

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 10/03/05 for the Period Ending 10/03/05

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

FOR QUARTERLY REPORTS UNDER SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarter Ended August 31, 2005
Commission file number - 1-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON	93-0584541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Bowerman Drive, Beaverton, Oregon	97005-6453
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (503) 671-6453

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days

Yes No

Indicate by check mark whether the registrant is a shell company (as defined
in Rule 12b-2 of the Exchange Act). Yes No

Common Stock shares outstanding as of August 31, 2005 were:

Class A	65,676,484
Class B	194,730,407
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	260,406,891
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PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2005	May 31, 2005
(in millions)		
ASSETS		
Current assets:		
Cash and equivalents	\$1,588.9	\$1,388.1
Short-term investments	304.2	436.6
Accounts receivable, net	2,390.6	2,262.1
Inventories (Note 2)	1,850.6	1,811.1
Deferred income taxes	106.3	110.2
Prepaid expenses and other current assets	425.7	343.0
	6,666.3	6,351.1
Total current assets		
Property, plant and equipment	3,186.5	3,179.2
Less accumulated depreciation	1,605.3	1,573.4
	1,581.2	1,605.8
Property, plant and equipment, net		
Identifiable intangible assets, net (Note 3)	404.7	406.1
Goodwill (Note 3)	135.4	135.4
Deferred income taxes and other assets	328.1	295.2
	\$9,115.7	\$8,793.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 256.0	\$ 6.2
Notes payable	64.3	69.8
Accounts payable	768.5	843.9
Accrued liabilities (Note 4)	996.6	984.3
Income taxes payable	148.1	95.0
	2,233.5	1,999.2
Total current liabilities		
Long-term debt	428.4	687.3
Deferred income taxes and other liabilities	489.7	462.6
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-65.7 and 71.9 shares outstanding	0.1	0.1
Class B-194.7 and 189.2 shares outstanding	2.7	2.7
Capital in excess of stated value	1,254.9	1,182.9
Unearned stock compensation	(14.4)	(11.4)
Accumulated other comprehensive income (Note 5)	105.8	73.4
Retained earnings	4,614.7	4,396.5
	5,963.8	5,644.2
Total shareholders' equity		
Total liabilities and shareholders' equity	\$9,115.7	\$8,793.6
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended August 31,	
	2005	2004
	(in millions, except per share data)	
Revenues	\$3,862.0	\$3,561.8
Cost of sales	2,113.9	1,976.0
Gross margin	1,748.1	1,585.8
Selling and administrative expense	1,104.4	1,073.6
Interest (income) expense, net	(6.4)	4.8
Other (income) expense, net	(9.9)	1.9
Income before income taxes	660.0	505.5
Income taxes	227.7	178.7
Net income	\$ 432.3	\$ 326.8
Basic earnings per common share (Note 7)	\$ 1.66	\$ 1.24
Diluted earnings per common share (Note 7)	\$ 1.61	\$ 1.21
Dividends declared per common share	\$ 0.25	\$ 0.20

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended August 31,	
	2005	2004
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 432.3	\$ 326.8
Income/charges not affecting cash:		
Depreciation	68.9	58.4
Deferred income taxes	(11.2)	11.6
Amortization and other	0.7	3.2
Income tax benefit from exercise of stock options	15.9	13.4
Changes in certain working capital components, net of the effect of acquisition of subsidiary:		
Increase in accounts receivable	(132.8)	(57.8)
(Increase) decrease in inventories	(29.1)	25.9
(Increase) decrease in prepaid expenses and other current assets	(39.6)	1.9
Decrease in accounts payable, accrued liabilities and income taxes payable	(43.4)	(15.0)
Cash provided by operations	261.7	368.4

Cash provided (used) by investing activities:		
Purchases of short-term investments	(261.6)	(275.4)
Maturities of short-term investments	395.6	310.0
Additions to property, plant and equipment	(58.5)	(53.8)
Disposals of property, plant and equipment	0.4	1.4
Increase in other assets	(2.5)	(5.2)
Decrease in other liabilities	(4.1)	(2.2)
Acquisition of subsidiary, net of cash acquired	--	(47.2)
	<hr/>	<hr/>
Cash provided (used) by investing activities	69.3	(72.4)
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Reductions in long-term debt, including current portion	(1.6)	(4.3)
Increase (decrease) in notes payable	4.2	(48.4)
Proceeds from exercise of options and other stock issuances	53.6	65.6
Repurchase of common stock	(129.1)	(145.8)
Dividends on common stock	(65.3)	(52.6)
	<hr/>	<hr/>
Cash used by financing activities	(138.2)	(185.5)
	<hr/>	<hr/>
Effect of exchange rate changes on cash	8.0	(6.4)
	<hr/>	<hr/>
Net increase in cash and equivalents	200.8	104.1
Cash and equivalents, beginning of period	1,388.1	828.0
	<hr/>	<hr/>
Cash and equivalents, end of period	\$1,588.9	\$ 932.1
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim period. The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the three (3) months ended August 31, 2005 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2006 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NOTE 2 - Inventories:

Inventory balances of \$1,850.6 million and \$1,811.1 million at August 31, 2005 and May 31, 2005, respectively, were substantially all finished goods.

NOTE 3 - Identifiable Intangible Assets and Goodwill:

The following table summarizes the Company's identifiable intangible assets and goodwill balances as of August 31, 2005 and May 31, 2005:

August 31, 2005			May 31, 2005		
Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

(in millions)						
Amortized intangible assets:						
Patents	\$ 30.1	\$ (11.5)	\$ 18.6	\$ 29.2	\$ (10.9)	\$ 18.3
Trademarks	55.1	(17.8)	37.3	54.8	(16.4)	38.4
Other	21.3	(14.0)	7.3	21.4	(13.5)	7.9
Total	<u>\$ 106.5</u>	<u>\$ (43.3)</u>	<u>\$ 63.2</u>	<u>\$ 105.4</u>	<u>\$ (40.8)</u>	<u>\$ 64.6</u>
Unamortized intangible assets - Trademarks						
			\$ 341.5			\$ 341.5
Identifiable intangible assets, net						
			<u>\$ 404.7</u>			<u>\$ 406.1</u>
Goodwill						
			<u>\$ 135.4</u>			<u>\$ 135.4</u>

Amortization expense, which is included in selling and administrative expense, was \$2.5 million and \$1.5 million for the three-month periods ended August 31, 2005 and 2004, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ended May 31, 2006 through May 31, 2010 are as follows: 2006: \$9.5 million; 2007: \$8.6 million; 2008: \$8.1 million; 2009: \$7.4 million; 2010: \$6.6 million.

NOTE 4 - Accrued Liabilities:

Accrued liabilities include the following:

	August 31, 2005	May 31, 2005
(in millions)		
Compensation and benefits, excluding taxes	\$276.1	\$394.2
Taxes other than income taxes	145.6	96.8
Endorser compensation	122.4	93.0
Advertising and marketing	72.0	57.4
Fair value of derivatives	68.7	61.8
Dividends payable	65.1	65.3
Other ¹	246.7	215.8
	<u>\$996.6</u>	<u>\$984.3</u>
	=====	=====

¹ Other consists of various accrued expenses and no individual item accounted for more than \$50 million of the balance at August 31, 2005 and May 31, 2005.

NOTE 5 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended August 31,	
	2005	2004
(in millions)		
Net income	\$432.3	\$326.8
Other comprehensive income:		
Change in cumulative translation adjustment and other, net of tax	(17.3)	(14.1)
Changes due to cash flow hedging instruments:		
Net gain on hedge derivatives, net of tax	42.0	6.9
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments, net of tax	7.7	50.4
Other comprehensive income	<u>32.4</u>	<u>43.2</u>

Total comprehensive income	\$464.7	\$370.0
	=====	=====

NOTE 6 - Stock-Based Compensation:

The Company uses the intrinsic value method to account for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation" (FAS 123). Substantially all options granted by the Company have an exercise price equal to the market value at the date of grant, and accordingly, no compensation expense is recognized. The Company also has an Employee Stock Purchase Plan (ESPP) that qualifies as a non-compensatory employee stock purchase plan under Section 423 of the Internal Revenue Code, and accordingly, no compensation expense is recognized.

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

	Three Months Ended August 31,	
	2005	2004
	_____	_____
	(in millions, except per share data)	
Net income as reported	\$432.3	\$326.8
Add: Stock-based compensation expense included in reported net income, net of tax	0.1	--
Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of tax	(18.9)	(14.1)
	_____	_____
Pro forma net income	\$413.5	\$312.7
	=====	=====
Earnings per share:		
Basic - as reported	1.66	1.24
Basic - pro forma	1.58	1.19
Diluted - as reported	1.61	1.21
Diluted - pro forma	1.55	1.17

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

As disclosed in the Company's Annual Report on Form 10-K as of May 31, 2005, the Company is currently evaluating SFAS No. 123R "Share-Based Payment" (FAS 123R) and the Securities and Exchange Commission's Staff Accounting Bulletin No. 107 (SAB 107) to determine the fair value method to measure compensation expense, the appropriate assumptions to include in the fair value model and the transition method to use upon adoption. The impact of the adoption of FAS 123R is not known at this time due to these factors as well as the unknown level of stock-based payments granted in future years. The effect on the Company's results of operations of expensing stock options using the Black-Scholes model is presented in the table above.

Under certain conditions, stock options granted by the Company are eligible for accelerated vesting upon the retirement of the employee. The FASB clarified in FAS 123R that the fair value of such stock options should be expensed based on an accelerated vesting schedule or immediately, rather than ratably over the vesting period stated in the grant. The Company's pro forma disclosure above currently reflects the expense of such options ratably over the stated vesting period, expensing all unvested shares upon actual retirement. The SEC clarified that companies should continue to follow the vesting method they have been using until adoption of FAS 123R, then apply the accelerated vesting schedule to all subsequent grants to those employees eligible for accelerated vesting upon retirement. Had the Company been accounting for such stock options using the accelerated vesting schedule for those employees eligible for accelerated vesting upon retirement, the Company would have recognized additional stock-based compensation expense in the above pro forma of \$0.06 and \$0.09 per diluted share for the three months ended August 31, 2005 and August 31, 2004, respectively. The Company grants the majority of stock options in a single grant in the first three months of each fiscal year. As such, accelerated vesting would result in increased expense recognition in the first three months of the fiscal year and a reduction of expense recorded in the remaining nine months of the fiscal year, as compared to the expense recorded by the Company under our current policy of expensing such options ratably over the stated vesting period.

NOTE 7 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 5.7 million and 5.0 million shares of common stock were outstanding at August 31, 2005 and August 31, 2004, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

CORPORATE	(191.4)	(187.2)
	<u>\$ 660.0</u>	<u>\$ 505.5</u>
	=====	=====
	Aug. 31, 2005	May 31, 2005
	<u> </u>	<u> </u>
	(in millions)	
Accounts receivable, net		
U.S.	\$ 682.9	\$ 627.0
EUROPE, MIDDLE EAST, AFRICA	826.7	723.6
ASIA PACIFIC	284.6	309.8
AMERICAS	177.7	165.3
OTHER	361.6	394.0
CORPORATE	57.1	42.4
	<u>\$2,390.6</u>	<u>\$2,262.1</u>
	=====	=====
Inventories		
U.S.	\$ 637.5	\$ 639.9
EUROPE, MIDDLE EAST, AFRICA	509.3	496.5
ASIA PACIFIC	252.4	228.9
AMERICAS	111.5	94.4
OTHER	299.8	316.2
CORPORATE	40.1	35.2
	<u>\$1,850.6</u>	<u>\$1,811.1</u>
	=====	=====
Property, plant and equipment, net		
U.S.	\$ 218.8	\$ 216.0
EUROPE, MIDDLE EAST, AFRICA	221.1	230.0
ASIA PACIFIC	366.5	380.4
AMERICAS	16.2	15.7
OTHER	92.7	93.4
CORPORATE	665.9	670.3
	<u>\$1,581.2</u>	<u>\$1,605.8</u>
	=====	=====

NOTE 9 - Commitments and Contingencies:

At August 31, 2005, the Company had letters of credit outstanding totaling \$452.8 million. These letters of credit were issued primarily for the purchase of inventory.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's latest Annual Report on Form 10-K.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In the first quarter of fiscal 2006, our revenues grew 8% to \$3.9 billion, net income grew 32% to \$432.3 million and we delivered diluted earnings per share of \$1.61, a 33% increase versus the first quarter of fiscal 2005. For the quarter, our consolidated gross margin percentage increased 80 basis points to 45.3%, driven largely by foreign currency transaction benefits. Lower demand creation spending in the first quarter of fiscal 2006 compared to the first quarter of fiscal 2005 also drove profit growth in the quarter. The lower demand creation expense reflected shifts in the timing of spending in fiscal 2006 versus fiscal 2005.

Results of Operations

%	Three Months Ended August 31,		
	2005	2004	change
	<u> </u>	<u> </u>	<u> </u>
	(dollars in millions, except per share data)		
Revenues	\$3,862.0	\$3,561.8	8%

Cost of sales	2,113.9	1,976.0	7%
Gross margin	1,748.1	1,585.8	10%
Gross margin %	45.3%	44.5%	
Selling and administrative expense	1,104.4	1,073.6	3%
% of revenues	28.6%	30.1%	
Income before income taxes	660.0	505.5	31%
Net income	432.3	326.8	32%
Diluted earnings per share	1.61	1.21	33%

Consolidated Operating Results

In the first quarter of fiscal 2006, consolidated revenues grew 8% versus the first quarter of fiscal 2005; one percentage point of this growth was attributable to changes in currency exchange rates, primarily the stronger euro. Excluding the impact of changes in foreign currency, revenue growth in our international regions contributed 3 percentage points of the consolidated revenue growth for the first quarter of fiscal 2006, as all three of our international regions posted higher revenues. The U.S. Region contributed 3 percentage points of the consolidated revenue growth for the first quarter. Sales in our Other businesses drove the balance of the improvement for the quarter.

In the first quarter of fiscal 2006, our consolidated gross margin percentage improved 80 basis points compared to the prior year's first quarter, from 44.5% to 45.3%. The primary factors contributing to the improved gross margin percentage for the first quarter were as follows:

(1) Higher gross margins in our international regions contributed approximately 80 basis points to the consolidated gross margin improvement in the first quarter. This improvement reflected higher gross margins in the Europe, Middle East and Africa (EMEA) and Americas regions that were partially offset by gross margin declines in our Asia Pacific Region. This improvement was driven by changes in the year-over-year euro hedge rates, partially offset by the impact of lower in-line pricing margins (net revenue for current product offerings minus product costs) in our EMEA and Asia Pacific regions (as discussed below):

(a) For the first quarter of fiscal 2006, year-over-year currency hedge rate improvements, primarily the euro, contributed approximately 180 basis points to our consolidated gross margin percentage.

(b) Lower in-line pricing margins on wholesale products in the EMEA and Asia Pacific regions resulted in a reduction in the consolidated gross margin percentage of approximately 110 basis points for the quarter. The lower in-line pricing margins related primarily to footwear and were due to strategies to improve consumer value, higher product costs due in part to higher oil prices and a shift in the mix of products sold in EMEA toward products with lower margins.

(2) A lower gross margin percentage in the U.S. Region accounted for approximately 20 basis points of decline to the consolidated gross margin improvement for the first quarter. The U.S. Region gross margin decline was due primarily to lower in-line pricing margins in footwear. Higher product costs (due in part to higher oil prices) and additional costs incurred to meet strong footwear unit demand drove the lower U.S. Region footwear margins during the first quarter.

(3) Improved gross margin percentages in our Other businesses represented 20 basis points of improvement to the consolidated gross margin percentage for the quarter. Exeter Brands (a unit formed in August of fiscal 2005 to develop our business in retail channels serving value-conscious consumers) and Converse drove the majority of the gross margin improvement, reflecting increased revenues from their respective licensing businesses, which carry higher gross margins than the balance of our Other businesses.

We have hedged the majority of product purchases for the remainder of fiscal 2006 and a significant portion of those are at more favorable rates than product purchases in fiscal 2005. Based on these known rates, we expect hedge rates to continue to have a positive impact on our gross margin percentage in fiscal 2006 as compared to fiscal 2005. For the remainder of the year, we expect the greatest benefit to occur in the second quarter with minimal impact in the second half of the year.

These benefits from currency hedge rates are expected to be largely offset by the impact of strategies to improve consumer value in EMEA and Asia Pacific and higher product costs as discussed above. Based on these factors, we currently expect minimal gross margin improvement for the full fiscal year 2006 as compared to fiscal 2005.

Selling and administrative expense, comprised of demand creation (advertising and promotion) and operating overhead, grew 3% for the first quarter of fiscal 2006 as compared to the prior year. One percentage point of the increase for the first quarter was due to changes in currency exchange rates.

Demand creation expense decreased 10% to \$421.6 million in the first quarter of fiscal 2006. Excluding changes in currency exchange rates, demand creation expense decreased 11% in the first quarter. The decrease in demand creation spending for the first quarter of fiscal 2006 is not indicative of what we currently expect for the full year and was primarily attributable to a change in the timing of advertising spending versus

fiscal 2005. Advertising spending was particularly heavy in the prior year's first quarter due to marketing programs centered on global sporting events that took place in the summer of 2004. In addition, an advertising campaign scheduled for the first quarter of fiscal 2006 was delayed to the second quarter of the year.

Operating overhead for the first quarter of fiscal 2006 grew 12% to \$682.8 million. Changes in currency exchange rates contributed 1 percentage point of the increase for the first quarter. Excluding the effects of currency, operating overhead increases for the quarter were mainly attributable to higher personnel costs due to increased headcount, higher wages and benefits, and higher incentive-based compensation (6 percentage points for the quarter); investments in infrastructure to support the growth of our Other businesses (2 percentage points for the quarter); and continued investments in NIKE-owned retail stores (1 percentage point for the quarter).

In the first quarter of fiscal 2006, foreign currency hedge gains were the most significant component of other income, net, of \$9.9 million. These gains are reflected in the Corporate line in our segment presentation of pre-tax income in the Notes to Unaudited Condensed Consolidated Financial Statements (Note 8 - Operating Segments). The hedge gains in the first quarter of fiscal 2006 reflect that the euro has weakened since we entered into these hedge contracts. In the first quarter of fiscal 2005, foreign currency hedge losses were the most significant component of other expense, net, and the comparison of these foreign currency hedge losses to foreign currency hedge gains in the first quarter of fiscal 2006 drove the year-over-year improvement in other (income) expense, net.

In the first quarter of fiscal 2006, we estimate that the combination of net foreign currency gains in other (income) expense, net, and the favorable translation of foreign currency denominated profits, most significantly in EMEA, resulted in a year-over-year increase in consolidated income before income taxes of \$17 million. If current exchange rates remain constant, we do not expect a significant impact on our consolidated income before income taxes related to the combination of foreign currency gains or losses and the translation of foreign currency denominated profits for the remainder of fiscal 2006 compared to fiscal 2005.

The effective tax rate for the first quarter of fiscal 2006 and the expected effective tax rate for the full year of 34.5% is slightly lower than the effective tax rate for the full year of fiscal 2005 of 34.9%. The decrease in the effective tax rate is primarily due to a lower effective rate for U.S. state taxes.

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from September 2005 through January 2006 were 11.0% higher than such orders reported for the comparable period of fiscal 2005. The net effect from changes in currency exchange rates did not have a significant impact on this reported increase versus the same period last year. Higher average selling prices for footwear and apparel contributed 5 percentage points of the growth in overall futures and advance orders. The remaining increase was due to volume increases for both footwear and apparel. As always, the reported futures and advance orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations and discounts can cause differences in the comparisons between futures and advance orders, and actual revenues. Moreover, a significant portion of our revenue is not derived from futures and advance orders, including at-once and closeout sales of NIKE footwear and apparel, wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, Exeter Brands and retail sales across all brands.

Operating Segments

The breakdown of revenues follows:

	Three Months Ended August 31,		
	2005	2004	% change
(dollars in millions)			
U.S. REGION			
FOOTWEAR	\$1,021.1	\$ 921.4	11%
APPAREL	395.5	391.3	1%
EQUIPMENT	92.3	89.0	4%
TOTAL U.S.	1,508.9	1,401.7	8%
EMEA REGION			
FOOTWEAR	685.1	663.3	3%
APPAREL	435.2	409.7	6%
EQUIPMENT	97.2	84.9	14%
TOTAL EMEA	1,217.5	1,157.9	5%
ASIA PACIFIC REGION			
FOOTWEAR	237.4	218.6	9%
APPAREL	176.5	148.8	19%

EQUIPMENT	45.7	38.6	18%
TOTAL ASIA PACIFIC	<u>459.6</u>	<u>406.0</u>	13%
AMERICAS REGION			
FOOTWEAR	156.9	114.8	37%
APPAREL	40.7	35.5	15%
EQUIPMENT	16.1	11.4	41%
TOTAL AMERICAS	<u>213.7</u>	<u>161.7</u>	32%
	<u>3,399.7</u>	<u>3,127.3</u>	9%
OTHER	462.3	434.5	6%
TOTAL REVENUES	<u>\$3,862.0</u>	<u>\$3,561.8</u>	8%
	=====	=====	

The discussion following includes disclosure of "pre-tax income" for our operating segments. We have reported pre-tax income for each of our operating segments in accordance with Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information." As discussed in Note 8 - Operating Segments in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

In the U.S. Region, revenues for the first quarter of fiscal 2006 grew 8% versus the first quarter of fiscal 2005, as revenues increased in each product business unit (footwear, apparel and equipment). The increase in footwear revenue for the first quarter was due to a 7 percentage point increase in unit sales and a 4 percentage point increase in the average selling price per pair. The increase in unit sales and the average price per pair are primarily due to increased consumer demand for performance products, especially those with a suggested retail price over \$100.

The increase in apparel sales for the first quarter of fiscal 2006 was driven by volume increases in branded apparel, partially offset by declines in the volume and average selling price per unit of licensed apparel. The declines in both the volume and average selling price of licensed apparel were primarily due to the expiration of our license agreement with the NBA in the second quarter of fiscal 2005.

For the first quarter of fiscal 2006, U.S. Region pre-tax income was \$345.2 million, a 7% increase versus the first quarter of fiscal 2005. For the quarter, higher revenues drove the increase, more than offsetting a lower gross margin percentage and higher selling and administrative costs. The lower gross margin percentage, which reduced the consolidated gross margin percentage by approximately 20 basis points for the first quarter, was primarily the result of lower in-line pricing margins for footwear due to higher product costs and additional costs incurred to meet strong unit demand, as discussed above. The higher selling and administrative costs were due to increases in operating overhead, primarily the result of higher personnel costs, and slightly higher demand creation expenses.

For EMEA, changes in currency exchange rates accounted for 1 percentage point of the reported revenue growth for the first quarter of fiscal 2006. Excluding the changes in currency exchange rates, sales in each product business unit grew in the first quarter. The increase in footwear revenue over the prior year was primarily driven by increased unit sales, partially offset by declines in the average selling prices due in part to strategies to improve consumer value and changes in the mix of products sold. The increase in apparel revenue was driven by increased unit sales. Sales increases in the UK, Italy and the emerging markets in our Central Europe, Middle East and Africa unit drove the growth.

EMEA pre-tax income for the first quarter of fiscal 2006 was \$330.2 million, up 34% versus the prior year quarter. Higher revenues, gross margin improvements and lower selling and administrative costs drove the increase. The improved gross margins, which contributed approximately 80 basis points of growth to the consolidated gross margin percentage, were primarily the result of improved year-over-year euro hedge rates partially offset by reduced in-line pricing margins primarily in footwear. The reduced in-line margins were due to the investments in consumer value, a shift in the mix of products sold and higher product costs, as discussed above. The lower selling and administrative costs were driven by decreases in demand creation expense (resulting from lower advertising spending), partially offset by increased operating overhead expense (primarily driven by increased personnel costs).

In the Asia Pacific Region, 3 percentage points of reported revenue growth for the first quarter of fiscal 2006 were due to changes in currency exchange rates. Excluding the changes in currency exchange rates, sales in each Asia Pacific business unit grew. The increase over the prior year was primarily driven by increased unit sales of footwear and apparel. A significant revenue increase in China (driven by expansion of retail distribution and strong consumer demand) was the primary growth driver for the quarter.

Pre-tax income for the Asia Pacific Region increased 44% in the first quarter of fiscal 2006 versus the first quarter of fiscal 2005 to \$91.4 million. Higher revenues, lower selling and administrative costs and a slight benefit from changes in currency exchange rates were partially offset by a reduction in the gross margin percentage. The reduced gross margin percentage, which reduced the consolidated gross margin by approximately 20 basis points, was primarily attributable to lower in-line pricing margins due to strategies to improve consumer value and higher product costs. The lower selling and administrative costs were driven by decreases in demand creation expense, primarily due to lower advertising spending in the first quarter.

In the Americas Region, 12 percentage points of the revenue growth for the first quarter of fiscal 2006 were due to changes in currency exchange rates. Excluding the changes in currency exchange rates, sales in each product business unit grew in the first quarter. The revenue growth for the quarter was driven primarily by higher sales in Canada and South America.

In the first quarter of fiscal 2006, pre-tax income for the Americas Region increased 119% from the prior year quarter, to \$44.6 million. The increase in pre-tax income for the first quarter was attributable to higher revenues, an improved gross margin percentage and a benefit from changes in currency exchange rates, partially offset by higher selling and administrative costs. The improved gross margin percentage contributed approximately 20 basis points to the growth of the consolidated gross margin percentage for the quarter.

Revenues and pre-tax income for our Other businesses in the first quarter of fiscal 2006 include results from Bauer NIKE Hockey Inc., Cole Haan Holdings Incorporated, Converse Inc., Hurley International LLC, NIKE Golf, and Exeter Brands Group LLC. For the first quarter, the increase in Other revenues was primarily driven by growth at Converse and Cole Haan.

Pre-tax income from the Other businesses was essentially unchanged at \$40.0 million in the first quarter of fiscal 2006 as increased demand creation investments in NIKE Golf offset profit growth in most of the Other businesses.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was \$261.7 million for the first three months of fiscal 2006, compared to \$368.4 million for the first three months of fiscal 2005. Net income provided \$432.3 million of cash flow over the first three months of the current year, compared to \$326.8 million in the first three months of last year, partially offset by a greater net increase in working capital for the current year versus the prior year. In the first three months of fiscal 2006, our net investment in working capital increased primarily due to an increase in accounts receivable and inventories. The increase in accounts receivable primarily reflects our revenue growth across the Company, the extension of credit terms in China to a level consistent with our other regions, and an extension of credit terms in countries in Asia for products we shipped early due to the implementation of new supply chain systems in July 2005. The increase in inventories largely reflects our reported futures orders growth and is in part the result of changes in the timing of receipts and shipments of products as compared to the prior year.

In the current quarter, we purchased approximately 1.8 million shares of NIKE's Class B common stock for \$150.6 million, bringing purchases to date under the program to 8.7 million shares for \$706.8 million. The share repurchases were part of a \$1.5 billion share repurchase program that was approved by the Board of Directors in June 2004. We expect to continue to fund this program from operating cash flow. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

Dividends declared per share of common stock for the first quarter of fiscal 2006 were \$0.25, compared to \$0.20 in the first quarter of fiscal 2005.

Capital Resources

No amounts are currently outstanding under our committed credit facility. The terms of our facility have not changed from those described in our Annual Report on Form 10-K for the fiscal year ended May 31, 2005.

Our long-term senior unsecured debt ratings remain at A+ and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at August 31, 2005 or May 31, 2005. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

We currently believe that cash generated by operations, together with access to external sources of funds as described above and in our Annual Report on Form 10-K for the fiscal year ended May 31, 2005, will be sufficient to meet our operating and capital needs in the foreseeable future.

Critical Accounting Policies

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

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Because of the uncertainty inherent in these

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

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the information previously reported under Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2005.

Item 4. CONTROLS AND PROCEDURES

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

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of August 31, 2005.

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

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the 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; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products, and the various market factors described above; difficulties in implementing, operating, and maintaining NIKE's increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning, and inventory control; 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 and inventories; the size, timing and mix of purchases of NIKE's products; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, exchange rate fluctuations, import duties, tariffs, quotas and political and economic 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 affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk

factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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

Part II - Other Information

Item 1.

Legal Proceedings

There have been no significant developments with respect to the information previously reported under Item 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2005.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity

Securities

The following table presents a summary of share repurchases made by NIKE during the quarter ended August 31, 2005 under the four-year \$1.5 billion share repurchase program authorized by our Board of Directors and announced in June 2004.

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
June 1 - 30, 2005	---	---	---	\$ 943.8
July 1 - 31, 2005	498,500	\$ 86.02	498,500	\$ 901.0
August 1 - 31, 2005	1,334,000	\$ 80.80	1,334,000	\$ 793.2
Total	1,832,500 =====	\$ 82.22 =====	1,832,500 =====	

Item 6. Exhibits

(a) EXHIBITS:

3.1 Restated Articles of Incorporation, as amended.

3.2 Third Restated Bylaws, as amended (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K filed November 18, 2004).

4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).

4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).

12.1 Computation of Ratio of Earnings to Fixed Charges.

31.1 Rule 13(a)-14(a) Certification of Chief Executive Officer.

31.2 Rule 13(a)-14(a) Certification of Chief Financial Officer.

32.1 Section 1350 Certificate of Chief Executive Officer.

32.2 Section 1350 Certificate of Chief Financial Officer.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements 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. an Oregon Corporation

/s/ Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: October 3, 2005

EXHIBIT 3.1

**RESTATED ARTICLES OF INCORPORATION
OF
NIKE, INC.**

(as amended September 23, 2005)

The following version of the Restated Articles of Incorporation of NIKE, Inc., an Oregon corporation (the "Corporation"), has been prepared for filing with the Securities and Exchange Commission and includes the amendments reflected in the Articles of Amendment filed with the Oregon Secretary of State on October 15, 1987, the Articles of Amendment filed with the Oregon Secretary of State on October 10, 1995 and the Articles of Amendment filed with the Oregon Secretary of State on September 23, 2005:

ARTICLE I

These Restated Articles of Incorporation supersede the previously existing Articles of Incorporation of NIKE, Inc. and all amendments thereto.

ARTICLE II

The name of this Corporation is NIKE, Inc. and its duration shall be perpetual.

ARTICLE III

The purposes for which this Corporation is organized are to engage in any lawful activity for which corporations may be organized under ORS Chapter 57.

ARTICLE IV

The aggregate number of shares which the Corporation shall have the authority to issue is divided as follows:

- A. 175,000,000 shares of Class A Common Stock, no par value;
- B. 750,000,000 shares of Class B Common Stock, no par value; and
- C. 300,000 shares of Preferred Stock, \$1.00 par value.

Immediately upon the filing of these Restated Articles of Incorporation with the Corporation Commissioner for the State of Oregon, each share of the Corporation's Common Stock, without par value, outstanding immediately prior to such filing shall become, without further action and without the necessity of transfer or exchange of any share certificates, 30 shares of the Corporation's Class A Common Stock, without par value, and the holders thereof shall be entitled to all of the rights and preferences of such class of stock as set forth in these Restated Articles of Incorporation.

The Class A Common Stock and the Class B Common Stock are sometimes collectively referred to herein as the "Common Stock." The designations, preferences, limitations and relative rights granted to or imposed upon the respective classes of the shares of capital stock and the holders thereof are as follows:

- A. Preferred Stock, \$1.00 par value

1. Dividends. The holders of Preferred Stock shall be entitled to receive dividends at the rate of \$.10 per share per annum payable annually on May 31. Dividends shall be cumulative. Computation of the amount of dividends accrued in respect of a fraction of a year shall be on the basis of a 365-day year. In case dividends for any period are not paid in full, all shares of Preferred Stock shall participate ratably in the payment of dividends for such period in proportion to the full amount of such dividends for such period to which they are entitled. Unpaid dividends shall bear interest at the rate of 12 percent per annum. No dividend shall be declared or paid or set apart for payment in any fiscal year on the Common Stock or on any class of stock of the Corporation ranking as to dividends subordinate to the Preferred Stock, until all dividends for such fiscal year for all outstanding shares of Preferred Stock have been declared and paid, or set apart for payment, in full.

2. Voting Rights. Except as otherwise expressly required by law, shares of Preferred Stock shall not be entitled to vote on any matter submitted to shareholders, other than matters listed below:

- (a) Sale of all or substantially all of the assets of the Corporation or any of its subsidiaries.
- (b) Merger, consolidation, liquidation or dissolution of the Corporation.

(c) Sale or assignment of the "NIKE" trademark for athletic shoes sold in the United States.

On any of the foregoing matters or on any matters as to which voting of the Preferred Stock shall be expressly required by law, such stock shall be entitled to one vote per share, and it shall vote as a separate class.

If any such matter is submitted for approval by Preferred Shareholders and is not approved by the holders of more than 66-2/3 percent of the shares of Preferred Stock outstanding, the Corporation and the holders of Preferred Stock shall have the following rights and obligations:

(a) Holders of Preferred Stock voting against the action may require the Corporation to redeem all of its shares of Preferred Stock by giving written notice to the Corporation and stating that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be less than 60 days from the date of the notice. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(b) The Corporation may redeem any or all of the shares of Preferred Stock voting against the action by giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be more than 60 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

3. Liquidation. The holders of Preferred Stock shall be entitled to receive, before any payment or distribution of the assets of the Corporation, whether capital or surplus, shall be made to or set apart for the holders of the Common Stock or any other series or class of stock ranking junior to such Preferred Stock as to rights upon liquidation, dissolution or winding up of the affairs of the Corporation, voluntarily or involuntarily, \$1.00 per share, together with all dividends declared and unpaid thereon to the date of final distribution, and no more. If, upon liquidation, dissolution or winding up of the Corporation, the assets of the Corporation distributable among the holders of Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets shall be distributed among such holders ratably in proportion to the full amounts which would be payable on said shares if all amounts payable thereon were paid in full. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor a sale, transfer or lease of all or any part of the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph.

4. Redemption by the Corporation. The Corporation, at its option, may redeem shares of Preferred Stock in any one or more of the following situations:

(a) The Corporation may redeem all, but not less than all, of the shares of Preferred Stock by giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date which shall not be more than 90 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any. At the time of any redemption under this paragraph A.4.(a) of Article IV, in addition to paying the redemption price, the Corporation shall repay the entire indebtedness owed by the Corporation to the holders of Preferred Stock.

(b) If a holder of Preferred Stock desires to sell or transfer the Preferred Stock (to any person other than Nissho Iwai Co., Ltd. or one of its subsidiaries), the Corporation may redeem the Preferred Stock proposed for sale. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(i) In the event of a proposed sale or transfer, the holder of Preferred Stock shall notify the Corporation of its intention to sell or transfer the Preferred Stock and provide the Corporation with the name of the proposed transferee and the terms of the transfer. If the Corporation chooses to exercise its right to redeem, the Corporation shall give the holder of Preferred Stock written notice of its intention to redeem within 15 days from the date the Corporation receives notice of the holder's proposed sale or transfer. Any such redemption notice by the Corporation will provide for redemption no more than 60 days from the time such redemption notice is given by the Corporation to the holder of Preferred Stock.

(ii) If a holder of Preferred Stock sells or transfers Preferred Stock, any transferee shall be subject to the redemption rights set forth in these Articles.

(c) In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the Corporation may redeem by giving written notice to the holders of the Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed on a specified date which shall not be more than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

Notice of any proposed redemption of shares of Preferred Stock shall be given by the Corporation by mailing a copy of such notice to the holders of record of the shares to be redeemed, at their respective addresses as appearing on the books of the Corporation.

5. Redemption by Holder. In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the holders of the Preferred Stock may redeem by giving written notice to the Corporation and stating in such notice that the shares shall be redeemed on a specified date which shall not be less than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

B. Class A Common Stock and Class B Common Stock.

1. Voting Rights. Subject to the rights granted herein to the Preferred Stock, the holders of the Common Stock shall possess all of the voting power of the capital stock of this Corporation. All such shares shall have one vote per share and shall vote together as one class except as provided in this Article IV, Section B, subsection 1, or as may otherwise be required by law.

At any time that the number of outstanding shares of the Class B Common Stock shall equal or exceed 25 percent of the total outstanding shares of Common Stock, determined as of the record date established for the purpose of determining shareholders entitled to vote, the shares of the Class A and Class B Common Stock shall vote separately for the purpose of electing directors. At any such time, the holders of the Class B Common Stock, voting as a separate class, shall be entitled to elect a number of directors equal to 25 percent (rounded up to the nearest whole number) of the total number of authorized directors. The holders of the Class A Common Stock, voting as a separate class, shall elect all remaining members of the Board of Directors. The two classes shall continue to vote separately for the election of directors as long as the outstanding shares of the Class B Common Stock represent 25 percent or more of the total outstanding Common Stock.

Without regard to the above provisions relating to class voting for directors, if at any time the number of outstanding shares of the Class A Common Stock shall be less than 12.5 percent of the total outstanding Common Stock, the holders of the Class B Common Stock shall continue to elect, voting as a separate class, 25 percent (rounded up to the nearest whole number) of the total number of authorized directors, and the holders of the Class A Common Stock and the holders of the Class B Common Stock shall elect all remaining members of the Board of Directors, voting together as a single class.

In any vote for the removal of a director from office, the shares of the Class A and Class B Common Stock shall vote together and as one class, except that a director elected by the vote of either the Class A Common Stock or the Class B Common Stock, voting separately as a class, or a director appointed to fill the vacancy left by a director who was elected by separate class vote, may be removed from office only upon the affirmative vote of the holders of a majority of the outstanding shares of the class which elected him or his predecessor.

Nothing within this Article IV concerning voting rights is intended to modify or otherwise affect the voting provisions which are contained in Article VI of these Restated Articles of Incorporation, as amended.

2. Conversion Rights of the Class A Common Stock.

Subject to the following terms and conditions, each share of Class A Common Stock shall be convertible into a fully paid and nonassessable share of the Class B Common Stock. At the option of the respective holders, up to 1,017,000 shares of Class A Common Stock which will be outstanding upon the filing with the Oregon Corporation Commissioner of these Restated Articles of Incorporation shall be convertible at any time, and all remaining shares shall be convertible at any time from and after the 90th day following the effective date under the Securities Act of 1933 of the Corporation's Registration Statement filed with the Securities and Exchange Commission in October 1980. The conversion ratio shall be one share of Class B Common Stock for each share of Class A Common Stock surrendered for conversion. Such conversion rights shall include and be subject to the following:

(a) Conversion may be affected as to all or any whole number of shares evidenced by any certificate for shares of Class A Common Stock upon surrender of such certificate to the Corporation at its principal office or to such agent or agents as may be designated by the Board of Directors. Shares so surrendered for conversion shall be accompanied by written evidence of the holder's election to convert such shares and (if so requested by the Corporation) accompanied by an instrument of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney.

(b) As promptly as practicable after the surrender of the shares for conversion in the manner herein provided, the Corporation shall deliver or cause to be delivered to the holder of the shares so surrendered, certificates representing the number of fully paid and nonassessable shares of the Class B Common Stock of the Corporation into which such shares of Class A may be converted together with (if the certificate for the shares of Class A surrendered includes shares which are not being converted) certificates representing the number of shares of Class A Common Stock not then being so converted. Such conversion shall be deemed to have been made as soon as the shares of the Class A Common have been surrendered for conversion in the manner herein provided, so that the rights of the holder of the shares of Class A Common so surrendered shall cease at such time and the person entitled to receive the Class B Common Stock upon such conversion shall be treated for all purposes as having become the record holder of such shares of Class B Common Stock at such time; provided, however, that no such surrender on any date when the stock transfer books of the Corporation shall be closed or after the record date shall have been set shall be effective to constitute the person or persons entitled to receive the shares of Class B Common Stock upon conversion of their shares of Class A Common Stock as the record holder or holder of such shares of Class B Common Stock on such date, but rather such shares shall retain the rights of Class A Common Stock until after the event for which the record date was set or the transfer books were closed.

(c) The Corporation shall at all times reserve and keep available for issue upon the conversion of the Class A Common Stock such number of its authorized but unissued shares of Class B Common Stock as will be sufficient to permit the conversion of all outstanding shares of the Class A Common Stock.

(d) In the case of any reclassification of the outstanding shares of the Class B Common Stock, or in the case of any consolidation or merger of the Corporation with or into another corporation, the result of which is that shares of Class B Common Stock become convertible into or entitled to receive securities or other property different from that which shares of Class A Common Stock then outstanding shall have the right

thereafter to convert any of such shares into the kind and amount of shares of stock and other securities which a holder of that number of shares of the Class B Common Stock into which such shares are convertible received or is entitled to receive.

(e) At no time shall the record date be set for any vote by the shareholders of the Corporation upon any merger, consolidation, sale of substantially all of the assets of the Corporation or any other event which under the Oregon Business Corporation Act is required to be submitted to the shareholders for a vote without first providing not less than 10 days' prior written notice of such date and event to the registered holders of the Class A Common Stock as shown on the books of the Corporation, if as a part of such transaction the shares of the Class B Common Stock are to be treated differently or to be entitled to different rights than the shares of the Class A Common Stock.

3. Other Rights. All rights to which holders of capital stock are entitled and which are not expressly granted to the Preferred Stock under this Article are reserved to and vested in the Common Stock. In all respects other than voting, which rights are set forth hereinabove, the shares of the Class A and the Class B Common Stock shall have identical rights, provided that no stock dividend, stock split or other issuance of shares by the Corporation without consideration shall without express authorization of the Board of Directors result in the shares of one class of stock becoming entitled to receive shares of the other. No stock dividend, stock split or other issuance of shares without consideration shall be effected by the Corporation with respect to either class of Common Stock except such action as shall affect both classes of stock ratably on a share-for-share basis. There shall be no preference between shares of Class A Common Stock and shares of Class B Common Stock with respect to dividends or the rights to proceeds upon liquidation, dissolution or the winding up of the affairs of the Corporation.

ARTICLE V

The authorized number of directors of the Corporation shall be seven, provided that such number may be increased (or decreased to not less than 5) by resolution of the Board of Directors. Vacancies on the Board may be filled by the affirmative vote of the remaining directors, including any vacancy created by an increase in the number of directors, provided that no vacancy created by the resignation, removal from office or death of a director who was elected by a separate class vote of the Common Stock shall be filled by the Board of Directors, except upon the affirmative vote of a majority of the remaining directors similarly elected by such class. If none shall be remaining, the vacancy shall be filled by the remainder of the directors.

ARTICLE VI

A. The affirmative vote of the holders of not less than 80 percent of all outstanding Common Stock, voting as one class, shall be required for the approval or authorization of any "business combination" (as hereafter defined) with any person or entity which, as of the record date for the determination of the shareholders entitled to notice thereof and to vote thereon, is the beneficial owner of 10 percent or more of the outstanding Common Stock of the Corporation. Any such 80 percent vote in order to constitute due and valid authorization under this Article must include not less than 50 percent of the Common Stock held by persons other than the person or entity interested in such transaction.

B. The term "business combination" shall mean

1. any merger or consolidation of the Corporation or any subsidiary of the Corporation with or into any other person or entity;
2. the sale of substantially all of the assets of the Corporation to any other person or entity; or
3. any other transaction with such person or entity for which approval of the shareholders of this Corporation is required by law or by any agreement between the Corporation and any national securities exchange.

C. The foregoing voting requirements shall not be applicable to any business combination approved by resolution of the Board of Directors prior to any such shareholder vote, provided that the resolution received the affirmative vote of a majority of the directors elected at the most recent annual meeting of shareholders (including any replacements for such directors who were appointed by the board), or to any business combination solely between the Corporation and any other corporation or entity in which 50 percent or more of the voting stock or interest is owned by the Corporation.

D. Beneficial ownership for purposes of this Section shall be deemed to include all shares which would be determined to be beneficially owned (whether directly by such person or entity or indirectly through any affiliate or otherwise) under Rule 13d-3 of the Securities and Exchange Commission as in effect on the date of filing of these Restated Articles of Incorporation with the Oregon Corporation Commissioner as well as all shares of the Corporation which the other entity has the right to acquire, pursuant to any agreement or otherwise.

E. The determination of whether a proposed business combination is within the scope of this Article VI, including without limitation, the determination of whether such other party beneficially owns 10 percent or more of the outstanding Common Stock of the Corporation for purposes of this Article VI, shall be made by the Board of Directors. Such determination shall, if made in good faith, be binding upon all parties.

F. The shareholder vote, if any, required for any business combination not expressly subject to the supermajority voting provisions of this Article VI shall be such vote as may otherwise be required by applicable law.

ARTICLE VII

Articles V and VI, and this Article VII, of these Restated Articles of Incorporation may not be amended except upon the affirmative vote of 80 percent of the outstanding Common Stock.

ARTICLE VIII

A. The Corporation shall have the power to indemnify to the fullest extent not prohibited by law any person who is made or threatened to be made a party to, witness in, or otherwise involved in, any action, suit or proceeding, whether civil, criminal, administrative, investigative, legislative, formal or informal, internal or external or otherwise (including an action, suit or proceeding by or in the right of the Corporation) by

reason of the fact that the person is or was a director, officer, employee or agent of the Corporation or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Corporation, or serves or served at the request of the Corporation as a director, officer, employee or agent or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust, or other enterprise. Any indemnification provided pursuant to this Article VIII shall not be exclusive of any rights to which the person indemnified may otherwise be entitled under any articles of incorporation, bylaw, agreement, statute, policy of insurance, vote of shareholders or Board of Directors, or otherwise, which exists at or subsequent to the time such person incurs or becomes subject to such liability and expense.

B. To the fullest extent not prohibited by law, no director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director. No amendment or repeal of this Article VIII, nor the adoption of any provision of these Restated Articles of Incorporation inconsistent with this Article VIII, nor a change in the law, shall adversely affect any right or protection that is based upon this Paragraph B and pertains to conduct that occurred prior to the time of such amendment, repeal, adoption or change. No change in the law shall reduce or eliminate the rights and protections set forth in this Paragraph B unless the change in the law specifically requires such reduction or elimination. If the Oregon Business Corporation Act is amended after this Article VIII becomes effective to authorize corporate action further eliminating or limiting the personal liability of directors of the Corporation, then the liability of directors of the Corporation shall be eliminated or limited to the fullest extent not prohibited by the Oregon Business Corporation Act as so amended.

ARTICLE IX

(1) No contract or other transaction between the Corporation and one or more of its directors or any other corporation, firm, association or entity in which one or more of its directors are directors or officers or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his or their votes are counted for such purpose, if:

- (a) The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or
- (b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or
- (c) The contract or transaction is fair and reasonable to the Corporation.

(2) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes or ratifies such contract or transaction. This Article shall not invalidate any contract or other transaction which would otherwise be valid under applicable law.

ARTICLE X

No holder of any class of stock of the Corporation now or hereafter authorized shall have any preemptive or preferential right of subscription to or otherwise be entitled to acquire any shares of any class of stock of the Corporation, whether now or hereafter authorized, or to any obligation convertible or exchangeable into stock of the Corporation, or any right, option or warrant of subscription to any of the foregoing, other than such, if any, as may be specifically authorized by, pursuant to the authority hereby given, the Board of Directors.

ARTICLE XI

The stated capital of the Corporation at the time of the adoption of these Restated Articles of Incorporation is \$489,000.

EXHIBIT 12.1**NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Three Months Ended August 31,	
	2005	2004
	_____	_____
	(in millions)	
Net income	\$432.3	\$326.8
Income taxes	227.7	178.7
	_____	_____
Income before income taxes	660.0	505.5
	_____	_____
Add fixed charges		
Interest expense (A)	11.3	9.4
Interest component of leases (B)	20.1	18.4
	_____	_____
Total fixed charges	31.4	27.8
	_____	_____
Earnings before income taxes and fixed charges (C)	\$691.4	\$533.3
	=====	=====
Ratio of earnings to total fixed charges	22.0	19.2
	=====	=====

(A) Interest expense includes 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 31.1

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

I, William D. Perez, certify that:

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

Date: October 3, 2005

/s/ William D. Perez

*William D. Perez
Chief Executive Officer*

EXHIBIT 31.2

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

I, Donald W. Blair, certify that:

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

Date: October 3, 2005

/s/ Donald W. Blair

*Donald W. Blair
Chief Financial Officer*

EXHIBIT 32.1

Certification of Chief Executive Officer

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

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 3, 2005

/s/ William D. Perez

*William D. Perez
Chief Executive Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Chief Financial Officer

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

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 3, 2005

/s/ Donald W. Blair

*Donald W. Blair
Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.