

NIKE INC

FORM 10-K (Annual Report)

Filed 09/02/97 for the Period Ending 05/31/97

Address	ONE BOWERMAN DR BEAVERTON, OR 97005-6453
Telephone	5036713173
CIK	0000320187
Symbol	NKE
SIC Code	3021 - Rubber and Plastics Footwear
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

NIKE INC

FORM 10-K (Annual Report)

Filed 8/29/1997 For Period Ending 5/31/1997

Address	ONE BOWERMAN DR BEAVERTON, Oregon 97005-6453
Telephone	503-671-3173
CIK	0000320187
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
[FEE REQUIRED] FOR THE FISCAL YEAR ENDED MAY 31, 1997

OR

/ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 [NO FEE REQUIRED] FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-10635

NIKE, INC.

(Exact name of Registrant as specified in its charter)

OREGON 93-0584541

(State or other jurisdiction of (IRS Employer Identification No.)

incorporation)

ONE BOWERMAN DRIVE

BEAVERTON, OREGON 97005-6453

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (503) 671-6453

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

(TITLE OF EACH CLASS)

(NAME OF EACH EXCHANGE
ON WHICH REGISTERED)

Class B Common Stock

New York Stock Exchange
Pacific Stock Exchange

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

As of July 25, 1997, the aggregate market value of the Registrant's Class A Common Stock held by nonaffiliates of the Registrant was

\$258,578,092 and the aggregate market value of the Registrant's Class B Common Stock held by nonaffiliates of the Registrant was \$11,501,675,310.

As of July 25, 1997, the number of shares of the Registrant's Class A Common Stock outstanding was 101,507,153 and the number of shares of the Registrant's Class B Common Stock outstanding was 188,378,576

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of Registrant's Proxy Statement dated August 13, 1997 for the annual meeting of shareholders to be held on September 22, 1997 are incorporated by reference into Part III of this Report.

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. //

NIKE, INC.
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 herein, the terms "NIKE" and the "Company" refer to NIKE, Inc. and its predecessors, subsidiaries and affiliates, unless the context indicates otherwise.

The Company's principal business activity involves 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. The Company sells its products to approximately 19,700 retail accounts in the United States and through a mix of independent distributors, licensees and subsidiaries in approximately 110 countries around the world. Virtually all of the Company's products are manufactured by independent contractors. Most footwear products are produced outside the United States, while apparel 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. The Company places considerable emphasis on high quality construction and innovative design. Basketball, cross-training, running, women's and children's shoes are currently the top-selling product categories and are expected to continue to lead in product sales in the near future. However, the Company also markets shoes designed for outdoor activities, tennis, golf, soccer, baseball, football, bicycling, volleyball, wrestling, cheerleading, aquatic activities and other athletic and recreational uses.

The Company sells active sports apparel covering each of the above categories, as well as athletic bags and accessory items. NIKE apparel and accessories are designed to complement the Company's athletic footwear products, feature the same trademarks and are sold through the same marketing and distribution channels. The Company often markets footwear, apparel and accessories in "collections" of similar design or for specific purposes.

The Company sells a line of performance equipment under the NIKE brand name, including sport balls, timepieces, eyewear, skates, and other equipment designed for sports activities.

The Company also sells a line of dress and casual footwear and accessories for men, women and children under the brand name Cole Haan-Registered Trademark-through its wholly-owned subsidiary, Cole Haan Holdings Incorporated. The Company markets a line of headwear with licensed team logos under the brand name "Sports Specialties", through its wholly-owned subsidiary, Sports Specialties Corporation. The Company also sells small amounts of various plastic products to other manufacturers through its wholly-owned subsidiary, Tetra Plastics, Inc.

In 1995 the Company acquired Bauer Inc., formerly Canstar Sports Inc., the world's largest hockey equipment manufacturer. Bauer manufactures and distributes ice skates, skate blades, in-line roller skates, protective gear, hockey sticks, and hockey jerseys and accessories under the Bauer-Registered Trademark-brand name. Bauer also offers a full selection of products for street, roller and field hockey.

SALES AND MARKETING

The table below sets forth certain information regarding the Company's United States and inter-national (non-U.S.) revenues for the last three fiscal years.

YEAR ENDED MAY 31,	1997	%CHG	1996	%CHG	1995	%CHG
United States Footwear...	\$ 3,770,600	36%	\$ 2,772,500	20%	\$ 2,309,400	24%
United States Apparel....	1,431,000	70	842,500	99	423,900	25
Total United States....	5,201,600	44	3,615,000	32	2,733,300	24
Non-U.S. Footwear.....	2,391,000	42	1,682,300	35	1,244,300	25
Non-U.S. Apparel.....	1,089,800	67	651,400	38	472,700	32
Total Non-U.S.....	3,480,800	49	2,333,700	36	1,717,000	27
Other Brands.....	504,100	(3)	521,900	68	310,600	38
Total NIKE.....	\$ 9,186,500	42%	\$ 6,470,600	36%	\$ 4,760,900	26%

Financial information about United States and non-U.S. operations appears in Note 15 of the consolidated financial statements on page 35.

The Company experiences 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 and apparel.

Because NIKE is a consumer products company, the relative popularity of various sports and fitness activities and changing design trends affect the demand for the Company's products and, consequently, the types of products the Company offers. This is a continuing risk. The Company 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.

UNITED STATES MARKET

During fiscal 1997, sales to the Company's approximately 19,700 retail accounts in the United States accounted for approximately 60 percent of total revenues. The domestic retail account base includes a mix of department stores, footwear stores, sporting goods stores, skating, tennis and golf shops, and other retail accounts. During fiscal year 1997, NIKE's three largest customers accounted for approximately 29 percent of sales in the United States.

NIKE makes substantial use of its innovative "futures" ordering program, which allows retailers to order five to six months in advance of delivery with the guarantee that 90 percent of their orders will be delivered within a set time period at a fixed price. In fiscal year 1997, 93 percent of the Company's domestic footwear shipments (excluding Cole Haan-Registered Trademark- and Bauer-Registered Trademark-) were made under the futures program, compared to 88 percent in fiscal 1996 and 88 percent in fiscal 1995. In fiscal 1997, 86% of the Company's domestic apparel shipments were made under the futures program.

The Company utilizes 18 NIKE sales offices for the solicitation of sales in the United States. The Company also utilizes 15 independent sales representatives for the sale of specialty products, such as golf, cycling, water sports and outdoor wear. In addition, the Company operates 86 wholly-owned retail outlets, 39 of which carry primarily B-grade and close-out merchandise, 31 of which are Cole Haan-Registered Trademark- stores, 9 of which are high-profile NIKETOWN stores designed to showcase the Company's products, and 5 of which are employee-only stores.

The Company's domestic distribution centers for footwear are located in Beaverton, Oregon, Wilsonville, Oregon, Memphis, Tennessee, and Greenland, New Hampshire. Apparel products are shipped from the Memphis distribution center and from Greenville, North Carolina. Cole Haan footwear and

Bauer Inc. products are distributed primarily from Greenland, New Hampshire, and Sports Specialties headwear is shipped from Irvine, California.

INTERNATIONAL MARKETS

The Company currently markets its products in approximately 110 countries outside of the United States through independent distributors, licensees, subsidiaries and branch offices. NIKE operates 26 distribution centers in Europe, Asia, Canada, Latin America, and Australia, and also distributes through independent distributors and licensees. The Company estimates that its products are sold through approximately 31,000 retail accounts outside the United States. Non-U.S. sales accounted for 38 percent of total revenues in fiscal 1997, compared to 36 percent in fiscal 1996 and 37 percent in fiscal 1995. In many countries, including Japan and those in Europe, the Company has a futures ordering program for retailers similar to the United States futures program described above. The Company is developing the program in other countries. Outside of the United States, NIKE's three largest customers accounted for approximately 5 percent of non-U.S. sales.

International branch offices and subsidiaries of NIKE are located in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Costa Rica, Denmark, Finland, France, Germany, Hong Kong, Indonesia, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, The Netherlands, Norway, Peoples Republic of China, The Philippines, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom, and Vietnam. The Company operates 19 wholly-owned retail outlets outside the United States.

SIGNIFICANT CUSTOMERS

Foot Locker, a chain of retail stores specializing in athletic footwear and apparel, accounted for approximately 12 percent of global net sales of NIKE brand products during fiscal 1997. No other customer accounted for 10 percent or more of net sales during fiscal 1997.

ORDERS

As of May 31, 1997, the Company's worldwide futures orders for athletic footwear and apparel totaled \$4.9 billion, compared to \$3.9 billion as of May 31, 1996. Such orders are scheduled for delivery from June through November of 1997. Based upon historical data, the Company expects that approximately 95 percent of these orders will be filled in that time period, although the orders may be cancelable.

PRODUCT RESEARCH AND DEVELOPMENT

The Company believes that its research and development efforts are a key factor in its 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 or eliminate injury, aid athletic performance and maximize comfort.

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

In fiscal 1997, NIKE spent approximately \$73.2 million on product research, development and evaluation, compared to \$46.8 million in 1996, and \$28.8 million in 1995.

MANUFACTURING

In fiscal 1997, approximately 51 percent of the Company's total apparel production for sale to the United States market was manufactured in the United States by independent contract manufacturers, most

of which are located in the southern states. The remainder was manufactured by independent contractors in Asia and South America, most of which are located in Bangladesh, Hong Kong, Indonesia, Malaysia, The Philippines, Singapore, Sri Lanka, Taiwan, and Thailand. Substantially all of NIKE's apparel production for sale to the international market was manufactured outside the U.S.

Virtually all of the Company's footwear (exclusive of Cole Haan-Registered Trademark-) is produced outside of the United States. In fiscal 1997, contract suppliers in Indonesia, the People's Republic of China, Thailand, Vietnam, South Korea, and Taiwan accounted for approximately 37 percent, 37 percent, 10 percent, 8 percent, 5 percent, and 3 percent, respectively, of total NIKE brand footwear production. The Company also has manufacturing agreements with independent factories in Argentina, Brazil, Italy, Mexico and the Philippines. The largest single supplier accounted for approximately 7 percent of total 1997 footwear production.

The principal materials used in the Company's footwear products are natural and synthetic rubber, vinyl and plastic compounds, foam cushioning materials, nylon, leather, canvas, and a polyurethane film used to make AIR-SOLE-Registered Trademark- cushioning components. The principal materials used in the Company's 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. NIKE has thus far experienced little difficulty in satisfying its raw material requirements. Tetra Plastics, Inc., a wholly-owned subsidiary of NIKE, is the Company's sole supplier of the material from which the AIR-SOLE-Registered Trademark- cushioning components used in footwear are made.

The Company's international operations are subject to the usual risks of doing business abroad, such as possible revaluation of currencies, export duties, quotas, restrictions on the transfer of funds and, in certain parts of the world, political instability. See "Trade Legislation" below. NIKE has not, to date, been materially affected by any such risk, but cannot predict the likelihood of such developments occurring. The Company believes that it has the ability to develop, over a period of time, adequate alternative sources of supply for the products obtained from its present suppliers outside of the United States. If events prevented the Company from acquiring products from its suppliers in a particular country, the Company's footwear operations could be temporarily disrupted and the Company could experience an adverse financial impact. However, the Company believes that it could eliminate any such disruption within a period of no more than 12 months, and that any adverse impact would, therefore, be of a short-term nature. The Company believes that its principal competitors are subject to similar risks.

All Company products manufactured overseas and imported into the United States are subject to duties collected by the United States Customs Service. Customs information submitted by the Company is routinely subject to review by the Customs Service. The Company is unable to predict whether additional United States customs duties, quotas or other restrictions may be imposed on the importation of its products in the future. The enactment of any such duties, quotas or restrictions could result in increases in the cost of such products generally and might adversely affect the sales or profitability of the Company and the imported footwear and apparel industry as a whole.

Since 1972, Nissho Iwai American Corporation ("NIAC"), a subsidiary of Nissho Iwai Corporation, a large Japanese trading company, has performed significant financing and export-import services for the Company. The Company purchases through NIAC substantially all of the athletic footwear and apparel it acquires from overseas suppliers. The Company's agreements with NIAC extend through 2000, and the Company expects that the relationship will be continued beyond that date.

TRADE LEGISLATION

In June 1997, President Clinton extended to June 1998 "most favored nation" (MFN) non-discriminatory trading status to the People's Republic of China (China) and Congress supported the President's decision. Under U.S. law, MFN status for China is extended annually. The United States has extended MFN status to China each year since 1980. China is a material source of footwear production for the

Company. A revocation of MFN status would result in a substantial increase in tariff rates on goods imported from China, and, therefore could adversely affect the Company's operations. While the United States continues to have foreign policy as well as human rights concerns with China, the Clinton Administration and the Congress have opposed using China's MFN status as a means of addressing these concerns. However, even if NIKE's Chinese sources were affected by a change in China's MFN status, the Company believes that the impact of such change would not have a long term, material adverse impact on the Company's business.

Certain countries within the European Community have for some time maintained quotas restricting the importation of footwear manufactured in China. With respect to such quotas, see the discussion in Item 7 below.

In 1994, the 125 member nations of the General Agreement on Tariffs and Trade (GATT), including the United States, signed a new pact to govern world trade. The new agreement, which was approved by Congress in 1995 and became effective January 1, 1995 for most countries, should provide better international market access opportunities for U.S. goods and services. The agreement, among other things, significantly cuts global tariffs on many products, reduces or eliminates numerous non-tariff measures (such as quotas and discriminatory product standards), establishes stronger rules on the imposition of duties relating to the anti-dumping and subsidies codes, provides greater protection for intellectual property rights, and creates a strengthened dispute settlement procedure. NIKE believes that the new agreement, once fully implemented by all countries, will reduce many of the obstacles to international trade and benefit the Company.

In 1995, President Clinton officially restored diplomatic relations between the United States and Vietnam. The President's action is a step toward restoration of full trade relations including the United States granting non-discriminatory MFN trading status to Vietnam which would result in lower tariffs between the two countries. The Company is currently sourcing footwear and apparel products from factories in Vietnam. MFN trading status for Vietnam could expand production and marketing opportunities for NIKE in Vietnam.

COMPETITION

The athletic footwear, apparel and equipment industry is keenly competitive in the United States and on a worldwide basis. NIKE competes internationally with an increasing number of specialized athletic shoe companies, apparel companies, sports equipment companies, and large companies having diversified lines of athletic shoes, apparel and equipment including Reebok, Adidas and others. The intense competition and the rapid changes in technology and consumer preferences in the athletic footwear, apparel and equipment markets constitute significant risk factors in the Company's 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. The Company believes that it is competitive in all of these areas.

TRADEMARKS AND PATENTS

NIKE utilizes trademarks on nearly all of its products and believes that having distinctive marks that are readily identifiable is an important factor in creating a market for its goods, in identifying the Company and in distinguishing its goods from the goods of others. The Company considers its NIKE-Registered Trademark- and Swoosh-Registered Trademark- design trademarks to be among its most valuable assets and has registered these trademarks in over 100 countries. In addition, the Company owns other trademarks which it utilizes in marketing its products. NIKE continues to vigorously protect its trademarks against infringement.

The Company 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 expire in 1997, enabling competitors to use certain types of NIKE Air technology. Subsequent NIKE Air patents will not expire for several years. The Company also has a number of patents covering components and features used in various athletic and leisure shoes. Management believes that NIKE's success depends upon skills in design, research and development, production and marketing rather than upon its patent position. However, it has followed a policy of filing applications for United States and foreign patents on inventions, designs and improvements that it deems valuable.

EMPLOYEES

The Company had approximately 21,800 employees at May 31, 1997. Management considers its relationship with its employees to be excellent. With the exception of Bauer Inc., the Company's employees are not represented by a union. Of Bauer's North American employees, approximately 50 percent or fewer than 1,400, are covered by four union collective bargaining agreements with four separate bargaining units, and all of Bauer's approximately 190 employees in Italy are covered by three collective bargaining agreements. The collective bargaining agreements expire on various dates in 1997 through 1999. There has never been a material interruption of operations due to labor disagreements.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company as of July 31, 1997 are as follows:

Philip H. Knight, Chief Executive Officer--Mr. Knight, 59, a director since 1968, is Chief Executive Officer and Chairman of the Board of Directors of NIKE. Mr. Knight is a co-founder of the Company and, except for the period from June 1983 through September 1984, served as its President from 1968 to 1990. Prior to 1968, Mr. Knight was a certified public accountant with Price Waterhouse LLP and Coopers & Lybrand and was an Assistant Professor of Business Administration at Portland State University.

Jeffrey M. Cava, Vice President, Global Human Resources--Mr. Cava, 45, has been employed by the Company since 1996, with primary responsibility for NIKE's Global Human Resources. Previous to NIKE, Mr. Cava held the position of Vice President, Human Resources, Walt Disney Consumer Products, Burbank, California.

Thomas E. Clarke, President and Chief Operating Officer--Dr. Clarke, 46, a director since 1994, joined the Company in 1980. Dr. Clarke has held various positions with the Company, primarily in research, design, development and marketing. He was appointed divisional vice president in charge of marketing in 1987. He was elected Vice President in 1989 and appointed General Manager in 1990. Dr. Clarke holds a Doctorate degree in biomechanics.

Gary M. DeStefano, Vice President, Sales--Mr. DeStefano, 40, has been employed by the Company since 1982, with primary responsibilities in sales and customer service. Mr. DeStefano was appointed Director of Domestic Sales in 1990, divisional Vice President in charge of domestic sales in 1992, and Vice President of Sales in June 1996.

Elizabeth G. Dolan, Vice President, Corporate Communications and Marketing--Ms. Dolan, 40, has been employed by the Company since 1988, when she joined the Company as Director of Public Relations. Ms. Dolan was appointed Vice President of Corporate Communications in 1990 and was elected Vice President of Marketing in 1994. Prior to joining the Company, Ms. Dolan was Director of Public Relations at Cartier, Inc. in New York.

Robert S. Falcone, Vice President and Chief Financial Officer--Mr. Falcone, 50, has been employed by the Company since 1990. Mr. Falcone joined the Company as Director of Acquisitions. From May, 1991 through November, 1991, he also served as interim Director of Human Resources, and he was elected Vice

President and Chief Financial Officer in 1992. Prior to joining the Company, Mr. Falcone worked for 21 years as a certified public accountant for Price Waterhouse LLP.

Stephen D. Gomez, Vice President, Apparel--Mr. Gomez, 42 has been employed by the Company since 1981, with primary responsibilities in apparel. He was appointed General Manager of European Apparel in 1987, and Apparel Marketing Director in 1989. Mr. Gomez was appointed divisional Vice President in charge of Apparel in 1992, and was elected Vice President of Apparel in June 1996.

Clare L. Hamill, Vice President, Footwear--Ms Hamill, 42, has been employed by the Company since 1981. She began in NIKE's Sports Lab and has held management position in both footwear and apparel. She directed Footwear and Apparel Product Management in Europe from 1989 to 1992. She became Vice President and General Manager of Footwear in 1993.

Timothy J. Joyce, Vice President, Global Sales--Mr. Joyce, 41, has been employed by the Company since 1980, with primary responsibilities in Sales. He was appointed Regional Sales Manager in 1987, Director of USA Footwear Sales in 1990 and Director of European Sales in 1994. Mr. Joyce was appointed Divisional Vice President in charge of Global Sales in 1997.

Mark G. Parker, Vice President and General Manager, Consumer Product Marketing--Mr. Parker, 40, has been employed by the Company since 1979 with primary responsibilities in product research, design and development. Mr. Parker was appointed divisional Vice President in charge of development in 1987, elected Vice President in 1989, and appointed General Manager in 1993.

Lindsay D. Stewart, Vice President Legal and Corporate Affairs and Assistant Secretary-- Mr. Stewart, 50, joined the Company as Assistant Corporate Counsel in 1981. Mr. Stewart became Corporate Counsel in 1983. He was elected Vice President and General Counsel in 1991. Prior to joining the Company, Mr. Stewart was in private practice and an attorney for Georgia-Pacific Corporation.

David B. Taylor, Vice President--Mr. Taylor, 42, has been employed by the Company since 1977, with primary responsibilities in production. Mr. Taylor was appointed divisional Vice President in charge of production in 1988, and was elected Vice President in 1989.

ITEM 2. PROPERTIES

Following is a summary of principal properties owned or leased by the Company. The Company's leases expire at various dates through the year 2017.

U.S. ADMINISTRATIVE OFFICES:

Beaverton, Oregon (16 locations)--one owned
and 15 leased
Wilsonville, Oregon--owned
Memphis, Tennessee (2 locations)--1 owned
and 1 leased
Yarmouth, Maine--owned
Charlotte, North Carolina--leased
Irvine, California--leased
St. Charles, Missouri--leased

INTERNATIONAL ADMINISTRATIVE OFFICES:

Canada (7 locations)--leased
Europe (14 locations)--leased
Asia and Australia (11 locations)--leased
Latin America (6 locations)--leased

SALES OFFICES AND SHOWROOMS:

United States (26 locations)--2 owned and
24 leased
Toronto, Ontario (2 locations)--leased
Europe (29 locations)--1 owned and 28
leased
Asia and Australia (11 locations)--leased
Latin America (6 locations)--leased
Africa (2 locations)--leased

DISTRIBUTION FACILITIES:

Greenland, New Hampshire (2 locations)-- 1
owned and 1 leased
Wilsonville, Oregon (2 locations)--1 owned
and 1 leased
Memphis, Tennessee (2 locations)--1 owned
and 1 leased
Irvine, California--leased
Canada (3 locations)--leased
Latin America (2 locations)--leased
Europe (6 locations)--3 owned and 3 leased
Asia and Australia (15 locations)--leased

INTERNATIONAL PRODUCTION OFFICES:

Asia (9 locations)--leased
South America (3 locations)--leased
Florence, Italy--leased

MANUFACTURING FACILITIES:

United States (11 locations)--leased
Canada (5 locations)--3 owned and 2 leased
Europe (3 locations)--owned

RETAIL OUTLETS:

United States (86 locations)--85 leased and
3 owned
Canada (2 locations)--leased
Europe (9 locations)--leased
Asia and Australia (7 locations)--leased
Latin America (1 location)--leased

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company is a party or of which any of its 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 1997 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 AND RELATED STOCKHOLDER MATTERS

The Company's Class B Common Stock is listed on the New York Stock Exchange and the Pacific Stock Exchange and trades under the symbol NKE. At July 25, 1997 there were 17,197 holders of record of the Company's Class B Common Stock and 32 holders of record of the Company's 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.

Reference is made to the table entitled "Selected Quarterly Financial Data" in Item 6, which sets forth, for the periods indicated, the range of high and low closing sales prices on the New York Stock Exchange, as adjusted to reflect the 2-for-1 stock split that became effective in October of 1990, the 2-for-1 stock split that became effective in October of 1995 and the 2-for-1 stock split that became effective in October 1996. Such table also sets forth the amount and frequency of all cash dividends declared on the Company's common stock for the 1996 and 1997 fiscal years.

ITEM 6. SELECTED FINANCIAL DATA
FINANCIAL HISTORY

	1997	1996	1995	1994	1993	1992	1991
	(IN THOUSANDS, EXCEPT PER SHARE DATA AND FINANCIAL RATIOS)						
YEAR ENDED MAY 31,							
Revenues.....	\$ 9,186,539	\$ 6,470,625	\$4,760,834	\$3,789,668	\$3,930,984	\$3,405,211	\$3,003,610
Gross margin.....	3,683,546	2,563,879	1,895,554	1,488,245	1,543,991	1,316,122	1,153,080
Gross margin %.....	40.1%	39.6%	39.8%	39.3%	39.3%	38.7%	38.4%
Net income.....	795,822	553,190	399,664	298,794	365,016	329,218	287,046
Net income per common share...	2.68	1.88	1.36	0.99	1.18	1.07	0.94
Average number of common and common equivalent shares....	297,000	293,608	294,012	301,824	308,252	306,408	304,268
Cash dividends declared per common share.....	0.38	0.29	0.24	0.20	0.19	0.15	0.13
Cash flow from operations.....	323,120	339,672	254,913	576,463	265,292	435,838	11,122
Price range of common stock							
High.....	76.375	52.063	20.156	18.688	22.563	19.344	13.625
Low.....	47.875	19.531	14.063	10.781	13.750	8.781	6.500
AT MAY 31:							
Cash and equivalents.....	\$ 445,421	\$ 262,117	\$ 216,071	\$ 518,816	\$ 291,284	\$ 260,050	\$ 119,804
Inventories.....	1,338,640	931,151	629,742	470,023	592,986	471,202	586,594
Working capital.....	1,964,002	1,259,881	938,393	1,208,444	1,165,204	964,291	662,645
Total assets.....	5,361,207	3,951,628	3,142,745	2,373,815	2,186,269	1,871,667	1,707,236
Long-term debt.....	296,020	9,584	10,565	12,364	15,033	69,476	29,992
Redeemable Preferred Stock....	300	300	300	300	300	300	300
Common shareholders' equity...	3,155,838	2,431,400	1,964,689	1,740,949	1,642,819	1,328,488	1,029,582
Year-end stock price.....	57.500	50.188	19.719	14.750	18.125	14.500	9.938
Market capitalization.....	16,633,047	14,416,792	5,635,190	4,318,800	5,499,273	4,379,574	2,993,020
FINANCIAL RATIOS:							
Return on equity.....	28.5%	25.2%	21.6%	17.7%	24.5%	27.9%	31.7%
Return on assets.....	17.1%	15.6%	14.5%	13.1%	18.0%	18.4%	20.5%
Inventory turns.....	4.8	5.0	5.2	4.3	4.5	3.9	4.1
Current ratio at May 31.....	2.1	1.9	1.8	3.2	3.6	3.3	2.1
Price/Earnings ratio at May 31.....	21.5	26.6	14.5	14.9	15.3	13.5	10.5
GEOGRAPHIC REVENUES:							
United States.....	\$ 5,529,132	\$ 3,964,662	\$2,997,864	\$2,432,684	\$2,528,848	\$2,270,880	\$2,141,461
Europe.....	1,833,722	1,334,340	980,444	927,269	1,085,683	919,763	664,747
Asia/Pacific.....	1,245,217	735,094	515,652	283,421	178,196	75,732	56,238
Canada, Latin America, and other.....	578,468	436,529	266,874	146,294	138,257	138,836	141,164
TOTAL REVENUES.....	\$ 9,186,539	\$ 6,470,625	\$4,760,834	\$3,789,668	\$3,930,984	\$3,405,211	\$3,003,610
	1990	1989	1988				
YEAR ENDED MAY 31,							
Revenues.....	\$2,235,244	\$1,710,803	\$1,203,440				
Gross margin.....	851,072	635,972	400,060				
Gross margin %.....	38.1%	37.2%	33.2%				
Net income.....	242,958	167,047	101,695				
Net income per common share...	0.80	0.56	0.34				
Average number of common and common equivalent shares....	302,672	300,576	301,112				
Cash dividends declared per common share.....	0.10	0.07	0.05				
Cash flow from operations.....	127,075	169,441	19,019				
Price range of common stock							
High.....	10.375	4.969	3.313				
Low.....	4.750	2.891	1.750				
AT MAY 31:							
Cash and equivalents.....	\$ 90,449	\$ 85,749	\$ 75,357				
Inventories.....	309,476	222,924	198,470				
Working capital.....	561,642	419,599	295,937				
Total assets.....	1,093,358	824,216	707,901				
Long-term debt.....	25,941	34,051	30,306				
Redeemable Preferred Stock....	300	300	300				
Common shareholders' equity...	781,012	558,597	408,567				
Year-end stock price.....	9.813	4.750	3.031				
Market capitalization.....	2,942,679	1,417,381	899,741				
FINANCIAL RATIOS:							
Return on equity.....	36.3%	34.5%	27.4%				
Return on assets.....	25.3%	21.8%	16.7%				
Inventory turns.....	5.2	5.1	5.0				
Current ratio at May 31.....	3.1	2.9	2.2				
Price/Earnings ratio at May 31.....	12.2	8.6	9.0				
GEOGRAPHIC REVENUES:							

United States.....	\$1,755,496	\$1,362,148	\$ 900,417
Europe.....	334,275	241,380	233,402
Asia/Pacific.....	29,332	32,027	21,058
Canada, Latin America, and other.....	116,141	75,248	48,563
TOTAL REVENUES.....	\$2,235,244	\$1,710,803	\$1,203,440

All per common share data has been adjusted to reflect the 2-for-1 stock splits paid October 23, 1996, October 30, 1995 and October 5, 1990. The Company's Class B Common Stock is listed on the New York and Pacific Exchanges and trades under the symbol NKE. At May 31, 1997, there were approximately 300,000 shareholders. Years 1993 and prior have been restated to reflect the implementation of Statement of Financial Accounting Standard No. 109--Accounting for Income Taxes (see Notes 1 and 6 to the Consolidated Financial Statements).

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	1997	1996	1997	1996	1997	1996	1997	1996
	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
Revenues.....	\$2,281,926	\$1,700,020	\$2,107,034	\$1,356,758	\$2,423,648	\$1,582,039	\$2,373,931	\$1,852,067
Gross margin.....	919,807	686,641	829,406	528,629	988,221	628,723	946,112	731,514
Gross margin %.....	40.3%	40.4%	39.4%	39.0%	40.8%	39.7%	39.9%	39.5%
Net income.....	226,063	182,098	176,872	97,812	237,133	133,874	155,754	133,727
Net income per common share...	0.76	0.62	0.60	0.34	0.80	0.45	0.52	0.45
Average number of common and common equivalent shares....	296,368	291,704	297,022	293,988	297,368	294,212	297,252	295,466
Cash dividends declared per common share.....	0.08	0.06	0.10	0.08	0.10	0.08	0.10	0.07
Price range of common stock								
High.....	55.625	24.188	64.000	31.313	76.375	35.688	73.125	52.063
Low.....	47.875	19.531	51.625	22.656	51.500	28.938	51.250	32.688

* For comparable purposes with 1997, quarterly figures for 1996 have been adjusted to reflect the elimination of the one month lag in reporting by certain of the Company's non-U.S. operations. See further discussion in Note 1 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HIGHLIGHTS

Fiscal year 1997 saw record revenues and earnings. Revenues and net income have now increased 13 and 11 consecutive comparable quarters, respectively.

- Revenues grew 42%, an increase of \$2.7 billion, compared to the previous year increase of 36%.
- Gross margins established a new record, surpassing 40% of revenues for the first time.
- Selling and administrative costs increased 0.5%, as a percent of revenues, over the previous year.
- Net income was \$795.8 million, an increase of 44%.

RESULTS OF OPERATIONS

FISCAL 1997 COMPARED TO FISCAL 1996

Significant growth in worldwide revenues and improved gross margin percentage were the primary factors contributing to record earnings for fiscal 1997 as compared to 1996. In the United States, footwear revenues increased \$1 billion, or 36%, demonstrating continued market share gains and industry growth. U.S. apparel exceeded \$1 billion in revenues for the first time, increasing \$588.5 million, or 70%, over the previous year. Revenues from international (non-U.S.) markets increased 49% over the previous year, and now represent 38% of total revenues. Markets outside the U.S. in which the Company operates, continue to offer tremendous opportunity for growth. The Company continues to invest in infrastructure and local marketing and advertising to capitalize on these opportunities. Through aggressive worldwide marketing efforts and global infrastructure spending, the Company is positioning itself to maintain and to expand markets and gain market share on a worldwide basis.

The Company experienced revenue growth in fiscal 1997 in all breakout categories (see chart). U.S. footwear represents the largest increase in total dollars, improving by almost \$1 billion, or 36%, as a result of 28% more pairs sold and a 6% increase in average selling price. The increase in average selling price was due to a change in product mix as well as increased prices in effect during the second half of the fiscal year in certain categories. Men's basketball, men's running, men's cross training, kids, and women's fitness comprise approximately 79% of the total U.S. footwear business, and individually increased 35%, 59%, 26%, 53% and 51%, respectively. Brand Jordan and Golf categories increased significantly over the prior year, improving 133% and 111%, respectively. Two categories experienced revenue reductions, men's court and outdoor, down 22% and 24%, respectively. U.S. apparel experienced growth in all categories, demonstrating the strength of the NIKE brand. Brand revenues outside of the U.S. increased \$1.1 billion, or 49%. The U.S. dollar strengthened against nearly all currencies. Had the U.S. dollar remained constant with that of the prior year, non-U.S. revenues would have increased \$1.4 billion, or 59%. By region, Asia Pacific increased \$511 million, or 70% (84% on a constant dollar basis), Europe increased \$497 million, or 38% (48% on a constant dollar basis) and the Americas (which includes Canada and Latin America) increased \$137 million, or 44% (46% on a constant dollar basis). The most significant increases were in Japan, Korea, United Kingdom, Italy, and Canada. Other Brands, which includes Bauer Inc., Cole Haan, Sports Specialties, Corp., and Tetra Plastics, Inc., decreased 3% to \$504 million. The Company expects revenue growth in fiscal 1998 to be affected by strong demand for the NIKE brand on a global scale, and reduced growth rates in the U.S. given the significance of the existing market share.

The breakdown of revenues follows:

	YEAR ENDED MAY 31,					
	1997	% CHG	1996	% CHG	1995	% CHG
	(IN THOUSANDS)					
United States footwear.....	\$ 3,770,600	36%	\$ 2,772,500	20%	\$ 2,309,400	24%
United States apparel.....	1,431,000	70	842,500	99	423,900	25
Total United States.....	5,201,600	44	3,615,000	32	2,733,300	24
Non-U.S. footwear.....	2,391,000	42	1,682,300	35	1,244,300	25
Non-U.S. apparel.....	1,089,800	67	651,400	38	472,700	32
Total Non-U.S.....	3,480,800	49	2,333,700	36	1,717,000	27
Other brands.....	504,100	(3)	521,900	68	310,600	38
Total NIKE.....	\$ 9,186,500	42%	\$ 6,470,600	36%	\$ 4,760,900	26%

Gross margins increased to 40.1% of revenues in fiscal 1997, exceeding 40% for the first time in Company history. The improved percentage was principally driven by price increases in certain U.S. footwear categories in effect the second half of the year. This was offset by slight reductions in gross margin percentages from increased close-out sales as a percentage of total sales, most predominately at Bauer, due to the softening of the in-line skate market and liquidation of non-Bauer brand product to consolidate to a single Bauer brand. Global fiscal 1998 margins could be affected negatively by increasing product costs, badded infrastructure to support higher levels of operations, and increased sales of lower priced product including close-outs.

Selling and administrative expenses represented 25.1% of revenues compared with 24.6% in the prior year. NIKE brand expenses increased \$353 in the U.S. and \$355 million outside the U.S. Increases were largely driven by increased sales and marketing spending, as well as infrastructure-related costs to support growth outside the U.S. The Company intends to continue to invest in growth opportunities and worldwide marketing and advertising in order to ensure the successful sell-through of orders discussed below.

Interest expense increased \$12.8 million due to increased short-term and new long-term borrowings needed to fund the increased level of operations, including increased working capital requirements and infrastructure. See further discussion under liquidity and capital resources.

Other income/expense was a net expense of \$32.3 million in fiscal 1997, compared with \$36.7 million in 1996. The majority of the reduction was attributable to increased interest income, higher gain on disposal of assets and income from a new promotional event staged in Japan, offset by an one-time Bauer restructuring charge of \$18 million, which includes, among other things, moving certain products to offshore production and the closing of certain facilities.

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel, scheduled for delivery from June through November, 1997, were approximately \$4.9 billion, 18% higher than such orders booked in the comparable period of the prior year. These orders and the percentage growth in these orders are not necessarily indicative of the growth in revenues which the Company will experience for the subsequent periods. This is because the mix of advance/futures and orders at once has shifted significantly toward advance/futures orders as the NIKE brand and futures program become more established in all areas, specifically in the non U.S. regions. The mix of orders will continue to vary as the non-U.S. operations continue to account for a greater percentage of total revenues and place a greater emphasis on futures programs. Finally, exchange rates can cause differences in comparisons.

Since the Company operates globally, it is exposed to market risks from changes in foreign currency exchange rates. In order to minimize the effect of fluctuations on the Company's foreign currency

transactions, the Company uses highly liquid foreign currency spot, forward and purchased options with high credit quality financial institutions. The Company transacts in foreign exchange contracts to hedge underlying economic exposures and does not transact in derivatives for trading or speculative purposes. Where possible, the Company nets its foreign exchange exposures to take advantage of natural offsets that occur in the normal course of business. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed transactions, may be hedged through the use of purchased options. Additional information concerning the Company's hedging activities is presented in Note 14 to the Consolidated Financial Statements.

The Company's non-U.S. operations are subject to the usual risks of doing business abroad, such as the imposition of import quotas or anti-dumping duties. In 1995, the EU Commission, at the request of the European footwear manufacturers, initiated two anti-dumping investigations covering certain footwear imported from the People's Republic of China, Indonesia and Thailand. In January 1997, the Commission imposed significant provisional anti-dumping duties on textile upper shoes imported from China and Indonesia. The Commission has not yet adopted permanent measures nor measures for leather/synthetic shoes, and the Company is unable to determine whether the Commission will do so.

Nevertheless, the investigations and the anti-dumping duties expressly exclude "footwear designed for a sporting activity", and the Company does not currently believe that the Commission will change the exclusion. While the exclusion is subject to interpretation and/or amendment by customs authorities, the Company believes that most of its footwear sourced in the target countries for sale in the EU fits within the exclusion and, therefore, the Company will not be materially affected by the results of the antidumping investigations. If the Company's footwear were not covered by the exclusion, the Company would consider, in addition to its possible legal remedies, shifting the production of such footwear to other countries in order to maintain competitive pricing. The Company believes that it is prepared to deal effectively with any such anti-dumping measures that may arise and that any adverse impact would be of a short-term nature. The Company continues to closely monitor international trade restrictions and to adopt its multi-country sourcing strategy and contingency plans. The Company believes that its major competitors would be similarly impacted by any such restrictions.

As further explained in Note 1 to the Consolidated Financial Statements, prior to fiscal year 1997, certain of the Company's non-U.S. operations reported their results of operations on a one month lag which allowed more time to compile results. Beginning in the first quarter of fiscal year 1997, the one month lag was eliminated and the May 1996 charge from operations for these entities of \$4.1 million was recorded to retained earnings. This change did not have a material effect on the annual results of operations, however, quarterly results changed as certain reporting periods shifted one month. The Selected Quarterly Data section includes adjusted quarterly data for fiscal year 1996 as if the change had been in effect.

FISCAL 1996 COMPARED TO FISCAL 1995

Significant growth in worldwide revenues and improved leverage of selling and administrative costs were the primary factors contributing to record earnings for fiscal year 1996 as compared to 1995.

The Company experienced revenue growth in fiscal 1996 in all breakout categories. The most significant increase in absolute dollars was U.S. footwear, which grew \$463.2 million, or 20.1%, as a result of 19% more pairs shipped and a 0.9% increase in average selling price per pair. Men's basketball, women's fitness and men's training comprised approximately half of the U.S. footwear category in terms of total revenues, and individually increased 7%, 29% and 25%, respectively, over the prior year. U.S. apparel increased \$418.6 million, or 99%, experiencing growth in all categories and demonstrating the strength of the NIKE brand. Non-U.S. brand revenues also increased significantly, growing \$616.7 million, or 35.9%, as a result of increases of \$438.0 million (35.2%) and \$178.7 million (37.8%) in footwear and apparel,

respectively, over the prior year. Non-U.S. revenues were increased 1.2% as a result of the foreign currency translation impact. All NIKE regions outside the U.S. experienced revenue increases greater than 30%. Europe increased 33%, Asia Pacific, 41%, and the Americas, 35%. The most significant increases were in Japan, Italy, United Kingdom, Korea and Canada. Other brands increased \$211.3 million, or 68%, over the prior year. Bauer, which was acquired at the end of the Company's third quarter of fiscal 1995, contributed \$173.7 million of the increase.

Gross margins were 39.6% in fiscal 1996 compared to 39.8% in 1995. The slight reduction in gross margins compared with 1995 was primarily driven by increased costs of air freight to meet delivery dates on increasing customer orders, and increased footwear product costs not fully recovered through the selling price. These higher expenses were partially offset by improved apparel margins due to significant increases in revenues and a reduction in close-outs as a percentage of total revenues.

Total selling and administrative expenses as a percentage of revenues decreased to 24.6% as compared to 25.4% in 1995. The reduction can be attributed primarily to significant increases in revenues. The increase in absolute dollars was \$378.9 million, or 31%. U.S. operations increased \$160.5 million and non- U.S. increased \$176.3 million, largely a result of increased sales and marketing spending as well as infrastructure to support growth outside the U.S. Bauer accounted for \$33 million of the increase.

Interest expense increased \$15.3 million due primarily to the higher levels of short term borrowings needed to fund current operations. In 1995, average cash and equivalents were higher, as available cash was used to fund the acquisition of Bauer.

Other income/expense rose \$25 million in expense over 1995, primarily as a result of increased goodwill amortization from the acquisition of Bauer, a reduction in interest income due to a net lower cash position compared with the prior year, and increased profit share expense due to increased earnings. These were partially offset by the absence of non-recurring specific obligations which occurred in the prior year related to the shutdown for certain facilities in conjunction with the consolidation of European warehouses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position was very strong at May 31, 1997. Compared to May 31, 1996, total assets grew 36%, or \$1.4 billion, to \$5.4 billion, and shareholders' equity increased 30%, or \$724 million, to \$3.2 billion. Working capital increased \$704 million, and the Company's current ratio increased to 2.1 at May 31, 1997 from 1.9 at 1996 fiscal year-end.

Cash provided by operations decreased slightly to \$323 million for the year ended May 31, 1997, primarily due to improved operating results offset by increased working capital requirements, given the global growth of the Company. Specifically, inventories increased \$417 million, representing growth in nearly all areas of the Company. U.S. footwear and apparel inventories increased \$71 million (31%) and \$52 million (29%), respectively. The largest increases outside of the U.S. were in the European and Asia/ Pacific regions with increases of \$121 million (54%) and \$119 million (134%), respectively, due primarily to the significant increase in operations. Inventory turns on a consolidated basis reduced to approximately 4.8 times, as compared with 5.0 in fiscal 1996. Accounts receivable increased \$486 million due, in part, to the higher level of fourth quarter revenues compared with the previous year.

Additions to property, plant and equipment for fiscal 1997 were \$466 million, an increase of \$250 million over 1996. Additions in the U.S. totaled \$266 million for the year due to continued overall expansion of U.S. operations which includes warehouse locations, management information systems, world headquarters expansion and the continued development of NIKETOWN retail locations. Outside the U.S., additions totaled \$172 million, compared to \$154 million for fiscal 1996, and relates to the continued expansion of infrastructure, investments in information systems and new NIKE retail locations. The remaining additions relate to other brands. Expected capital expenditures for fiscal 1998 approximate \$680

million, with the primary components consisting of the continued expansion of the world headquarters, new NIKETOWN retail locations and warehouse expansion in the U.S., Japan and Korea.

Additions to long-term debt of approximately \$300 million in fiscal 1997, were used to fund the significant increase in property, plant and equipment, as well as increased working capital requirements. In June 1996, the Company's Japanese subsidiary borrowed 10.5 billion Yen (approximately \$100 million) in a private placement, maturing June 26, 2011, to fund construction of a warehouse and distribution center and for other corporate purposes. Additionally, during December 1996 the Company filed a shelf registration statement with the Securities and Exchange Commission for the sale of up to \$500 million of debt securities. The filing will enable the Company to issue debt from time to time during the next several years. Under this program, the Company issued \$200 million seven-year notes in December 1996, maturing December 1, 2003, and subsequent to May 31, 1997, an additional \$100 million medium-term notes were issued, maturing in three to five years. The proceeds were swapped into Dutch Guilders to obtain long-term fixed rate financing to support the growth of the Company's European operations.

Management believes that significant funds generated by operations, together with access to sufficient sources of funds, will adequately meet its anticipated operating, global infrastructure expansion and capital needs. Significant short and long-term lines of credit are maintained with banks which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by the Company's commercial paper program under which there was \$0 outstanding at both May 31, 1997 and 1996.

Dividends per share of common stock for fiscal 1997 rose \$.09 over fiscal 1996 to \$.38 per share. Dividend declaration in all four quarters has been consistent since February 1984. Based upon current projected earnings and cash flow requirements, the Company anticipates continuing a dividend and reviewing its amount at the November Board of Directors meeting. The Company's policy continues to target an annual dividend in the range of 15% to 25% of trailing twelve-month earnings.

During fiscal 1994, the Company announced that the Executive Committee of its Board of Directors, acting within limits set by the Board, authorized a plan to repurchase a maximum of \$450 million NIKE Class B Common Stock over a period of up to three years. During fiscal 1996, the Board of Directors voted to extend the 1994 stock repurchase program until July 1, 1999. Funding has, and is expected to continue to, come from operating cash flow in combination with occasional short or medium-term borrowings. The timing and the amount of shares purchased will be dictated by working capital needs and stock market conditions. The Company did not repurchase any shares during fiscal 1997 and, as of May 31, 1997, the Company had repurchased 20.6 million shares at a total cost of \$301.7 million.

Special Note Regarding Forward-Looking Statements

Certain written and oral statements 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 ("the Act"). 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 S.E.C., 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; the size, timing and mix of purchases of NIKE's products; 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; the ability of NIKE to sustain, manage or forecast its growth; 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; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, import duties, tariffs, quotas and political instability; 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 impact 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.

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.

The Company's 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 of the Company. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants, 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 the Company as they deem appropriate. The independent accountants 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 ACCOUNTANTS

Portland, Oregon

June 27, 1997

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

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 36 present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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 the opinion expressed above.

[LOGO]

NIKE, INC.

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED MAY 31,		
	1997	1996	1995

	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues.....	\$ 9,186,539	\$ 6,470,625	\$ 4,760,834
Costs and expenses:			
Costs of sales.....	5,502,993	3,906,746	2,865,280
Selling and administrative.....	2,303,704	1,588,612	1,209,760
Interest expense (Notes 4 and 5).....	52,343	39,498	24,208
Other income/expense, net (Notes 1, 9 and 10).....	32,277	36,679	11,722
	-----	-----	-----
	7,891,317	5,571,535	4,110,970
	-----	-----	-----
Income before income taxes.....	1,295,222	899,090	649,864
Income taxes (Note 6).....	499,400	345,900	250,200
	-----	-----	-----
Net income.....	\$ 795,822	\$ 553,190	\$ 399,664
	-----	-----	-----
Net income per common share (Note 1).....	\$ 2.68	\$ 1.88	\$ 1.36
	-----	-----	-----
Average number of common and common equivalent shares (Note 1).....	297,000	293,608	294,012
	-----	-----	-----

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

NIKE, INC.

CONSOLIDATED BALANCE SHEET

	MAY 31,	
	1997	1996
	(IN THOUSANDS)	
ASSETS		
Current Assets:		
Cash and equivalents.....	\$ 445,421	\$ 262,117
Accounts receivable, less allowance for doubtful accounts of \$57,233 and \$43,372.....	1,754,137	1,346,125
Inventories (Note 2).....	1,338,640	931,151
Deferred income taxes (Note 6).....	135,663	93,120
Prepaid expenses (Note 1).....	157,058	94,427
	-----	-----
Total current assets.....	3,830,919	2,726,940
	-----	-----
Property, plant and equipment, net (Notes 3 and 5)....	922,369	643,459
Identifiable intangible assets and goodwill (Note 1)...	464,191	474,812
Deferred income taxes and other assets (Notes 1 and 6).....	143,728	106,417
	-----	-----
Total assets.....	\$ 5,361,207	\$ 3,951,628
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 5).....	\$ 2,216	\$ 7,301
Notes payable (Note 4).....	553,153	445,064
Accounts payable (Note 4).....	687,121	455,034
Accrued liabilities.....	570,504	480,407
Income taxes payable.....	53,923	79,253
	-----	-----
Total current liabilities.....	1,866,917	1,467,059
	-----	-----
Long-term debt (Notes 5 and 13).....	296,020	9,584
Deferred income taxes and other liabilities (Notes 1 and 6).....	42,132	43,285
Commitments and contingencies (Notes 11 and 14).....	--	--
Redeemable Preferred Stock (Note 7).....	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value:		
Class A convertible--101,711 and 102,240 shares outstanding.....	152	153
Class B--187,559 and 185,018 shares outstanding....	2,706	2,702
Capital in excess of stated value.....	210,650	154,833
Foreign currency translation adjustment.....	(31,333)	(16,501)
Retained earnings.....	2,973,663	2,290,213
	-----	-----
Total shareholders' equity.....	3,155,838	2,431,400
	-----	-----
Total liabilities and shareholders' equity.....	\$ 5,361,207	\$ 3,951,628
	-----	-----

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

NIKE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED MAY 31,		
	1997	1996	1995
(IN THOUSANDS)			
Cash provided (used) by operations:			
Net income.....	\$ 795,822	\$ 553,190	\$ 399,664
Income charges (credits) not affecting cash:			
Depreciation.....	138,038	97,179	71,113
Deferred income taxes and purchased tax benefits.....	(47,146)	(73,279)	(24,668)
Amortization and other.....	30,291	32,685	14,966
Changes in certain working capital components:			
Increase in inventories.....	(416,706)	(301,409)	(69,676)
Increase in accounts receivable.....	(485,595)	(292,888)	(301,648)
Increase in other current assets.....	(56,928)	(20,054)	(10,276)
Increase in accounts payable, accrued liabilities and income taxes payable.....	365,344	344,248	175,438
Cash provided by operations.....	323,120	339,672	254,913
Cash provided (used) by investing activities:			
Additions to property, plant and equipment.....	(465,908)	(216,384)	(154,125)
Disposals of property, plant and equipment.....	24,294	12,775	9,011
Increase in other assets.....	(43,829)	(26,376)	(9,499)
(Decrease) increase in other liabilities.....	(10,833)	(9,651)	3,239
Acquisition of subsidiaries:			
Identifiable intangible assets and goodwill.....	--	--	(345,901)
Net assets acquired.....	--	--	(84,119)
Cash used by investing activities.....	(496,276)	(239,636)	(581,394)
Cash provided (used) by financing activities:			
Additions to long-term debt.....	300,500	5,044	2,971
Reductions in long-term debt including current portion.....	(5,190)	(30,352)	(39,804)
Increase in notes payable.....	92,926	47,964	263,874
Proceeds from exercise of options.....	26,282	21,150	6,154
Repurchase of stock.....	--	(18,756)	(142,919)
Dividends--common and preferred.....	(100,896)	(78,834)	(65,418)
Cash provided (used) by financing activities.....	313,622	(53,784)	24,858
Effect of exchange rate changes on cash.....	(166)	(206)	(1,122)
Effect of May 1996 cash flow activity for certain subsidiaries (Note 1).....	43,004	--	--
Net increase (decrease) in cash and equivalents.....	183,304	46,046	(302,745)
Cash and equivalents, beginning of year.....	262,117	216,071	518,816
Cash and equivalents, end of year.....	\$ 445,421	\$ 262,117	\$ 216,071
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized).....	\$ 44,000	\$ 32,800	\$ 20,200
Income taxes.....	543,100	359,300	285,400

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

NIKE, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK				CAPITAL IN EXCESS OF STATED VALUE	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TOTAL
	CLASS A		CLASS B					
	SHARES	AMOUNT	SHARES	AMOUNT				
BALANCE AT MAY 31, 1994.....	26,679	\$159	46,521	\$2,704	\$108,284	\$(15,123)	\$ 1,644,925	\$ 1,740,949
Stock options exercised.....			241	2	8,954			8,956
Conversion to Class B Common Stock.....	(784)	(4)	784	4				--
Repurchase of Class B Common Stock.....			(2,130)	(13)	(4,801)		(138,106)	(142,920)
Stock issued pursuant to contractual obligations.....			134	1	9,999			10,000
Translation of statements of non-U.S. operations.....						16,708		16,708
Net income.....							399,664	399,664
Dividends on Redeemable Preferred Stock.....							(30)	(30)
Dividends on Common Stock.....							(68,638)	(68,638)
BALANCE AT MAY 31, 1995.....	25,895	155	45,550	2,698	122,436	1,585	1,837,815	1,964,689
Stock options exercised.....			756	3	32,848			32,851
Conversion to Class B Common Stock.....	(655)	(2)	655	2				--
Repurchase of Class B Common Stock.....			(200)	(1)	(451)		(18,304)	(18,756)
Two-for-one Stock Split October 30, 1995.....	25,880		45,748					
Translation of statements of non-U.S. operations.....						(18,086)		(18,086)
Net income.....							553,190	553,190
Dividends on Redeemable Preferred Stock.....							(30)	(30)
Dividends on Common Stock.....							(82,458)	(82,458)
BALANCE AT MAY 31, 1996.....	51,120	153	92,509	2,702	154,833	(16,501)	2,290,213	2,431,400
Stock options exercised.....			1,475	3	55,817			55,820
Conversion to Class B Common Stock.....	(279)	(1)	279	1				--
Two-for-one Stock Split October 23, 1996.....	50,870		93,296					
Translation of statements of non-U.S. operations.....						(14,832)		(14,832)
Net income.....							795,822	795,822
Dividends on Redeemable Preferred Stock.....							(30)	(30)
Dividends on Common Stock.....							(108,249)	(108,249)
Net income for the month ended May 1996, due to the change in fiscal year-end of certain non-U.S. operations (Note 1).....							(4,093)	(4,093)
BALANCE AT MAY 31, 1997.....	101,711	\$152	187,559	\$2,706	\$210,650	\$(31,333)	\$ 2,973,663	\$ 3,155,838

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated. Prior to fiscal year 1997, certain of the Company's non-U.S. operations reported their results of operations on a one month lag which allowed more time to compile results. Beginning in the first quarter of fiscal year 1997, the one month lag was eliminated. As a result, the May 1996 charge from operations for these entities of \$4,093,000 was recorded to retained earnings in the first quarter of the current year.

RECOGNITION OF REVENUES:

Revenues recognized include sales plus fees earned on sales by licensees.

ADVERTISING:

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. Total advertising and promotion expenses were \$978,251,000, \$642,498,000 and \$495,006,000 for the years ended May 31, 1997, 1996 and 1995, respectively. Included in prepaid expenses and other assets was \$111,925,000 and \$69,340,000 at May 31, 1997 and 1996, respectively, relating to prepaid advertising and promotion expenses.

CASH AND EQUIVALENTS:

Cash and equivalents represent cash and short-term, highly liquid investments with original maturities three months or less.

INVENTORY VALUATION:

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all U.S. inventories. Non-U.S. inventories are valued on a first-in, first-out (FIFO) 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 and principally on a declining balance basis for machinery and equipment, based upon estimated useful lives ranging from two to thirty years.

IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL:

At May 31, 1997 and 1996, the Company had patents, trademarks and other identifiable intangible assets with a value of \$219,186,000 and \$209,586,000, respectively. The Company's excess of purchase cost over the fair value of net assets of businesses acquired (goodwill) was \$326,252,000 and \$327,555,000 at May 31, 1997 and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Identifiable intangible assets and goodwill are being amortized over their estimated useful lives on a straight-line basis over five to forty years. Accumulated amortization was \$81,247,000 and \$62,329,000 at May 31, 1997 and 1996, respectively.

Amortization expense, which is included in other income/expense, was \$19,765,000, \$21,772,000 and \$13,176,000 for the years ended May 31, 1997, 1996 and 1995, respectively. Intangible assets are periodically reviewed by the Company for impairments where the fair value is less than the carrying value.

OTHER LIABILITIES:

Other liabilities include amounts with settlement dates beyond one year, and are primarily composed of long-term deferred endorsement payments of \$15,815,000 and \$21,674,000 at May 31, 1997 and 1996, respectively. Deferred payments to endorsers relate to amounts due beyond contract termination, which are discounted at various interest rates and accrued over the contract period.

ENDORSEMENT CONTRACTS:

Accounting for endorsement contracts 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. Contracts requiring prepayments are included in prepaid expenses or other assets depending on the length of the contract.

FOREIGN CURRENCY TRANSLATION:

Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment in shareholders' equity.

DERIVATIVES:

The Company enters into foreign currency contracts in order to reduce the impact of certain foreign currency fluctuations. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed, transactions may be hedged through the use of purchased options. Premiums paid on purchased options and any gains are included in prepaid expenses or accrued liabilities and are recognized in earnings when the transaction being hedged is recognized. Gains and losses arising from foreign currency forward and option contracts, and cross-currency swap transactions are recognized in income or expense as offsets of gains and losses resulting from the underlying hedged transactions. Cash flows from risk management activities are classified in the same category as the cash flows from the related investment, borrowing or foreign exchange activity. See Note 14 for further discussion.

INCOME TAXES:

Income taxes are provided currently on financial statement earnings of non-U.S. subsidiaries expected to be repatriated. The Company intends to determine 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 liabilities and assets for the expected future tax consequences of temporary

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

differences between the carrying amounts and the tax bases of other assets and liabilities. See Note 6 for further discussion.

NET INCOME PER COMMON SHARE:

Net income per common share is computed based on the weighted average number of common and common equivalent (stock option) shares outstanding for the periods reported.

On October 23, 1996 and October 30, 1995, the Company issued additional shares in connection with two-for-one stock splits effected in the form of a 100% stock dividend on outstanding Class A and Class B common stock. The per common share amounts in the Consolidated Financial Statements and accompanying notes have been adjusted to reflect these stock splits.

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 1997 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,	
	1997	1996
Finished goods.....	\$ 1,248,401	\$ 874,700
Work-in-progress.....	50,245	28,940
Raw materials.....	39,994	27,511
	\$ 1,338,640	\$ 931,151

The excess of replacement cost over LIFO cost was \$20,716,000 at May 31, 1997, and \$16,023,000 at May 31, 1996.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3--PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment includes the following:

	MAY 31,	
	1997	1996
Land.....	\$ 90,792	\$ 75,369
Buildings.....	241,062	246,602
Machinery and equipment.....	735,739	572,396
Leasehold improvements.....	206,593	83,678
Construction in process.....	151,561	69,660
	1,425,747	1,047,705
Less Accumulated Depreciation.....	503,378	404,246
	\$ 922,369	\$ 643,459

Capitalized interest expense was \$2,765,000, \$858,000 and \$261,000 for the fiscal years ended May 31, 1997, 1996 and 1995 respectively.

NOTE 4--SHORT-TERM BORROWINGS AND CREDIT LINES

Notes payable to banks and interest bearing accounts payable to Nissho Iwai American Corporation NIAC) are summarized below:

	MAY 31,			
	1997		1996	
	BORROWINGS	INTEREST RATE	BORROWINGS	INTEREST RATE
Banks:				
Non-U.S. Operations.....	\$ 553,153	4.08%	\$ 445,064	4.38%
	\$ 553,153	---	\$ 445,064	---
NIAC.....	\$ 414,132	6.14%	\$ 237,413	5.80%
	---	---	---	---

The Company has outstanding loans at interest rates at various spreads above the banks' cost of funds for financing non-U.S. national operations. Certain of these loans can be secured by accounts receivable and inventory.

The Company purchases through Nissho Iwai American Corporation ("NIAC") substantially all of the athletic footwear and apparel it acquires from non-U.S. suppliers. Accounts payable to NIAC are generally due up to 120 days after shipment of goods from the foreign port. Interest on such accounts payable accrues at the ninety day London Interbank Offered Rate (LIBOR) as of the beginning of the month of the invoice date, plus .30%.

At May 31, 1997 and 1996, the Company had no outstanding borrowings under its \$500 million unsecured multiple option facility with ten banks, which matures on October 31, 2001. This agreement contains optional borrowing alternatives consisting of a committed revolving loan facility and a competitive bid facility. The interest rate charged on this agreement is determined by the borrowing option and, under the committed revolving loan facility, is either the LIBOR plus .19% or the higher of the Fed Funds rate

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4--SHORT-TERM BORROWINGS AND CREDIT LINES (CONTINUED)

plus .50% or the Prime Rate. The agreement provides for annual fees of .07% of the total commitment. Under the agreement, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 1997.

Ratings for the Company to issue commercial paper, which is required to be supported by committed and uncommitted lines of credit, are A1 by Standard and Poor's Corporation and P1 by Moody's Investor Service. There were no amounts outstanding at May 31, 1997 or May 31, 1996 under these arrangements.

NOTE 5--LONG-TERM DEBT

Long-term debt includes the following:

	MAY 31,	
	1997	1996
6.375% Medium terms notes, payable December 1, 2003.....	\$ 199,211	\$ --
4.30% Japanese yen notes, payable June 26, 2011.....	92,373	--
9.43% capital warehouse lease.....	--	7,485
Other.....	6,652	9,400
Total.....	298,236	16,885
Less current maturities.....	2,216	7,301
	\$ 296,020	\$ 9,584

In December of 1996, the Company filed a \$500 million shelf registration with the Securities and Exchange Commission and issued \$200 million seven-year notes, maturing December 1, 2003. The proceeds were subsequently exchanged for Dutch Guilders and loaned to a European subsidiary. Interest on the loan is paid semi-annually. The Company entered into swap transactions reducing the effective interest rate to 5.64% as well as to hedge the foreign currency exposure related to the repayment of the intercompany loan. In June of 1997, the Company issued an additional \$100 million medium term notes under this program with maturities of June 16, 2000 and June 17, 2002.

In June of 1996, the Company's Japanese subsidiary borrowed 10.5 billion 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.

The Company's long-term debt ratings are A+ by Standard and Poor's Corporation and A1 by Moody's Investor Service. Amounts of long-term maturities in each of the five fiscal years 1998 through 2002, respectively, are \$2,216,000, \$1,891,000, \$2,187,000, \$188,000 and \$47,000.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6--INCOME TAXES

Income before incoming taxes and the provision for income taxes are as follows:

	YEAR ENDED MAY 31,		
	1997	1996	1995
	(IN THOUSANDS)		
Income before income taxes:			
United States.....	\$ 1,008,023	\$ 644,755	\$ 467,548
Foreign.....	287,199	254,335	182,316
	\$ 1,295,222	\$ 899,090	\$ 649,864
Provision for income taxes:			
Current:			
United States			
Federal.....	\$ 359,408	\$ 247,526	\$ 172,127
State.....	74,716	42,622	34,764
Foreign.....	112,679	127,345	75,964
	546,803	417,493	282,855
Deferred:			
United States			
Federal.....	(21,097)	(33,003)	(25,689)
State.....	(5,062)	(7,657)	(2,430)
Foreign.....	(21,244)	(30,933)	(4,536)
	(47,403)	(71,593)	(32,655)
	\$ 499,400	\$ 345,900	\$ 250,200

During fiscal 1994 the Company permanently reinvested approximately \$56,000,000 of its undistributed non-U.S. earnings in certain subsidiaries.

A benefit has been recognized for foreign loss carry forwards of \$138,500,000 and \$96,600,000 at May 31, 1997 and 1996, respectively, which have no expiration. As of May 31, 1997, the Company has utilized all foreign tax credits.

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6--INCOME TAXES (CONTINUED)

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

	MAY 31,	
	1997	1996
Undistributed earnings of foreign subsidiaries.....	\$ 3,026	\$ 3,220
Other.....	13,017	12,040
Gross deferred tax liabilities.....	16,043	15,260
Allowance for doubtful accounts.....	(16,092)	(9,050)
Inventory reserves.....	(30,347)	(20,796)
Deferred compensation.....	(26,659)	(17,583)
Reserves and accrued liabilities.....	50,738	(42,870)
Tax basis inventory adjustment.....	(19,263)	(12,363)
Depreciation.....	(8,379)	(2,594)
Foreign loss carry forwards.....	(32,100)	(25,162)
Other.....	(9,582)	(12,978)
Gross deferred tax assets.....	(193,160)	(143,396)
Net deferred tax assets.....	\$ (177,117)	\$ (128,136)

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

	YEAR ENDED MAY 31,		
	1997	1996	1995
U.S. Federal statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal benefit.....	3.5	2.6	3.2
Other, net.....	.1	.9	.3
Effective income tax rate.....	38.6%	38.5%	38.5%

NOTE 7--REDEEMABLE PREFERRED STOCK

NIAC is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$300,000. A cumulative dividend of \$.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, 1997. As the holder of the Redeemable Preferred Stock, NIAC 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--COMMON STOCK

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 110,000,000 and 350,000,000, respectively. The Company announced a two-for-one stock split which was effected in the form of a 100% stock dividend on outstanding Class A and Class B Common Stock, paid October 23, 1996. In the previous year a similar two-for-one stock split was announced, paid October 30, 1995. 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.

The Company's Employee Incentive Compensation Plan (the "1980 Plan") was adopted in 1980 and expired on December 31, 1990. The 1980 Plan provided for the issuance of up to 13,440,000 shares of the Company's Class B Common Stock in connection with the exercise of stock options granted under such plan. No further grants will be made under the 1980 Plan.

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 16,000,000 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. The exercise price for non-statutory stock options and 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. The 1990 Plan is administered by a committee of the Board of Directors. 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, 1997, 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.

In addition to the option plans discussed above, the Company has several agreements outside of the plans with certain directors, endorsers and employees. As of May 31, 1997, 7,754,000 options with exercise prices ranging from \$0.417 per share to \$53.625 per share had been granted. The aggregate compensation expenses related to these agreements is \$9,530,000 and is being amortized over vesting periods from October 1980 through September 2000. The outstanding agreements expire from December 1998 through September 2006.

During 1995, the Financial Accounting Standards Board issued SFAS 123, "Accounting for Stock Based Compensation," which defines a fair value method of accounting for an employee stock option or similar equity instrument and encouraged, but does not require, all entities to adopt that method of accounting. Entities electing not to adopt the fair value method of accounting must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting defined in this statement has been applied.

The Company has elected not to adopt the fair value method; however, as required by SFAS 123, the Company has computed for pro forma disclosure purposes the value of options granted during fiscal years 1997 and 1996 using the Black-Scholes option pricing model. The weighted average assumptions used for stock option grants for 1997 and 1996 were a dividend yield of 1%, expected volatility of the market price of the Company's common stock of 30%, a weighted-average expected life of the options of approximately

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--COMMON STOCK (CONTINUED)

five years, and interest rates of 6.42 and 6.56 for fiscal 1997 and 5.92 and 5.97 for fiscal 1996. These interest rates are reflective of option grant dates made throughout the year.

Options were assumed to be exercised over the 5 year expected life for purposes of this valuation. Adjustments for forfeitures are made as they occur. For the years ended May 31, 1997 and 1996, the total value of the options granted, for which no previous expense has been recognized, was computed as approximately \$29,074,000 and \$18,167,000, 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 1997 and 1996 are \$17.39 and \$7.15, respectively.

If the Company had accounted for these stock options issued to employees in accordance with SFAS 123, the Company's net income and pro forma net income and net income per share and pro forma net income per share would have been reported as follows:

	YEAR ENDED MAY 31,			
	1997		1996	
	NET INCOME	EPS	NET INCOME	EPS
As Reported.....	\$ 795,822	\$ 2.68	\$ 553,190	\$ 1.88
Pro Forma.....	788,692	2.66	550,426	1.87

The pro forma effects of applying SFAS 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.

The following summarizes the stock option transactions under plans discussed above (adjusted for all applicable stock splits):

	SHARES	WEIGHTED AVERAGE OPTION PRICE
	(IN THOUSANDS)	
Options outstanding May 31, 1995.....	11,916	\$ 10.87
Exercised.....	(2,281)	7.90
Surrendered.....	(66)	17.07
Granted.....	2,690	21.25
Options outstanding May 31, 1996.....	12,259	13.67
Exercised.....	(2,012)	11.28
Surrendered.....	(55)	23.50
Granted.....	1,692	48.93
Options outstanding May 31, 1997.....	11,884	19.05
Options exercisable at May 31,		
1996.....	4,225	8.35
1997.....	5,219	11.33

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--COMMON STOCK (CONTINUED)

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, 1997:

EXERCISE PRICE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTORS LIFE REMAINING TIME	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)			(IN THOUSANDS)	
\$ 3.125 - \$ 9.563	2,841	\$ 7.56	2.90	2,841	\$ 7.56
11.250 - 14.188	3,027	13.73	5.76	1,108	14.00
14.219 - 21.000	4,132	18.40	7.65	1,263	17.35
22.813 - 71.875	1,884	46.32	8.68	7	32.78

NOTE 9--BENEFIT PLANS:

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of \$18,500,000, \$15,500,000 and \$11,200,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1997, 1996 and 1995, respectively.

The Company has a voluntary 401(k) employee savings plan. The Company matches with Common Stock a portion of employee contributions, vesting that portion over 5 years. Company contributions to the savings plan were \$6,349,000, \$4,660,000 and \$3,363,000 for the years ended May 31, 1997, 1996 and 1995, respectively.

NOTE 10--OTHER INCOME/EXPENSE, NET:

Included in other income/expense for the years ended May 31, 1997, 1996 and 1995, is interest income of \$20,089,000, \$16,083,000 and \$26,094,000, respectively. During the year, the Company's subsidiary, Bauer Inc, recognized a one-time restructuring charge of \$18,096,000 for a plan which includes, among other things, moving certain products to offshore production and the closing of certain facilities. The Company recognized \$11,412,000 in non-recurring specific obligations associated with the shutdown of certain facilities in conjunction with the consolidation of European warehouses for the year ended May 31, 1995.

NOTE 11--COMMITMENTS AND CONTINGENCIES:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to twenty years after May 31, 1997. Rent expense aggregated \$84,109,000, \$52,483,000 and \$43,506,000 for the years ended May 31, 1997, 1996 and 1995, respectively. Amounts of minimum future annual rental commitments under non-cancellable operating leases in each of the five fiscal years 1998 through 2002 are \$76,319,000, \$65,315,000, \$53,776,000, \$46,125,000, \$42,274,000, respectively, and \$326,198,000 in later years.

Lawsuits arise during the normal course of business. In the opinion of management, none of the pending lawsuits will result in a significant impact on the consolidated results of operations or financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 12--ACQUISITION OF BAUER INC.:

During the third quarter of fiscal 1995, NIKE acquired all the outstanding shares of Bauer Inc. (formerly Canstar Sports Inc.), the world's largest hockey equipment manufacturer. The acquisition was accounted for using the purchase method of accounting. The cash purchase price, including acquisition costs, was approximately \$409 million.

Bauer's assets and liabilities have been recorded in the Company's consolidated balance sheet at their fair values at the acquisition date. Identifiable intangible assets and goodwill relating to the purchase approximated \$336 million with estimated useful lives ranging from 5 to 40 years. The amortization period is based on the Company's belief that the combined company has substantial potential for achieving long-term appreciation of the fully integrated global company. Bauer will permit the continued expansion of the current lines of business, as well as the development of new businesses, which can be used to strategically exploit the companies' brand names and products on an accelerated basis. NIKE believes that the combined company will benefit from the acquisition for an indeterminable period of time of at least 40 years and that therefore a 40-year amortization period is appropriate. The proforma effect of the acquisition on the combined results of operations in fiscal 1995 was not significant.

NOTE 13--FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts reflected in the consolidated balance sheet for cash and equivalents and notes payable approximate fair value as reported in the balance sheet because of their short maturities. 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 \$295,863,000, compared to a carrying value of \$298,236,000 at May 31, 1997 and \$16,840,000, compared to a carrying value of \$16,885,000 at May 31, 1996. See Note 14 for fair value of derivatives.

NOTE 14--FINANCIAL RISK MANAGEMENT AND DERIVATIVES:

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar cash flows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. In addition, the Company seeks to manage the impact of foreign currency fluctuations related to the repayment of intercompany borrowings. The Company does not hold or issue financial instruments for trading purposes. It is the Company's policy to utilize derivative financial instruments to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged.

The Company uses forward exchange contracts and purchased options to hedge certain firm purchases and sales commitments and the related receivables and payables including other third party or intercompany foreign currency transactions. Purchased currency options are used to hedge certain anticipated but not yet firmly committed transactions expected to be recognized within one year. 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 and Canadian dollar. Premiums paid on purchased options and any realized gains are included in prepaid expenses or accrued liabilities and recognized in earnings when the transaction being hedged is recognized. Deferred option premiums paid, net of realized gains, were \$14,500,000 and \$5,100,000 at May 31, 1997 and 1996, respectively. Gains and losses related to hedges of firmly committed transactions and the related

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14--FINANCIAL RISK MANAGEMENT AND DERIVATIVES: (CONTINUED)

receivables and payables are deferred and are recognized in income or as adjustments of carrying amounts when the offsetting gains and losses are recognized on the hedged transaction. Net realized and unrealized gains on forward contracts deferred at May 31, 1997 and 1996 were \$28,000,000 and \$20,700,000, respectively.

The estimated fair values of derivatives used to hedge the Company's risks will fluctuate over time. The fair value of the forward exchange contracts is estimated by obtaining quoted market prices. The fair value of option contracts is estimated using option pricing models widely used in the financial markets. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates. The notional amounts of derivatives summarized below do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure to the Company through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates or other financial indices.

The following table presents the aggregate notional principal amounts, carrying values and fair values of the Company's derivative financial instruments outstanding at May 31, 1997 and 1996.

	MAY 31,					
	1997			1996		
	NOTIONAL PRINCIPAL AMOUNTS	CARRYING VALUES	FAIR VALUES	NOTIONAL PRINCIPAL AMOUNTS	CARRYING VALUES	FAIR VALUES
Currency Swaps.....	\$ 200.0	\$ 19.4	\$ 13.7	\$ --	\$ --	\$ --
Forward Contracts.....	2,328.5	14.8	47.4	1,422.8	(2.1)	14.5
Purchased Options.....	413.7	9.7	9.4	280.2	2.6	.5
Total.....	\$ 2,942.2	\$ 43.9	\$ 70.5	\$ 1,703.0	\$.5	\$ 15.0

At May 31, 1997 and May 31, 1996, the Company had no contracts outstanding with maturities beyond one year except the currency swaps which have maturity dates consistent with the maturity dates of the related debt. All realized gains/losses deferred at May 31, 1997 will be recognized within one year.

The counterparties to derivative transactions are major financial institutions with investment grade or better credit ratings and, additionally, counterparties to derivatives three years or greater are all AAA rated. 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 and is immaterial to any one institution at May 31, 1997 and 1996. 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, the Company considers the risk of counterparty default to be minimal.

NOTE 15--INDUSTRY SEGMENT AND OPERATIONS BY GEOGRAPHIC AREAS:

The Company operates predominantly in one industry segment, that being the design, production, marketing and selling of sports and fitness footwear, apparel and accessories. During 1997, 1996 and 1995,

NIKE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 15--INDUSTRY SEGMENT AND OPERATIONS BY GEOGRAPHIC AREAS: (CONTINUED)

sales to one major customer amounted to approximately 12%, 12% and 14% of total sales, respectively. The geographic distributions of the Company's identifiable assets, operating income and revenues are summarized in the following table.

	YEAR ENDED MAY 31,		
	1997	1996	1995
	(IN THOUSANDS)		
Revenues from unrelated entities:			
United States.....	\$ 5,529,132	\$ 3,964,662	\$ 2,997,864
Europe.....	1,833,722	1,334,340	980,444
Asia/Pacific.....	1,245,217	735,094	515,652
Latin America/Canada and other.....	578,468	436,529	266,874
	\$ 9,186,539	\$ 6,470,625	\$ 4,760,834
Total revenues:			
United States.....	\$ 5,531,957	\$ 3,972,815	\$ 3,004,260
Europe.....	1,833,722	1,341,738	985,882
Asia/Pacific.....	1,245,217	735,094	515,652
Latin America/Canada and other.....	730,046	503,591	298,323
Less inter-geographic revenues.....	(154,403)	(82,613)	(43,283)
	\$ 9,186,539	\$ 6,470,625	\$ 4,760,834
Operating income:			
United States.....	\$ 968,993	\$ 697,094	\$ 501,685
Europe.....	170,612	145,722	113,800
Asia/Pacific.....	174,997	123,585	64,168
Latin America/Canada and other.....	71,342	55,851	37,721
Less corporate, interest and other income (expense) and eliminations....	(90,722)	(123,162)	(67,510)
	\$ 1,295,222	\$ 899,090	\$ 649,864
Assets:			
United States.....	\$ 2,994,017	\$ 2,371,991	\$ 1,659,522
Europe.....	1,272,918	941,522	771,752
Asia/Pacific.....	665,776	386,485	306,390
Latin America/Canada and other.....	328,681	188,839	209,389
Total identifiable assets.....	5,261,392	3,888,837	2,947,053
Corporate cash and eliminations.....	99,815	62,791	195,692
Total assets.....	\$ 5,361,207	\$ 3,951,628	\$ 3,142,745

PART III

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 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company has filed with the Securities and Exchange Commission its definitive proxy statement dated August 13, 1997 for the annual meeting of shareholders to be held on September 22, 1997. The information required by this Item with respect to the Company's directors is incorporated herein by reference from pages 3 through 6, and 8 through 10 of such proxy statement. Information called for by this Item with respect to the Company's executive officers is set forth under "Executive Officers of the Registrant" in Item 1 of this Report.

The information required by Items 11-13 of Part III is incorporated herein by reference from the indicated pages of the Company's definitive Proxy Statement dated August 13, 1997 for its 1997 annual meeting of shareholders.

PROXY

	STATEMENT PAGE NO.
ITEM 11. EXECUTIVE COMPENSATION.....	7-8, 11-21
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.....	8-10
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	19-21

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, 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 Accountants.....	18
Consolidated Statement of Income for each of the three years ended May 31, 1996.....	19
Consolidated Balance Sheet at May 31, 1996 and 1995.....	20
Consolidated Statement of Cash Flows for each of the three years ended May 31, 1996.....	21
Consolidated Statement of Shareholders' Equity for each of the three years ended May 31, 1996.....	22
Notes to Consolidated Financial Statements.....	23-35
2. FINANCIAL STATEMENT SCHEDULES:	
VIII--Valuation and Qualifying Accounts.....	F-1
IX--Short-Term Borrowings.....	F-2

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 (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 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 Form of Indenture between the Company and 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 Officers' Certificate establishing the terms of the Company's 6 3/8% Notes Due December 1, 2003 (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 10, 1996).
- 4.5 Form of 6 3/8% Note due December 1, 2003 (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 10, 1996).
- 4.6 Form of Officers' Certificate establishing the terms of the Company's Fixed Rate Medium-Term Note and Floating Rate Medium-Term Note (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 23, 1997).
- 4.7 Form of Fixed Rate Medium-Term Note (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 23, 1997).
- 4.8 Form of Floating Rate Medium-Term Note (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K dated April 23, 1997).
- 10.1 Credit Agreement dated as of September 15, 1995 among NIKE, Inc., Bank of America National Trust & Savings Association, individually and as Agent, and the other banks party thereto (incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).
- 10.2 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1993).*
- 10.3 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).
- 10.4 NIKE, Inc. Restated Employee Incentive Compensation Plan (incorporated by reference from Registration Statement No. 33-29262 on Form S-8 filed by the Company on June 16, 1989).*
- 10.5 NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 17, 1990).*
- 10.6 Collateral Assignment Split-Dollar Agreement between NIKE, Inc. and Philip H. Knight dated March 10, 1994 (incorporated by reference from Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).*
- 10.7 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, 1995).*

- 12.1 Computation of Ratio of Earnings to Fixed Charges.
 - 21 Subsidiaries of the Registrant.
 - 23 Consent of Price Waterhouse, independent certified public accountants (set forth on page F-3 of this Annual Report on Form 10-K).
-

* Management contract or compensatory plan or arrangement.

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

(B) The following reports on Form 8-K were filed by the Company during the last quarter of fiscal 1997:

April 23, 1997	Item 5. (Other Events) and Item 7 (Exhibits)	Announcement of, and filing of certain documents relating to, a public offering of the Company's Medium-Term Notes.
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**SCHEDULE VIII
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)**

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	WRITE-OFFS NET OF RECOVERIES	BALANCE AT END OF PERIOD

FOR THE YEAR ENDED MAY 31, 1995:					
Allowance for doubtful accounts.....	\$ 28,291	\$ 12,544	\$ 3,122	\$ 11,294	\$ 32,663
Other assets.....	0				0
	\$ 28,291	\$ 12,544	\$ 3,122	\$ 11,294	\$ 32,663

FOR THE YEAR ENDED MAY 31, 1996:					
Allowance for doubtful accounts.....	\$ 32,663	\$ 20,527	(\$ 1,144)	\$ 8,674	\$ 43,372
Other assets.....	0				0
	\$ 32,663	\$ 20,527	(\$ 1,144)	\$ 8,674	\$ 43,372

FOR THE YEAR ENDED MAY 31, 1997:					
Allowance for doubtful accounts.....	\$ 43,372	\$ 25,542	\$ 1,667	\$ 13,348	\$ 57,233
Other assets.....	0				0
	\$ 43,372	\$ 25,542	\$ 1,667	\$ 13,348	\$ 57,233

SCHEDULE IX

SHORT-TERM BORROWINGS(1)
(IN THOUSANDS)

	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD (2)	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (3)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (3)
FOR THE YEAR ENDED MAY 31, 1995:					
Notes payable to banks:					
U.S. Operations.....	\$ 118,609	6.01%	\$ 217,212	\$ 49,277	6.51%
Non-U.S. Operations.....	278,491	5.05	278,491	157,941	5.16
	\$ 397,100		\$ 495,703	\$ 207,218	
Interest bearing accounts payable to NIAC(4).....	\$ 129,480	6.48%	\$ 142,483	\$ 118,032	6.05%
FOR THE YEAR ENDED MAY 31, 1996:					
Notes payable to banks:					
U.S. Operations.....	--	--%	\$ 138,479	\$ 64,554	6.36%
Non-U.S. Operations.....	445,064	4.38	481,344	356,822	3.86
	\$ 445,064		\$ 619,823	\$ 421,376	
Interest bearing accounts payable to NIAC.....	\$ 237,413	5.80%	\$ 237,413	\$ 186,161	6.00%
FOR THE YEAR ENDED MAY 31, 1997:					
Notes payable to banks:					
U.S. Operations.....	--	--%	\$ 158,247	\$ 45,592	5.38%
Non-U.S. Operations.....	553,153	4.08	553,153	436,567	3.61
	\$ 553,153		\$ 711,400	\$ 482,159	
Interest bearing accounts payable to NIAC.....	\$ 414,132	6.14%	\$ 414,132	\$ 294,907	5.93%

Notes:

- (1) For information pertaining to the general terms of short-term borrowings, see Note 4 to the Consolidated Financial Statements.
- (2) Represents the maximum amount of short-term borrowing outstanding at a month-end during the respective period.
- (3) The average amount outstanding during the period is calculated by dividing the total of principal outstanding at each month-end by 12. The weighted average interest rate during the period is calculated by dividing the interest expense for the year by the average amount outstanding.
- (4) NIAC refers to Nissho Iwai American Corporation, a subsidiary of Nissho Iwai Corporation, a Japanese trading company.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the documents listed below, of our report dated June 27, 1997, which appears on Page 18 of this Annual Report on Form 10-K:

1. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-8 (No. 2-81419);
2. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-8 (No. 33-29262);
3. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-3 (No. 33-43205);
4. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-3 (No. 33-48977);
5. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-3 (No. 33-41842);
6. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-8 (No. 33-63995); and
7. Prospectus constituting part of the NIKE, Inc. Registration Statement on Form S-3 (No. 333-15953).

Price Waterhouse LLP

Portland, Oregon
August 29, 1997

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

NIKE, INC.

Date: August 29, 1997

By: /s/ PHILIP H. KNIGHT

PHILIP H. KNIGHT,
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
-----	-----	-----
PRINCIPAL EXECUTIVE OFFICER AND DIRECTOR:		
/s/ PHILIP H. KNIGHT ----- PHILIP H. KNIGHT	Chairman of the Board and Chief Executive Officer	August 29, 1997
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER:		
/s/ ROBERT S. FALCONE ----- ROBERT S. FALCONE	Vice President and Chief Financial Officer	August 29, 1997
DIRECTORS:		
/s/ WILLIAM J. BOWERMAN ----- WILLIAM J. BOWERMAN	Director	August 29, 1997
/s/ THOMAS E. CLARKE ----- THOMAS E. CLARKE	Director	August 29, 1997
/s/ JILL K. CONWAY ----- JILL K. CONWAY	Director	August 29, 1997

SIGNATURE	TITLE	DATE
----- /s/ RALPH D. DENUNZIO ----- RALPH D. DENUNZIO	Director	August 29, 1997
----- /s/ RICHARD K. DONAHUE ----- RICHARD K. DONAHUE	Director	August 29, 1997
----- /s/ DELBERT J. HAYES ----- DELBERT J. HAYES	Director	August 29, 1997
----- /s/ DOUGLAS G. HOUSER ----- DOUGLAS G. HOUSER	Director	August 29, 1997
----- /s/ JOHN E. JAQUA ----- JOHN E. JAQUA	Director	August 29, 1997
----- /s/ KENICHI OHMAE ----- KENICHI OHMAE	Director	August 29, 1997
----- /s/ CHARLES W. ROBINSON ----- CHARLES W. ROBINSON	Director	August 29, 1997
----- /s/ A. MICHAEL SPENCE ----- A. MICHAEL SPENCE	Director	August 29, 1997
----- /s/ JOHN R. THOMPSON, JR. ----- JOHN R. THOMPSON, JR.	Director	August 29, 1997

EXHIBIT 12.1

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

	YEAR ENDED MAY 31,		
	1995	1996	1997
	(DOLLARS IN THOUSANDS)		
Net income.....	\$ 399,664	\$ 553,190	\$ 795,822
Income taxes.....	250,200	345,900	499,400
Income before income taxes.....	649,864	899,090	1,295,222
Add fixed charges			
Interest expense (A).....	24,469	40,356	55,108
Interest component of leases (B).....	14,502	17,494	28,036
Total fixed charges.....	38,971	57,850	83,144
Earnings before income taxes and fixed charges (C).....	\$ 688,574	\$ 956,082	\$ 1,375,601
Ratio of earnings to total fixed charges.....	17.67	16.53	16.54

(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.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT.

NIKE, Inc. has 36 wholly-owned subsidiaries, four of which operate in the United States, and 32 of which operate in foreign countries. All of the subsidiaries, except for Tetra Plastics, Inc., carry on the same line of business, namely the design, marketing, distribution and sale of athletic and leisure footwear, apparel, accessories, and related equipment. Tetra Plastics,

Inc., a Missouri corporation, manufactures and sells various types of plastics.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE MAY 31, 1997 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	MAY 31 1997
PERIOD END	MAY 31 1997
CASH	445,421
SECURITIES	0
RECEIVABLES	1,754,137
ALLOWANCES	57,233
INVENTORY	1,338,640
CURRENT ASSETS	3,830,919
PP&E	1,425,747
DEPRECIATION	503,378
TOTAL ASSETS	5,361,207
CURRENT LIABILITIES	1,866,917
BONDS	296,020
PREFERRED MANDATORY	0
PREFERRED	300
COMMON	2,858
OTHER SE	3,152,980
TOTAL LIABILITY AND EQUITY	5,361,207
SALES	9,186,539
TOTAL REVENUES	9,186,539
CGS	5,502,993
TOTAL COSTS	5,502,993
OTHER EXPENSES	2,310,439
LOSS PROVISION	25,542
INTEREST EXPENSE	52,343
INCOME PRETAX	1,295,222
INCOME TAX	499,400
INCOME CONTINUING	795,822
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	795,822
EPS PRIMARY	2.68
EPS DILUTED	2.68

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