NIKE INC
Form 10-Q
April 06, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended February 28, 2005
Commission file number - 1-10635

NIKE, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X No ___.

Common Stock shares outstanding as of February 28, 2005 were:

Class A	71,881,484
Class B	190,647,431
	262,528,915

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 28, 2005	May 31, 2004
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	$1,222.5	$ 828.0
Short-term investments	418.3	400.8
Accounts receivable, net	2,304.9	2,120.2
Inventories (Note 2)	1,727.0	1,633.6
Deferred income taxes	170.5	165.0
Prepaid expenses and other current assets	355.5	364.4
Total current assets	6,198.7	5,512.0
Property, plant and equipment	3,305.5	3,183.4
Less accumulated depreciation	1,680.0	1,571.6
Property, plant and equipment, net	1,625.5	1,611.8
Identifiable intangible assets, net (Note 3)	403.2	366.3
Goodwill (Note 3)	135.4	135.4
Deferred income taxes and other assets	289.3	266.6
Total assets	$8,652.1	$7,892.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 6.4	$ 6.6
Notes payable	101.3	146.0
Accounts payable	684.2	763.8
Accrued liabilities (Note 4)	1,091.4	979.3
Income taxes payable	182.7	118.2
Total current liabilities	2,066.0	2,013.9
Long-term debt	691.4	682.4
Deferred income taxes and other liabilities	467.3	413.8
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-71.9 and 77.6 shares outstanding	0.1	0.1

Class B-190.6 and 185.5 shares outstanding	2.7	2.7
Capital in excess of stated value	1,155.9	887.8
Unearned stock compensation	(12.9)	(5.5)
Accumulated other comprehensive income (loss)(Note 5)	18.6	(86.3)
Retained earnings	4,262.7	3,982.9
Total shareholders' equity	5,427.1	4,781.7
Total liabilities and shareholders' equity	$8,652.1	$7,892.1

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

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended February 28 and 29		Nine Months Ended February 28 and 29	
	2005	2004	2005	2004
	(in millions, except per share data)			
Revenues	$3,308.2	$2,904.0	$10,018.3	$8,766.0
Cost of sales	1,849.4	1,682.1	5,585.6	5,043.0
Gross margin	1,458.8	1,221.9	4,432.7	3,723.0
Selling and administrative	1,035.7	892.0	3,082.5	2,664.1
Interest (income) expense, net	(0.1)	5.5	8.4	21.1
Other expense, net	9.8	17.2	19.9	55.3
Income before income taxes	413.4	307.2	1,321.9	982.5
Income taxes	140.0	106.9	459.8	341.9
Net income	$ 273.4	$ 200.3	$ 862.1	$ 640.6
Basic earnings per common share (Note 7)	$ 1.04	$ 0.76	$ 3.28	$ 2.43
Diluted earnings per common share (Note 7)	$ 1.01	$ 0.74	$ 3.18	$ 2.38
Dividends declared per common share	$ 0.25	$ 0.20	$ 0.70	$ 0.54

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

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended February 28 and 29	
	2005	2004
	(in millions)	
Cash provided (used) by operations:		
Net income	$ 862.1	$ 640.6
Income charges not affecting cash:		
Depreciation	188.9	191.2
Deferred income taxes	(4.1)	28.5
Amortization and other	30.5	47.6
Income tax benefit from exercise of stock options	60.3	30.9
Changes in certain working capital components, net of the effect of acquisition of subsidiary:		
(Increase) decrease in accounts receivable	(97.5)	206.0
Decrease (increase) in inventories	2.8	(85.7)
Decrease (increase) in prepaid expenses and other current assets	39.1	(117.3)
(Decrease) increase in accounts payable, accrued liabilities and income taxes payable	(1.0)	33.6
Cash provided by operations	1,081.1	975.4
Cash provided (used) by investing activities:		
Purchases of short-term investments	(1,103.9)	--
Maturities of short-term investments	1,086.0	--
Additions to property, plant and equipment	(180.5)	(144.0)
Disposals of property, plant and equipment	6.3	3.8
Increase in other assets	(18.7)	(33.9)
Decrease in other liabilities	(5.0)	(4.1)
Acquisition of subsidiary, net of cash acquired	(47.2)	(289.1)
Cash used by investing activities	(263.0)	(467.3)
Cash provided (used) by financing activities:		
Proceeds from long-term debt issuance	--	138.1
Reductions in long-term debt including current portion	(7.5)	(204.9)
(Decrease) increase in notes payable	(59.9)	14.6

Proceeds from exercise of options and other stock issuances	204.7	188.9
Repurchase of stock	(390.5)	(240.5)
Dividends on common stock	(171.2)	(126.3)
Cash used by financing activities	(424.4)	(230.1)
Effect of exchange rate changes on cash	0.8	2.7
Net increase in cash and equivalents	394.5	280.7
Cash and equivalents, May 31, 2004 and 2003	828.0	634.0
Cash and equivalents, February 28 and 29, 2005 and 2004	$1,222.5	$ 914.7

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

NIKE, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim period. The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the nine (9) months ended February 28, 2005 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Recently Issued Accounting Pronouncements:

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" (FAS 151). FAS 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of FAS 151 are effective for the fiscal year beginning June 1, 2006. The Company is currently evaluating the provisions of FAS 151 and does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123R "Share-Based Payment" (FAS 123R). In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC Staff's interpretation of FAS 123R. See Note 6 for further discussion.

NOTE 2 - Inventories:

Inventories by major classification are as follows:

	Feb. 28, 2005	May 31, 2004
	(in millions)	
Finished goods	$1,721.8	$1,609.7
Work-in-progress	2.5	10.6
Raw materials	2.7	13.3
	$1,727.0	$1,633.6

NOTE 3 - Identifiable Intangible Assets and Goodwill:

The following table summarizes the Company's identifiable intangible assets and goodwill balances as of February 28, 2005 and May 31, 2004:

	February 28, 2005			May 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in millions)			
Amortized intangible assets:						
Patents	$ 25.2	$ (10.5)	$ 14.7	$ 27.9	$ (11.9)	$ 16.0
Trademarks	54.4	(15.0)	39.4	14.1	(11.5)	2.6
Other	21.7	(14.1)	7.6	17.0	(10.8)	6.2
Total	$ 101.3	$ (39.6)	$ 61.7	$ 59.0	$ (34.2)	$ 24.8
Unamortized intangible assets - Trademarks			$ 341.5			$ 341.5
Identifiable intangible assets, net			$ 403.2			$ 366.3
Goodwill			$ 135.4			$ 135.4

Amortization expense, which is included in selling and administrative expense, was $2.7 million and $4.3 million for the three-month periods ended February 28, 2005 and February 29, 2004 respectively, and $7.0 million and $10.7 million for the nine-month periods ended February 28, 2005 and February 29, 2004, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ended May 31, 2005 through May 31, 2009 are as follows: 2005: $9.4 million; 2006: $8.6 million; 2007: $7.7 million; 2008: $7.2 million; 2009: $6.2 million.

On August 11, 2004, the Company acquired Official Starter LLC and Official Starter Properties LLC (collectively "Official Starter") for $47.2 million, including acquisition costs, net of cash acquired. The Exeter Brands Group LLC, a wholly-owned subsidiary of the Company, was formed soon thereafter to develop the Company's business in retail channels serving value-conscious consumers and to operate the Official Starter business. As a result of the acquisition, $39.0 million was allocated to amortized trademarks and $4.6 million was allocated to other amortized intangible assets. The weighted average amortization period is nine years in total and approximately 10 years and three years for amortized trademarks and other amortized intangible assets, respectively. The results of Official Starter's operations have been included in the consolidated financial statements since the date of acquisition as part of the Company's Other operating segment. The pro forma effect of the acquisition on the combined results of operations was not significant.

NOTE 4 - Accrued Liabilities:

Accrued liabilities include the following:

	February 28, 2005	May 31, 2004
	(in millions)	
Compensation and benefits	$ 332.0	$ 339.0
Fair value of derivatives	148.5	141.3
Accrued taxes	93.6	87.5
Endorser compensation	86.9	86.9
Dividends payable	65.6	52.6
Other1	364.8	272.0
	$1,091.4	$ 979.3

1 Other consists of various accrued expenses and no individual item accounted for more than $60 million of the balance at February 28, 2005 and May 31, 2004.

NOTE 5 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

Three Months Ended Nine Months Ended

	February 28 and 29		February 28 and 29	
	2005	2004	2005	2004
	(in millions)			
Net income	$273.4	$200.3	$862.1	$640.6
Other comprehensive income:				
Change in cumulative translation adjustment and other	(6.1)	33.7	110.5	50.2
Changes due to cash flow hedging instruments:				
Net loss on hedge derivatives	(3.4)	(72.2)	(112.0)	(89.9)
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	30.7	58.3	106.4	139.6
Other comprehensive income	21.2	19.8	104.9	99.9
Total comprehensive income	$294.6	$220.1	$967.0	$740.5

NOTE 6 - Stock-Based Compensation:

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

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

	Three Months Ended February 28 and 29		Nine Months Ended February 28 and 29	
	2005	2004	2005	2004
	(in millions, except per share data)			
Net income as reported	$273.4	$200.3	$862.1	$640.6

Add: Stock-based compensation expense included in reported net income, net of tax	0.2	--	0.5	--
Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of tax	(16.4)	(11.8)	(47.8)	(35.2)
Pro forma net income	$257.2	$188.5	$814.8	$605.4
Earnings per share:				
Basic - as reported	$ 1.04	$ 0.76	$ 3.28	$ 2.43
Basic - pro forma	0.98	0.72	3.10	2.30
Diluted - as reported	1.01	0.74	3.18	2.38
Diluted - pro forma	0.96	0.70	3.04	2.28

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

On December 16, 2004, the FASB finalized FAS 123R "Share-Based Payment," which will be effective for the first interim or annual reporting periods beginning after June 15, 2005. The new standard will require the Company to record compensation expense for stock options using a fair value method. On March 29, 2005, the SEC issued SAB 107, which provides the Staff's views regarding interactions between FAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies.

The Company is currently evaluating FAS 123R and SAB 107 to determine the fair value method to measure compensation expense, the appropriate assumptions to include in the fair value model, the transition method to use upon adoption and the period in which to adopt the provisions of FAS 123R. The impact of the adoption of FAS 123R cannot be reasonably estimated at this time due to the factors discussed above as well as the unknown level of share-based payments granted in future years. The effect of expensing stock options on the Company's results of operations using the Black-Scholes model is presented in the table above.

NOTE 7 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 0.2 million and 0.1 million shares of common stock were outstanding at February 28, 2005 and February 29, 2004, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

	Three Months Ended February 28 and 29		Nine Months Ended February 28 and 29	
	2005	2004	2005	2004

(in millions, except per share data)

Determination of shares:				
Average common shares outstanding	263.3	263.5	263.1	263.2
Assumed conversion of dilutive stock options and awards	8.4	7.6	7.8	6.1
Diluted average common shares outstanding	271.7	271.1	270.9	269.3
Basic earnings per common share	$ 1.04	$ 0.76	$ 3.28	$ 2.43
Diluted earnings per common share	$ 1.01	$ 0.74	$ 3.18	$ 2.38

NOTE 8 - Operating Segments:

The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions with operations participating in NIKE brand sales activity. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment. The "Other" category shown below represents activities of Cole Haan Holdings Incorporated, Bauer NIKE Hockey, Inc., Hurley International LLC, NIKE Golf, Converse Inc. (beginning September 4, 2003), and Exeter Brands Group LLC (beginning August 11, 2004), that are considered immaterial for individual disclosure based on the aggregation criteria in SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information".

Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations.

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

Accounts receivable, inventories, and property, plant and equipment for operating segments are regularly reviewed and therefore provided below. Certain NIKE Golf receivables, inventories and property, plant and equipment are managed by the geographic regions and as a result, are included in the geographic region's balances.

	Three Months Ended February 28 and 29		Nine Months Ended February 28 and 29	
	2005	2004	2005	2004
Net Revenue				
U.S.	$1,268.2	$1,167.0	$ 3,801.9	$3,499.0
EUROPE, MIDDLE EAST, AFRICA	1,033.9	878.6	3,152.9	2,738.0
ASIA PACIFIC	472.8	402.2	1,362.3	1,162.2
AMERICAS	143.7	131.1	494.7	436.5
OTHER	389.6	325.1	1,206.5	930.3
	$3,308.2	$2,904.0	$10,018.3	$8,766.0
Pre-tax Income				
U.S.	$ 259.5	$ 236.2	$ 814.0	$ 722.0
EUROPE, MIDDLE EAST, AFRICA	219.3	171.4	663.3	512.4
ASIA PACIFIC	100.4	86.7	275.8	261.2
AMERICAS	23.2	15.6	88.4	71.1
OTHER	23.9	2.9	85.0	5.3
CORPORATE	(212.9)	(205.6)	(604.6)	(589.5)
	$ 413.4	$ 307.2	$ 1,321.9	$ 982.5

	Feb. 28, 2005	May 31, 2004
Accounts Receivable, net		
U.S.	$ 748.4	$ 616.6
EUROPE, MIDDLE EAST, AFRICA	775.9	724.1
ASIA PACIFIC	304.8	272.9
AMERICAS	139.1	132.1
OTHER	295.4	327.8
CORPORATE	41.3	46.7
	$2,304.9	$2,120.2
Inventories, net		
U.S.	$ 549.2	$ 570.6
EUROPE, MIDDLE EAST, AFRICA	481.4	477.9
ASIA PACIFIC	222.6	163.9
AMERICAS	96.9	78.3
OTHER	343.5	305.5
CORPORATE	33.4	37.4
	$1,727.0	$1,633.6
Property, Plant and Equipment, net		
U.S.	$ 209.6	$ 213.0
EUROPE, MIDDLE EAST, AFRICA	241.3	232.0
ASIA PACIFIC	395.8	379.7
AMERICAS	15.5	12.7
OTHER	92.7	91.8
CORPORATE	670.6	682.6

$1,625.5	$1,611.8
=========	=========

NOTE 9 - Commitments and Contingencies:

At February 28, 2005, the Company had letters of credit outstanding totaling $525.7 million. These letters of credit were issued primarily for the purchase of inventory.

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

NOTE 10 - Income Taxes:

The American Jobs Creation Act (the "Act") was signed into law by the President on October 22, 2004. The Act creates a temporary incentive for U.S. multinational corporations to repatriate accumulated income earned outside the U.S. by providing an 85% dividend received deduction for certain dividends from controlled foreign corporations. According to the Act, the amount of eligible repatriation is limited to $500 million or the amount described as permanently reinvested earnings outside the U.S. in the most recent audited financial statements filed with the Securities and Exchange Commission on or before June 30, 2003. The Company is in the process of evaluating whether it will repatriate foreign earnings under the repatriation provisions of the Act, and if so, the amount that will be repatriated. The range of reasonably possible amounts that the Company is considering for repatriation, which would be eligible for the temporary deduction, is zero to $500 million. The Company is awaiting the issuance of further regulatory guidance and passage of statutory technical corrections with respect to certain provisions in the Act prior to determining the amount it will repatriate. Accordingly, the Company is not yet in a position to determine the income tax effects of a qualifying repatriation should it choose to make one. At this time, the Company has not made any changes to its position on reinvestment of certain foreign earnings.

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

Overview

In the third quarter of fiscal 2005, our revenues grew 14% to $3.3 billion, net income grew 36% to $273.4 million and we delivered diluted earnings per share of $1.01, a 36% increase versus the third quarter of fiscal 2004. For the quarter, our consolidated gross margin percentage increased 200 basis points to 44.1%. The international regions accounted for approximately two-thirds of the gross margin improvement, driven primarily by foreign currency transaction benefits. This benefit was partially offset by strategies to improve product value in Europe and Asia and the impact of increased levels of closeout sales and lower closeout pricing margins in Europe, the result of higher footwear and apparel closeout inventories. Favorable foreign currency translation also added to our overall profitability in the third quarter.

Results of Operations

%	Three Months Ended February 28 and 29, 2005	2004	% change	Nine Months Ended February 28 and 29, 2005	2004	% change
	(in millions, except per share data)					
Revenues	$3,308.2	$2,904.0	14%	$10,018.3	$8,766.0	14%
Cost of sales	1,849.4	1,682.1	10%	5,585.6	5,043.0	11%
Gross margin	1,458.8	1,221.9	19%	4,432.7	3,723.0	19%
	44.1%	42.1%		44.2%	42.5%	
Selling and administrative	1,035.7	892.0	16%	3,082.5	2,664.1	16%
	31.3%	30.7%		30.8%	30.4%	
Net income	273.4	200.3	36%	862.1	640.6	35%
Diluted earnings per share	1.01	0.74	36%	3.18	2.38	34%

Consolidated Operating Results

Three percentage points of our consolidated third quarter and nine-month revenue growth were attributable to changes in currency exchange rates, primarily the stronger euro. Excluding the impact of changes in foreign currency, revenue growth in our international regions contributed 5 percentage points of the consolidated revenue growth for the third quarter and first nine months of fiscal 2005, as all three of our international regions posted higher revenues. The U.S. Region contributed 3 percentage points of the consolidated revenue growth for the third quarter and first nine months of fiscal 2005. Sales in our Other businesses drove the balance of the improvement for the quarter and year-to-date periods. Converse, a component of the Other businesses, was acquired at the beginning of the second quarter of fiscal 2004 and contributed 2 percentage points to the overall revenue growth for the first nine months of fiscal 2005.

In the third quarter of fiscal 2005, our consolidated gross margin percentage improved 200 basis points compared to the prior year's third quarter, from 42.1% to 44.1%. For the first nine months of fiscal 2005, our consolidated gross margin percentage improved 170 basis points, from 42.5% to 44.2%. The primary factors contributing to the improved gross margin percentages for the third quarter and year-to-date periods were as follows:

(1) Higher gross margins in our international regions, accounted for 140 basis points of the overall margin improvement in the third quarter and 120 basis points year-to-date. This improvement was driven by changes in currency hedge rates, primarily the euro, partially offset by the impact of lower in-line pricing margins (net revenue for current product offerings minus product costs) in our Europe, Middle East and Africa (EMEA) and Asia Pacific regions and higher footwear and apparel closeout inventories (non-current product offerings) in EMEA (as discussed below):

(a) For the quarter and year-to-date periods, year-over-year hedge rate improvements contributed approximately 240 basis points and 160 basis points, respectively, to our consolidated gross margin percentage. As a majority of product purchases for the remainder of fiscal 2005 and fiscal 2006 have been hedged at more favorable rates than the prior year, we expect a positive impact on our gross margin percentage will continue for the fourth quarter of fiscal 2005 and into the first half of fiscal 2006 with no significant impact expected for the second half of fiscal 2006.

(b) Lower in-line pricing margins in EMEA and Asia were due to both strategies to improve the product value and a higher level of discounts, reflecting increased sales to high volume accounts specifically in EMEA. In addition, increased levels of closeout sales and lower closeout pricing margins in EMEA, the result of higher footwear and apparel closeout inventories this year, reduced the overall gross margin percentage improvement in the EMEA Region. Together, these factors resulted in a reduction in the gross margin percentage for the quarter and year-to-date periods of about 90 basis points and 20 basis points, respectively.

(2) Higher gross margins in the U.S. Region accounted for about 10 and 20 basis points of the consolidated gross margin improvement for the third quarter and first nine months, respectively. For the quarter the gross margin improvement was due to an increase in the proportion of revenues from Nike-owned Retail, partially offset by gross margin percentage declines in our wholesale business. The wholesale gross margin percentage declined primarily due to higher discounts (again the result of increased sales to high volume accounts), and higher product costs and air freight incurred to meet strong footwear demand. For the nine-month period gross margins also benefited from fewer, more profitable closeout sales.

(3) Improved gross margin percentages in our Other businesses represented 40 basis points of improvement for the quarter and 20 basis points of improvement year-to-date. The addition of Exeter Brands and Converse drove the majority of the gross margin improvement. Both Exeter Brands and the international portion of Converse's business operate on a licensing model, which carries higher gross margins and lower operating expenses than the balance of our Other businesses.

Selling and administrative expense, comprised of demand creation (advertising and promotion) and operating overhead, grew 16% for the third quarter and year-to-date periods as compared to the prior year. Three percentage points of the increase for the third quarter and year-to-date periods were due to changes in currency exchange rates.

Demand creation expense grew 21% to $371.6 million in the third quarter and 22% to $1,188.8 million for the first nine months of fiscal 2005. Four percentage points of the increase in demand creation for the third quarter and three percentage points of the increase for the year-to-date period were due to changes in currency exchange rates. Excluding the impact of changes in foreign currency:

- Increased spending for sports marketing endorsement contracts, primarily in the U.S., EMEA and Asia Pacific regions, and events contributed 7 percentage points of the growth for the quarter and 6 percentage points for the year-to-date period;
- Incremental investment in retail development programs contributed 5 percentage points of the growth for both the quarter and year-to-date

periods;

- Increased spending for advertising contributed 3 percentage points of the increase in demand creation spending for the third quarter and 6 percentage points of the increase for the first nine months of fiscal 2005. The increase in third quarter spending was primarily due to a women's fitness campaign in the EMEA Region, while higher spending worldwide around global sporting events in the summer of 2004 drove additional growth year-to-date.

Operating overhead for the third quarter of fiscal 2005 grew 14% to $664.1 million, while operating overhead for the first nine months grew 12% to $1,893.7 million. Changes in currency exchange rates contributed 3 percentage points of the increase for the third quarter and 2 percentage points of the increase for the first nine months. Excluding the effects of currency, operating overhead increases for the quarter and year-to-date periods were mainly attributable to higher personnel costs due to increased headcount, higher wages and benefits, and incentive-based compensation (4 percentage points for the quarter and 3 percentage points for the year-to-date period), increased costs due to the timing of sales and leadership meetings (2 percentage points for the quarter and 1 percentage point for the first nine months), investments in emerging markets (such as Russia and China) and our Other Businesses (2 percentage points for the quarter and 3 percentage points for the first nine months) and investments in NIKE-owned retail stores (1 percentage point for both the quarter and year-to-date periods).

Other expense, net, was $9.8 million for the third quarter of fiscal 2005, down from $17.2 million in the third quarter of fiscal 2004. Other expense, net, for the first nine months of fiscal 2005 was $19.9 million compared to $55.3 million for the same period of fiscal 2004. The most significant component of other expense, net, was net foreign currency losses (primarily hedge losses on intercompany charges to a European subsidiary, whose functional currency is the Euro), and hedge losses from that subsidiary's investment in U.S. Dollar denominated debt securities classified as available-for-sale. These losses are reflected in the Corporate line in our segment presentation of pre-tax income in Notes to Unaudited Condensed Consolidated Financial Statements (Note 8 - Operating Segments). The year-over-year improvement in other expense, net, for the third quarter and first nine months was mainly due to lower net losses on asset disposals and lower foreign currency losses compared to those recorded in the third quarter and first nine months of fiscal 2004.

In the third quarter and first nine months of fiscal 2005, net foreign currency losses in other expense, net, were more than offset by favorable translation of foreign currency denominated profits, most significantly in EMEA. We estimate that the net impact of these losses and the favorable translation was a year-over-year increase in consolidated income before income taxes of $20 million and $59 million for the quarter and nine month periods, respectively. Consistent with our Financial Risk Management Program, we have also hedged a portion of anticipated intercompany charges and investments in U.S. Dollar denominated debt securities classified as available-for-sale for the balance of fiscal 2005 and into fiscal 2006. If current exchange rates remain constant, we would expect the net impact of the foreign currency losses and the offsetting positive translation impact to result in a net benefit to consolidated income before income taxes for the fourth quarter of fiscal 2005 and into fiscal 2006. See further discussion in our Annual Report on Form 10-K as of May 31, 2004.

Income tax expense increased $33.1 million for the third quarter of fiscal 2005 and $117.9 million for the year-to-date period as compared to the prior year primarily due to higher levels of pre-tax income. The effective tax rate for the third quarter decreased 90 basis points to 33.9% as compared to the prior year mainly due to the favorable resolution of contingent exposures, resulting in the release of previously accrued tax liabilities. The year-to-date effective tax rate of 34.8% is consistent with the rate reported for the third quarter and full year of fiscal 2004.

Our effective tax rate was not affected by the American Jobs Creation Act (the "Act"), which was signed into law by the President on October 22, 2004. The Act creates a temporary incentive for U.S. multinational corporations to repatriate accumulated income earned outside the U.S. by providing an 85% dividend received deduction for certain dividends from controlled foreign corporations. According to the Act, the amount of eligible repatriation is limited to $500 million or the amount described as permanently reinvested earnings outside the U.S. in the most recent audited financial statements filed with the Securities and Exchange Commission on or before June 30, 2003. We are in the process of evaluating whether we will repatriate foreign earnings under the repatriation provisions of the Act, and if so, the amount that will be repatriated. The range of reasonably possible amounts that we are considering for repatriation, which would be eligible for the temporary deduction, is zero to $500 million. We are awaiting the issuance of further regulatory guidance and passage of statutory technical corrections with respect to certain provision in the Act prior to determining the amount we will repatriate. Accordingly, we are not yet in a position to determine the income tax effects of a qualifying repatriation should we choose to make one. At this time, we have not made any changes to our position on reinvestment of certain foreign earnings.

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from March through July 2005 were 9.6% higher than such orders reported for the comparable period of fiscal 2004. Approximately one point of this reported increase was due to changes in currency exchange rates versus the same period last year. Excluding this currency impact, higher average selling prices for footwear contributed 2 points of the growth in overall futures and advance orders. The remaining increase was due to volume increases for both footwear and apparel. As always, the reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including at-once and closeout sales of NIKE footwear and apparel, wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, Exeter Brands and retail sales across all brands.

Operating Segments

The breakdown of revenues follows:

	Three Months Ended February 28 and 29,			Nine Months Ended February 28 and 29,		
	2005	2004	% change	2005	2004	% change
	(in millions)					
U.S. REGION						

FOOTWEAR	$ 849.6	$ 772.8	10%	$ 2,451.0	$2,219.2	10%
APPAREL	345.8	329.3	5%	1,121.8	1,074.1	4%
EQUIPMENT	72.8	64.9	12%	229.1	205.7	11%
TOTAL U.S.	1,268.2	1,167.0	9%	3,801.9	3,499.0	9%
EMEA REGION						
FOOTWEAR	615.3	537.7	14%	1,810.4	1,600.2	13%
APPAREL	351.3	284.1	24%	1,131.0	950.9	19%
EQUIPMENT	67.3	56.8	18%	211.5	186.9	13%
TOTAL EMEA	1,033.9	878.6	18%	3,152.9	2,738.0	15%
ASIA PACIFIC REGION						
FOOTWEAR	237.9	214.2	11%	693.1	622.6	11%
APPAREL	188.3	150.1	25%	544.9	437.9	24%
EQUIPMENT	46.6	37.9	23%	124.3	101.7	22%
TOTAL ASIA PACIFIC	472.8	402.2	18%	1,362.3	1,162.2	17%
AMERICAS REGION						
FOOTWEAR	99.6	88.0	13%	344.2	294.5	17%
APPAREL	33.5	35.2	(5%)	115.9	115.1	1%
EQUIPMENT	10.6	7.9	34%	34.6	26.9	29%
TOTAL AMERICAS	143.7	131.1	10%	494.7	436.5	13%
	2,918.6	2,578.9	13%	8,811.8	7,835.7	12%
OTHER	389.6	325.1	20%	1,206.5	930.3	30%
TOTAL REVENUES	$3,308.2	$2,904.0	14%	$10,018.3	$8,766.0	14%

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

For our largest international region, EMEA, changes in currency exchange rates accounted for 9 and 7 percentage points of the reported revenue growth for the third quarter and first nine months of fiscal 2005, respectively. Excluding the effects of foreign currency, the EMEA Region revenues grew approximately 9% for the third quarter and approximately 8% year-to-date. Excluding the impact of changes in foreign currency, the increase over the prior year quarter and year-to-date periods was primarily driven by:

- Increased unit sales of footwear, apparel and equipment.

- Sales increases in Italy, the UK and the emerging markets in Central Europe, Turkey and Russia. These increases were partially offset by lower sales in France, Germany and Northern Europe for the quarter and first nine months versus the same period last year.

For the EMEA Region, futures orders scheduled for delivery from March through July 2005 were 7 percentage points higher than such orders for the comparable period of fiscal 2004. Changes in currency exchange rates contributed 2 percentage points of this growth. Excluding the changes in currency exchange rates, the growth was driven by an increase in the region's footwear unit orders and average selling price per pair. These increases were partially offset by decreases in the region's apparel unit orders and average selling price, primarily due to the significant amount of prior year orders related to the European Football Championships.

EMEA pre-tax income for the third quarter of fiscal 2005 was $219.3 million, up 28% versus the prior year quarter. For the first nine months of fiscal 2005, pre-tax income grew 29% to $663.3 million. For the quarter and nine-month periods, higher revenues and gross margin improvements drove the increase, more than offsetting increased selling and administrative costs. The improved gross margins, which contributed 150 basis points and 100 basis points of growth to the third quarter and year-to-date consolidated gross margin percentage, respectively, were primarily the result of improved year-over-year currency hedge rates partially offset by reduced in-line pricing margins, and higher, less profitable closeout sales.

In the Asia Pacific Region, 5 and 4 percentage points of revenue growth for the third quarter and first nine months of fiscal 2005, respectively, were due to changes in currency exchange rates. The following discussion excludes the impact of changes in foreign currency. Sales in each Asia Pacific business unit (footwear, apparel and equipment) grew versus last year's quarter and year-to-date periods. Significant revenue increase in China (driven by expansion of retail distribution and strong consumer demand) was the key growth driver for the quarter, partially offset by a slight revenue decline in Japan and lower sales in Australia. For the year-to-date period, significant growth in China and more modest increases in Japan and Taiwan were the key growth drivers, partially offset by lower sales in Korea and Australia.

Pre-tax income for the Asia Pacific Region increased 16% versus the third quarter of fiscal 2004 to $100.4 million, and increased 6% to $275.8 million for the year-to-date period. For the quarter, higher revenues were partially offset by a reduction in the gross margin percentage and increased selling and administrative costs. For the first nine months of fiscal 2005, gross margin percentage improvements contributed to the increased profitability. The reduced gross margin percentage for the third quarter, which reduced the consolidated gross margin percentage improvement by 20 basis points, was primarily due to lower in-line pricing margins. The higher year-to-date gross margin percentage (which contributed 10 basis points to the consolidated gross margin percentage) was primarily due to the benefit of better year-over-year currency hedge rates, partially offset by lower profitability on in-line products.

In the Americas Region, 3 percentage points of the revenue growth for the third quarter was due to changes in currency exchange rates. For the first nine months of fiscal 2005, changes in currency exchanges rates did not have a net impact on the revenue growth versus the same period last year. Excluding the currency exchange rate impact, sales in footwear and equipment were partially offset by declines in apparel sales in the third quarter, although sales in each Americas business unit grew for the year-to-date period. Excluding the currency effects, revenue growth for the quarter was driven by higher sales in South America, partially offset by lower sales in Canada. For the first nine months of fiscal 2005, higher sales in Mexico also contributed to the region's overall growth.

In the third quarter of fiscal 2005, pre-tax income for the Americas Region increased 49% from the prior year quarter, to $23.2 million. Year-to-date fiscal 2005 pre-tax income increased 24% to $88.4 million. The increase in pre-tax income for the third quarter and year-to-date periods was attributable to higher revenues and an improved gross margin percentage, partially offset by higher selling and administrative costs. As investments in demand creation for the region were focused in the first quarter, pre-tax profitability for the third quarter grew at a rate significantly higher than that of the year-to-date period. The improved gross margin percentage contributed 10 basis points to the growth of the consolidated gross margin percentage for the third quarter and year-to-date periods.

In the U.S. Region, the increase in footwear revenue was due to an increase in unit sales, accounting for 8 and 6 percentage points of the U.S. footwear growth for the third quarter and first nine months of fiscal 2005, respectively, and an increase in the average selling price per pair contributing 2 and 4 percentage points for the third quarter and nine-month periods, respectively. The increase in unit sales is due to increased consumer demand for performance product across categories. The increase in average selling price per pair for the third quarter and first nine months of fiscal 2005 was primarily due to a larger percentage of sales from performance products with a suggested retail price over $100.

The increase in apparel sales for the third quarter and year-to-date periods was driven by increases in sales of branded apparel partially offset by declines in revenues generated by licensed apparel (due to the expiration of our license agreement with the NBA and a shift in consumer preference towards branded apparel). For the remainder of fiscal 2005, we expect revenues generated by licensed apparel to continue to be below prior year levels.

For the U.S. Region, futures orders scheduled for delivery from March through July 2005 increased 9% versus the same period of the prior year. Futures orders increased due to both increased unit orders and average selling price per unit for wholesale footwear and apparel. As discussed above, these reported futures do not cover all components of our overall revenues, such as U.S. licensed apparel (expected to decrease as noted above), equipment, closeouts, at-once orders and retail sales. As a result, revenue growth for the fourth quarter of fiscal 2005 is expected to be below the reported futures growth.

For the third quarter, U.S. Region pre-tax income was $259.5 million, a 10% increase versus the third quarter of fiscal 2004. Pre-tax income for the first nine months of fiscal 2005 increased 13% to $814.0 million. For the quarter and year-to-date periods, higher revenues and the improved gross margin percentage were partially offset by higher selling and administrative costs. The improved gross margins contributed 10 basis points and 20 basis of growth to the consolidated gross margin percentage for the third quarter and first nine months of fiscal 2005, respectively. The third quarter gross margin percentage improvement was primarily the result of a higher proportion of retail business within the total region revenues, partially offset by lower in-line pricing margins for the wholesale business. For the first nine months, gross margins also benefited from fewer, more profitable closeout sales.

Revenues and pre-tax income for Other businesses in the third quarter and first nine months of fiscal 2005 include results from Bauer NIKE Hockey, Inc., Cole Haan Holdings Incorporated, Converse Inc., Hurley International LLC, NIKE Golf, and Exeter Brands Group LLC. Exeter Brands Group LLC is a wholly owned subsidiary of NIKE, Inc., formed in the first quarter of fiscal 2005 to develop the Company's business in retail channels serving value-conscious consumers and to operate the business obtained in the acquisition of Official Starter Properties LLC and Official Starter LLC (collectively "Official Starter"). For the third quarter and year-to-date, the increase in Other revenues was primarily driven by growth at Cole Haan, Converse and NIKE Golf.

Pre-tax income from the Other businesses improved to $23.9 million in the third quarter of fiscal 2005 versus $2.9 million in fiscal 2004 and improved to $85.0 million in the year-to-date period versus $5.3 million in the same period of last year. For the third quarter, improved profitability from each of the Other businesses contributed to the year-over-year improvement. The addition of Converse in the second quarter of fiscal 2004, which contributed 6 percentage points to the year-to-date growth in consolidated pre-tax income, combined with improved results from most of the Other businesses to drive the year-over-year improvement for the first nine months of fiscal 2005.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was $1,081.1 million for the first nine months of fiscal 2005, compared to $975.4 million for the first nine months of fiscal 2004. Net income provided $862.1 million of cash flow over the first nine months of the current year, compared to $640.6 million in the first nine months of last year. This was partially offset by a current year use of cash to fund increases in working capital, versus cash provided by decreases in working capital in the prior year.

In the current quarter, we purchased approximately 2.3 million shares of NIKE's Class B common stock for $199.8 million, bringing purchases for the first nine months of fiscal 2005 and to date under the program to 5.1 million shares for $403.5 million. The share repurchases were part of a $1.5 billion share repurchase program that was approved by the Board of Directors in June 2004. We expect to continue to fund this program from operating cash flow. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

Dividends declared in the third quarter of fiscal 2005 were $0.25 per share of common stock.

Capital Resources

The Company maintains a $750 million multi-year revolving credit facility with a group of banks. The maturity date is November 20, 2008 and the company can seek to have the facility extended for one additional year on the anniversary date. On the most recent anniversary date, the company elected not to extend the facility for one additional year, effectively changing the term to 4 years. All other terms and conditions are unchanged from those described in our Annual Report on Form 10-K for the fiscal year ended May 31, 2004. No amounts are currently outstanding under the facility.

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

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at February 28, 2005 or May 31, 2004. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

We currently believe that cash generated by operations, together with access to external sources of funds as described above and in our Annual Report on Form 10-K for the fiscal year ended May 31, 2004, will be sufficient to meet our operating and capital needs in the foreseeable future.

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" (FAS 151). FAS 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 are effective for our fiscal year beginning June 1, 2006. We are currently evaluating the provisions of FAS 151 and do not expect that the adoption will have a material impact on our consolidated financial position or results of operations.

On December 16, 2004, the FASB finalized FAS No. 123R "Share Based Payment," (FAS 123R) which will be effective for the first interim or annual reporting periods beginning after June 15, 2005. The new standard will require us to record compensation expense for stock options using a fair value method. On March 29, 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107), which provides the Staff's views regarding interactions between FAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies.

We are currently evaluating FAS 123R and SAB 107 to determine the fair value method to measure compensation expense, the appropriate assumptions to include in the fair value model, the transition method to use upon adoption and the period in which to adopt the provisions of FAS 123R. The impact of the adoption of FAS 123R cannot be reasonably estimated at this time due to the factors discussed above as well as the unknown level of share-based payments granted in future years. The effect of expensing stock options on our results of operations using the Black-Scholes model is presented in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements Note 6 - Stock-Based Compensation).

Critical Accounting Policies

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

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for revenue recognition, the reserve for uncollectible accounts receivable, inventory reserves, and contingent payments under endorsement contracts. These policies require that we make estimates in the preparation of our financial statements as of a given date. However, since our business cycle is relatively short, actual results related to these estimates are generally known within the six-month period following the financial statement date. Thus, these policies generally affect only the timing of reported amounts across two to three quarters.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the information previously reported under Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004.

Item 4. CONTROLS AND PROCEDURES

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

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of February 28, 2005.

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

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the S.E.C., including Forms 8-K, 10-Q, and 10-K, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products, and the various market factors described above; difficulties in implementing, operating, and maintaining NIKE's increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning, and inventory control; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, exchange rate fluctuations, import duties, tariffs, quotas and political and economic instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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

Part II - Other Information

Item 1.

Legal Proceedings

There have been no significant developments from the information previously reported under Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents a summary of share repurchases made by NIKE during the quarter ended February 28, 2005 under the four-year $1.5 billion share repurchase program authorized by our Board of Directors and announced in June 2004.

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
December 1 - 31, 2004	176,000	$ 91.12	176,000	$ 1,280.3
January 1 - 31, 2005	996,000	$ 87.66	996,000	$ 1,193.0
February 1 - 28, 2005	1,130,000	$ 85.34	1,130,000	$ 1,096.5
Total	2,302,000	$ 86.79	2,302,000	

Item 6. Exhibits

3.1 Restated Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

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

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

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

12.1 Computation of Ratio of Earnings to Fixed Charges.

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

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

32.1 Section 1350 Certificate of Chief Executive Officer.

32.2 Section 1350 Certificate of Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NIKE, Inc.
An Oregon Corporation

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Donald W. Blair
Chief Financial Officer

DATED: April 6, 2005