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NIKE, Inc. designs and markets a wide variety of athletic footwear and apparel for competitive and recreational uses.

NIKE has attained its premier position in the industry through quality production, product innovation, and aggressive marketing.

Highlights

Selected Financial Data

	1983	1982	1981	1980	1979
	<i>(in thousands, except per share data)</i>				
<i>Year Ended May 31:</i>					
Revenues	\$867,212	\$693,582	\$457,742	\$269,775	\$149,830
Net income	57,004	49,036	25,955	12,505	9,723
% of sales	6.6	7.1	5.7	4.6	6.5
Per common share	1.53	1.37	.76	.39	.29
Increase in working capital	97,701	37,483	45,063	16,358	7,915
<i>At May 31:</i>					
Working capital	\$209,871	\$112,170	\$74,687	\$29,624	\$13,266
Total assets	508,028	375,473	230,289	134,615	79,826
Long-term debt	10,503	9,086	8,611	11,268	2,547
Redeemable Preferred Stock	300	300	300	300	300
Common shareholders' equity	240,613	131,960	83,021	28,756	16,281

Market Prices of Common Shares

The Company's Class B Common Stock is traded in the NASDAQ National Market System under the NASDAQ symbol NIKE. The high and low prices listed below reflect actual prices at which the Company's stock traded during the fiscal year ended May 31, 1983 and reflect bid prices for the fiscal year ended May 31, 1982. All prices have

been adjusted for a 2-for-1 stock split effected in the form of a 100% stock dividend distributed January 5, 1983. At year end there were seventeen security dealers making a market in the stock and there were approximately 4,200 shareholders of record.

<i>Quarter Ended</i>	<i>High</i>		<i>Low</i>	
	1983	1982	1982	1981
May 31, 1983	21 ³ / ₈	15 ¹ / ₈		
February 28, 1983	28	15 ³ / ₄		
November 30, 1982	27 ¹ / ₈	20		
August 31, 1982	20 ³ / ₈	14 ³ / ₄		
	<i>1982</i>			
May 31, 1982	15 ¹ / ₄	12 ³ / ₈		
February 28, 1982	15 ³ / ₈	13 ¹ / ₂		
November 30, 1981	13 ⁷ / ₈	8 ⁷ / ₈		
August 31, 1981	12 ¹ / ₂	9 ¹ / ₄		

Quarterly Financial Data

	<i>Quarter Ended</i>			
	<i>May 31</i>	<i>February 28</i>	<i>November 30</i>	<i>August 31</i>
<i>Year Ended May 31, 1983:</i>	<i>(in thousands, except per share data)</i>			
Revenues	\$222,863	\$199,249	\$188,402	\$256,608
Gross profit	74,101	58,447	60,641	84,067
Net income	14,948	9,335	12,127	20,594
Net income per common share	.39	.25	.33	.58
<i>Year Ended May 31, 1982:</i>				
Revenues	\$205,058	\$166,836	\$145,090	\$176,508
Gross profit	64,031	51,866	48,904	54,806
Net income	12,311	11,052	11,429	14,244
Net income per common share	.34	.31	.32	.40

To Our Shareholders:



Although our 1983 financial performance did not meet the expectations which we held a year ago, we are pleased with the results. NIKE revenues increased 25% and net income was up 16%. Our apparel program is rapidly expanding and we have firmly established NIKE in both Europe, where revenues more than doubled to \$38 million, and Japan, where revenues increased nearly four-fold to \$41 million.

Our financial strength, combined with the quality and capability of our employees, positions us to take advantage of the opportunities and challenges ahead.

Recently, the President's job was turned over to **Bob Woodell**, while I remain **Chairman and Chief Executive Officer**. By delegating the management of daily operations, I can now devote more time to the increasingly important job of planning our worldwide strategy for the future.

NIKE's challenge is not whether we can reach a billion dollars in revenues, but whether we can grow substantially beyond that in the years ahead with as good, or better, profit margins. I believe the latter is a realistic goal and I would not trade NIKE's position or future opportunities throughout the world with those of any other company in this industry.

For all businessmen, the next five years hold as much uncertainty as has existed in decades — but also as much excitement and opportunity. I believe those companies which will be successful will be those with good management and a good market position. We have both.

A year ago I said that we were entering our most exciting decade. My opinion remains the same.

Philip H. Knight
Chairman and Chief Executive Officer



Innovation and Product Development – Cornerstone to Success

It is the nature of man to be fearful of change and to resist the different or new. However, at NIKE, change through product innovation is a key ingredient of our success.

In 1983, revenues increased 23% to \$867 million. We introduced, as a result of ongoing innovation, 63 new and improved shoe models and substantially increased our active sportswear line. Approximately 46 million pairs of NIKE shoes were sold to nearly 11,000 retail accounts across the United States.

NIKE's famous "Swoosh" design trademark appears on the shoes and clothing of those scoring points and winning games and races in virtually every athletic arena in America. With the continued growth of sales in markets outside the United States, the "Swoosh" design trademark is becoming increasingly visible on the playing fields of Europe, Asia, and Latin America. Foreign revenues climbed to \$93 million compared to \$43 million last year. Such growth originates with results obtained in the research laboratories.

NIKE and innovation have become synonymous in the athletic shoe industry. In 1983, NIKE spent \$8 million on product research, development, and evaluation. Our commitment to innovation is so extensive that, with a few exceptions, every performance shoe in our line has either been replaced or dramatically improved in the last two years.



NIKE's 87,000 square foot Corporate Technology Center in Exeter, New Hampshire is totally devoted to innovation. A significant part of this center is the NIKE Sport Research Laboratory which was established in September 1980, and is acclaimed as among the most extensive of its kind in the world. Management believes it is without equal in the athletic shoe industry.

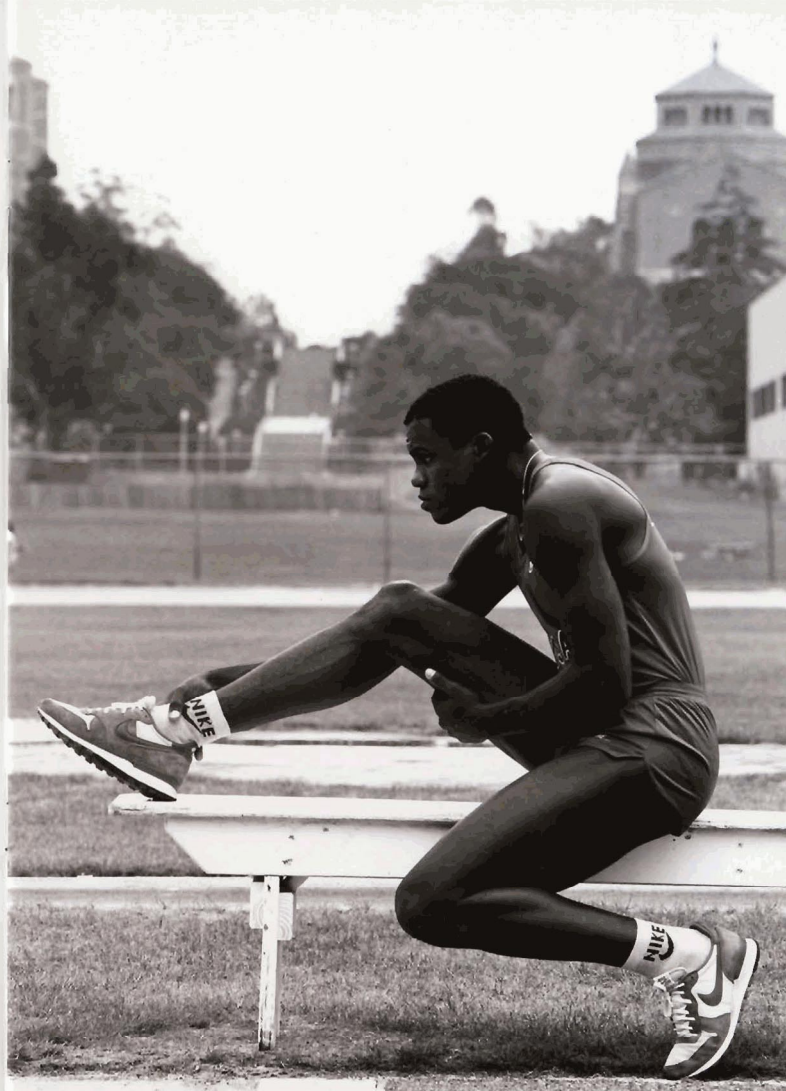
At the Sport Research Laboratory, scientists utilize state-of-the-art techniques to analyze the relationship between various footwear designs and performance athletic shoe characteristics such as cushioning, flexibility, rearfoot control, and energy conservation. These studies are accomplished by using applied biomechanics, exercise physiology, and functional anatomy. In addition, the wear testing laboratory analyzes and quantifies information collected from over 7,000 athletes who participate in extensive field tests of NIKE prototypes for durability and performance. The goal at NIKE is to translate the needs of the athlete into the best product to optimize individual performance.

At NIKE, we are convinced that the leader in innovation will have the best opportunity to be the leader in the marketplace. NIKE management is committed to translating innovative prototypes, developed through extensive research and development, into products manufactured on a consistently high quality basis.

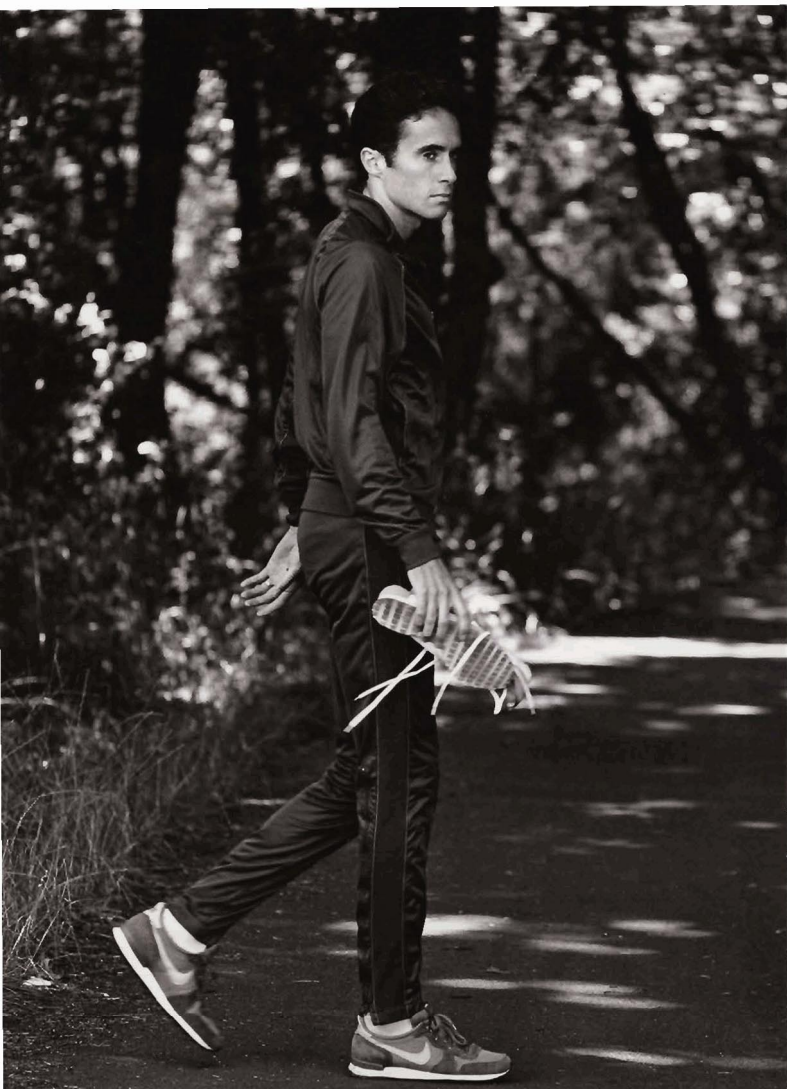
Adherence to exacting production standards is ensured throughout the world by NIKE personnel who supervise quality control procedures at each production source. In 1983, approximately 90 percent of NIKE shoes were manufactured to NIKE's exacting specifications by 31 foreign suppliers located in South Korea, Taiwan, Japan, Hong Kong, Malaysia, Thailand, the Philippines, Brazil, Italy, Yugoslavia, and The People's Republic of China. The remainder were produced to the same standards at NIKE-owned plants in the United States, Ireland, and England.

Shoe specifications are developed through the combined effort of several departments, one of which, the Chemistry and Materials Research Department, evaluates the characteristics and durability of shoe materials including leather, fabrics, adhesives, synthetic upper materials, sockliners, and midsole and outsole compounds.

Another research unit is the Advanced Concepts Department which studies the potential use of new and advanced materials resulting from scientific discovery. The Department's research engineers also examine concepts and theories submitted to NIKE by inventors, designers, and medical professionals. Innovation, while a team effort at NIKE, originates with an individual who truly believes in his or her idea.



CARL LEWIS



The Product Development Department is the birthplace of new NIKE shoes. Applying the information and test results received from the other research departments, prototypes are designed and readied for volume production. This group also consults with medical experts and specialists from fields related to athletics.

In our opinion, testing at the NIKE Sport Research Laboratory during the evolution of NIKE's technical running shoe line has been the most exhaustive ever conducted by an athletic footwear company. In one 18 month period, prototype testing resulted in the creation of over 22,000 feet of film and 1,200 hours of film analysis. Force platform and accelerometer measurements of over 4,000 foot strikes have also been made. Extensive research involving the study of 10,000 runners, both in the laboratory and on the roads, went into the development of the present line.

During their studies, NIKE scientists discovered that the "average runner" may not really exist. For example, we learned that almost 40 percent of American runners have something other than what is thought to be a "normal" arch. Investigating physiological and biomechanical conditions as a function of footwear variables has never before been conducted in such depth.

Thus, NIKE's technical shoes need to be understood as systems in which the design of various components — lasts, outsoles, inserts, and support devices — work together to produce the performance characteristics of each model.

For years, scientists have tried to use air as a buffer between the foot and the ground. It took the combined efforts of NIKE designers and chemists to determine the precise combination of components. That combination is the NIKE-Air midsole, a unit constructed of channels of pressurized gas which run through a polyurethane midsole. As the foot strikes the ground, the air channels are compressed at the point of impact. This compression cushions the foot under all weight-bearing areas and reduces the impact shock on muscles and joints. The NIKE-Air unit is also more resilient than conventional cushioning systems. We believe this resiliency may minimize leg fatigue and permit the athlete to play stronger and longer.

The Odyssey, a shoe introduced in 1983, incorporates features which result in significantly less pronation than may occur in a typical running shoe. The reduction is greatest for runners who excessively pronate, that is, those whose ankles roll inward on foot strike. The Odyssey is constructed on a revolutionary last, unlike any other in the industry, and a NIKE-Air heel wedge is added to increase cushioning.

Our Terra 1/3 model incorporates a Phylon midsole which compacts much less than other lightweight foams and provides superior cushioning.

In 1983, NIKE announced a license agreement to utilize Sorbothane products in athletic footwear. Sorbothane, a trademark of Sorbothane, Inc., is a viscoelastic polymer constructed to duplicate the fat pad in the heel of the human foot. It is included with our Equator model because Sorbothane reduces significantly the shock experienced by the lower leg during running.

As a direct result of extensive foot morphology studies, NIKE has designed an anatomically correct arch support which conforms to the contours of the foot. Most arch supports demand that your foot conform to the insert. Each of the shoes in the NIKE technical running line utilizes a unique approach to support, cushioning and weight. Each shoe is designed to extract the best performance from the runner for whom it is intended, while simultaneously providing exceptional injury protection tailored to one's individual needs.



It should come as no surprise that every men's record from 800 meters to the marathon has been established by athletes wearing NIKE shoes. The 1983 Boston Marathon saw Joan Benoit shatter the world record by an astonishing two minutes and forty-six seconds. In a year when Carl Lewis continued to spring and jump his way to sports immortality and when Mary Decker won the prestigious Sullivan Award as the country's outstanding amateur athlete, NIKE athletic shoes continued to be worn by athletes during their record breaking performances.



The fact that world-class athletes compete and set records in innovative NIKE products creates a consumer demand for all NIKE products, each of which incorporates all or many of the same innovative design concepts. Increased sales reflect this consumer demand.

Revenues from the sale of running shoes in the United States reached \$268 million in 1983, or 31 percent of our total revenues. NIKE has seen little evidence of any diminished interest in running as the number of entrants continued to climb in many races across the United States. For example, San Francisco's Bay-to-Breakers race recently attracted almost 40,000 entries with perhaps another 30,000 runners competing unofficially.

NIKE's innovation is often solving problems confronting athletes. For example: a 260 pound basketball player, jumping two and one-half to three feet for a rebound, lands at approximately six times the force of gravity. With conventional basketball shoes an athlete is protected only by a small slab of rubber. Now, players like Philadelphia 76er's stars Moses Malone and Bobby Jones have

an option — our new Air Force 1 model, incorporating the patented, pressurized NIKE-Air midsole which provides up to 30% more cushioning than conventional midsoles.

Another innovation incorporated into the Air Force 1 is the BioFeedback Strap which encircles the top of the shoe collar. The belt exerts a slight pressure just above the ankle so that the athlete's body can more accurately monitor ankle joint position and decrease the chance of injury.

The concentric circle outsole is functionally as innovative as the famous Waffle outsole, but the engineering creativity may be more subtle. The concentric circle provides for optimum traction while simultaneously providing minimum resistance when the foot pivots. The optimal number of grooves and their relative thicknesses was determined only after intensive research.

Our initial research indicates the Air Force 1 is the first basketball shoe to significantly reduce leg shock resulting from running and jumping. Since the best athlete is only effective when able to compete, NIKE's shoes are designed not only to enhance performance, but also to minimize the likelihood of injury.

The same type of innovation applies to tennis shoe development. In 1983, NIKE introduced the Air Ace model. Incorporating a number of innovative design features — the variable width lacing system and the thermo-resistant polyurethane outsole to name only two — the Air Ace is the first tennis shoe with an air midsole for exceptional cushioning, and the stability to meet the demands of competitive play.

In response to research and information from athletes, NIKE developed a three-quarter height, multi-use court shoe, frequently worn by John McEnroe, which helps keep the foot in a neutral plane, thus increasing the athlete's sense of body awareness and reducing the likelihood of injury. Once again, better performance through innovation.

Basketball, and tennis shoe development, tailored to the needs of athletes, is now receiving the same major emphasis that has historically been concentrated in the running shoe line.



MARY DECKER



The improvement in our product offering has reduced NIKE's potential reliance on a relatively small number of models to generate court shoe revenues, which totalled \$185 million in the United States in 1983. Innovation plays an important role here as technical features designed for top-of-the-line styles are incorporated into shoes at lower prices.

Regardless of the sport for which a shoe is developed, the hundreds of hours of research are meaningless if the final product does not satisfy athletes' needs. A NIKE football shoe, the Shark Stove Top, is just one example of a product that clearly satisfies specific athlete requirements. The rubber Shark pattern cupsole is the result of intuitive and innovative genius. While a NIKE executive was watching a televised, rain-soaked football game, he sketched a cleat pattern and refined the design as the game progressed. At game's end, the Shark cleat pattern had been conceived. Subsequent research scientifically supported the accuracy of the designer's intuition. The Shark Stove Top upper, with the unique extended ankle collar, is a design innovation which provides important additional support for the ankles, always a most vulnerable area.

In most countries of the world when people think of "football," they really mean soccer. In the last year, athletes have more closely identified NIKE with high quality soccer footwear. The reason? Innovation. Our new soccer line is a significant improvement over previous NIKE soccer shoes in both durability and technical excellence.

An extensive development program continues at our company-owned factory in England, the primary source of NIKE's soccer shoes. We also continue our relationship with Aston Villa, 1982 English and European Cup Champions, who provide valuable field testing information.

Such field testing was important in our development of the Eurostar D soccer shoe which features a revolutionary polyurethane outsole with flex grooves. The grooves bend outward to permit increased running efficiency and lock flat for improved power when striking the ball. Benefiting also from NIKE's running shoe development is the Genoa, an artificial turf shoe which is the first to incorporate a midsole wedge to provide additional cushioning on hard surfaces.

The MCS (Metal Clear Substitute) Nylon baseball shoe serves as testimony that NIKE's inno-



vation answers the needs of athletes. The MCS Nylon was developed in response to a ban on metal spike shoes by the National High School Athletic Federation. The outsole incorporates the same design concepts as the Shark, but utilizes a harder material in a baseball style. An impressive collection of major leaguers regularly compete in the MCS Nylon shoe in a league that has not banned the traditional metal spike.

In 1983, sales of NIKE cleated shoes in the United States tripled to \$41 million.

Developing shoes for those who may grow up to be world class athletes is just as important as addressing the needs of present day superstars.

In 1983, NIKE introduced a children's running shoe which we believe is superior to any running shoe — children's or adult — of just a few years ago. The Destiny model incorporates many of the innovative design features — variable width lacing and Center of Pressure outsole, for instance — available in NIKE's top-of-the-line models. With a wider last, designed specifically for a child's foot, NIKE is providing the child athlete with the same superior equipment as adults, the same worn by such outstanding athletes as Alberto Salazar.

Excluding the various color combinations, there are 30 different models of NIKE shoes for children, including shoes designed specifically for running, court sports, field sports, wrestling, and hiking. For their infant children, parents can choose from several models, including the Derby which features a special Velcro closure system. This system provides infants with the ability to put on their own shoes. We will continue to develop new shoes for children which will feature special shapes to ensure an anatomically correct fit for a child's developing feet.

Revenues from the sale of children's shoes in the United States in 1983 are projected to rise 15% over 1982.

Similar to our development of children's shoes, NIKE will continue to expand its product lines into other areas of athletic endeavor. Market testing of innovative golf shoes recently began and a number of touring professionals have been subjecting the new models to the rigors of tournament play. The "spikeless" Edgewater model is the convenience shoe in golf. Utilizing a multi-studded rubber outsole, the Edgewater can be worn from home to the first tee, around the course, through the club house, and back home again. The water-resistant Savannah model features an upper of GL-50, the lightest and most supple synthetic material available. All of NIKE's golf shoes

incorporate technology developed in our running shoe program.

NIKE is developing an innovative competition boot for cross-country skiers. The boot has the look, feel, and comfort of the best running shoes and features a unique outsole which provides greater control of the ski than has been previously possible. It is a departure from the norm, but one which both NIKE designers and world-class skiers agree may be an important part of the sport's future.

A major presence in the leisure shoe area remains a significant goal at NIKE. We believe that



NIKE's product development efforts will shortly lead to a leisure shoe line which will complement other NIKE lines.

Though our historical focus has been on NIKE footwear, the development and growth of NIKE's apparel line has been extremely gratifying. Beginning several years ago with a few novelty t-shirts, NIKE has become a major force in the active sportswear market. Apparel revenues reached \$107 million in 1983, compared to \$70 million in 1982 and \$33 million in 1981.

The prestige of the NIKE name and "Swoosh" design trademarks led to much of this

increase in apparel revenues, as did the association with many of the world's premier athletes. Increased availability to both retailers and consumers, an expansion of the line from over 200 items to more than 300, and significant improvements in the design and quality of the sportswear itself also share the credit for increased sales.

In 1981, NIKE was unable to meet the demand for apparel. In 1982, we made significant advancements in both production sourcing and distribution capabilities and, in 1983, added a 300,000 square foot apparel distribution center at our Memphis, Tennessee location. Today, the majority of our 26 sales representative groups have added apparel marketing specialists.

We have expanded production sources in Asia to include Japan and Thailand which, with Hong Kong and Taiwan, now account for approximately 40 percent of total apparel production. The remainder is manufactured in the United States.

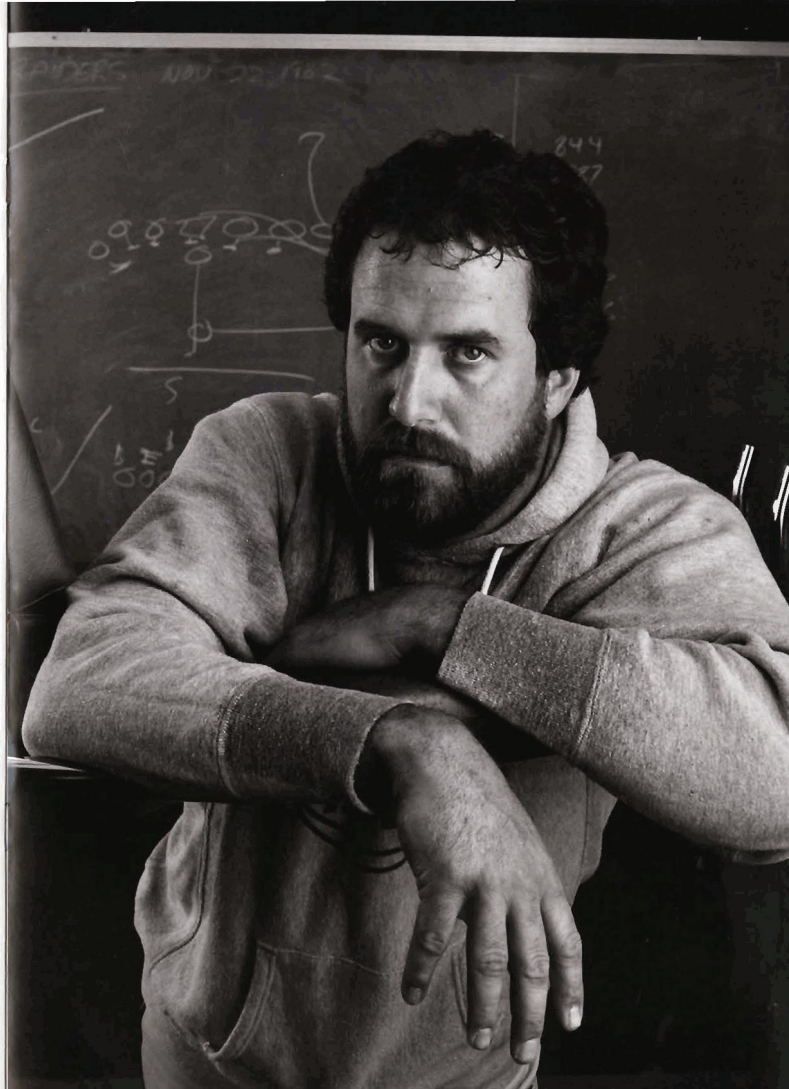
NIKE technical representatives review production at each factory that manufactures sportswear under contract to ensure that the finished product conforms to NIKE's rigid quality standards.

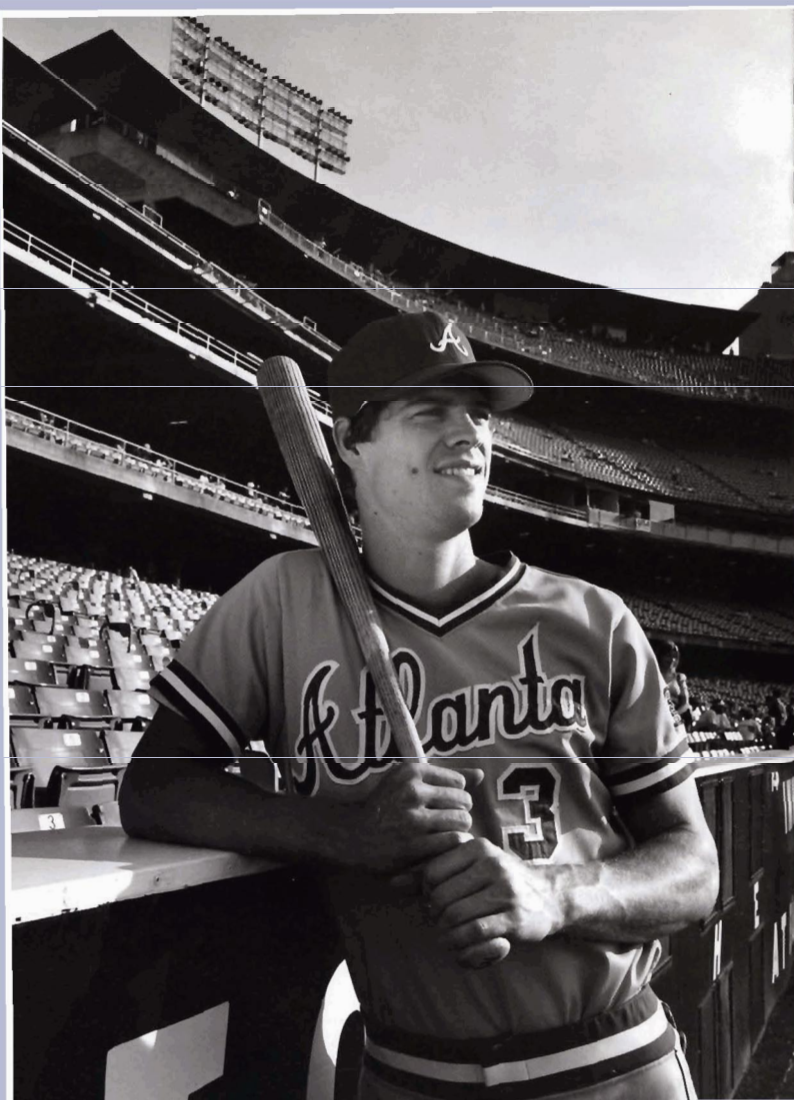
As with footwear, NIKE makes available to retailers a limited "advanced booking" program in which a dealer places an order six months in advance of delivery to obtain a more secure delivery date and a guaranteed wholesale price. This system assists in scheduling production to meet projected market demand.

The principles that have placed NIKE at the forefront of the athletic shoe industry also apply to NIKE apparel. The NIKE tradition with athletic shoes is one of product innovation coupled with quality production, economical sources of supply, and aggressive marketing. Apparel offers another arena for NIKE excellence, where performance is the goal and where function must never take a back seat to fashion.

We believe our apparel products readily complement our athletic shoes, provide a significant opportunity for growth, and will account for an increasing percentage of total revenues in the years ahead.

NIKE has been, and remains, a company responsive to and capable of change — change in the marketplace, change in production technology, change in size and personnel. As we enter new product categories, the mandate remains — innovation and quality to optimize individual performance.





Operating Results

Revenues from the sale of NIKE products in fiscal 1983 were \$867,212,000 compared to \$693,582,000 in 1982 and \$457,742,000 in 1981, as set forth below:

	Year Ended May 31,		
	1983	1982	1981
	(in thousands)		
Domestic footwear	\$666,533	\$580,304	\$399,852
Domestic apparel	107,414	70,311	33,108
Foreign	93,265	42,967	25,782
	<u>\$867,212</u>	<u>\$693,582</u>	<u>\$457,742</u>

Increases in domestic sales of footwear and apparel in 1983 resulted from continuing increased acceptance of the Company's products. Increases were achieved in all lines of domestic footwear with the exception of court shoe sales which declined 9% due primarily to weakness in the basketball shoe sector. Increases in other shoe categories ranged from 13% in running shoes to 204% in field sport shoes. A portion of the gain in foreign revenue was related to direct distribution by NIKE in Japan and in certain major markets in Europe for 1983. Sales in these markets were made through distributors or licensees during part of 1982 and all of 1981.

Net income rose 16% to \$57 million in fiscal 1983 compared to an increase of 89% in 1982. The 1983 increase was related to higher revenues (25% increase) combined with a higher gross margin (32.0% compared to 31.7% in 1982) offset by a higher level of selling and administrative expenses (15.3% of revenues compared to 13.7% in 1982). The increase in selling and administrative expenses was due principally to increased spending for the establishment and development of foreign operations. Interest expense, as a percent of revenues, declined due to a lower level of borrowings and lower interest rates combined with a higher level of revenues compared to a year ago.

The 89% increase in 1982 net income was primarily attributable to higher sales volume and an improved gross margin.

"Futures" orders booked for domestic delivery of footwear from June through November 1983 are approximately 16% lower than such orders in the comparable period in 1982. "At once" orders shipped in the fourth fiscal quarter were 31% above the fourth quarter of the prior year. "At once" orders shipped in June 1983 were 19% above June 1982 levels.

Liquidity and Capital Resources

Current assets increased \$120,024,000 in 1983 compared to an increase of \$132,467,000 in 1982. Inventories at May 31, 1983 aggregated \$283,788,000, up \$80,971,000 over 1982 levels.

The 1983 increase in inventories is attributable to expanded products lines, additional distribution facilities, and lower than expected sales. Inventory turns for 1983 were 2.4 compared to 2.9 in 1982 and 3.7 in 1981. Scheduled footwear deliveries into the United States during June through September 1983 are substantially below prior year deliveries and below anticipated sales levels. Additional reductions in inventories are anticipated during the year.

Capital expenditures for 1983 aggregated \$21,031,000, compared to \$18,228,000 in 1982 and \$9,914,000 in 1981. The 1983 capital expenditures and the increase in current assets were financed by an increase of \$20,604,000 in short-term borrowings, long-term borrowings of \$4,135,000, net proceeds of \$51,442,000 from the sale of common stock in October 1982 and funds provided by operations.

NIKE's current ratio for 1983 was 1.82:1, compared to 1.48:1 in 1982 and 1.54:1 in 1981. The ratio of debt to equity at May 31, 1983 was 1.11:1 compared to 1.81:1 at both May 31, 1982 and May 31, 1981.

Management believes that currently available short-term funds, together with funds generated by operations, will adequately finance the capital expenditure and

Financial Reporting

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

design of computer systems and controls to guard against unauthorized use or disposition and which provide for the preparation of financial statements in conformity with generally accepted accounting principles. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in financial position and of shareholders' equity present fairly the financial position of NIKE, Inc. and its subsidiaries at May 31, 1983, and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended May 31, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Portland, Oregon
July 20, 1983

Price Waterhouse

An Internal Audit Department reviews the results of its work with the Audit Committee of the Board of Directors, presently consisting of three directors who are not employees of the Company. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants, management and the internal audit staff, the scope and results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of the Company as they deem appropriate. The independent accountants and the internal auditors have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

NIKE, Inc. Consolidated Statement of Income

Year Ended May 31,

	1983	1982	1981
	<i>(in thousands, except per share data)</i>		
Revenues	\$867,212	\$693,582	\$457,742
Costs and expenses:			
Cost of sales	589,986	473,885	328,133
Selling and administrative	132,400	94,919	60,953
Interest (Notes 4 and 5)	25,646	24,538	17,859
Other expense	1,057	435	92
	749,089	593,777	407,037
Income before provision for income taxes and minority interest	118,123	99,805	50,705
Provision for income taxes (Note 6)	60,922	50,589	24,750
Income before minority interest	57,201	49,216	25,955
Minority interest	197	180	—
Net income	\$ 57,004	\$ 49,036	\$ 25,955
Net income per common share (Note 1)	\$1.53	\$1.37	\$.76
Average number of common and common equivalent shares (Note 1)	37,158	35,708	34,031

NIKE, Inc.
Consolidated Balance Sheet

May 31,

Assets

Current Assets:

	1983	1982
	(in thousands)	
Cash	\$ 13,038	\$ 4,913
Accounts receivable, less allowance for doubtful accounts of \$3,751 and \$3,877, respectively	151,581	130,438
Inventories (Notes 1 and 2)	283,788	202,817
Deferred income taxes and purchased tax benefits (Notes 1 and 6)	10,503	2,145
Prepaid expenses	6,625	5,198
Total current assets	465,535	345,511
Property, plant and equipment (Notes 3 and 5)	61,359	41,407
Less accumulated depreciation	21,628	12,485
	39,731	28,922
Other assets (Note 1)	2,762	1,040
	<u>\$508,028</u>	<u>\$375,473</u>

Liabilities and Shareholders' Equity

Current Liabilities:

	1983	1982
Current portion of long-term debt (Note 5)	\$ 2,347	\$ 3,936
Notes payable to banks (Note 4)	132,092	112,673
Accounts payable (Note 4)	91,102	74,064
Accrued liabilities	19,021	22,894
Income taxes payable	11,102	19,774
Total current liabilities	255,664	233,341
Long-term debt (Note 5)	10,503	9,086
Commitments and contingencies (Note 10)	—	—
Minority interest in consolidated subsidiary	948	786
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value		
Class A convertible — 18,837 and 11,976 shares outstanding	225	166
Class B — 18,434 and 5,554 shares outstanding	2,646	1,414
Capital in excess of stated value	77,457	27,020
Unrealized translation gain (loss)	70	(67)
Retained earnings	160,215	103,427
	<u>240,613</u>	<u>131,960</u>
	<u>\$508,028</u>	<u>\$375,473</u>

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

NIKE, Inc.
Consolidated Statement of Changes in Financial Position

Year Ended May 31,

	1983	1982	1981
	(in thousands)		
Financial resources were provided by:			
Net income	\$57,004	\$49,036	\$25,955
Income charges (credits) not affecting working capital —			
Depreciation	9,421	5,135	3,774
Minority interest	197	180	—
Other	(188)	194	131
Working capital provided by operations	66,434	54,545	29,860
Net proceeds from sale of Class B Common Stock			
In October 1982 and December 1980	51,442	—	27,890
Purchased tax benefits becoming current	14,270	—	—
Additions to long-term debt	4,135	4,477	4,392
Disposal of property, plant and equipment	584	343	134
Proceeds from exercise of stock options	100	—	450
Minority shareholder contribution	—	648	—
	<u>136,965</u>	<u>60,013</u>	<u>62,726</u>
Financial resources were used for:			
Additions to property, plant and equipment	21,031	18,228	9,914
Purchase of tax benefits	15,277	—	—
Long-term debt becoming current	2,368	4,002	7,049
Additions to other assets	527	161	670
Unrealized loss from translation of statements of foreign operations, including minority interest	31	109	—
Dividends on redeemable Preferred Stock	30	30	30
	<u>39,264</u>	<u>22,530</u>	<u>17,663</u>
Increase in working capital	<u>\$97,701</u>	<u>\$37,483</u>	<u>\$45,063</u>
Analysis of Changes in Working Capital			
Increase (decrease) in current assets:			
Cash	\$ 8,125	\$ 3,121	\$ (35)
Accounts receivable	21,143	43,202	23,575
Inventories	80,971	82,588	64,288
Deferred income taxes and purchased tax benefits	8,358	845	1,165
Prepaid expenses	1,427	2,711	336
	<u>120,024</u>	<u>132,467</u>	<u>89,129</u>
Increase (decrease) in current liabilities:			
Current portion of long-term debt	(1,589)	(2,684)	2,753
Notes payable to banks	19,419	51,483	24,690
Accounts payable	17,038	31,572	5,560
Accrued liabilities	(3,873)	7,493	5,102
Income taxes payable	(8,672)	7,120	5,961
	<u>22,323</u>	<u>94,984</u>	<u>44,066</u>
Increase in working capital	<u>\$97,701</u>	<u>\$37,483</u>	<u>\$45,063</u>

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

	Common Stock				Capital In of Retained Value	Translation Unaffiliated (Loss)	Retained Earnings	Total
	Class A*		Class B					
	Shares	Amount	Shares	Amount				
Balance at May 31, 1980	538	\$ 189			(in thousands) \$ 71		\$28,496	\$28,756
Recapitalization and 30-for-1 stock split	15,602	—						—
Stock options exercised	36	36			414			450
Conversion to Class B Common Stock	(2,246)	(31)	2,246	\$ 31				—
Sale of Class B Common Stock in a public offering in December 1980 (net of issuance costs of \$433)			1,355	1,355	26,535			27,890
Net income — year ended May 31, 1981							25,955	25,955
Dividends on redeemable Preferred Stock							(30)	(30)
Balance at May 31, 1981	13,930	194	3,601	1,386	27,020		54,421	83,021
Conversion to Class B Common Stock	(1,954)	(28)	1,954	28				—
Loss on translation of statements of foreign operations							(67)	(67)
Net income — year ended May 31, 1982							49,036	49,036
Dividends on redeemable Preferred Stock							(30)	(30)
Balance at May 31, 1982	11,976	166	5,555	1,414	27,020	(67)	103,427	131,960
Stock options exercised			4	5	95			100
Conversion to Class B Common Stock	(3,043)	(40)	3,043	40				—
Gain on translation of statements of foreign operations							137	137
Sale of Class B Common Stock in a public offering in October 1982 (net of issuance costs of \$175)			1,100	1,100	50,342			51,442
Stock split 2-for-1	9,904	99	8,732	87			(186)	—
Net income — year ended May 31, 1983							57,004	57,004
Dividends on redeemable Preferred Stock							(30)	(30)
Balance at May 31, 1983	18,837	\$225	18,434	\$2,646	\$77,457	\$ 70	\$160,215	\$240,613

*Prior to the recapitalization in November 1980 (Note 8), the Class A Common Stock was designated Common Stock.

Note 1 — Operations and significant accounting policies:

The Company develops and markets athletic footwear and apparel. These products are distributed directly to retailers in the United States and major European markets and to wholesalers in Japan. The products are also distributed in other markets through independent distributors and licensees. The major portion of the Company's products are manufactured for the Company by foreign contractors and imported through Nissho Iwai American Corporation (NIAC).

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated. To facilitate the timely preparation of the consolidated financial statements, the accounts of foreign operations maintained outside the United States have been consolidated for fiscal years ending in March or April.

Recognition of revenues
Revenues are recognized on sales by the Company plus fees earned on sales by licensees.

Inventory valuation
Inventory is recorded at the lower of cost, last-in first-out (LIFO), or market. The excess of replacement cost over LIFO cost approximated \$7,159,000 at May 31, 1983 and \$7,900,000 at May 31, 1982.

Property, plant and equipment and depreciation
Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are charged against income and renewals and betterments are capitalized. The cost and related accumulated depreciation of property, plant and equipment sold or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in income. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements and on a double declining balance basis for machinery and equipment.

Income taxes
Deferred income taxes are recognized for timing differences between income for financial reporting purposes

and taxable income. Investment tax credits are recognized in the year the related assets are placed in service. From September through December 1982, the Company purchased future tax benefits for \$15,277,000 of which \$6,416,000 was not utilized in 1983. Of the remaining amount in the program will be utilized in 1984 and is included in the deferred tax asset. The balance of \$1,416,000 is included in other assets.

Net income per common share is computed based on the weighted average number of common and common equivalent (stock option) shares outstanding for the period retroactively adjusted for a 30-for-1 stock split effective November 1980 and a 2-for-1 stock split effective January 1983 (Note 8).

Note 2 — Inventories
Inventories by major classification were as follows:

	1983	1982
	(in thousands)	
Finished goods	\$27,824	\$19,634
Work-in-process	4,898	5,534
	<u>\$283,788</u>	<u>\$202,817</u>

Note 3 — Property, plant and equipment:
Property, plant and equipment includes the following:

	May 31,	
	1983	1982
	(in thousands)	
Land	\$ 1,872	\$ 1,864
Buildings	7,764	6,558
Machinery and equipment	47,662	30,628
Leasehold improvements	4,061	2,357
	61,359	41,407
Less accumulated depreciation	<u>21,628</u>	<u>12,485</u>
	<u>\$39,731</u>	<u>\$28,922</u>

Included with machinery and equipment are capital equipment leases of \$8,368,000 and \$9,004,000 at May 31, 1983 and 1982. Amortization of capital equipment leases aggregated \$5,407,000 and \$4,547,000 at May 31, 1983 and 1982 and is included with accumulated depreciation.

Note 4 - Short-term borrowings:

Notes payable to banks and interest-bearing accounts payable to NIAC are summarized below:

	Banks		NIAC
	Domestic Operations	Foreign Operations	
	<i>(in thousands)</i>		
<i>At May 31, 1983:</i>			
Total borrowings	\$115,000	\$19,092	\$53,591
Interest rate	10 1/4%	10 1/4%	9 7/8%
<i>At May 31, 1982:</i>			
Total borrowings	\$103,000	\$ 9,673	\$52,406
Interest rate	16 1/4%	14 7/8%	16 3/4%

Effective September 15, 1982, the Company entered into a \$140 million unsecured domestic revolving credit agreement with a group of six commercial banks of which \$27 million is unused at May 31, 1983. The agreement provides for borrowings at the prime rate or at interest rates based upon spreads above the banks' marginal cost of funds. The agreement requires the payment of a commitment fee of 7/8% on the unused line of credit. The line of credit agreement is renegotiated annually and, among other things, requires the maintenance of specified financial ratios and limits the amount of expenditures for property, plant and equipment.

The Company has outstanding unsecured loans at interest rates at various spreads above the banks' cost of funds for financing foreign operations.

Accounts payable to NIAC are generally due 115 days after shipment from the foreign port. Interest on such accounts payable accrues at a bank's prime rate as of the beginning of the month of the invoice date, less 1/2 %.

Note 5 - Long-term debt:

Long-term debt includes the following:

	May 31,	
	1983	1982
	<i>(in thousands)</i>	
8.4% - 14% capital equipment lease obligations, payable in instalments through 1988	\$ 5,197	\$ 6,267
10.77-12% notes payable to the Republic of Ireland Industrial Development Authority and to two Ireland banks due in semi-annual instalments through March 1988	2,637	1,238
13% Industrial Development Revenue Bond for the state of New Hampshire, secured by certain land and buildings, due in semi-annual instalments through January 1992	2,580	2,730
12.5% note payable to the Malaysian Industrial Development Finance Berhad, secured by the property, plant and equipment located in Malaysia, due in semi-annual instalments through November 1990	2,030	—
7% unsecured note payable to the U.S. Department of the Treasury for customs duties in 24 equal monthly instalments through September 1982	—	1,667
Other	406	1,120
	12,850	13,022
Less portion due within one year	3,347	3,036
	<u>\$10,503</u>	<u>\$ 9,986</u>

The note payable to the U.S. Department of the Treasury resulted from a settlement of duties on a revised appraisal method for certain athletic footwear imported prior to October 2, 1979. Duties on such footwear imported subsequent to that date have been determined on the revised appraisal method and paid on a current basis.

Amounts of long-term debt repayable during the five years following May 31, 1983 are summarized as follows:

	Long-Term Debt Excluding		Capital Lease Obligations		Total
	Capital Lease Obligations	Payments	Minimum Lease	Amount Representing Interest	
			<i>(in thousands)</i>		
1984	\$ 779	\$2,164	\$ (596)	\$ 2,347	
1985	1,047	1,945	(365)	2,627	
1986	1,147	1,515	(168)	2,492	
1987	1,205	817	(41)	1,781	
1988	889	121	(11)	999	
Later years	2,584	22	(2)	2,604	
	<u>\$6,381</u>	<u>\$11,183</u>	<u>\$(1,282)</u>	<u>\$12,882</u>	

Note 6 - Income taxes:

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

	Year Ended May 31,		
	1983	1982	1981
	<i>(in thousands)</i>		
Income before income taxes and minority interest:			
United States	\$123,008	\$101,492	\$ 50,705
Foreign	(4,885)	(1,687)	—
	<u>\$118,123</u>	<u>\$ 99,805</u>	<u>\$ 50,705</u>

Provision for income taxes:

	Year Ended May 31,		
	1983	1982	1981
Current:			
United States			
Federal	\$ 44,359	\$ 42,707	\$ 22,077
State	9,773	7,942	3,838
Foreign	879	785	—
	<u>55,011</u>	<u>51,434</u>	<u>25,915</u>
Deferred:			
United States			
Federal	6,442	(659)	(1,009)
State	(439)	(106)	(156)
Foreign	(92)	(80)	—
	<u>5,911</u>	<u>(845)</u>	<u>(1,165)</u>
	<u>\$ 60,922</u>	<u>\$ 50,589</u>	<u>\$ 24,750</u>

Income tax expense was reduced by investment tax credits of \$1,390,000, \$845,000 and \$603,000 for the years ended May 31, 1983, 1982 and 1981.

The sources and amounts of the provision for deferred income taxes were as follows:

	Year Ended May 31,		
	1983	1982	1981
	<i>(in thousands)</i>		
Inventory write-down to market	\$ (1,898)	\$ (1,065)	\$ 327
Purchased tax benefit	9,270	—	—
Custom duties	569	35	(1,303)
Others, net	<u>(6,030)</u>	<u>184</u>	<u>(1,899)</u>
	<u>\$ 5,911</u>	<u>\$ (845)</u>	<u>\$ (1,165)</u>

The effective income tax rate differs from the U.S. statutory federal income tax rate as follows:

	Year Ended May 31,		
	1983	1982	1981
U.S. Federal statutory rate	46.0%	46.0%	46.0%
State income taxes, net of federal benefit	4.3	4.2	3.9
Foreign losses providing no tax benefits	2.4	1.3	—
Investment tax credit	(1.2)	(.8)	(1.2)
Other, net	—	—	—
	<u>51.6%</u>	<u>50.7%</u>	<u>48.8%</u>

Note 7 - Redeemable Preferred Stock:

NIAC is the sole owner of the Company's authorized redeemable Preferred Stock \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$300,000. A cumulative dividend of \$.10 per share is payable annually on May 31 and no dividends may be declared or paid on the Common Stock of the Company unless dividends on the redeemable Preferred Stock have been declared and paid in full. There have been no changes in the redeemable Preferred Stock in the three years ended May 31, 1983. As the holder of the redeemable Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic shoes sold in the United States.

Supplementary Information to Disclose the Effects of Changing Prices (unaudited)

In accordance with the requirements of Financial Accounting Standard (FAS) No. 33, "Financial Reporting and Changing Prices," the Company presents the following information. The objective of the FAS is to measure the estimated effects of inflation. Historical dollar amounts as reported in the primary financial statements have been adjusted to show the effects of (1) general inflation (con-

stant dollar), and (2) changes in specific prices (current costs). Because the Company values its inventories at the lower of cost, last-in first-out (LIFO), or market, which results in recognition of current cost of goods in which of sales and minor total property, plant and equipment are a relatively minor portion of total assets, the effects of inflation on the Company as measured under the standards

presented by the FAS No. 33 are not significant. Also, because of the experimental nature of the required disclosures, management has not concluded that this information accurately represents the true impact inflation has on the Company.

The constant dollar information was derived by applying the Consumer Price Index in current year average dollars to the related historical costs. The current cost

information was derived by applying published government and private indexes to the related historical costs in current year average dollars. The depreciation and amortization amounts under both the constant dollar and current cost methods were computed by applying the appropriate indexes against the historical amounts. The provision for income taxes under both methods has not been changed because the FAS No.33 adjustments are not tax deductible.

Consolidated Statement of Operations Adjusted for the Effects of Changing Prices (in thousands)

	Year Ended May 31, 1983		
	As Reported	Adjusted for	
		Constant Dollars	Current Cost
Revenues	\$867,212	\$867,212	\$867,212
Cost of sales*	588,086	588,086	588,086
Depreciation	9,421	10,165	10,128
Selling and administration*	124,879	124,879	124,879
Interest	25,646	25,646	25,646
Other expense	1,057	1,057	1,057
	749,089	749,833	749,796
Income before provision for taxes and minority interest	118,123	117,379	117,416
Provision for income taxes	60,922	60,922	60,922
Income before minority interest	57,201	56,457	56,494
Minority interest	197	197	197
Net income	\$ 57,004	\$ 56,260	\$ 56,297
Unrealized gain from decline in purchasing power of net amounts owed		\$ 2,271	\$ 2,271

The increase in inventories and property, plant and equipment resulting from general inflation of \$4,989 offset a decrease in the specific prices of such assets of \$6,453. At May 31, 1983, the current cost of inventories was \$290,143 and the current cost of property, plant and equipment, net of accumulated depreciation and amortization was \$42,655. Corresponding historical cost amounts were \$283,788 for inventories and \$39,731 for property, plant and equipment.

*Exclusive of depreciation.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

	Year Ended May 31,				
	1981	1982	1981	1980	1979
	(in thousands, except per share and CPI data)				
Revenues:					
As reported	\$867,212	\$693,582	\$457,742	\$269,775	\$149,830
Constant dollars	867,212	724,017	520,137	343,201	215,431
Constant dollar information:					
Net income	56,260	50,566			
Net income per common share	1.51	1.41**			
Net assets at year-end	276,380	158,142			
Current cost information:					
Net income	56,297	50,630			
Net income per common share	1.51	1.41**			
Net assets at year-end	250,201	143,096			
Decrease in current cost of inventories and property, plant and equipment, exclusive of inflation	6,453	11,659			
Other information:					
Purchasing power gain on net monetary items	2,271	5,209			
Market price per common share at year-end as reported	19%	14%**	11%**	*	*
Average consumer price index	292.6	280.3	257.5	230.0	203.5

*Prior to December 2, 1980, the Company was privately owned and no market prices were available.

**Adjusted for 2-for-1 stock split distributed in January, 1983

Directors

William J. Bowerman
Deputy Chairman of the Board of Directors
and Senior Vice President

Richard K. Donahue(2)
Partner - Donahue & Donahue, Attorneys
Lowell, Massachusetts

Delbert J. Hayes(1)
Executive Vice President

Douglas G. Houser(1)(2)
Assistant Secretary, NIKE, Inc.
Partner - Bullivant, Wright, Leedy, Johnson,
Pendergrass & Hoffman, Attorneys
Portland, Oregon

John E. Jaqua
Secretary, NIKE, Inc.
Partner - Jaqua, Whatley, Gallagher &
Holland, Attorneys
Eugene, Oregon

Philip H. Knight(1)
Chairman of the Board of Directors
and Chief Executive Officer

Charles W. Robinson(2)
Chairman, Energy Transition Corporation
Santa Fe, N.M.

(1) Member - Executive Committee
(2) Member - Audit Committee and
Compensation and Stock Option Committee

Officers

Philip H. Knight
Chairman of the Board of Directors
and Chief Executive Officer

Robert L. Woodell
President and Chief Operating Officer

William J. Bowerman
Deputy Chairman of the Board of Directors
and Senior Vice President

Delbert J. Hayes
Executive Vice President

David P.-C. Chang
Vice President

Neil E. Goldschmidt
Vice President

Jeffrey O. Johnson
Vice President

James L. Manns
Vice President - Finance

Ronald E. Nelson
Vice President

George E. Porter
Vice President

Robert J. Strasser
Vice President

Richard H. Werschkul
Vice President

Gary D. Kurtz
Treasurer

A. Thomas Niebergall
Assistant Secretary

Shareholders' Information

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Annual Meeting
10 a.m., September 16, 1993
Greenwood Inn
12750 S.W. Allen Blvd.
Beaverton, Oregon 97001

NIKE Advisory Council
Richard Holbrook
Washington, D.C.
Maurice Litzman
Boston, Massachusetts
Thomas D. Paine
Los Angeles, California

Independent Accountants
Price Waterhouse
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Portland, Oregon 97204

Registrar and Transfer Agent
Seattle-First National Bank
2001 Fourth Avenue
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Seattle, Washington 98124

Co-Registrar and Co-Transfer Agent
The First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Form 10-K

A copy of the Company's 10-K filed with the Securities and Exchange Commission is available without charge to any shareholder. Requests should be sent to the attention of Director of Shareholder Relations at the Corporate Office.



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