NIKE, INC.
1984 ANNUAL REPORT

HIGHLIGHTS

SELECTED FINANCIAL DATA

	1984	1983	1982	1981	1980
	(in thousands, except per share data)				
Year Ended May 31:					
Revenues	$919,806	$867,212	$693,582	$457,742	$269,775
Net income	40,690	57,004	49,036	25,955	12,505
% of sales	4.4	6.6	7.1	5.7	4.6
Per common share	1.07	1.53	1.37	.76	.39
Cash dividends declared per common share	.20	—	—	—	—
Increase in working capital	24,476	97,701	37,483	45,063	16,358
At May 31:					
Working capital	$234,347	$209,871	$112,170	$ 74,687	$ 29,624
Total assets	559,159	508,028	375,473	230,289	134,615
Long-term debt	8,823	10,503	9,086	8,611	11,268
Redeemable Preferred Stock	300	300	300	300	300
Common shareholders' equity	274,536	240,613	131,960	83,021	28,756

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 reflect actual prices at which the Company's stock traded during the fiscal years ended May 31, 1984 and May 31, 1983. 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 twenty-two security dealers making a market in the stock and there were approximately 6,800 shareholders of record.

Quarter Ended		
1984	*High*	*Low*
May 31, 1984	12½	9⅝
February 28, 1984	16⅜	11¼
November 30, 1983	18¾	14¾
August 31, 1983	20	15½
1983	*High*	*Low*
May 31, 1983	21⅜	15⅛
February 28, 1983	28	15¾
November 30, 1982	27⅛	20
August 31, 1982	20⅛	14¾

QUARTERLY FINANCIAL DATA

	Quarter Ended			
	May 31	*February 28*	*November 30*	*August 31*
	(in thousands, except per share data)			
Year Ended May 31, 1984:				
Revenues	$256,706	$223,996	$168,904	$270,200
Gross profit	62,407	59,854	48,799	90,197
Net income	5,961	6,403	5,646	22,680
Net income per common share	.16	.17	.15	.60
Year Ended May 31, 1983:				
Revenues	$222,863	$199,249	$188,402	$256,698
Gross profit	74,101	58,417	60,641	84,067
Net income	14,948	9,335	12,127	20,594
Net income per common share	.39	.25	.33	.58

CONTENTS

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.

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TO OUR SHAREHOLDERS:

Orwell was right: 1984 was a tough year. After a decade of increasing sales and earnings, we saw our net income drop 29 percent.

Several factors affected us. Most significantly, our domestic footwear market is changing, edging away from athletic looks to a renewed demand for fashion and traditional styles. These changes resulted in inventory valuation losses over three times greater than in 1983.

But like many of our athletes who have faced adversity and won, we are fighting back.

We reduced our domestic footwear inventory from 22 million to 17 million pair, while increasing inventory in the faster growing Apparel and International divisions. Although our total inventory level remains at approximately the same overall level as last year, the composition has changed favorably.

Our Apparel and International divisions continued to show good progress. Apparel revenues were up 13 percent for the year — to $122 million — and our first-ever apparel Futures program has been well-received by our retailers. The performance of International was the brightest spot of the whole Company. Foreign revenues were up 70 percent to $158 million, and the division showed a substantial profit.

The results of these divisions confirm our long-held position that our greatest asset is the NIKE trademark, which is increasingly taking its place as one of the great marks of the world. We find this reassuring, because it is from this base that we attack the challenges facing us.

We introduced an innovative marketing program — the Cities Campaign — in Los Angeles last fall and carried it in the spring to Dallas, Atlanta, Minneapolis, Seattle, Washington D.C., Denver, St. Louis, and New York. For the first time we attacked markets with the full NIKE arsenal — a coordinated product, advertising, and merchandising package geared to each level of our business. We believe that this focused approach not only is more effective than a generalized national campaign but also gives us the capability to better measure what does and does not work.

To take advantage of the opportunities in the changing American market, we introduced our first casual shoes — our "Freestyle" line — in 1984. Here we are taking what we stand for — sport — into versatile, fun and exciting directions, rather than imitating others or moving into areas where we have little competitive advantage.

Our financial position has never been stronger. We are approaching $300 million in equity with an improving debt-to-equity ratio. Reflecting this strength, we began paying quarterly dividends this year.

Internally, we made several management changes designed to help us tackle the complexities of managing a billion dollar corporation and respond more quickly to market shifts. In addition I am in agreement with the professor from the Harvard Business School who said recently, "NIKE has enormous strength in the quality of its people."

This is a difficult and challenging time for NIKE. Yet in fiscal year 1984 we made over $40 million in net income, which represents a 16 percent return on equity. There are many companies that would thankfully accept that performance. NIKE is not one of them.

We are not satisfied with our 1984 results. We believe we can and will do better.

Philip H. Knight

PHILIP H. KNIGHT
Chairman of the Board
and Chief Executive Officer

NIKE 1984

From NIKE's earliest days, our focus has been on athletes — their lives, their needs, their dreams. As these competitors have grown and changed, so has NIKE grown and changed. In 1984, an Olympic year, our focus remains on athletes. By providing the best products to the world's best athletes, NIKE has developed a vast, world-wide, consumer following. By responding to life-style changes, from the fields of competition to the street, NIKE continues to be the leader in the athletic footwear and apparel industry. From the world of competitive sports comes the inspiration and authenticity that characterizes the programs to which those associated with NIKE dedicate themselves. Like the many athletes who wear NIKE shoes and apparel, NIKE will never stop competing. And winning.

In the summer of 1977, NIKE co-founder Philip Knight reviewed a field of 128 of the world's finest tennis competitors for players to promote the NIKE tennis line. He found a remarkable 18 year old named John McEnroe.

at Wimbledon his first appearance

has steadily stolen the spotlight in world tennis. From his days at Stanford, when he led his team to the national championship, through his victories in major tournaments around the world, no single player has stamped the game with the force of his spirit and the dynamism of his play like McEnroe.

Nonetheless, even from his college years, McEnroe has had his share of injuries. Recurring ankle sprains hurt his performance. Time and again he had been forced to forego competition because of this persistent condition. Never had a full year gone by without injury.

However, in the fall of 1982, based upon the recommendation of a sports physiologist, McEnroe began wearing NIKE's ¾-high racquet shoe, the Challenge Court. For almost two years McEnroe has remained injury-free. He has not missed a single game due to ankle problems.

NIKE makes shoes for competitors. All else flows from that. This year's new tennis line features what we regard as the finest, all-around, competitive shoe ever developed, the Enterprise.

The Enterprise is a "tennis player's tennis shoe." It is the culmination of more than two years of research and experimentation, which brought together a team of medical and design specialists. Also included was an advisory panel of players and coaches intent on incorporating into one shoe all of the qualities — flexibility, adjustability, traction, durability, lightweight, stability and fit — demanded on the court.

The Enterprise tennis shoe has a full-length, Air-Sole cushioning system, with an asymmetrical upper pattern combining both breathable mesh and sturdy leather in an arrangement highlighting the properties of each.

The new Epic model is to running as the Enterprise is to tennis. Incorporated in the design of the Epic is a combination of materials which optimizes properties traditionally at odds in a running shoe — stability and cushioning.

The key, a breakthrough by NIKE's Air Research Laboratory, is an extremely thin, full-length, NIKE-Air midsole unit encapsulated in polyurethane, the most durable midsole material in existence. This new design allows the unparalleled cushioning benefits of NIKE-Air technology without sacrificing stability.

Another technological breakthrough is at work in the Air Ship model. It is the first basketball shoe to employ the new *"pillar" cushioning* system. The pillars, small, upright, cylindrical, shock-absorbing projections spaced a few millimeters apart, are built into the midsole unit. *In the Air Ship*, the pillar system is used in the forefoot, while the more traditional Air Wedge is used in the rear.

This combination design makes the Air Ship more flexible and lighter than NIKE's popular Air Force I, a basketball shoe that employs a full-length NIKE-Air cushioning system. Consequently, the Air Ship promises to have a major impact in the sport from the professional and collegiate ranks to the extensive consumer market.

The application of NIKE-Air technology to children's shoes is also off and running with the Airborne. In addition to a full-length air midsole unit, the shoe contains many features found primarily in highly technical models. The youth running market is important,

JOHN McENROE

making the Airborne's introduction inseparable from NIKE's traditional commitment to the sport of running at all levels of competition.

On her way to capturing more current indoor and outdoor world records in women's running events from the 800 meters to the 10,000 meters than any other single individual, Mary Decker has passed through the heartaches and frustrations of growth and transformation, as has NIKE.

Decker received her first pair of shoes from NIKE as a high school student of 15. The same year, she competed against the Russians and set three indoor world records.

That year, 1973, NIKE was also a youngster, less than two years old. Our retail stores were hangouts for athletes. Store managers were ambassadors to the running community, handing out advice, support and the unheralded shoes with the Swoosh design to promising competitors.

It was grassroots promotions without fanfare. NIKE dispensed some free footwear and a lot of goodwill and concern.

As the years passed, the bond between Mary Decker and NIKE continued to strengthen even when pain forced her to stop running completely in 1974 and, in the uncertainty that followed, miss the Montreal Olympic Games.

During Decker's college years, NIKE personnel lent their support and worked with Mary when she was forced to undergo an experimental surgical procedure to relieve the pain in her shins, again stalling her progress. Her career reborn, Decker

SUE ADDISON MARY DECKER

in 1979 became the first woman member of Athletics West, NIKE's post-graduate training facility for world-class athletes.

NIKE's early grassroots approach to athletes was the basis for the formation of a special promotional group in 1981. The project established, in cities from coast to coast, a network of technical field representatives designed to strengthen the relationship between NIKE and its products, and the athletic community. The original five representatives were so successful that NIKE has increased the number to 21, with a support staff of nine. Like the store managers of old, they give shoe and training clinics to scholastic and club teams, and work directly with retail salespeople on product information.

Tennis, soccer and other sports are also emphasized, as technical representatives work with coaches and retailers at clinics and promotional tournaments. These specialists are constantly on the road, assisted with appearances by NIKE promotional athletes, explaining shoe development to high school students, setting up product displays and meeting the public at trade shows and athletic exhibits.

It is a small wonder these technical representatives constitute one of NIKE's most successful programs. Out in the field they see the actual needs of the athlete and the consumer and function as the Company's eyes and ears.

For years, Alberto Salazar could do no wrong. A standout at the University of Oregon, he established American records on the track in the 5,000 and 10,000 meter runs. When he began roadracing, he set the American 10,000 meter record. He won the New York marathon three years in a row — in 1981 predicting a new world record and then bettering the record which had existed for 12 years. More than once he ran himself to the point of physical peril. Based upon his marathon performances, Salazar became a national hero.

Then, suddenly, Salazar could not do anything right. In 1983, he finished fifth in the Rotterdam Marathon. He placed last in the 10,000 meter run at the World Championship meet in Helsinki, Finland, and fifth at a key international marathon in Fukuoka, Japan. Some people said Alberto was finished, that he had obsessively overtrained and that he was burned out. He was told he took running too seriously. Refusing to quit, he qualified to run the marathon as a member of the 1984 United States Olympic team.

Salazar's commitment to excellence, his "whatever it takes to win" attitude stands behind the new line of recently developed running apparel that bears his signature.

In putting together the Salazar line, designers placed no cost limits on the selection of fabrics or manufacturing processes. The only criterion was its suitability for the high-performance runner.

The result is 13 garments, ranging from t-shirt and socks to an Olympic-gold Gore-Tex rainsuit made from an exclusive, three-part, rain-shedding fabric.

Designed and cut for the elite runner, the Salazar line is clearly not for everyone. Yet it provides world-class athletes with the ultimate in functional, high-performance athletic clothing and it exemplifies NIKE's position as the leader in authentic sportswear.

ALBERTO SALAZAR

In 1984, the Apparel Division was reorganized and expanded to respond to the demands of the market. Five distinct merchandising groups were created — NIKE Tech, NIKE Sport, NIKE Sportswear, NIKE Accessories and NIKE Make-up.

The fundamental touchstone, functional authenticity, as exemplified by the Salazar line, remains the basis for design and merchandising. The Tech line will produce garments for the top competitors based on the latest in fabric, design and research concepts. Functional sports apparel, the heart of the Sport line and inspired by Tech developments, will cater to competitors on all levels in a broad range of sports. And the hottest looks in sports-influenced street trends will emerge in the fashion-oriented apparel of the Sportswear line. NIKE Make-ups will provide specific products for major retailers, while NIKE Accessories includes bags, socks and hats, among other products.

The very successful Futures ordering program NIKE pioneered in its footwear operations was introduced to harmonize apparel sales and production cycles. Other developments, such as the opening of a new regional sales office to service accounts in the eastern United States and the institution of a sales representative training program demonstrate that NIKE's Apparel Division is positioned to duplicate our success in athletic shoes.

Junior high school student Carl Lewis, once said, "My first jump was a joke…nine feet even. But I said to myself, 'Don't give up.' In high school, I kept coming in second. I could have

CARL LEWIS

called it quits. But I believe you should never give up. When that's your philosophy, there's no telling how far you can go."

The long jump is only one of four events in which Lewis hopes to capture a gold medal at this summer's Olympic Games. And yet, when Lewis soars above the sand at the coliseum, the act will shrink by comparison with a similar effort a few miles away.

Since last November, Carl's likeness has been flying over the Marina Del Ray freeway in Los Angeles. Leaping out of a cloud, his arm and foot suspended into space, the celebrated athlete has been greeting motorists in full-color and larger-than-life size on a billboard looming above the roadway.

Lewis also has been leaping off the screen into thin air in a 30-second television spot, and trimmed in neon, his "foot first" likeness anchors a shoe display designed for NIKE retail outlets. And a full-sized, free-standing cut-out of the talented Olympian has been incorporated in NIKE's Hall of Feet, a traveling, point-of-purchase, shoe and sports-hero museum used in NIKE promotions.

The exciting, powerful images of Lewis, along with those of NIKE Olympians Mary Decker, Alberto Salazar, Joan Benoit, Willie Banks and others have appeared on billboards, buildings and buses from Los Angeles to Minneapolis to Washington, D.C. Athletes wearing NIKE shoes have appeared in television commercials and have made numerous personal appearances as part of the Company's unprecedented Cities Campaign.

NIKE is not an "official" product of the Olympics. Instead, we have invested heavily in the Cities Campaign, a program designed to generate enduring, consumer interest and forge a strong working alliance between NIKE and key retailers. The campaign was geared to solidify a marketing base upon which we can build in the years ahead.

In New York, Los Angeles, Washington, D.C., Seattle, Atlanta, Minneapolis, St. Louis, Dallas and Denver NIKE created three to four weeks of marketing excitement. There were television and radio ads, fashion shows, roadraces and clinics, custom promotional and retail merchandise, special in-store displays, the NIKE "Hall of Feet" historical exhibit and personal appearances by top-name NIKE athletes such as Alberto Salazar, Gaylord Perry, Mary Decker, Lester Hayes, Franco Harris and Dan Fouts.

And when Lewis settles into the blocks, Decker leans forward in anticipation of the starter's report, Banks stands summoning his concentration at the head of the runway and dozens of athletes in NIKE shoes from China to Brazil, from Norway to New Zealand, take their places at Los Angeles, NIKE will support their efforts.

NIKE is excited about the opportunity afforded in 1984 to do all it can for the world's top athletes. But by the time they win their championships, many of those athletes will have already done a great deal for NIKE.

This fall, when the Olympics are history, the Cities Campaign will take the NIKE message to Boston, Chicago and Houston, with additional programs in other major cities next spring, to build on the marketing programs begun in this Olympic year.

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MACY'S WINDOW

MARY DECKER T.V. SPOT

CARL LEWIS BILLBOARD

CARL LEWIS T.V. SPOT

MOSES MALONE T.V. SPOT

McENROE WALL

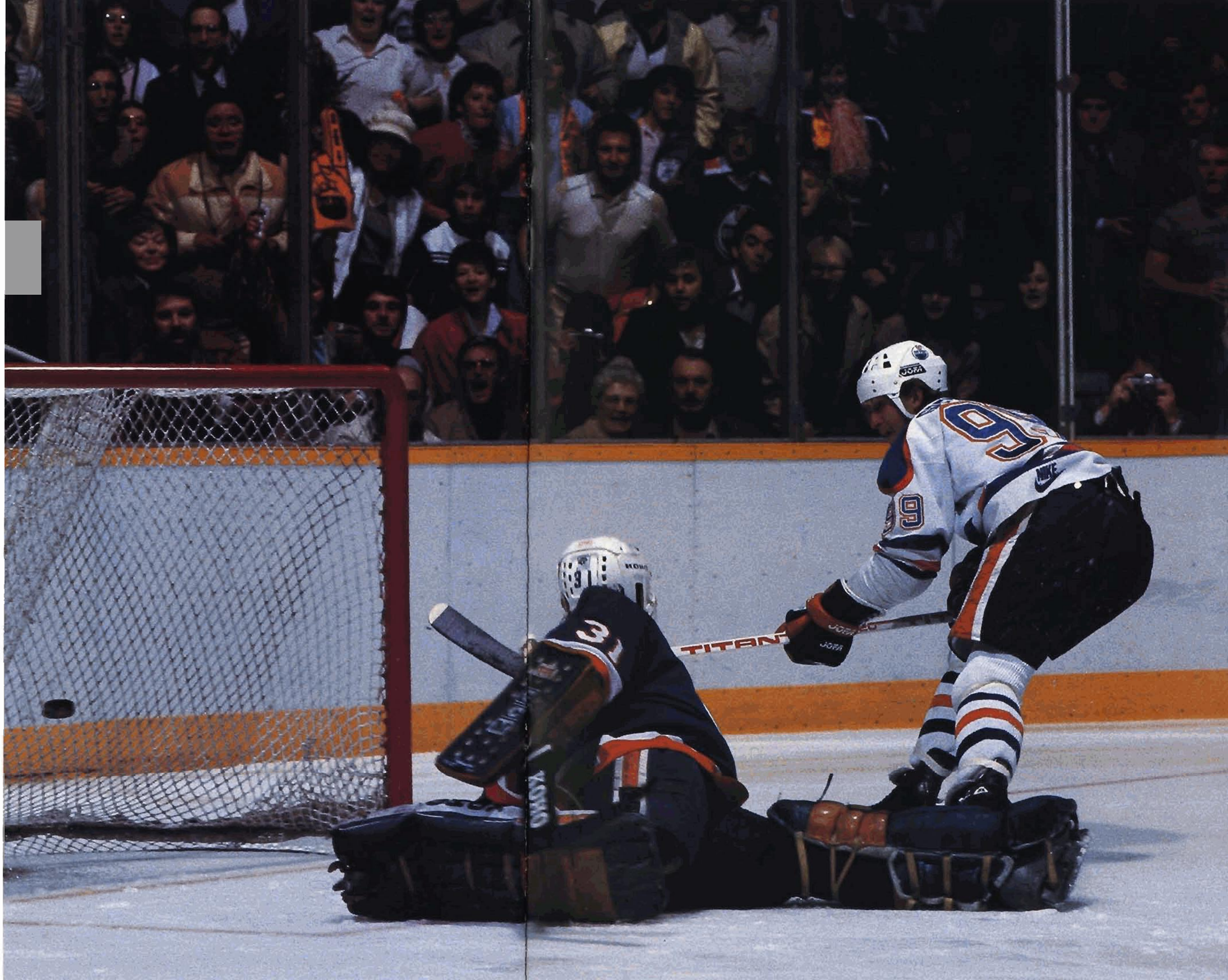
APPAREL ADVERTISING

Wayne Gretzky has shown what one individual can accomplish. There is only one country in the world in which the sport of hockey can be considered a national pastime — his native Canada. Yet Gretzky has played so well that his name is recognized throughout the world.

Ever since he was able to stand on skates, Number 99 has been a phenomenon. The greatest offensive force in the history of the game, he has shattered more than 35 league scoring marks, has been selected the National Hockey League's Most Valuable Player in every season of his major league career, was chosen *Sports Illustrated* magazine's "Sportsman of the Year" and in 1984, led the Edmonton Oilers to hockey's greatest prize, the Stanley Cup. Gretzky has so excelled at his sport he has lifted himself to that level of achievement which transcends a specific sport. He has become an international celebrity. And the fact that NIKE does not make hockey skates has not deterred him from enthusiastically endorsing NIKE shoes and apparel as ambassador of his sport and his native Canada.

Canada is now in the spotlight of NIKE's international development. That country, with a consumer market at ease with American sports and lifestyle trends, has long been considered vital to NIKE's global marketing plan. Along with Japan and western Europe, Canada, through the acquisition of NIKE's Canadian distributorship this year, provides another major cornerstone for global growth.

NIKE has also begun to reap rewards for developmental efforts in the western European market. In 1983, only NIKE operations in Britain and Japan,



out of seven Company-owned distributorships, operated profitably. This year, the combined group was profitable with significant improvement in most operations.

NIKE has made some critical inroads in soccer against the decades-old alliances between other athletic shoe manufacturers and sports officialdom. England's top three soccer scorers wore NIKE shoes in 1984. In addition, Nike sponsors the English Rugby Union team and the French Rugby Federation.

The most dramatic advances have grown out of NIKE's preeminent influence in running. And nowhere is this more evident than in Great Britain. Through the steady grassroots promotional efforts of NIKE and its athletes, that nation is riding the crest of a running boom reminiscent of that which swept America in the 1970's.

Athletes like Sebastian Coe, Steve Ovett, David Moorcroft and Steve Cram, all of whom rank as heroes to their countrymen, give people one more reason to buy NIKE shoes. Brand awareness is further enhanced by an energetic advertising campaign.

NIKE-sponsored races have sprung up throughout Britain. A special women's running program sparked interest in the sport among a portion of the populace which had traditionally regarded it as a male province. NIKE youth races drew thousands of youngsters in a single weekend. No other force contributed as much to the burgeoning running movement in Britain as the NIKE distributorship.

Whether it is Gretzky in Canada, Cram in Britain, or Anne Audain in New Zealand, NIKE's identification with the authentic values of sport is the key ingredient in a growing worldwide success story.

In one of the most dramatic comebacks in sports history, Joan Benoit, women's world record holder in the marathon, recovered from knee surgery in 17 days and fought her way back to not only run, but win the first Women's Olympic Marathon Trials.

The day after her operation, the tough competitor from Maine was exercising on a hand bicycle to maintain her cardiovascular fitness. Five days later she ran for almost an hour. While training hard to recover, she re-injured herself, pulling a muscle 10 days before the Trials. Exactly a week before the race, she literally could not run. Three days and an array of therapies later, she was back on the road. On May 12, 1984, nowhere near her peak form, she won the first pre-Olympic women's marathon, beating her nearest rival by more than half a minute.

During the past year, like most athletes at one time or another, NIKE faced adversity. Some areas of traditional dominance declined and new obstacles were encountered. The taste of reversal was not pleasant, but hardship has strengthened NIKE. We have refined our organization, we are approaching the market in innovative ways and we returned to basics. We did not give up. We will not give up. And, like the best athletes in NIKE shoes, we are going to be victorious.

JOAN BENOIT

LOCATIONS

Corporate Headquarters
3900 S.W. Murray Blvd.
Beaverton, Oregon 97005

Corporate Technology Center
156 Front Street
Exeter, New Hampshire 03833

United States Sales and Distribution Centers
10605 S.W. Allen Blvd.
Beaverton, Oregon 97005

8400 Winchester Blvd.
Memphis, Tennessee 38138

150 Ocean Road
Greenland, New Hampshire 03840

2455 N.W. Nicolai Street
Portland, Oregon 97210

Foreign Sales Administrative Offices
10300 S.W. Allen Blvd.
Beaverton, Oregon 97005

Statenhof Building
Reaalstraat 5
2353 TK Leiderdorp
The Netherlands

Japan Sales and Marketing Office
NIKE Japan Corp.
6F Suncrest Building
13-5, Kita-Aoyama, 2-Chome
Minato-Ku, Tokyo 107, Japan

Canada Sales and Marketing Office
2445 Canoe Avenue
Coquitlam, British Columbia V3K 6A9
Canada

European Sales and Marketing Offices
Austria
Mayrwies 341
5023 Salzburg
Austria

Germany
Robert Koch Strasse 14-16
D-6108 Weiterstadt
West Germany

U.K.
Coniston House
Washington Centre
District 4, Washington
Tyne & Wear NE38 7RN
England

Norway
Hartmansvei 44
Oslo-2
Norway

Sweden
Rastensgatan 3
S 172 30 Sundbyberg
Sweden

France
Zone D'Activites des Beaux Soleils
Osny-9, Chausse Jules Cesar
Bat. C, B. P. 318
95526 Cergy Pontoise Cedex
France

NIKE-owned Shoe Manufacturing Facilities
Factory Island
Saco, Maine 04072

Springwell Mills, Church Street
Heckmondwike
West Yorkshire
England

Athboy Road
Navan
County Meath
Ireland

NIKE-owned Shoe Component Manufacturing Facility
Lot 47, Kulim Industrial Estate
Kulim, South Kedah
Malaysia

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenues from the sale of NIKE products in fiscal 1984 were $919,806,000 compared to $867,212,000 in 1983 and $693,582,000 in 1982. Net income in fiscal 1984 declined 29% to $40,690,000 compared to an increase of 16% in 1983.

The decline in 1984 net income was due to a lower gross margin (28.4% in 1984 compared to 32.0% in 1983) and a higher level of selling and administrative expenses (17.8% of revenues in 1984 compared to 15.3% in 1983). The decline in the gross margin was due principally to lower margins on the sale of slow-moving products and writedowns to market value of certain footwear and apparel products. Selling and administrative expenses increased due primarily to increased advertising and promotions and spending on apparel and foreign operations.

These results were offset by a decline in interest expense due to a lower average level of borrowings and lower interest rates. Borrowings were reduced by funds provided from operations.

The 16% increase in 1983 net income compared to 1982 net income was primarily attributable to higher sales volume and an improved gross margin (32.0% in 1983 compared to 31.7% in 1982) offset by a higher level of selling and administrative expenses. The increase in selling and administrative expenses was due principally to increased spending for the establishment and development of foreign operations.

The following discussion reviews operations of the Company in the United States and in other markets during the three years ended May 31, 1984.

United States Operations

The approximate breakdown of revenues from the sale of NIKE products in the United States follows:

	Year Ended May 31,		
	1984	*1983*	*1982*
		(in thousands)	
Running	$240,200	$267,600	$236,300
Court:			
Basketball	125,100	122,400	144,400
Racquet	81,400	62,100	58,600
Field Sports	42,200	41,300	13,600
Children's	97,100	120,800	106,100
Leisure	53,600	52,300	21,300
Total footwear	639,600	666,500	580,300
Apparel	121,800	107,400	70,300
	$761,400	$773,900	$650,600

Management believes that declines in the sale of athletic footwear were generally due to decreases in consumer use of athletic shoes for casual wear.

"Futures" orders booked for delivery of footwear from June through November 1984 are at approximately the same level as such orders booked in the comparable period in the prior year. Because the mix of "Futures" and "at once" shipments may vary significantly from quarter to quarter and year to year, "Futures" orders received are not necessarily indicative of total revenues for subsequent periods.

Foreign Operations

The approximate breakdown of revenues from the sale of NIKE products outside the United States follows:

	Year Ended May 31,		
	1984	*1983*	*1982*
		(in thousands)	
Europe	$ 80,600	$ 38,000	$ 17,100
Japan	60,600	40,600	11,100
Other foreign	17,200	14,700	14,800
	$158,400	$ 93,300	$ 43,000

During 1984 Company-owned operations distributed NIKE products in Austria, France, Germany, Japan, Norway, Sweden and Great Britain. Effective April 30, 1984, the Company commenced direct distribution in Canada through the acquisition of the Canadian distributorship. Sales in other foreign markets are made through independent distributors or licensees.

LIQUIDITY AND CAPITAL RESOURCES

Current assets increased $43,324,000 in 1984 compared to an increase of $120,024,000 in 1983. Inventories at May 31, 1984 aggregated $280,630,000, down $3,158,000 compared to 1983 levels. Due to lower than expected sales of footwear in the United States, the reduction in total inventories was less than anticipated. Management believes it has strengthened controls over footwear inventory purchases. Inventory turns for 1984 were 2.3 compared to 2.4 in 1983 and 2.9 in 1982.

Capital expenditures for 1984 aggregated $15,224,000 due primarily to purchases in data processing, warehousing, and manufacturing, compared to $21,031,000 in 1983 and $18,228,000 in 1982. The 1984 capital expenditures and the increase in current assets were financed from operations and by an increase of $3,571,000 in short-term borrowings.

NIKE's current ratio for 1984 was 1.85:1, compared to 1.82:1 in 1983 and 1.48:1 in 1982. The ratio of debt to equity at May 31, 1984 was 1:1 compared to 1.1:1 at May 31, 1983 and 1.8:1 at May 31, 1982.

On February 17, 1984, the Board of Directors declared a cash dividend of $.10 per share on its outstanding Class A Common Stock and Class B Common Stock payable March 23, 1984 to shareholders of record at the close of business on March 2, 1984. On May 17, 1984, the Board declared a second cash dividend of $.10 per share payable June 22, 1984 to shareholders of record at the close of business on June 1, 1984.

Based upon the Company's currently projected earnings and cash flow requirements, the Company anticipates paying a regular quarterly dividend of $.10 per share.

Management believes that currently available short-term funds, together with funds generated by operations, will adequately finance 1985 working capital requirements and capital expenditures.

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.

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

An Internal Audit Department reviews the results of its work with the Audit Committee of the Board of Directors, presently consisting of three 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.

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, 1984 and 1983, 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, 1984, 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.

Price Waterhouse

Portland, Oregon
July 24, 1984

NIKE, INC.
CONSOLIDATED STATEMENT OF INCOME

Year Ended May 31,

	1984	1983	1982
	(in thousands, except per share data)		
Revenues	$919,806	$867,212	$693,582
Costs and expenses:			
Cost of sales	658,549	589,986	473,885
Selling and administrative	163,414	132,400	94,919
Interest (Notes 4 and 5)	19,597	25,646	24,538
Other (income) expense	(175)	1,057	435
	841,385	749,089	593,777
Income before provision for income taxes and minority interest	78,421	118,123	99,805
Provision for income taxes (Note 6)	37,567	60,922	50,589
Income before minority interest	40,854	57,201	49,216
Minority interest	164	197	180
Net income	$ 40,690	$ 57,004	$ 49,036
Net income per common share (Note 1)	$1.07	$1.53	$1.37
Average number of common and common equivalent shares (Note 1)	37,934	37,158	35,708

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

NIKE, INC.
CONSOLIDATED BALANCE SHEET

May 31,

ASSETS	1984	1983
	(in thousands)	
Current Assets:		
Cash	$ 8,320	$ 13,038
Accounts receivable, less allowance for doubtful accounts of $3,589 and $3,751, respectively	189,412	151,581
Inventories (Notes 1 and 2)	280,630	283,788
Deferred income taxes and purchased tax benefits (Notes 1 and 6)	16,208	10,503
Prepaid expenses	8,039	6,625
Income taxes receivable	6,250	—
Total current assets	508,859	465,535
Property, plant and equipment (Notes 3 and 5)	74,173	61,359
Less accumulated depreciation	31,293	21,628
	42,880	39,731
Other assets (Note 1)	7,420	2,762
	$559,159	$508,028

LIABILITIES AND SHAREHOLDERS' EQUITY

	1984	1983
Current Liabilities:		
Current portion of long-term debt (Note 5)	$ 2,560	$ 2,347
Notes payable to banks (Note 4)	143,532	132,092
Accounts payable (Note 4)	99,944	91,102
Accrued liabilities	28,476	19,021
Income taxes payable	—	11,102
Total current liabilities	274,512	255,664
Long-term debt (Note 5)	8,823	10,503
Commitments and contingencies (Note 10)	—	—
Minority interest in consolidated subsidiary	988	948
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value		
Class A convertible — 17,659 and 18,837 shares outstanding	211	225
Class B — 19,612 and 18,434 shares outstanding	2,660	2,646
Capital in excess of stated value	77,457	77,457
Unrealized translation gain	787	70
Retained earnings	193,421	160,215
	274,536	240,613
	$559,159	$508,028

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,

	1984	1983	1982
		(in thousands)	
Financial resources were provided by:			
Net income	$40,690	$57,004	$49,036
Income charges (credits) not affecting working capital —			
Depreciation	10,632	9,421	5,135
Minority interest	164	197	180
Other	70	(188)	194
Working capital provided by operations	51,556	66,434	54,545
Purchased tax benefits becoming current	1,716	14,270	—
Additions to long-term debt	1,363	4,135	4,477
Disposal of property, plant and equipment	1,186	584	343
Unrealized gain (loss) from translation of statements of foreign operations, including minority interest	787	(31)	(109)
Net proceeds from sale of Class B Common Stock	—	51,442	—
Proceeds from exercise of stock options	—	100	—
Minority shareholder contribution	—	—	648
	56,608	136,934	59,904
Financial resources were used for:			
Additions to property, plant and equipment	15,224	21,031	18,228
Dividends — Common and Preferred Stock	7,484	30	30
— minority shareholder	195	—	—
Goodwill	5,439	—	—
Long-term debt becoming current	2,785	2,368	4,002
Additions to other assets	1,005	527	161
Purchase of tax benefits	—	15,277	—
	32,132	39,233	22,421
Increase in working capital	$24,476	$97,701	$37,483

ANALYSIS OF CHANGES IN WORKING CAPITAL

	1984	1983	1982
Increase (decrease) in current assets:			
Cash	$ (4,718)	$ 8,125	$ 3,121
Accounts receivable	37,831	21,143	43,202
Inventories	(3,158)	80,971	82,588
Deferred income taxes and purchased tax benefits	5,705	8,358	845
Prepaid expenses	1,414	1,427	2,711
Income taxes receivable	6,250	—	—
	43,324	120,024	132,467
Increase (decrease) in current liabilities:			
Current portion of long-term debt	213	(1,589)	(2,684)
Notes payable to banks	11,440	19,419	51,483
Accounts payable	8,842	17,038	31,572
Accrued liabilities	9,455	(3,873)	7,493
Income taxes payable	(11,102)	(8,672)	7,120
	18,848	22,323	94,984
Increase in working capital	$24,476	$97,701	$37,483

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

NIKE, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock				Capital In Excess of Stated Value	Unrealized Translation Gain (Loss)	Retained Earnings	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
					(in thousands)			
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
Conversion to Class B Common Stock	(1,178)	(14)	1,178	14				—
Gain on translation of statements of foreign operations						717		717
Net income — year ended May 31, 1984							40,690	40,690
Dividends on redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(7,454)	(7,454)
Balance at May 31, 1984	17,659	$211	19,612	$2,660	$77,457	$ 787	$193,421	$274,536

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

NIKE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, Canada 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 certain operations maintained outside North America have been consolidated for fiscal years ending in March or April.

Recognition of revenues

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

Inventory valuation

Inventories are recorded at the lower of cost, last-in first-out (LIFO), or market. The excess of replacement cost over LIFO cost approximated $10,906,000 at May 31, 1984 and $7,159,000 at May 31, 1983.

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 the double declining balance basis for machinery and equipment.

Goodwill

Included in other assets at May 31, 1984 is $5,439,000 of excess purchase cost over the fair value of net assets of an acquired business. This excess is being amortized over a period of eight years.

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 $1,813,000 was not utilized as of May 31, 1984 and is included in deferred income taxes.

Net income per common share

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

Note 2 – Inventories:

Inventories by major classification were as follows:

	May 31,	
	1984	1983
	(in thousands)	
Finished goods	$272,064	$272,844
Raw materials	3,503	6,046
Work-in-process	5,063	4,898
	$280,630	$283,788

Note 3 – Property, plant and equipment:

Property, plant and equipment includes the following:

	May 31,	
	1984	1983
	(in thousands)	
Land	$ 2,511	$ 1,872
Buildings	9,283	7,764
Machinery and equipment	56,622	47,662
Leasehold improvements	5,757	4,061
	74,173	61,359
Less accumulated depreciation	31,293	21,628
	$42,880	$39,731

Included with machinery and equipment are capital equipment leases of $8,594,000 and $8,368,000 at May 31, 1984 and 1983. Amortization of capital equipment leases aggregated $5,912,000 and $5,407,000 at May 31, 1984 and 1983, and is included with accumulated depreciation.

NIKE, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock				Capital In Excess of Stated Value	Unrealized Translation Gain (Loss)	Retained Earnings	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
					(in thousands)			
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
Conversion to Class B Common Stock	(1,178)	(14)	1,178	14				—
Gain on translation of statements of foreign operations						717		717
Net income — year ended May 31, 1984							40,690	40,690
Dividends on redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(7,454)	(7,454)
Balance at May 31, 1984	17,659	$211	19,612	$2,660	$77,457	$ 787	$193,421	$274,536

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NIKE, INC.
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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 $1,813,000 was not utilized as of May 31, 1984 and is included in deferred income taxes.

Net income per common share

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

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Inventories by major classification were as follows:

	May 31,	
	(in thousands)	
Finished goods	$272,064	$272,844
Raw materials	3,503	6,046
Work-in-process	5,063	4,898
	$280,630	$283,788

Note 3 – Property, plant and equipment:

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Leasehold improvements	5,757	4,061
	74,173	61,359
Less accumulated depreciation	31,293	21,628
	$42,880	$39,731

Included with machinery and equipment are capital equipment leases of $8,594,000 and $8,368,000 at May 31, 1984 and 1983. Amortization of capital equipment leases aggregated $5,912,000 and $5,407,000 at May 31, 1984 and 1983, 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		
	Domestic Operations	*Foreign Operations*	*NIAC*
	(in thousands)		
At May 31, 1984:			
Total borrowings	$ 83,000	$60,532	$45,722
Interest rate	11⅘%	11⅛%	11½%
At May 31, 1983:			
Total borrowings	$113,000	$19,092	$53,591
Interest rate	10⅛%	10¼%	9⅞%

The Company has a $140 million unsecured domestic revolving credit agreement with a group of six commercial banks of which $67 million is unused at May 31, 1984. 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 ⅜% on the unused line of credit. The line of credit agreement is renegotiated annually in October and, among other things, requires the maintenance of specified financial ratios and limits the amount of expenditures for property, plant and equipment. Total domestic borrowings also include $10 million at May 31, 1984 under unsecured short-term credit facilities with two of the banks.

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 ½%.

Note 5 – Long-term debt:

Long-term debt includes the following:

	May 31,	
	1984	*1983*
	(in thousands)	
8.4%-14% capital equipment lease obligations payable in instalments through 1988	$ 3,762	$ 5,197
10.77%-12% notes payable to the Republic of Ireland Industrial Development Authority and to two Ireland banks due in semiannual instalments through March 1988	1,954	2,637
13% Industrial Development Revenue Bond for the state of New Hampshire, secured by certain land and buildings, due in semiannual instalments through January 1992	2,415	2,580
12.5% note payable to the Malaysian Industrial Development Finance Berhad, secured by the property, plant and equipment located in Malaysia, due in semiannual instalments through November 1990	2,185	2,030
12.5% note payable to bank due in full on October 31, 1986	599	—
Other	468	406
	11,383	12,850
Less portion due within one year	2,560	2,347
	$ 8,823	$10,503

Amounts of long-term debt repayable during the five years following May 31, 1984 are summarized as follows:

	Long-Term Debt Excluding Capital Lease Obligations	*Capital Lease Obligations*		
		Minimum Lease Payments	*Amount Representing Interest*	*Total*
	(in thousands)			
1985	$ 803	$2,176	$ (419)	$ 2,560
1986	948	1,743	(195)	2,496
1987	1,646	769	(49)	2,366
1988	1,043	134	(12)	1,165
1989	761	25	(2)	784
Later years	2,012	—	—	2,012
	$7,213	$4,847	$ (677)	$11,383

Note 6 – Income taxes:

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

	Year Ended May 31,		
	1984	*1983*	*1982*
	(in thousands)		
Income before income taxes and minority interest:			
United States	$ 75,584	$123,008	$101,492
Foreign	2,837	(4,885)	(1,687)
	$ 78,421	$118,123	$ 99,805
Provision for income taxes:			
Current:			
United States			
Federal	$ 33,268	$ 44,359	$ 42,707
State	6,868	9,773	7,942
Foreign	429	879	785
	40,565	55,011	51,434
Deferred:			
United States			
Federal	(1,767)	6,442	(659)
State	(1,191)	(439)	(106)
Foreign	(40)	(92)	(80)
	(2,998)	5,911	(845)
	$ 37,567	$ 60,922	$ 50,589

The provision for income taxes was reduced by investment tax credits of $495,000, $1,390,000 and $845,000 for the years ended May 31, 1984, 1983 and 1982.

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

	Year Ended May 31,		
	1984	*1983*	*1982*
	(in thousands)		
Inventory write-down to market	$(6,730)	$(1,898)	$(1,065)
Purchased tax benefits	4,903	9,270	—
Custom duties	—	569	35
Other, net	(1,171)	(2,030)	185
	$(2,998)	$ 5,911	$ (845)

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

	Year Ended May 31,		
	1984	*1983*	*1982*
U.S. Federal statutory rate	46.0%	46.0%	46.0%
State income taxes, net of federal benefit	3.9	4.3	4.2
Foreign losses providing no tax benefits	—	2.4	1.3
Investment tax credit	(.5)	(1.2)	(.8)
Other, net	(1.5)	.1	—
	47.9%	51.6%	50.7%

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, 1984. As the holder of the redeemable Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

Note 8 – Common Stock:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 30,000,000 and 50,000,000. In September 1983, shareholders approved an increase in the authorized number of shares of Class B Common Stock from 30,000,000 to 50,000,000. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors. Class A and Class B Common Stock were split 2-for-1 on January 5, 1983 with the split effected in the form of a 100% stock dividend. The dividend shares were issued at a stated value of $.01 per share.

The Company's Employee Incentive Compensation Plan (Option Plan) provides for the issuance of a maximum of 1,680,000 shares of the Company's Common Stock. Options granted must not be at a price less than the fair market value of the Class B Common Stock at the date of grant and can be issued in either Class A or Class B Common Stock. The Option Plan is administered by a committee of the Board of Directors which has the authority to determine optionees, the number of shares to be covered by each option, the dates upon which each option is exercisable, the method of payment and certain other terms. The Option Plan has a stock appreciation feature which gives the committee authority to allow a specified holder to surrender his option in exchange for (1) the cash value of the difference between the option price and the fair market value of the common stock subject to option at the date of surrender, (2) the number of shares having such cash value or (3) a combination of the above. The Option Plan expires in 1990.

During the year ended May 31, 1984, options for 90,000 shares of Class B Common Stock were granted under the Option Plan at a price of $16.50 per share, no options were exercised and options for 1,000 shares were forfeited. At May 31, 1984, options for 99,910 shares were exercisable aggregating $1,263,760. During the year ended May 31, 1983, options for 95,000 shares of Class B Common Stock were granted at prices from $15.6875 to $19.75, options for 9,090 shares were exercised at $11.00 per share and options for 3,000 shares were forfeited. At May 31, 1983, options for 44,910 shares were exercisable aggregating $473,000.

Compensation agreements with three non-employee directors provide these directors with the right to purchase up to 720,000 shares of the Company's Class A Common Stock at $.417 per share. The estimated fair market value of these shares at the date granted was $6.25 per share aggregating $4,500,000. The three directors exercised their right to purchase 72,000 of these shares as of October 1980. The rights to purchase 288,000 of these shares will vest in October 1984. The rights to purchase an additional 72,000 of these shares will vest in October of each of the years 1985 through 1989 as long as the directors serve in an advisory capacity during that period and meet other specified conditions. All purchase rights must be exercised by October 1994. The Company is recognizing compensation expense of $4,200,000 over the nine year vesting period through October 1989.

In September 1983, the Company granted options to purchase 10,000 shares of the Company's Class B Common Stock to two directors. The exercise price is $16.25 per share, which was the market value at the date of grant, and the options expire in September 1993. The options vest at the rate of 20 percent per year over a five year period commencing October 1, 1984.

At May 31, 1984, a portion of the remaining authorized but unissued shares of Class B Common Stock are reserved for the Company's Employee Incentive Compensation Plan and the conversion of Class A Common Stock outstanding and options granted for Class A Common Stock.

Note 9 – Profit sharing plan:

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of $1,356,000, $2,000,000, and $1,750,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1984, 1983 and 1982.

Note 10 – Commitments and contingencies:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to fifteen years after May 31, 1984. Rent expense aggregated $9,830,000, $9,278,000, and $6,009,000 for the years ended May 31, 1984, 1983 and 1982. The following is a schedule of minimum future rentals on noncancelable operating leases as of May 31, 1984 (in thousands).

Years Ending May 31,	
1985	$ 9,169
1986	7,091
1987	5,924
1988	5,653
1989	5,106
Later years	30,433
Total minimum future rentals	$63,376

In June 1983, the Company was served in a lawsuit filed by an individual against the Company and certain present and past employees of the Company seeking an unspecified amount, stated by the Complaint to be in excess of $10 million in general damages and $25 million in punitive damages for alleged breaches of contract and tortious conduct surrounding the Company's termination of a business relationship with the individual. The litigation is at a very preliminary stage; however, the Company believes the claims are without merit and will not result in a material loss to the Company.

Note 11 – Operations by geographic areas:

Information about the Company's operations in the United States and foreign areas is presented below. Intra-company revenues result from sales of footwear (or components) and apparel between the United States and foreign areas at internally determined prices based on cost. Operations in foreign areas prior to 1983 were not significant.

	Year Ended May 31, 1984 (in thousands)			*Year Ended May 31, 1983 (in thousands)*		
	United States	*Foreign*	*Consolidated*	*United States*	*Foreign*	*Consolidated*
Revenues from unrelated entities	$761,414	$158,392	$919,806	$773,947	$ 93,265	$867,212
Intra-company revenues	13,332	2,405		9,315	465	
	$774,746	$160,797		$783,262	$ 93,730	
Operating income	$ 90,544	$ 12,046	$102,590	$149,886	$ 644	$150,530
Corporate and other expense			(4,572)			(6,810)
Interest			(19,597)			(25,646)
Intra-company elimination			–			49
			(24,169)			(32,407)
Income before provision for income taxes and minority interest			$ 78,421			$118,123

	May 31, 1984 (in thousands)			*May 31, 1983 (in thousands)*		
Identifiable assets	$416,928	$134,467	$551,395	$423,561	$ 72,640	$496,201
Corporate item			8,320			13,038
Intra-company elimination			(556)			(1,211)
			7,764			11,827
Total assets			$559,159			$508,028

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 (constant 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 cost of sales and since 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, 1984		
		Adjusted for	
	As Reported	*Constant Dollars*	*Current Cost*
Revenues	$919,806	$919,806	$919,806
Cost of sales*	656,433	656,433	656,433
Depreciation	10,632	11,451	11,323
Selling and administrative*	154,898	154,898	154,898
Interest	19,597	19,597	19,597
Other (income)	(175)	(175)	(175)
	841,385	842,204	842,076
Income before provision for income taxes and minority interest	78,421	77,602	77,730
Provision for income taxes	37,567	37,567	37,567
Income before minority interest	40,854	40,035	40,163
Minority interest	164	164	164
Net income	$ 40,690	$ 39,871	$ 39,999
Unrealized gain from decline in purchasing power of net amounts owed		$ 4,884	$ 4,884

The increase in inventories and property, plant and equipment resulting from general inflation of $17,114 was offset by a decrease in the specific prices of such assets of $13,824. At May 31, 1984, the current cost of inventories was $287,278 and the current cost of property, plant and equipment, net of accumulated depreciation and amortization was $44,981. Corresponding historical cost amounts were $280,630 for inventories and $42,880 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,				
	1984	*1983*	*1982*	*1981*	*1980*
		(in thousands, except per share and CPI data)			
Revenues:					
As reported	$919,806	$867,212	$693,582	$457,742	$269,775
Constant dollars	919,806	899,814	751,236	539,691	356,103
Constant dollar information:					
Net income	39,871	58,375	52,466		
Net income per common share	1.05	1.57	1.47**		
Net assets at year-end	322,224	286,770	164,087		
Current cost information:					
Net income	39,999	58,413	52,534		
Net income per common share	1.05	1.57	1.47**		
Net assets at year-end	283,585	259,607	148,476		
Decrease in current cost of inventories and property, plant and equipment, exclusive of inflation	13,824	6,696	12,097		
Other information:					
Purchasing power gain on net monetary items	4,884	2,356	5,405		
Market price per common share at year-end as reported	9¾	19⅝	14⅞**	11⅜**	*
Average consumer price index	303.6	292.6	280.3	257.5	230.0
Cash dividends declared per common share as reported	.20				

**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

Robert T. Davis
Professor of Marketing, Stanford University
Palo Alto, California

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

Delbert J. Hayes(1)
Executive Vice President

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

John E. Jaqua
Secretary, NIKE, Inc.
Partner – Jaqua, Wheatley, Gallagher & Holland, Attorneys
Eugene, Oregon

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

Thomas O. Paine
Chairman, Thomas O. Paine Associates
Los Angeles, California

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

Robert L. Woodell(1)
President and Chief Operating Officer

(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

Harry C. Carsh
Vice President

David P-C. Chang
Vice President

Neil E. Goldschmidt
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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3900 S.W. Murray Blvd.
Beaverton, Oregon 97005
(503) 641-6453

Annual Meeting
10 a.m., September 24, 1984
Greenwood Inn
10700 S.W. Allen Blvd.
Beaverton, Oregon 97005

NIKE Advisory Council
Richard Holbrooke
Washington, D.C.
Maurice Lazarus
Boston, Massachusetts

Independent Accountants
Price Waterhouse
101 S.W. Main Street – Suite 1700
Portland, Oregon 97204

Registrar and Transfer Agent
Seattle-First National Bank
1001 Fourth Avenue
P.O. Box 24186
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.

NIKE, Inc. is an equal opportunity employer.

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