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TWENTY-FIVE YEARS AGO, NIKE STUCK ITS FOOT
IN THE DOOR OF SPORTS BY PROVIDING BETTER SHOES
FOR COMPETITIVE ATHLETES. SIMPLE. ALL IT TOOK WAS A
PASSION FOR SPORTS, A FEW GOOD IDEAS, AND THE WILL
TO MAKE IT HAPPEN. TODAY, MUCH IN THE WORLD HAS
CHANGED. ATHLETES ARE STRONGER AND FASTER THAN
EVER. COMPETITION IS MORE INTENSE THAN ANYTIME
IN HISTORY. WHEN COMBINED WITH ADVANCES IN PERFOR-
MANCE THAT TECHNOLOGY CAN PROVIDE, THE WORLD
FRENZY FOR SPORTS GROWS UNABATED.

TWENTY-FIVE YEARS FROM NOW, NO ONE
KNOWS WHAT THE WORLD WILL BE LIKE. BUT WE'RE THINK-
ING ABOUT IT. WE BELIEVE IN IT. WE KNOW THAT CURIOSITY
AND A COMPETITIVE SPIRIT WILL BE ALIVE AND WELL. WE
KNOW THAT WE WILL BE THERE, HELPING ATHLETES PER-
FORM BETTER. ALL IT WILL TAKE IS A PASSION FOR SPORTS,
A FEW GOOD IDEAS, AND THE WILL TO MAKE IT HAPPEN.
OVER AND OVER AGAIN.

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TO OUR SHAREHOLDERS:

If I could photocopy this letter for 1997 and send it on to you for next year, I would be happy to do just that. It was that good a year.

It was the best year we have ever had, the best anybody has ever had in our business. Strong enough that our increase in revenues equaled the total annual sales of the number-three company in the industry.

Performance is in the details:

- Revenues up 42%
- Net Income up 44%
- 10-year return on equity (Average) 27.5%
- U.S. footwear up 36%
- U.S. apparel up 70%
- International revenues up 49%

These numbers represent the latest in a long run of market strength and innovation. And it shows. If you had invested \$100 in the S & P 500 in 1987, that investment would be worth \$395 today. The same \$100 invested in NIKE in 1987 would be worth \$3,094 today.

But that's the past, and while this document is called the "Annual Report", people inevitably want to know, "What are you going to do for me next year?"

To do that, I first have to take a second to talk about the "filter obstacle", that haze we have to fight through to explain what goes on around this company.

NIKE (and the entire industry) tends to be a bit misunderstood. The media prefer to treat us all as the entertainment portion of the business world. So, they feel free to exaggerate, to interpret, to extrapolate. To say they are prone to hyperbole would be an understatement. To say that is how they make their living would not.

More significant to us is the evolution of the financial community. I have repeatedly said that our industry is a new industry made up of pieces of some of the oldest industries—shoes, clothes, equipment and sports.

The financial community has made great strides in the past few years in understanding this industry. Even so, without complete understanding of where we know NIKE and sports can go, they still get a little nervous about us based on their perceptions of the future.

Perceptions are important, but they make a poor substitute for insight. We see the future in increments of years, even decades. The financial community perceives the future as the coming six to 12 months.

Many analysts continue to see NIKE as a part of the fashion industry. Yes, there are some similarities, but there is a far greater distinction that underlies our growth prospects. That distinction is sports, a force that provides a much stronger platform than fabric, hem lines and idle whimsy.

Still, there is no way any of us in the industry can quite quarter-to-quarter gains with no downturns (because even in great times overestimated sales can cause an inventory glut). But, a well-managed firm can have a great long-term trend line.

Nevertheless, any little earnings blip creates an enormous swing in market price, and gives the financial community more ticks and twitches than a third-base coach. It appears this is just a fact of life we will all have to live with for a few more years while we invest in a future we see and believe in, even if we're the only ones looking.

Some of that future we can predict, some of it we can't.

When we set out to sell in the Czech Republic, we encountered problems with new laws, new currencies and customs. But we didn't have to explain to anyone what NIKE is. That's the power of the brand.

When Tiger Woods turned pro, the experts said it would take a year for him to win his first tournament, and three years to win his first major. Today, when the tour's leading money-winner and Masters champion goes down to the corner gas station to "fill 'er up", he signs an average of five autographs. (By the way, when we went to press a year ago, he was an economics student at Stanford. They taught him well. He learned he couldn't afford to stay in college.)

When NIKE started 25 years ago, one in 30 school-age girls was involved in organized sports. Today, it's one in five, and it's not just in the United States where these changes are happening.

And, as we move toward 500 cable channels, content will reign supreme, and sports will continue to explode as the most compelling, emotional and border-indifferent source of content worldwide.

Let's get even more immediate than these examples. Let me say that I think FY '98 will be a pretty good year. Futures orders are up a respectable 18%, but where's the fun in being respectable?

The difference between this year and last is this: Last year we had orders of biblical proportions, so we could look at the six months and say, "Hey, even we can't screw up that."

Now, as we go to press, Orders are up a more normal number for the next six months. Obviously, the long-range thinkers are concerned that the deceleration of orders may continue into the second half of the coming year.

And it might.

If we knew, we would tell you. As a one-year investment, there is plenty of risk.

But we are not a one-year investment, we are a company...

That is based on a brand, one with a genuine and distinct personality, and tangible, emotional connections to consumers the world over

that is rooted in sports, the fastest growing culture, growing so fast that it is becoming the one, true international language

that has been around 25 years and grown across them all because our horizon is more than 12 months away

that is made up of 17,000 teammates that stood this industry on its head

that includes the brightest, most committed, most sought-after people in the industry

that returned 10 times the S & P 500 average over the last 10 years.

We're set up for the future. On our way here, we've been able to run up industry records for financial performance. And, we're just getting started.

As for next year, we have much to do.

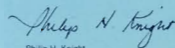
We will improve our footwear process, once again, so that you can see next spring that we are lifting again.

We'll continue to grow in apparel and international sales so that we are no longer looked at as just a U.S. shoe company.

We'll get you to look out a little further, and to understand that this is still a fast-growing industry, and that we believe we are the only investment grade vehicle in the industry.

The future is bright, very bright, and we have the shades for it, and the people for it, and the drive and ideas and commitment for it. This year, 1997, marks NIKE's 25th year, so we took some time in this document to look how far we've come and how far we have to go. This penchant for the future prompted one analyst to say, "I don't know if Microsoft will be here 25 years from now, but I know NIKE will be."

As a great admirer of our neighbor 180 miles to the north, I consider that a great compliment, and an even better prediction.



Philip H. Knight

Chairman of the Board and Chief Executive Officer

See note on page 20 regarding forward-looking statements.

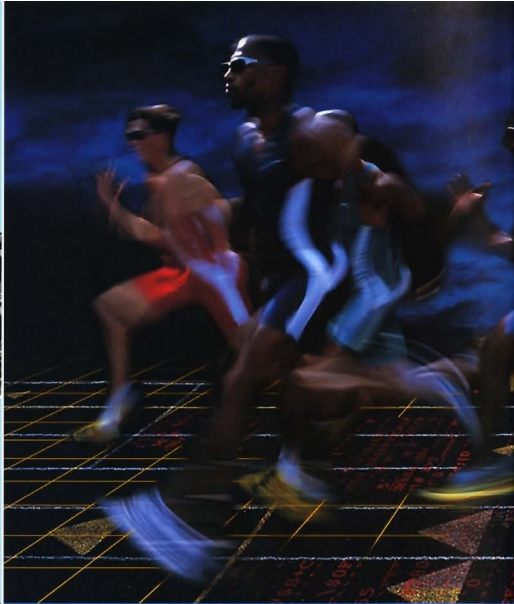
PAST

BILL BOWERMAN, THE TRACK LEGEND FROM UNIVERSITY OF OREGON, HANDCRAFTED SHOES FOR HIS ATHLETES. BY HIS CALCULATIONS, EVERY OUNCE HE SHAVED OFF A MILER'S SHOE MEANT 200 FEWER POUNDS LIFTED IN A RACE. HE CREATED COUNTLESS WAYS TO EXPLOIT THE BIGGEST IDEAS AND THE SMALLEST COMPETITIVE ADVANTAGES.



PRESENT

TODAY, NIKE CREATES AND REFINES SPORTS TECHNOLOGY IN THE NIKE SPORT RESEARCH LAB, ADVANCING BIOMECHANICAL AND MATERIALS SCIENCE WITH A SINGLE GOAL IN MIND: CREATE COMPETITIVE ADVANTAGES FOR ATHLETES.



2022

THE FIELD OF COMPETITION AS LAB. BIO-TELEMETRY GRID RESPONDING TO REAL-TIME COMPETITIVE PRESENCE OF ATHLETES — IMPACT PRESSURES, HEART RATE, VO₂, WIND SPEED — COLLECTED, ANALYZED AND RE-TRANSMITTED BACK TO ATHLETES DURING COMPETITION.

INNOVATION



THE CONTINUAL DRIVE TOWARD COMPETITIVE EXCELLENCE

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PRODUCTS BUILT BY ATHLETES FOR ATHLETES

PAST

STEVE PROFFONTAINE HAD AN INCREDIBLE WILL TO WIN. HIS INSIGHTS INTO THE EMOTIONS AND SCIENCE OF COMPETITION INSPIRED THE PRE MONTREAL SHOE — BUILT TO PERFORM BETTER THAN THE BEST.



PRESENT

THE GOLD SHOES. CANTED TO ONE SIDE TO HELP MICHAEL JOHNSON ACCELERATE THROUGH THE TURN LIGHTER THAN THE GOLD CHAIN HE WEARS AROUND HIS NECK. THEY EXEMPLIFY THE SPORT-SPECIFIC INSIGHT THAT MAKE NIKE SHOES THE WORLD'S BEST ATHLETIC FOOTWEAR.



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2022

THE MOST NATURAL ATHLETE IS THE YOUNGEST ATHLETE. ENTHUSIASTIC, UNLIMITED, POSITIVE, FULL OF PROMISE. THESE ARE ALSO THE ATTRIBUTES OF SPORTS, AND THE FOCUS OF NIKE FOOTWEAR: BUILDING SHOES THAT ALLOW ATHLETES TO PLAY FOR LIFE.

FOOTWEAR

THE BEST SHOES FOR THE BEST ATHLETES IN THE WORLD

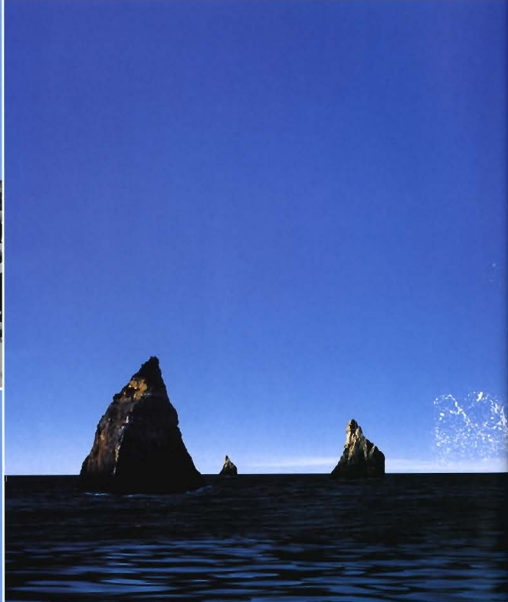
PAST

ALBERTO SALAZAR RAN THE STREETS OF NEW YORK CITY WITH INTENSITY AND FOCUS. WHEN HE CROSSED THE FINISH LINE IN 1981 WEARING A NIKE SINGLET HE WAS WEARING THE LATEST IN NIKE'S TECHNICAL FABRICATIONS—MESH.



PRESENT

SNOWBOARDING APPAREL FOR THE OUTDOOR ATHLETE. TECHNICAL FABRICS AND INNOVATIVE CONSTRUCTION REDEFINE THE FUNCTION, COMFORT AND PERFORMANCE IN ALL NIKE APPAREL. NOW THE SOURCE OF MORE THAN \$2.5 BILLION IN REVENUE.



2022

THE TERRAQUA SUIT. EQUILIBRIUM SENSORS COMBINE WITH THE OCULAR SHIELD FOR GYROPIC TRAVEL IN WET/DRY/LIGHT/DARK CONDITIONS. IN-SUIT BODY TEMPERATURE AND HEART-RATE REGULATORS MAINTAIN CARDIO INTENSITY. SYNERJETS RETRIEVE AND REPROCESS AMBIENT HEAT ENERGY FOR GREATER ACCELERATION. H₂O SEPARATORS ISOLATE PULMONARY VO₂ UPTAKE. EXTREMITY FOILS FORCE AERODYNAMIC EFFICIENCY. MULTI-SURFACE PED FILM UNIFIES SURFACE PROTECTION AND TRACTION.

APPAREL



WORKING WITH THE ATHLETE AND THE ENVIRONMENT TO ENHANCE PERFORMANCE

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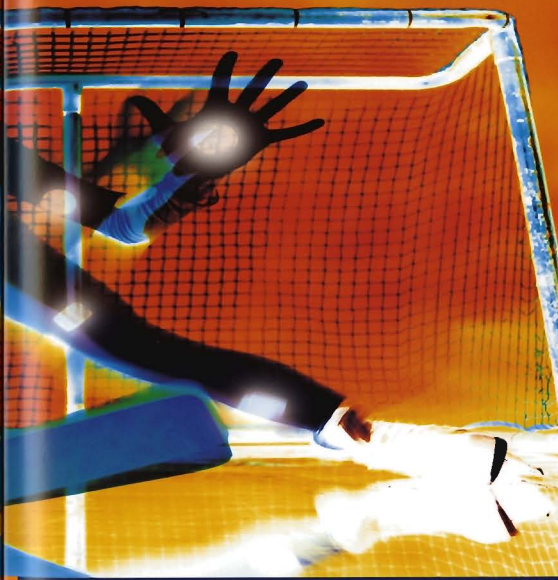
PAST

AFTER ORDERING A SHIPMENT OF BLUE BASEBALL GLOVES THAT HAD TO BE PRACTICALLY GIVEN AWAY, WE DECIDED THAT MAYBE WE WEREN'T READY FOR THE EQUIPMENT BUSINESS YET.



PRESENT

THE AIR ACCEL ELITE, INSPIRED BY THE COOL, ELEGANCE, & EXTRA-SENSORY PASSING AND BETWEEN-THE-PIPES MAGIC OF SERGEI FEDEROV, A STANLEY CUP WINNER WHO PROVES THAT PRECISION SKATING IS ITS OWN WEAPON.



2022

RADIANT DEFLECTION DISCS. LIGHTWEIGHT, MINIMAL BIPOLAR MANIPULATORS CREATE FORCE FIELDS OF DEFENSE, ALLOWING FOR ULTIMATE MOBILITY AND PROTECTION FOR THE GOALIE.

EQUIPMENT

THE IMPLEMENTS OF WAR, THE FUTURE OF BUSINESS

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PAST

A GOOD IDEA AND A WILL TO MAKE IT HAPPEN. MR. AND MRS. KNIGHT RECEIVED THE FIRST SHIPMENT OF SHOES FROM THEIR SON'S NEW BUSINESS, STORED IN, AND DISTRIBUTED FROM THE FAMILY GARAGE.



PRESENT

A PASSION FOR SERVICE AND AN INSISTENT DRIVE FOR TIMELY DELIVERY HAS CHANGED THE WAY WE DO BUSINESS IN A CHANGING EUROPE BY CENTRALIZING DISTRIBUTION AT THE \$138 MILLION LAAKDAL CUSTOMER SERVICE CENTER, A FACILITY WITH 750,000 SQUARE FEET CAPABLE OF SHIPPING 95,000 UNITS A DAY.



DISTRIBUTION

2022

EXTREME DELIVERY. HIGH-PERFORMANCE ATHLETIC SHOES, BASED ON YOUR PERSONAL BIOMECHANICAL AND SPORT SPECIFICATIONS, DELIVERED TO YOUR DOOR THE SAME DAY.

EFFICIENCY IN PERFORMANCE AT ALL LEVELS



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SPORTS—THE TIMELESS HUMAN PASSION

SPORTS—THE TIMELESS HUMAN PASSION

PAST

ITS 1971 THE FIRST SWOOSH APPEARED ON A SOCCER SHOE. THE "NIKE STRIPE" WAS ADVERTISED AS ADDING "ATTRACTIVE REINFORCEMENT" AT \$16.95. IT WAS "AN OUTSTANDING VALUE OFFERING FEATURES PREVIOUSLY FOUND ONLY IN MORE EXPENSIVE SHOES."



PRESENT

COMBINING REVERENCE FOR THE HERITAGE OF THE WORLD'S GAME AND HIS OWN VISIONARY MAGIC, RONALDO EXEMPLIFIES NIKE'S PASSION FOR SPORTS. AND OUR UNIQUE PARTNERSHIP WITH THE BRAZILIAN NATIONAL TEAM.

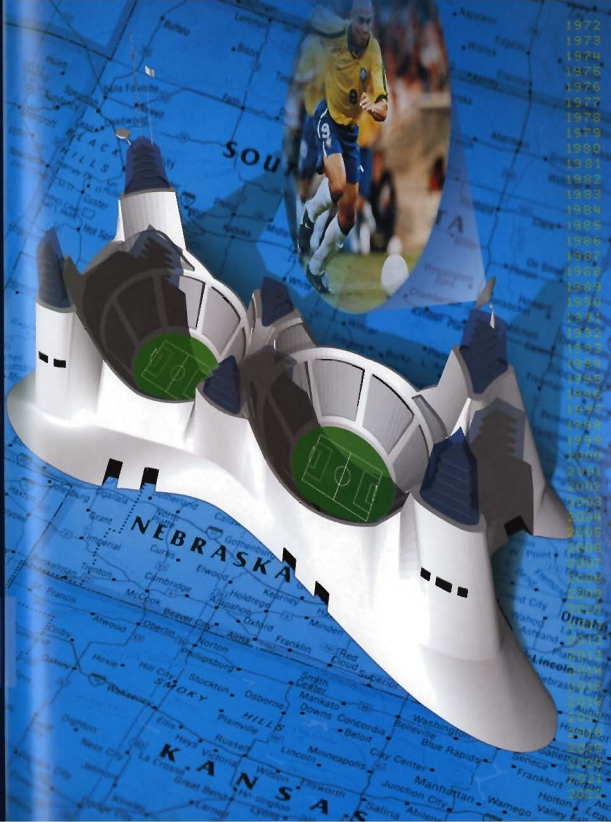


SOCCER

2022

NEBRASKA, "FOOTBALL" COUNTRY. HOME OF THE 300,000-SEAT SUPERSTADIUM OF THE WORLD FOOTBALL HALL OF FAME. PERMANENT HOME OF THE WORLD CUP. FULL TO CAPACITY EVERY WEEKEND FOR LOCAL CLUB MATCHES.

THE DEFINITION OF GLOBAL PERFORMANCE AND PASSION



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PAST

THE FIRST NIKE STORES BECAME A RUNNER'S DESTINATION. ONE IN WELLESLEY MASSACHUSETTS, BEHIND A MOTOR TUNNY. ONE IN LOS ANGELES, NEXT TO A BEAUTY PARLOR. ONE IN EUGENE, OREGON, HOME OF NIKE.



PRESENT

NIKETOWN, NEW YORK CITY. 80,000 SQUARE FEET OF PURE SPORTS AT 57TH AND 5TH, IN A UNIQUE BLEND OF SPORTS HERITAGE AND TECHNICAL INNOVATION. THE STORE PRESENTS THE ENTIRE LINE OF NIKE FOOTWEAR, APPAREL, ACCESSORIES AND EQUIPMENT. A CLEAR EXAMPLE OF NIKE'S COMMITMENT TO INNOVATIVE PRESENCE FOR THE BRAND.

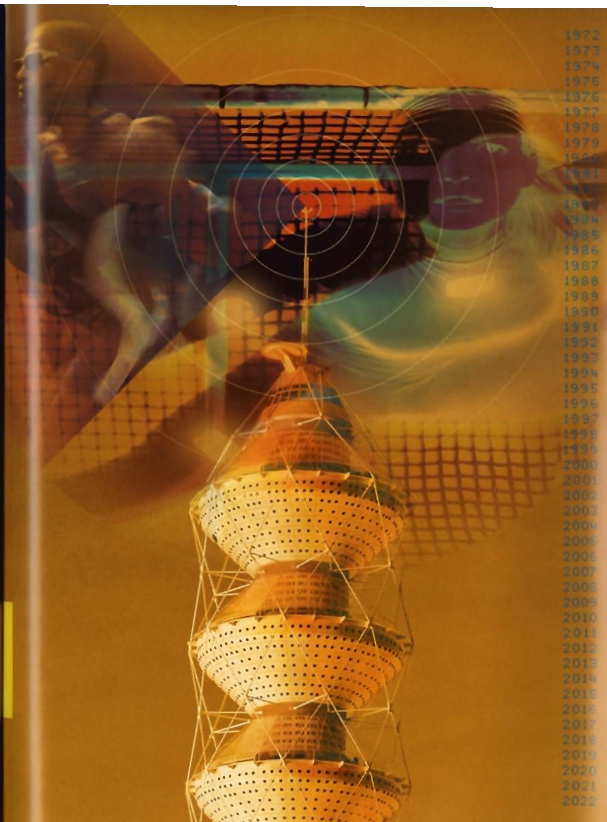


RETAIL

2022

NIKETOWN, AN EXPANDABLE RETAILPOLIS COMBINING THE WORLDS OF COMMERCE AND COMPETITION. A BROADCAST INTERFACE BRINGS WORLD SPORTS TO ALL ATHLETES. PERFORMANCE PAVILIONS COMBINE PRODUCT AND FULL-SCALE COMPETITION. CONSUMER WEAR TESTING AND PRODUCT DESIGN CENTERS RADIATE FROM EACH SPORT ZONE. A.I.R. (ATHLETE IN RESIDENCE) UNITS ARE DEDICATED TO PROVIDING TRAINING AND LIVING FACILITIES FOR WORLD-CLASS COMPETITORS.

AN OASIS OF AUTHENTICITY



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THE ATHLETE

THE FUTURE OF SPORTS LIVES IN THE HEARTS AND SOULS OF YOUNG ATHLETES. IT ALWAYS HAS. ALWAYS WILL.





NOW NORMALLY THIS IS THE POINT IN OUR ANNUAL REPORT WHERE WE SEGUE UNCOMFORTABLY FROM THE FUN STUFF TO THE NUMBERS. DON'T GET US WRONG, WE'VE GOT NOTHING AGAINST NUMBERS, PARTICULARLY WHEN THEY SHOUT THINGS LIKE "\$9 BILLION IN SALES" AND "A 44 PERCENT INCREASE IN PROFITS."

In the name of efficiency, we thought it might be simpler if we summed up our year in the same amount of time it takes one of Tiger's one-irons to travel 275 yards. Well, maybe not quite that fast but here goes:

So despite the blasts from Wall Street and the media (we particularly liked the one that described us as "not only everything that's wrong with sports but everything that's wrong with the world"), why WAS fiscal 1997 NIKE's best year ever? Revenues grew by 42 percent to \$9.2 billion for the year. Just 2 years ago revenues hit \$4.8 billion.

Things went even better on the profitability front. Net income was \$796 million, up 44 percent from last year. Earnings per share totaled \$2.68, up 43 percent from last year's \$1.88. (Don't forget that we split the stock again in October.)

So what propelled us to these record heights? Was it Pete Sampras overcoming emotional duress, physical illness and a game Alex Corretja on his way to his 4th U.S. Open title? Was it Shannon MacMillan being mobbed by her teammates on the USA national soccer team after scoring the goal that would give them the first Olympic gold medal in women's soccer? Or was it the University of Arizona knocking off three top seeds in its path to the NCAA men's basketball title?

Well, like grandma used to say about her recipes, it's a little bit of this and a little bit of that. But mostly it's about making the best shoes, apparel and equipment for athletes all over the world. This year was about doing a lot of things right in a lot of different places: in the research lab and in the warehouse, on billboards in Atlanta and on 57th and Fifth in New York, on the soccer pitch in Germany and in the paint on the playgrounds of Chicago. It's a story of global success, so we'll let the regions of the world tell the tale.

CHAPTER ONE. UNITED STATES

The keys to success: To put it simply, we grew the market and we gained market share. U.S. revenues were up 44 percent with footwear up 36 percent and apparel up 70 percent. Let's start with the feet. Our share of the U.S. footwear market increased sharply to 43 percent, up from 37 percent last year. U.S. footwear sales grew by just about \$1 billion; the amount of this increase alone would have made us the 3rd largest athletic footwear and apparel company in the country.



In 1997, we saw exceptional growth in the U.S. across almost every footwear category. Our men's basketball business grew 47 percent for a good reason. Our basketball designers live inside the sport. They play. They watch. They dream about basketball. How players jump, land, and cut. They talk about them at parties and in their kids' classrooms on Career Day. Result: we make the best basketball shoes in the world. That's why the 12th version of the Air Jordan shoe sold through faster than any of its predecessors.

Women's sports began the fiscal year with Olympic gold for the U.S. Women's soccer, basketball, and softball teams. You may have noticed the change in your own home. Your daughter who yesterday was playing dress-up is today playing mid-field. That poster in her room that used to show kittens at play is today showing Lisa Leslie in the Women's National Basketball Association (WNBA). With our U.S. women's footwear growing more than 40 percent, NIKE's focus on women's sports rose to new levels in 1997 and will remain an integral part of our growth strategy going forward. We signed on to support the WNBA and developed more sport-specific product for women, such as our first women's soccer cleat.

Running is a category where technology is the key determinant in our degree of success. It may sound presumptuous to say we spend more on R&D than the rest of the industry combined, but not to someone whose blisters kept them from finishing their first marathon. We consistently make great running shoes across all price points. That's one of the reasons our men's running category grew 59 percent. And let's not discount the impact of that guy with the golden shoes and his powerful Olympic victories in the 200 and 400 meters, a vision of self-propulsion many will never forget.

Twenty-five years ago, we put a Swoosh on a running T-shirt and spelled out NIKE in script. People thought it said MIKE. While that name did show up on our clothing a few years later, the fact is #23 hadn't even been cut from his high school team in 1972. An inauspicious start for NIKE apparel. Maybe we're finally making up for that mistake.

In 1980, the year that we went public, NIKE's U.S. apparel revenues were \$8 million. In 1997, our apparel business in the U.S. topped \$1.4 billion. Maybe at some point in between there was a collective epiphany in Beaverton, a vision that showed us that athletes didn't just wear shoes. Maybe it's the power of the Swoosh. Maybe it means something when athletes set world records wearing NIKE uniforms. Fact is, we sell apparel now — lots of it — and it's going to grow in the U.S. at a faster rate than footwear.

Back in 1980, athletic apparel was utilitarian, function and form mattered little as long as there were two holes for the arms. Yeah, well people thought pretty much the same thing about their footwear back when Bill Bowerman was busy ruining his wife's waffle irons. In 1997, some people began to expect that performance athletic apparel should live up to the same expectations as performance footwear.



U.S. REVENUES

in millions



EUROPEAN REVENUES

in millions



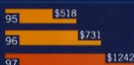
AMERICAS REVENUES

in millions



ASIA PACIFIC REVENUES

in millions





Yes, they've won the World Cup more times than any other country. Yes, their star player, the 20-year-old sensation Ronaldo, is the FIFA Player of the Year. Yet it is their love of the game that provides the adrenaline rush to football fans all over the world. It's the field-long rush through an army of flailing defenders. It's the bullet from 35 yards — the one where the goalie never moves. It's the bicycle kick where all you can see are feet where the head is supposed to be.

Like all great performers, the Brazilians must be seen live to be fully appreciated. Through our new NIKE Sports Entertainment division, we're bringing the team to places where they've never been seen, taking the passion of Brazilian soccer to Miami, Korea, Japan and South Africa. And, of course, they will take to the world stage in 1998 as they defend their World Cup title in France.

CHAPTER FIVE: THERE IS NO FINISH LINE

NIKE is not here to create a new world order. We are not here to eliminate poverty and famine or lead the war against violence and crime. Our critics say that the world is going to hell in a NIKE sports bag. Then again, our critics, for the most part, aren't athletes. NIKE exists to be the best sports and fitness company in the world. We are here to inspire and motivate the athletes in all of us and advocate the love of sports. We live in the heart of sports and the athletes who play them.

Our competitive spirit prevents us from feeling content. The game is never over. The best victory is a challenged victory. It's much harder to crush the drive of an underdog. In our never-ending quest to be the world's best sports company, we will continue to support a child's right to play sports (P.L.A.Y.), and we will pour resources into preserving the environment (Re-Use a Shoe, NIKE Environmental Action Team). And finally, we will continue to lead our industry in embracing the best labor practices throughout the world.

Throughout this quest we will make mistakes. When we do, we'll be punished. By the media. By the public. By Wall Street. To be successful, to improve and consistently rise to higher levels, risks will have to be taken, mistakes will inevitably be made. This is a part of progress.

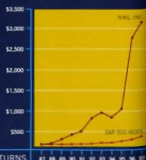
NIKE exists for the love of sports. The "Swooshification of the world" should more appropriately be deemed the Sportsification of the world. We will mature in tandem with the inexorable penetration of sports into the global psyche.

In the view of many, our success in 1997 simply raised the bar and made 1998 our biggest challenge yet. We will come prepared, we will zig when the experts say zag, but bet the house on one thing: Like MJ in Game Five of the NBA Finals, we will show up. And we'll bring the shoes.

See note on page 23 regarding forward-looking statements.

FINANCIALS 1997

\$100 INVESTED IN NIKE STOCK TEN YEARS AGO
WOULD HAVE BEEN WORTH \$3094 ON MAY 31, 1997.
A SIMILAR INVESTMENT IN THE S&P 500 INDEX
WOULD HAVE BEEN WORTH \$395.



TOTAL SHAREHOLDER RETURNS
assuming reinvestment of cash dividends



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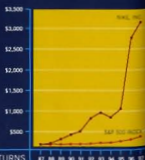
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See note on page 20 regarding forward-looking statements.

FINANCIALS 1997

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WOULD HAVE BEEN WORTH \$3094 ON MAY 31, 1997.
A SIMILAR INVESTMENT IN THE S&P 500 INDEX
WOULD HAVE BEEN WORTH \$395.

TOTAL SHAREHOLDER RETURNS
(annual reinvestment of cash dividends)



FINANCIAL HISTORY

All amounts in millions of dollars unless otherwise indicated.

YEAR ENDED MAY 31,	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues	\$9,186,539	\$6,470,625	\$4,760,834	\$3,789,658	\$3,930,964	\$3,405,211	\$3,003,610	\$2,235,244	\$1,710,803	\$1,203,440									
Gross margin	3,683,546	2,563,879	1,895,554	1,488,245	1,543,991	1,316,122	1,153,080	851,072	635,972	400,060									
Gross margin %	40.1%	39.6%	39.8%	39.3%	39.3%	38.7%	38.4%	38.1%	37.2%	33.2%									
Net income	795,822	553,190	399,664	298,194	305,038	329,218	287,046	242,958	167,047	101,695									
Net income per common share	2.68	1.88	1.36	0.99	1.18	1.07	0.94	0.80	0.56	0.34									
Average number of common and common equivalent shares	297,000	293,608	294,012	301,804	308,252	306,408	304,268	302,672	300,576	301,112									
Cash dividends declared per common share	0.38	0.29	0.24	0.20	0.19	0.15	0.13	0.10	0.07	0.05									
Cash flow from operations	323,120	339,672	294,913	576,463	265,290	435,838	11,122	127,025	169,441	19,019									
Price range of common stock																			
High	76.375	52.063	20.156	18.658	22.563	19.344	13.625	10.325	4.969	3.313									
Low	47.875	19.531	14.063	10.783	13.750	8.781	6.500	4.750	2.891	1.750									
At May 31:																			
Cash and equivalents	\$ 445,421	\$ 262,117	\$ 216,071	\$ 518,616	291,284	\$ 240,950	\$ 128,804	\$ 90,445	\$ 85,749	\$ 75,357									
Inventories	1,338,640	931,151	629,742	470,023	592,986	471,202	586,594	309,476	222,924	198,470									
Working capital	1,964,002	1,259,881	938,393	1,208,444	1,365,204	964,291	662,645	561,642	439,599	295,937									
Total assets	5,361,207	3,951,628	3,142,745	2,373,815	2,386,219	1,871,667	1,707,236	1,093,358	824,216	707,901									
Long-term debt	296,020	8,584	10,565	12,964	15,033	69,476	29,992	25,541	34,051	30,306									
Redeemable Preferred Stock	300	300	300	300	300	300	300	300	300	300									
Common shareholders' equity	3,155,838	2,431,400	1,964,689	1,740,949	1,642,819	1,328,488	1,029,582	781,012	558,597	408,567									
Year-end stock price	57.500	50.188	19.719	14.790	18.125	14.500	9.938	9.813	4.790	3.031									
Market capitalization	16,633,047	14,416,792	5,635,190	4,318,600	5,499,273	4,379,574	2,993,020	2,942,679	1,417,381	899,741									
Financial Ratios:																			
Return on equity	28.5%	25.2%	21.6%	17.7%	24.5%	27.9%	31.7%	36.3%	34.5%	27.4%									
Return on assets	17.1%	15.6%	14.5%	13.1%	18.0%	18.4%	20.5%	25.2%	21.8%	16.7%									
Inventory turns	4.8	5.0	5.2	4.3	4.5	3.9	4.3	5.2	5.1	5.0									
Current ratio at May 31	2.1	1.9	1.8	3.3	3.0	3.3	2.1	3.1	2.9	2.2									
Price/Earnings ratio at May 31	21.5	26.6	14.5	14.9	15.3	13.5	10.5	12.2	8.6	9.0									
Geographic Revenues:																			
United States	\$5,529,132	\$3,964,662	\$2,997,864	\$2,432,586	\$2,528,849	\$2,270,880	\$2,141,461	\$1,735,496	\$1,362,148	\$ 900,417									
Europe	1,833,722	1,334,340	980,444	927,969	1,085,623	919,763	664,747	534,275	241,380	233,402									
Asia/Pacific	1,245,217	735,094	515,652	283,421	278,196	75,732	56,238	29,332	32,027	21,058									
Canada, Latin America, and other	578,468	436,529	266,875	146,799	138,205	138,836	141,264	116,141	75,248	48,563									
Total Revenues	\$9,186,539	\$6,470,625	\$4,760,834	\$3,789,658	\$3,930,964	\$3,405,211	\$3,003,610	\$2,235,244	\$1,710,803	\$1,203,440									

All per common share data has been adjusted to reflect the 2-for-1 stock splits paid October 23, 1996, October 30, 1995 and October 5, 1990. The Company's Class B Common Stock is listed on the New York and Pacific Exchanges and trades under the symbol NKE. At May 31, 1997, there were approximately 800,000 shareholders. Years 1993 and prior have been restated to reflect the implementation of Statement of Financial Accounting Standard No. 109 - Accounting for Income Taxes (see Notes 1 and 6 to the Consolidated Financial Statements).

FINANCIAL HIGHLIGHTS

See footnotes, except per share data and from (in) millions

YEAR ENDED MAY 31,	1997		1996
	1997	1996	
Revenues	\$9,186,539	\$6,470,625	42.0%
Gross margin	3,683,546	2,563,879	43.7%
Gross margin %	40.1%	39.6%	
Net income	795,822	\$53,190	43.9%
Net income per common share	2.68	1.88	42.6%
Return on equity	28.5%	25.2%	13.1%
Stock price at May 31	57.500	50.188	14.6%

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

See footnotes, except per share data

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1997	1996	1997	1996	1997	1996	1997	1996
Revenues	\$2,281,926	\$1,709,020	\$2,107,034	\$1,356,758	\$2,423,648	\$1,582,039	\$2,373,931	\$1,852,067
Gross margin	919,807	685,641	829,406	528,629	988,221	628,723	946,112	731,514
Gross margin %	40.3%	40.4%	39.4%	39.0%	40.8%	39.7%	39.9%	39.5%
Net income	226,063	182,098	176,872	97,812	237,133	133,874	155,754	133,727
Net income per common share	0.76	0.62	0.60	0.34	0.80	0.45	0.52	0.45
Average number of common and common equivalent shares	296,368	291,704	292,022	293,988	297,368	294,212	297,252	295,466
Cash dividends declared per common share	0.08	0.06	0.10	0.08	0.10	0.08	0.10	0.07
Price range of common stock								
High	55.625	24.188	64.000	31.313	76.375	35.688	73.125	52.063
Low	47.875	19.531	51.625	22.686	51.500	28.938	51.250	32.688

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

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

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

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

RESULTS OF OPERATIONS

FISCAL 1997 COMPARED TO FISCAL 1996

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

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

The breakdown of revenues follows:

YEAR ENDED MAY 31,	1996	1995	1994	1993	1992	1991
United States footwear	\$3,770,600	36%	\$2,772,500	20%	\$2,309,400	24%
United States apparel	1,431,000	70	842,500	99	423,900	25
Total United States	5,201,600	44	3,615,000	32	2,733,300	24
Non-U.S. footwear	2,391,000	42	1,682,300	35	1,244,300	25
Non-U.S. apparel	1,089,800	67	651,400	38	472,700	32
Total Non-U.S.	3,480,800	49	2,333,700	36	1,717,000	27
Other brands	504,100	(3)	521,900	68	1,101,600	38
Total NIKE	\$9,186,500	42%	\$6,470,600	36%	\$4,760,900	26%

Gross margins increased to 40.1% of revenues in fiscal 1997, exceeding 40% for the first time in Company history. The improved percentage was principally driven by price increases in certain U.S. footwear categories in effect the second half of the year. This was offset by slight reductions in gross margin percentages from increased close-out sales as a percentage of total sales, most predominately at Bauer, due to the softening of the in-line skate market and liquidation of non-Bauer brand product to consolidate to a single Bauer brand. Global fiscal 1996 margins could be affected negatively by increasing product costs, added infrastructure to support higher levels of operations, and increased sales of lower priced product including close-outs.

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

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

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

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

Since the Company operates globally, it is exposed to market risks from changes in foreign currency exchange rates. In order to minimize the effect of fluctuations on the Company's foreign currency transactions, the Company uses highly liquid foreign currency spot, forward and purchased options with high credit quality financial institutions. The Company transacts in foreign exchange contracts to hedge underlying economic exposures and does not transact in derivatives for trading or speculative purposes. Where possible, the Company nets its foreign exchange exposures to take advantage of natural offsets that occur in the

normal course of business. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts or purchased options. Anticipated, but not yet firmly committed transactions, may be hedged through the use of purchased options. Additional information concerning the Company's hedging activities is presented in Note 14 to the Consolidated Financial Statements.

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

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

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

FISCAL 1996 COMPARED TO FISCAL 1995

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

The Company experienced revenue growth in fiscal 1996 in all breakout categories. The most significant increase in absolute dollars was U.S. footwear, which grew \$463.2 million, or 20.1%, as a result of 19% more pairs shipped and a 0.9% increase in average selling price per pair. Men's basketball, women's fitness and men's training comprised approximately half of the U.S. footwear category in terms of total revenues, and individually increased 7%, 29% and 25%, respectively, over the prior year. U.S. apparel increased \$418.6 million, or 99%, experiencing growth in all categories and demonstrating the strength of the NIKE brand. Non-U.S. brand revenues also increased significantly, growing \$616.7 million, or 35.9%, as a result of increases of \$438.0 million (35.2%) and \$178.7 million (37.8%) in footwear and apparel, respectively, over the prior year. Non-U.S. revenues were increased 1.2% as a result of the foreign currency translation impact. All NIKE regions outside the U.S. experienced revenue increases greater than 30%. Europe increased 33%, Asia Pacific, 41%, and the Americas, 35%. The most significant increases were in Japan, Italy, United Kingdom, Korea and Canada. Other brands increased \$211.3 million, or 68%, over the prior year. Bauer, which was acquired

at the end of the Company's third quarter of fiscal 1995, contributed \$173.7 million of the increase.

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Additions to long-term debt of approximately \$300 million in fiscal 1997, were used to fund the significant increase in property, plant and equipment, as well as increased working capital requirements. In June 1996, the Company's Japanese subsidiary borrowed 10.5 billion Yen (approximately \$100 million) in a private placement, maturing June 26, 2011, to fund construction of a warehouse and distribution center and for other corporate purposes. Additionally, during December 1996 the Company filed a shelf

registration statement with the Securities and Exchange Commission for the sale of up to \$500 million of debt securities. The filing will enable the Company to issue debt from time to time during the next several years. Under this program, the Company issued \$200 million seven-year notes in December 1996, maturing December 1, 2003, and subsequent to May 31, 1997, an additional \$100 million medium-term notes were issued, maturing in three to five years. The proceeds were swapped into Dutch Guilders to obtain long-term fixed rate financing to support the growth of the Company's European operations.

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

Dividends per share of common stock for fiscal 1997 rose \$0.09 over fiscal 1996 to \$0.38 per share. Dividend declaration in all four quarters has been consistent since February 1984. Based upon current projected earnings and cash flow requirements, the Company anticipates continuing a dividend and reviewing its amount at the November Board of Directors meeting. The Company's policy continues to target an annual dividend in the range of 15% to 25% of trailing twelve-month earnings.

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

Special Notes Regarding Forward Looking Statements and Analyst Reports

Certain written and oral statements made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("the Act"). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning.

Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by Nike with the S.E.C., including Forms 8-K, 10-Q, and 10-K, and include, among others, the following: international, national and local general economic and market conditions; the life and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and end-users; demographic changes and changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; the size, timing and mix of purchases of NIKE's products; fluctuations and difficulty in forecasting operating results; including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and, at once orders, the ability of NIKE to sustain, manage or forecast its growth; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property; performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, import duties, tariffs, quotas and political instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports. The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely impact NIKE's business and financial performance. Notwithstanding, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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 outside directors of the Company. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants, management and the internal audit staff, the scope and the results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of the Company as they deem appropriate. The independent accountants and the internal auditors have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

REPORT OF INDEPENDENT ACCOUNTANTS

Portland, Oregon

June 27, 1997

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

NIKE, INC. CONSOLIDATED STATEMENT OF INCOME

(\$ in thousands, except per share data)

YEAR ENDED MAY 31,	2018		
	2018	2017	2016
Revenues	\$9,186,539	\$6,470,625	\$4,760,834
Costs and expenses:			
Costs of sales	5,502,993	3,906,746	2,865,280
Selling and administrative	2,303,704	1,588,612	1,209,750
Interest expense (Notes 4 and 5)	52,343	39,498	24,208
Other income/expense, net (Notes 1, 9 and 10)	32,277	36,679	11,722
	7,891,317	5,571,535	4,110,970
Income before income taxes	1,295,222	893,090	649,864
Income taxes (Note 6)	499,400	345,900	250,200
Net income	\$ 795,822	\$ 553,190	\$ 399,664
Net income per common share (Note 1)	\$ 2.68	\$ 1.88	\$ 1.36
Average number of common and common equivalent shares (Note 1)	297,000	293,608	294,012

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

NIKE, INC. CONSOLIDATED BALANCE SHEET

(\$ in thousands)

MAY 31,	2018	
	2018	2017
Assets		
Current Assets:		
Cash and equivalents	\$ 445,421	\$ 262,117
Accounts receivable, less allowance for doubtful accounts of \$57,233 and \$43,372	1,754,137	1,346,125
Inventories (Note 2)	2,338,640	911,151
Deferred income taxes (Note 6)	135,663	93,120
Prepaid expenses (Note 1)	157,058	54,427
Total current assets	3,830,919	2,726,940
Property, plant and equipment, net (Notes 3 and 5)	922,369	643,459
Identifiable intangible assets and goodwill (Note 4)	464,191	474,812
Deferred income taxes and other assets (Notes 1 and 6)	143,728	106,417
Total assets	\$5,361,207	\$3,951,628
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt (Note 5)	\$ 2,756	\$ 7,301
Notes payable (Note 4)	553,153	445,064
Accounts payable (Note 4)	687,171	455,034
Accrued liabilities	570,504	480,407
Income taxes payable	53,923	79,253
Total current liabilities	1,866,517	1,467,059
Long-term debt (Notes 5 and 13)	494,000	3,044
Deferred income taxes and other liabilities (Notes 1 and 6)	42,132	43,285
Commitments and contingencies (Notes 11 and 14)	—	—
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value:		
Class A convertible - 101,711 and 102,240 shares outstanding	152	153
Class B - 187,559 and 185,018 shares outstanding	2,706	2,702
Capital in excess of stated value	210,650	154,833
Foreign currency translation adjustment	(31,333)	(16,501)
Retained earnings	2,973,663	2,290,213
Total shareholders' equity	3,155,838	2,431,405
Total liabilities and shareholders' equity	\$5,361,207	\$3,951,628

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

NIKE, INC. CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

YEAR ENDED MAY 31,	1994	1993	1992
Cash provided (used) by operations:			
Net income	\$795,822	\$553,190	\$399,664
Income charges (credits) not affecting cash:			
Depreciation	138,638	97,179	71,113
Deferred income taxes and purchased tax benefit	(47,140)	(73,279)	(24,668)
Amortization and other	30,291	32,685	14,966
Changes in certain working capital components:			
Increase in inventories	(416,706)	(301,409)	(99,676)
Increase in accounts receivable	(485,595)	(292,888)	(301,648)
Increase in other current assets	(56,528)	(28,054)	(10,274)
Increase in accounts payable, accrued liabilities and income taxes payable	365,344	344,248	175,438
Cash provided by operations	323,120	339,672	254,913
Cash provided (used) by investing activities:			
Additions to property, plant and equipment	(465,908)	(216,384)	(154,125)
Disposals of property, plant and equipment	24,294	12,775	9,011
Increase in other assets	(43,829)	(26,376)	(9,499)
(Decrease) increase in other liabilities	(10,833)	(9,631)	3,238
Acquisition of subsidiaries:			
Identifiable intangible assets and goodwill	—	—	(345,901)
Net assets acquired	—	—	(84,119)
Cash used by investing activities	(496,276)	(239,630)	(561,394)
Cash provided (used) by financing activities:			
Additions to long-term debt	300,500	5,544	2,971
Reductions in long-term debt including current portion	(5,190)	(30,352)	(39,804)
Increase in notes payable	92,926	47,964	263,874
Proceeds from exercise of options	26,282	21,150	6,154
Repurchase of stock	—	(18,756)	(142,919)
Dividends - common and preferred	(100,896)	(78,834)	(65,428)
Cash provided (used) by financing activities	313,622	(53,784)	24,808
Effect of exchange rate changes on cash:	(166)	(206)	(1,122)
Effect of May 1996 cash flow activity for certain subsidiaries (Note 1)	43,004	—	—
Net increase (decrease) in cash and equivalents	183,304	46,066	(302,745)
Cash and equivalents, beginning of year	262,117	236,071	538,816
Cash and equivalents, end of year	\$445,421	\$282,137	\$236,071
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 44,000	\$ 32,800	\$ 23,200
Income taxes	543,100	359,300	285,400

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

NIKE, INC. CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock ¹				Capital in Excess of Stated Value	Foreign Currency Translation Adjustment	Retained Earnings	Total ²
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at May 31, 1994	26,879	\$157	46,521	\$2,704	\$108,284	\$(15,123)	\$1,644,925	\$1,740,949
Stock options exercised			241	2	8,954		8,956	8,956
Conversion to Class B Common Stock	(784)	(4)	784	4				
Repurchase of Class B Common Stock			(2,130)	(13)	(4,801)		(138,106)	(142,920)
Stock issued pursuant to contractual obligations			134	5	9,999			10,000
Translation of statements of non-U.S. operations						16,708		16,708
Net income							399,664	399,664
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(68,638)	(68,638)
Balance at May 31, 1995	25,895	153	45,550	2,698	127,438	1,585	1,837,815	1,964,689
Stock options exercised			756	3	32,848			32,851
Conversion to Class B Common Stock	(655)	(3)	655	2				
Repurchase of Class B Common Stock			(300)	(3)	(451)		(18,304)	(18,756)
Two-for-one Stock Split October 30, 1995	35,880		45,748					
Translation of statements of non-U.S. operations						(18,086)		(18,086)
Net income							553,190	553,190
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(82,458)	(82,458)
Balance at May 31, 1996	51,120	153	92,509	2,702	154,808	(16,501)	2,290,213	2,431,400
Stock options exercised			1,475	3	55,817			56,820
Conversion to Class B Common Stock	(278)	(1)	279	1				
Two-for-one Stock Split October 23, 1996	90,870		92,296					
Translation of statements of non-U.S. operations						(14,827)		(14,827)
Net income							795,822	795,822
Dividends on Redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(108,249)	(108,249)
Net income for the month ended May 1996, due to the change in fiscal year-end of certain non-U.S. operations (Note 1)							(4,093)	(4,093)
Balance at May 31, 1997	101,711	\$157	187,559	\$2,706	\$210,650	\$(31,333)	\$2,983,663	\$3,155,838

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

NOTE 2 - INVENTORIES:

Inventories by major classification are as follows:

MAY 31,	1997		1996	
	(\$ MIL)	(\$ MIL)	(\$ MIL)	(\$ MIL)
Finished goods	\$1,248,401	\$874,700		
Work-in-progress	50,245	28,940		
Raw materials	39,994	27,511		
	\$1,338,640	\$931,151		

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

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment includes the following:

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

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

NOTE 4 - SHORT-TERM BORROWINGS AND CREDIT LINES:

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

MAY 31,	1997		1996	
	(\$ MIL)	(\$ MIL)	(\$ MIL)	(\$ MIL)
Banks:				
Non-U.S. Operations	\$553,153	4.08%	\$445,064	4.38%
	\$553,153		\$445,064	
NIAC	\$414,132	6.14%	\$237,413	5.90%

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

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

At May 31, 1997 and 1996, the Company had no outstanding borrowings under its \$500 million unsecured multiple option facility with ten banks, which matures on October 31, 2001. This agreement contains optional borrowing alternatives consisting of a committed revolving loan facility and a competitive bid facility. The interest rate charged on this agreement is determined by the borrowing option and, under the committed revolving loan facility, is either the LIBOR plus .19% or the higher of the Fed Funds rate plus .50% or the Prime Rate. The agreement provides for annual fees of .07% of the total commitment. Under the agreement, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 1997.

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

NOTE 5 - LONG-TERM DEBT:

Long-term debt includes the following:

	LEVEL	DEBT
MAY 31,		
6.375% Medium term notes, payable December 1, 2003	\$199,211	\$ —
4.20% Japanese yen notes, payable June 26, 2011	92,373	—
9.43% capital warehouse lease	—	7,485
Other	6,652	9,400
Total	298,236	16,885
Less current maturities	2,216	7,301
	\$296,020	\$ 9,584

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

In June of 1996, the Company's Japanese subsidiary borrowed 10.5 billion yen in a private placement with a maturity of June 26, 2011. Interest is paid semi-annually. The agreement provides for early retirement after year ten.

The Company's long-term debt ratings are A+ by Standard and Poor's Corporation and A1 by Moody's Investor Service.

Amounts of long-term maturities in each of the five fiscal years 1998 through 2002, respectively, are \$2,216,000, \$1,891,000, \$2,187,000, \$188,000 and \$47,000.

NOTE 6 - INCOME TAXES:

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

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

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

A benefit has been recognized for foreign loss carry forwards of \$138,500,000 and \$96,600,000 at May 31, 1997 and 1996, respectively, which have to expiration. As of May 31, 1997, the Company has utilized all foreign tax credits.

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

MAY 31,	1998	1997
Undistributed earnings of foreign subsidiaries	\$ 3,026	\$ 3,220
Other	13,017	12,040
Gross deferred tax liabilities	16,043	15,260
Allowance for doubtful accounts	(16,094)	(9,050)
Inventory reserves	(30,347)	(20,790)
Deferred compensation	(28,659)	(17,583)
Reserves and accrued liabilities	(25,738)	(62,870)
Tax basis inventory adjustment	(19,263)	(12,363)
Depreciation	(8,379)	(2,594)
Foreign loss carry forwards	(32,100)	(25,162)
Other	(9,582)	(12,976)
Gross deferred tax assets	(193,160)	(143,290)
Net deferred tax assets	\$ (177,117)	\$ (128,130)

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

YEAR ENDED MAY 31,	1998	1997	1996
U.S. Federal statutory rate	34.0%	33.0%	35.0%
State income taxes, net of federal benefit	3.5	2.6	3.2
Other, net	.1	?	.3
Effective income tax rate	38.6%	38.5%	38.5%

NOTE 7 - REDEEMABLE PREFERRED STOCK:

NIAC is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$300,000. A cumulative dividend of \$10 per share is payable annually on May 31 and no dividends may be declared or paid on the Common Stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years ended May 31, 1997. As the holder of the Redeemable Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

NOTE 8 - COMMON STOCK:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 110,000,000 and 350,000,000, respectively. The Company announced a two-for-one stock split which was effected in the form of a 100% stock dividend on outstanding Class A and Class B Common Stock, paid October 23, 1996. In the previous year a similar two-for-one stock split was announced, paid October 30, 1995. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

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

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 16,000,000 shares of Class B Common Stock in connection with stock options and other awards granted under such plan. The 1990 Plan authorizes the grant of incentive stock options, non-statutory stock options, stock appreciation rights, stock bonuses, and the sale of restricted stock. The exercise price for incentive stock options may not be less than the fair market value of the underlying shares on the date of grant. The exercise price for non-statutory stock options and stock appreciation rights, and the purchase price of restricted stock, may not be less than 75% of the fair market value of the underlying shares on the date of grant. No consideration will be paid for stock bonuses awarded under the 1990 Plan. The 1990 Plan is administered by a committee of the Board of Directors. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. As of May 31, 1997, the committee has granted substantially all non-statutory stock options at 100% of fair market value on the date of grant under the 1990 Plan.

In addition to the option plans discussed above, the Company has several agreements outside of the plans with certain directors, endorses and employees. As of May 31, 1997, 1,754,000 options with exercise prices ranging from \$0.417 per share to \$53.625 per share had been granted. The aggregate compensation expenses related to these agreements is \$8,530,000 and is being amortized over vesting periods from October 1980 through September 2000. The outstanding agreements expire from December 1998 through September 2006.

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

The Company has elected not to adopt the fair value method; however, as required by SFAS 123, the Company has computed for pro forma disclosure purposes the value of options granted during fiscal years 1997 and 1996 using the Black-Scholes option pricing model. The weighted average assumptions used for stock option grants for 1997 and 1996 were a dividend yield of 2%, expected volatility of the market price of the Company's common stock of 30%, a weighted average expected life of the options of approximately five years, and interest rates of 6.42 and 5.56 for fiscal 1997 and 5.92 and 5.97 for fiscal 1996. These interest rates are reflective of option grant dates made throughout the year.

Options were assumed to be exercised over the 5 year expected life for purposes of this valuation. Adjustments for forfeitures are made as they occur. For the years ended May 31, 1997 and 1996, the fair value of the options granted, for which no previous expense has been recognized, was computed as approximately \$29,074,000 and \$18,167,000, respectively, which would be amortized on a straight line basis over the vesting period of the options. The weighted average fair value per share of the options granted in 1997 and 1996 are \$17.39 and \$7.15, respectively.

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

YEAR ENDED MAY 31,	1997		1996	
	Net Income	EPS	Net Income	EPS
As Reported	\$795,822	12.68	\$553,190	11.88
Pro Forma	788,692	2.66	550,426	1.87

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

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

	Shares (in thousands)	Weighted Average Option Price
Options outstanding May 31, 1995	11,816	\$10.87
Exercised	(2,281)	7.90
Surrendered	(56)	17.07
Granted	2,690	21.25
Options outstanding May 31, 1996	12,209	13.67
Exercised	(2,012)	11.28
Surrendered	(55)	23.50
Granted	1,692	48.93
Options outstanding May 31, 1997	11,884	19.05
Options exercisable at May 31,		
1996	4,225	8.35
1997	5,219	11.33

The following table sets forth the exercise prices, the number of options outstanding and exercisable, and the remaining contractual lives of the Company's stock options at May 31, 1997:

Exercise Price	Number of Options Outstanding (thousands)	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (years)	Number of Options Exercisable (thousands)	Weighted Average Exercise Price
\$ 8.125 - \$ 9.563	2,841	\$ 7.56	2.90	2,841	\$ 7.56
11.250 - 14.188	3,027	13.73	5.76	1,108	14.00
14.219 - 21.000	4,132	18.40	7.65	1,263	17.35
22.813 - 71.875	1,884	46.32	8.68	7	92.78

NOTE 9 - BENEFIT PLANS:

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

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

NOTE 10 - OTHER INCOME/EXPENSE, NET:

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

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

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

NOTE 12 - ACQUISITION OF BAUER INC.

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

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

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the consolidated balance sheet for cash and equivalents and notes payable approximate fair value as reported in the balance sheet because of their short maturities. The fair value of long-term debt is estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Company's long-term debt, including current portion, is approximately \$295,863,000, compared to a carrying value of \$298,236,000 at May 31, 1997 and \$16,840,000, compared to a carrying value of \$16,885,000 at May 31, 1996. See Note 14 for fair value of derivatives.

NOTE 14 - FINANCIAL RISK MANAGEMENT AND DERIVATIVES

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

The Company uses forward exchange contracts and purchased options to hedge certain firm purchases and sales commitments and the related receivables and payables including other third party or intercompany foreign currency transactions. Purchased currency options are used to hedge certain anticipated but not yet firmly committed transactions expected to be recognized within one year. Cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany loan agreements. Hedged transactions are denominated primarily in European currencies, Japanese yen and Canadian dollar. Premiums paid on purchased options and any realized gains are included in prepaid expenses or accrued liabilities and recognized in earnings when the transaction being hedged is recognized. Deferred option premiums paid, net of realized gains, were \$14,500,000 and \$5,100,000 at May 31, 1997 and 1996, respectively. Gains and losses related to hedges of firmly committed transactions and the related receivables and payables are deferred and are recognized in income or as adjustments of carrying amounts when the offsetting gains and losses are recognized on the hedged transaction. Net realized and unrealized gains on forward contracts deferred at May 31, 1997 and 1996 were \$28,000,000 and \$20,700,000, respectively.

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

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

MAY 31,	(\$ MIL)					
	Notional Principal Amounts	Carrying Values	Fair Values	Notional Principal Amounts	Carrying Values	Fair Values
Currency Swaps	\$ 200.0	\$19.4	\$13.7	\$ —	\$ —	\$ —
Forward Contracts	2,328.5	14.8	47.4	1,422.8	(2.1)	14.5
Purchased Options	413.7	9.7	9.4	280.2	2.6	.5
Total	32,942.2	\$43.9	\$70.5	\$1,703.0	\$.5	\$15.0

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

The counterparties to derivative transactions are major financial institutions with investment grade or better credit ratings and, additionally, counterparties to derivatives three years or greater are all AAA rated. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted and is immaterial to any one institution at May 31, 1997 and 1996. To manage this risk, the Company has established strict counterparty credit guidelines which are continually monitored and reported to Senior Management according to prescribed guidelines. The Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result, the Company considers the risk of counterparty default to be minimal.

NOTE 15 - INDUSTRY SEGMENT AND OPERATIONS BY GEOGRAPHIC AREAS

The Company operates predominantly in one industry segment, that being the design, production, marketing and selling of sports and fitness footwear, apparel and accessories. During 1997, 1996 and 1995, sales to one major customer amounted to approximately, 12%, 12% and 14% of total sales, respectively. The geographic distributions of the Company's identifiable assets, operating income and revenues are summarized in the following table.

	1997	1996	1995
YEAR ENDED MAY 31,			
Revenues from unrelated entities:			
United States	\$5,529,132	\$3,964,662	\$2,997,864
Europe	1,833,722	1,334,340	980,444
Asia/Pacific	1,245,217	935,094	515,652
Latin America/Canada and other	578,468	436,525	263,874
	\$9,186,539	\$6,470,625	\$4,760,834
Total revenues:			
United States	\$5,531,953	\$3,972,815	\$3,006,260
Europe	1,833,722	1,341,738	985,882
Asia/Pacific	1,245,217	935,094	515,652
Latin America/Canada and other	730,046	503,591	298,323
Less inter-geographic revenues	(154,403)	(82,643)	(43,283)
	\$9,186,539	\$6,470,625	\$4,760,834
Operating income:			
United States	\$ 968,953	\$ 697,094	\$ 501,595
Europe	170,612	145,722	135,800
Asia/Pacific	174,997	123,585	64,368
Latin America/Canada and other	31,842	55,851	17,721
Less corporate, interest and other income (expense) and eliminations	(90,722)	(123,862)	(83,510)
	\$1,256,222	\$ 898,090	\$ 640,864
Assets:			
United States	\$2,994,017	\$2,371,996	\$1,619,522
Europe	1,272,938	941,522	730,752
Asia/Pacific	665,376	396,485	325,390
Latin America/Canada and other	328,681	188,879	203,189
Total identifiable assets	5,261,392	3,898,837	2,947,053
Corporate cash and eliminations	69,815	62,791	195,692
Total assets	\$5,331,207	\$3,961,628	\$3,142,745

DIRECTORS

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venture capital
Santa Fe, New Mexico

A. Michael Spence (2)
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Head Basketball Coach
Georgetown University
Washington, D.C.

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Vice President

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A. Thomas Niebergall
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The Michael Jordan Foundation
Chicago, Illinois

Gareth C.C. Ching
Senior Vice President - Marketing
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President and CEO
Hughes International
Los Angeles, California

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Beaverton, Oregon

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Anders Hanson
Solna, Sweden

Tinker Hatfield
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Sharon S. Tomsett
Beaverton, Oregon

Matthew E. Wolff
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Robert C. Wood
Inverness, Oregon

Craig Zanon
Beaverton, Oregon

LOCATIONS

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One Bowerman Drive
Beaverton, Oregon 97005-6453

United States Sales and Distribution Centers
8400 Winchester Blvd.
Memphis, Tennessee 38125
5151 Shelby Dr.
Memphis, Tennessee 38118
2720A S.W. Bowerman Ferry Road
Wilsonville, Oregon 97070

European Headquarters

Marathon 7
1253 PD Hilversum
The Netherlands

Central European Headquarters

NIKE G.m.b.H.
Donau Business Ctr.
Im Handlensack-42
1000 Vienna, Austria

Canada Sales and Marketing Office

NIKE Canada Ltd.
175 Commerce Valley Drive West
Thornton, Ontario
Canada L3T 7Y9

Asia/Pacific Headquarters

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Wing Financial Center
Harbor City, Canton Rd.
Tsimshatsui, Kowloon
Hong Kong

Latin American Headquarters

One Bowerman Drive
Beaverton, Oregon 97005-6453

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

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



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450-3509-1107

SHAREHOLDERS' INFORMATION**Annual Meeting**

We invite shareholders to attend our Annual Meeting on Monday, September 22, 1997 at 10:00 a.m. at the Oregon Convention Center, 777 N.E. Martin Luther King, Jr. Blvd., Portland, Oregon 97222. A formal notice of the Annual Meeting together with the proxy statement, proxy card and admission ticket, will be mailed to shareholders.

Independent Accountants

Price Waterhouse LLP
325 S.W. Morrison, Suite 3800
Portland, Oregon 97204

Registrar and Stock Transfer Agent

First Chicago Trust Co. of New York
P.O. Box 2500
Jenney City, NJ 07033-2500
(201) 324-0498

Shareholder Information

Copies of the Company's Form 10-K or Form 10-Q reports filed with the Securities and Exchange Commission are available from the Company without charge. To request a fax copy, please call 1-800-764-6453 or write to NIKE's Investor Relations Department at NIKE World Headquarters, One Bowerman Drive, Beaverton, Oregon 97005-6453.

Shareholder information is also available via the internet at:

www.info.nike.com or www.prsnewswire.com/nic/nicnewitems/622104

To receive NIKE's earnings releases via fax, please call 1-800-758-5804 and enter 622104.

Dividend Payments

Quarterly dividends on NIKE common stock, when declared by the Board of Directors, are paid on or about July 3, October 6, January 3, and April 4. The Company does not currently offer a dividend reinvestment program.

Other Shareholder Concerns

Communications concerning shareholder address changes, stock transfers, changes of ownership, lost stock certificates, payment of dividends, dividend check replacements, duplicate mailings, or other account services should be directed to the Company's Registrar and Stock Transfer Agent at the address or telephone number above.

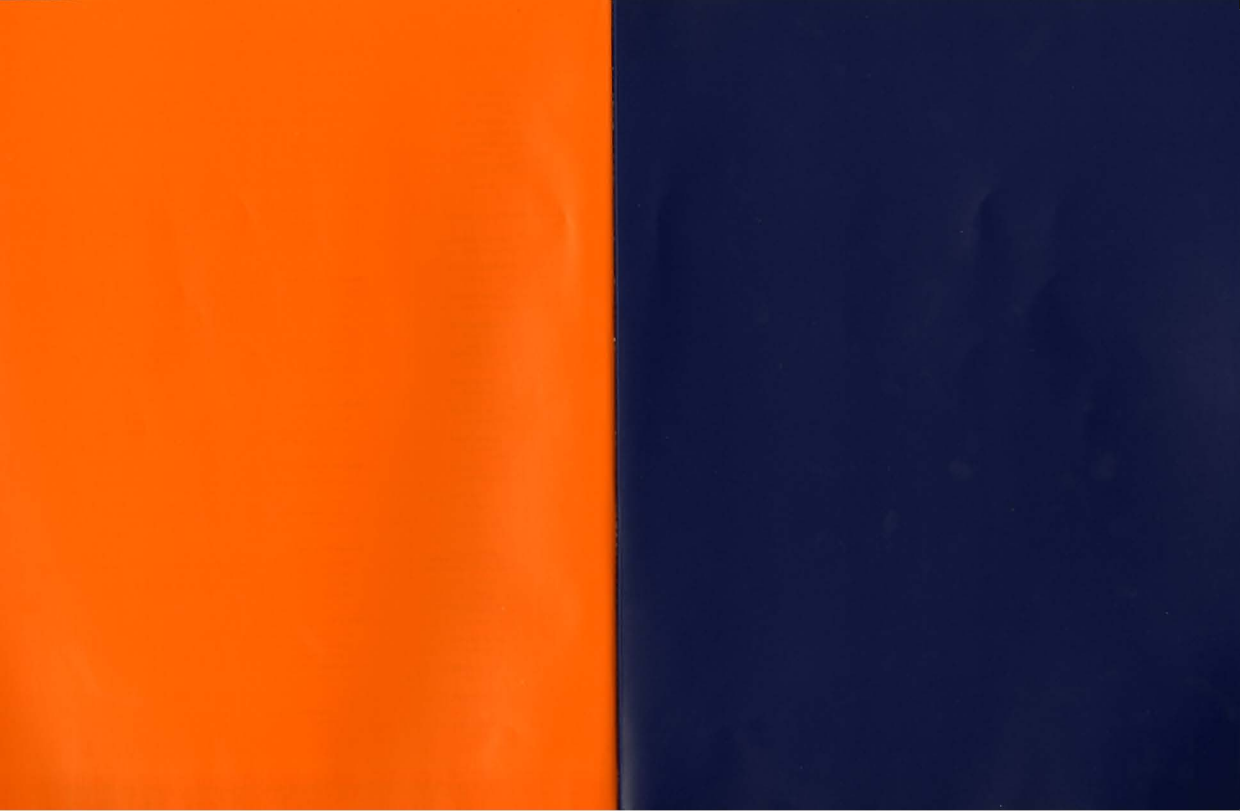
Corporate Giving Program

NIKE'S JUST DO IT Fund supports unique educational programs for inner city youth. Detailed information on the program may be obtained by calling (703) 671-3637 or writing to NIKE, Inc., JUST DO IT Fund, Attention: Public Affairs at the World Headquarters address.

NIKE P.L.A.Y.

P.L.A.Y. - Participate in the Lives of America's Youth - is NIKE's initiative to support the rights of kids everywhere to get and stay active. By encouraging activity at all levels, NIKE aims to provide opportunities and facilities for kids to pursue the fitness and fun they deserve. To learn more about P.L.A.Y. call 1-800-829-P.L.A.Y.

(1) Member - Executive Committee
(2) Member - Audit Committee
(3) Member - Finance Committee
(4) Member - Personnel Committee
(5) Member - Compensation Plan Subcommittee





NIKE, INC., ONE BOWERMAN DRIVE, BEAVERTON, OREGON 97005



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