

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 04/08/04 for the Period Ending 04/08/04

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 February 29, 2004
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

Common Stock shares outstanding as of February 29, 2004 were:

Class A	77,856,384
Class B	186,136,627
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	263,993,011
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PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 2004	May 31, 2003
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 914.7	\$ 634.0
Accounts receivable, less allowance for doubtful accounts of \$110.3 and \$87.9	2,033.9	2,101.1
Inventories (Note 2)	1,667.6	1,514.9
Deferred income taxes	218.5	221.8
Prepaid expenses and other current assets	364.9	266.2
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Total current assets	5,199.6	4,738.0
Property, plant and equipment	3,162.8	2,988.8
Less accumulated depreciation	1,551.4	1,368.0
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Property, plant and equipment, net	1,611.4	1,620.8
Identifiable intangible assets, net (Notes 3 and 7)	366.0	118.2
Goodwill (Notes 3 and 7)	134.7	65.6
Deferred income taxes and other assets	292.6	229.4
	<hr/>	<hr/>
Total Assets	\$7,604.3	\$6,772.0
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 6.2	\$ 205.7
Notes payable	165.2	75.4
Accounts payable	567.0	572.7
Accrued liabilities	1,048.3	1,054.2
Income taxes payable	157.9	107.2
	<hr/>	<hr/>
Total current liabilities	1,944.6	2,015.2
Long-term debt	694.3	551.6
Deferred income taxes and other liabilities (Note 7)	401.9	214.2
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-77.9 and 97.8 shares outstanding	0.2	0.2
Class B-186.1 and 165.8 shares outstanding	2.6	2.6
Capital in excess of stated value	808.1	589.0
Unearned stock compensation	(6.3)	(0.6)
Accumulated other comprehensive loss (Note 4)	(139.8)	(239.7)
Retained earnings	3,898.4	3,639.2
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Total shareholders' equity	4,563.2	3,990.7
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Total liabilities and shareholders' equity	\$7,604.3	\$6,772.0
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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 February 29 and 28,		Nine Months Ended February 29 and 28,	
	2004	2003	2004	2003
(in millions, except per share data)				
Revenues	\$2,904.0	\$2,400.9	\$8,766.0	\$7,711.9
Cost of sales	1,682.1	1,424.9	5,043.0	4,568.7
Gross Margin	1,221.9	976.0	3,723.0	3,143.2
Selling and administrative	892.0	758.1	2,664.1	2,324.6
Interest expense, net	5.5	7.0	21.1	21.4
Other expense, net	17.2	23.5	55.3	46.1
Income before income taxes and cumulative effect of accounting change	307.2	187.4	982.5	751.1
Income taxes	106.9	62.7	341.9	257.2
Income before cumulative effect of accounting change	200.3	124.7	640.6	493.9
Cumulative effect of accounting change, net of income taxes	--	--	--	266.1
Net income	\$ 200.3	\$ 124.7	\$ 640.6	\$ 227.8
Basic earnings per common share (Note 6):				
Before accounting change	\$ 0.76	\$ 0.47	\$ 2.43	\$ 1.87
Cumulative effect of accounting change	--	--	--	(1.01)
	\$ 0.76	\$ 0.47	\$ 2.43	\$ 0.86
Diluted earnings per common share (Note 6):				
Before accounting change	\$ 0.74	\$ 0.47	\$ 2.38	\$ 1.84
Cumulative effect of accounting change	--	--	--	(0.99)
	\$ 0.74	\$ 0.47	\$ 2.38	\$ 0.85
Dividends declared per common share	\$ 0.20	\$ 0.14	\$ 0.54	\$ 0.40

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

	Nine Months Ended February 29 and 28,	
	2004	2003
(in millions)		
Cash provided (used) by operations:		
Net income	\$ 640.6	\$ 227.8
Income charges not affecting cash:		
Cumulative effect of accounting change	--	266.1
Depreciation	188.1	176.5
Deferred income taxes	28.5	0.7
Amortization and other	47.6	9.4
Income tax benefit from exercise of stock options	30.9	2.6

Work-in-progress	10.2	15.2
Raw materials	17.1	15.6
	<u> </u>	<u> </u>
	\$1,667.6	\$1,514.9
	=====	=====

NOTE 3 - Identifiable Intangible Assets and Goodwill:

The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," (FAS 142) effective June 1, 2002. In accordance with FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but instead are measured for impairment annually in the fourth quarter, or when events indicate that an impairment exists. Intangible assets that are determined to have definite lives continue to be amortized over their useful lives.

The following table summarizes the Company's identifiable intangible assets balances as of February 29, 2004 and May 31, 2003:

	February 29, 2004			May 31, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(in millions)					
Amortized intangible assets:						
Patents	\$ 26.7	\$ (11.5)	\$ 15.2	\$ 24.9	\$ (10.4)	\$ 14.5
Trademarks	13.7	(11.2)	2.5	12.9	(10.6)	2.3
Other	16.9	(10.1)	6.8	7.5	(1.1)	6.4
Total	<u>\$ 57.3</u>	<u>\$ (32.8)</u>	<u>\$ 24.5</u>	<u>\$ 45.3</u>	<u>\$ (22.1)</u>	<u>\$ 23.2</u>
	=====	=====	=====	=====	=====	=====
Unamortized intangible assets - Trademarks			\$ 341.5			\$ 95.0
Identifiable intangible assets, net			<u>\$ 366.0</u>			<u>\$ 118.2</u>
			=====			=====

Amortization expense, which is included in selling and administrative expense, was \$4.3 million and \$0.9 million for the three-month periods ended February 29, 2004 and February 28, 2003, respectively, and \$10.7 million and \$2.7 million for the nine-month periods ended February 29, 2004 and February 28, 2003, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ended May 31, 2004 through May 31, 2008 are as follows: 2004: \$12.0 million; 2005: \$3.4 million; 2006: \$3.1 million; 2007: \$2.5 million; 2008: \$2.3 million.

During the second quarter ended November 30, 2003 the Company completed the acquisition of Converse Inc. As a result, \$69.1 million was allocated to goodwill, \$246.2 million was allocated to unamortized trademarks and \$8.6 million was allocated to other amortized intangible assets. See note 7 for additional information related to the acquisition.

The change in the book value of goodwill, which relates to the Company's Other operating segment, for the nine months ended February 29, 2004 is as follows (in millions):

Goodwill - May 31, 2003	\$ 65.6
Acquisition of Subsidiary	69.1
	<u> </u>
Goodwill - February 29, 2004	\$ 134.7
	=====

NOTE 4 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2004	2003	2004	2003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(in millions)			

Net Income	\$200.3	\$124.7	\$640.6	\$227.8
Other Comprehensive Income (Loss):				
Change in cumulative translation adjustment and other	33.7	49.4	50.2	66.6
Changes due to cash flow hedging instruments:				
Net loss on hedge derivatives	(72.2)	(85.7)	(89.9)	(178.2)
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	58.3	31.7	139.6	79.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Comprehensive Income (Loss)	19.8	(4.6)	99.9	(32.0)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Comprehensive Income	\$220.1	\$120.1	\$740.5	\$195.8
	=====	=====	=====	=====

NOTE 5 - 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). The Company's policy is to grant stock options with an exercise price equal to the market value at the date of grant, and accordingly, no compensation expense is recognized.

If the Company had accounted for stock options 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 February 29 and 28,		Nine Months Ended February 29 and 28,	
	2004	2003	2004	2003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(in millions, except per share data)			
Net Income as reported	\$200.3	\$124.7	\$640.6	\$227.8
Add: Stock-based compensation expense included in reported net income, net of tax	--	--	--	--
Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of tax	(11.8)	(11.3)	(35.2)	(31.0)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma net income	\$188.5	\$113.4	\$605.4	\$196.8
	=====	=====	=====	=====
Earnings per share:				
Basic - as reported	0.76	0.47	2.43	0.86
Basic - pro forma	0.72	0.43	2.30	0.74
Diluted - as reported	0.74	0.47	2.38	0.85
Diluted - pro forma	0.70	0.43	2.28	0.74

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 since options vest over several years and additional awards are made each year.

NOTE 6 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 0.1 million and 12.0 million shares of common stock were outstanding at February 29, 2004 and February 28, 2003, 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.

	Three Months Ended February 29 and 28,		Nine Months Ended February 29 and 28,	
	2004	2003	2004	2003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(in millions, except per share data)

Determination of shares:

Average common shares outstanding	263.5	263.9	263.2	264.6
Assumed conversion of dilutive stock options and awards	7.6	2.8	6.1	3.1
	<u>271.1</u>	<u>266.7</u>	<u>269.3</u>	<u>267.7</u>
	=====	=====	=====	=====
Diluted average common shares outstanding				
Basic earnings per common share:				
Before cumulative effect of accounting change	\$ 0.76	\$ 0.47	\$ 2.43	\$ 1.87
Cumulative effect of accounting change	--	--	--	(1.01)
	<u>\$ 0.76</u>	<u>\$ 0.47</u>	<u>\$ 2.43</u>	<u>\$ 0.86</u>
	=====	=====	=====	=====
Diluted earnings per common share:				
Before cumulative effect of accounting change	\$ 0.74	\$ 0.47	\$ 2.38	\$ 1.84
Cumulative effect of accounting change	--	--	--	(0.99)
	<u>\$ 0.74</u>	<u>\$ 0.47</u>	<u>\$ 2.38</u>	<u>\$ 0.85</u>
	=====	=====	=====	=====

NOTE 7 - Acquisition:

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

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

NOTE 8 - Operating Segments:

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

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

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

Accounts receivable, inventory, and property, plant, and equipment for operating segments are regularly reviewed and therefore provided below:

Three Months Ended	Nine Months Ended
February 29 and 28,	February 29 and 28,

	2004	2003	2004	2003
Net Revenue				
U.S.	\$1,169.5	\$1,127.9	\$3,509.0	\$3,443.1
EUROPE, MIDDLE EAST, AFRICA	880.0	645.8	2,742.4	2,296.4
ASIA PACIFIC	402.4	331.6	1,163.4	989.8
AMERICAS	135.0	107.4	444.8	383.2
OTHER	317.1	188.2	906.4	599.4
	<u>\$2,904.0</u>	<u>\$2,400.9</u>	<u>\$8,766.0</u>	<u>\$7,711.9</u>
	=====	=====	=====	=====
Pre-Tax Income				
U.S.	\$ 238.8	\$ 211.9	\$ 727.8	\$ 668.8
EUROPE, MIDDLE EAST, AFRICA	172.8	80.5	516.8	367.8
ASIA PACIFIC	86.9	80.1	262.4	214.7
AMERICAS	16.1	18.3	71.8	72.0
OTHER	3.1	(13.1)	7.2	(23.9)
CORPORATE	(210.5)	(190.3)	(603.5)	(548.3)
	<u>\$ 307.2</u>	<u>\$ 187.4</u>	<u>\$ 982.5</u>	<u>\$ 751.1</u>
	=====	=====	=====	=====
	Feb. 29, 2004	May 31, 2003		
Accounts Receivable, net				
U.S.	\$ 642.7	\$ 609.5		
EUROPE, MIDDLE EAST, AFRICA	703.0	792.6		
ASIA PACIFIC	262.2	245.6		
AMERICAS	121.6	130.0		
OTHER	279.6	282.0		
CORPORATE	24.8	41.4		
	<u>\$2,033.9</u>	<u>\$2,101.1</u>		
	=====	=====		
Inventories, net				
U.S.	\$ 574.6	\$ 640.6		
EUROPE, MIDDLE EAST, AFRICA	469.4	383.4		
ASIA PACIFIC	171.4	143.5		
AMERICAS	89.3	84.2		
OTHER	331.9	239.4		
CORPORATE	31.0	23.8		
	<u>\$1,667.6</u>	<u>\$1,514.9</u>		
	=====	=====		
Property, Plant and Equipment, net				
U.S.	\$ 199.3	\$ 215.7		
EUROPE, MIDDLE EAST, AFRICA	240.4	241.4		
ASIA PACIFIC	402.5	386.3		
AMERICAS	11.4	11.0		
OTHER	97.7	82.1		
CORPORATE	660.1	684.3		
	<u>\$1,611.4</u>	<u>\$1,620.8</u>		
	=====	=====		

NOTE 9 - Commitments and Contingencies:

At February 29, 2004, the Company had letters of credit outstanding totaling \$624.8 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 most recent Form 10-K.

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

Consolidated Operating Results

	Three Months Ended February 29 and 28,			Nine Months Ended February 29 and 28,		
	2004	2003	% change	2004	2003	% change
(in millions, except per share data)						
Revenues	\$2,904.0	\$2,400.9	21%	\$8,766.0	\$7,711.9	14%
Cost of sales	1,682.1	1,424.9	18%	5,043.0	4,568.7	10%
Gross Margin	1,221.9 42.1%	976.0 40.7%	25%	3,723.0 42.5%	3,143.2 40.8%	18%
Selling and administrative	892.0 30.7%	758.1 31.6%	18%	2,664.1 30.4%	2,324.6 30.1%	15%
Income before cumulative effect of accounting change	200.3	124.7	61%	640.6	493.9	30%
Net Income	200.3	124.7	61%	640.6	227.8	181%
Diluted Earnings per share - before accounting change	0.74	0.47	57%	2.38	1.84	29%
Diluted Earnings per share	0.74	0.47	57%	2.38	0.85	180%

Eight percentage points of our consolidated third quarter revenue growth and 7 percentage points of the nine month growth can be attributable to changes in currency exchange rates, primarily the stronger euro.

As previously disclosed in our quarterly report on Form 10-Q for the quarter ended February 28, 2003, in fiscal 2003 we accelerated approximately \$66 million of deliveries from the third quarter to the second quarter as we prepared to implement new supply chain systems in our Europe, Middle East and Africa (EMEA) Region. This shift in the timing of prior year shipments accounted for about 3 percentage points of the consolidated revenue growth for the third quarter of fiscal 2004. Also in the EMEA Region, our Spring 2004 Footwear selling season began in January, one month earlier than in 2003. As a result, relative to last year, we estimate that approximately \$26 million of revenue moved into this year's fiscal third quarter from the fourth quarter, accounting for about 1 percentage point of consolidated revenue growth in the third quarter.

Converse, which was acquired during the second quarter of fiscal 2004, contributed 3 percentage points of consolidated revenue growth in the third quarter and 2 percentage points of growth for the first nine months of fiscal 2004. See Note 7 - Acquisitions for additional information related to the acquisition.

In the third quarter of fiscal 2004, our consolidated gross margin percentage improved 140 basis points versus the prior year, from 40.7% to 42.1%. For the first nine months of fiscal 2004, our consolidated gross margin percentage improved 170 basis points compared to the first nine months of the prior year, from 40.8% to 42.5%. The primary factors contributing to the improved gross margin percentages for the third quarter and year-to-date periods were as follows:

- (1) Changes in hedge rates, primarily the euro, represent 50 basis points and 40 basis points of improvement for the quarter and year-to-date period, respectively. We expect improved hedge rates, primarily the euro, will have a positive impact on gross margins into next fiscal year.
- (2) Improved profitability on closeout sales, primarily in the U.S. and EMEA regions, due to a combination of improved closeout pricing margins and the level of closeout sales as a percentage of total sales, partially offset by increased obsolescence reserves due to a less favorable mix of product remaining in closeout inventory. These factors represent approximately 20 basis points of improvement for the quarter and 60 basis points of improvement for the year-to-date period.
- (3) Higher in-line pricing margins (net revenue for current product offerings minus landed product cost) represent approximately 20 basis points of improvement for the quarter and 30 basis points of improvement year-to-date. This is primarily due to lower air freight, lower product costs (due to manufacturing efficiencies and reduced material costs), and a higher mix of sales of classic footwear models in the U.S. Region.
- (4) The remaining increase was due to various factors, the most significant of which were improved gross margins for Nike Retail in the U.S. Region and improved margins for Nike Golf. These two items contributed a combined 40 basis points of improvement for the quarter and 20 basis points of improvement year-to-date.

Third quarter selling and administrative expense, comprised of demand creation and operating overhead, grew 18% versus the prior year quarter. Year-to-date fiscal 2004 selling and administrative expense increased 15% over the prior year period. Demand creation expense grew 14% to \$308.4 million in the third quarter of fiscal 2004 while year-to-date demand creation expense increased 12% to \$973.2 million. Seven percentage points of the increase in demand creation for the third quarter and year-to-date period was due to changes in currency exchange rates. Excluding the impact of currency, the increase in demand creation spending for the third quarter was attributable to higher spending in

the Asia Pacific region, primarily advertising (4 percentage point impact), and higher spending on endorsement contracts in the U.S. and EMEA regions primarily related to basketball and soccer, respectively (2 percentage point impact). The addition of Converse also had a 1 percentage point impact on demand creation for the quarter. The overall increase in demand creation for the year-to-date period was due to the third quarter factors as explained above.

Operating overhead for the third quarter of fiscal 2004 was \$583.6 million, a 20% increase over the third quarter of fiscal 2003. For the first nine months of fiscal 2004, operating overhead increased 16% to \$1,690.9 million. Currency exchange rates contributed 6 percentage points of the increase for the third quarter, and 5 percentage points of the increase for the first nine months. The addition of Converse accounted for 3 percentage points of growth for the third quarter and 2 points of growth year-to-date. Excluding the effects of currency and Converse, operating overhead increases for the quarter were mainly attributable to: (a) increased incentive-based compensation for employees (5 percentage points); (b) increased costs to support the growth of our NIKE Golf, Cole Haan, Bauer NIKE Hockey and Hurley businesses (3 percentage points); (c) higher net bad debt expense (2 percentage points); and (d) normal wage increases and some added infrastructure, including costs related to our worldwide supply chain initiative and additional factory outlet stores in the EMEA Region, necessary to support global business growth. The factors causing the overall increase in operating overhead for the year-to-date period were consistent with those of the quarter as explained above.

Other expense, net, was \$17.2 million for the third quarter of fiscal 2004 compared to \$23.5 million in the third quarter of fiscal 2003. Other expense, net, for the first nine months of fiscal 2004 was \$55.3 million compared to \$46.1 million for the same period of fiscal 2003. Beginning this fiscal year, interest income and profit sharing expense previously included in other expense, net, are included in interest expense, net, and selling and administrative expense, respectively. The presentation of prior year amounts has been adjusted to conform to the current classification. The most significant component of other expense, net, comprising approximately 55% of this year's quarterly and 47% of this year's year-to-date net expense, was foreign currency losses, primarily hedge losses on intercompany charges to a European subsidiary, whose functional currency is the euro. These losses are reflected in the Corporate line in our segment presentation of pre-tax income in Note 8 - Operating Segments. The hedge losses reflected that the euro has strengthened considerably since we entered into these hedge contracts.

In the third quarter and the first nine months of fiscal 2004, net foreign currency losses in other expense, net, were more than offset by favorable translation of foreign currency denominated profits, most significantly in EMEA. Our estimate of the net impact of these losses and the favorable translation is a \$41 million addition to consolidated income before income taxes compared to the prior year third quarter and \$106 million compared to the first nine months of the prior year. Consistent with our existing policies, we have also hedged a portion of anticipated intercompany charges for the balance of fiscal 2004 and into fiscal 2005. As the euro has strengthened since these hedge contracts were executed, we expect to continue to incur some hedge losses for the balance of fiscal 2004 and into fiscal 2005. However, at current exchange rates, we expect the net impact of the hedge losses and the offsetting positive translation impact will result in a net benefit to fiscal 2004 and fiscal 2005 consolidated net income versus the prior year.

Our effective tax rate for the first nine months of fiscal 2004 was 34.8%, which is higher than the first nine months of fiscal 2003 rate of 34.2%, and the full year rate for fiscal 2003 of 34.1%. This increase compared to fiscal 2003 anticipates higher taxes on foreign earnings.

Included in net income for the first nine months of fiscal 2003 was a \$266.1 million charge for the cumulative effect of implementing Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," (FAS 142). This charge related to the impairment of goodwill and trademarks associated with Bauer NIKE Hockey and the goodwill of Cole Haan, reflecting that the fair values we estimated for these assets were less than the carrying values. See the Notes to Consolidated Financial Statements (Note 4 - Identifiable Intangible Assets and Goodwill) in our Annual Report on Form 10-K as of May 31, 2003 for further information.

Operating Segments

The breakdown of revenues follows:

	Three Months Ended February 29 and 28,			Nine Months Ended February 29 and 28,		
	2004	2003	% change	2004	2003	% change
	(in millions)					
U.S. REGION						
FOOTWEAR	\$ 772.8	\$ 761.4	1%	\$2,219.2	\$2,222.5	0%
APPAREL	329.3	307.1	7%	1,074.1	1,005.3	7%
EQUIPMENT	67.4	59.4	13%	215.7	215.3	0%
TOTAL U.S.	1,169.5	1,127.9	4%	3,509.0	3,443.1	2%
EMEA REGION						
FOOTWEAR	537.7	363.1	48%	1,600.2	1,292.5	24%
APPAREL	284.1	239.4	19%	950.9	845.1	13%
EQUIPMENT	58.2	43.3	34%	191.3	158.8	20%

TOTAL EMEA	880.0	645.8	36%	2,742.4	2,296.4	19%
ASIA PACIFIC REGION						
FOOTWEAR	214.2	185.8	15%	622.6	536.3	16%
APPAREL	150.1	115.6	30%	437.9	365.6	20%
EQUIPMENT	38.1	30.2	26%	102.9	87.9	17%
TOTAL ASIA PACIFIC	402.4	331.6	21%	1,163.4	989.8	18%
AMERICAS REGION						
FOOTWEAR	89.2	69.1	29%	296.0	245.1	21%
APPAREL	36.0	29.8	21%	117.3	108.9	8%
EQUIPMENT	9.8	8.5	15%	31.5	29.2	8%
TOTAL AMERICAS	135.0	107.4	26%	444.8	383.2	16%
	2,586.9	2,212.7	17%	7,859.6	7,112.5	11%
OTHER	317.1	188.2	68%	906.4	599.4	51%
TOTAL REVENUES	\$2,904.0	\$2,400.9	21%	\$8,766.0	\$7,711.9	14%

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 attached Notes to Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

For our largest international region, EMEA, currency exchange rates contributed 21 and 18 percentage points of revenue growth for the quarter and year-to-date period, respectively. Also, as discussed above, in the prior year we accelerated approximately \$66 million of deliveries into the second quarter from the third quarter in advance of implementing new supply chain systems in Europe. This shift accounted for approximately 10 percentage points of EMEA's revenue growth for the quarter. In addition, the Spring footwear selling season began in January this year versus February in 2003. As a result, we estimate that approximately \$26 million of revenue moved into the third quarter from the fourth quarter, relative to last year. If we remove the effects of currency and shipment timing discussed above, fiscal 2004 revenue for the EMEA Region would have grown approximately 1 percentage point in both the third quarter and the first nine months, primarily due to increased footwear volume led by soccer product.

EMEA pre-tax income for the third quarter of fiscal 2004 was \$172.8 million, up 115% versus the prior year quarter. For the first nine months of fiscal 2004, pretax income grew 41% to \$516.8 million. For the quarter and the nine month periods, higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs. The improved gross margins were primarily the result of improved year-over-year hedge rates and a lower proportion of closeout sales versus the prior year. See further discussion regarding gross margins and selling and administrative costs in Consolidated Operating Results.

In the Asia Pacific Region, revenues increased 21% year-over-year in the third quarter of fiscal 2004 and increased 18% year-over-year in the first nine months of fiscal 2004. Ten percentage points of growth for the third quarter and 6 percentage points for the first nine months were due to changes in currency exchange rates. Excluding the currency benefit, sales in each Asia Pacific product business unit grew for both the quarter and year-to-date periods. The region's revenue growth was primarily attributed to volume increases. Significant revenue increases in China and Japan, driven by expansion of retail distribution and strong consumer demand, were key growth drivers for the quarter and year-to-date periods.

Pre-tax income for the Asia Pacific Region increased to \$86.9 million in the third quarter of fiscal 2004, up 8% versus the third quarter of fiscal 2003, and increased 22% to \$262.4 million in the fiscal 2004 year-to-date period. For the quarter, higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs, primarily due to additional demand creation spending and higher operating overhead in Japan and China. The higher gross margins were primarily attributable to the benefit of better hedge rates on product purchases, partially offset by lower profitability of closeouts. For the nine-month period, gross margins improved, while selling and administrative expenses increased slightly as a percent of revenue. See further discussion regarding gross margins and selling and administrative expenses in Consolidated Operating Results.

In the Americas Region, revenues increased 26% for the third quarter of fiscal 2004, with 11 percentage points of the growth due to changes in currency exchange rates, while year-to-date fiscal 2004 revenues increased 16% with 7 percentage points of the growth due to changes in currency exchange rates. Excluding the currency effects, the revenue growth for the quarter and year-to-date periods was driven primarily by stronger consumer demand in South and Central America. Excluding the currency exchange rate impact, the region experienced sales growth for the quarter and year-to-date periods across all three product business units.

In the third quarter of fiscal 2004, pre-tax income for the Americas Region decreased 12% from the prior year quarter, to \$16.1 million. Year-to-date fiscal 2004 pre-tax income was flat at \$71.8 million. The decrease in pre-tax income was attributable to reduced gross margins and

higher selling and administrative costs. The reduced gross margins were due to weaker currency rates in Mexico, Brazil, and Argentina as well as lower in-line and closeout profitability and higher distribution costs. See further discussion regarding selling and administrative costs in Consolidated Operating Results.

In the U.S. Region, revenues for the third quarter of fiscal 2004 grew 4% versus the third quarter of fiscal 2003, and revenues for the first nine months of fiscal 2004 grew 2% versus the year-ago period. In the third quarter, footwear revenue increased 1% and apparel revenue increased 7%, while equipment revenue increased 13%. For the first nine months of fiscal 2004, footwear and equipment revenues were flat, while apparel revenue increased 7%. The increase in apparel sales for the third quarter was primarily driven by growth in sport performance product. For the nine month period, increased consumer demand for team licensed apparel also contributed significantly to the overall apparel growth.

The increase in footwear revenue of 1% for the quarter was due to an increase in average wholesale selling price of approximately 4 percentage points, as sales grew for products with a suggested retail price over \$100. The revenue impact of higher average prices was partially offset in the quarter by a decline in overall unit volume. Year-to-date fiscal 2004 footwear revenue was flat due to an increase in average wholesale selling price of 2 percentage points offset by a similar decrease in unit volume resulting from the impact of our redistribution strategy, which included reduced orders from our largest customer, Foot Locker, and reduced premium product offerings to them. These changes were previously disclosed in our Annual Report on Form 10-K as of May 31, 2003. On a year-to-date basis, the reduction in footwear sales to Foot Locker was mostly offset by increased sales to other customers.

During the second quarter, the company announced plans to execute joint marketing programs with Foot Locker to develop innovative retail presentations of NIKE performance products at select Foot Locker locations in the U.S. beginning with the Fall 2004 season. As part of those programs, additional premium product offerings will be available to select Foot Locker locations beginning May 2004. As these plans are executed, we expect our footwear sales with Foot Locker to increase. However, since our total revenue is derived from sales to many customers, growth in sales to Foot Locker may not translate directly to growth in overall footwear revenue. See further information regarding worldwide futures and advance orders below.

For the third quarter, U.S. Region pre-tax income was \$238.8 million, a 13% increase versus the third quarter of fiscal 2003. Pre-tax income for the first nine months of fiscal 2004 increased 9% to \$727.8 million. For the quarter and year-to-date periods, higher revenues and gross margins drove the increase, more than offsetting higher selling and administrative costs. The improved gross margins were primarily the result of higher in-line pricing margins, improved margins on wholesale closeout sales, and expanded retail margins. See further discussion regarding gross margins and selling and administrative costs in Consolidated Operating Results.

Other revenues and pre-tax income for the third quarter of fiscal 2004 include results from Bauer NIKE Hockey, Inc., Cole Haan Holdings, Inc., Converse Inc., Hurley International LLC, and NIKE Golf. Other revenues grew 68% in the third quarter of fiscal 2004 compared to fiscal 2003 and grew 51% in the first nine months of fiscal 2004 versus the prior year period. The addition of Converse contributed 39 percentage points of the Other revenue increase for the quarter and 22 percentage points of the increase for the first nine months. The remaining increase is due to growth in each of the other businesses, most significantly NIKE Golf and Cole Haan.

Other pre-tax income improved to \$3.1 million in the third quarter of fiscal 2004 from a loss of \$13.1 million in fiscal 2003 and improved to \$7.2 million in the year-to-date fiscal 2004 period from a loss of \$23.9 million in the same period of last year. The addition of Converse combined with improved results from NIKE Golf and Cole Haan drove the year-over-year improvement.

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from March through July 2004 were 9.9% higher than such orders reported in the comparable period of fiscal 2003. Four points of this reported increase were due to changes in currency exchange rates versus the same period last year. As always, the reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, and retail sales across all brands.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was \$971.3 million in the first nine months of fiscal 2004, compared to \$430.5 million in the first nine months of fiscal 2003. Our primary source of operating cash flow in the current period was net income of \$640.6 million. In addition to the improvement in net income, the year-over-year increase in cash provided by operations was attributable to changes in our investment in working capital. In the first nine months of fiscal 2004, our net investment in working capital decreased primarily due to a reduction in accounts receivable resulting from improved account management through better utilization of supply chain systems, especially in the EMEA Region.

Total cash used by investing activities during the first nine months of fiscal 2004 was \$463.2 million, compared to \$168.2 million in the prior year period. The acquisition of Converse represents the most significant use of cash during the period. The remaining investing activities are consistent with the prior year and primarily reflect capital expenditures on computer equipment and software to support both normal business operations as well as our supply chain systems upgrade, continued investment in NIKE-owned retail stores, and warehouse improvements.

During the first nine months of fiscal 2004, the principal uses of cash for financing activities were share repurchases, dividends, and payments of long-term debt offset by proceeds from the exercise of stock options and debt issuance. Net cash used by financing activities was higher in fiscal 2003 primarily due to increased repayments of short-term debt in that period.

The share repurchases were part of a \$1 billion share repurchase program that began in fiscal 2001. In the current quarter, we purchased approximately 0.8 million shares of NIKE's Class B common stock for \$53.6 million, bringing purchases for the first nine months of fiscal 2004 to 4.1 million shares for \$245.6 million. To date under the program, we have purchased 16.4 million shares for \$829.3 million. 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.

As a result of the above, our cash balance increased by \$280.7 million during the first nine months of fiscal 2004.

Long-term Financial Obligations and Other Commercial Commitments

As a result of modifications and additions to outstanding endorsement contracts and the impact of changes in foreign exchange rates on such obligations, the cash payments due under our endorsement contracts have changed from what was previously reported in our Annual Report on Form 10-K as of May 31, 2003.

Significant endorsement contracts entered into through the date of this report are as follows:

Description of Commitment	Cash Payments Due During the Year Ended May 31,						Total
	Remaining 2004	2005	2006	2007	2008	Thereafter	
	(In millions)						
Endorsement Contracts	\$ 104.3	340.1	295.6	306.6	189.7	493.8	\$1,730.1

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

There has not been a material change to any of our other long-term contractual obligations from what was previously reported in our Annual Report on Form 10-K as of May 31, 2003.

Capital Resources

In October 2001, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) under which \$1 billion in debt securities may be issued. In May 2002, we commenced a medium-term note program under the shelf registration that allows us to issue up to \$500 million in medium-term notes, as our capital needs dictate. We entered into this program to provide additional liquidity to meet our working capital and general corporate cash requirements. As previously disclosed, during the second quarter, we issued three notes under the medium-term note program totaling \$100 million. Two of those notes totaling \$50 million have fixed coupon interest rates of 5.15% and mature on October 15, 2015. The other \$50 million note has a fixed coupon interest rate of 4.70% and matures on October 1, 2013. During the third quarter, we issued a \$35 million note under the program with a fixed coupon interest rate of 5.15% that matures on October 15, 2015. Subsequent to the third quarter, we issued one additional note for \$15 million that also has a fixed coupon interest rate of 5.15% and matures on October 15, 2015. For each of the notes we have entered into interest rate swap agreements whereby we receive fixed interest payments at the same rate as the notes and pay variable interest payments based on the six-month London Inter Bank Offering Rate (LIBOR) plus a spread. The swaps have the same notional amounts and maturity dates as the notes, and are accounted for as fair value hedges under Statement of Financial Accounting Standards (FAS) No. 133, except for the swap for the \$50 million note maturing October 1, 2013. The swap for that note has the same notional amount and fixed coupon interest rate as the note, but expires October 2, 2006. Accordingly, the swap does not qualify for fair value hedge accounting, so changes in the fair value of this swap are recorded to net income each period. After issuance of these notes, \$260 million remains available to be issued under our medium-term note program, and another \$500 million remains available to be issued under our shelf registration statement. We may issue additional notes under the shelf registration in fiscal 2004 depending on general corporate needs.

On November 20, 2003 we put in place a new 5-year \$750 million revolving credit facility with a group of banks. The maturity date is November 20, 2008 and the facility can be extended for one additional year on the anniversary date. We currently have no amounts outstanding under the facility. Our previous credit facility totaled \$1 billion, and was made up of a \$500 million 364 day facility and a \$500 million multi-year facility. Based on our current long-term senior unsecured debt ratings of A and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.22%. The facility fee is 0.08% of the total commitment.

If our long-term debt rating were to decline, the facility fee and interest rate under our committed credit facility would increase. Conversely, if

our long-term debt rating were to improve, the facility fee and interest rate would decrease. Changes in our long-term debt rating would not trigger acceleration of maturity of any then outstanding borrowings or any future borrowings under the committed credit facilities. Under this committed credit facility, we have agreed to various covenants. These covenants include limits on our disposal of fixed assets and the amount of debt secured by liens we may incur, and set a minimum capitalization ratio. In the event we were to have any borrowings outstanding under these facilities, failed to meet any covenant, and were unable to obtain a waiver from a majority of the banks, any borrowings would become immediately due and payable. As of February 29, 2004, we were in full compliance with each of these covenants and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at February 29, 2004 or May 31, 2003. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

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

Dividends declared per share of common stock in the third quarter of fiscal 2004 were \$0.20 per share.

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, 2003.

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 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 as of February 29, 2004. 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.

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 other significant developments from the information previously reported under Item 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2003.

Item 6. Exhibits and Reports on Form 8-K:

(a) 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).

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.

(b) Reports on Form 8-K:

The following reports on Form 8-K were furnished during the fiscal quarter ending February 29, 2004:

December 18, 2003: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. First Quarter Earnings Release.

December 21, 2003: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Transcript of Earnings Conference Call.

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

BY: /s/ Donald W. Blair

*Donald W. Blair
Chief Financial Officer*

DATED: April 8, 2004

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

	Nine Months Ended February 29 and 28,	
	2004	2003
	(in millions)	
Net income	\$640.6	\$227.8
Income taxes	341.9	257.2
Cumulative effect of accounting change	--	266.1
	<hr/>	<hr/>
Income before income taxes and cumulative effect of accounting change	982.5	751.1
	<hr/>	<hr/>
Add fixed charges		
Interest expense (A)	32.1	33.0
Interest component of leases (B)	51.0	45.4
	<hr/>	<hr/>
Total fixed charges	83.1	78.4
	<hr/>	<hr/>
Earnings before income taxes and fixed charges (C)	\$1,065.3	\$828.7
	=====	=====
Ratio of earnings to total fixed charges	12.8	10.6
	=====	=====

(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, Philip H. Knight, 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)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 8, 2004

BY: /s/ Philip H. Knight

*Philip H. Knight
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)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 8, 2004

BY: /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 February 29, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: April 8, 2004

BY: /s/ Philip H. Knight

*Philip H. Knight
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 February 29, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: April 8, 2004

BY: /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.