further rights to purchase Shares pursuant to such option shall cease and terminate.

(g) Purchase of Shares. Unless the Committee determines otherwise, Shares may be acquired pursuant to an option granted under the Plan only upon receipt by the Company of notice in writing from the optionee of the optionee's intention to exercise, specifying the number of Shares as to which the optionee desires to exercise the option and the date on which the optionee desires to complete the transaction, and if required in order to comply with the Securities Act of 1933, as amended, containing a representation that it is the optionee's present intention to acquire the Shares for investment and not with a view to distribution. Unless the Committee determines otherwise, on or before the date specified for completion of the purchase of Shares pursuant to an option, the optionee must have paid the Company the full purchase price of such Shares in cash or with the consent of the Committee, in whole or in part, in Common Stock of the Company valued at fair market value. The fair market value of Common Stock of the Company provided in payment of the purchase price shall be the closing price of the Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal or such other reported value of the Common Stock of the Company as shall be specified by the Committee, on the date the option is exercised, or if such date is not a trading day, then on the immediately preceding trading day. No Shares shall be issued until full payment therefor has been made. With the consent of the Committee, an optionee may request the Company to apply automatically the Shares to be received upon the exercise of a portion of a stock option (even though stock certificates have not yet been issued) to satisfy the purchase price for additional portions of the option. Each optionee who has exercised an option shall immediately upon notification of the amount due, if any, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If additional withholding is or becomes required beyond any amount deposited before delivery of the certificates, the optionee shall pay such amount to the Company on demand. If the optionee fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the

optionee, including salary, subject to applicable law. With the consent of the Committee, an optionee may satisfy this obligation, in whole or in part, by having the Company withhold from the Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Common Stock of the Company to the Company to satisfy the withholding amount. Upon the exercise of an option, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued upon exercise of the option.

7. Stock Bonuses. The Committee may award Shares under the Plan as stock bonuses. Shares awarded as a stock bonus shall be subject to the terms, conditions, and restrictions determined by the Committee. The restrictions may include restrictions concerning transferability and forfeiture of the Shares awarded, together with such other restrictions as may be determined by the Committee. The Committee may require the recipient to sign an agreement as a condition of the award, but may not require the recipient to pay any monetary consideration other than amounts necessary to satisfy tax withholding requirements. The agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The certificates representing the Shares awarded shall bear any legends required by the Committee. The Company may require any recipient of a stock bonus to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the recipient, including salary, subject to applicable law. With the consent of the Committee, a recipient may deliver Common Stock of the Company to the Company to satisfy this withholding obligation. Upon the issuance of a stock bonus, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued.

8. Restricted Stock. The Committee may issue Shares under the Plan for such consideration (including promissory notes and services) as determined by the Committee, provided that in no event shall the consideration be less than 75 percent of fair market value of the Shares at the time of issuance. Shares issued under the Plan shall be subject to the terms, conditions and restrictions determined by the Committee. The restrictions may include restrictions concerning transferability, repurchase by the Company and forfeiture of the Shares issued, together with such other restrictions as may be determined by the Committee. All Shares issued pursuant to this paragraph 8 shall be subject to a purchase agreement, which shall be executed by the Company and the prospective recipient of the Shares prior to the delivery of certificates representing such Shares to the recipient. The purchase agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The certificates representing the Shares shall bear any legends required by the Committee. The Company may require any purchaser of restricted stock to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the purchaser fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the purchaser, including salary, subject to applicable law. With the consent of the Committee, a purchaser may deliver Common Stock of the Company to the Company to satisfy this withholding obligation. Upon the issuance of restricted stock, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued.

9. Stock Appreciation Rights.

(a) Grant. Stock appreciation rights may be granted under the Plan by the Committee, subject to such rules, terms, and conditions as the Committee prescribes.

(b) Exercise.

(i) A stock appreciation right shall be exercisable only at the time or times established by the Committee. If a stock appreciation right is granted in connection with an option, the stock appreciation right shall be exercisable only to the extent and on the same conditions that the related option could be exercised. Upon exercise of a stock appreciation right, any option or portion thereof to which the stock appreciation right relates terminates. If a stock appreciation right is granted in connection with an option, upon exercise of the option, the stock appreciation right or portion thereof to which the option relates terminates.

(ii) The Committee may withdraw any stock appreciation right granted under the Plan at any time and may impose any conditions upon the exercise of a stock appreciation right or adopt rules and regulations from time to time affecting the rights of holders of stock appreciation rights. Such rules and regulations may govern the right to exercise stock appreciation rights granted before adoption or amendment of such rules and regulations as well as stock appreciation rights granted thereafter.

(iii) Each stock appreciation right shall entitle the holder, upon exercise, to receive from the Company in exchange therefor an amount equal in value to the excess of the fair market value on the date of exercise of one share of Class B Common Stock of the Company over its fair market value on the date of grant (or, in the case of a stock appreciation right granted in connection with an option, the option price per Share under the option to which the stock appreciation right relates), multiplied by the number of Shares covered by the stock appreciation right or the option, or portion thereof, that is surrendered. Payment by the Company upon exercise of a stock appreciation right may be made in Shares valued at fair market value, in cash, or partly in Shares and partly in cash, all as determined by the Committee.

(iv) For purposes of this paragraph 9, the fair market value of the Class B Common Stock of the Company on the date a stock appreciation right is exercised shall be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee, on the date the stock appreciation right is exercised, or if such date is not a trading day, then on the immediately preceding trading day.

(v) No fractional shares shall be issued upon exercise of a stock appreciation right. In lieu thereof, cash shall be paid in an amount equal to the value of the fractional share.

(vi) Each stock appreciation right granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or county of the holder's domicile at the time of death, and each stock appreciation right by its terms shall be exercisable during the holder's lifetime only by the holder; provided, however, that a stock appreciation right not granted in connection with an Incentive Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act.

(vii) Each participant who has exercised a stock appreciation right shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant including salary, subject to applicable law. With the consent of the Committee a participant may satisfy this obligation, in whole or in part, by having the Company withhold from any Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Common Stock of the Company to the Company to satisfy the withholding amount.

(viii) Upon the exercise of a stock appreciation right for Shares, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued. Cash payments of stock appreciation rights shall not reduce the number of Shares reserved for issuance under the Plan.

10. Changes in Capital Structure . If the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, plan of exchange, recapitalization, reclassification, stock split-up, combination of shares or dividend payable in shares, appropriate adjustment shall be made by the Committee in the number and kind of shares available for awards under the Plan, provided that this paragraph 10 shall not apply with respect

to transactions referred to in paragraph 11. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding options and stock appreciation rights, or portions thereof then unexercised, shall be exercisable, to the end that the optionee's proportionate interest is maintained as before the occurrence of such event. The Committee may also require that any securities issued in respect of or exchanged for Shares issued hereunder that are subject to restrictions be subject to similar restrictions. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any such adjustments made by the Committee shall be conclusive. In the event of a merger, consolidation or plan of exchange affecting the Company to which paragraph 11 does not apply, in lieu of providing for options and stock appreciation rights as provided above in this paragraph 10, the Committee may, in its sole discretion, provide a 30-day period prior to such event during which optionees shall have the right to exercise options and stock appreciation rights in whole or in part without any limitation on exercisability and upon the expiration of such 30-day period all unexercised options and stock appreciation rights shall immediately terminate.

11. Special Acceleration in Certain Events.

(a) Special Acceleration. Notwithstanding any other provisions of the Plan, a special acceleration ("Special Acceleration") of options and stock appreciation rights outstanding under the Plan shall occur with the effect set forth in paragraph 11(b) at any time when the shareholders of the Company approve one of the following ("Approved Transactions"):

(i) Any consolidation, merger, plan of exchange, or transaction involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock of the Company would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of the Common Stock of the Company immediately prior to the Merger have the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

(b) Effect on Outstanding Options and Stock Appreciation Rights. Except as provided below in this paragraph 11(b), upon a Special Acceleration pursuant to paragraph 11(a), all options and stock appreciation rights then outstanding under the Plan shall immediately become exercisable in full during the remainder of their terms; provided, the Committee may, in its sole discretion, provide a 30-day period prior to an Approved Transaction during which optionees shall have the right to exercise options and stock appreciation rights, in whole or in part, without any limitation on exercisability, and upon the expiration of such 30-day period all unexercised options and stock appreciation rights shall immediately terminate.

12. Corporate Mergers, Acquisitions, etc. The Committee may also grant options, stock appreciation rights, and stock bonuses and issue restricted stock under the Plan having terms, conditions and provisions that vary from those specified in this Plan, provided that any such awards are granted in substitution for, or in connection with the assumption of, existing options, stock appreciation rights, stock bonuses, and restricted stock, awarded or issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, plan of exchange, acquisition of property or stock, separation, reorganization or liquidation to which the Company or a parent or subsidiary corporation of the Company is a party.

13. Amendment of Plan. The Board of Directors may at any time, and from time to time, modify or amend the Plan in such respects as it shall deem advisable because of changes in the law while the Plan is in effect or for any other reason. Except as provided in paragraphs 6(f), 9, 10 and 11, however, no change in an award already granted shall be made without the written consent of the holder of such award.

14. Approvals. The obligations of the Company under the Plan are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange or trading system on which the Company's shares may then be listed or admitted for trading, in connection with the grants under the Plan. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Class B Common Stock under the Plan if such issuance or delivery would violate applicable state or federal securities laws.

15. Employment and Service Rights. Nothing in the Plan or any award pursuant to the Plan shall (i) confer upon any employee any right to be continued in the employment of the Company or any parent or subsidiary corporation of the Company or shall interfere in any way with the right of the Company or any parent or subsidiary corporation of the Company by whom such employee is employed to terminate such employee's employment at any time, for any reason, with or without cause, or to increase or decrease such employee's compensation or benefits, or (ii) confer upon any person engaged by the Company any right to be retained or employed by the Company or to the continuation, extension, renewal, or modification of any compensation, contract, or arrangement with or by the Company.

16. Rights as a Shareholder. The recipient of any award under the Plan shall have no rights as a shareholder with respect to any Shares until the date of issue to the recipient of a stock certificate for such Shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

NIKE, INC.

DEFERRED COMPENSATION PLAN

(Amended and Restated Effective June 1, 2004)

Prepared by:

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NIKE, INC. DEFERRED COMPENSATION PLAN

June 1, 2004 Restatement

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RECITALS

(a) NIKE, Inc. (the “Company”) adopted the Supplemental Executive Savings Plan effective February 1, 1994 (the “SESP”). The SESP was adopted to provide an opportunity for eligible employees to set aside additional amounts for retirement on a tax deferred basis and to provide a limited make-up of profit sharing contributions lost as a result of the limit on compensation under Section 401(a)(17) of the Internal Revenue Code of 1986 (the “Code”) under the Company’s 401(k) Savings and Profit Sharing Plan for employees of NIKE, Inc. (the “Profit Sharing Plan”). The SESP is a nonqualified deferred compensation plan for the benefit of a select group of management or highly-compensated employees of the Company.

(b) The Company adopted the Supplemental Executive Profit Sharing Plan effective as of June 1, 1995 (the “SEPSP”) to expand the make-up of profit sharing contributions lost under the Profit Sharing Plan and to separate the restoration provisions from the elective deferral provisions of the SESP.

(c) Effective as of January 1, 1998, the Company combined the SEPSP and the SESP and made certain other changes. The resulting plan was renamed the NIKE, Inc. Deferred Compensation Plan (the “Plan”). The Company amended and restated the Plan, effective as of January 1, 2000.

(d) Effective January 1, 2003, the Company amended and restated the Plan to reflect a change in trustee, the addition of an opportunity for Participants to defer payments under the Long Term Incentive Plan of NIKE, Inc., and other administrative changes in the Plan.

(e) Effective July 1, 2003, the Company amended and restated the Plan to clarify certain administrative provisions of the Plan.

(f) The Company wishes again to amend and restate the Plan to clarify treatment of long-term incentive payments made by certain of the Company’s subsidiaries and affiliates.

(g) Under the Plan, the Company is obligated to pay vested accrued benefits to Plan Participants and their Beneficiary or Beneficiaries from the Company’s general assets.

(h) In connection with the Plan, the Company has established an irrevocable trust (the “Trust”). The Company intends to make contributions to the Trust so that such contributions will be held by the Trustee and invested, reinvested and distributed, all in accordance with the provisions of this Plan and the Trust Agreement.

(i) The Company intends that amounts contributed to the Trust and the earnings thereon shall be used by the Trustee to satisfy the liabilities of the Company under the Plan in accordance with the procedures set forth herein.

(j) The Company intends that the Trust be a “grantor trust” with the principal and income of the Trust treated as assets and income of the Company for federal and state income tax purposes.

(k) The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.

(l) The Company intends that the existence of the Trust shall not alter the characterization of the Plan as “unfunded” for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and shall not be construed to provide income to Plan Participants prior to actual payment of the vested accrued benefits thereunder.

NOW THEREFORE, the Company does hereby adopt this amended and restated Plan as follows:

ARTICLE I

TITLE AND DEFINITIONS

1.1 Title

This Plan shall be known as the NIKE, Inc. Deferred Compensation Plan.

1.2 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

(a) “ **Account** ” means for each Participant the bookkeeping account maintained by the Retirement Committee that is credited with amounts equal to (1) the portion of the Participant’s Salary that he or she elects to defer, (2) the portion of the Participant’s Bonus that he or she elects to defer, (3) the portion of the Participant’s Incentive Payments that he or she elects to defer, (4) the portion of the Participant’s Fees that he or she elects to defer, (5) the portion of the Participant’s Long Term Incentive Payment that he or she elects to defer, (6) Company or Participating Employer contributions, if any, made to the Plan for the Participant’s benefit, and (7) adjustments to reflect deemed earnings pursuant to Section 4.1(e).

(b) “ **Actuarial Equivalent** ” means the actuarial present value determined by the actuary appointed by the Company, in accordance with generally accepted actuarial principles, with a discount for mortality using the 1983 Group Annuity Mortality Table and a discount for interest at the 30-year Treasury rate for July 1999 (5.98%).

(c) “ **Beneficiary** ” or “Beneficiaries” means the beneficiary last designated in writing by a Participant in accordance with procedures established by the Retirement Committee to receive the benefits specified hereunder in the event of the Participant’s death. No Beneficiary designation shall become effective until it is filed with the Retirement Committee during the Participant’s lifetime.

(d) “ **Board of Directors** ” or “Board” means the Board of Directors of the Company.

(e) “ **Bonus** ” means any cash-based incentive compensation (other than Incentive Payments and Long Term Incentive Payments) that is payable to a Participant in addition to the Participant’s Salary.

(f) “ **Change of Control** ” means any of the following:

(1) The purchase or other acquisition by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Act”), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of forty percent or more of either the outstanding shares of Class A and Class B common stock or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally;

(2) The approval by the stockholders of the Company of a reorganization, merger, or consolidation with respect to which persons who were stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than fifty percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated Company’s then-outstanding securities;

(3) A liquidation or dissolution of the Company; or

(4) A sale of all or substantially all of the Company’s assets.

(g) “ **Code** ” means the Internal Revenue Code of 1986, as amended.

(h) “ **Company** ” means NIKE, Inc. and any successor corporation to NIKE, Inc.

(i) “ **Company Stock** ” means NIKE, Inc. Class B common stock.

(j) “ **Compensation** ” means the Bonus, Incentive Payments, Fees, and Salary that the Participant earns for services rendered to the Company or a Participating Employer. For purposes of Sections 6.2 and 7.2 only, “Compensation” also includes Long Term Incentive Payments.

(k) “ **Consultant** ” means any person, including an advisor but excluding Directors, engaged by the Company or a Participating Employer to render services to the Company or a Participating Employer and designated by the Retirement Committee as eligible to participate in the Plan.

(l) “ **Director** ” means a non-Employee member of the Board.

(m) “ **Director’s 1999 Transition Retirement Benefit** ” means the Actuarial Equivalent of the Director’s Retirement Annuity as determined on September 1, 1999, divided by the fair market value of Company stock on September 1, 1999, and stated in units representing shares of Company Stock.

(n) “ **Director’s Retirement Annuity** ” means the projected annual retirement benefit payable to a Retired Director in the amount of eighteen thousand dollars (\$18,000), reduced proportionately for each year of service completed as a Director less than ten (but with no benefit if five or fewer years of service).

(o) “ **Disability** ” means a Participant’s long-term disability as defined in the Company’s or Participating Employer’s long-term disability plan for employees.

(p) “ **Distributable Amount** ” means the amount credited to a Participant’s Account.

(q) “ **Distribution Event** ” means, with respect to each Participant, the Participant’s termination of Service for any reason, including Retirement, death or Disability, or, if specified by the Participant, a specific date. A Participant’s Distribution Event election shall be made in writing at such time, on such form and subject to such terms and conditions as the Retirement Committee may specify.

(r) “ **Eligible Employee** ” means any Employee who is designated in writing as eligible to participate in the Plan by the Retirement Committee from among a select group of management or highly-compensated Employees of the Company or a Participating Employer.

(s) “ **Employee** ” means a common law employee of the Company or a Participating Employer performing services regularly in the United States or, if not performing services regularly in the United States, a common law employee of the Company or Participating Employer who is on U.S. payroll and participating in a Company-sponsored Global Transfer Program.

(t) “ **Fees** ” means, (i) in the case of non-employee members of the Board, annual cash fees paid by the Company, including retainer fees, Retirement Committee fees and meeting fees, paid by the Company as compensation for serving on the Board, and (ii) in the case of any other non-employee service provider, the cash fees paid to such individual for services rendered to the Company.

(u) “ **Fund** ” or “Funds” means one or more of the investment funds selected by the Retirement Committee pursuant to Section 3.3.

(v) “ **Incentive Payment** ” means that portion of Compensation that is variable and is directly related to a Participant’s sales performance. Long Term Incentive Payments are not included in Incentive Payments for purposes of the Plan.

(w) “ **Initial Election Period** ” means the 30-day period following the Eligible Employee’s date of hire (or appointment to the Board or commencement of services as a Consultant, as applicable) or, if later, upon first becoming an Eligible Employee, Director or Consultant.

(x) “ **Investment Return** ” means, for each Fund, an amount equal to the pre-tax rate of gain or loss on the assets of such Fund (net of applicable fund and investment charges) from one Valuation Date to the immediately following Valuation Date.

(y) “**Long Term Incentive Payment**” means:

(1) an amount payable to a Participant under the Long Term Incentive Plan;

(2) for payments made on or after August 1, 2004, an amount payable to a Participant under a plan or program established by a Participating Employer, and approved by the Company, to provide incentives to Employees of the Participating Employer to attain specified performance targets over a multi-year period; and

(3) an amount payable under the NIKE, Inc. 1990 Stock Incentive Plan pursuant to an award with terms similar to awards made under the Long Term Incentive Plan.

(z) “**Long Term Incentive Plan**” means the Long Term Incentive Plan of NIKE, Inc., as amended from time to time.

(aa) “**Participant**” means any Consultant, Director or Eligible Employee who elects to defer Compensation in accordance with Section 3.1.

(bb) “**Participating Employer**” means an entity directly or indirectly controlled by the Company or in which the Company has a significant equity or investment interest, which the Retirement Committee has designated as a Participating Employer in this Plan.

(cc) “**Payment Commencement Date**” means:

(1) in the case of distributions which are paid in the form of a cash lump sum payment under Sections 7.1(a) and 7.1(b), as soon as administratively practicable after the end of the calendar quarter during which the Participant terminates Service;

(2) in the case of distributions which are paid in the form of quarterly installments under Section 7.1(a), on or before the January 31 following the Plan Year during which the Participant terminates Service;

(3) in the case of distributions on account of Plan termination, distributions otherwise payable under (1) or (2) may be subject to earlier distribution at the discretion of the Committee.

(dd) “**Plan**” means the NIKE, Inc. Deferred Compensation Plan set forth herein, now in effect, or as amended from time to time.

(ee) “**Plan Year**” means the calendar year.

(ff) “**Predecessor Plans**” means the NIKE, Inc. Supplemental Executive Savings Plan and the NIKE, Inc. Supplemental Executive Profit Sharing Plan.

(gg) “**Profit Sharing Plan**” means the 401(k) Savings and Profit Sharing Plan for Employees of NIKE, Inc.

(hh) “ **Retirement** ” means the Participant’s termination of employment if at the time thereof the Participant has completed at least sixty (60) whole months of Service.

(ii) “ **Retired Director** ” or “Director’s Retirement” means the cessation of a Director’s services on the Board on or after age 65 with ten (10) years of service, but no later than age 72 if the Director commenced service as a Director after the Company’s 1993 fiscal year.

(jj) “ **Retirement Committee** ” means the Retirement Committee appointed by the Board to administer the Plan in accordance with Article VIII. Unless specified otherwise by the Board, the “Retirement Committee” shall mean the Retirement Committee established under the Profit Sharing Plan.

(kk) “ **Salary** ” means the Employee’s base salary for the Plan Year. Salary excludes any other form of compensation such as restricted stock, proceeds from stock options or stock appreciation rights, severance payments, moving expenses, car or other special allowance, adjustments for overseas employment other than the 12.5% transfer premium, or any other amounts included in an Eligible Employee’s taxable income that is not compensation for services. Deferral elections shall be computed before taking into account any reduction in taxable income by salary reduction under Code Sections 125 or 401(k), or under this Plan.

(ll) “ **Service** ” means performance of services for the Company (including any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, as determined by the Company for purposes of this Plan) or a Participating Employer as an Employee, Director or Consultant.

(mm) “ **Valuation Date** ” means each date on which Accounts are valued. The Retirement Committee shall establish the Valuation Dates under the Plan.

(1) For purposes of determining the value of each Participant’s Account balance, the Valuation Date means each day that the New York Stock Exchange is open for trading.

(2) For purposes of Unscheduled Withdrawals and Unforeseeable Emergencies, the Valuation Date means the date the Retirement Committee approves a request for an Unscheduled Withdrawal or Unforeseeable Emergency withdrawal.

(3) For purposes of calculating lump sum payments under Section 7.1, the Valuation Date means the last day of the calendar quarter preceding the Payment Commencement Date.

(4) For purposes of calculating the dollar amount of quarterly installment payments, the Valuation Date means the December 31 immediately preceding the year in which the installments are paid. As of the last day of each calendar quarter of each year in which installments are paid, the dollar amount of the quarterly installment payment will be deducted from the Participant’s Account based on the value of the Participant’s deemed investments on the last day of the calendar quarter.

(5) For purposes of determining the amount of the final installment payment, the Valuation Date means the December 31 of the Plan Year in which the final installment payment is made. The final installment payment will be equal to the Participant's remaining Account balance as of the Valuation Date.

(6) Any valuation under this Plan shall be based on the closing market prices of the investment Funds on the applicable Valuation Date or, if the Valuation Date is not a day on which the New York Stock Exchange is open for trading, the preceding such trading day.

(7) Payment amounts and deductions from Accounts are based on asset values as of the Valuation Date even though actual payments to the Participant may be delayed for an administratively reasonable period of time to allow for processing and reporting of payments and withholding of applicable taxes.

ARTICLE II PARTICIPATION

2.1 Participation

An Eligible Employee, Director or Consultant shall become a Participant in the Plan by electing to defer a portion of his or her Compensation in accordance with Section 3.1.

ARTICLE III DEFERRAL ELECTIONS

3.1 Elections to Defer Compensation

(a) **Initial Election Period**. Each Eligible Employee, Director or Consultant may elect to defer Compensation by filing an election with the Retirement Committee that conforms to the requirements of this Section 3.1, on a form provided by the Retirement Committee, no later than the last day of his or her Initial Election Period. Until modified, Deferral Elections filed with respect to the 1998 Plan Year shall supersede any and all prior deferral elections made in connection with the Predecessor Plans.

(b) **General Rule**. The amount of Compensation that an Eligible Employee, Director or Consultant may elect to defer is as follows:

- (1) Any whole percentage of Salary up to 100%;
- (2) Any whole percentage of Bonus up to 100%;
- (3) Any whole percentage of Incentive Payments up to 100%;
- (4) Any whole percentage of Fees up to 100%;

provided, however, that no election under this Section 3.1 or Section 3.4 shall be effective to reduce the Compensation and Long Term Incentive Payments paid to an Eligible Employee to an amount that is less than the amount necessary to pay applicable employment taxes (e.g., FICA, hospital insurance) payable with respect to amounts deferred hereunder, amounts necessary to satisfy any other benefit plan withholding obligations, any resulting income taxes payable with respect to Compensation that cannot be so deferred, and any amounts necessary to satisfy any wage garnishment or similar type obligations.

(c) Minimum Deferrals. For each full Plan Year during which the Eligible Employee is a Participant, the minimum dollar amount that may be deferred under this Section 3.1 is \$5,000 (\$1,000 in the case of Directors and Consultants).

(d) Effect of Initial Election. An election to defer Salary, Incentive Payments or Fees made during an Initial Election Period shall be effective as to Salary, Incentive Payments, and Fees earned beginning with the first pay period beginning after the Initial Election Period. Employees who first became Eligible Employees during a Plan Year may make an election to defer Bonuses payable in subsequent Plan Years by making deferral elections in accordance with subsections 3.1(e) and (f).

(e) Duration of Deferral Election. A Compensation deferral election made under paragraph (a) or paragraph (f) of this Section 3.1 shall remain in effect, notwithstanding any change in the Participant's Compensation until modified or terminated as provided herein. A Participant may irrevocably elect at any time to reduce the percentage to be deferred from Salary, Incentive Payments, and Fees earned in the remainder of the Plan Year to zero, but a Participant may not make any other election change during a Plan Year. Subject to the minimum deferral requirement of subsection (c) of this Section, the percentage of Salary, Bonus, Incentive Payments and Fees designated by the Participant for deferral may be modified by filing a new election, in accordance with the terms of this Section, with the Committee not later than December 15 (or such earlier date as the Committee may establish) of the year immediately preceding the beginning of the Plan Year for which the election shall be in effect. A Participant's deferral election shall terminate with respect to future Compensation upon the Participant's ceasing to be an Eligible Employee, Director or Consultant.

(f) Elections Other Than Elections During the Initial Election Period. Any Eligible Employee, Director or Consultant who fails to elect to defer Compensation during his or her Initial Election Period may subsequently become a Participant by filing an election, on a form provided by the Retirement Committee, to defer Compensation as described in paragraph (b) above. An election to defer Compensation must be filed no later than December 15 (or such earlier date as the Retirement Committee may establish) and will be effective for Salary, Incentive Payments and Fees earned beginning with the first pay period beginning on and after the beginning of the next succeeding Plan Year and for any Bonus payable in the next succeeding Plan Year.

(g) Director's 1999 Transition Election. Any Director as of September 1, 1999, shall have made an election on or before September 24, 1999, to either remain eligible for the Director's Retirement Annuity or to convert such annuity to the Director's 1999 Transition Retirement Benefit, in either case such benefit not payable until the Director's Retirement. In the event an electing Director converted the Director's Retirement Annuity, such election shall be irrevocable and paid as provided herein.

3.2 Company or Participating Employer Contributions

(a) Eligibility. An Eligible Employee who qualifies for a contribution for a Plan Year under the Profit Sharing Plan (or a Participating Employer's qualified retirement plan, if applicable) shall be eligible for a Company or Participating Employer contribution under this Plan for such Plan Year if he or she either (i) makes a Deferral Election under 3.1 for the Plan Year, or (ii) receives compensation under the Profit Sharing Plan (or Participating Employer's qualified retirement plan, if applicable) exceeding the Code § 401(a)(17) limit of \$200,000 (as indexed) for its Plan Year, or both.

(b) Contribution. An Eligible Employee who is eligible under subsection 3.2(a) shall be credited with a "Restoration Amount" for each Plan Year. "Restoration Amount" means the amount by which the Eligible Employee's allocated share of the "Profit Sharing Contribution" (as defined in the Profit Sharing Plan or the Participating Employer's qualified retirement plan) for the corresponding Plan Year under the Profit Sharing Plan or Participating Employer's qualified retirement plan would be higher if calculated on the basis of Compensation as defined in this Plan (i) determined before any reduction for deferral of Compensation under this Plan; and (ii) without regard to the Code § 401(a)(17) limit.

(c) Discretionary Contributions. In addition to contributions in accordance with Section 3.2(b), the Company or Participating Employer may, in its sole discretion, make discretionary contributions to the Accounts of one or more Participants at such times and in such amounts as the Board, the Participating Employer or the Retirement Committee may determine.

(d) Director's Retirement Contribution. In addition to any contributions made in accordance with Sections 3.2 (a)-(c), the Company shall credit to the Accounts of any electing Director the number of shares of Company Stock equivalent to the electing Director's 1999 Transition Retirement Benefit. The Company may contribute such shares corresponding to the total of all the electing Director's benefits, at such time and in such amount as the Board or the Committee may determine, provided that any shares so contributed shall remain in the name of the Company (or any trust established by the Company for this purpose), and shall be its sole property in which no electing Director shall have any separable interest.

3.3 Investment Elections

(a) Hypothetical Investment Funds . The Retirement Committee may, in its discretion, provide each Participant with a list of investment Funds available for hypothetical investment, and the Participant may designate, in a manner specified by the Retirement Committee, one or more Funds that his or her Account will be deemed to be invested in for purposes of determining the amount of earnings to be credited to that Account. The Retirement Committee may, from time to time, in its sole discretion select a commercially available fund to constitute the Fund actually selected. The Investment Return of each such commercially available fund shall be used to determine the amount of earnings to be credited to Participants' Accounts under Section 4.1(e).

(1) Deemed Investment Elections . In making the designation pursuant to this Section 3.3, the Participant may specify that all or any 1% multiple of his or her Account be deemed to be invested in one or more of the Funds offered by the Retirement Committee. Subject to such limitations and conditions as the Retirement Committee may specify, a Participant may change the designation made under this Section 3.3 in such manner and at such time or times as the Retirement Committee shall specify. If a Participant fails to elect a Fund under this Section 3.3, or if the Retirement Committee shall not provide Participants with a list of Funds pursuant to this Section 3.3, the Participant shall be deemed to have elected a money market fund.

(2) No Company Obligation . The Company may, but need not, acquire investments corresponding to those designated by the Participants hereunder, and it is not under any obligation to maintain any investment it may make. Any such investments, if made, shall be in the name of the Company, and shall be its sole property in which no Participant shall have any interest.

(b) Director's Plan Investments . A 1999 Director's Transition Retirement Plan Subaccount shall be maintained on behalf of each Director participating in the Plan. The entirety of an electing Director's 1999 Transition Retirement Benefit shall be maintained in the 1999 Transition Retirement Plan Subaccount, reflecting the number of shares of Company Stock in which the electing Director is vested and entitled to under the Plan as his or her 1999 Transition Retirement Benefit. The subaccount balance shall be expressed in units (denominated in shares of Company Stock). The number of units reflected in an electing Director's 1999 Transition Retirement Benefit subaccount shall be appropriately adjusted periodically to reflect any dividend, split, split-up or any combination or exchange, however, accomplished, with respect to the shares of Company Stock represented by such units.

3.4 Deferral of Long Term Incentive Payments

(a) Deferral Permitted . A Participant who is eligible for a potential Long Term Incentive Payment may elect to defer receipt of the Long Term Incentive Payment under the provisions of this Section 3.4. The deferral election shall be expressed as a percentage of the potential Long Term Incentive Payment, in a whole percentage between zero and 100.

(b) Timing of Deferral—General Rule. Long Term Incentive Payments generally are made in August of each year, based on actual financial performance compared against targets established by the Company or Participating Employer for the Company's or Participating Employer's three preceding fiscal years. In order to defer anticipated Long Term Incentive Payments under this Plan, a Participant must make a deferral election no later than the December 15 (or such earlier date as the Retirement Committee may establish) of the second calendar year preceding the calendar year in which the Long Term Incentive Payment (if any) is payable. For example, for the Long Term Incentive Payment that is anticipated to be paid in August 2004, the deferral election would have to be made no later than December 15, 2002. However, if the Company or Participating Employer provides for potential interim payouts of Long Term Incentive Payments at the end of the first fiscal year of a multi-year award period, then a Participant may make a deferral election with respect to such a potential first year interim payout at any time up to December 15 (or such earlier date as the Retirement Committee may establish) of the first calendar year preceding the calendar year in which the interim payout (if any) is payable.

(c) Form of Deferral. In order to defer Long Term Incentive Payments into this Plan, the Participant must irrevocably agree to receive the Long Term Incentive Payment in the form of cash and not as Company stock.

(d) Duration of Deferral Election. A deferral election under this Section 3.4 shall remain in effect from year to year until modified or terminated as provided herein. The percentage of Long Term Incentive Payments designated by the Participant for deferral may be modified by filing a new election, in accordance with the terms of this Section 3.4, with the Retirement Committee not later than December 15 (or such earlier date as the Retirement Committee may establish) of the second calendar year (or, with respect to potential first year interim payouts described in Section 3.4(b), December 15 of the first calendar year) preceding the beginning of the Plan Year for which the election shall be in effect.

(e) Irrevocable Election. Once the deadline established by the Retirement Committee for making or modifying a deferral election has passed, a Participant's election to defer receipt of a Long Term Incentive Payment under this Plan is irrevocable with respect to the Long Term Incentive Payment to which the deferral election relates.

(f) Administration. Long Term Incentive Payments deferred under this section shall be accounted for as part of the Participant's Account and subject to the investment, distribution, and other provisions applicable to such Accounts.

ARTICLE IV

ACCOUNTS

4.1 Participant Accounts

The Retirement Committee shall establish and maintain an Account for each Participant under the Plan. Each Participant's Account may be further divided into separate subaccounts ("investment fund subaccounts"), corresponding to investment Funds elected by the

Participant pursuant to Section 3.3 or as otherwise determined by the Retirement Committee to be necessary or appropriate for proper Plan administration. A Participant's Account shall be credited as follows:

(a) Salary, Incentive Payments and Fees Deferrals. As soon as practicable following the end of each applicable pay period, the Retirement Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to Salary, Incentive Payments or Fees deferred by the Participant during each pay period in accordance with the Participant's election; that is, the portion of the Participant's deferred Salary, Incentive Payments or Fees that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(b) Bonus Deferrals. As soon as practicable after each Bonus or partial Bonus would have been paid, the Retirement Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to the portion of the Bonus deferred by the Participant's election; that is, the portion of the Participant's deferred Bonus that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(c) Company or Participating Employer Contribution. As soon as practicable after the last day of the Plan Year or such earlier time or times as the Retirement Committee may determine, the Retirement Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to the portion, if any, of any Company or Participating Employer contribution made to or for the Participant's benefit in accordance with Section 3.2; that is, the portion of the Participant's Company or Participating Employer contribution, if any, that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(d) Long Term Incentive Payments. As soon as practicable after Long Term Incentive Payments are declared and payable, the Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to the portion of the Long Term Incentive Payment deferred by the Participant's election under Section 3.4.

(e) Investment Returns. On each Valuation Date, each investment fund subaccount of a Participant's Account shall be adjusted for deemed Investment Returns in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the preceding Valuation Date by the Investment Return for the corresponding Fund selected by the Company.

ARTICLE V

VESTING

5.1 Account

(a) Compensation Deferrals. A Participant's Account attributable to Compensation deferred by a Participant pursuant to the terms of this Plan, together with any amounts credited to the Participant's Account under Section 4.1(e) with respect to such deferrals, shall be 100% vested at all times.

(b) Company or Participating Employer Contributions. Unless specified otherwise by the Board, a Participating Employer or the Retirement Committee, the value of a Participant's Account attributable to any Company or Participating Employer contributions pursuant to Section 3.2, together with any amounts credited to the Participant's Account under Section 4.1(e) with respect to such amounts, shall be vested in the same proportion as the profit-sharing contributions made to the Participant's account in the Profit Sharing Plan or in the Participating Employer's qualified retirement plan for the corresponding plan year.

(c) Director's 1999 Transition Retirement Plan Investments. An electing Director's 1999 Transition Retirement Benefit, together with any earnings thereon, shall be 100 percent vested at all times.

(d) Long Term Incentive Payments. The portion of a Participant's Account attributable to Long Term Incentive Payments deferred by the Participant pursuant to Section 3.4, together with any investment returns credited to the Participant's Account under Section 4.1(e) with respect to such amounts, shall be 100 percent vested at all times.

ARTICLE VI

GENERAL DUTIES

6.1 Trustee Duties

The Trustee shall manage, invest and reinvest the Trust Fund as provided in the Trust Agreement. The Trustee shall collect the income on the Trust Fund, and make distributions therefrom, all as provided in this Plan and in the Trust Agreement.

6.2 Company Contributions

While the Plan remains in effect, the Company shall make contributions to the Trust Fund at least once each quarter. As soon as practicable after the close of each Plan quarter, the Company shall make an additional contribution to the Trust Fund to the extent that previous contributions to the Trust Fund for the current Plan quarter are less than the total of the Compensation deferrals made by each Participant plus Company or Participating Employer contributions, if any, accrued as of the close of the current Plan quarter. The Trustee shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under the Plan in accordance with the terms of this Plan.

6.3 Department of Labor Determination

In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Retirement Committee shall take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of all Participants.

ARTICLE VII

DISTRIBUTIONS

7.1 Distribution of Deferred Compensation — Termination of Service

(a) Retirement; Disability; Death

(1) Form of Payment. In the event a Participant's Service terminates as a result of Retirement, long-term disability (as defined in the Company's or Participating Employer's long-term disability plan for its employees) or death, and provided further that such Participant does not return to Service prior to the Payment Commencement Date, the Participant's Distributable Amount shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 15 years beginning on his or her Payment Commencement Date. If the Participant's Distributable Amount is paid in installments, the Participant's Account value shall continue to be adjusted for investment returns pursuant to Section 4.1(e) of the Plan and the installment amount shall be adjusted as of each December 31 for installments payable in the following year to reflect gains and losses until all amounts credited to the Participant's Account under the Plan have been distributed. Notwithstanding the foregoing, a Participant may, in lieu of quarterly installments over 15 years, elect a cash lump sum payment or quarterly installments over five or 10 years by filing an election with the Retirement Committee within 30 days of the date he or she first becomes a Participant.

(2) Change in Form. A Participant may change his or her form of distribution under this subsection 7.1(a) provided that his or her change is filed with the Retirement Committee at least one year prior to his or her Payment Commencement Date; otherwise, the most recent distribution election made by the Participant one (1) or more years prior to the Payment Commencement Date shall govern.

(3) Small Benefit Amounts. Notwithstanding the foregoing, if the Participant's Distributable Amount is \$25,000 or less, the Distributable Amount shall automatically be distributed in the form of a cash lump sum as soon as administratively practicable after the Participant's Payment Commencement Date.

(4) Section 162(m). Amounts payable pursuant to this subsection 7.1(a) shall be subject to the limitation on payout under Section 7.5.

(b) Other Termination. In the case of a Participant whose Service terminates for any reason other than Retirement, long-term disability, or death, the Participant's Distributable Amount shall be paid to the Participant in the form of a cash lump sum on the Participant's Payment Commencement Date, provided that no such distribution shall occur in the event the Participant returns to Service prior to the Payment Commencement Date.

(c) Death While Receiving Benefits. If the Participant is in pay status at the time of death, the Beneficiary shall be paid the remaining quarterly installments as they come due.

7.2 Scheduled and Unscheduled Withdrawals

(a) Scheduled Withdrawals. A Participant may, in connection with his or her Compensation deferral election for a Plan Year, specify a withdrawal (a "Scheduled Withdrawal") of all of his or her Account attributable to Compensation deferred for such Plan Year, subject to the following restrictions:

(1) Three Year Rule. A Participant's Scheduled Withdrawal election must specify a Scheduled Withdrawal date that is on a December 31 at least three years after the date the election is received by the Company.

(2) Procedure. The election to take a Scheduled Withdrawal shall be made by filing a form provided by and filed with the Retirement Committee.

(3) Amount Distributable. The amount payable to a Participant in connection with a Scheduled Withdrawal shall in all cases be 100 percent of the Compensation deferred for the Plan Year to which the Scheduled Withdrawal election applies, together with any earnings credited to such deferrals pursuant to Section 4.1(e), determined as of the Scheduled Withdrawal date, provided that:

(A) at the time of making a deferral election under Article III, a Participant may make a different Scheduled Withdrawal election for Long Term Incentive Payments than for other forms of Compensation deferred for the Plan Year; and

(B) no portion of the Account attributable to Company or Participating Employer contributions described in Section 3.2, if any, shall be eligible for Scheduled Withdrawal.

(4) Postponement. A Participant may, at least one year prior to a Scheduled Withdrawal date, revoke his or her Scheduled Withdrawal election in favor of a later Scheduled Withdrawal date that is at least one year later, provided that a Participant may not postpone a Scheduled Withdrawal more than twice.

(5) Form. Subject to Section 7.5, payment of a Scheduled Withdrawal shall be made in a single lump sum as soon as administratively practicable after the Scheduled Withdrawal date.

(6) Effect of Termination. A Participant's Scheduled Withdrawal election shall become void and of no effect upon termination of the Participant's Service for any reason before the Participant's Scheduled Withdrawal date. In such event, the distribution provisions of Section 7.1 shall apply.

(b) Unscheduled Withdrawals. Participants may request a withdrawal of amounts from their Accounts attributable to Compensation deferrals prior to termination of Service (an "Unscheduled Withdrawal") or a Scheduled Withdrawal. Upon receiving an Unscheduled Withdrawal request, the Retirement Committee shall determine, in its discretion as applied in a uniform and nondiscriminatory manner, whether to permit any such Unscheduled Withdrawal and the amount, if any, to be withdrawn, subject to the following restrictions:

(1) Procedure. The election to take an Unscheduled Withdrawal shall be made by filing a form provided by and filed with the Retirement Committee.

(2) Amount. The amount payable to a Participant in connection with an Unscheduled Withdrawal shall in all cases equal 90% of the amount requested by the Participant or, if lesser, 90% of the Unscheduled Withdrawal amount approved by the Retirement Committee; provided, however, that the maximum amount payable to a Participant in connection with an Unscheduled Withdrawal shall be 90% of the Distributable Amount as of the Valuation Date for Unscheduled Withdrawals, and provided further, that no portion of the amount attributable to Company or Participating Employer contributions pursuant to Section 3.2, if any, shall be eligible for an Unscheduled Withdrawal.

(3) Forfeiture. If a Participant receives an Unscheduled Withdrawal, the remaining portion of the requested or approved amount, as applicable (i.e., 10% of such amount), shall be permanently forfeited and neither the Company nor a Participating Employer shall have any obligation to the Participant or his Beneficiary with respect to such forfeited amount. The Company may use the forfeitures to pay Plan expenses, to reduce future Company contributions, or for any other legal purpose, consistent with the terms of the Trust.

(4) Suspension of Participation. If a Participant receives an Unscheduled Withdrawal, the Participant shall be ineligible to Participate in the Plan for the balance of the Plan Year in which the Unscheduled Withdrawal occurs and the following Plan Year.

(5) Limit on Unscheduled Withdrawals. A Participant shall be limited to two Unscheduled Withdrawals during the entire period of his or her Plan participation.

(6) Partial Unscheduled Withdrawals. An Unscheduled Withdrawal pursuant to this Section 7.2 of less than 90% of the Participant's Distributable Amount shall be made pro rata from his or her assumed investments according to the balances in such investments as of the Valuation Date for Unscheduled Withdrawals. Subject to the foregoing and subject to the Retirement Committee's approval, payment of any amount with respect to which a Participant has filed a request under this Section 7.2 shall be made in a single cash lump sum as soon as administratively practicable after the Unscheduled Withdrawal election is approved by the Retirement Committee.

7.3 Unforeseeable Emergency

The Retirement Committee may, pursuant to rules adopted by it and applied in a uniform manner, accelerate the date of distribution of a Participant's Account because of an Unforeseeable Emergency at any time. "Unforeseeable Emergency" shall mean an unforeseeable, severe financial condition resulting from (a) a sudden and unexpected illness or accident of the Participant or his or her dependent (as defined in Section 152(a) of the Code); (b) loss of the Participant's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, but which may not be relieved through other available resources of the Participant, as determined by the Retirement Committee in accordance with uniform rules adopted by it. Unless the Retirement Committee, in its discretion, determines otherwise, distribution pursuant to this subsection of less than the Participant's entire interest in the Plan shall be made pro rata from his or her assumed investments according to the balances in such investments as of the Valuation Date for Unforeseeable Emergencies. Subject to the foregoing, payment of any amount with respect to which a Participant has filed a request under this subsection shall be made in a single cash lump sum as soon as administratively practicable after the Retirement Committee approves the Participant's request.

7.4 Change of Control

Notwithstanding anything in this Article 7 to the contrary, including, but not limited to, Section 7.5 below, the Distributable Amount shall be paid to each Participant, or to the Beneficiary of each deceased Participant, within 30 days after the date of a Change of Control. Such amount shall be paid in such form as elected by the Participant with respect to a distribution by reason of the Participant's Retirement or, if no such election has been filed, in a lump sum.

7.5 Section 162(m) Limitation

If the Retirement Committee determines in good faith prior to a Change of Control that there is a reasonable likelihood that all or any portion of any payment of benefits under this Article 7 to a Participant would not be deductible for federal income tax purposes by the Company or a Participating Employer because of a limitation on the total amount of the Participant's deductible compensation from the Company or the Participating Employer, including any other such compensation already paid to the Participant earlier in the same fiscal year of the Company or Participating Employer, the following shall apply:

(a) Deferred Payment. Payment of the non-deductible amount shall be deferred until the first day of the following fiscal year of the Company or Participating Employer that employs the Participant;

(b) Additional Deferral. If the amount deferred under subsection (a) would exceed the limitation of the total amount of the Participant's deductible compensation from the Company or Participating Employer for the following fiscal year, the excess shall be deferred to the first day of the succeeding fiscal year in which the deductibility of compensation paid or payable to the Participant will not be so limited, subject to subsection (c);

(c) Limit on Deferral. In no event shall any payment be deferred under this Section 7.5 more than three years from the date scheduled for payment under this Section 7;

(d) Investment Returns. Adjustment for earnings shall continue to be applied under Section 4.1(e) during the period of deferral under this Section 7.5.

7.6 Inability To Locate Participant

In the event that the Retirement Committee is unable to locate a Participant or Beneficiary within two years following the Participant's Distribution Event, the amount allocated to the Participant's Deferral Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit (calculated immediately prior to the forfeiture) shall be reinstated without interest or earnings.

ARTICLE VIII ADMINISTRATION

8.1 Retirement Committee

A Retirement Committee shall be appointed by, and serve at the pleasure of, the Board. The number of members comprising the Retirement Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Retirement Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Retirement Committee shall be filled promptly by the Board.

8.2 Retirement Committee Action

The Retirement Committee shall act at meetings by affirmative vote of a majority of the members of the Retirement Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Retirement Committee and such written consent is filed with the minutes of the proceedings of the Retirement Committee. A member of the Retirement Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman or any other member or members of the Retirement Committee designated by the chairman may execute any certificate or other written direction on behalf of the Retirement Committee.

8.3 Powers and Duties of the Retirement Committee

(a) General. The Retirement Committee, on behalf of the Participants and their Beneficiaries, shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (1) To select the funds to be the Funds in accordance with Section 3.3 hereof;

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- (2) To construe and interpret the terms and provisions of this Plan;
 - (3) To amend, modify, suspend or terminate the Plan in accordance with Section 9.4;
 - (4) To compute and certify the amount and kind of benefits payable to Participants and their Beneficiaries and to direct the Trustee as to the distribution of Plan assets;
 - (5) To maintain all records that may be necessary for the administration of the Plan;
 - (6) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
 - (7) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof; and
 - (8) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Retirement Committee may from time to time prescribe.

8.4 Construction and Interpretation

The Retirement Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company, the Participating Employers, and any Participant or Beneficiary. The Retirement Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

8.5 Information

To enable the Retirement Committee to perform its functions, the Company and Participating Employers shall supply full and timely information to the Retirement Committee on all matters relating to the Compensation of all Participants, their death or other cause of termination, and such other pertinent facts as the Retirement Committee may reasonably require.

8.6 Compensation, Expenses and Indemnity

- (a) The members of the Retirement Committee shall serve without compensation for their services hereunder.

(b) The Retirement Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of the Plan shall be paid by the Company.

(c) To the extent permitted by applicable state law, the Company and Participating Employers shall indemnify and save harmless the Retirement Committee and each member thereof, the Board and any delegate of the Retirement Committee who is an employee of the Company or a Participating Employer against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or a Participating Employer or provided by the Company or a Participating Employer under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

8.7 Quarterly Statements

Under procedures established by the Retirement Committee, a Participant shall receive a statement with respect to such Participant's Account on a quarterly basis.

ARTICLE IX

CLAIMS PROCEDURE

9.1 Submission of Claim

Benefits shall be paid in accordance with the provisions of this Plan. The Participant, or any person claiming through the Participant, ("Claiming Party") shall make a written request for benefits under this Plan, mailed or delivered to the Retirement Committee. Such claim shall be reviewed by the Retirement Committee or its delegate.

9.2 Denial of Claim

If a claim for payment of benefits is denied in full or in part, the Retirement Committee or its delegate shall provide a written notice to the Claiming Party within ninety (90) days setting forth: (a) the specific reasons for denial; (b) any additional material or information necessary to perfect the claim; (c) an explanation of why such material or information is necessary; and (d) an explanation of the steps to be taken for a review of the denial. A claim shall be deemed denied if the Retirement Committee or its delegate does not take any action within the aforesaid ninety (90) day period).

9.3 Review of Denied Claim

If the Claiming Party desires review of a denied claim, the Claiming Party shall notify the Retirement Committee or its delegate in writing within sixty (60) days after receipt of the written notice of denial. As part of such written request, the Claiming Party may request a review of the Plan document or other pertinent documents, may submit any written issues and comments, and may request an extension of time for such written submission of issues and comments.

9.4 Decision upon Review of Denied Claim

The decision on the review of the denied claim shall be rendered by the Retirement Committee within sixty (60) days after receipt of the request for review. The decision shall be in writing and shall state the specific reasons for the decision, including reference to specific provisions of the Plan on which the decision is based.

ARTICLE X MISCELLANEOUS

10.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company or any Participating Employer. No assets of the Company or a Participating Employer shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's and Participating Employers' assets shall be, and remain, the general unpledged, unrestricted assets of the Company or Participating Employers, as applicable. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

10.2 Restriction Against Assignment

The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Retirement Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Retirement Committee shall direct.

10.3 Withholding

There shall be deducted from each payment made under the Plan all taxes, which are required to be withheld by the Company in respect to such payment. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

10.4 Amendment, Modification, Suspension or Termination

The Retirement Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of the Plan or any Plan amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Plan is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Section 7.1, subject to earlier distribution at the discretion of the Retirement Committee.

10.5 Governing Law

This Plan shall be construed, governed and administered in accordance with the laws of the State of Oregon.

10.6 Receipt or Release

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Retirement Committee, the Company, and the Participating Employers. The Retirement Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.7 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Retirement Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Retirement Committee may direct that such payment be made to any person found by the Retirement Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Retirement Committee, the Company, and the Participating Employers.

10.8 No Employment Rights

Participation in this Plan shall not confer upon any person any right to be employed by the Company or a Participating Employer or any other right not expressly provided hereunder.

10.9 Headings, etc. Not Part of Agreement.

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

10.10 Tax Liabilities from Plan

If, due to a change in applicable law or regulations or enforcement activity by the Internal Revenue Service, all or any portion of a Participant's benefit under this Plan generates a state or federal income tax liability to the Participant prior to receipt, the provision or provisions of the Plan that would generate such taxation shall be considered null and void to the extent, and only to the extent, necessary to avoid the tax liability. If, notwithstanding the actions taken to avoid the tax liability, a tax liability is generated before a Participant is eligible to receive a Plan benefit, each affected Participant may petition the Retirement Committee for a distribution of funds sufficient to meet such liability (including additions to tax, penalties and interest). Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Company shall distribute to the Participant immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such taxation, which liability shall be measured by using that Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. At the discretion of the Company, this distribution may or may not include an additional amount to "gross up" the tax liability distribution to include all applicable taxes on the tax liability distribution and the grossed up amount. If the petition is granted, the tax liability distribution (including gross-up) shall be made as soon as practicable after the date when the Participant's petition is granted. Such a distribution shall reduce the benefits to be paid under Article VII of the Plan.

IN WITNESS WHEREOF, the Company has caused this document to be executed by its duly authorized officer on this ___day of _____, 2004.

NIKE, INC.

By: _____

Title: _____

NIKE, INC. COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended May 31,		
	2004	2003	2002
		(In millions)	
Net income	\$ 945.6	\$ 474.0	\$ 663.3
Income taxes	504.4	382.9	349.0
Cumulative effect of accounting change	—	266.1	5.0
Income before income taxes and cumulative effect of accounting change	1,450.0	1,123.0	1,017.3
Add fixed charges			
Interest expense (A)	40.6	43.7	49.3
Interest component of leases (B)	68.9	61.1	53.3
Total fixed charges	109.5	104.8	102.6
Earnings before income taxes and fixed charges (C)	\$1,559.2	\$1,227.0	\$1,118.2
Ratio of earnings to total fixed charges	14.2	11.7	10.9

(A) Interest expense includes interest both expensed and capitalized.

(B) Interest component of leases includes one-third of rental expense, which approximates the interest component of operating leases.

(C) Earnings before income taxes and fixed charges is exclusive of capitalized interest.

SUBSIDIARIES OF THE REGISTRANT

NIKE, Inc. has 41 wholly-owned subsidiaries, 7 of which operate in the United States, and 34 of which operate in foreign countries. All of the subsidiaries, except for NIKE IHM, Inc., Triax Insurance, Inc., and NIKE Suzhou Sports Co. Ltd. carry on the same line of business, namely the design, marketing, distribution and sale of athletic and leisure footwear, apparel, accessories, and equipment. NIKE IHM, Inc., a Missouri corporation, manufactures plastics and Air-Sole shoe cushioning components. Triax Insurance, Inc., a Hawaii corporation, is a captive insurance company that insures the Company for certain risks. NIKE Suzhou Sports Co. Ltd., a Chinese corporation, manufactures footwear in the People's Republic of China.

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Philip H. Knight, certify that:

1. I have reviewed this annual report on Form 10-K of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

/s/ P HILIP H. K NIGHT
Philip H. Knight
Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Donald W. Blair, certify that:

1. I have reviewed this annual report on Form 10-K of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

/s/ DONALD W. BLAIR
Donald W. Blair
Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certifications are being made to accompany the Registrant's annual report on Form 10-K for the fiscal year ended May 31, 2004:

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Annual Report on Form 10-K of the Company for the fiscal year ended May 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2004

/s/ P HILIP H. K NIGHT

Philip H. Knight
Chief Executive Officer

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Annual Report on Form 10-K of the Company for the fiscal year ended May 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2004

/s/ DONALD W. BLAIR
Donald W. Blair
Chief Financial Officer