2020 ANNUAL REPORT AND NOTICE OF ANNUAL MEETING

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JULY 24, 2020

TO OUR SHAREHOLDERS,

What a six months this has been.

I began as the CEO of Nike in January. This is my first letter to Nike's shareholders, and it is a strange one to write given the unique and unprecedented year. It is difficult to easily summarize the past twelve months but there are some important themes as we emerge from FY20 – and even more importantly as we look to the future.

Nike has remarkable underlying strengths: our deep connection with consumers; a world-class inspired, talented and increasingly diverse team; a commitment to innovation that is second to none; a brand that connects with and inspires people all over the world; and a true digital advantage.

For the first nine months of FY20, these strengths translated into very strong financial performance. Momentum was strong, resulting in healthy topline growth, gross margin expansion and operating income growth.

Then the COVID-19 pandemic came. Retail stores closed, first in China and then all over the world. Organized sport stopped, and people were confined to their homes. The pandemic impacted our financial results during Q4. But I will tell you that I am proud of how Nike has responded – and Nike's underlying strengths and resilience have become even more evident in this crisis.

I'm proud of how we responded because we led with our values. We focused first on the health and safety of our teammates, our consumers and the communities in which we operate. We provided pay continuity for all employees while facilities remained closed. We connected with consumers in their homes to offer inspiration and encouragement to stay active. And we delivered personal protective equipment to health systems across the U.S.

"FY20 was a defining year for Nike. It proved our offense works. And it proved the time is right to accelerate it."

This is also an important moment as our society reckons with racial injustice. The past couple of months have not only broadened my awareness – they have deepened my commitment to take meaningful action. The Nike Brand has been a leader in embracing Black athletes and Black culture, but that is not enough. Through our mission and our deep belief in the power of sport, we must renew our commitment to fight for equality for all. We also aspire to be a leader as a diverse and inclusive company, and we are committed to improving the experience of our Black teammates and everyone on our global team. We are responding to this call to action. There is much work ahead, but our resolve is strong.

Our underlying strengths with consumers keep us in the lead. Nike continues to be the #1 favorite brand in all 12 of our key cities. Our purpose to make sport a daily habit motivates and inspires all athletes everywhere. And our FY20 performance demonstrates Nike's momentum in three key areas:

1. Our digital advantage, as we scale our app ecosystem and membership offerings, rewarding more and more consumers.
2. Our compelling product innovation, as we launch breakthrough technologies and industry-defining products like Space Hippie and the Air Zoom Alphafly NEXT%.
3. Our speed initiatives, as we leverage capabilities such as our Express Lane initiative, digital demand sensing capabilities and a more dynamic supply chain network that positions product closer to the consumer.

Looking forward, we see even greater opportunity. COVID-19 offered a stress-test of our Consumer Direct Offense strategy. We know the CDO is working. We're delivering on our "Triple Double" – our high-impact differentiators of speed, innovation and direct connections with consumers. And we remain focused on our biggest growth opportunities, including Women's, Apparel, International and Digital.

We recently unveiled the next phase of our strategy: Consumer Direct Acceleration. Starting in FY21, we will transform Nike faster to define the marketplace of the future. We expect our business to reach 50% digital penetration between our owned and partner digital experiences – and we will create a truly consistent, connected and seamless digital marketplace to match.

Through CDA, we are also simplifying our consumer construct and investing in an end-to-end technology foundation to fuel our transformation. We will unlock more growth and efficiency for the business, while driving speed and responsiveness globally.

Today, people around the world are focused on their health and wellness. No one is better equipped to connect them to the power of sport like Nike. And bringing sport to our world has never been more important. Our societies are increasingly polarized and many of our historical institutions are broken. I believe the world needs sport right now more than ever. Sport brings people together. Sport creates a level playing field with a fair set of rules. Sport showcases human potential and humanity. I'm humbled by the opportunity to help bring sport to life.

As I write this, the world is cautiously optimistic about a return to organized sports amid the pandemic. Some leagues have already started up, particularly in European football, and you can already feel the energy as communities connect again with their teams and heroes. Like sports fans everywhere, I can't wait to see LeBron James, or Serena Williams, or Kylian Mbappé, or Megan Rapinoe inspire us all again. And when they do, Nike will be right alongside the world cheering along.

FY20 was a defining year for Nike. It proved our offense works. And it proved the time is right to accelerate it. We are strengthening our competitive advantages and setting the foundation for long-term growth.

In sum, I feel confident that Nike will emerge from this period an even stronger Brand and even better positioned to create value for consumers and shareholders.

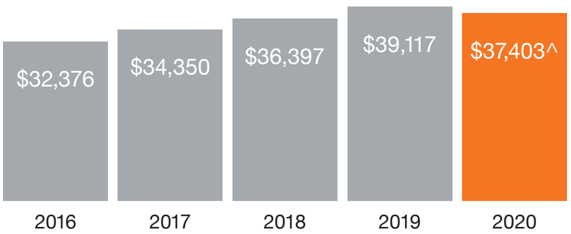
Be safe and be well,

JOHN DONAHOE
President and Chief Executive Officer
NIKE, Inc.

NIKE, Inc. Revenue Performance

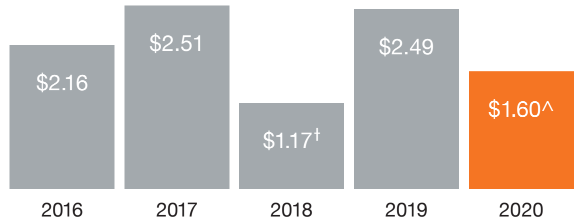
Fiscal Years 2016-2020

Revenue in millions



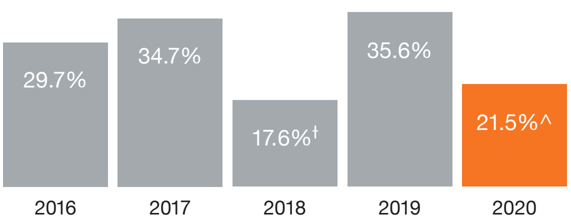
NIKE, Inc. Earnings Per Share Performance

Fiscal Years 2016-2020



NIKE, Inc. Return on Invested Capital*

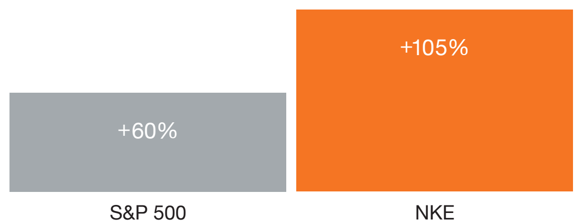
Fiscal Years 2016-2020



* ROIC is considered a non-GAAP financial measure and should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-GAAP measures used by other companies. In Fiscal 2020, the Company updated the way in which it calculates ROIC; fiscal years prior to 2019 are calculated and presented under the historical method. ROIC is included in the quarterly earnings section of our investor relations website, http://investors.nike.com. Please refer to this site for more detail on this calculation.

NIKE, Inc. Stock Performance vs. S&P 500*

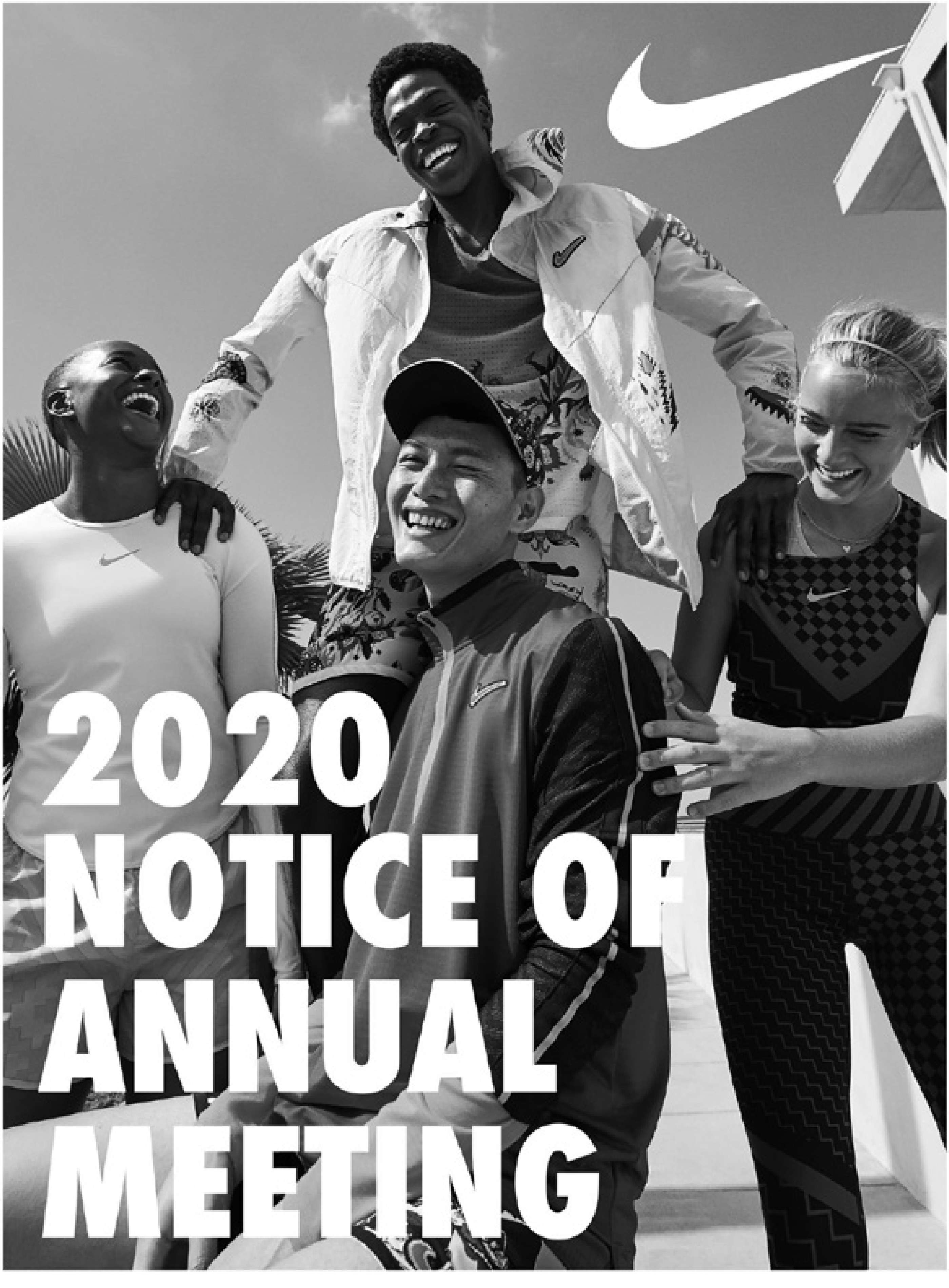
Fiscal Years 2016-2020



* Performance of the S&P 500 and NIKE stock is calculated by comparing the total returns of each assuming the reinvestment of dividends over the time period of 5/31/2015 to 5/31/2020.

^ Fiscal 2020 reflects the material adverse impacts to NIKE, Inc.'s business from COVID-19. Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's FY20 Annual Report on Form 10-K for additional information on the impacts of COVID-19 to the Company's results.

† Fiscal 2018 reflects the impact of the enactment of the U.S. Tax Cuts and Jobs Act. Refer to Note 9 — Income Taxes in the Company's FY20 Annual Report on Form 10-K for additional information on the impact of the U.S. Tax Cuts and Jobs Act.


2020
NOTICE OF
ANNUAL
MEETING

MESSAGE FROM OUR EXECUTIVE CHAIRMAN

To Our Shareholders:

Human potential, and the power of the human spirit to come back against almost insurmountable odds drives all that we do here at NIKE. We've seen it from our athletes. From LeBron James and Tiger Woods to Michael Jordan and Serena Williams. This grounding philosophy has been, and will be necessary, in the days, months, and years ahead. Constant evolution and improvement is core to our beliefs and impacts everything from the products we create, and our impact on the communities in which we live, work and play, to our commitment to sound corporate governance. At no time is this more important than now, a time when challenges are arising at an unprecedented pace, frequency, and scale.

In fiscal 2020 we demonstrated that we remain committed to fielding the best team to guide the Company in its pursuit of long-term value for our stakeholders. We continued our evolution and refreshment of the Company's Board of Directors, evaluating the Board's leadership structure, aligning committee membership, welcoming new and saying fond farewell to members of our Board, while always maintaining a focus on the optimal stewardship of our Company. This has resulted in increased gender diversity, lowered average age and moderated tenure, ushering in new, fresh perspectives, experiences, and expertise to our boardroom.

During fiscal 2020, the Board executed against one of its most important duties, a CEO transition. In John Donahoe, NIKE has a leader with deep knowledge of, and affinity for, all that makes us special, and extensive understanding of the capabilities essential to our future growth. John's appointment was accompanied by thoughtful transitions in certain of our senior management ranks, ensuring continuity of leadership and a skilled executive team to guide us towards NIKE's next phase of long-term sustainable growth under the Consumer Direct Acceleration.

As we look to our Annual Meeting of Shareholders, we are pleased to share our proxy statement with you. We have maintained the changes first presented last year, including the director skills matrix and expanded director biographies, and have completely revamped the Compensation Discussion and Analysis section of this document to better ground our shareholders and constituents in our compensation philosophy, clarify disclosure, and present a more readable document generally.

We are pleased to invite you to attend the Annual Meeting of Shareholders of NIKE, Inc. to be held virtually, on Thursday, September 17, 2020, at 10:00 A.M. Pacific Time. Whether or not you plan to attend, the prompt execution and return of your proxy card will both assure that your shares are represented at the meeting and minimize the cost of proxy solicitation. Thank you for your continued support.

Sincerely,

MARK G. PARKER, EXECUTIVE CHAIRMAN

July 24, 2020

"Constant evolution and improvement is core to our beliefs and impacts everything from the products we create, and our impact on the communities in which we live, work and play, to our commitment to sound corporate governance."

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

September 17, 2020

TO THE SHAREHOLDERS OF NIKE, INC.

You are cordially invited to the Annual Meeting of Shareholders of NIKE, Inc., an Oregon corporation:

DATE AND TIME:	LOCATION:
Thursday, September 17, 2020, at 10:00 A.M. Pacific Time	This year's meeting will be a virtual Annual Meeting at www.virtualshareholdermeeting.com/NKE2020

ITEMS OF BUSINESS:

	PROPOSAL	PAGE REFERENCE
1	To elect the 12 directors named in the accompanying proxy statement for the ensuing year.	Page 10

Class A	Class B
Will elect nine directors.	Will elect three directors.

Holders of Class A Stock and holders of Class B Stock will vote together as one class on all other proposals.

2	To approve executive compensation by an advisory vote.	Page 32
3	To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.	Page 58
4	To approve the NIKE, Inc. Stock Incentive Plan, as amended and restated.	Page 60
5	To consider a shareholder proposal regarding political contributions disclosure as described in the accompanying proxy statement, if properly presented at the meeting.	Page 66
6	To transact such other business as may properly come before the meeting.	

Due to the public health impact of the COVID-19 pandemic and to support the well-being of our employees and shareholders, we have decided to hold this year's Annual Meeting in a virtual format only. Shareholders of record at the close of business on July 17, 2020, the record date fixed by the Board of Directors, may attend the Annual Meeting, vote, and submit questions in advance of and during the meeting. To attend, vote at, and submit questions during, the Annual Meeting, visit www.virtualshareholdermeeting.com/NKE2020 and enter the 16-digit control number included in your Notice Regarding the Availability of Proxy Materials, voting instructions form, or proxy card. Questions may be submitted in advance of the Annual Meeting by visiting www.proxyvote.com and entering your 16-digit control number.

By Order of the Board of Directors,

Ann M. Miller

Ann M. Miller
Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on September 17, 2020. The proxy statement and NIKE, Inc.'s 2020 Annual Report to Shareholders are available online at www.investorvote.com or www.proxyvote.com, for registered and beneficial owners, respectively.

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PROXY STATEMENT

We are furnishing proxy materials to our shareholders primarily via the Internet, by mailing a Notice Regarding the Availability of Proxy Materials, or "Notice", instead of mailing printed copies of those materials to each shareholder. The Notice directs shareholders to a website where they can access our proxy materials, including our proxy statement and our annual report, and view instructions on how to vote online or by telephone. If you would prefer to receive a paper copy of our proxy materials, please follow the instructions included in the Notice. If you have previously elected to receive our proxy materials electronically, you will continue to receive access to these materials electronically unless you elect otherwise.

The enclosed proxy is solicited by the Board of Directors (the "Board") of NIKE, Inc. ("NIKE" or the "Company") for use at the annual meeting of shareholders to be held on September 17, 2020, and at any adjournment thereof (the "Annual Meeting"). Our principal executive offices are located at One Bowerman Drive, Beaverton, Oregon 97005-6453. This proxy statement is first being made available to shareholders on or about August 6, 2020. Shareholders may submit a proxy to vote at the Annual Meeting by following the instructions on the Notice, online or by telephone, or (if they have received paper copies of the proxy materials) by returning a proxy card.

The Company will bear the cost of soliciting proxies. In addition to soliciting proxies by mail, certain officers and employees of the Company, without extra compensation, may also solicit proxies personally or by telephone. Copies of proxy solicitation materials will be furnished to fiduciaries, custodians, and brokerage houses for forwarding to the beneficial owners of shares held in their names. We may retain Georgeson, Inc. to solicit proxies at a cost we anticipate will not exceed $17,500.

Shares that are properly voted online or by telephone or for which proxy cards are properly executed and received by the Company prior to the Annual Meeting will be voted in accordance with the instructions specified in such proxies. Where no instructions are given, shares will be voted "FOR" the election of each of the named nominees for director (Proposal 1), "FOR" the proposal regarding an advisory vote to approve executive compensation (Proposal 2), "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm (Proposal 3), "FOR" the approval of the NIKE, Inc. Stock Incentive Plan, as amended and restated (Proposal 4), and "AGAINST" the shareholder proposal regarding political contributions disclosure (Proposal 5).

A shareholder giving the enclosed proxy has the power to revoke it at any time before it is exercised by affirmatively electing to vote at the meeting or by delivering to Ms. Ann M. Miller, Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer of NIKE, Inc., either an instrument of revocation or an executed proxy bearing a later date.

VIRTUAL MEETING

Due to the public health impact of the COVID-19 pandemic and to support the well-being of our employees and shareholders, we have decided to hold this year's Annual Meeting in a virtual meeting format only. Shareholders of record at the close of business on July 17, 2020 may attend the Annual Meeting, vote, and submit questions in advance of and during the meeting. To attend, vote at, and submit questions during the Annual Meeting, visit www.virtualshareholdermeeting.com/NKE2020 and enter the 16-digit control number included in your Notice, voting instructions form, or proxy card. Online access to the webcast will open approximately 15 minutes prior to the start of the Annual Meeting to allow time for you to log in and test the computer audio system. To submit questions in advance of the Annual Meeting, visit www.proxyvote.com before 11:59 P.M. Eastern Time on September 16, 2020 and enter the 16-digit control number included in your Notice, voting instructions form, or proxy card.

VOTING SECURITIES AND VOTE REQUIRED

Holders of record of NIKE's Class A Common Stock ("Class A Stock") and holders of record of NIKE's Class B Common Stock ("Class B Stock" and together with the Class A Stock, the "Common Stock") at the close of business on July 17, 2020 will be entitled to vote at the Annual Meeting. On that date, 315,017,252 shares of Class A Stock and 1,244,871,297 shares of Class B Stock were issued and outstanding. Neither class of Common Stock has cumulative voting rights.

Each share of Class A Stock and each share of Class B Stock is entitled to one vote on every matter submitted to the applicable shareholders at the Annual Meeting.

A majority of the votes entitled to be cast on Proposal 1, the election of directors, by each of the Class A Stock and Class B Stock separately constitutes a quorum of Class A Stock and Class B Stock, respectively, for action on Proposal 1. The holders of Class A Stock and the holders of Class B Stock will vote separately on Proposal 1. Holders of Class B Stock are currently entitled to elect 25 percent of the Board, rounded up to the next whole number. Holders of Class A Stock are currently entitled to elect the remaining directors. Under this formula, holders of Class B Stock, voting separately, will elect three directors, and holders of Class A Stock, voting separately, will elect nine directors. Under Oregon Law and our Bylaws, if a quorum of each class of Common Stock is present at the meeting, the three director nominees who receive the greatest number of votes cast by holders of Class B Stock and the nine director nominees who receive the greatest number of votes cast by holders of Class A Stock will be elected directors.

A majority of the votes entitled to be cast on Proposals 2, 3, 4, and 5 by both Class A Stock and Class B Stock together constitutes a quorum for action on those proposals. Holders of Class A Stock and holders of Class B Stock will vote together as one class on Proposals 2, 3, 4, and 5. If a quorum is present at the meeting, Proposals 2, 3, 4, and 5 will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists. Abstentions and broker non-votes are not included as votes cast and will not affect the outcome of any of the proposals. Broker non-votes occur when a person holding shares in street name, such as through a brokerage firm, does not provide instructions as to how to vote those shares and the broker does not then vote those shares on the shareholder’s behalf.

CORPORATE GOVERNANCE

PROPOSAL 1

ELECTION OF DIRECTORS

A Board of 12 directors will be elected at the Annual Meeting. Directors will hold office until the next annual meeting of shareholders or until their successors are elected and qualified. With the exception of Ms. Thasunda B. Duckett, all of the nominees were elected at the 2019 annual meeting of shareholders. Ms. Duckett was recommended to the Corporate Responsibility, Sustainability & Governance Committee for consideration by a third-party director search firm.

Mr. Alan B. Graf, Jr., Mr. Peter B. Henry, and Ms. Michelle A. Peluso are nominated by the Board of Directors for election by the holders of Class B Stock. The other nine nominees are nominated by the Board for election by the holders of Class A Stock.

Under Oregon law and our Bylaws, if a quorum of each class of shareholders is present at the Annual Meeting, the nine director nominees who receive the greatest number of votes cast by holders of Class A Stock and the three director nominees who receive the greatest number of votes cast by holders of Class B Stock will be elected directors. Abstentions and broker non-votes will have no effect on the results of the vote. Unless otherwise instructed, proxy holders will vote the proxies they receive for the nominees listed below. If any nominee becomes unable to serve, the holders of the proxies may, in their discretion, vote the shares for a substitute nominee or nominees designated by the Board.

The Bylaws and the Corporate Governance Guidelines of the Company provide that any nominee for director in an uncontested election who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall tender his or her resignation for consideration by the Corporate Responsibility, Sustainability & Governance Committee. The committee will recommend to the Board the action to be taken with respect to the resignation. The Board will publicly disclose its decision within 90 days of the certification of the election results.

Background information on the nominees as of July 24, 2020, including some of the attributes that led to their selection, appears below. The Corporate Responsibility, Sustainability & Governance Committee has determined that each director meets the qualification standards described below under "Individual Board Skills Matrix—Director Nominations". In addition, the Board firmly believes that the experience, attributes, and skills of any single director nominee should not be viewed in isolation, but rather in the context of the experience, attributes, and skills that all director nominees bring to the Board as a whole, each of which contributes to the function of an effective Board.

BOARD RECOMMENDATION

✔ The Board of Directors recommends that the Class A Shareholders vote **FOR** the election of nominees to the Board of Directors

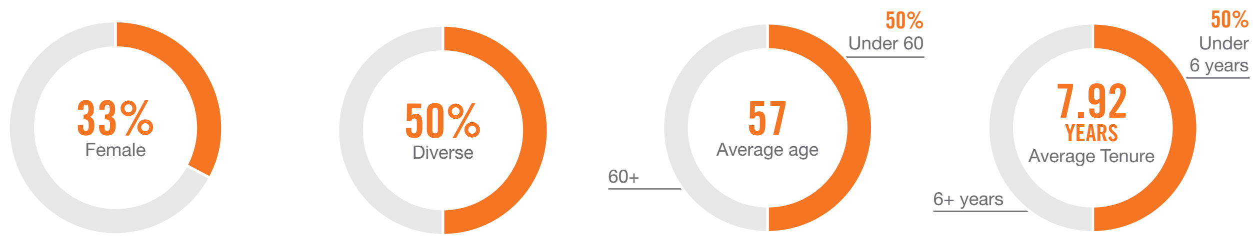
✔ The Board of Directors recommends that the Class B Shareholders vote **FOR** the election of nominees to the Board of Directors

NIKE, INC. BOARD OF DIRECTORS

BOARD OVERVIEW

Our Board is currently comprised of twelve individuals selected on the basis of numerous criteria, including experience and achievements; fields of significant knowledge; good character; sound judgment; and diversity. We view the effectiveness of our Board both through an individual and collective lens and believe that our Board is optimized to support and guide the Company.

GENDER DIVERSITY | **GENDER/ETHNIC DIVERSITY** | **AGE** | **TENURE**



BOARD SKILLS, EXPERIENCES, AND QUALIFICATIONS

DIVERSITY 6/12
Gender or ethnic diversity that adds a range of perspectives and expands the Board's understanding of the needs and viewpoints of consumers, employees, and other stakeholders worldwide.

FINANCIAL EXPERTISE 10/12
Financial expertise assists our Board in overseeing our financial statements, capital structure, and internal controls.

CEO EXPERIENCE 7/12
CEO experience brings leadership qualifications and skills that help our Board to capably advise, support, and oversee our management team, including regarding our strategy to drive long-term value.

INTERNATIONAL 9/12
International exposure yields an understanding of diverse business environments, economic conditions, and cultural perspectives that informs our global business and strategy and enhances oversight of our multinational operations.

DIGITAL/TECHNOLOGY 6/12
Technology experience helps our Board oversee cybersecurity and advise our management team as we seek to enhance the consumer experience and further develop our multi-channel strategy.

RETAIL INDUSTRY 5/12
Retail experience brings a deep understanding of factors affecting our industry, operations, business needs, and strategic goals.

MEDIA 2/12
Media experience provides the Board with insight about connecting with consumers and other stakeholders in a timely and impactful manner.

ACADEMIA 1/12
Academia provides organizational management experience and knowledge of current issues in academia and thought leadership.

HR/TALENT MANAGEMENT 6/12
HR and talent management experience assists our Board in overseeing executive compensation, succession planning, and employee engagement.

GOVERNANCE 8/12
Public company board experience provides insight into new and best practices which informs our commitment to excellence in corporate governance.

CORPORATE GOVERNANCE HIGHLIGHTS

- ✓ 9 out of 12 directors are independent
- ✓ Separate Chairman, CEO, and Lead Independent Director positions with clearly defined roles
- ✓ Refreshed Board and committee structure, with 4 new independent directors added in last three fiscal years
- ✓ Retirement policy generally requires that directors do not stand for election after reaching the age of 72

NOMINEES FOR ELECTION BY CLASS A SHAREHOLDERS

CATHLEEN A. BENKO

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
62	2018	Compensation	None	Converse All Star Platform Low Top and Nike AeroLayer Jacket

SKILLS, EXPERIENCES AND QUALIFICATIONS

- DIVERSITY
- DIGITAL/TECHNOLOGY
- HR/TALENT MANAGEMENT
- INTERNATIONAL

Ms. Benko is a former Vice Chairman and Managing Principal of Deloitte LLP ("Deloitte"), an organization that, through its subsidiaries and network of member firms, provides audit, consulting, tax, and advisory services to clients globally. During her nearly 30-year career with Deloitte, Ms. Benko held many leadership roles, several concurrent with her appointment as Vice Chairman and Managing Principal in 2011.

- From 2015 to 2018, Ms. Benko served as Senior Partner working within the firm's "Digital Giants" practice where she was the senior advisory partner for several digital-native companies.
- From 2010 to 2014, Ms. Benko served as Chief Digital, Brand, and Communications Officer.
- Previous to her role as Chief Digital, Brand, and Communications Officer, Ms. Benko held multiple technology and talent management roles, including serving as the company’s first Vice Chairman and Chief Talent Officer from 2006 to 2010, its Chief Inclusion Officer from 2008 to 2010, and as Managing Principal, Initiative for the Retention and Advancement of Women, from 2003 to 2009.
- Ms. Benko led Deloitte’s technology sector from 2003 to 2007 and was previously Deloitte’s first Global e-Business Leader, a position she held from 1998 to 2002.

Ms. Benko is chair of a Harvard Business School Advisory Council and a member of the Board of nonprofit organization American Corporate Partners.

ELIZABETH J. COMSTOCK

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
59	2011	Compensation	None	Nike Air Force 1 and Nike Air Satin Jacket

SKILLS, EXPERIENCES AND QUALIFICATIONS

- DIVERSITY
- INTERNATIONAL
- DIGITAL/TECHNOLOGY
- MEDIA

Ms. Comstock is the former Vice Chair of General Electric Company ("GE"). She led GE's efforts to accelerate new growth and operated GE Business Innovations, which included Current, GE Lighting, GE Ventures & Licensing and GE sales, marketing and communications.

- At GE, Ms. Comstock was appointed:
  - Senior Vice President, Chief Marketing and Commercial Officer in 2008,
  - President, NBC Universal Integrated Media in 2006,
  - Corporate Vice President and Chief Marketing Officer in 2003,
  - Vice President of Corporate Communications in 1998,
  - Senior Vice President, NBC Corporate Communications in 1996, and
  - Vice President, Communications, NBC News Communications in 1994.
- Prior to joining GE in 1994, Ms. Comstock held a succession of positions at NBC, CBS, and Turner Broadcasting.

Ms. Comstock is a trustee of The National Geographic Society and Visiting Scholar at the Columbia University Center for Science and Society.

JOHN G. CONNORS

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
61	2005	Audit & Finance	Splunk, Inc.	Nike React and Nike SFB Boots

SKILLS, EXPERIENCES AND QUALIFICATIONS

- FINANCIAL EXPERTISE
- DIGITAL/TECHNOLOGY
- GOVERNANCE
- INTERNATIONAL

Mr. Connors is a partner in Ignition Partners LLC, a Seattle-area venture capital firm.

- Mr. Connors served as Senior Vice President and Chief Financial Officer of Microsoft Corporation ("Microsoft") from December 1999 to May 2005.
- Mr. Connors joined Microsoft in 1989 and held various management positions, including:
  - Vice President, Worldwide Enterprise Group in 1999,
  - Chief Information Officer from 1996 to 1999, and
  - Corporate Controller from 1994 to 1996.

Mr. Connors is a member of the Board of Directors of Splunk, Inc. In addition to this public company board service, he is also a member of the Board of Directors of privately held companies Chef, Inc., ICERTIS, Inc., Maka Autonomous Robotic Systems Inc., Tempered Networks Inc., LiveStories Inc., and KenSci Inc., and is on the Board of the Washington Policy Center.

TIMOTHY D. COOK, LEAD INDEPENDENT DIRECTOR

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
59	2005	Compensation, Chair	Apple Inc.	Nike Epic React and Nike Flex

SKILLS, EXPERIENCES AND QUALIFICATIONS

- FINANCIAL EXPERTISE
- DIGITAL/TECHNOLOGY
- HR/TALENT MANAGEMENT
- CEO EXPERIENCE
- RETAIL INDUSTRY
- GOVERNANCE
- INTERNATIONAL

Mr. Cook is the Company's Lead Independent Director and is the Chief Executive Officer of Apple Inc. ("Apple").

- Mr. Cook joined Apple in March 1998 as Senior Vice President of Worldwide Operations and also served as its Executive Vice President, Worldwide Sales and Operations and Chief Operating Officer.
- Mr. Cook was Vice President, Corporate Materials for Compaq Computer Corporation from 1997 to 1998.
- Previous to his work at Compaq, Mr. Cook served in the positions of Senior Vice President Fulfillment and Chief Operating Officer of the Reseller Division at Intelligent Electronics from 1994 to 1997.
- Mr. Cook also worked for International Business Machines Corporation from 1983 to 1994, most recently as Director of North American Fulfillment.

Mr. Cook is a member of the Board of Directors of Apple. In addition to this public company board service, he is also a member of the Board of Directors of the National Football Foundation and Duke University Board of Trustees.

JOHN J. DONAHOE II

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
60	2014	Executive	PayPal Holdings, Inc.	Nike Phantom Epic React and Jordan Jumpman Hoodie

SKILLS, EXPERIENCES AND QUALIFICATIONS

- FINANCIAL EXPERTISE
- DIGITAL/TECHNOLOGY
- HR/TALENT MANAGEMENT
- CEO EXPERIENCE
- RETAIL INDUSTRY
- GOVERNANCE
- INTERNATIONAL

Mr. Donahoe is President and Chief Executive Officer of NIKE, Inc. and has been a director since 2014.

- From 2017 to 2019, Mr. Donahoe served as President and Chief Executive Officer of ServiceNow, Inc. ("ServiceNow"), provider of enterprise cloud computing services for global enterprises.
- From 2008 to 2015, Mr. Donahoe served as President and Chief Executive Officer of eBay, Inc. ("eBay"), provider of the global eBay.com online marketplace and PayPal digital payments platform.
- Mr. Donahoe joined eBay in 2005 as President of eBay Marketplaces, responsible for eBay's global e-Commerce businesses.
- Prior to joining eBay, Mr. Donahoe was the Chief Executive Officer and Worldwide Managing Director of Bain & Company from 1999 to 2005, and a Managing Director from 1992 to 1999.

Mr. Donahoe is Chairman and a member of the Board of Directors of PayPal Holdings, Inc. In addition to this public company board service, he also serves on the Board of Trustees for The Bridgespan Group. Mr. Donahoe served on the Board of Directors of Intel Corporation from March 2009 to May 2017, and ServiceNow from March 2017 to June 2020.

THASUNDA B. DUCKETT

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
47	2019	Corporate Responsibility, Sustainability & Governance	None	Air Jordans, Nike Air Force 1, and Nike Air Max 270

SKILLS, EXPERIENCES AND QUALIFICATIONS

DIVERSITY	FINANCIAL EXPERTISE	CEO EXPERIENCE
RETAIL INDUSTRY	HR/TALENT MANAGEMENT	

Ms. Duckett is the Chief Executive Officer of Chase Consumer Banking at JPMorgan Chase & Co. ("JPMorgan Chase").

- From 2013 to 2016, Ms. Duckett served as the Chief Executive Officer of Chase Auto Finance.
- From 2004 to 2013, Ms. Duckett held multiple management and consumer lending roles with JPMorgan Chase.
- Prior to joining JPMorgan Chase, Ms. Duckett was Director of Emerging Markets at the Federal National Mortgage Association, or Fannie Mae.

Ms. Duckett is chair of the Otis and Rosie Brown Foundation and a member of the Board of Directors of the Children's Learning Center of Fairfax County. Additionally she is on the Board of The Robert F. Kennedy Human Rights Foundation.

TRAVIS A. KNIGHT

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
46	2015	Executive	None	Nike Air Zoom Pegasus

SKILLS, EXPERIENCES AND QUALIFICATIONS

FINANCIAL EXPERTISE	CEO EXPERIENCE	MEDIA

Mr. Knight is the President and Chief Executive Officer of the animation studio, LAIKA, LLC ("LAIKA"), which specializes in feature-length films.

- Mr. Knight has been involved in all principal creative and business decisions at LAIKA since its founding in 2003, serving in successive management positions as Lead Animator, Vice President of Animation, and then as President and Chief Executive Officer in 2009.
- Mr. Knight was Producer and Director of the feature film Kubo and the Two Strings (2017) which was nominated for an Academy Award and winner of the BAFTA award for Best Animated Film.
- Mr. Knight has served as Producer and Lead Animator on Academy Award-nominated feature-length films The Boxtrolls (2014) and ParaNorman (2012), for which he won an Annie Award for Outstanding Achievement in Character Animation, and Lead Animator for Coraline (2009).
- Prior to his work at LAIKA, Mr. Knight held various animation positions at Will Vinton Studios from 1998 to 2002, and as a stop-motion animator for television series, commercials, and network promotions. He has been recognized for his work on the Emmy Award-winning stop-motion animated television series The PJs.

Mr. Knight serves on the Board of Directors of LAIKA. He is the son of NIKE's co-founder, Mr. Philip Knight, who currently serves as Chairman Emeritus. In addition to his skills and qualifications described above, Mr. Travis Knight was selected to serve on the Board because he has a significant role in the management of the Class A Stock owned by Swoosh, LLC, strengthening the alignment of the Board with the interests of NIKE shareholders.

MARK G. PARKER, EXECUTIVE CHAIRMAN OF THE BOARD

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT
64	2006	Executive, Chair	The Walt Disney Company	Still can't pick just one

SKILLS, EXPERIENCES AND QUALIFICATIONS

- FINANCIAL EXPERTISE
- INTERNATIONAL
- HR/TALENT MANAGEMENT
- CEO EXPERIENCE
- RETAIL INDUSTRY
- GOVERNANCE

Mr. Parker is Executive Chairman of the Board of Directors of the Company. He served as President and Chief Executive Officer of the Company from 2006 to January 2020.

- Mr. Parker has been employed by NIKE since 1979 with primary responsibilities in product research, design and development, marketing, and brand management.
- Mr. Parker was appointed:
  - President and Chief Executive Officer in 2006,
  - President of the NIKE Brand in 2001,
  - Vice President of Global Footwear in 1998,
  - General Manager in 1993,
  - Corporate Vice President in 1989, and
  - Divisional Vice President in charge of product development in 1987.

Mr. Parker is a member of the Board of Directors of The Walt Disney Company. In addition to his skills and qualifications described above, Mr. Parker was selected to serve on the Board because the experience gained while serving as the Company's Chief Executive Officer makes his position as Executive Chairman of the Board instrumental.

JOHN W. ROGERS, JR.

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
62	2018	Corporate Responsibility, Sustainability & Governance	McDonald's Corporation and The New York Times Company	Nike KD and Nike LeBron Basketball Shoes

SKILLS, EXPERIENCES AND QUALIFICATIONS

- DIVERSITY
- FINANCIAL EXPERTISE
- CEO EXPERIENCE
- GOVERNANCE

Mr. Rogers is Chairman, Co-CEO and Chief Investment Officer of Ariel Investments, LLC, a privately-held money management firm he founded in 1983, which serves individual and institutional investors through its mutual funds and separate accounts.

- In 2008, Mr. Rogers was awarded Princeton University's highest honor, the Woodrow Wilson Award, presented each year to the alumnus whose career embodies a commitment to national service.
- Mr. Rogers served as co-chair for the Presidential Inaugural Committee 2009, and more recently, joined the Barack Obama Foundation's Board of Directors.

Mr. Rogers is a member of the Board of Directors of McDonald's Corporation and The New York Times Company. In addition to this public company board service, he also serves as trustee of the University of Chicago, the Robert F. Kennedy Center for Justice and Human Rights, the National Association of Basketball Coaches (NABC) Foundation, Inc., and is a life trustee of the Chicago Symphony Orchestra. Mr. Rogers served on the Board of Directors of Exelon Corporation from October 2000 until April 2019.

BOARD RECOMMENDATION

✔ The Board of Directors recommends that the Class A Shareholders vote **FOR** the election of the nominees above to the Board of Directors.

NOMINEES FOR ELECTION BY CLASS B SHAREHOLDERS

ALAN B. GRAF, JR.

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
66	2002	Audit & Finance, Chair	Mid-America Apartment Communities, Inc.	Nike Air Max 270, Nike Air Max, and Nike Polos

SKILLS, EXPERIENCES AND QUALIFICATIONS

FINANCIAL EXPERTISE	INTERNATIONAL	GOVERNANCE

Mr. Graf is the Executive Vice President and Chief Financial Officer of FedEx Corporation ("FedEx"), a position he has held since 1998, and is a member of FedEx's Executive Committee.

- Mr. Graf joined FedEx in 1980 and was Senior Vice President and Chief Financial Officer for FedEx Express, FedEx's predecessor, from 1991 to 1998.
- Mr. Graf previously served on the Board of Directors of Kimball International Inc., Storage USA, Inc., and Arkwright Mutual Insurance Co.

Mr. Graf is a member of the Board of Directors of Mid-America Apartment Communities, Inc. In addition to this public company board service, he is also a director of the Indiana University Foundation and a Trustee of the University of Memphis. While Mr. Mr. Graf has announced his intention to retire from his position as CFO of FedEx, NIKE stands behind his seat on our Board and believes that he has provided, and will continue to provide, exemplary guidance and advice, and gives the necessary attention and dedication to his role as a Board member and as a committee chair.

PETER B. HENRY

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
50	2018	Audit & Finance	Citigroup Inc.	Nike Epic React

SKILLS, EXPERIENCES AND QUALIFICATIONS

- DIVERSITY
- INTERNATIONAL
- GOVERNANCE
- FINANCIAL EXPERTISE
- ACADEMIA

Mr. Henry is Dean Emeritus of New York University's Leonard N. Stern School of Business and the William R. Berkley Professor of Economics and Finance.

- Mr. Henry assumed the Deanship of the Stern School of Business in January 2010 and served through December 2017.
- Prior to joining Stern, Mr. Henry was the Konosuke Matsushita Professor of International Economics at the Stanford University Graduate School of Business.
- In June 2009, President Obama appointed Mr. Henry to the President's Commission on White House Fellowships.
- In 2008, Mr. Henry led Barack Obama's Presidential Transition Team in its review of international lending agencies such as the IMF and the World Bank.

Mr. Henry is a member of the Board of Directors of Citigroup Inc. In addition to this public company board service, he also serves on the Board of Directors of the National Bureau of Economic Research and the Economic Club of New York and serves on the Advisory Board for Protiviti. Mr. Henry is a member of the Council of Foreign Relations and the Economic Advisory Panel of the Federal Reserve Bank of New York. Mr. Henry served on the Board of Directors of General Electric from July 2016 until April 2018 and Kraft Foods Group, Inc. and its predecessor, Kraft Foods Inc., from May 2011 until July 2015.

MICHELLE A. PELUSO

AGE	DIRECTOR SINCE	COMMITTEE	OTHER CURRENT PUBLIC DIRECTORSHIPS	FAVORITE NIKE PRODUCT(S)
48	2014	Corporate Responsibility, Sustainability & Governance, Chair	None	Nike React Infinity Run, Nike Air Satin Jacket, and Nike Air Max Tailwind IV

SKILLS, EXPERIENCES AND QUALIFICATIONS

DIVERSITY	INTERNATIONAL	HR/TALENT MANAGEMENT
FINANCIAL EXPERTISE	DIGITAL/TECHNOLOGY	GOVERNANCE
CEO EXPERIENCE	RETAIL INDUSTRY	

Ms. Peluso is Senior Vice President Digital Sales and Chief Marketing Officer at IBM.

- Ms. Peluso served as Chief Executive Officer of online shopping destination Gilt Groupe, Inc. ("Gilt") from 2013 until its sale to Hudson's Bay Company in February 2016, and was on Gilt's Board of Directors from 2009 to 2016.
- Prior to joining Gilt in 2013, Ms. Peluso served as Global Consumer Chief Marketing and Internet Officer of Citigroup Inc. from 2009 to 2013.
- From 2002 to 2009, Ms. Peluso held senior management positions at Travelocity.com LP ("Travelocity"), being appointed Chief Operating Officer in 2003, and President and Chief Executive Officer in December 2003.
- Prior to joining Travelocity, in 1999 Ms. Peluso founded Site59, an online travel site, serving as its Chief Executive Officer until its acquisition by Travelocity in 2002.

Ms. Peluso is a director of the nonprofit TechnoServe.

BOARD RECOMMENDATION

✔ The Board of Directors recommends that the Class B Shareholders vote **FOR** the election of the nominees above to the Board of Directors.

INDIVIDUAL BOARD SKILLS MATRIX

EXPERIENCE, EXPERTISE, OR ATTRIBUTES	BENKO	COMSTOCK	CONNORS	COOK	DONAHOE	DUCKETT	GRAF	HENRY	KNIGHT	PARKER	PELUSO	ROGERS
DIVERSITY Gender or ethnic diversity that adds a range of perspectives and expands the Board's understanding of the needs and viewpoints of consumers, employees, and other stakeholders worldwide.	✓	✓				✓		✓			✓	✓
FINANCIAL EXPERTISE Financial expertise assists our Board in overseeing our financial statements, capital structure, and internal controls.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CEO EXPERIENCE CEO experience brings leadership qualifications and skills that help our Board to capably advise, support, and oversee our management team, including regarding our strategy to drive long-term value.				✓	✓	✓			✓	✓	✓	✓
INTERNATIONAL International exposure yields an understanding of diverse business environments, economic conditions, and cultural perspectives that informs our global business and strategy and enhances oversight of our multinational operations.	✓	✓	✓	✓	✓		✓	✓		✓	✓	
DIGITAL/TECHNOLOGY Technology experience helps our Board oversee cybersecurity and advise our management team as we seek to enhance the consumer experience and further develop our multi-channel strategy.	✓	✓	✓	✓	✓						✓	
RETAIL INDUSTRY Retail experience brings a deep understanding of factors affecting our industry, operations, business needs, and strategic goals.				✓	✓	✓				✓	✓	
MEDIA Media experience provides the Board with insight about connecting with consumers and other stakeholders in a timely and impactful manner.		✓							✓			
ACADEMIA Academia provides organizational management experience and knowledge of current issues in academia and thought leadership.								✓				
HR/TALENT MANAGEMENT HR and talent management experience assists our Board in overseeing executive compensation, succession planning, and employee engagement.	✓			✓	✓	✓				✓	✓	
GOVERNANCE Public company board experience provides insight into new and best practices which informs our commitment to excellence in corporate governance.			✓	✓	✓		✓	✓		✓	✓	✓

DIRECTOR NOMINATIONS

The Corporate Responsibility, Sustainability & Governance Committee identifies potential director candidates through a variety of means, including recommendations from members of the Corporate Responsibility, Sustainability & Governance Committee or the Board, suggestions from Company management, and shareholder recommendations. The committee also may, in its discretion, engage director search firms to identify candidates. Shareholders may recommend director candidates for consideration by the Corporate Responsibility, Sustainability & Governance Committee by submitting a written recommendation to the committee, c/o Ann M. Miller, Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453. The recommendation should include the candidate's name, age, qualifications (including principal occupation and employment history), and written consent to be named as a nominee in the Company's proxy statement and to serve as a director, if elected.

The Board of Directors has adopted qualification standards for the selection of non-management nominees for director, which can be found at our corporate website: http://investors.nike.com. As provided in these standards and the Company's corporate governance guidelines, nominees for director are selected on the basis of, among other things, distinguished business experience or other non-business achievements; education; significant knowledge of international business, finance, marketing, technology, human resources, diversity & inclusion, law, or other fields which are complementary to, and balance the knowledge of, other Board members; a desire to represent the diverse interests of all stakeholders; independence; good character; ethics; sound judgment; diversity; and ability to devote substantial time to discharge Board responsibilities.

The Corporate Responsibility, Sustainability & Governance Committee identifies qualified potential candidates without regard to their age, gender, race, national origin, sexual orientation, or religion. While the Board has no policy regarding Board member diversity, the Corporate Responsibility, Sustainability & Governance Committee considers and discusses diversity in selecting nominees for director and in the re-nomination of an incumbent director. The committee views diversity broadly to include, among other things, differences in backgrounds, qualifications, experiences, viewpoint, geographic location, education, skills and expertise (including financial, accounting, compliance, corporate social responsibility, public policy, cybersecurity, or other expertise relevant to service on the Board), professional and industry experience, and personal characteristics (including gender, ethnicity/race, and sexual orientation). The Board believes that a variety and balance of perspectives on the Board results in more thoughtful and robust deliberations, and ultimately, better decisions.

In considering the re-nomination of an incumbent director, the Corporate Responsibility, Sustainability & Governance Committee reviews the director's overall service to the Company during his or her term, including the number of meetings attended, level of participation, and quality of performance, as well as any special skills, experience, or diversity that such director brings to the Board. All potential new director candidates, whether recommended by shareholders or identified by other means, are initially screened by the Chair of the Corporate Responsibility, Sustainability & Governance Committee, who may seek additional information about the background and qualifications of the candidate, and who may determine that a candidate does not have qualifications that merit further consideration by the full committee. With respect to new director candidates who pass the initial screening, the Corporate Responsibility, Sustainability & Governance Committee meets to discuss and consider each candidate's qualifications and potential contributions to the Board, and determines by majority vote whether to recommend such candidates to the Board. The final decision to either appoint a candidate to fill a vacancy between annual meetings or include a candidate on the slate of nominees proposed at an annual meeting is made by the Board.

It is the general policy of the Board that directors will not stand for re-election after reaching the age of 72.

DIRECTOR INDEPENDENCE

Pursuant to New York Stock Exchange ("NYSE") listing rules, in order for a director to qualify as "independent", the Board of Directors must affirmatively determine that the director has no material relationship with the Company that would impair the director's independence. The Board affirmatively determined that commercial or charitable relationships below the following thresholds will not be considered material relationships that impair a director's independence: (i) if a NIKE director or immediate family member is an executive officer of another company that does business with NIKE and the annual sales to, or purchases from, NIKE are less than one percent of the annual revenues of the other company; and (ii) if a NIKE director or immediate family member serves as an officer, director, or trustee of a charitable organization, and NIKE's contributions to the organization are less than one percent of that organization's total annual charitable receipts. After applying this categorical standard and the applicable NYSE independence standards, the Board has determined that the following directors who served during fiscal 2020 — Cathleen A. Benko, Elizabeth J. Comstock, John G. Connors, Timothy D. Cook, Thasunda B. Duckett, Alan B. Graf, Jr., Peter B. Henry, John C. Lechleiter, Michelle A. Peluso, and John W. Rogers, Jr. — have no material relationship with the Company and, therefore, are independent. Messrs. John J. Donahoe II, Travis A. Knight, and Mark G. Parker were not independent pursuant to NYSE rules. Messrs. Donahoe and Parker were not independent pursuant to NYSE rules because they were employed by the Company during fiscal 2020. Mr. Knight was not independent pursuant to NYSE rules because he is the son of NIKE's co-founder and former Chairman of the Board, Mr. Philip H. Knight, who received compensation in excess of the threshold set forth in applicable NYSE rules (the "NYSE threshold") for his position as Chairman Emeritus. The compensation paid to Mr. Philip H. Knight is described in the section below titled "Stock Ownership Information—Transactions with Related Persons". Mr. John R. Thompson, Jr., former head basketball coach at Georgetown University, was determined to be independent from September 1, 2019 until his retirement from the Board on May 31, 2020. Effective June 1, 2020, the Company and Mr. Thompson entered into a consulting agreement the terms of which are described in the section below titled "Stock Ownership Information—Transactions with Related Persons".

BOARD STRUCTURE AND RESPONSIBILITIES

The Board is currently composed of nine independent directors and three directors who are not independent under the NYSE listing rules. During fiscal 2020, there were six meetings of the Board and all of our currently serving directors attended at least 75 percent of the total number of meetings of the Board and committees on which he or she served. Mr. Thompson attended less than 75 percent of such meetings. The Company encourages all directors to attend each annual meeting of shareholders. With the exception of Mr. Thompson, all directors serving at the time of the 2019 annual meeting attended the 2019 annual meeting.

BOARD LEADERSHIP STRUCTURE

NIKE's governing documents provide the Board with flexibility to select the appropriate leadership structure of the Company. In determining the leadership structure, the Board considers many factors, including the specific needs of the business, fulfilling the duties of the Board, and the best interests of the Company's shareholders. Effective January 2020, the Company separated the position of Chairman of the Board from the position of President and CEO, although this is not a permanent policy of the Board. The Executive Chairman, Mr. Mark G. Parker, presides over meetings of the Board of Directors and shareholders. The President and CEO, Mr. John J. Donahoe II, appointed to his position effective January 2020, is in charge of the general supervision, direction, and control of the business and affairs of the Company, subject to the overall direction and supervision of the Board and its committees.

Given the particular experience and tenure of Messrs. Parker and Donahoe, the Board believes this leadership structure is appropriate for the Company because it separates the leadership of the Board from the duties of day-to-day leadership of the Company. This structure permits Mr. Donahoe to primarily focus his time and attention on the business, while Mr. Parker directs his attention to the broad strategic issues considered by the Board of Directors. This structure works particularly well given the talent, experience and professional relationship of Messrs. Donahoe and Parker established during Mr. Donahoe's service on the Board beginning in 2014.

In 2016, the Corporate Responsibility, Sustainability & Governance Committee established the position of lead independent director to ensure strong independent leadership of the Board. The position of Lead Independent Director is entrusted to execute the following functions:

- serve as a liaison between the Chairman, CEO, and the independent directors;
- approve the meeting agendas for the Board;
- advise the Chairman and CEO regarding the sufficiency, quality, quantity, and timeliness of information provided to the Board;
- ensure that meeting schedules permit sufficient time for discussion of all agenda items;
- provide consultation and direct communication with major shareholders, if requested;
- preside at meetings of the Board at which the Chairman is not present, including executive sessions; and
- perform other duties specified in the Lead Independent Director Charter.

In June 2019, the Board re-appointed Mr. Tim Cook to serve as Lead Independent Director for a term of three years. Mr. Cook will continue to serve as Lead Independent Director of the Company working in collaboration with Messrs. Parker and Donahoe.

The chairs of Board committees also play an active role in the leadership structure of the Board. The Corporate Responsibility, Sustainability & Governance Committee and the Board endeavor to select independent committee chairs who will provide strong leadership to guide the important work of the Board committees. Committee chairs work with the Company's senior executives to ensure the committees are discussing the key strategic risks and opportunities of the Company. In the absence of the Lead Independent Director, a presiding director is appointed to chair executive sessions of non-management directors (consisting of all directors other than Messrs. Parker and Donahoe). The position of presiding director is rotated among the chairs of the various Board committees, other than the Executive Committee. Executive sessions are regularly scheduled and held at least once each year.

Mr. Philip H. Knight, co-founder and former Chairman of the Company, serves as Chairman Emeritus, with a standing invitation to attend meetings of the Board and its committees as a non-voting observer. Mr. John R. Thompson, Jr., former Georgetown University basketball coach and Board member, serves as Director Emeritus, and has a standing invitation to attend meetings of the Board and its committees as a non-voting observer. The Board believes that it benefits from the valuable experience and insights of the Company's co-founder and former Chairman of the Board, and from Mr. Thompson given his tenure on the Board and intimate knowledge of matters related to product, marketing, and elite athlete relationships.

For all of these reasons, the Board believes this leadership structure is optimal.

BOARD COMMITTEES

The Board's current standing committees are an Audit & Finance Committee; a Compensation Committee; a Corporate Responsibility, Sustainability & Governance Committee; and an Executive Committee. The Board may appoint other committees from time to time. Each standing committee has a written charter and all such charters, as well as the Company's corporate governance guidelines, are available at the Company's corporate website, http://investors.nike.com, and will be provided in print to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453.

AUDIT & FINANCE COMMITTEE

MEMBERS:
John G. Connors
Peter B. Henry
Alan B. Graf, Jr., Chair

MEETINGS IN FY '20: 13

ROLES AND RESPONSIBILITIES:

The Audit & Finance Committee provides assistance to the Board in fulfilling its legal and fiduciary obligations with respect to:

- Matters involving the Company's accounting, auditing, financial reporting, internal controls, information security (including risks related to cyber security), data protection, and overseeing the financial policies and activities of the Company that may have a material impact on the results of operations or the financial position of the Company;
- The integrity of the Company's financial statements, the compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the Company's internal audit function and independent auditor; and
- Considering long-term financing options, long-range tax, financial regulatory and foreign currency issues facing the Company, and management's recommendations concerning capital deployment strategy, major capital expenditures, and material acquisitions or divestitures.

The Board has determined that each member of the Audit & Finance Committee meets all independence and financial literacy requirements applicable to audit committees under the NYSE listing standards and applicable regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"). The Board has also determined that Mr. Alan B. Graf, Jr. is an "audit committee financial expert" as defined in regulations adopted by the SEC.

COMPENSATION COMMITTEE

MEMBERS:
Cathleen A. Benko
Elizabeth J. Comstock
Timothy D. Cook, Chair

MEETINGS IN FY '20: 5

ROLES AND RESPONSIBILITIES:

The Compensation Committee discharges the Board's responsibilities regarding executive and director compensation and senior leadership succession, and its duties include the following:

- Evaluate the performance of the CEO;
- Review and approve the compensation of each executive officer;
- Grant equity incentive awards under the NIKE, Inc. Stock Incentive Plan, and determine targets and awards under the NIKE, Inc. Executive Performance Sharing Plan and the NIKE, Inc. Long-Term Incentive Plan;
- Review and provide guidance to management regarding Company policies, programs, and practices related to talent management and development for executive officers and senior management; and
- Make recommendations to the Board regarding the compensation of directors.

The Board has determined that each member of the Compensation Committee meets all independence requirements applicable to compensation committees under the NYSE listing standards.

CORPORATE RESPONSIBILITY, SUSTAINABILITY & GOVERNANCE COMMITTEE

MEMBERS:
Thasunda B. Duckett*
Michelle A. Peluso, Chair
John W. Rogers, Jr.

MEETINGS IN FY ’20: 5

ROLES AND RESPONSIBILITIES:

The Corporate Responsibility, Sustainability & Governance Committee sets the tone and pace for corporate governance and oversees the Company's Purpose Offense. Its duties include the following:

- Review and evaluate NIKE’s significant strategies, activities, policies, investments, and programs regarding social purpose, corporate responsibility, and sustainability;
- Provide oversight of management’s efforts to ensure that the Company’s dedication to sustainability is reflected in its business operations;
- Monitor the Company’s progress towards its diversity and inclusion objectives and compliance with the Company’s responsibilities as an equal opportunity employer;
- Review and evaluate the social, political, and environmental impact, trends, and issues in connection with the Company’s business activities and make recommendations to the Board;
- Provide oversight of the Company’s community and social impact efforts;
- Oversee protection of the Company’s corporate reputation and other matters of importance to the Company and its stakeholders;
- Continue to identify individuals qualified to become Board members and recommend director nominees for election at each annual shareholder meeting;
- Develop and recommend to the Board corporate governance guidelines and a code of business conduct and ethics; and
- Oversee the annual self-evaluations of the Board and its committees and make recommendations to the Board concerning the structure and membership of the other Board committees.

The Board has determined that each member of the Corporate Responsibility, Sustainability & Governance Committee meets all independence requirements applicable to nominating/corporate governance committees under the NYSE listing standards.

** Ms. Duckett was elected to the Board of Directors effective November 14, 2019.*

EXECUTIVE COMMITTEE

MEMBERS:
John J. Donahoe II
Travis A. Knight
Mark G. Parker, Chair

MEETINGS IN FY ’20: 1

ROLES AND RESPONSIBILITIES:

The Executive Committee is authorized to act on behalf of the Board on all corporate actions for which applicable law does not require participation by the full Board.

- In practice, the Executive Committee acts in place of the full Board only when emergency issues or scheduling conflicts make it difficult or impracticable to assemble the full Board.
- All actions taken by the Executive Committee must be reported at the next Board meeting, or as soon thereafter as practicable.

The Executive Committee held one formal meeting during fiscal 2020, and took action by unanimous written consent.

THE BOARD'S ROLE IN RISK OVERSIGHT

While the Company's management team is responsible for day-to-day management of the various risks facing the Company, the Board takes an active role in the oversight of the management of critical business risks. The Board does not view risk in isolation. Risks are considered in virtually every business decision and as part of NIKE's business strategy. The Board recognizes it is neither possible nor prudent to eliminate all risk. Purposeful and appropriate risk-taking is essential for the Company to be competitive on a global basis and to achieve its strategic objectives.

THE BOARD OF DIRECTORS

The Board implements its risk oversight function both as a whole and through committees, which play a significant role in carrying out risk oversight. While the Audit & Finance Committee is responsible for oversight of management's risk management policies, oversight responsibility for particular areas of risk is allocated among the Board committees according to the committee's area of responsibility as reflected in the committee charters.

BOARD COMMITTEES

The **AUDIT & FINANCE COMMITTEE** oversees risks related to the Company's financial statements, the financial reporting process, accounting, legal matters, investments, access to capital and capital deployment, currency risk and hedging programs, information security (including risks related to cyber security), and data protection. The committee oversees the internal audit function, reviews a risk-based plan of internal audits, and reviews a risk-based integrated audit of internal controls over financial reporting. The committee meets separately with the Vice President of Corporate Audit and Chief Risk Officer, representatives of the independent registered public accountants, and senior management.

The **COMPENSATION COMMITTEE** oversees risks associated with the Company's compensation philosophy and programs, management succession plans, and executive development.

The **CORPORATE RESPONSIBILITY, SUSTAINABILITY & GOVERNANCE COMMITTEE** oversees risks associated with corporate social purpose and company governance, including NIKE's Code of Conduct and its compliance programs, and the structure and performance of the Board and its committees. The committee also oversees protection of the Company's corporate reputation including issues that involve social and community engagement, workplace diversity and inclusion, and sustainability innovation relating to the Company's products, its supply chain (including labor practices), and the environment.

EXECUTIVE LEADERSHIP TEAM

Each committee chair works with one or more senior executives assigned to assist the committee in: developing agendas for the year and for each meeting, paying particular attention to areas of business risk identified by management, Board members, internal and external auditors, and in their committee charter; and scheduling agenda topics, presentations, and discussions regarding business risks within their area of responsibility. At meetings, the committees discuss areas of business risk, the potential impact, and management's initiatives to manage business risk, often within the context of important business decisions. Through this process key business risk areas are reviewed at appropriate times, with some topics reviewed on several occasions throughout the year. At every Board meeting each committee chair provides a report to the full Board outlining its discussions and actions, including those affecting the oversight of various risks.

The Company believes its leadership structure, discussed in detail above, supports the risk oversight function of the Board. Strong directors chair the various committees involved in risk oversight, there is open communication between management and directors, and all directors are involved in the risk oversight function.

SHAREHOLDER COMMUNICATIONS WITH DIRECTORS

Shareholders or interested parties desiring to communicate directly with the Board, with non-management directors, or with any individual director may do so in writing addressed to the intended recipient or recipients, c/o Ann M. Miller, Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453. All such communications will be reviewed, compiled as necessary, and then forwarded to the designated recipient or recipients in a timely manner.

CODE OF CONDUCT

The NIKE Code of Conduct, which was refreshed in 2019, is available at the Company's corporate website, http://investors.nike.com, and will be provided in print without charge to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453. The Code of Conduct applies to all of the Company's employees and directors, including our CEO and all other executive officers. The Code of Conduct provides that any waiver of the Code of Conduct for executive officers or directors may be made only by the Board or a committee of the Board. Any such waiver will be publicly disclosed, when required by law. The Company plans to disclose amendments to, and waivers from, the Code of Conduct on the Company's corporate website: http://investors.nike.com.

DIRECTOR COMPENSATION FOR FISCAL 2020

NAME	FEES EARNED OR PAID IN CASH ($)	STOCK AWARDS(1)(2) ($)	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS ($)	ALL OTHER COMPENSATION(3) ($)	TOTAL ($)
Cathleen A. Benko	100,000	175,049	—	20,000	295,049
Elizabeth J. Comstock	100,000	175,049	—	20,000	295,049
John G. Connors	105,000	175,049	—	20,000	300,049
Timothy D. Cook	150,000	175,049	—	20,000	345,049
Thasunda B. Duckett	54,670 (4)	175,056	—	—	229,726
Alan B. Graf, Jr.	130,000	175,049	—	—	305,049
Peter B. Henry	103,118	175,049	—	5,000	283,167
Travis A. Knight	100,000	175,049	—	—	275,049
John C. Lechleiter	31,253 (5)	—	—	20,000	51,253
Michelle A. Peluso	118,967	175,049	—	20,000	314,016
John W. Rogers, Jr.	100,000	175,049	—	20,000	295,049
John R. Thompson, Jr.	82,000 (6)	175,049	—	22,536	279,585

(1) Represents the grant date fair value of restricted stock awards granted in fiscal 2020 computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value is based on the closing market price of our Class B Stock on the grant date. As of May 31, 2020, non-employee directors held the following number of outstanding shares of unvested restricted stock: Ms. Benko, 1,996; Ms. Comstock, 1,996; Mr. Connors, 1,996; Mr. Cook, 1,996; Ms. Duckett, 1,918; Mr. Graf, 1,996; Mr. Henry, 1,996; Mr. Knight, 1,996; Ms. Peluso, 1,996; Mr. Rogers, 1,996; and Mr. Thompson, 1,996.

(2) As of May 31, 2020, non-employee directors held outstanding options for the following number of shares of our Class B Stock: Ms. Comstock, 42,000; Mr. Connors, 66,000; Mr. Cook, 66,000; and Dr. Lechleiter, 66,000.

(3) Includes matched contributions to charities in the following amounts: Ms. Benko, $20,000; Ms. Comstock, $20,000; Mr. Connors, $20,000; Mr. Cook, $20,000; Mr. Henry, $5,000; Dr. Lechleiter, $20,000; Ms. Peluso, $20,000; and Mr. Rogers, $20,000. For Mr. Thompson, includes medical and life insurance premiums of $22,536 paid by the Company.

(4) Ms. Duckett was appointed to the Board of Directors on November 14, 2019 (includes prorated annual retainer payments).

(5) Dr. Lechleiter did not stand for re-election at our 2019 annual meeting of shareholders and retired effective September 19, 2019 (includes prorated annual retainer payments).

(6) Mr. Thompson retired from the Board effective May 31, 2020 and transitioned to the role of Director Emeritus.

DIRECTOR FEES AND ARRANGEMENTS

Under our standard director compensation program in effect for fiscal 2020, non-employee directors receive:

- An annual retainer of $100,000, paid in quarterly installments.
- Upon appointment to the Board, a one-time, sign-on restricted stock award valued at $175,000 on the date of grant, generally, the date of appointment. The one-time, sign-on restricted stock award is subject to forfeiture in the event that service as a director terminates prior to the anniversary of the date of grant.
- An annual restricted stock award valued at $175,000 on the date of grant, generally, the date of each annual meeting of shareholders. The annual restricted stock award is subject to forfeiture in the event that service as a director terminates prior to the earlier of the next annual meeting and the anniversary of the date of grant.
- For the Lead Independent Director, an annual retainer of $30,000, paid in quarterly installments.
- For chairs of Board committees (other than the Executive Committee), an annual retainer of $20,000 for each committee chaired ($25,000 for the chair of the Audit & Finance Committee), paid in quarterly installments.
- For Audit & Finance Committee members, an additional annual retainer of $5,000, paid in quarterly installments.
- Payment or reimbursement of travel and other expenses incurred in attending Board meetings.
- Matching charitable contributions under the NIKE Matching Gift Program, under which directors are eligible to contribute to qualified charitable organizations and the Company provides a matching contribution to the charities in an equal amount, up to $20,000 in the aggregate, for each director annually.

In fiscal 2020, Mses. Benko, Comstock, Duckett and Peluso, Messrs. Connors, Cook, Graf, Henry, Knight, and Rogers, and Dr. Lechleiter participated in our standard director compensation program as described above, and Mr. Donahoe participated in our standard director compensation program prior to his appointment as President and Chief Executive Officer, effective January 2020. Mr. Parker does not receive any additional compensation for services provided as a director.

Mr. Thompson did not participate in our standard director compensation program, pursuant to his election made in fiscal 2000. In fiscal 2020, Mr. Thompson received an annual retainer of $82,000 (instead of the $100,000 annual retainer fee paid under our standard program), medical insurance, and $500,000 of life insurance coverage paid for by the Company. Additionally, on September 19, 2019, the date of the 2019 annual meeting of shareholders, Mr. Thompson received an annual restricted stock award valued at $175,000 on the same terms that apply to the restricted stock awards granted pursuant to our standard program. He was also eligible for payment or reimbursement of Board-related expenses, and participation in the NIKE Matching Gift Program on the same basis as other directors.

Effective June 1, 2020, the Company changed the standard director compensation program by increasing the value of the annual restricted stock award to $185,000 and increasing the value of the one-time, sign-on restricted stock award to $185,000 for newly appointed non-employee directors. All other components of director compensation remain the same.

STOCK OWNERSHIP GUIDELINES FOR DIRECTORS

NIKE maintains stock ownership guidelines for all non-employee directors. Under these guidelines, directors are required to hold NIKE stock valued at five times their annual cash retainer. New directors are required to attain these ownership levels within five years of their election to the Board. Each of our directors has met or is on track to meet the specified ownership level.

DIRECTOR PARTICIPATION IN DEFERRED COMPENSATION PLAN

Under our Deferred Compensation Plan, non-employee directors may elect in advance to defer up to 100 percent of the director fees paid by the Company. For a description of the plan, see the section below titled "Compensation Discussion and Analysis—Executive Compensation Tables—Non-Qualified Deferred Compensation in Fiscal 2020—Non-Qualified Deferred Compensation Plans". In addition, in fiscal 2000, Mr. Thompson received credits to a fully vested NIKE stock account under the Deferred Compensation Plan in exchange for his waiver of rights to future payments under a former non-employee director retirement program. The Class B Stock credited to Mr. Thompson’s account will be distributed to him upon termination of his service as Director Emeritus and the account is credited with quarterly dividends until distributed.

COMPENSATION DISCUSSION AND ANALYSIS

PROPOSAL 2

SHAREHOLDER ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, we are submitting to shareholders our annual "say-on-pay proposal", an advisory vote to approve the compensation of our Named Executive Officers as described in this proxy statement.

At the Company's 2019 annual meeting of shareholders, approximately 97% of the votes cast on the say-on-pay proposal were voted in favor of the proposal. The Compensation Committee believes this affirms shareholders' support of the Company's approach to executive compensation and the committee's decisions.

As discussed in this section, our executive compensation program is designed to attract and retain top-tier talent and maximize shareholder value. To achieve the objectives of our executive compensation program and emphasize pay-for-performance principles, the Compensation Committee has continued to employ strong governance practices, including:

- basing a majority of total compensation on performance and retention incentives;
- setting annual and long-term cash incentive award targets based on clearly disclosed, objective performance measures;
- mitigating undue risk associated with compensation by using multiple performance targets, caps on potential incentive payments, and a clawback policy; and
- requiring executive officers to hold NIKE stock through published stock ownership guidelines.

Because your vote is advisory, it will not be binding on the Board. However, the Board values shareholder opinions, and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

BOARD RECOMMENDATION

✓ The Board of Directors recommends that shareholders vote **FOR** approval of the following resolution:

RESOLVED, that the shareholders approve the fiscal 2020 compensation paid to the Named Executive Officers as disclosed in this proxy statement pursuant to the SEC's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables).

INTRODUCTION

This Compensation Discussion and Analysis ("CD&A") describes our compensation program, philosophy, decisions, and process for the compensation of our "Named Executive Officers" (also referred to as our "NEOs") for fiscal 2020:

NAMED EXECUTIVE OFFICER	TITLE
John J. Donahoe II	President and Chief Executive Officer (since January 13, 2020)
Mark G. Parker	Executive Chairman (since January 13, 2020) Chairman, President, and Chief Executive Officer (until January 12, 2020)
Matthew Friend	Executive Vice President and Chief Financial Officer (since April 1, 2020)
Andrew Campion	Chief Operating Officer (since April 1, 2020) Executive Vice President and Chief Financial Officer (until March 31, 2020)
Hilary K. Krane	Executive Vice President, Chief Administrative Officer and General Counsel
Monique Matheson	Executive Vice President, Global Human Resources
John F. Slusher	Executive Vice President, Global Sports Marketing
Elliott J. Hill	President, Consumer and Marketplace (until March 31, 2020)
Eric D. Sprunk	Chief Operating Officer (until March 31, 2020)

This CD&A is organized into five sections:

EXECUTIVE SUMMARY

GUIDING PRINCIPLES

- To drive business results and maximize shareholder value, our executive compensation is highly incentive-based.
- To emphasize long-term performance, increase alignment between executives and shareholders, and support retention, incentive compensation is weighted towards long-term awards.
- To foster teamwork and ensure internal pay equity, we utilize a cohort approach by aligning compensation across certain executive roles.
- To ensure that our executive compensation program supports our business strategy and talent plan, we determine cohort compensation levels by holistically considering factors relating to our business, the market for top-tier talent, and the applicable executives.

ANNUAL DIRECT COMPENSATION ELEMENTS

NIKE's annual direct compensation for the Named Executive Officers generally consists of the following elements:

<table>
<tr><th colspan="3">ELEMENT</th><th>KEY CHARACTERISTICS</th><th>PURPOSE</th></tr>
<tr><td colspan="3">Base Salary</td><td>Fixed cash compensation</td><td>Provides market competitive baseline compensation to attract and retain top-tier talent</td></tr>
<tr><td colspan="3">Annual Cash Incentive Award - Executive Performance Sharing Plan ("PSP")</td><td>Variable cash incentive compensation earned at 0% – 150% based on Company performance over a 1-year performance period</td><td>Motivates and rewards achievement of sustainable and profitable growth</td></tr>
<tr><td rowspan="3">Long-Term Incentive Awards</td><td>Cash</td><td>Long-Term Incentive Plan ("LTIP")</td><td>Variable cash incentive compensation earned at 0% – 200% based on Company performance over a 3-year performance period</td><td>Motivates and rewards achievement of long-term shareholder value and growth</td></tr>
<tr><td rowspan="2">Stock</td><td>Stock Options</td><td>Stock-based incentive compensation that generally vests in 4 equal annual installments; only provides value if our stock price appreciates</td><td>Aligns NEOs' interests with those of our shareholders by rewarding achievement of upside potential; promotes retention</td></tr>
<tr><td>Restricted Stock Units ("RSUs")</td><td>Stock-based incentive compensation that generally vests in 3 equal annual installments; value tied to our stock price</td><td>Aligns NEOs' interests with those of our shareholders by rewarding long-term value creation; promotes retention</td></tr>
</table>

EXECUTIVE COMPENSATION GOVERNANCE PRACTICES

WHAT WE DO

- ✓ Base a majority of total compensation on performance and retention incentives
- ✓ Mitigate undue risk by using multiple performance periods and metrics, incentive payment caps, and a clawback policy
- ✓ Base annual and long-term cash incentive awards on clearly disclosed, objective performance goals
- ✓ Maintain robust stock ownership guidelines
- ✓ Vest stock-based awards over time to promote long-term performance and retention
- ✓ Provide only double-trigger change-in-control acceleration for stock-based awards

WHAT WE DON'T DO

- × No retirement acceleration for RSUs
- × No dividend equivalents paid on RSUs unless and until shares are earned
- × No repricing of stock options
- × No hedging transactions or short sales permitted
- × No pension or supplemental executive retirement plan
- × No tax gross-ups for perquisites
- × No cash-based change-in-control benefits
- × No excise tax gross-ups upon change of control

FISCAL 2020 DEVELOPMENTS

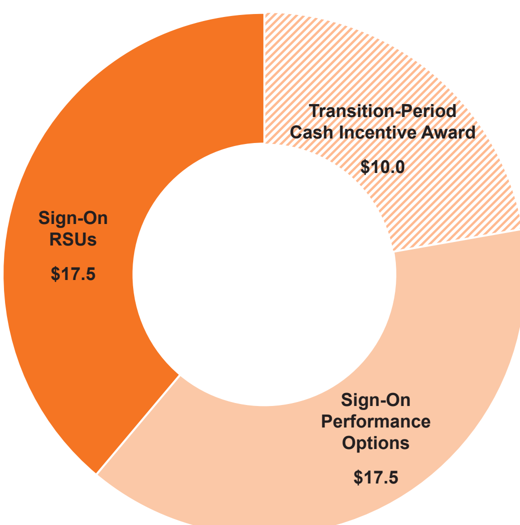
Fiscal 2020 was a year of transformation, both at NIKE and around the world. For NIKE, fiscal 2020 brought key changes to our leadership team. In January 2020, our long-time President and CEO, Mr. Mark G. Parker, transitioned into the role of Executive Chairman while Mr. John J. Donahoe II, a tenured director of the Company, stepped into the roles of President and CEO. Additional executive officer transitions occurred in April 2020, in accordance with our succession planning offense. Around the same time, the world was being transformed as a result of COVID-19. First identified in December 2019, and subsequently declared a pandemic by the World Health Organization, COVID-19 has significantly impacted the health, safety, and livelihood of people around the world, and brought economic challenges on a global scale to countries, companies and financial markets. Because NIKE's fiscal year ended on May 31, 2020, fiscal 2020 included a period of strong pre-pandemic performance followed by a shorter period which was significantly impacted by COVID-19. The Compensation Committee's actions addressing each of these key developments—our leadership transitions and the COVID-19 pandemic—and the resulting impacts on fiscal 2020 executive compensation are discussed in detail throughout the CD&A.

LEADERSHIP TRANSITIONS

During fiscal 2020, we made significant changes to our executive team intended to build on our solid foundation and enable our next phase of sustainable growth. On January 13, 2020, Mr. Donahoe became President and CEO of NIKE and Mr. Parker—our President and CEO since 2006—became Executive Chairman. Mr. Elliott J. Hill and Mr. Eric D. Sprunk announced their retirements as President of Consumer and Marketplace and Chief Operating Officer, respectively, on February 12, 2020. On April 1, 2020, Mr. Andrew Campion succeeded Mr. Sprunk as Chief Operating Officer and Mr. Matthew Friend succeeded Mr. Campion as Chief Financial Officer. These executive transitions were executed in accordance with the Company's succession planning offense to establish the executive team that will set the pace for the Company. In connection with, and in support of, these transitions, the Compensation Committee approved certain compensation arrangements and one-time awards, as described below.

In connection with the CEO transition, the Compensation Committee approved compensation arrangements for each of Messrs. Donahoe and Parker. The compensation package for Mr. Donahoe was designed to tie his pay to Company performance and align his long-term economic interests with those of our shareholders. Mr. Donahoe's annual direct compensation is consistent with our executive compensation program and competitive in light of the market for top-tier talent. Mr. Donahoe's fiscal 2020 annual direct compensation is discussed in more detail below in the section titled "Compensation of Our Named Executive Officers". As illustrated below, the Compensation Committee also made certain one-time grants to Mr. Donahoe, consisting of a cash incentive award and sign-on stock-based awards under our Stock Incentive Plan. These one-time CEO transition grants are intended to immediately align Mr. Donahoe's incentives with the Company's ongoing and long-term success and to make Mr. Donahoe whole for a portion of compensation that he forfeited from his prior employer in connection with his appointment as NIKE's CEO:

ONE-TIME CEO TRANSITION GRANTS FOR MR. DONAHOE



($ in millions)

Transition-Period Cash Incentive Award

- Cash incentive award granted to support a smooth and effective transition
- Earned based on the achievement of qualitative, transition-related performance metrics over the performance period of January 13, 2020 to May 31, 2021

Sign-On Performance Options

- Vesting conditioned on (1) a 20% increase in the value of our Class B Stock from the value on the grant date and (2) Mr. Donahoe's continued service with the Company for at least 3 years

Sign-On RSUs

- Vest in equal annual installments over 3 years
- Accumulate dividend equivalents that are paid only upon vesting

To support a smooth and effective CEO transition, the Compensation Committee granted Mr. Parker a one-time, transition-period cash incentive award with a target value of $10,000,000, which will be earned based on the achievement of qualitative, transition-related performance metrics over the performance period of January 13, 2020 to May 31, 2021.

The Compensation Committee approved annual direct compensation for Mr. Friend in connection with his transition into the role of Chief Financial Officer. The Compensation Committee had previously approved annual direct compensation for Mr. Campion in his role as Chief Financial Officer and determined to maintain that compensation for the remainder of the fiscal year. Fiscal 2020 annual direct compensation for each of these executives is consistent with our executive compensation program and is discussed in more detail below in the section titled "Compensation of Our Named Executive Officers".

The Compensation Committee also approved one-time grants of stock-based transition awards to Messrs. Campion and Friend in the amounts of $10,000,000 and $6,000,000, respectively, to support business and leadership continuity during this transitional period. These awards are in the form of RSUs that vest in equal annual installments over four years and accumulate dividend equivalents that are paid only upon vesting. To further support business and leadership continuity during this executive transition period, and to promote the ongoing engagement of the continuing members of our senior leadership team, the Compensation

Committee also approved one-time grants of stock-based retention awards in the amount of $4,000,000 to each of Ms. Hilary K. Krane, Ms. Monique Matheson, and Mr. John F. Slusher. These awards are in the form of RSUs that cliff vest at the end of the three-year retention period and accumulate dividend equivalents that are paid only upon vesting. The transition and retention awards were granted on June 1, 2020 and therefore will be reflected in next year's Summary Compensation Table as part of fiscal 2021 compensation.

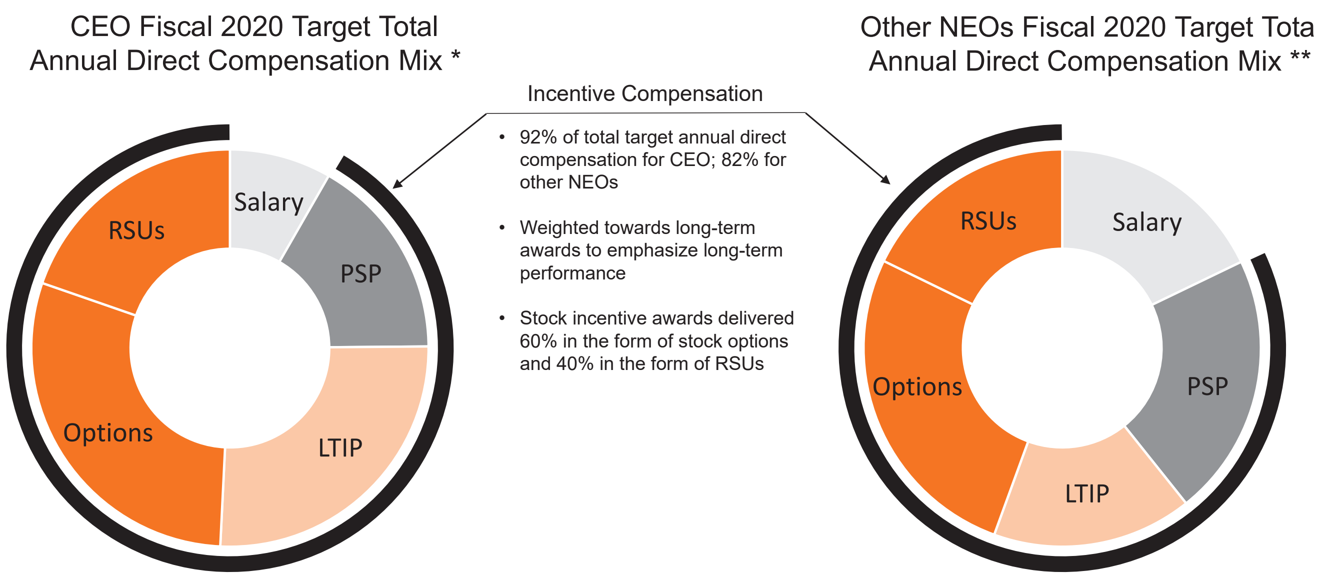
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

COMPENSATION OBJECTIVES AND STRUCTURE

Our executive compensation program is designed to attract and retain top-tier talent in a competitive marketplace and to maximize shareholder value by rewarding NEOs for strong Company performance. The program generally consists of annual direct compensation, with a focus on incentive compensation, and competitive benefits that are generally consistent with the benefits offered to our other U.S.-based employees. During fiscal 2020, the Compensation Committee also approved special one-time grants of incentive-based and stock-based compensation to certain NEOs in connection with senior leadership changes to support continuity during a key transitional period, as described in the section above titled "Leadership Transitions". In addition, in response to the COVID-19 pandemic, the Compensation Committee made certain determinations with respect to fiscal 2020 incentive compensation to recognize strong performance prior to the pandemic, ensure sustained engagement, and drive key business results, as described in the sections below titled "Long-Term Cash Incentive—Fiscal 2020 – 2022 LTIP Award Grants" and "Cash Bonus".

We structure our executive compensation program in the context of our business strategy and talent plan. To foster teamwork and ensure internal pay equity, we utilize a cohort approach that aligns compensation across certain executive roles. Cohort compensation levels are determined by holistically considering factors such as future potential, individual performance, market insights, succession planning, retention, and leadership continuity. New executives are phased into a cohort by taking into consideration their relative experience, expected contributions, and market position.

Our philosophy is to "pay for performance" in order to drive business results and maximize shareholder value. As a result, executive compensation is highly incentive-based and weighted towards long-term awards to emphasize long-term performance and support retention. Our executive compensation program as a whole, and in particular annual direct compensation, balances performance incentives using performance metrics and performance periods, with a mixture of cash- and stock-based compensation elements. Stock-based compensation is also structured to pay for performance and is delivered 60% in the form of stock options and 40% in the form of RSUs. The following charts illustrate the mix of components that make up fiscal 2020 target annual direct compensation for our NEOs.



* *Represents the average for Messrs. Donahoe and Parker.*

** *Represents the average for Messrs. Friend, Campion, Slusher, Hill, and Sprunk and Mses. Krane and Matheson.*

BASE SALARY

Base salary is a fixed element of compensation that serves to attract and retain top-tier talent. The Compensation Committee generally reviews and determines base salaries for our Named Executive Officers in June, with any adjustments becoming effective in August of the same year. For fiscal 2020, the Compensation Committee granted increases for each of Messrs. Campion, Slusher, Hill, and Sprunk and Ms. Krane to ensure that their salary levels remain positioned competitively relative to the market. Mr. Parker's base salary remained unchanged compared to fiscal 2019. The Compensation Committee determined base salaries for Messrs. Donahoe and Friend in connection with their appointment as President and CEO, and Chief Financial Officer, respectively, and for Ms. Matheson during its yearly review of executive annual direct compensation.

NAMED EXECUTIVE OFFICER	FISCAL 2020 BASE SALARY	% CHANGE[1]
John J. Donahoe II	$1,500,000	N/A
Mark G. Parker	$1,700,000	0%
Matthew Friend	$875,000	N/A
Andrew Campion	$1,100,000	4.8%
Hilary K. Krane	$1,100,000	4.8%
Monique Matheson	$1,100,000	N/A
John F. Slusher	$1,100,000	18.9%
Elliott J. Hill	$1,200,000	4.3%
Eric D. Sprunk	$1,200,000	4.3%

(1) Represents the change in base salary compared to fiscal 2019.

ANNUAL CASH INCENTIVE

Annual cash incentive awards are paid to the Named Executive Officers under our Executive Performance Sharing Plan ("PSP"). PSP awards reflect our "pay for performance" philosophy: they are earned between 0% and 150% of target based on Company performance during the fiscal year. The Compensation Committee retains discretion to reduce or eliminate PSP award payouts based on individual or Company performance. To align employees and reinforce our one-team culture, the same compensation philosophy, structure, and metrics that underlie our PSP awards apply to all global employees who are eligible to participate in the Company's success through incentive bonuses.

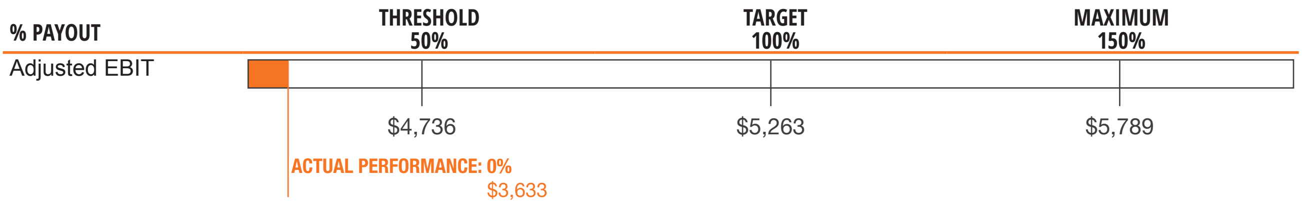
The Compensation Committee increased the PSP target award for each of Messrs. Campion, Slusher, Hill, and Sprunk and Ms. Krane from 100% of base salary to 120% for fiscal 2020 to strengthen the competitiveness of their total direct compensation while ensuring that their compensation remains highly incentive-based. Mr. Parker's PSP target award remained the same as in fiscal 2019. The Compensation Committee determined PSP target awards for Messrs. Donahoe and Friend in connection with their appointment as President and CEO, and Chief Financial Officer, respectively, and for Ms. Matheson during its yearly review of executive annual direct compensation. The fiscal 2020 PSP target awards are:

NAMED EXECUTIVE OFFICER	FISCAL 2020 PSP TARGET AWARD (% OF BASE SALARY)
John J. Donahoe II	200%
Mark G. Parker	200%
Matthew Friend	120%
Andrew Campion	120%
Hilary K. Krane	120%
Monique Matheson	120%
John F. Slusher	120%
Elliott J. Hill	120%
Eric D. Sprunk	120%

The metric for fiscal 2020 PSP awards was "Adjusted EBIT", calculated as earnings before interest and taxes ("EBIT") adjusted to exclude the effect of acquisitions, divestitures, accounting changes, restructurings, unanticipated exchange rate fluctuations and other extraordinary, unusual, or infrequently occurring items. The Compensation Committee selected Adjusted EBIT as the measure of Company performance because EBIT represents the key measure used internally to manage financial performance and drive operational performance, and adjusting EBIT to exclude the impact of certain non-operational events helps to drive and reward organic growth. The elimination of unanticipated foreign exchange volatility was added to the set of EBIT adjustments for fiscal 2020 awards because such volatility is disconnected from actual operating results, and this adjustment enables PSP to more precisely reward achievement of sustainable, profitable growth.

In June 2019, the Compensation Committee established challenging performance goals, as illustrated below, to drive growth consistent with NIKE's long-term financial model while supporting executives' continued engagement. For fiscal 2020, NIKE achieved annual Adjusted EBIT of $3,633 million. This achievement was below the threshold performance goal, and as a result, each Named Executive Officer’s PSP award paid out at 0%.

FISCAL 2020 PSP PERFORMANCE GOAL
(Dollars in millions)



LONG-TERM CASH INCENTIVE

Long-term cash incentive awards are paid to the Named Executive Officers under our Long-Term Incentive Plan ("LTIP"). Like the PSP awards, LTIP awards reflect our "pay for performance" philosophy: they are earned between 0% and 200% of target based on Company performance during a three-year performance period. The Compensation Committee retains discretion to adjust LTIP award payouts based on individual or Company performance.

At the beginning of each fiscal year, the Compensation Committee sets target award amounts for our executive officers, selects LTIP award metrics, and determines performance goals. The Compensation Committee then determines the applicable payout percentage at the end of the three-year performance period.

In connection with Mr. Donahoe's appointment as President and CEO, the Compensation Committee granted Mr. Donahoe LTIP awards with respect to each outstanding tranche of LTIP awards, consistent with our practice for individuals newly eligible for LTIP awards. Mr. Donahoe's fiscal 2018 – 2020 LTIP target award and fiscal 2019 – 2021 LTIP target award were each set at $5,000,000. The terms and performance metrics of these awards are discussed in our 2018 and 2019 proxy statements, respectively. Mr. Donahoe's fiscal 2020 – 2022 LTIP award is described immediately below.

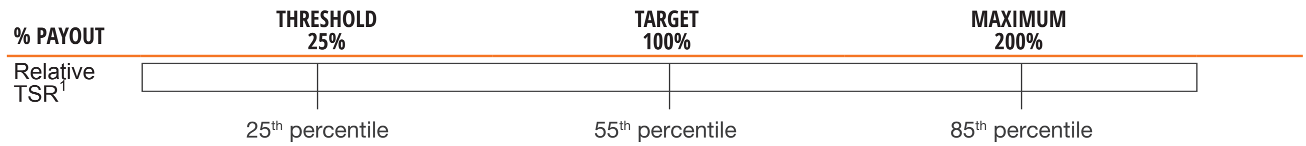
FISCAL 2020 – 2022 LTIP AWARD GRANTS

For each of Messrs. Parker, Campion, Slusher, Hill, and Sprunk and Ms. Krane, the Compensation Committee maintained fiscal 2020 – 2022 LTIP target awards at the same level as was set for LTIP awards granted in fiscal 2019. The Compensation Committee determined fiscal 2020 – 2022 LTIP target awards for Messrs. Donahoe and Friend in connection with their appointment as President and CEO, and Chief Financial Officer, respectively, and for Ms. Matheson during its yearly review of executive annual direct compensation. The fiscal 2020 – 2022 LTIP target awards were:

NAMED EXECUTIVE OFFICER	FISCAL 2020 – 2022 LTIP TARGET AWARD
John J. Donahoe II	$5,000,000
Mark G. Parker	$5,000,000
Matthew Friend	$1,000,000
Andrew Campion	$1,000,000
Hilary K. Krane	$1,000,000
Monique Matheson	$1,000,000
John F. Slusher	$1,000,000
Elliott J. Hill	$1,000,000
Eric D. Sprunk	$1,000,000

In June 2019, the Compensation Committee selected, and set performance goals for, two equally weighted performance metrics for the fiscal 2020 – 2022 LTIP awards: (1) revenues and (2) diluted earnings per share ("EPS"), in each case excluding generally the effect of acquisitions, divestitures, accounting changes, changes in tax law, and other extraordinary, unusual, or infrequently occurring items (respectively, "Adjusted Revenue" and "Adjusted EPS"). In June 2020, in response to the COVID-19 pandemic, the Compensation Committee modified the performance metrics for these awards to ensure sustained engagement and drive key business results during a dynamic and unprecedented period for the Company. As modified, the fiscal 2020 – 2022 LTIP awards are earned based on the Company's total shareholder return ("Absolute TSR") for fiscal 2020 – 2022 relative to total shareholder return over the same period for the other companies in the S&P 500 ("Relative TSR"), as shown in the table below:

FISCAL 2020 – 2022 PERFORMANCE GOAL



(1) *Relative TSR for fiscal years 2020, 2021, and 2022, calculated using the 20-trading day average stock price and assuming that dividends paid during the performance period are reinvested in the applicable company's stock.*

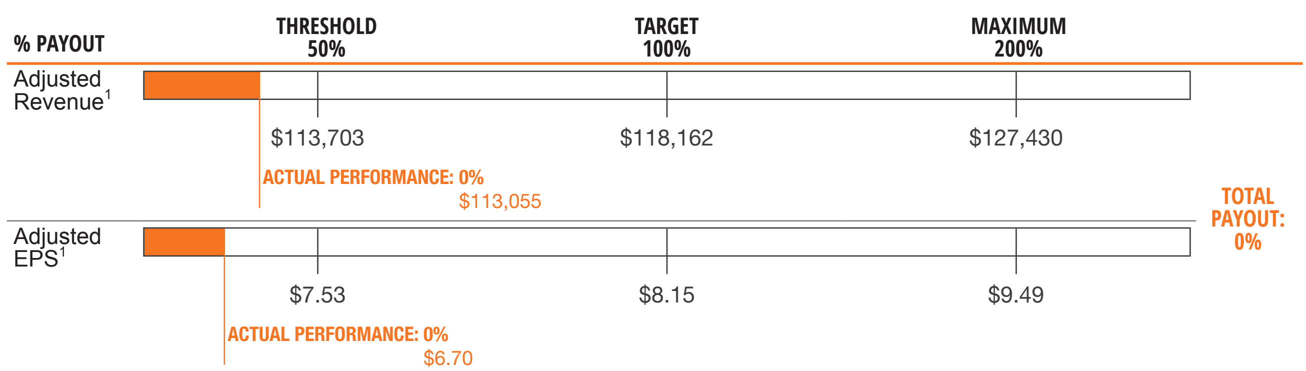
LTIP award payout based on Relative TSR performance is subject to a cap of 100% of target if Absolute TSR for the performance period is negative. The Compensation Committee selected three-year Relative TSR as the performance metric because it is an objective and transparent measure of long-term shareholder value, especially in the context of a volatile market. Furthermore, the cap on payout if Absolute TSR is negative incentivizes NEOs to pursue long-term growth.

FISCAL 2018 – 2020 LTIP AWARD RESULTS

For fiscal 2020, the Named Executive Officers were eligible to receive payout of their fiscal 2018 – 2020 LTIP awards. These awards were earned based on three-year cumulative Adjusted Revenue and Adjusted EPS performance targets for fiscal years 2018 – 2020 that were set in June 2017. In June 2020, the Compensation Committee determined that a payout of 0% under these awards was earned by each NEO based on the average of the cumulative Adjusted Revenue and cumulative Adjusted EPS achievements as shown in the table below.

FISCAL 2018 – 2020 PERFORMANCE GOALS

(Dollars in millions, except per share data)



(1) *Cumulative Adjusted Revenue and cumulative Adjusted EPS for fiscal years 2018, 2019, and 2020.*

LONG-TERM STOCK INCENTIVE

Stock-based incentive awards reward long-term Company performance and align executives' interests with those of our shareholders. Such awards form the largest component of our NEOs' annual direct compensation, constituting on average 49% of fiscal 2020 total target compensation for Messrs. Donahoe and Parker (43% for our other NEOs) and 66% of fiscal 2020 total long-term incentive compensation for Messrs. Donahoe and Parker (72% for our other NEOs).

We grant stock-based incentive awards under our Stock Incentive Plan in the form of stock options and RSUs. Historically, the Compensation Committee has determined stock option grants for our NEOs as a number of shares and RSU grants as a dollar value. For fiscal 2020, the Compensation Committee determined both stock option grants and RSUs as dollar values. This change eliminates the impact of stock price volatility on stock option grants and enables the committee to more precisely balance the mixture of stock-based compensation elements. Accordingly, for each of our NEOs, the stock portion of incentive compensation was granted 60% in the form of stock options and 40% in the form of RSUs.

The fiscal 2020 stock-based incentive awards were:

NAMED EXECUTIVE OFFICER	STOCK OPTIONS	RSUs	TOTAL FISCAL 2020 STOCK-BASED INCENTIVE AWARDS
John J. Donahoe II	$5,400,000	$3,600,000	$9,000,000
Mark G. Parker	$6,000,000	$4,000,000	$10,000,000
Matthew Friend	$600,000	$400,000	$1,000,000
Andrew Campion	$1,740,000	$1,160,000	$2,900,000
Hilary K. Krane	$1,740,000	$1,160,000	$2,900,000
Monique Matheson	$1,740,000	$1,160,000	$2,900,000
John F. Slusher	$1,740,000	$1,160,000	$2,900,000
Elliott J. Hill	$1,950,000	$1,300,000	$3,250,000
Eric D. Sprunk	$1,950,000	$1,300,000	$3,250,000

For fiscal 2020, the Compensation Committee increased the total value of stock-based incentive awards for Mr. Parker by $1,948,000 compared to his awards granted in fiscal 2019 (based on the grant date fair value of fiscal 2019 stock options as reported in last year's proxy statement and the award value of fiscal 2019 RSUs). Due to the change to a 60% / 40% mixture of stock options and RSUs, this resulted in an increase in the stock option award value of $2,948,000 and a decrease in the RSU award value of $1,000,000. Compared to fiscal 2019 awards, the Compensation Committee increased the total value of fiscal 2020 stock-based incentive awards for each of Mr. Campion and Ms. Krane by $354,800 (consisting of a stock option increase of $344,800 and a RSU increase of $10,000), for Mr. Slusher by $742,000 (consisting of a stock option increase of $432,000 and a RSU increase of $310,000), and for each of Messrs. Hill and Sprunk by $430,400 (consisting of a stock option increase of $380,400 and a RSU increase of $50,000). In each case, the increase in the total value of fiscal 2020 stock-based incentive awards reflects the Compensation Committee's consideration of multiple factors, including performance, succession planning, our cohort compensation approach, and the desired mix for stock-based incentive awards. The Compensation Committee determined the value of stock-based incentive awards for Mr. Donahoe in connection with his appointment as President and CEO and for Ms. Matheson during its yearly review of executive annual direct compensation. For Mr. Friend, the value of stock-based incentive awards for fiscal 2020 was determined by the Company in connection with his previous role, prior to his appointment as an executive officer.

STOCK OPTIONS

Stock options align our Named Executive Officers' interests with those of our shareholders by rewarding the achievement of upside potential, and they reflect our "pay for performance" philosophy because they provide value to the NEOs only if the price of our Class B Stock appreciates.

The number of stock options granted to each NEO for fiscal 2020 was determined by dividing the NEO's award value by the Black-Scholes value (calculated based on a twenty-day average stock price and the available five-year and seven-year interest rates) of a stock option on the date of grant. Options granted to the Named Executive Officers vest in equal annual installments over four years and have an exercise price equal to the closing market price of our stock on the date of grant. To promote retention, stock options generally provide that if a Named Executive Officer leaves the Company, he or she forfeits any unvested stock options. Forfeiture is subject to a limited retirement provision designed to encourage executives to delay retirement (as described in the section below titled "Executive Compensation Tables—Potential Payments Upon Termination or Change-in-Control").

RSU AWARDS

RSUs align our Named Executive Officers' interests with those of our shareholders by rewarding the achievement of long-term value creation, and they reflect our "pay for performance" philosophy because their value is directly tied to our Class B Stock price.

The number of RSUs granted to each NEO for fiscal 2020 was determined by dividing the NEO's award value by the closing market price of our Class B Stock on the date of grant. RSUs granted to the Named Executive Officers vest in equal annual installments over three years and accumulate dividend equivalents that are paid only upon vesting. To promote retention, RSU awards generally provide that any unvested RSUs are forfeited if the Named Executive Officer leaves the Company.

CASH BONUS

As described above, our Named Executive Officers received 0% payouts for both the fiscal 2020 PSP and the fiscal 2018 – 2020 LTIP. Overall performance was below threshold for each plan due to the significant impact of the COVID-19 pandemic on our incentive plans during the final quarter of the applicable performance period. Prior to the fourth quarter of fiscal 2020, Adjusted

EBIT was on track to yield an above-target payout for the PSP, and Adjusted Revenue and Adjusted EPS were on track to yield an LTIP payout between threshold and target levels.

Consistent with our "pay for performance" philosophy, the Compensation Committee and the Company determined to recognize the Company's strong pre-pandemic performance for all employees, both to reward strong pre-pandemic performance and to ensure sustained employee engagement and retention, and drive business results during an unprecedented period of transition. Therefore, with respect to each incentive-eligible employee who is not an executive officer, the annual bonus payout was adjusted from 0% to 100% to approximate Adjusted EBIT performance during the first three quarters of the one-year performance period for the fiscal 2020 PSP, and the LTIP payout was adjusted from 0% to 75% to approximate Adjusted Revenue and Adjusted EPS performance during the first eleven quarters of the three-year performance period for the fiscal 2018 – 2020 LTIP. To approximate the short- and long-term cash incentive payouts that were received by all other eligible employees, the Compensation Committee granted discretionary cash bonuses to each of our Named Executive Officers. The discretionary cash bonus award to each of our NEOs was as follows:

NAMED EXECUTIVE OFFICER	DISCRETIONARY CASH BONUS
John J. Donahoe II	$6,750,000
Mark G. Parker	$6,025,000
Matthew Friend	$1,576,800
Andrew Campion	$2,070,000
Hilary K. Krane	$2,070,000
Monique Matheson	$2,070,000
John F. Slusher	$2,070,000
Elliott J. Hill	$2,190,000
Eric D. Sprunk	$2,190,000

MR. PARKER'S 2015 PERFORMANCE-BASED RSU AWARD

As previously disclosed in our 2016 proxy statement, in June 2015 the Compensation Committee granted Mr. Parker performance-based RSUs ("PSUs") that were to be earned between 0% and 100% of target based on cumulative revenue growth and cumulative EPS growth, each equally weighted, over the five-year performance period of fiscal 2016 through fiscal 2020 (subject to Mr. Parker's continued employment with the Company until June 30, 2020). In June 2020, the Compensation Committee determined that cumulative revenue growth over the performance period was approximately $179,781,000, corresponding to an earnout of 0%, and cumulative EPS growth over the performance period (which was not adjusted for the December 2015 stock split, in order to align with the pre-stock split targets) was $22.18, corresponding to an earnout of 0%. Accordingly, the Compensation Committee determined that the PSUs were earned at 0%.

OTHER COMPENSATION

PROFIT SHARING AND RETIREMENT PLANS

We maintain a U.S. tax qualified retirement savings plan—the 401(k) Savings and Profit Sharing Plan for Employees of NIKE, Inc. (the "401(k) Plan")—under which all eligible U.S. employees, including the Named Executive Officers, are able to make pre-tax and after-tax contributions from their cash compensation. We make annual matching contributions for all participants equal to 100% of their pre-tax contributions up to 5% of their total eligible compensation.

We also generally make annual profit sharing contributions to the accounts of eligible U.S. employees, including the Named Executive Officers, under the 401(k) Plan. The aggregate profit sharing contribution amount, if any, is determined each year by the Board of Directors. This aggregate contribution is allocated among eligible employees based on an equal percentage of their total salary and annual cash incentive award for the year. For fiscal 2020, the profit sharing contribution percentage for each eligible employee was 0%.

The Internal Revenue Code limits the amount of compensation that can be deferred under the 401(k) Plan, and also limits the amount of salary and annual cash incentive award ($280,000 for fiscal 2020) that may be taken into account when determining contributions under that plan. Accordingly, we provide our Named Executive Officers and other highly compensated employees with the opportunity to defer their compensation, including amounts in excess of the tax law limit, under our nonqualified Deferred Compensation Plan. We also make profit sharing contributions under the Deferred Compensation Plan with respect to salary and annual cash incentive award of any eligible employee that exceeds the tax law limit, and for fiscal 2020 these contributions were equal to 0% of the total salary and annual cash incentive award of each Named Executive Officer in excess of $280,000. These contributions under the Deferred Compensation Plan allow our Named Executive Officers and other highly compensated employees to receive profit sharing contributions in the same percentage as our other employees. We do not match deferrals to the Deferred Compensation Plan. Balances in the Deferred Compensation Plan, including the balances of the Named Executive Officers, are unsecured and at-risk, meaning that the balances may be forfeited in the event of the Company's financial distress, such as bankruptcy. Fiscal 2020 matching and profit sharing contributions to the Named Executive Officers under the qualified and nonqualified plans are included in the All Other Compensation column in the Summary Compensation Table on page 47.

EMPLOYEE STOCK PURCHASE PLAN

Our Employee Stock Purchase Plan allows eligible employees in the United States and in many countries outside of the United States, including the Named Executive Officers, to purchase Class B Stock through payroll deductions at a 15% discount to the market price on the first or last trading day of the six-month purchase period, depending on which day the stock price was lower. In fiscal 2020, all of our Named Executive Officers participated in our Employee Stock Purchase Plan, with the exception of Messrs. Donahoe and Parker.

PERQUISITES AND OTHER BENEFITS

Our executive compensation program includes limited perquisites and other personal benefits for our Named Executive Officers, which generally consist of home security and financial planning services. In addition, our CEO and Executive Chairman are entitled to limited personal use of Company aircraft, primarily pursuant to time sharing agreements, which is intended to increase the security, availability, and productivity of these individuals, and enhanced charitable gift matching under our Employee Matching Gift Program, with an annual contribution limit of $1,000,000 and Company matching on a 4:1 basis. Finally, given the nature of our business, from time to time certain Company employees, including certain executive officers, may receive Company product, event tickets, or travel benefits that are not generally offered to all employees. We do not provide any tax gross-ups on perquisites to our executive officers. Greater detail about the perquisites and personal benefits provided to our Named Executive Officers in fiscal 2020 is provided in the footnotes to the Summary Compensation Table on page 47.

NON-COMPETITION AGREEMENTS

In exchange for non-competition agreements from each of our Named Executive Officers, we have agreed to provide monthly payments during the non-compete period following termination of employment, as described in the section below titled "Executive Compensation Tables—Potential Payments upon Termination or Change-in-Control". We believe that it is appropriate to compensate individuals to refrain from working with competitors following termination, and that compensation enhances the enforceability of such agreements.

LETTER AGREEMENTS

In connection with the CEO transition, we entered into letter agreements with each of Mr. Donahoe and Mr. Parker. Other than these two letter agreements, we do not have employment contracts with any of our executive officers.

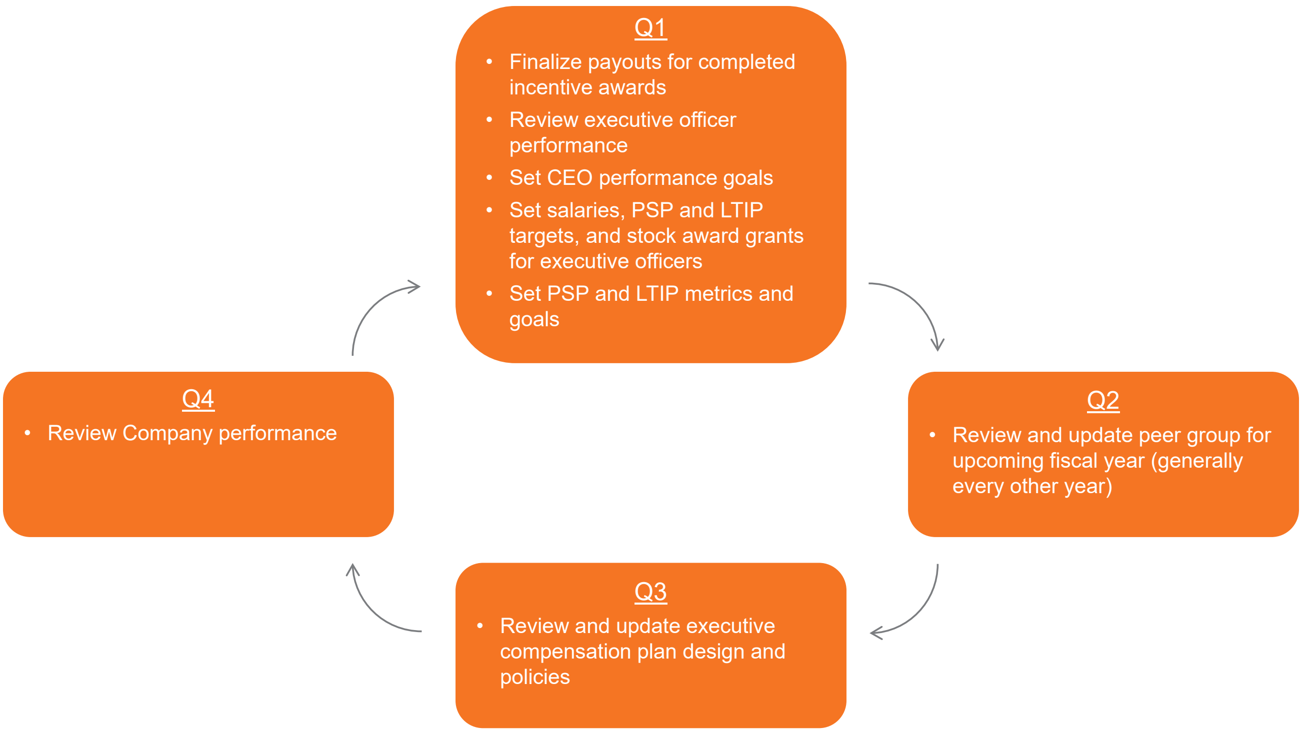
Mr. Donahoe's letter agreement sets forth the terms of his target annual direct compensation—consisting of a base salary of $1,500,000, a PSP target award of $3,000,000, and a long-term incentive target award of $14,000,000 in the forms and on the terms determined by the Compensation Committee from time to time—and his enhanced charitable gift matching under our Employee Matching Gift Program as described in the section above titled "Perquisites and Other Benefits". In addition, the letter agreement specifies that, for fiscal 2020, Mr. Donahoe's long-term incentive award will consist of the LTIP and long-term stock-based incentive awards described above in the sections titled "Long-Term Cash Incentive" and "Long-Term Stock Incentive". Mr. Donahoe's letter agreement also provides for the one-time incentive-based transition grants and sign-on awards described in the section above titled "Leadership Transitions".

Mr. Parker's letter agreement provides for the one-time transition-period cash incentive award described in the section above titled "Leadership Transitions" and the enhanced charitable gift matching under our Employee Matching Gift Program as described in the section above titled "Perquisites and Other Benefits". His letter agreement also states that his fiscal 2020 target annual direct compensation would remain unchanged following his transition to the role of Executive Chairman.

OUR COMPENSATION PROCESS

COMPENSATION COMMITTEE

The Compensation Committee oversees our executive compensation program, including determining the value and composition of the compensation package for each of our executive officers and setting annual performance goals for the CEO. In addition to any special actions the Compensation Committee may take throughout the year, the committee generally acts with respect to compensation for our Named Executive Officers during the fiscal year as follows:



During fiscal 2020, the Compensation Committee also determined certain compensation arrangements and special one-time grants of incentive-based and stock-based compensation in connection with executive team changes, as described in the sections above titled "Leadership Transitions" and "Compensation of Our Named Executive Officers—Other Compensation—Letter Agreements". In addition, in the first quarter of fiscal 2021, the Compensation Committee made certain determinations with respect to incentive compensation in response to the COVID-19 pandemic, as described in the sections above titled "Compensation of Our Named Executive Officers—Long-Term Cash Incentive—Fiscal 2020 – 2022 LTIP Award Grants" and "Compensation of Our Named Executive Officers—Cash Bonus". The Compensation Committee will continue to monitor the impact of COVID-19 and, if applicable, consider whether further changes are appropriate.

SAY-ON-PAY RESULTS

In making determinations regarding our executive compensation program, including the compensation of our Named Executive Officers, the Compensation Committee considers shareholders' response to the non-binding advisory proposal regarding NEO compensation (the "say-on-pay proposal"). At the 2019 annual meeting, the say-on-pay proposal was approved by approximately 97% of votes cast. The Compensation Committee believes that this affirms shareholders' support of our executive compensation program and the committee's decisions.

PEER GROUP

Given the competitive market for top-tier talent, the Compensation Committee uses a peer group (consisting of companies with similar revenue size, market capitalization, brand value, products, or markets, or with which we compete for executive talent) to provide a reference for assessing executive compensation levels and practices. The following companies constituted our fiscal 2020 peer group:

The Coca-Cola Company	Kimberly-Clark Corporation	Procter & Gamble Company
Colgate-Palmolive Company	Macy’s, Inc.	Starbucks Corporation
Comcast Corporation	McDonald’s Corporation	Target Corporation
FedEx Corporation	Microsoft Corporation	TJX Companies
The Gap, Inc.	Mondelez International, Inc.	The Walt Disney Company
Kellogg Company	Pepsico, Inc.	

In November 2019, we conducted our regular periodic peer group review. Based on the criteria described above, we determined that for purposes of setting fiscal 2021 executive compensation, the peer group above should be revised to include American Express, Best Buy, and Oracle, and to remove FedEx and Macy’s.

In addition to considering our peer group, the Compensation Committee also uses market survey data from third parties, including Aon Hewitt and Willis Towers Watson, about a broader range of companies. The Compensation Committee generally does not set executive compensation at or near any particular percentile of peer group, or market, compensation. Instead, the committee considers compensation to be competitive if it is generally within a reasonable range of market median.

ROLE OF MANAGEMENT

The CEO makes compensation recommendations to, and participates in discussions with, the Compensation Committee regarding the compensation of each executive officer other than himself. In addition, our human resources staff regularly provides data, analysis, and recommendations to the committee regarding executive compensation.

The Compensation Committee meets regularly in executive session without the CEO or other management present to discuss our executive compensation program. Such executive sessions include discussions about, among other topics, the CEO's performance and compensation and the design and operation of our executive compensation plans.

ROLE OF COMPENSATION CONSULTANT

The Compensation Committee has the authority, in its sole discretion, to retain compensation consultants to assist the committee in overseeing our executive compensation program. For fiscal 2020, the Compensation Committee retained Mercer as a consultant to provide independent analytical and evaluative advice regarding the Company's current or proposed compensation arrangements for senior executives, succession planning, and related market practices, including with respect to the CEO transition and Mr. Donahoe's annual and transition-related compensation. The committee assessed Mercer's independence in connection with this engagement, including considering a written statement from Mercer confirming its independence based on factors specified in SEC and NYSE rules, and determined that Mercer is an independent adviser. The fees for Mercer’s engagement by the Compensation Committee relating to the amount or form of executive compensation were approximately $25,000. During fiscal 2020, Mercer also provided certain services to the Company at the request of management, including investment consulting, employee benefits consulting, and various compensation and benefits surveys. The fees for such additional services were approximately $935,000.

In addition, our human resources staff obtains surveys and reports containing competitive market data from Aon Hewitt and Willis Towers Watson. This information is used by the Compensation Committee and management to supplement peer group data in connection with executive compensation program analysis and decision making.

OTHER COMPENSATION PRACTICES

STOCK OWNERSHIP GUIDELINES

We maintain stock ownership guidelines for executive officers that are designed to further align the interests of our executive officers with those of our shareholders. Under the guidelines, each executive officer is required to hold NIKE stock valued at the following multiple of their annual base salary:

POSITION	OWNERSHIP LEVEL
Chief Executive Officer	6X Base Salary
Other Named Executive Officers	3X Base Salary
Other Executive Officers	2X Base Salary

New officers are required to attain these ownership levels within five years of their appointment. As of May 31, 2020, the CEO, each other Named Executive Officer, and each of our other executive officers has met or is on track to meet the applicable ownership guideline within the requisite period.

HEDGING AND PLEDGING

The Company's Blackout and Pre-clearance Policy (which supplements our Insider Trading Policy) prohibits directors, executive officers, and other designated insiders (based on seniority and department) from engaging in transactions involving hedging, monetization or short sales of NIKE stock, including zero-cost collars and forward sale contracts. The policy also requires directors, executive officers, and designated insiders to obtain pre-approval from the Company's Clearance Director before pledging NIKE stock. Before granting approval of any pledge, the Clearance Director considers the size of the pledge relative to the individual's other holdings, both direct and indirect, and NIKE's shares outstanding; the risk of foreclosure given the nature of the associated transaction; protections against the appearance of insider trading, including prohibitions on sales during trading black-outs; and the ability to timely report sales on Form 4.

CHANGE-IN-CONTROL PROVISIONS

Neither PSP nor LTIP awards are subject to acceleration upon a change in control. Stock option, RSU, and restricted stock awards are subject only to "double-trigger" accelerated change-in-control vesting, meaning that vesting is accelerated only if there is a change in control of the Company, and within the following two years, either the acquiring entity fails to assume the awards or the employee's employment is terminated by the acquirer without cause or by the employee for good reason. This double-trigger acceleration is intended to encourage executive retention through a period of uncertainty. The Compensation Committee believes that this approach will enhance shareholder value in the context of an acquisition and align executives' interests with those of investors. The effect of change-in-control transactions on stock-based awards is described further in the section below titled "Executive Compensation Tables—Potential Payments Upon Termination or Change-in-Control".

CLAWBACK

We maintain a clawback policy for the recoupment of incentive compensation. Under the clawback policy, an executive officer who is involved in wrongful conduct that results in a restatement of the Company's financial statements must repay to the Company up to the full amount of any incentive compensation that was paid based on the financial statements that were subsequently restated. The clawback policy covers PSP awards, LTIP awards, stock-based awards (based on excess proceeds from pre-restatement sales of stock acquired pursuant to the stock-based awards), and profit sharing contributions to the Deferred Compensation Plan. In addition to the clawback policy, the PSP, LTIP and Stock Incentive Plan also specify that the Committee may apply further clawback requirements to awards through additional clawback policies or award agreement provisions, and that all awards are subject to clawback requirements under applicable law and regulation.

RISK ASSESSMENT

At the Compensation Committee's request, in fiscal 2020, management prepared and discussed with the committee an assessment of potential risk associated with the Company's compensation programs, including any risk that would be reasonably likely to have a material adverse effect on the Company. This included an assessment of risks associated with each element of employee compensation. The assessment considered certain design features of the compensation program that reduce the likelihood of excessive risk taking, such as reasonable performance targets, capped incentive compensation payouts, a balance of short- and long-term incentives, a balance of cash- and stock-based incentives, vesting of awards over time, and the potential for clawback of incentive compensation. In addition, for stock-based compensation, we have adopted stock ownership guidelines, provided for limited accelerated vesting of stock options (and no accelerated vesting of RSUs) upon termination of employment, and provided for only double-trigger accelerated vesting of stock-based awards upon a change in control.

TAX DEDUCTIBILITY OF EXECUTIVE COMPENSATION

Section 162(m) of the Internal Revenue Code generally places a $1 million limit on the amount of compensation a company can deduct in any one year for "covered employees". Prior to the adoption of the Tax Cuts and Jobs Act (the "TCJA") in 2017, the Internal Revenue Code provided an exception to this limit for compensation constituting "qualified performance-based compensation". Except with respect to certain arrangements in place on November 2, 2017, the TCJA repealed this exclusion, and therefore compensation paid to "covered employees" in excess of $1 million generally will no longer be deductible. Prior to the TCJA, the Compensation Committee considered, among other things, the impact of the exclusion for "qualified performance-based compensation" when developing and implementing our executive compensation program. Annual cash incentive awards under our PSP, long-term cash incentive awards under our LTIP, and stock option awards under our Stock Incentive Plan were designed in a manner intended to meet the requirements under the exclusion, although we could not guarantee such treatment given the complex nature of the performance-based compensation requirements.

While the Compensation Committee seeks to preserve tax deductibility in developing and implementing our compensation program, the committee also believes that it is important to maintain flexibility in administering compensation programs in a manner designed to promote varying corporate goals. Accordingly, we have not adopted a policy that all compensation must qualify as deductible for tax purposes and retain the ability to provide compensation that may not qualify as deductible under Section 162(m).

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the Compensation Committee:

- Timothy D. Cook, Chair
- Cathleen A. Benko
- Elizabeth J. Comstock

EXECUTIVE COMPENSATION TABLES

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning compensation for fiscal 2018-2020 paid to or earned by our Named Executive Officers.

NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS[(1)] ($)	STOCK AWARDS[(2)] ($)	OPTION AWARDS[(3)] ($)	NON-EQUITY INCENTIVE PLAN COMPENSATION[(4)] ($)	ALL OTHER COMPENSATION[(5)] ($)	TOTAL ($)
John J. Donahoe II[(6)] President and Chief Executive Officer	2020	548,077	6,750,000	21,275,073	23,241,515	—	1,685,315	53,499,980
Mark G. Parker Executive Chairman and Former President and Chief Executive Officer	2020	1,700,000	6,025,000	4,000,067	5,540,572	—	930,634	18,196,273
	2019	1,676,923	—	5,000,012	3,052,000	4,091,695	147,392	13,968,022
	2018	1,550,000	1,295,000	3,500,020	1,618,650	1,295,000	208,790	9,467,460
Matthew Friend[(6)] Executive Vice President and Chief Financial Officer	2020	659,092	1,576,800	400,057	661,621	—	14,000	3,311,570
Andrew Campion Chief Operating Officer and Former Chief Financial Officer	2020	1,092,308	2,070,000	1,160,023	1,606,771	—	9,375	5,938,477
	2019	1,038,461	—	1,150,073	1,395,200	1,266,925	32,049	4,882,708
	2018	963,462	277,500	7,000,040	735,750	277,500	63,514	9,317,766
Hilary K. Krane Executive Vice President, Chief Administrative Officer & General Counsel	2020	1,092,308	2,070,000	1,160,023	1,606,771	—	14,000	5,943,102
	2019	1,026,923	—	1,150,073	1,395,200	1,252,850	31,846	4,856,892
	2018	892,308	185,000	4,850,042	686,700	185,000	58,524	6,857,574
Monique Matheson[(6)] Executive Vice President, Global Human Resources	2020	1,073,077	2,070,000	1,160,023	1,606,771	—	14,000	5,923,871
John F. Slusher Executive Vice President, Global Sports Marketing	2020	1,073,077	2,070,000	1,160,023	1,606,771	—	14,000	5,923,871
	2019	921,154	—	850,071	1,308,000	1,123,810	33,862	4,236,897
	2018	900,000	185,000	4,750,044	686,700	185,000	59,715	6,766,459
Elliott J. Hill[(6)] Former President, Consumer & Marketplace	2020	1,192,308	2,190,000	1,300,080	1,800,684	—	33,506	6,516,578
	2019	1,119,738	—	1,250,022	1,569,600	1,366,085	69,968	5,375,413
Eric D. Sprunk Former Chief Operating Officer	2020	1,192,308	2,190,000	1,300,080	1,800,684	—	14,000	6,497,072
	2019	1,142,308	—	1,250,022	1,569,600	1,393,620	33,879	5,389,429
	2018	1,092,308	277,500	7,000,040	833,850	277,500	80,560	9,561,758

(1) For fiscal 2020, represents discretionary cash bonuses awarded to executive officers to approximate the short- and long-term cash incentive payouts received by non-executive officers. Due to the impact of COVID-19 on our incentive plans, the executive officers received 0% payouts under each of the fiscal 2020 PSP and fiscal 2018-2020 LTIP, while non-executive officers received higher payouts under the fiscal 2020 annual bonus plan and fiscal 2018-2020 LTIP to approximate Company performance during the pre-pandemic portion of the applicable performance period. For fiscal 2018, represents discretionary cash bonuses awarded to certain executive officers to normalize their compensation to that of non-executive officers. The non-executive officers received a higher payout under the fiscal 2016-2018 LTIP because their payout was able to be adjusted for the impact of the Tax Cuts and Jobs Act.

(2) Represents the grant date fair value of restricted stock and RSU awards granted in the applicable fiscal year computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value is based on the closing market price of our Class B Stock on the grant date.

(3) Represents the grant date fair value of options granted in the applicable fiscal year computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value of the options was estimated using the Black-Scholes option pricing model. The assumptions made in determining the grant date fair values of options under applicable accounting guidance are disclosed in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended May 31, 2020.

(4) Non-Equity Incentive Plan Compensation consists of the following:

NAME	FISCAL YEAR	ANNUAL INCENTIVE COMPENSATION[(a)] ($)	LONG-TERM INCENTIVE COMPENSATION[(b)] ($)	TOTAL ($)
John J. Donahoe II	2020	—	—	—
Mark. G Parker	2020	—	—	—
	2019	4,091,695	—	4,091,695
	2018	—	1,295,000	1,295,000
Matthew Friend	2020	—	—	—
Andrew Campion	2020	—	—	—
	2019	1,266,925	—	1,266,925
	2018	—	277,500	277,500
Hilary K. Krane	2020	—	—	—
	2019	1,252,850	—	1,252,850
	2018	—	185,000	185,000
Monique Matheson	2020	—	—	—
John F. Slusher	2020	—	—	—
	2019	1,123,810	—	1,123,810
	2018	—	185,000	185,000
Elliott J. Hill	2020	—	—	—
	2019	1,366,085	—	1,366,085
Eric D. Sprunk	2020	—	—	—
	2019	1,393,620	—	1,393,620
	2018	—	277,500	277,500

(a) *Amounts shown were earned for performance in the applicable fiscal year under our Executive Performance Sharing Plan.*

(b) *Amounts shown were earned for performance during the three-year period ending with the applicable fiscal year under our Long-Term Incentive Plan.*

(5) *For fiscal 2020, includes Company matching contributions to the 401(k) Plan in the amount of $9,375 for Mr. Campion and $14,000 for each of the other Named Executive Officers. For Mr. Donahoe, includes $63,695 in director fees for his service on our Board as a non-employee director through January 12, 2020. The amount for Mr. Donahoe also includes $1,500,000 in charitable matching contributions made by the Company, as well as relocation-related expenses, reimbursement for legal fees and expenses in connection with his offer letter, a security assessment, and Company-related merchandise. For Mr. Parker, includes $10,000 in compensation in recognition of 40 years of service with the Company, and associated tax reimbursement in the amount of $9,399, pursuant to our Valued Service Award Program, under which all employees receive cash awards and associated tax reimbursements in recognition of their significant service anniversaries with the Company. The amount for Mr. Parker also includes $800,000 in charitable matching contributions made by the Company, as well as daily residential security, including monitoring and patrols provided by the Company, and a site-visit gift. The amounts for Mr. Donahoe and Mr. Parker also include $23,515 and $78,618, respectively, in aggregate incremental cost to the Company for personal use of the Company's aircraft and actual cost of chartered flights for travel to and from the board and shareholder meetings of outside companies for which Mr. Donahoe and Mr. Parker serve as directors. The aggregate incremental cost is determined based on the variable operating cost to the Company, including the cost of fuel, maintenance, crew travel expenses, landing fees, parking fees, in-flight food and beverage, and other smaller variable costs associated with each flight. These amounts exclude the aggregate incremental cost to the Company for personal use of the Company's aircraft for which Mr. Donahoe or Mr. Parker, as applicable, reimbursed the Company in accordance with a time sharing agreement and as allowed under Federal Aviation Regulation 91.501(c) and (d). The amount for Mr. Hill includes financial advisory services, spousal travel to and attendance at Company-sponsored functions, Company-related merchandise, a dinner, and a project-completion gift.*

(6) *Because Mr. Donahoe, Mr. Friend, and Ms. Matheson were only Named Executive Officers for fiscal 2020, and Mr. Hill was only a Named Executive Officer for fiscal 2020 and fiscal 2019, no disclosure is included as to Mr. Donahoe, Mr. Friend, and Ms. Matheson for fiscal 2019 or fiscal 2018, or as to Mr. Hill for fiscal 2018.*

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2020

The following table sets forth information concerning the performance-based annual cash incentive opportunities, performance-based long-term cash incentive opportunities, restricted stock and RSU awards, and stock options granted to the Named Executive Officers in fiscal 2020.

		ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS			ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS	ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS[4]	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS[5]	EXERCISE OR BASE PRICE OF OPTION AWARDS	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS[6]
		THRESHOLD	TARGET	MAXIMUM	TARGET				
NAME	GRANT DATE	($)	($)	($)	(#)	(#)	(#)	($/SH)	($)
John J. Donahoe II	1/13/2020	1,500,000 [1]	3,000,000 [1]	4,500,000 [1]					
	1/13/2020	2,500,000 [2]	5,000,000 [2]	10,000,000 [2]					
	9/19/2019					1,996			175,049
	1/13/2020					35,239			3,600,016
	1/13/2020					171,300			17,500,008
	1/13/2020						236,843	102.16	5,480,547
	1/13/2020				767,544 [3]			102.16	17,760,968
Mark G. Parker	6/19/2019	1,700,000 [1]	3,400,000 [1]	5,100,000 [1]					
	6/19/2019	2,500,000 [2]	5,000,000 [2]	10,000,000 [2]					
	8/1/2019					48,124			4,000,067
	8/1/2019						302,268	83.12	5,540,572
Matthew Friend	6/19/2019	525,000 [1]	1,050,000 [1]	1,575,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					4,813			400,057
	8/1/2019						36,095	83.12	661,621
Andrew Campion	6/19/2019	660,000 [1]	1,320,000 [1]	1,980,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					13,956			1,160,023
	8/1/2019						87,658	83.12	1,606,771
Hilary K. Krane	6/19/2019	660,000 [1]	1,320,000 [1]	1,980,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					13,956			1,160,023
	8/1/2019						87,658	83.12	1,606,771
Monique Matheson	6/19/2019	660,000 [1]	1,320,000 [1]	1,980,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					13,956			1,160,023
	8/1/2019						87,658	83.12	1,606,771
John F. Slusher	6/19/2019	660,000 [1]	1,320,000 [1]	1,980,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					13,956			1,160,023
	8/1/2019						87,658	83.12	1,606,771
Elliott J. Hill	6/19/2019	720,000 [1]	1,440,000 [1]	2,160,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					15,641			1,300,080
	8/1/2019						98,237	83.12	1,800,684
Eric D. Sprunk	6/19/2019	720,000 [1]	1,440,000 [1]	2,160,000 [1]					
	6/19/2019	500,000 [2]	1,000,000 [2]	2,000,000 [2]					
	8/1/2019					15,641			1,300,080
	8/1/2019						98,237	83.12	1,800,684

(1) *These amounts represent the potential performance-based annual cash incentive awards payable for performance during fiscal 2020 under our PSP. Under this plan, the Compensation Committee approved target awards for fiscal 2020 based on a percentage of the executive's base salary paid during fiscal 2020 as follows: Mr. Donahoe, 200%; Mr. Parker, 200%; Mr. Friend, 120%; Mr. Campion, 120%; Ms. Krane, 120%; Ms. Matheson, 120%; Mr. Slusher 120%; Mr. Hill, 120%; Mr. Sprunk, 120%. The Compensation Committee also established a series of performance targets based on our Adjusted*

EBIT for fiscal 2020 (earnings before interest and taxes, excluding the effect of acquisitions, divestitures, accounting changes, restructurings, unanticipated exchange rate fluctuations and other extraordinary, unusual, or infrequently occurring items) corresponding to award payouts ranging from 50% to 150% of the target awards. The fiscal 2020 Adjusted EBIT required to earn the 50% threshold payout level, 100% target payout level, or 150% maximum payout level was $4,736 million, $5,263 million, or $5,789 million, respectively. Participants receive a payout at the percentage level at which the performance target is met, subject to the Compensation Committee's discretion to reduce or eliminate any award based on Company or individual performance. Actual award payouts earned in fiscal 2020 and paid in fiscal 2021 are shown in footnote 4 to the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

(2) These amounts represent the potential performance-based long-term cash incentive awards payable for performance during the three-year period consisting of fiscal 2020-2022 under our LTIP. Under this plan, the Compensation Committee approved target awards for the performance period and also established a series of performance targets and corresponding award payouts, which were modified by the Compensation Committee in June 2020 in response to the COVID-19 pandemic. The participants will receive a payout based on the Company's total shareholder return ("Absolute TSR") for fiscal 2020-2022 relative to total shareholder return over the same period for the other companies in the S&P 500 ("Relative TSR"). This payout is subject to a cap of 100% of the target award if Absolute TSR for the performance period is negative. To earn the 25% threshold payout level, 100% target payout level, or 200% maximum payout level, the Company's fiscal 2020-2022 Relative TSR must be at the 25th percentile, 55th percentile, or 85th percentile, respectively. Fiscal 2020-2022 LTIP awards will be paid in August 2022, provided that the participant is employed by the Company on the last day of the performance period.

(3) Represents performance-based stock options granted under our Stock Incentive Plan which vest based on (a) a 20% increase in the value of our Class B Stock from the value on the grant date (based on a 30-trading day average closing price divided by the closing price of a share on the grant date) and (b) continued employment, generally for three years from the grant date. The award has a maximum term of ten years, subject to earlier termination in the event of termination of employment.

(4) For Mr. Donahoe, the amount represents grants under our Stock Incentive Plan of (a) restricted stock granted in connection with his service as a non-employee director, which vests on the first anniversary of the grant date (or the date of the next annual meeting of shareholders, if earlier) and (b) RSUs which vest in three equal installments on the first three anniversaries of the grant date. For each other Named Executive Officer, the amount represents grants of RSUs under our Stock Incentive Plan which vest in three equal installments on the first three anniversaries of the grant date. Vesting of RSUs will be accelerated in certain circumstances as described in the section below titled "Potential Payments Upon Termination or Change-in-Control". Dividends are payable on RSUs only upon vesting.

(5) Amounts reported in this column represent stock options granted under our Stock Incentive Plan which become exercisable in four equal installments on the first four anniversaries of the grant date. Options may otherwise become fully exercisable in certain circumstances as described in the section below titled "Potential Payments Upon Termination or Change-in-Control". Each option has a maximum term of 10 years, subject to earlier termination in the event of the optionee's termination of employment.

(6) For stock awards, represents the value of restricted stock and RSUs granted based on the closing market price of our Class B Stock on the grant date. For option awards, represents the grant date fair value of stock options granted based on a value of $18.33 per share for the August 1, 2019 grants and $23.14 per share for the January 13, 2020 grants, calculated using the Black-Scholes option pricing model. These are the same values for these equity awards used under accounting guidance applicable to stock-based compensation. The assumptions made in determining option values are disclosed in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended May 31, 2020.

OUTSTANDING EQUITY AWARDS AT MAY 31, 2020

The following table sets forth information concerning outstanding stock options and unvested restricted stock and RSUs held by the Named Executive Officers at May 31, 2020.

	OPTION AWARDS					STOCK AWARDS	
NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISABLE OPTIONS (#)[1]	EQUITY INCENTIVE PLAN: NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS (#)	OPTION EXERCISE PRICE ($)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED ($)
John J. Donahoe II	—	236,843 [2]		102.1600	1/13/2030		
	—	—	767,544 [3]	102.1600	1/13/2030	208,535 [8]	20,557,380
Mark G. Parker	165,000	—		17.2400	7/16/2020		
	660,000	—		22.9250	7/15/2021		
	660,000	—		23.2700	7/20/2022		
	330,000	—		31.6750	7/19/2023		
	330,000	—		38.7600	7/18/2024		
	330,000	—		56.4000	7/17/2025		
	123,750	41,250 [4]		57.8700	7/15/2026		
	82,500	82,500 [5]		59.1000	7/20/2027		
	43,750	131,250 [6]		77.5400	8/1/2028		
	—	302,268 [7]		83.1200	8/1/2029	333,034 [9]	32,830,492
Matthew Friend	34,700	—		31.6750	7/19/2023		
	41,000	—		38.7600	7/18/2024		
	43,000	—		56.4000	7/17/2025		
	17,250	5,750 [4]		57.8700	7/15/2026		

	OPTION AWARDS					STOCK AWARDS	
NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISABLE OPTIONS (#)(1)	EQUITY INCENTIVE PLAN: NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS (#)	OPTION EXERCISE PRICE ($)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED ($)
	15,000	15,000 (5)		59.1000	7/20/2027		
	8,750	26,250 (6)		77.5400	8/1/2028		
	—	36,095 (7)		83.1200	8/1/2029	24,011 (10)	2,367,004
Andrew Campion	80,000	—		38.7600	7/18/2024		
	120,000	—		56.4000	7/17/2025		
	56,250	18,750 (4)		57.8700	7/15/2026		
	37,500	37,500 (5)		59.1000	7/20/2027		
	20,000	60,000 (6)		77.5400	8/1/2028		
	—	87,658 (7)		83.1200	8/1/2029	131,007 (11)	12,914,670
Hilary K. Krane	38,500	—		31.6750	7/19/2023		
	110,000	—		38.7600	7/18/2024		
	130,000	—		56.4000	7/17/2025		
	52,500	17,500 (4)		57.8700	7/15/2026		
	35,000	35,000 (5)		59.1000	7/20/2027		
	20,000	60,000 (6)		77.5400	8/1/2028		
	—	87,658 (7)		83.1200	8/1/2029	96,320 (12)	9,495,226
Monique Matheson	16,500	—		23.2700	7/20/2022		
	22,500	—		31.6750	7/19/2023		
	38,000	—		38.7600	7/18/2024		
	40,000	—		56.4000	7/17/2025		
	15,000	5,000 (4)		57.8700	7/15/2026		
	20,000	20,000 (5)		59.1000	7/20/2027		
	18,750	56,250 (6)		77.5400	8/1/2028		
	—	87,658 (7)		83.1200	8/1/2029	80,218 (13)	7,907,890
John F. Slusher	115,000	—		38.7600	7/18/2024		
	120,000	—		56.4000	7/17/2025		
	48,750	16,250 (4)		57.8700	7/15/2026		
	35,000	35,000 (5)		59.1000	7/20/2027		
	18,750	56,250 (6)		77.5400	8/1/2028		
	—	87,658 (7)		83.1200	8/1/2029	93,176 (14)	9,185,290
Elliott J. Hill	90,000	—		56.4000	7/17/2025		
	37,500	12,500 (4)		57.8700	7/15/2026		
	25,000	25,000 (5)		59.1000	7/20/2027		
	22,500	67,500 (6)		77.5400	8/1/2028		
	—	98,237 (7)		83.1200	8/1/2029	118,426 (15)	11,674,435
Eric D. Sprunk	160,000	—		56.4000	7/17/2025		
	63,750	21,250 (4)		57.8700	7/15/2026		
	42,500	42,500 (5)		59.1000	7/20/2027		
	22,500	67,500 (6)		77.5400	8/1/2028		
	—	98,237 (7)		83.1200	8/1/2029	133,551 (16)	13,165,458

(1) *Stock options generally become exercisable in four equal installments on each of the first four anniversaries of the grant date.*

(2) *25% of these options will vest on January 13, 2021, 25% will vest on January 13, 2022, 25% will vest on January 13, 2023, and 25% will vest on January 13, 2024.*

(3) *Subject to satisfaction of the performance vesting condition based on a 20% increase in the value of our Class B Stock from the value on the grant date (based on a 30-trading day average closing price divided by the closing price of a share on the grant date), 33.3% of these options will vest on January 13, 2021, 33.3% will vest on January 13, 2022, and 33.3% will vest on January 13, 2023. If the performance vesting condition has not been satisfied as of a tranche's vesting date, that tranche will instead vest upon satisfaction of the performance vesting condition.*

(4) *100% of these options vested on July 15, 2020.*

(5) 50% of these options vested on July 20, 2020 and 50% will vest on July 20, 2021.

(6) 33.3% of these options will vest on August 1, 2020, 33.3% will vest on August 1, 2021, and 33.3% will vest on August 1, 2022.

(7) 25% of these options will vest on August 1, 2020, 25% will vest on August 1, 2021, 25% will vest on August 1, 2022, and 25% will vest on August 1, 2023.

(8) 1,996 of these restricted shares will vest on September 17, 2020. 68,848 of these RSUs will vest on January 13, 2021, 68,846 of these RSUs will vest on January 13, 2022, and 68,845 of these RSUs will vest on January 13, 2023.

(9) 19,740 of these restricted shares vested on July 20, 2020. An additional 21,494 of these RSUs will vest on August 1, 2020 and 21,494 of these restricted shares will vest on August 1, 2021. 16,042 of these RSUs will vest on August 1, 2020, and 16,041 of these RSUs will vest on August 1, 2021, and 16,041 of these RSUs will vest on August 1, 2022. An additional 222,182 of these RSUs vested on June 30, 2020. Includes 0 RSUs in respect of the performance-based RSUs that were earned at 0% based on fiscal 2016-2020 revenue growth and EPS growth and would have vested on June 30, 2020.

(10) 1,128 of these restricted shares vested on July 20, 2020. 2,354 of these RSUs will vest on November 15, 2020. 13,352 of these RSUs will vest on June 10, 2021. 1,182 of these RSUs will vest on August 1, 2020, and 1,182 of these RSUs will vest on August 1, 2021. 1,605 of these RSUs will vest on August 1, 2020, 1,604 of these RSUs will vest on August 1, 2021, and 1,604 of these RSUs will vest on August 1, 2022. 15,070 of these RSUs will vest on June 1, 2021, 15,070 of these RSUs will vest on June 1, 2022, 15,069 of these RSUs will vest on June 1, 2023, and 15,069 of these RSUs will vest on June 1, 2024.

(11) 5,640 of these restricted shares vested on July 20, 2020. 101,523 of these RSUs vested on July 20, 2020. 4,944 of these RSUs will vest on August 1, 2020, and 4,944 of these RSUs will vest on August 1, 2021. 4,653 of these RSUs will vest on August 1, 2020, 4,652 of these RSUs will vest on August 1, 2021 and 4,651 of these RSUs will vest on August 1, 2022. 25,116 of these RSUs will vest on June 1, 2021, 25,116 of these shares will vest on June 1, 2022, 25,116 of these RSUs will vest on June 1, 2023, and 25,115 of these RSUs will vest on June 1, 2024.

(12) 4,794 of these restricted shares vested on July 20, 2020. 67,682 of these RSUs vested on July, 20, 2020. 4,944 of these RSUs will vest on August 1, 2020, and 4,944 of these RSUs will vest on August 1, 2021. 4,653 of these RSUs will vest on August 1, 2020, 4,652 of these RSUs will vest on August 1, 2021 and 4,651 of these RSUs will vest on August 1, 2022. An additional 40,185 of these RSUs will vest on June 1, 2023.

(13) 3,243 of these restricted shares vested on July 20, 2020. 3,654 of these RSUs will vest on August 1, 2020, and 3,654 of these RSUs will vest on August 1, 2021. 4,653 of these RSUs will vest on August 1, 2020, 4,652 of these RSUs will vest on August 1, 2021 and 4,651 of these RSUs will vest on August 1, 2022. An additional 55,711 of these RSUs will vest on May 31, 2021, and 40,185 will vest on June 1, 2023.

(14) 4,230 of these restricted shares vested on July 20, 2020. 67,682 of these RSUs vested on July, 20, 2020. 3,654 of these RSUs will vest on August 1, 2020, and 3,654 of these RSUs will vest on August 1, 2021. 4,653 of these RSUs will vest on August 1, 2020, 4,652 of these RSUs will vest on August 1, 2021 and 4,651 of these RSUs will vest on August 1, 2022. An additional 40,185 of these RSUs will vest on June 1, 2023.

(15) 3,384 of these restricted shares vested on July 20, 2020. 88,654 of these RSUs vested on July, 17, 2020. 5,374 of these RSUs will vest on August 1, 2020, and 5,373 of these RSUs will vest on August 1, 2021. 5,214 of these RSUs will vest on August 1, 2020, 5,214 of these RSUs will vest on August 1, 2021, and 5,213 of these RSUs will vest on August 1, 2022.

(16) 5,640 of these restricted shares vested on July 20, 2020. 101,523 of these RSUs vested on July, 17, 2020. 5,374 of these RSUs will vest on August 1, 2020, and 5,373 of these RSUs will vest on August 1, 2021. 5,214 of these RSUs will vest on August 1, 2020, 5,214 of these RSUs will vest on August 1, 2021, and 5,213 of these RSUs will vest on August 1, 2022.

OPTION EXERCISES AND STOCK VESTED DURING FISCAL 2020

The following table sets forth information concerning stock option exercises and vesting of restricted stock during fiscal 2020 for each of the Named Executive Officers on an aggregated basis.

	OPTION AWARDS		STOCK AWARDS	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ON EXERCISE ($)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED ON VESTING ($)
John J. Donahoe II	—	—	2,050	175,009
Mark G. Parker	495,000	37,335,095	61,396	5,287,715
Matthew Friend	30,000	2,119,014	5,386	478,840
Andrew Campion	180,000	12,227,100	14,904	1,282,370
Hilary K. Krane	71,500	4,454,945	12,906	1,106,558
Monique Matheson	58,500	4,350,961	7,762	659,915
John F. Slusher	220,000	14,472,776	11,053	950,929
Elliott J. Hill	214,100	13,429,041	11,638	995,312
Eric D. Sprunk	120,000	7,359,396	15,334	1,318,111

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information regarding outstanding options and shares available for future issuance under equity compensation plans approved by shareholders and equity compensation plans that were not approved by shareholders as of May 31, 2020. The table does not reflect issuances made during fiscal 2021.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS[1] (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (c)
Equity compensation plans approved by shareholders	94,763,732 (2)	$60.9754	53,814,523 (3)
Equity compensation plans not approved by shareholders	—	—	5,431,497 (4)
Total	94,763,732	$60.9754	59,246,020

(1) *Weighted-average exercise prices do not reflect the shares that will be used upon the payment of outstanding awards of RSUs.*

(2) *Includes 94,763,732 shares subject to awards of options, RSUs, and stock appreciation rights outstanding under the Stock Incentive Plan (including the maximum number of performance-based RSUs granted to Mr. Parker).*

(3) *Includes 46,441,872 shares available for future issuance under the Stock Incentive Plan and 7,372,651 shares available for future issuance under the Employee Stock Purchase Plan.*

(4) *Includes 5,431,497 shares available for future issuance under the Foreign Subsidiary Employee Stock Purchase Plan, pursuant to which shares are offered and sold to employees of selected non-U.S. subsidiaries of the Company on substantially the same terms as those offered to U.S. employees under the shareholder-approved Employee Stock Purchase Plan as described above under "Compensation of our Named Executive Officers—Other Compensation—Employee Stock Purchase Plan".*

NON-QUALIFIED DEFERRED COMPENSATION IN FISCAL 2020

NAME	PLAN NAME	EXECUTIVE CONTRIBUTIONS IN FISCAL 2020[1]	NIKE CONTRIBUTIONS IN FISCAL 2020[1]	AGGREGATE EARNINGS IN FISCAL 2020	AGGREGATE WITHDRAWALS/ DISTRIBUTIONS IN FISCAL 2020	AGGREGATE BALANCE AT MAY, 31 2020[1]
John J. Donahoe II	DCP	$ 63,695	$ —	$ 35,211	—	$ 625,733
Mark G. Parker	DCP	$ 1,243,339	$ 24,704	$ 516,549	—	$ 20,852,430
Matthew Friend	DCP	$ —	$ 9,503	$ 35,400	—	$ 461,523
Andrew Campion	DCP	$ 273,077	$ 13,453	$ 152,737	—	$ 2,187,249
Hilary K. Krane	DCP	$ 469,032	$ 13,250	$ 459,082	—	$ 5,806,035
Monique Matheson	DCP	$ 606,098	$ 11,319	$ 208,050	—	$ 2,362,053
John F. Slusher	DCP	$ 1,111,127	$ 11,386	$ 926,048	—	$ 12,757,055
Elliott J. Hill	DCP	$ 380,769	$ 25,764	$ 417,213	—	$ 8,690,241
Eric D. Sprunk	DCP	$ —	$ 15,283	$ 975,107	—	$ 13,479,957

(1) *All amounts reported in the Executive Contributions column are also included in amounts reported in the Summary Compensation Table. The amounts reported in the NIKE Contributions column represent profit sharing contributions made by us in early fiscal 2020 based on fiscal 2019 results; these amounts are also included in amounts reported for fiscal 2019 in the All Other Compensation column of the Summary Compensation Table. Of the amounts reported in the Aggregate Balance column, the following amounts have been reported in the Summary Compensation Tables in this proxy statement or in prior year proxy statements: Mr. Donahoe, $63,695; Mr. Parker, $17,824,275; Mr. Friend, $9,503; Mr. Campion, $1,297,355; Ms. Krane, $1,244,848; Ms. Matheson, $617,417; Mr. Slusher, $2,794,490; Mr. Hill, $447,511; and Mr. Sprunk, $5,085,945.*

NON-QUALIFIED DEFERRED COMPENSATION PLANS

The Named Executive Officers are eligible to participate in our Deferred Compensation Plan (the "DCP"). Participants in the DCP may elect in advance to defer up to 100 percent of their annual base salary, bonus, and long-term incentive payments.

Generally, we make annual profit sharing contributions to defined contribution retirement plans. The contributions are allocated among eligible employees based on a percentage of their total salary and bonus for the year. To the fullest extent permitted under Internal Revenue Code limitations, these contributions are made to employees' accounts under our qualified 401(k) Savings and Profit Sharing Plan. Contributions based on salary and bonus in excess of the tax law limit ($280,000 for fiscal 2020) are made as NIKE contributions under the DCP.

Amounts deferred under the DCP are credited to a participant's account under the DCP. Each participant may allocate his or her account among any combination of the investment funds available under the DCP. Participants' accounts are adjusted to reflect the investment performance of the funds selected by the participants. Participants can change the allocation of their account balances daily. The funds available under the DCP consist of 18 mutual funds with a variety of investment objectives. The investment funds had annual returns in fiscal 2020 ranging from -14.51% to 21.62%. Amounts credited to participants' accounts are invested by us in actual investments matching the investment options selected by the participants to ensure that we do not bear any investment risk related to participants' investment choices.

The portion of a participant's account attributable to elective deferrals, including investment returns, is fully vested at all times. The portion of a participant's account attributable to NIKE contributions, including investment returns, is fully vested after the participant has been employed by us for five years. All of the Named Executive Officers, other than Mr. Donahoe, are fully vested in their NIKE contributions.

Each time they elect to defer compensation, participants make an election regarding distribution of the compensation deferred under the election (as adjusted to reflect investment performance). A participant may elect for distribution to be made in a lump sum at the beginning of a predetermined year while the participant is still employed or in service (but no sooner than the fourth year after the year in which the distribution election is submitted). Alternatively, a participant may elect for distribution to be made in a lump sum or in quarterly installments over five, ten or fifteen years after termination of employment or service. Participants have limited rights to change their distribution elections. Participants may make a hardship withdrawal under certain circumstances. Subject to certain limitations, a participant may also at any time request to withdraw amounts from his or her account balance that were vested as of December 31, 2004 (and any subsequent investment returns on such amount). If such request is approved, the participant may withdraw 90% of the amount requested, and the remaining 10% will be permanently forfeited.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

CHANGE-IN-CONTROL COMPENSATION — ACCELERATION OF EQUITY AWARDS

All unvested stock option, restricted stock, and RSU awards are subject to accelerated vesting upon the occurrence of two events (a "double-trigger"): there is a "change-in-control"; and the Named Executive Officer's employment is terminated by us without "cause" or by the Named Executive Officer for "good reason", in each case between the change-in-control (or shareholder approval of the change-in-control, if earlier) and the second anniversary of the change-in-control. Stock options will be exercisable for four years following termination of employment, but not beyond each option's original 10-year term. Accelerated vesting of stock options and RSUs will also occur if we are acquired and the acquiring company does not assume the outstanding options or RSUs. For purposes of our stock awards, "change-in-control" is generally defined to include:

- the acquisition by any person of 50% or more of our outstanding Class A Stock or, if the Class A Stock no longer elects a majority of directors, the acquisition by any person of 30% or more of our total outstanding Common Stock,
- the nomination (and subsequent election) in a two-year period of a majority of our directors by persons other than the incumbent directors,
- a sale of all or substantially all of our assets, and
- an acquisition of NIKE through a merger, consolidation or share exchange.

For purposes of our stock awards, "cause" generally includes willful and continued failure to substantially perform assigned duties and willful engagement in illegal conduct materially injurious to us, and "good reason" generally includes a material diminution in position or duties, a salary reduction or material reduction in other benefits, and a home office relocation of over 50 miles.

The following table shows the estimated benefits that would have been received by the Named Executive Officers if double-trigger accelerated vesting had occurred on May 31, 2020, when the closing price of our Class B Stock was $98.58 per share.

NAME	STOCK AWARD ACCELERATION(1)	STOCK OPTION ACCELERATION(2)	TOTAL
John J. Donahoe II	$ 20,360,615	$ —	$ 20,360,615
Mark G. Parker	$ 65,684,447	$ 12,370,952	$ 78,055,399
Matthew Friend	$ 2,367,004	$ 1,936,611	$ 4,303,615
Andrew Campion	$ 12,914,670	$ 4,861,406	$ 17,776,076
Hilary K. Krane	$ 9,495,226	$ 4,711,818	$ 14,207,044
Monique Matheson	$ 7,907,891	$ 3,531,843	$ 11,439,734
John F. Slusher	$ 9,185,290	$ 4,582,031	$ 13,767,321
Elliott J. Hill	$ 11,674,435	$ 4,434,819	$ 16,109,254
Eric D. Sprunk	$ 13,165,458	$ 5,481,932	$ 18,647,390

(1) *Information regarding unvested restricted stock and RSUs held by each Named Executive Officer is set forth in the Outstanding Equity Awards table above. The amounts in the table above represent the number of unvested restricted shares and RSUs (with Mr. Parker's Performance-Based RSUs calculated at 100% of target) multiplied by the closing price of our Class B Stock on May 31, 2020.*

(2) *Information regarding outstanding unvested stock options held by each Named Executive Officer is set forth in the Outstanding Equity Awards table above. The amounts in the table above represent the aggregate value as of May 31, 2020 of those options using the excess of the per share closing price of our Class B Stock on May 31, 2020 over the per share exercise price, multiplied by the number of unvested option shares for each Named Executive Officer.*

BENEFITS TRIGGERED ON CERTAIN EMPLOYMENT TERMINATIONS

STOCK OPTION ACCELERATION AND EXTENSION

As of May 31, 2020, each Named Executive Officer held stock options as listed in the Outstanding Equity Awards table above. Under the terms of Mr. Donahoe's performance-based stock options, upon his death, disability, or termination without "cause", unvested options are deemed to have satisfied any continued employment requirement and have two years following termination of employment to vest relative to the performance metric, and vested options are exercisable for four years following termination of employment, but not beyond the original 10-year term. Under the terms applicable to all other stock options held by the Named Executive Officers, upon the death or disability of the holder, all unvested options vest and are exercisable for four years following termination of employment, but not beyond each option's original 10-year term. If death or disability (or with respect to Mr. Donahoe's performance-based stock options, a termination without "cause") of a Named Executive Officer had occurred on May 31, 2020, the aggregate value of those options would have been $0 for Mr. Donahoe, $12,370,952 for Mr. Parker, $1,936,611 for Mr. Friend, $4,861,406 for Mr. Campion, $4,711,818 for Ms. Krane, $3,531,843 for Ms. Matheson, $4,582,031 for Mr. Slusher, $4,434,819 for Mr. Hill, and $5,481,932 for Mr. Sprunk.

Under the terms of Mr. Donahoe's performance-based stock options, if he retires with at least 5 years of service (disregarding his years of service as a non-employee director prior to his employment), unvested options will be forfeited and vested options will be exercisable for four years following termination of employment, but not beyond the option's original 10-year term. Under the terms applicable to all other stock options held by the Named Executive Officers, options that have been outstanding for at least one year will be subject to continued vesting if the holder retires after reaching age 55 with at least 5 years of service (or accelerated vesting if the holder retires after reaching age 60 with at least 5 years of service), and vested options will be exercisable for four years following termination of employment, but not beyond each option's original 10-year term. If the Named Executive Officers had retired on May 31, 2020, the aggregate value of stock options would have been $0 for Mr. Donahoe, $7,697,888 for Mr. Parker, $3,356,625 for Ms. Krane, $2,916,075 for Mr. Hill, and $3,963,188 for Mr. Sprunk. Messrs. Friend, Campion, and Slusher and Ms. Matheson are not eligible for retirement vesting because these Named Executive Officers have not reached age 55.

STOCK AWARD ACCELERATION

As of May 31, 2020, each Named Executive Officer held unvested restricted stock and/or RSUs as set forth in the Outstanding Equity Awards table above. Under the terms of their award agreements, all unvested restricted shares and RSUs will immediately vest fully upon the death or disability of the holder, except that performance-based RSUs held by Mr. Parker would vest at the threshold amount. The value of the unvested restricted shares and RSUs held by each Named Executive Officer as of May 31, 2020 that would have become vested if death or disability had occurred on that date is as set forth in the "Stock Award Acceleration" column of the Change-in-Control Compensation — Acceleration of Equity Awards table above, except that the amount for Mr. Parker would be $49,257,470.

PAYMENTS UNDER NONCOMPETITION AGREEMENTS

We have a noncompetition agreement with Mr. Donahoe that extends for eighteen months following the termination of his employment with us and a noncompetition agreement with Mr. Parker that extends for two years following the termination of his employment with us. Under these agreements, if Mr. Donahoe's employment is terminated by us without "cause" (as defined in his agreement), or if Mr. Parker's employment is terminated by us, we will make monthly payments to the executive during the noncompetition period in an amount equal to one-twelfth of his then current annual salary and target PSP award ("Annual NIKE Income"). The agreements provide further that if the executive voluntarily resigns, we will make monthly payments to him during the noncompetition period in an amount equal to one-twenty-fourth of his then current Annual NIKE Income. However, commencement of the above-described monthly payments will be delayed until after the six-month period following the executive's separation from service, and all payments that he would otherwise have received during that period will be paid in a lump sum promptly following the end of the period, together with interest at the prime rate. If employment is terminated without "cause" (as defined in the applicable agreement), the parties may mutually agree to waive the covenant not to compete, and if employment is terminated for "cause", we may unilaterally waive the covenant. If the covenant is waived, we will not be required to make the payments described above for the months as to which the waiver applies. Assuming that Mr. Donahoe's employment had been terminated on May 31, 2020 and the covenant was not waived, during the 18-month period ending November 30, 2021 we would have been required to pay Mr. Donahoe $375,000 per month if the termination was by us without "cause", or $187,500 per month if he had voluntarily resigned. Assuming that Mr. Parker's employment had been terminated on May 31, 2020 and the covenant was not waived, during the 24-month period ending May 31, 2022 we would have been required to pay Mr. Parker $425,000 per month if the termination was by us, or $212,500 per month if he had voluntarily resigned.

We have noncompetition agreements with each of the other Named Executive Officers on generally the same terms as Mr. Donahoe, except that the noncompetition period is one year, we may unilaterally waive the covenant in all cases (including a termination without "cause"), the monthly payments are one-twelfth or one-twenty-fourth of the executive's then current annual salary (instead of their Annual NIKE Income), and payments may commence on termination. Assuming that the employment of each of these Named Executive Officers had been terminated by us without "cause" on May 31, 2020 and the covenants were not waived, we would have been required to pay Mr. Friend $72,917, Mr. Campion $91,667, Ms. Krane $91,667, Ms. Matheson $91,667, Mr. Slusher $91,667, Mr. Hill $100,000, and Mr. Sprunk $100,000, each on a monthly basis for the 12-month period ending May 31, 2021. Assuming that each of these Named Executive Officers had voluntarily resigned on May 31, 2020 and the covenants were not waived, we would have been required to pay Mr. Friend $36,458, Mr. Campion $45,833, Ms. Krane $45,833, Ms. Matheson $45,833, Mr. Slusher $45,833, Mr. Hill $50,000, and Mr. Sprunk $50,000, each on a monthly basis for the 12-month period ending May 31, 2021.

CEO PAY RATIO

NIKE's pay and benefits are designed to be competitive and equitable, meet the diverse needs of our global teammates, and reinforce our values. We pay for performance and impact by linking incentive pay to company performance and seek to invest in positive experiences that have the greatest impact on the engagement and wellbeing of our employees. The executive compensation program is highly incentive-based and weighted towards long-term awards to emphasize long-term performance and support retention. Our executive compensation program is designed to attract and retain top-tier talent in a competitive market and to "pay for performance" in order to drive business results and maximize shareholder value.

For fiscal 2020, our last completed fiscal year:

- The employee identified at the median of all NIKE employees (other than our CEO) was a retail store employee in the United States;
- The annual total compensation of the median employee was $28,142;
- The annual total compensation of our CEO, Mr. Donahoe, was $54,451,903; and
- The estimated ratio of the annual total compensation of our CEO to the median annual total compensation of all other NIKE employees was 1935 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio allow companies to adopt a variety of methodologies, apply certain exclusions, and make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

CEO

Mr. Donahoe became President and CEO of NIKE on January 13, 2020. As permitted by SEC rules, in calculating this pay ratio we annualized Mr. Donahoe's fiscal 2020 compensation by utilizing his annual base salary. No other adjustments were made to Mr. Donahoe's fiscal 2020 compensation as reported in the Summary Compensation Table.

MEDIAN EMPLOYEE

For purposes of calculating this pay ratio, we used the same median employee that was identified in fiscal 2019, as we believe there has been no change in our employee population, our compensation arrangements, or our median employee's circumstances that would significantly affect our pay ratio disclosure. The determination of the median employee was made in fiscal 2019 using the methodology described below, and the median employee's fiscal 2020 annual total compensation was calculated based on the Summary Compensation Table rules used for our Named Executive Officers (in accordance with Item 402(c)(2)(x) of Regulation S-K).

2019 METHODOLOGY

We selected May 1, 2019 as the date to determine the median employee. At that time, we had approximately 75,109 employees globally. After applying the "de minimis exemption" under the SEC rules, which permits us to exclude non-U.S. employees accounting for 5% or less of our total employee population, we excluded the 3,752 employees in the jurisdictions identified below, and our employee population consisted of approximately 71,357 employees.

Slovakia	1	Hungary	74	Vietnam	193
Slovenia	1	Sweden	83	Greece	201
United Arab Emirates	5	Indonesia	88	Israel	204
Sri Lanka	6	Czech Republic	89	Austria	205
Philippines	23	Denmark	90	Portugal	209
Croatia	25	India	99	South Africa	212
Macao	34	Switzerland	112	Poland	238
New Zealand	53	Ireland	121	Turkey	445
Uruguay	67	Malaysia	167	Hong Kong	454
Norway	71	Thailand	182		

Of the 71,357 employees included in the CEO Pay Ratio calculation, approximately 72% were full-time, 53% were in retail jobs, and 51% were located in the United States.

To identify our median employee we calculated annual compensation for fiscal 2019 based on base salary or hourly wages, as applicable. For the majority of our employees, base salary or hourly wages comprise the majority of their compensation. To determine wages for hourly employees, we used each individual’s pay rate and estimated scheduled hours in the applicable Human Resources system of record.

After determining the annual compensation for our employee population as described above, we identified a subset of approximately 100 individuals representing the potential median employee population. For this subset, we calculated each employee’s annual total compensation in U.S. dollars for fiscal 2019 based on the Summary Compensation Table rules used for our Named Executive Officers (in accordance with Item 402(c)(2)(x) of Regulation S-K). Compensation for permanent employees hired during the fiscal year was annualized and the median employee was then selected from the subset to determine the CEO Pay Ratio.

AUDIT MATTERS

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit & Finance Committee of the Board of Directors has sole authority to retain, with shareholder ratification, the Company's independent registered public accounting firm. The Audit & Finance Committee directly oversees the firm's work with respect to the annual audit of the Company's consolidated financial statements and internal control over financial reporting and approves all audit engagement fees and terms. At least annually, the Audit & Finance Committee evaluates the independent registered public accounting firm's qualifications, performance, and independence, including a review and evaluation of its lead partner. The Audit & Finance Committee is also involved in the selection of the new lead engagement partner following mandated rotation of the firm's lead partner, and is responsible for considering the benefits of rotation of the Company's independent registered public accounting firm.

The Audit & Finance Committee has appointed PricewaterhouseCoopers LLP to audit the Company's consolidated financial statements and internal control over financial reporting for the fiscal year ending May 31, 2021 and to render other professional services as required.

PricewaterhouseCoopers LLP has served as the Company's independent registered public accounting firm for many years. The Audit & Finance Committee and the Board of Directors believe that the continued retention of PricewaterhouseCoopers LLP as the independent registered public accounting firm is in the best interests of the Company and its shareholders.

Accordingly, the Audit & Finance Committee is submitting the appointment of PricewaterhouseCoopers LLP to shareholders for ratification. If the appointment is not ratified by our shareholders, the Audit & Finance Committee may reconsider whether it should appoint another independent registered public accounting firm.

Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to questions.

Aggregate fees billed by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, for audit services related to the most recent two fiscal years, and for other professional services incurred in the most recent two fiscal years, were as follows:

TYPE OF SERVICE	2020	2019
Audit Fees(1)	$21.0 million	$21.8 million
Audit-Related Fees(2)	0.1 million	0.1 million
Tax Fees(3)	0.6 million	1.4 million
All Other Fees(4)	0.7 million	0.3 million
Total	$22.4 million	$23.6 million

(1) Comprises the audits of the Company's annual financial statements and internal controls over financial reporting, and reviews of the Company's quarterly financial statements, as well as statutory audits of Company subsidiaries, attest services and consents to SEC filings.

(2) Comprises services including consultations regarding financial accounting and reporting.

(3) Comprises services for tax compliance, tax planning and tax advice. Tax compliance includes services for compliance related tax advice, as well as the preparation and review of both original and amended tax returns for the Company and its consolidated subsidiaries. Tax compliance related fees represented $0.2 million of the tax fees for both fiscal 2020 and 2019. The remaining tax fees primarily include tax advice.

(4) Comprises other miscellaneous services.

In accordance with the Sarbanes-Oxley Act of 2002, the Audit & Finance Committee established policies and procedures under which all audit and non-audit services performed by the Company's independent registered public accounting firm must be approved in advance by the Audit & Finance Committee. During fiscal 2020, all such services performed by, and fees paid to, PricewaterhouseCoopers LLP were approved in advance. During fiscal 2019, PricewaterhouseCoopers LLP was engaged to be paid fees totaling $2,500, or less than 0.1% of total fees, for one service that was not pre-approved. Such service was approved by the Audit & Finance Committee promptly after its inadvertent omission from pre-approval was noticed.

BOARD RECOMMENDATION

✔ The Board of Directors recommends that shareholders vote **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2021.

REPORT OF THE AUDIT & FINANCE COMMITTEE

The Audit & Finance Committee has:

- Reviewed and discussed the audited financial statements with management.
- Discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC.
- Received the written disclosures and the letter from the independent accountants required by applicable requirements of the PCAOB regarding the independent accountants' communications concerning independence, and has discussed with the independent accountant the independent accountant's independence.
- Based on the review and discussions above, recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

Members of the Audit & Finance Committee:

- Alan B. Graf, Jr., Chair
- John G. Connors
- Peter B. Henry

STOCK INCENTIVE PLAN

PROPOSAL 4

APPROVAL OF STOCK INCENTIVE PLAN

The Board of Directors is asking our shareholders to approve an amendment and restatement of the NIKE, Inc. Stock Incentive Plan (the "Amended Plan"). The Stock Incentive Plan was originally adopted by the Board and approved by shareholders in 1990 as the 1990 Stock Incentive Plan, and an amended and restated version was most recently adopted by the Board and approved by shareholders in 2015 (the "Current Plan"). On the recommendation of the Compensation Committee, the Board unanimously adopted the Amended Plan on June 17, 2020, subject to shareholder approval at the Annual Meeting.

If this proposal is approved by our shareholders, the Amended Plan will replace the Current Plan with respect to awards granted after the Annual Meeting. If this proposal is not approved, the Current Plan will remain in effect.

We recommend that shareholders approve the Amended Plan to permit the continued use of stock-based compensation. Stock-based compensation is an important part of our compensation structure and serves the best interests of our shareholders by:

- rewarding long-term Company performance;
- aligning employees' interests with those of our shareholders; and
- enabling us to attract and retain top-tier talent in a competitive marketplace.

As of our record date, July 17, 2020, only 46,144,669 of the 718,000,000 shares authorized under the Current Plan remained available for future grants, a number that the Compensation Committee and the Board believe is insufficient to meet our future needs. Therefore, if the Amended Plan is not approved, we may need to replace the stock-based components of our compensation with cash, which may increase compensation expense, reduce compensation alignment with shareholder interests, and impede our ability to attract and retain talent.

BOARD RECOMMENDATION

✔ The Board of Directors recommends that shareholders vote **FOR** approval of the following resolution:

RESOLVED, that the shareholders approve the NIKE, Inc. Stock Incentive Plan as amended and restated.

SUMMARY OF THE STOCK INCENTIVE PLAN

The following summary of the Amended Plan is qualified in its entirety by reference to the complete text of the Amended Plan, which is attached to this proxy statement as Exhibit A. Capitalized terms used in this proposal that are not otherwise defined have the meanings given to them in the Amended Plan.

BEST PRACTICES

The Amended Plan includes several features designed to protect the interests of our shareholders and reflect sound corporate governance practices and our compensation philosophy, including the following:

- **Fungible share pool.** Shares issued in connection with "full value" stock awards, including restricted stock and restricted stock units ("RSUs"), will count against the number of shares authorized for issuance under the Amended Plan at a higher rate than shares issued upon exercise of stock options and stock appreciation rights ("SARs") after a threshold for full value awards is exceeded.
- **No "evergreen" provision.** There is no evergreen feature pursuant to which the shares authorized for issuance under the Amended Plan can be automatically replenished.
- **No discounted options or SARs, and no repricing.** Stock options and SARs may not be granted with an exercise or grant price lower than the fair market value of the underlying shares on the date of grant, and the Amended Plan prohibits the direct or indirect repricing of underwater stock options or SARs without prior shareholder approval.
- **Double-trigger change-in-control vesting**. If awards are assumed by a successor company in connection with a change in control (which is triggered only by the occurrence, rather than shareholder approval, of a merger or other change-in-control event), such awards will not automatically vest and pay out solely as a result of the change in control.
- **Awards subject to clawback policy.** Awards granted under the Amended Plan are subject to the Company's clawback policy.
- **No transferability.** Awards generally may not be transferred, except by will or the laws of descent and distribution, unless the transfer is approved by the Compensation Committee and is for no consideration.

BURN RATE AND POTENTIAL DILUTION

The Amended Plan will increase the number of shares of Class B Stock authorized for issuance under the Stock Incentive Plan by 80,000,000 shares, from 718,000,000 shares to 798,000,000 shares. We believe this will provide sufficient shares for the Company's stock-based compensation needs through the 2024 annual meeting of shareholders. This estimate is based on our historical share usage, adjusted for growth and to allow for flexibility around types of awards used, though actual issuances could be materially different from this estimate.

In setting the number of shares authorized for issuance under the Amended Plan, we considered our historic burn rate, which measures annual share utilization. As shown in the following table, the Company's three-year average burn rate was 1.3%, which is below the benchmarks applied to our industry by certain major proxy advisory firms.

FISCAL YEAR	STOCK OPTIONS AND SARS GRANTED (in millions)	FULL VALUE AWARDS GRANTED (in millions)	TOTAL GRANTED (in millions)	WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING (CLASS A AND CLASS B) (in millions)	BURN RATE (%)
2020	19.1	3.8	22.9	1,559	1.5
2019	18.1	2.5	20.6	1,580	1.3
2018	16.8	1.8	18.6	1,624	1.1
Average	—	—	—	—	1.3

We also considered overhang, which measures potential shareholder dilution, in setting the number of additional shares authorized for issuance under the Amended Plan. As of our record date of July 17, 2020, there were 1,559,888,549 shares of Class A Stock and Class B Stock outstanding, 92,331,425 shares of Class B Stock were subject to outstanding stock-based awards, and 46,144,669 shares were available for future awards under the Current Plan. Therefore, as of July 17, 2020, our overhang (calculated as the number of shares subject to outstanding awards plus the number of shares available to be granted ("Total Award Shares"), divided by the total number of outstanding shares of Class A Stock and Class B Stock) was 9%. Had the 80 million additional shares being requested under the Amended Plan been available for grant as of the record date, our overhang would have increased to 14%.

KEY TERMS

PURPOSE

The purpose of the Amended Plan is to enable the Company to attract and retain experienced individuals to serve as employees, officers, directors, consultants, advisors, and independent contractors, and to provide incentives for them to apply their best efforts on behalf of the Company.

ELIGIBILITY

Participants under the Amended Plan may include employees, officers, and directors of the Company and any parent or subsidiary corporation of the Company, as well as consultants, advisors, and independent contractors to the Company (and any parent or subsidiary corporation of the Company). As of July 17, 2020, it is anticipated that approximately 6,500 employees, including 8 officers, and all of our non-employee directors (12 as of July 17, 2020) will be eligible to receive awards under the Amended Plan.

ADMINISTRATION

The Amended Plan generally will be administered by a committee appointed by the Board (the "Committee"), which will be the Compensation Committee. Among other actions, the Committee may adopt rules, regulations, and award agreements for the Amended Plan and will determine the individuals to whom awards are made, the amount of the awards, and the other terms and conditions of the awards. The Committee may also advance any waiting period, accelerate any exercise date, or waive or modify any restriction with respect to an award. The Committee may delegate its authority under the Amended Plan within limits it establishes.

SHARES SUBJECT TO THE AMENDED PLAN

The Amended Plan provides that the aggregate number of shares of Class B Stock authorized for issuance is 798,000,000. Each share that is subject to a stock option or SAR will be counted against the shares available under the Amended Plan as one share, except that SARs payable solely in cash will not be counted against the number of shares available under the Amended Plan. Shares subject to "full value" Stock Awards generally will be counted against the shares available under the Amended Plan as one share for each share issued. However, if the aggregate number of shares issued pursuant to Stock Awards and Performance-Based Awards granted after July 16, 2010 exceeds 25,000,000 shares, plus the number of shares forfeited or withheld to satisfy tax withholding obligations under Stock Awards outstanding as of July 16, 2010, then any shares issued under such awards in excess of that number will be counted against the shares available under the Amended Plan as 2.8 shares for each share issued.

Shares underlying awards that expire, terminate, are canceled, or are forfeited to the Company may be reused for subsequent awards, except that shares withheld upon exercise of stock options or SARs in full or partial satisfaction of the exercise price or tax withholding amount may not be reused. Shares tendered to, or withheld by, the Company to satisfy tax withholding obligations with respect to the vesting or settlement of stock awards may be reused for subsequent awards.

MAXIMUM AWARDS

The Amended Plan provides that the maximum number of shares of Class B Stock authorized for issuance as incentive stock options is 798,000,000. No non-employee director may be granted any award or awards denominated in shares in excess of $500,000 in the aggregate in any fiscal year, plus an additional $500,000 in value for one-time awards to a newly appointed or elected non-employee director.

DIVIDENDS

Awards under the Amended Plan may be credited with dividends or dividend equivalents, and the Committee may apply any restrictions to the dividends or dividend equivalents that it deems appropriate. For awards under the Amended Plan that are subject to performance goals, no dividends or dividend equivalents may be paid with respect to any unearned portion of the award.

TYPES OF AWARDS

The Amended Plan authorizes the award of stock options, SARs, and Stock Awards:

- **Stock Options.** Stock options may be granted as incentive stock options (within the meaning of Section 422 of the Code) or non-statutory stock options. A stock option entitles the recipient to purchase up to a specified total number of shares of Class B Stock at a specified exercise price per share. The exercise price per share will be determined by the Committee, but may not be less than 100% of the fair market value of a share of Class B Stock on the date of grant. Fair market value generally will be the closing price of the Class B Common Stock on the date of grant. No stock option can be exercised more than 10 years after the date of grant. Except as approved by shareholders, or in connection with a change in the Company's capitalization or similar event, no stock option may be amended to reduce its exercise price, or canceled in exchange for cash, another award, or any other consideration at a time when the exercise price exceeds the fair market value of the Class B Stock. The Committee has discretion to allow stock options to be transferred for no consideration to immediate family members of the grantee.

- **Stock Appreciation Rights.** A SAR entitles the recipient to receive shares of Class B Stock or cash, or a mixture of shares and cash, equal in value to the appreciation of a share of Class B Stock over its fair market value on the date of grant (or for SARs granted in connection with an option, the applicable option exercise price). SARs may, but need not, be granted in connection with an option. If a SAR is granted in connection with an option, it is exercisable only to the extent, and on the same conditions, that the related option is exercisable. No SAR can be exercised more than 10 years after the date of grant. Except as approved by shareholders, or in connection with a change in the Company's capitalization or similar event, no SAR may be amended to reduce its grant price, or canceled in exchange for cash, another award, or any other consideration at a time when the grant price exceeds the fair market value of the Class B Stock.
- **Stock Awards.** Stock Awards are shares of Class B Stock granted under the Amended Plan, which may be subject to such restrictions as the Committee may determine, including time-based and performance-based vesting conditions. Stock Awards subject to restrictions may be granted as either restricted stock awards (which are shares of Class B Stock that are subject to forfeiture if vesting conditions are not satisfied) or RSUs (which are unfunded, unsecured rights to receive a share of Class B Stock after vesting conditions are satisfied).

CHANGE IN CONTROL

The Amended Plan does not provide for "single-trigger" acceleration if an acquiring company assumes the outstanding awards. Except as otherwise provided in an award agreement, the Amended Plan generally provides for "double-trigger" acceleration of stock options, SARs, and RSUs if there is a Change in Control and the participant's employment is terminated without Cause or for Good Reason between the occurrence of the Change in Control (or Shareholder Approval, if earlier), and the second anniversary of the Change in Control. Vesting will also be accelerated if the Company is acquired and the acquiring company does not assume the outstanding options, SARs and RSUs.

CLAWBACK

Except as otherwise provided in an award agreement, awards under the Amended Plan will be subject to: (1) the Company's Policy for Recoupment of Incentive Compensation as in effect at the time of grant, (2) such other policies regarding clawback or recoupment of incentive compensation as may be subsequently approved by the Committee, (3) any clawback or recoupment provisions set forth in any award agreement, and (4) the requirements of applicable laws and regulations regarding clawback or recoupment of incentive compensation.

CORPORATE MERGERS

The Committee may make awards under the Amended Plan that have terms and conditions that vary from those specified in the Amended Plan when such awards are granted in substitution for, or in connection with the assumption of, existing awards made by another corporation and assumed, or otherwise agreed to be provided for, by the Company in connection with a merger or other similar transaction. Awards granted in substitution for awards of an acquired company will not be counted against shares available under the Amended Plan.

AMENDMENT AND TERMINATION

The Amended Plan will continue until all shares available for issuance under the Stock Incentive Plan have been issued and all restrictions on such shares have lapsed. No awards may be made under the Amended Plan on or after the tenth anniversary of the last shareholder approval increasing the number of shares available for issuance under the Amended Plan. Accordingly, approval of the Amended Plan will extend the term in which awards may be made under the Stock Incentive Plan to September 17, 2030. The Board has the power to suspend, terminate, modify, or amend the Amended Plan at any time, provided that an amendment requires shareholder approval if such approval is required by the rules of any stock exchange on which our Class B Stock is traded.

NEW PLAN BENEFITS

Awards granted under the Amended Plan will be subject to the Committee's discretion, and the Committee has not determined future awards or who might receive them. As a result, the benefits that will be awarded under the Amended Plan are not determinable at this time. The awards granted for fiscal 2020, which would not have changed if the Amended Plan had been in place instead of the Current Plan, are set forth in the following table:

NAME AND POSITION	DOLLAR VALUE ($)	NUMBER OF SHARES / UNITS
John J. Donahoe II President and Chief Executive Officer	44,516,498	1,212,922
Mark G. Parker Executive Chairman, and former President and Chief Executive Officer	9,540,639	350,392
Matthew Friend Executive Vice President and Chief Financial Officer	1,061,678	40,908
Andrew Campion Executive Vice President and Chief Operating Officer, and former Chief Financial Officer	2,766,794	101,614
Hilary K. Krane Executive Vice President, Chief Administrative Officer, and General Counsel	2,766,794	101,614
Monique Matheson Executive Vice President, Global Human Resources	2,766,794	101,614
John F. Slusher Executive Vice President, Global Sports Marketing	2,766,794	101,614
Elliott J. Hill Former President, Consumer and Marketplace	3,100,764	113,878
Eric D. Sprunk Former Chief Operating Officer	3,100,764	113,878
Current executive officers, as a group	65,223,931	1,978,605
Non-employee directors, as a group	1,925,546	21,877
Non-executive officer employees, as a group	1,770,773,706	20,852,608

U.S. FEDERAL INCOME TAX INFORMATION

The following is a general summary of the U.S. federal income tax consequences of awards under the Amended Plan to the Company and to participants in the Amended Plan who are citizens or residents of the United States for U.S. federal tax purposes. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect on the date of this proxy statement and is, therefore, subject to future changes in the law, possibly with retroactive effect. The summary is general in nature and does not purport to be legal or tax advice. Furthermore, the summary does not address issues relating to any U.S. gift or estate tax consequences or the consequences of any state, local or foreign tax laws.

STOCK OPTIONS

- **Nonstatutory Stock Options.** A participant receiving nonstatutory stock options should not recognize taxable income at the time of grant. A participant should generally recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the option shares on exercise of the nonstatutory stock options over the exercise price thereof. In general, we will be entitled to deduct from our taxable income the amount that the individual is required to include in ordinary income at the time of such inclusion. Additional special rules apply if a participant exercises a nonstatutory stock option by paying the exercise price, in whole or in part, by the transfer of shares of common stock to the Company.
- **Incentive Stock Options.** A participant granted an incentive stock option will not generally recognize taxable income at the time of grant or, subject to certain conditions, at the time of exercise, although he or she may be subject to alternative minimum tax. If the participant holds the shares acquired upon exercise of an incentive stock option for at least two years after the grant date and for at least one year after the exercise date, upon disposition of the shares by the participant, the difference, if any, between the sale price of the shares and the exercise price of the option will be treated as long-term capital gain or loss. In general, if a disqualifying disposition should occur (i.e., the shares acquired upon exercise of the stock option are disposed of within the later of two years from the date of grant or one year from the date of exercise), a participant will generally recognize ordinary compensation income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the option shares at the time of exercise (or, if less, the amount realized on disposition), over the exercise price thereof. We are not entitled to any deduction on account of the grant of incentive stock options or the participant’s exercise of the option to acquire common stock. However, in the event of a subsequent disqualifying disposition of such shares of common stock acquired pursuant to the exercise of an incentive stock option under circumstances resulting in taxable compensation to the participant, in general, we should be entitled to a tax deduction equal to the amount treated as taxable compensation to the

participant. Additional special rules apply if a participant exercises an incentive stock option by paying the exercise price, in whole or in part, by the transfer of shares of common stock to the Company.

STOCK APPRECIATION RIGHTS

No income will be realized by a participant upon grant of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the payment received in respect of the stock appreciation right. We will be able to deduct this same amount for U.S. federal income tax purposes.

RESTRICTED STOCK AWARDS

A recipient of a restricted stock award generally will recognize compensation taxable as ordinary income when the shares cease to be subject to restrictions in an amount equal to the excess of the fair market value of the shares on the date the restrictions lapse over the amount, if any, paid by the participant with respect to the shares.

Instead of postponing the federal income tax consequences of a restricted stock award until the restrictions lapse, the participant may elect to recognize compensation taxable as ordinary income in the year of the award in an amount equal to the fair market value of the shares at the time of receipt. This election is made under Section 83(b) of the Code. A Section 83(b) election is made by filing a written notice with the Internal Revenue Service office with which the participant files his or her federal income tax return. The notice must be filed within 30 days of the date of grant of the restricted stock award for which the election is made and must meet certain technical requirements.

The tax treatment of a subsequent disposition of restricted stock will depend upon whether the participant has made a timely and proper Section 83(b) election. If the participant makes a timely and proper Section 83(b) election, when the participant sells the restricted shares, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. If no Section 83(b) election is made, any disposition after the restrictions lapse generally will result in short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, paid by the participant with respect to the shares, plus the amount of taxable ordinary income recognized by the participant either at the time the restrictions lapsed or at the time of the Section 83(b) election, as the case may be. If the participant forfeits the shares to the Company (e.g., upon the participant's termination prior to expiration of the restriction period), the participant may not claim a deduction with respect to the income recognized as a result of making a Section 83(b) election.

Any dividends paid with respect to shares of restricted stock generally will be taxable as ordinary income to the participant at the time the dividends are received.

RESTRICTED STOCK UNITS

A participant generally will not recognize income at the time a restricted stock unit is granted. When any part of a restricted stock unit is issued or paid, the participant generally will recognize compensation taxable as ordinary income at the time of such issuance or payment in an amount equal to the cash and then fair market value of any shares the participant receives.

OTHER AWARDS

The U.S. federal income tax consequences of other awards under the Plan will depend upon the specific terms of each award.

TAX CONSEQUENCES TO THE COMPANY

In the foregoing cases, the Company generally will be entitled to a deduction at the same time and in the same amount as a participant recognizes ordinary income, subject to certain limitations imposed under the Code.

SECTION 409A

We intend that awards granted under the Plan comply with, or otherwise be exempt from, Section 409A of the Code.

TAX WITHHOLDING

The Company is authorized to deduct or withhold from any award granted or payment due under the Plan, or require a participant to remit to the Company, the amount of any withholding taxes due in respect of the award or payment. Tendering shares held by the participant or share withholding for taxes is permitted.

SHAREHOLDER PROPOSAL

PROPOSAL 5

TO CONSIDER A SHAREHOLDER PROPOSAL REGARDING POLITICAL CONTRIBUTIONS DISCLOSURE

The following shareholder proposal (the "Proposal") will be voted on at the Annual Meeting only if properly presented by or on behalf of the shareholder proponent. Mercy A. Rome, c/o Newground Social Investment, 111 Queen Anne Ave N, Suite 500, Seattle, WA 98109, a beneficial owner of 33 shares of Class B Stock submitted the Proposal. The Board of Directors recommends a vote **AGAINST** the Proposal and asks shareholders to read through NIKE's response which follows the shareholder proposal.

RESOLVED: That the shareholders of NIKE, Inc. ("NIKE" or "Company") hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to: **(a)** participate or intervene in any campaign on behalf of (or in opposition to) any candidate for public office, or: **(b)** influence the general public, or any segment thereof, with respect to an election or referendum.

2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:

   a. The identity of the recipient as well as the amount paid to each; and

   b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

SUPPORTING STATEMENT

As long-term shareholders of NIKE, we support transparency and accountability in corporate electoral spending. This includes any activity considered intervention in a political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, or organizations, and independent expenditures or electioneering communications on behalf of federal, state, or local candidates.

Disclosure is in the best interest of the company and its shareholders. The Supreme Court recognized this in its 2010 Citizens United decision, which said, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages."

Publicly available records show NIKE has contributed at least $2.1 million in corporate funds since the 2010 election cycle (CQMoneyLine: http://moneyline.cq.com; National Institute on Money in State Politics: http://www.followthemoney.org).

However, relying on publicly available data does not provide a complete picture the Company's electoral spending. For example, the Company's payments to trade associations and other tax-exempt groups that may be used for election-related activities are undisclosed and unknown. This proposal asks the Company to disclose all of its electoral spending, including payments to trade associations and other tax-exempt organizations, which may be used for electoral purposes. This would bring our Company in line with a growing number of leading companies, including The Coca-Cola Company, Microsoft Corporation, and Kellogg Company, which present this information on their websites.

The Company's Board and shareholders need comprehensive disclosure to fully evaluate the use of corporate assets in elections.

THEREFORE: Please vote FOR this critical governance reform.

OPPOSITION STATEMENT

The Board of Directors recommends that shareholders vote AGAINST this Proposal because:

- Our current policies and public disclosures already address many of the items requested by the Proposal;
- In the Board's judgment, more disclosure than we already provide would not be in the best interests of shareholders; and
- NIKE received virtually identical proposals for its Annual Meetings in 2012, 2013, 2015, 2016, 2017, and 2018 and the proposals were rejected by approximately 78%, 82%, 73%, 71%, 70%, and 73%, respectively, of shares voted.

Frankly, we agree with our shareholders.

NIKE is committed to the highest ethical standards when engaging in political activities. We have strong governance practices and accountability in corporate spending on political activities, and maintain a level of transparency that we believe allows shareholders to have the information they need to make informed decisions. This Proposal is unnecessary to achieve these objectives and the proponent offers no new compelling evidence or arguments in support of the Proposal.

NIKE's Political Contributions Policy (the "Policy") is designed to give shareholders confidence that there is proper oversight of political activity and to allow shareholders to assess any risks associated with significant contributions. All of our political contributions and expenditures are made in accordance with the Policy and our objective is to strictly comply with all public reporting laws. Our Policy ensures that political contributions, trade group memberships, and policy statements are made in a manner consistent with NIKE's core values to protect or enhance shareholder value, without regard to the private political preferences of our corporate officers. Our Policy describes the policies and procedures for making corporate political contributions, how they are approved, who must approve them, and how they are reported to the Board's Corporate Responsibility, Sustainability & Governance Committee. Our Policy is available on our website at http://investors.nike.com/investors/corporate-governance.

Consistent with our Policy, we also annually disclose on our website all direct political contributions to any candidate, political party, or ballot initiative in any year that exceed $100,000, and all political contributions in any U.S. state where we make more than 50% of our political contributions in any year. We believe these disclosures provide shareholders meaningful information to assess any risks posed by significant political contributions. Our disclosures are simple, accurate, and clear and we have published them for every year since 2012.

Our Policy also requires that management annually report on compliance with our Policy to the Board's Corporate Responsibility, Sustainability & Governance Committee, and review the strategic priorities for political contributions and trade association affiliations, to ensure they align with the long-term business objectives of the Company.

The additional disclosure requested in this Proposal could place NIKE at a competitive disadvantage by revealing strategies and priorities designed to protect the economic future of NIKE, its employees and its shareholders. Given that parties with interests adverse to NIKE also participate in the political process for their business advantage, any unilateral expanded disclosure could benefit them, while harming the interests of NIKE and its shareholders.

In summary, the Board of Directors believes the Proposal is unnecessary because NIKE has followed a comprehensive policy for oversight and disclosure of political contributions for many years. If adopted, the Proposal would cause NIKE to incur undue cost and administrative burden, as well as competitive harm, without commensurate benefit to our shareholders. Our shareholders have understandably rejected this Proposal six times before.

BOARD RECOMMENDATION

X The Board of Directors recommends that shareholders vote **AGAINST** the shareholder proposal.

STOCK OWNERSHIP INFORMATION

STOCK HOLDINGS OF CERTAIN OWNERS AND MANAGEMENT

The following table sets forth the number of shares of the classes of NIKE securities beneficially owned, as of June 30, 2020, after giving effect to any transactions that occurred on such date, by (i) each person known to the Company to be the beneficial owner of more than 5 percent of any class of the Company's securities, (ii) each of the directors and nominees for director, (iii) each executive officer listed in the Summary Compensation Table ("Named Executive Officers"), and (iv) all directors, Named Executive Officers, and other executive officers as a group. Because Class A Stock is convertible into Class B Stock on a share-for-share basis, each beneficial owner of Class A Stock is deemed by the SEC to be a beneficial owner of the same number of shares of Class B Stock. Therefore, in indicating a person's beneficial ownership of shares of Class B Stock in the table, it has been assumed that such person has converted into Class B Stock all shares of Class A Stock of which such person is a beneficial owner. For these reasons the table contains substantial duplications in the numbers of shares and percentages of Class A and Class B Stock shown for Swoosh, LLC, Philip H. Knight, the Travis A. Knight 2009 Irrevocable Trust II, and Travis A. Knight in his capacity as the Trustee of such Trust. In addition, unless otherwise indicated, all persons named below can be reached c/o Ann M. Miller, Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453.

	TITLE OF CLASS	SHARES BENEFICIALLY OWNED[1]		PERCENT OF CLASS[2]
Cathleen A. Benko	Class B	6,308		—
Elizabeth J. Comstock	Class B	58,809	(3)	—
John G. Connors	Class B	110,890	(3)	—
Timothy D. Cook	Class B	95,809	(3)	—
John J. Donahoe II[5]	Class B	21,041		—
Thasunda B. Duckett	Class B	1,918		—
Alan B. Graf, Jr.	Class B	190,801		—
Peter B. Henry	Class B	4,046		—
Travis A. Knight	Class A	40,756,369	(4)	12.9%
	Class B	40,778,638	(4)	3.2%
Mark G. Parker[5]	Class B	4,437,366	(3)(6)	0.4%
Michelle A. Peluso	Class B	21,143		—
John W. Rogers, Jr.	Class B	12,851		—
John R. Thompson, Jr.	Class B	82,693	(7)	—
Andrew Campion[5]	Class B	517,251	(3)	—
Matthew Friend[5]	Class B	196,033	(3)	—
Hilary K. Krane[5]	Class B	596,172	(3)(6)	—
Monique Matheson[5]	Class B	273,039	(3)(6)	—
John F. Slusher[5]	Class B	595,335	(3)(6)	—
Elliott J. Hill[5]	Class B	355,838	(3)	—
Eric D. Sprunk[5]	Class B	517,664	(3)	—

	TITLE OF CLASS	SHARES BENEFICIALLY OWNED[(1)]	PERCENT OF CLASS[(2)]
Sojitz Corporation of America 1211 S.W. 5th Ave, Pacwest Center, Ste. 2220, Portland, OR 97204	Preferred (8)	300,000	100.0%
Philip H. Knight One Bowerman Drive, Beaverton, OR 97005	Class A	29,154,487 (9)	9.3%
	Class B	40,540,174 (10)	3.2%
Swoosh, LLC 22990 NW Bennett Street, Hillsboro, OR 97124	Class A	236,000,000 (11)	74.9%
	Class B	236,000,000	15.9%
Travis A. Knight 2009 Irrevocable Trust II 22990 NW Bennett Street, Hillsboro, OR 97124	Class A	40,756,369 (4)	12.9%
	Class B	40,756,369 (4)	3.2%
The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355	Class B	106,539,047 (12)	8.6%
BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	Class B	89,487,665 (13)	7.2%
All directors and executive officers as a group (17 persons)	Class A	40,756,369 (4)	12.9%
	Class B	47,520,773 (3)(4)	3.8%

(1) A person is considered to beneficially own any shares: (a) over which the person exercises sole or shared voting or investment power, or (b) of which the person has the right to acquire beneficial ownership at any time within 60 days (such as through conversion of securities or exercise of stock options). Unless otherwise indicated, voting and investment power relating to the above shares is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

(2) Omitted if less than 0.1 percent.

(3) These amounts include the right to acquire the following numbers of shares within 60 days after June 30, 2020 pursuant to the exercise of stock options: 42,000 shares for Ms. Comstock, 66,000 shares for Mr. Connors, 66,000 shares for Mr. Cook, 2,560,000 shares for Mr. Parker, 313,750 shares for Mr. Campion, 159,700 shares for Mr. Friend, 386,000 shares for Ms. Krane, 173,750 shares for Ms. Matheson, 337,500 shares for Mr. Slusher, 175,000 shares for Mr. Hill, 288,750 shares for Mr. Sprunk, and 3,915,200 shares for the executive officer and director group.

(4) Includes 21,613,989 shares of Class A Stock held directly by the Travis A. Knight 2009 Irrevocable Trust II (the "Trust"), of which Mr. Travis Knight is the Trustee, and 19,142,380 shares of Class A Stock held by an indirect subsidiary of the Trust. Mr. Travis Knight and members of his immediate family are among the beneficiaries of the Trust. Mr. Travis Knight disclaims beneficial ownership of the Company's securities held directly and indirectly by the Trust, except to the extent of his pecuniary interest therein. On June 30, 2016, a wholly owned subsidiary of the Trust acquired all of the voting units in Swoosh, LLC. Mr. Travis Knight disclaims beneficial ownership of all securities held by Swoosh, LLC.

(5) Named Executive Officer listed in the Summary Compensation Table.

(6) Includes shares held in accounts under the NIKE, Inc. 401(k) Savings and Profit Sharing Plan: 36,390 shares for Mr. Parker, 119 shares for Ms. Krane, 11,521 shares for Ms. Matheson, and 2,805 shares for Mr. Slusher.

(7) Includes 33,884 shares credited to Mr. Thompson's account under the NIKE, Inc. Deferred Compensation Plan.

(8) Preferred Stock does not have general voting rights except as provided by law, and under certain circumstances as provided in the Company's Restated Articles of Incorporation, as amended.

(9) Does not include 521,792 shares of Class A Stock that are owned by Mr. Philip Knight's spouse. Mr. Philip Knight has disclaimed ownership of all such shares. Mr. Philip Knight holds the position Chairman Emeritus, and has a standing invitation to attend all meetings of the Board as a non-voting observer.

(10) Does not include: (a) 521,792 shares of Class A Stock that are owned by Mr. Philip Knight's spouse, and (b) 22,336,056 shares of Class B Stock held by the Knight Foundation, a charitable foundation in which Mr. Philip Knight and his spouse are directors. Mr. Philip Knight has disclaimed ownership of all such shares.

(11) Information provided as of October 29, 2019 in the Form 4 filed by the shareholder.

(12) Information provided as of February 12, 2020 in Schedule 13G filed by the shareholder.

(13) Information provided as of February 5, 2020 in Schedule 13G filed by the shareholder.

TRANSACTIONS WITH RELATED PERSONS

Philip H. Knight, the father of NIKE director Travis A. Knight, serves as Chairman Emeritus, which provides a standing invitation for Philip H. Knight to attend meetings of the Board and its committees as a non-voting observer. In fiscal 2020, as Chairman Emeritus, Mr. Knight received an annual salary of $500,000, and medical and dental insurance coverage generally available to employees.

In connection with his retirement and in recognition of his substantial service and unique insights and experience, the Company entered into a consulting agreement with John R. Thompson, Jr., a member of the Company's Board in fiscal 2020. Pursuant to the terms of the agreement, effective June 1, 2020, Mr. Thompson serves as Director Emeritus of the Company and, when and as required by the Board, provides consulting services and advice to the Board and other officers of the Company as the Board may specify until such time as either party terminates the agreement by providing 30 days' written notice. As Director Emeritus, Mr. Thompson is eligible to attend meetings of the Board and certain committees as a non-voting observer. For his services and commitment, the Company will pay Mr. Thompson the same compensation and benefits he would have been eligible to receive for his service as a non-employee director as of June 1, 2020, which equals approximately $267,000, and reimburse him for reasonable expenses incurred in connection with his services.

Eric Sprunk's daughter, Nicole Sprunk, was employed by the Company in a non-executive role in fiscal 2020 as a Brand Director. During fiscal 2020, the Company paid aggregate compensation to Nicole Sprunk of $330,113, comprised of salary, bonus, the value of stock granted, certain maternity leave benefits and matching contributions to the Company-sponsored retirement plan. The compensation and benefits received by Nicole Sprunk were consistent with compensation paid to other employees holding similar positions.

The Company's written policy requires the Corporate Responsibility, Sustainability & Governance Committee to review any transaction or proposed transaction with a related person that would be required to be reported under Item 404(a) of Regulation S-K, and to determine whether to ratify or approve the transaction, with ratification or approval to occur only if the committee determines that the transaction is fair to the Company or that approval or ratification of the transaction is in the interest of the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of the Board of Directors during fiscal 2020 were Timothy D. Cook, Cathleen A. Benko, and Elizabeth J. Comstock. The committee is composed solely of independent, non-employee directors. No member of the Compensation Committee has been an executive officer of the Company, and no member of the Compensation Committee had any relationships requiring disclosure by the Company under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of the Company's executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director or member of the Compensation Committee of the Company during fiscal 2020.

OTHER MATTERS

As of the time this proxy statement was printed, management was unaware of any proposals to be presented for consideration at the Annual Meeting other than those set forth herein, but if other matters do properly come before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy according to their best judgment.

SHAREHOLDER PROPOSALS

A proposal by a shareholder for inclusion in the Company's proxy statement and form of proxy for the 2021 annual meeting of shareholders must be received by Ann M. Miller, Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer of NIKE, Inc. at One Bowerman Drive, Beaverton, Oregon 97005-6453, on or before April 8, 2021 to be eligible for inclusion. Rules under the Securities Exchange Act of 1934, as amended, describe standards as to the submission of shareholder proposals. In addition, the Company's Bylaws require that any shareholder wishing to make a nomination for director, or wishing to introduce a proposal or other business at a shareholder meeting must give the Company at least 60 days' advance written notice, which for the 2021 annual meeting of shareholders is July 18, 2021, and that notice must meet certain other requirements described in the Bylaws.

For the Board of Directors,

Ann M. Miller
Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer

EXHIBIT A

NIKE, INC. STOCK INCENTIVE PLAN

As amended as of June 17, 2020

1. Purpose. The purpose of this Stock Incentive Plan (the "***Plan***") is to enable NIKE, Inc. (the "***Company***") to attract and retain experienced officers, directors, employees, consultants, advisors, and independent contractors and to provide an incentive for them to apply their best efforts on behalf of the Company.

2. Shares Subject to the Plan.

(a) Shares Authorized. Subject to adjustment as provided below and in paragraph 9, the shares to be offered under the Plan shall consist of Class B Common Stock of the Company ("***Shares***"), and the total number of Shares that may be issued under the Plan shall not exceed seven hundred ninety-eight million (798,000,000) Shares (the "***Plan Limit***").

(b) Share Usage. If an option or stock appreciation right granted under the Plan expires, terminates or is canceled, the unissued Shares subject to such option or stock appreciation right shall again be available under the Plan. If any Shares issued pursuant to a Stock Award (as defined in paragraph 7) are forfeited to the Company, or the award expires, terminates or is canceled, the number of Shares forfeited or unissued shall again be available under the Plan. Upon the exercise of an option or stock appreciation right, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued upon such exercise, plus the number of Shares, if any, withheld upon exercise as full or partial payment of the exercise price or to satisfy the tax withholding amount. Cash payments of stock appreciation rights shall not reduce the number of Shares reserved for issuance under the Plan. Upon the issuance of Shares under a Stock Award, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued. For all purposes of this paragraph 2(b), the number of Shares "issued" pursuant to a Stock Award shall be net of any Shares withheld to satisfy tax withholding obligations with respect to the award. The number of Shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Shares subject or paid with respect to an award.

(c) Fungible Share Provision. Any Shares subject to an option or stock appreciation right granted under the Plan shall be counted against the Plan Limit as one Share for every one Share subject to such option or stock appreciation right, except that a stock appreciation right payable solely in cash shall not be counted against the Plan Limit. Any Shares issued pursuant to a Stock Award shall be counted against the Plan Limit as one Share for every one Share so issued; provided, however, that if the aggregate number of Shares issued pursuant to Stock Awards and Share-denominated awards intended to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the regulations thereunder ("***Performance-Based Awards***") granted after July 16, 2010 exceeds the Full Value Limit (as defined below), any excess Shares issued under those awards shall be counted against the Plan Limit as two and eight-tenths (2.8) Shares for every one Share so issued. If any Shares issued pursuant to a Stock Award or a Performance-Based Award are counted against the Plan Limit as two and eight-tenths (2.8) Shares as provided above, and any Shares issued pursuant to a Stock Award or a Performance-Based Award are subsequently forfeited to the Company, the number of Shares that again become available under the Plan shall be equal to the number of Shares forfeited (up to the aggregate number of Shares previously counted against the Plan Limit as two and eight-tenths (2.8) Shares) multiplied by two and eight-tenths (2.8). Subject to adjustment as provided in paragraph 9, the "***Full Value Limit***" shall equal twenty-five million (25,000,000) Shares plus the number of Shares issued pursuant to Stock Awards granted on or before July 16, 2010 that are forfeited to the Company or withheld to satisfy tax withholding obligations after July 16, 2010.

(d) Award Limits.

(i) Incentive Stock Options. Subject to adjustment under paragraph 9, a maximum of seven hundred ninety-eight million (798,000,000) Shares shall be available for issuance under incentive stock options as defined in Section 422 of the Code ("***Incentive Stock Options***").

(ii) Limits on Awards to Non-Employee Directors. No Non-Employee Director may be granted any award or awards denominated in Shares that exceed in the aggregate $500,000 in value (such value computed as of the date of grant in accordance with applicable financial accounting rules) in any fiscal year, plus an additional $500,000 in value for one-time awards to a newly appointed or elected Non-Employee Director. A "***Non-Employee Director***" is any member of the Board of Directors who is not an employee of the Company.

(e) Dividends. Participants in the Plan may, if the Committee (as defined in paragraph 4) so determines, be credited with dividends or dividend equivalents for dividends paid with respect to Shares underlying an award in a manner determined by the Committee in its sole discretion, provided that with respect to awards that are subject to achievement of performance goals, any such credited dividends or dividend equivalents may only be paid with respect to the portion of such awards that is actually earned.

The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of the Class B Common Stock, restricted stock or restricted stock units.

3. Duration of Plan. The Plan shall continue in effect until all Shares available for issuance under the Plan have been issued and all restrictions on such Shares have lapsed; provided, however, that no awards shall be made under the Plan on or after the 10th anniversary of the last action by the shareholders approving any amendment to the Plan or amendment and restatement of the Plan to increase the number of Shares available for issuance under the Plan. The Board of Directors may suspend or terminate the Plan at any time except with respect to awards and Shares subject to restrictions then outstanding under the Plan. Termination shall not affect any outstanding awards or the forfeitability of Shares issued under the Plan.

4. Administration. The Plan shall be administered by a committee appointed by the Board of Directors of the Company consisting of not less than two directors (the "***Committee***"), which shall determine and designate from time to time the individuals to whom awards shall be made, the amount of the awards and the other terms and conditions of the awards, except that only the Board of Directors may amend or terminate the Plan as provided in paragraphs 3 and 13. Subject to the provisions of the Plan, the Committee may from time to time adopt and amend rules and regulations relating to administration of the Plan, adopt forms of award agreements setting out the terms and conditions of the awards, advance the lapse of any waiting period, accelerate any exercise date, waive or modify any restriction applicable to Shares (except those restrictions imposed by law) and make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect, and it shall be the sole and final judge of such expediency. The Committee may allocate among its members and delegate to any person who is not a member of the Committee any of its powers, responsibilities or duties.

5. Types of Awards; Eligibility; General Terms of Awards.

(a) Awards. The Committee may, from time to time, take the following actions, separately or in combination, under the Plan: (i) grant Incentive Stock Options as provided in paragraph 6(b); (ii) grant options other than Incentive Stock Options ("***Non-Statutory Stock Options***") as provided in paragraph 6(c); (iii) grant Stock Awards, including restricted stock and restricted stock units, as provided in paragraph 7; and (iv) grant stock appreciation rights as provided in paragraph 8.

(b) Eligibility. Any such awards may be made to employees, including employees who are officers or directors, of the Company or any parent or subsidiary corporation of the Company and to other individuals described in paragraph 1; provided, however, that only employees of the Company shall be eligible to receive Incentive Stock Options under the Plan. The Committee shall select the individuals to whom awards shall be made. The Committee shall specify the action taken with respect to each individual to whom an award is made under the Plan.

(c) Termination of Service. For purposes of the Plan, service means service as a Non-Employee Director, consultant, advisor or independent contractor of the Company or a parent or subsidiary corporation of the Company and termination of service means termination of employment or service.

6. Option Grants.

(a) Grant. The Committee may grant options under the Plan. With respect to each option grant, the Committee shall determine the number of Shares subject to the option, the option price, the period of the option, the time or times at which the option may be exercised and whether the option is an Incentive Stock Option or a Non-Statutory Stock Option.

(b) Incentive Stock Options. Incentive Stock Options shall be subject to the following terms and conditions:

(i) An Incentive Stock Option may be granted under the Plan to an employee possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary of the Company only if the option price is at least 110 percent of the fair market value of the Shares subject to the option on the date it is granted, as described in paragraph 6(b)(iii), and the option by its terms is not exercisable after the expiration of five years from the date it is granted.

(ii) Subject to paragraphs 6(b)(i) and 6(d), Incentive Stock Options granted under the Plan shall continue in effect for the period fixed by the Committee, except that no Incentive Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

(iii) The option price per share shall be determined by the Committee at the time of grant. Subject to paragraph 6(b)(i), the option price shall not be less than 100 percent of the fair market value of the Shares covered by the Incentive Stock Option at the date the option is granted. The fair market value shall be deemed to be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal on the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee.

(iv) No Incentive Stock Option shall be granted on or after the tenth anniversary of the last action by the Board of Directors approving an increase in the number of Shares available for issuance under the Plan, which action was subsequently approved within 12 months by the shareholders.

(c) Non-Statutory Stock Options. The option price for Non-Statutory Stock Options shall be determined by the Committee at the time of grant. The option price may not be less than 100 percent of the fair market value of the Shares covered by the Non-Statutory Stock Option on the date the option is granted. The fair market value of Shares covered by a Non-Statutory Stock Option shall be determined pursuant to paragraph 6(b)(iii). No Non-Statutory Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

(d) Exercise of Options. Except as provided in the applicable award agreement, no option granted under the Plan may be exercised unless at the time of such exercise the optionee is employed by or providing services to the Company or any parent or subsidiary corporation of the Company and shall have been so employed or providing services continuously since the date such option was granted. Absence on leave or on account of illness or disability under rules established by the Committee shall not, however, be deemed an interruption of employment or service for this purpose. Except as provided in paragraphs 9 and 10, options granted under the Plan may be exercised from time to time over the period stated in each option in such amounts and at such times as shall be prescribed by the Committee, provided that options shall not be exercised for fractional Shares. Unless otherwise determined by the Committee, if the optionee does not exercise an option in any one year with respect to the full number of Shares to which the optionee is entitled in that year, the optionee's rights shall be cumulative and the optionee may purchase those Shares in any subsequent year during the term of the option.

(e) Nontransferability. Except as provided below, each stock option granted under the Plan by its terms shall be nonassignable and nontransferable by the optionee, either voluntarily or by operation of law, and each option by its terms shall be exercisable during the optionee's lifetime only by the optionee. A stock option may be transferred by will or by the laws of descent and distribution of the state or country of the optionee's domicile at the time of death. A Non-Statutory Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The Committee may, in its discretion, authorize all or a portion of a Non-Statutory Stock Option granted to an optionee to be on terms which permit transfer by the optionee to (i) the spouse, children or grandchildren of the optionee ("***Immediate Family Members***"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, or (iii) a partnership in which Immediate Family Members are the only partners, provided that (x) there may be no consideration for any transfer, (y) the option agreement pursuant to which the options are granted must expressly provide for transferability in a manner consistent with this paragraph, and (z) subsequent transfers of transferred options shall be prohibited except by will or by the laws of descent and distribution. Following any transfer, options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of paragraphs 6(d), 6(f), 9 and 10 the term "optionee" shall be deemed to refer to the transferee. The events of termination of service as set forth in the applicable award agreement shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, and all other references to employment or service, termination of service, life or death of the optionee, shall continue to be applied with respect to the original optionee.

(f) Purchase of Shares. Unless the Committee determines otherwise, Shares may be acquired pursuant to an option granted under the Plan only upon receipt by the Company of notice from the optionee of the optionee's intention to exercise, specifying the number of Shares as to which the optionee desires to exercise the option and the date on which the optionee desires to complete the transaction, and if required in order to comply with the Securities Act of 1933, as amended, containing a representation that it is the optionee's present intention to acquire the Shares for investment and not with a view to distribution. Unless the Committee determines otherwise, on or before the date specified for completion of the purchase of Shares pursuant to an option, the optionee must have paid the Company the full purchase price of such Shares in cash or with the consent of the Committee, in whole or in part, in Class B Common Stock of the Company valued at fair market value, or by having the Company withhold shares of Class B Common Stock of the Company that would otherwise be issued on exercise of the option that have an aggregate fair market value equal to the aggregate purchase price of the Shares being purchased under the option. The fair market value of Class B Common Stock of the Company provided in payment of the purchase price shall be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee, on the date the option is exercised, or if such date is not a trading day, then on the immediately preceding trading day. No Shares shall be issued until full payment therefor has been made. With the consent of the Committee, an optionee may request the Company to apply automatically the Shares to be received upon the exercise of a portion of a stock option to satisfy the purchase price for additional portions of the option. Each optionee who has exercised an option shall immediately upon notification of the amount due, if any, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If additional withholding is or becomes required beyond any amount deposited before delivery of the Shares, the optionee shall pay such amount to the Company on demand. If the optionee fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the optionee, including salary, subject to applicable law. With the consent of the Committee, an optionee may satisfy the minimum statutory withholding obligation, in whole or in part, by having the Company withhold from the Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Class B Common Stock of the Company to the Company to satisfy the withholding amount.

(g) No Repricing. Except for actions approved by the shareholders of the Company or adjustments made pursuant to paragraph 9, the option price for an outstanding option granted under the Plan may not be decreased after the date of grant nor may the Company grant a new option or pay any cash or other consideration (including another award under the Plan) in exchange for any outstanding option granted under the Plan at a time when the option price of the outstanding option exceeds the fair market value of the Shares covered by the option.

7. Stock Awards. The Committee may grant Shares as stock awards under the Plan (“***Stock Awards***”). Stock Awards shall be subject to the terms, conditions, and restrictions determined by the Committee, including time-based and performance-based vesting conditions. The restrictions may include restrictions concerning transferability and forfeiture of the Shares awarded, together with such other restrictions as may be determined by the Committee. Stock Awards subject to restrictions may be either restricted stock awards under which Shares are issued immediately upon grant subject to forfeiture if vesting conditions are not satisfied, or restricted stock unit awards under which Shares are not issued until after vesting conditions are satisfied. Restricted stock awards may be evidenced in such manner as the Committee deems appropriate, in its sole discretion, including book-entry registration (in which case the restrictions shall be placed on the book-entry registration) or issuance of one or more stock certificates (in which case the certificates shall bear any legends required by the Committee). The Committee may require the recipient to sign an agreement as a condition of the award, but may not require the recipient to pay any monetary consideration other than amounts necessary to satisfy tax withholding requirements. The agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The Company may require any recipient of a Stock Award to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the recipient, including salary, subject to applicable law. With the consent of the Committee, a recipient may satisfy the minimum statutory withholding obligation, in whole or in part, by having the Company withhold from the awarded Shares that number of Shares that would satisfy the withholding amount due or by delivering Class B Common Stock of the Company to the Company to satisfy the withholding amount.

8. Stock Appreciation Rights.

(a) Grant. Stock appreciation rights may be granted under the Plan by the Committee, subject to such rules, terms, and conditions as the Committee prescribes.

(b) Exercise.

(i) A stock appreciation right shall be exercisable only at the time or times established by the Committee, except that no stock appreciation right shall be exercisable after the expiration of 10 years from the date it is granted. If a stock appreciation right is granted in connection with an option, the stock appreciation right shall be exercisable only to the extent and on the same conditions that the related option could be exercised. Upon exercise of a stock appreciation right, any option or portion thereof to which the stock appreciation right relates terminates. If a stock appreciation right is granted in connection with an option, upon exercise of the option, the stock appreciation right or portion thereof to which the option relates terminates.

(ii) The Committee may withdraw any stock appreciation right granted under the Plan at any time and may impose any conditions upon the exercise of a stock appreciation right or adopt rules and regulations from time to time affecting the rights of holders of stock appreciation rights. Such rules and regulations may govern the right to exercise stock appreciation rights granted before adoption or amendment of such rules and regulations as well as stock appreciation rights granted thereafter.

(iii) Each stock appreciation right shall entitle the holder, upon exercise, to receive from the Company in exchange therefor an amount equal in value to the excess of the fair market value on the date of exercise of one Share over its fair market value on the date of grant or such higher amount as the Committee may determine (or, in the case of a stock appreciation right granted in connection with an option, the option price per Share under the option to which the stock appreciation right relates), multiplied by the number of Shares covered by the stock appreciation right or the option, or portion thereof, that is surrendered. Payment by the Company upon exercise of a stock appreciation right may be made in Shares valued at fair market value, in cash, or partly in Shares and partly in cash, all as determined by the Committee.

(iv) For purposes of this paragraph 8, the fair market value of the Class B Common Stock of the Company on the date a stock appreciation right is exercised shall be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee, on the date the stock appreciation right is exercised, or if such date is not a trading day, then on the immediately preceding trading day.

(v) No fractional Shares shall be issued upon exercise of a stock appreciation right. In lieu thereof, cash shall be paid in an amount equal to the value of the fractional share.

(vi) Each stock appreciation right granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or country of the holder's domicile at the time of death, and each stock appreciation right by its terms shall be exercisable during the holder's lifetime only by the holder; provided, however, that a stock appreciation right not granted in connection with an Incentive Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act.

(vii) Each participant who has exercised a stock appreciation right shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant including salary, subject to applicable law. With the consent of the Committee a participant may satisfy the minimum statutory obligation, in whole or in part, by having the Company withhold from any Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Class B Common Stock of the Company to the Company to satisfy the withholding amount.

(c) No Repricing. Except for actions approved by the shareholders of the Company or adjustments made pursuant to paragraph 9, the grant price for an outstanding stock appreciation right granted under the Plan may not be decreased after the date of grant nor may the Company grant a new stock appreciation right or pay any cash or other consideration (including another award under the Plan) in exchange for any outstanding stock appreciation right granted under the Plan at a time when the grant price of the outstanding stock appreciation right exceeds the fair market value of the Shares covered by the stock appreciation right.

9. Changes in Capital Structure. If the outstanding Shares are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any recapitalization, reclassification, stock split, combination of shares, dividend payable in shares, or large nonrecurring cash dividend, the authorization limits under paragraphs 2(a), 2(c) and 2(d)(i) shall be adjusted proportionately. In addition, the number and kind of shares subject to outstanding awards, and the exercise price of outstanding options and stock appreciation rights shall be adjusted, to the end that the recipient's proportionate interest is maintained as before the occurrence of such event. The Committee may also require that any securities issued in respect of or exchanged for Shares issued hereunder that are subject to restrictions be subject to similar restrictions. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any adjustments made pursuant to this paragraph 9 shall be conclusive.

10. Sale of the Company; Change in Control.

(a) Sale of the Company. Unless otherwise provided in the applicable award agreement, if during the term of an option, stock appreciation right or restricted stock unit award, there shall occur a merger, consolidation or plan of exchange involving the Company pursuant to which outstanding Shares are converted into cash or other stock, securities or property, or a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company, then either:

(i) the option, stock appreciation right or restricted stock unit award shall be converted into an option, stock appreciation right or restricted stock unit award to acquire stock of the surviving or acquiring corporation in the applicable transaction for a total purchase price equal to the total price applicable to the unexercised portion of the option, stock appreciation right or restricted stock unit award, and with the amount and type of shares subject thereto and exercise price per share thereof to be conclusively determined by the Committee, taking into account the relative values of the companies involved in the applicable transaction and the exchange rate, if any, used in determining shares of the surviving corporation to be held by holders of Shares following the applicable transaction, and disregarding fractional shares; or

(ii) all unissued Shares subject to restricted stock unit awards shall be issued immediately prior to the consummation of such transaction, all options and stock appreciation rights will become exercisable for 100 percent of the Shares subject to the option or stock appreciation right effective as of the consummation of such transaction, and the Committee shall approve some arrangement by which holders of options and stock appreciation rights shall have a reasonable opportunity to exercise all such options and stock appreciation rights effective as of the consummation of such transaction or otherwise realize the value of these awards, as determined by the Committee. Any option or stock appreciation right that is not exercised in accordance with procedures approved by the Committee shall terminate.

(b) Change in Control. Unless otherwise provided in the applicable award agreement, if paragraph 10(a)(ii) does not apply, all options and stock appreciation rights granted under the Plan shall become exercisable in full for a remaining term extending until the earlier of the expiration date of the applicable option or stock appreciation right or the expiration of four years after the date of termination of service, and all Stock Awards shall become fully vested , if a Change in Control occurs and at any time after the earlier of Shareholder Approval (as defined below), if any, or the Change in Control and on or before the second anniversary of the Change in Control, (i) the award holder's service is terminated by the Company (or its successor) without Cause (as defined below), or (ii) the award holder's service is terminated by the award holder for Good Reason (as defined below).

(i) For purposes of the Plan, a "***Change in Control***" of the Company shall mean the occurrence of any of the following events:

(A) At any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company ("***Incumbent Directors***") shall cease for any reason to constitute at least a majority thereof; provided, however, that the term "Incumbent Director" shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office;

(B) At any time that the holders of the Class A Common Stock of the Company have the right to elect (voting as a separate class) a majority of the members of the Board of Directors, any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) shall, as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, have become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50 percent of the then outstanding Class A Common Stock of the Company;

(C) At any time after such time as the holders of the Class A Common Stock of the Company cease to have the right to elect (voting as a separate class) a majority of the members of the Board of Directors, any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) shall, as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, have become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company ordinarily having the right to vote for the election of directors ("***Voting Securities***") representing 30 percent or more of the combined voting power of the then outstanding Voting Securities;

(D) A consolidation, merger or plan of exchange involving the Company ("***Merger***") as a result of which the holders of outstanding Voting Securities immediately prior to the Merger do not continue to hold at least 50 percent of the combined voting power of the outstanding Voting Securities of the surviving corporation or a parent corporation of the surviving corporation immediately after the Merger, disregarding any Voting Securities issued to or retained by such holders in respect of securities of any other party to the Merger; or

(E) A sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company.

(ii) For purposes of the Plan, "***Shareholder Approval***" shall mean approval by the shareholders of the Company of a transaction, the consummation of which would be a Change in Control.

(iii) For purposes of this Plan, "***Cause***" shall mean (A) the willful and continued failure to perform substantially the award holder's reasonably assigned duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) after a demand for substantial performance is delivered to the award holder by the Company which specifically identifies the manner in which the Company believes that the award holder has not substantially performed the award holder's duties, or (B) the willful engagement in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, shall be considered "willful" if the award holder reasonably believed that the action or omission was in, or not opposed to, the best interests of the Company.

(iv) For purposes of the Plan, "***Good Reason***" shall mean (A) the assignment of a different title, job or responsibilities that results in a material decrease in the level of responsibility of the award holder after Shareholder Approval, if applicable, or the Change in Control when compared to the award holder's level of responsibility for the Company's operations prior to Shareholder Approval, if applicable, or the Change in Control; provided that Good Reason shall not exist if the award holder continues to have the same or a greater general level of responsibility for Company operations after the Change in Control as the award holder had prior to the Change in Control even if the Company operations are a subsidiary or division of the surviving company, (B) a reduction in the award holder's base pay as in effect immediately prior to Shareholder Approval, if applicable, or the Change in Control, (C) a material reduction in the total package of benefits available to the award holder under cash incentive, stock incentive and other employee benefit plans after Shareholder Approval, if applicable, or the Change in Control compared to the total package of such benefits as in effect prior to Shareholder Approval, if applicable, or the Change in Control, or (D) the award holder is required to be based more than 50 miles from where the award holder's office is located immediately prior to Shareholder Approval, if applicable, or the Change in Control except for required travel on company business to an extent substantially consistent with the business travel obligations which the award holder undertook on behalf of the Company prior to Shareholder Approval, if applicable, or the Change in Control. Notwithstanding any provision in this Plan to the contrary, a termination of an employment or other service relationship by the award holder will not be for Good Reason unless (1) the award holder notifies the Company in writing of the existence of the condition that the award holder believes constitutes Good Reason within thirty (30) days of the initial existence of such condition (which notice specifically identifies such condition), (2) the Company fails to remedy such condition within thirty (30) days after the date that it receives such notice (the "***Remedial Period***"), and (3) the award holder actually terminates the award holder's employment or other service relationship within thirty (30) days after the expiration of the Remedial Period. If the award holder terminates his or her employment or other service relationship before the expiration of the Remedial Period or after the Company remedies the condition, then the award holder's termination will not be considered to be for Good Reason.

11. <u>Corporate Mergers, Acquisitions, etc</u>. The Committee may also grant options, stock appreciation rights and Stock Awards under the Plan having terms, conditions and provisions that vary from those specified in the Plan, provided that any such awards are granted in substitution for, or in connection with the assumption of, existing options, stock appreciation rights or Stock Awards issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, plan of exchange, acquisition of property or stock, separation, reorganization or liquidation to which the Company or a parent or subsidiary corporation of the Company is a party. The number of Shares available for issuance under the Plan shall not be reduced to reflect any awards granted in substitution for awards of an acquired company.

12. <u>Clawback Policy</u>. Unless otherwise provided in the applicable award agreement, all awards under the Plan shall be subject to (a) any applicable securities, tax and stock exchange laws, rules and regulations relating to the recoupment or clawback of incentive compensation, (b) the NIKE, Inc. Policy for Recoupment of Incentive Compensation as approved by the Committee and in effect at the time of grant, (c) such other policy for clawback or recoupment of incentive compensation as may subsequently be approved from time to time by the Committee, and (d) any clawback or recoupment provisions set forth in the agreement evidencing the award.

13. <u>Amendment of Plan</u>. The Board of Directors may at any time, and from time to time, modify or amend the Plan in such respects as it shall deem advisable because of changes in the law while the Plan is in effect or for any other reason, provided that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by the rules of any stock exchange on which the Class B Stock may then be listed. Except as provided in paragraphs 8, 9 and 10, however, no change in an award already granted shall be made without the written consent of the holder of such award.

14. <u>Approvals</u>. The obligations of the Company under the Plan are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange or trading system on which the Company's shares may then be listed or admitted for trading, in connection with the grants under the Plan. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Class B Common Stock under the Plan if such issuance or delivery would violate applicable state or federal securities laws.

15. <u>Employment and Service Rights</u>. Nothing in the Plan or any award pursuant to the Plan shall (a) confer upon any participant any right to be continued in the employment of or service with the Company or any parent or subsidiary corporation of the Company or interfere in any way with the right of the Company or any parent or subsidiary corporation of the Company by whom such participant is employed or to whom such participant is providing services to terminate such participant's employment or service at any time, for any reason, with or without cause, or to increase or decrease such participant's compensation or benefits, or (b) confer upon any person engaged by the Company any right to be employed or retained by the Company or to the continuation, extension, renewal, or modification of any compensation, contract, or arrangement with or by the Company.

16. Rights as a Shareholder. The recipient of any award under the Plan shall have no rights as a shareholder with respect to any Shares until the date such Shares are actually issued to the recipient. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of such issuance.

17. Choice of Law and Venue. The Plan, all awards granted thereunder and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Oregon. For purposes of litigating any dispute that arises under the Plan, all awards granted thereunder and all determinations made and actions taken pursuant thereto, the parties hereby submit to and consent to the jurisdiction of, and agree that such litigation shall be conducted in, the courts of Washington County, Oregon or the United States District Court for the District of Oregon, where this Agreement is made and/or to be performed.

18. Section 409A.

(a) All awards made under the Plan that are intended to be "deferred compensation" subject to Section 409A of the Code ("***Section 409A***") will be interpreted, administered and construed to comply with Section 409A, and all awards made under the Plan that are intended to be exempt from Section 409A will be interpreted, administered and construed to comply with and preserve such exemption. The Board of Directors and the Committee will have full authority to give effect to the intent of the foregoing sentence. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between this paragraph 18 of the Plan and a provision of any award or award agreement with respect to an award, this paragraph 18 of the Plan will govern.

(b) Without limiting the generality of paragraph 18(a), with respect to any award made under the Plan that is intended to be "deferred compensation" subject to Section 409A:

(i) any payment due upon a recipient's termination of employment will be paid only upon such recipient's separation from service from the Company within the meaning of Section 409A ;

(ii) any payment due upon a change in control of the Company will be paid only if such change in control constitutes a "change in ownership" or "change in effective control" within the meaning of Section 409A, and in the event that such change in control does not constitute a "change in the ownership" or "change in the effective control" within the meaning of Section 409A, such award will vest upon the change in control and any payment will be delayed until the first compliant date under Section 409A;

(iii) any payment to be made with respect to any award (or any other payment under this Plan) that would be subject to the limitations in Section 409A(a)(2)(B) of the Code will be delayed until six months after the recipient's separation from service (or earlier death) in accordance with the requirements of Section 409A;

(iv) to the extent necessary to comply with Section 409A, any other securities, other awards or other property that the Company may deliver in lieu of Shares in respect of an award will not have the effect of deferring delivery or payment beyond the date on which such delivery or payment would occur with respect to the Shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose in accordance with the requirements of Section 409A);

(v) if the award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the recipient's right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment;

(vi) if the award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), the recipient's right to the dividend equivalents will be treated separately from the right to other amounts under the award; and

(vii) for purposes of determining whether the recipient has experienced a separation from service from the Company within the meaning of Section 409A, "subsidiary" will mean a corporation or other entity in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with such corporation or other entity. For purposes of the preceding sentence, the term "controlling interest" has the same meaning as provided in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations, provided that the language "at least 20 percent" is used instead of "at least 80 percent" each place it appears in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations.

2020
FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED MAY 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO .

Commission File No. 1-10635

NIKE, Inc.

(Exact name of Registrant as specified in its charter)

Oregon	**93-0584541**
(State or other jurisdiction of incorporation)	*(IRS Employer Identification No.)*

One Bowerman Drive, Beaverton, Oregon 97005-6453
(Address of principal executive offices and zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Class B Common Stock	**NKE**	**New York Stock Exchange**
(Title of each class)	*(Trading symbol)*	*(Name of each exchange on which registered)*

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

Indicate by check mark:	**YES**	**NO**
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• 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.	☑	☐
• whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☑	☐
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐		
• if an emerging growth company, if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	☐	
• whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.	☑	
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).	☐	☑

As of November 30, 2019, the aggregate market values of the Registrant's Common Stock held by non-affiliates were:

Class A	$	7,387,322,889
Class B		116,456,809,401
	$	123,844,132,290

As of July 17, 2020, the number of shares of the Registrant's Common Stock outstanding were:

Class A	315,017,252
Class B	1,244,871,297
	1,559,888,549

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on September 17, 2020 are incorporated by reference into Part III of this Report.

NIKE, INC.
ANNUAL REPORT ON FORM 10-K
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PART I

ITEM 1. BUSINESS

GENERAL

NIKE, Inc. was incorporated in 1967 under the laws of the State of Oregon. As used in this report, the terms "we," "us," "NIKE" and the "Company" refer to NIKE, Inc. and its predecessors, subsidiaries and affiliates, collectively, unless the context indicates otherwise. Our NIKE digital commerce website is located at *www.nike.com*. On our NIKE corporate website, located at *investors.nike.com*, we post the following filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the United States Securities and Exchange Commission (the "SEC"): our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended. Our definitive Proxy Statements are also posted on our corporate website. All such filings on our corporate website are available free of charge. Copies of these filings are also available on the SEC's website (*www.sec.gov*). Also available on our corporate website are the charters of the committees of our Board of Directors, as well as our corporate governance guidelines and code of ethics; copies of any of these documents will be provided in print to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453.

Our principal business activity is the design, development and worldwide marketing and selling of athletic footwear, apparel, equipment, accessories and services. NIKE is the largest seller of athletic footwear and apparel in the world. We sell our products directly to consumers through NIKE-owned retail stores and digital platforms (which we refer to collectively as our "NIKE Direct" operations) and to retail accounts and a mix of independent distributors, licensees and sales representatives in virtually all countries around the world. We also offer interactive consumer experiences through our digital platforms. Virtually all of our products are manufactured by independent contractors. Nearly all footwear and apparel products are produced outside the United States, while equipment products are produced both in the United States and abroad.

PRODUCTS

We focus our NIKE Brand product offerings in six key categories: Running, NIKE Basketball, the Jordan Brand, Football (Soccer), Training and Sportswear (our sports-inspired lifestyle products). We also market products designed for kids, as well as for other athletic and recreational uses such as American football, baseball, cricket, golf, lacrosse, skateboarding, tennis, volleyball, walking, wrestling and other outdoor activities.

NIKE's athletic footwear products are designed primarily for specific athletic use, although a large percentage of the products are worn for casual or leisure purposes. We place considerable emphasis on innovation and high-quality construction in the development and manufacturing of our products. Sportswear, the Jordan Brand and Running are currently our top-selling footwear categories and we expect them to continue to lead in footwear sales.

We also sell sports apparel covering the above-mentioned categories, which feature the same trademarks and are sold predominantly through the same marketing and distribution channels as athletic footwear. Our sports apparel, similar to our athletic footwear products, is designed primarily for athletic use and also demonstrates our commitment to innovation and high-quality construction. Sportswear, Training and Running are currently our top-selling apparel categories and we expect them to continue to lead in apparel sales. We often market footwear, apparel and accessories in "collections" of similar use or by category. We also market apparel with licensed college and professional team and league logos.

We sell a line of performance equipment and accessories under the NIKE Brand name, including bags, socks, sport balls, eyewear, timepieces, digital devices, bats, gloves, protective equipment and other equipment designed for sports activities. We also sell small amounts of various plastic products to other manufacturers through our wholly-owned subsidiary, NIKE IHM, Inc., doing business as Air Manufacturing Innovation.

Our Jordan Brand designs, distributes and licenses athletic and casual footwear, apparel and accessories predominantly focused on basketball using the Jumpman trademark. Sales and operating results for Jordan Brand products are reported within the respective NIKE Brand geographic operating segments.

Our wholly-owned subsidiary brand, Converse, headquartered in Boston, Massachusetts, designs, distributes and licenses casual sneakers, apparel and accessories under the Converse, Chuck Taylor, All Star, One Star, Star Chevron and Jack Purcell trademarks. Operating results of the Converse brand are reported on a stand-alone basis.

In addition to the products we sell to our wholesale customers and directly to consumers through our NIKE Direct operations, we have also entered into license agreements that permit unaffiliated parties to manufacture and sell, using NIKE-owned trademarks, certain apparel, digital devices and applications and other equipment designed for sports activities.

SALES AND MARKETING

We experience moderate fluctuations in aggregate sales volume during the year. Historically, revenues in the first and fourth fiscal quarters have slightly exceeded those in the second and third quarters. However, the mix of product sales may vary considerably as a result of changes in seasonal and geographic demand for particular types of footwear, apparel and equipment, as well as other macroeconomic, operating and logistics-related factors, as evidenced by the impact of the COVID-19 pandemic.

Because NIKE is a consumer products company, the relative popularity and availability of various sports and fitness activities, as well as changing design trends, affect the demand for our products. We must, therefore, respond to trends and shifts in consumer preferences by adjusting the mix of existing product offerings, developing new products, styles and categories and influencing sports and fitness preferences through extensive marketing. Failure to respond in a timely and adequate manner could have a material adverse effect on our sales and profitability. This is a continuing risk. Refer to Item 1A. Risk Factors.

We report our NIKE Brand operations based on our internal geographic organization. Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America; Europe, Middle East & Africa (EMEA); Greater China; and Asia Pacific & Latin America (APLA), and include results for the NIKE and Jordan brands. The Hurley brand results, prior to its divestiture in the beginning of the third quarter of fiscal 2020, are included in North America. Sales through our NIKE Direct operations are managed within each geographic operating segment.

Converse is also a reportable operating segment and operates predominately in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories. Converse direct to consumer operations, including digital commerce, are reported within the Converse operating segment results.

UNITED STATES MARKET

For fiscal 2020, NIKE Brand and Converse sales in the United States accounted for approximately 39% of total revenues, compared to 41% and 42% for fiscal 2019 and fiscal 2018, respectively. We sell our NIKE Brand, Jordan Brand and Converse products to thousands of retail accounts in the United States, including a mix of footwear stores, sporting goods stores, athletic specialty stores, department stores, skate, tennis and golf shops and other retail accounts. In the United States, we utilize NIKE sales offices to solicit such sales. During fiscal 2020, our three largest United States customers accounted for approximately 24% of sales in the United States.

Our NIKE Direct and Converse direct to consumer operations sell NIKE Brand, Jordan Brand and Converse products to consumers through various digital platforms. In addition, our NIKE Direct and Converse direct to consumer operations sell products through the following number of retail stores in the United States:

U.S. RETAIL STORES	NUMBER
NIKE Brand factory stores	212
NIKE Brand in-line stores (including employee-only stores)	28
Converse stores (including factory stores)	98
TOTAL	**338**

In the United States, NIKE has seven significant distribution centers. Four are located in Memphis, Tennessee, two of which are owned and two of which are leased. Two other distribution centers, one located in Indianapolis, Indiana and one located in Dayton, Tennessee, are leased and operated by third-party logistics providers. One distribution center for Converse is located in Ontario, California, which is leased. There are other smaller distribution facilities located in various parts of the United States, some of which are leased or operated by third-parties.

INTERNATIONAL MARKETS

For fiscal 2020, non-U.S. NIKE Brand and Converse sales accounted for approximately 61% of total revenues, compared to 59% and 58% for fiscal 2019 and fiscal 2018, respectively. We sell our products to retail accounts, through our own NIKE Direct operations and through a mix of independent distributors, licensees and sales representatives around the world. We sell to thousands of retail accounts and ship products from 74 distribution centers outside of the United States. During fiscal 2020, NIKE's three largest customers outside of the United States accounted for approximately 15% of total non-U.S. sales.

In addition to NIKE and Converse owned digital commerce platforms in over 45 countries, our NIKE Direct and Converse direct to consumer businesses operate the following number of retail stores outside the United States:

NON-U.S. RETAIL STORES	NUMBER
NIKE Brand factory stores	643
NIKE Brand in-line stores (including employee-only stores)	52
Converse stores (including factory stores)	63
TOTAL	**758**

International branch offices and subsidiaries of NIKE are located in Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Macau, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Panama, the Philippines, Poland, Portugal, Russia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uruguay and Vietnam.

SIGNIFICANT CUSTOMER

No customer accounted for 10% or more of our consolidated net *Revenues* during fiscal 2020.

PRODUCT RESEARCH, DESIGN AND DEVELOPMENT

We believe our research, design and development efforts are key factors in our success. Technical innovation in the design and manufacturing process of footwear, apparel and athletic equipment receives continued emphasis as we strive to produce products that help to enhance athletic performance, reduce injury and maximize comfort, while reducing waste.

In addition to our own staff of specialists in the areas of biomechanics, chemistry, exercise physiology, engineering, digital technologies, industrial design, sustainability and related fields, we also utilize research committees and advisory boards made up of athletes, coaches, trainers, equipment managers, orthopedists, podiatrists, physicians and other experts who consult with us and review designs, materials, concepts for product and manufacturing process improvements and compliance with product safety regulations around the world. Employee athletes, athletes engaged under sports marketing contracts and other athletes wear-test and evaluate products during the design and development process.

As we continue to develop new technologies, we are simultaneously focused on the design of innovative products and experiences incorporating such technologies throughout our product categories and consumer applications. Using market intelligence and research, our various design teams identify opportunities to leverage new technologies in existing categories to respond to consumer preferences. The proliferation of NIKE Air, Zoom, Free, Flywire, Dri-Fit, Flyknit, Flyweave, FlyEase, ZoomX, React and Adaptive technologies, among others, throughout our Running, NIKE Basketball, Jordan Brand, Football (Soccer), Training and Sportswear categories, as well as Converse, typifies our dedication to designing innovative products.

MANUFACTURING

We are supplied by 122 footwear factories located in 12 countries. Virtually all of our footwear is manufactured outside of the United States by over 15 independent contract manufacturers, which often operate multiple factories. The largest single footwear factory accounted for approximately 9% of total fiscal 2020 NIKE Brand footwear production. For fiscal 2020, contract factories in Vietnam, Indonesia and China manufactured approximately 50%, 24% and 22% of total NIKE Brand footwear, respectively. We also have manufacturing agreements with independent contract manufacturers in Argentina and India to manufacture footwear for sale primarily within those countries. For fiscal 2020, four footwear contract manufacturers each accounted for greater than 10% of footwear production and in the aggregate accounted for approximately 61% of NIKE Brand footwear production.

We are supplied by 329 apparel factories located in 38 countries. The largest single apparel factory accounted for approximately 11% of total fiscal 2020 NIKE Brand apparel production. Virtually all of our apparel is manufactured outside of the United States by independent contract manufacturers which often operate multiple factories. For fiscal 2020, contract factories in Vietnam, China and Cambodia produced approximately 28%, 23% and 12% of total NIKE Brand apparel, respectively. For fiscal 2020, two apparel contract manufacturers accounted for more than 10% of apparel production, and the top five contract manufacturers in the aggregate accounted for approximately 48% of NIKE Brand apparel production.

The principal materials used in our footwear products are natural and synthetic rubber, plastic compounds, foam cushioning materials, natural and synthetic leather, nylon, polyester and canvas, as well as polyurethane films used to make NIKE Air-Sole cushioning components. During fiscal 2020, Air Manufacturing Innovation, a wholly-owned subsidiary, with facilities near Beaverton, Oregon, in Dong Nai Province, Vietnam and St. Charles, Missouri, as well as independent contractors in China and

Vietnam, were our suppliers of materials and cushioning components used in footwear. Air Manufacturing Innovation also manufactures and sells small amounts of various other plastic products to other manufacturers. The principal materials used in our apparel products are natural and synthetic fabrics and threads (both virgin and recycled); specialized performance fabrics designed to efficiently wick moisture away from the body, retain heat and repel rain and/or snow; and plastic and metal hardware. NIKE's independent contractors and suppliers buy raw materials for the manufacturing of our footwear, apparel and equipment products. Most raw materials are available and purchased by those independent contractors and suppliers in the countries where manufacturing takes place. NIKE's independent contract manufacturers and suppliers have thus far experienced little difficulty in satisfying raw material requirements for the production of our products.

Since 1972, Sojitz Corporation of America (“Sojitz America”), a large Japanese trading company and the sole owner of our redeemable preferred stock, has performed import-export financing services for us. During fiscal 2020, Sojitz America provided financing and purchasing services for NIKE Brand products sold in certain NIKE markets including Argentina, Brazil, Canada, India, South Africa and Uruguay, excluding products produced and sold in the same country. Approximately 4% of NIKE Brand sales occurred in those countries. Any failure of Sojitz America to provide these services or any failure of Sojitz America's banks could disrupt our ability to acquire products from our suppliers and to deliver products to our customers in those markets. Such a disruption could result in canceled orders that would adversely affect sales and profitability. However, we believe that any such disruption would be short-term in duration due to the ready availability of alternative sources of financing at competitive rates.

INTERNATIONAL OPERATIONS AND TRADE

Our international operations and sources of supply are subject to the usual risks of doing business abroad, such as the implementation of, or potential changes in, foreign and domestic trade policies, increases in import duties, anti-dumping measures, quotas, safeguard measures, trade restrictions, restrictions on the transfer of funds and, in certain parts of the world, political instability and terrorism. We have not, to date, been materially affected by any such risk, but cannot predict the likelihood of such material effects occurring in the future.

In recent years, uncertain global and regional economic and political conditions have affected international trade and increased protectionist actions around the world. These trends are affecting many global manufacturing and service sectors, and the footwear and apparel industries, as a whole, are not immune. Companies in our industry are facing trade protectionism in many different regions, and in nearly all cases we are working together with industry groups to address trade issues and reduce the impact to the industry, while observing applicable competition laws. Notwithstanding our efforts, protectionist measures have resulted in increases in the cost of our products, and additional measures, if implemented, could adversely affect sales and/or profitability for NIKE, as well as the imported footwear and apparel industry as a whole.

We monitor protectionist trends and developments throughout the world that may materially impact our industry, and we engage in administrative and judicial processes to mitigate trade restrictions. We are actively monitoring actions that may result in additional anti-dumping measures and could affect our industry. We are also monitoring for and advocating against other impediments that may limit or delay customs clearance for imports of footwear, apparel and equipment. NIKE also advocates for trade liberalization for footwear and apparel in a number of regional and bilateral free trade agreements. Changes in U.S. trade policies, including new and potential tariffs or penalties on imported goods, may negatively affect U.S. corporations with production activities outside the U.S., including NIKE. There have also been discussions and commentary regarding retaliatory actions by countries affected by the new tariffs and other changes in U.S. trade policy, and certain foreign governments have instituted or are considering imposing retaliatory measures on certain U.S. goods, which could negatively affect U.S. corporations with business operations and/or consumer markets in those countries. Depending on the extent that certain new or proposed reforms are implemented by the U.S. government and the manner in which foreign governments respond to such reforms, it may become necessary for us to change the way we conduct business, which may adversely affect our results of operations. In addition, with respect to proposed trade restrictions targeting China, which represents an important sourcing country and consumer market for us, we are working with a broad coalition of global businesses and trade associations representing a wide variety of sectors to help ensure that any legislation enacted and implemented (i) addresses legitimate and core concerns, (ii) is consistent with international trade rules and (iii) reflects and considers China's domestic economy and the important role it has in the global economic community.

Where trade protection measures are implemented, we believe that we have the ability to develop, over a period of time, adequate alternative sources of supply for the products obtained from our present suppliers. If events prevented us from acquiring products from our suppliers in a particular country, our operations could be temporarily disrupted and we could experience an adverse financial impact. However, we believe we could abate any such disruption, and that much of the adverse impact on supply would, therefore, be of a short-term nature, although alternate sources of supply might not be as cost-effective and could have an ongoing adverse impact on profitability.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or "FCPA", and other anti-bribery laws applicable to our operations. We source a significant portion of our products from, and have important consumer markets, outside of the United States, and we have an ethics and compliance program to address compliance with the FCPA and similar laws by us, our employees, agents, suppliers and other partners.

COMPETITION

The athletic footwear, apparel and equipment industry is highly competitive on a worldwide basis. We compete internationally with a significant number of athletic and leisure footwear companies, athletic and leisure apparel companies, sports equipment companies and large companies having diversified lines of athletic and leisure footwear, apparel and equipment, including adidas, Anta, ASICS, Li Ning, lululemon athletica, Puma, Under Armour and V.F. Corporation, among others. The intense competition and the rapid changes in technology and consumer preferences in the markets for athletic and leisure footwear and apparel and athletic equipment, constitute significant risk factors in our operations.

NIKE is the largest seller of athletic footwear and apparel in the world. Important aspects of competition in this industry are:

- Product attributes such as quality; performance and reliability; new product style, design, innovation and development, as well as consumer price/value.
- Consumer connection, engagement and affinity for brands and products, developed through marketing, promotion and digital experiences; social media interaction; customer support and service; identification with prominent and influential athletes, influencers, public figures, coaches, teams, colleges and sports leagues who endorse our brands and use our products and active engagement through sponsored sporting events and clinics.
- Effective sourcing and distribution of products, with attractive merchandising and presentation at retail, both in-store and on digital platforms.

We believe that we are competitive in all of these areas.

TRADEMARKS AND PATENTS

We believe that our intellectual property rights are important to our brand, our success and our competitive position. We strategically pursue available protections of these rights and vigorously protect them against third-party theft and infringement.

We use trademarks on nearly all of our products and believe having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying our brands and the Company, and in distinguishing our goods from the goods of others. We consider our NIKE and Swoosh Design trademarks to be among our most valuable assets and we have registered these trademarks in almost 170 jurisdictions worldwide. In addition, we own many other trademarks that we use in marketing our products. We own common law rights in the trade dress of several significant shoe designs and elements. For certain trade dress, we have sought and obtained trademark registrations.

We have copyright protection in our design, graphics and other original works. When appropriate, we also obtain registered copyrights.

We file for, own and maintain many U.S. and foreign utility and design patents protecting components, technologies, materials, manufacturing techniques, features, functionality, and industrial and aesthetic designs used in and for the manufacture of various athletic and leisure footwear and apparel, athletic equipment and digital devices and related software applications. These patents expire at various times.

We believe our success depends upon our capabilities in areas such as design, research and development, production and marketing and is supported by our intellectual property rights, such as trademarks, patents and trade secrets, among others.

We have followed a policy of applying for and registering intellectual property rights in the United States and select foreign countries on trademarks, inventions, innovations and designs that we deem valuable. We also continue to vigorously protect our intellectual property, including trademarks, patents and trade secrets against third-party infringement.

EMPLOYEES

As of May 31, 2020, we had approximately 75,400 employees worldwide, including retail and part-time employees. Management is committed to maintaining an environment where all NIKE employees have the opportunity to reach their full potential. None of our employees are represented by a union, except for certain employees in the APLA geography, where local law requires those employees to be represented by a trade union. Also, in some countries outside of the United States, local laws require employee representation by works councils (which may be entitled to information and consultation on certain Company decisions) or by organizations similar to a union. In certain European countries, we are required by local law to enter into and/or comply with industry-wide or national collective bargaining agreements. NIKE has never experienced a material interruption of operations due to labor disagreements.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The executive officers of NIKE, Inc. as of July 24, 2020 are as follows:

Mark G. Parker, Executive Chairman — Mr. Parker, 64, is Executive Chairman of the Board of Directors and served as President and Chief Executive Officer from 2006 - January 2020. He has been employed by NIKE since 1979 with primary responsibilities in product research, design and development, marketing and brand management. Mr. Parker was appointed divisional Vice President in charge of product development in 1987, corporate Vice President in 1989, General Manager in 1993, Vice President of Global Footwear in 1998 and President of the NIKE Brand in 2001.

John J. Donahoe II, President and Chief Executive Officer — Mr. Donahoe, 60, was appointed President and Chief Executive Officer in January 2020 and has been a director since 2014. He brings expertise in digital commerce, technology and global strategy. He previously served as President and Chief Executive Officer at ServiceNow, Inc. Prior to joining ServiceNow, Inc., he served as President and Chief Executive Officer of eBay, Inc. He also held leadership roles at Bain & Company for two decades.

Andrew Campion, Chief Operating Officer — Mr. Campion, 48, joined NIKE in 2007 as Vice President of Global Planning and Development, leading strategic and financial planning. He was appointed Chief Financial Officer of the NIKE Brand in 2010, responsible for leading all aspects of financial management for the Company's flagship brand. In 2014, he was appointed Senior Vice President, Strategy, Finance and Investor Relations. Mr. Campion assumed the role of Executive Vice President and Chief Financial Officer in August 2015. In April 2020, he was appointed Chief Operating Officer and leads NIKE's global technology and digital transformation, demand and supply management, manufacturing, distribution and logistics, sustainability, workplace design and connectivity, and procurement. Prior to joining NIKE, he held leadership roles in strategic planning, mergers and acquisitions, financial planning and analysis, operations and planning, investor relations and tax at The Walt Disney Company.

Matthew Friend, Executive Vice President and Chief Financial Officer — Mr. Friend, 42, joined NIKE in 2009 as Senior Director of Corporate Strategy and Development, and was appointed Chief Financial Officer of Emerging Markets in 2011. In 2014, Mr. Friend was appointed Chief Financial Officer of Global Categories, Product and Functions, and was subsequently appointed Chief Financial Officer of the NIKE Brand in 2016. He was also appointed Vice President of Investor Relations in 2019. Mr. Friend was appointed as Executive Vice President and Chief Financial Officer of NIKE, Inc. in April 2020. Prior to joining NIKE, he worked in the financial industry including roles as VP of investment banking and mergers and acquisitions at Goldman Sachs and Morgan Stanley.

Hilary K. Krane, Executive Vice President, Chief Administrative Officer and General Counsel — Ms. Krane, 56, joined NIKE as Vice President and General Counsel in 2010. In 2011, her responsibilities expanded, and she became Vice President, General Counsel and Corporate Affairs. Ms. Krane was appointed Executive Vice President, Chief Administrative Officer and General Counsel in 2013. Prior to joining NIKE, Ms. Krane was General Counsel and Senior Vice President for Corporate Affairs at Levi Strauss & Co. from 2006 to 2010. From 1996 to 2006, she was a Partner and Assistant General Counsel at PricewaterhouseCoopers LLP.

Monique S. Matheson, Executive Vice President, Global Human Resources — Ms. Matheson, 53, joined NIKE in 1998, with primary responsibilities in the human resources function. She was appointed as Vice President and Senior Business Partner in 2011 and Vice President, Chief Talent and Diversity Officer in 2012. Ms. Matheson was appointed Executive Vice President, Global Human Resources in 2017.

Heidi O'Neill, President of Consumer and Marketplace — Ms. O'Neill, 55, joined NIKE in 1998, and held a variety of leadership roles, including President of NIKE Direct, where she was responsible for NIKE's connection to its consumer globally through the Company's retail and digital-commerce business. She also led NIKE's women's business for seven years, growing it into a multi-billion dollar business, and leading the Company's North America apparel business as VP/GM. Ms. O'Neill was appointed as President of Consumer and Marketplace in April 2020 and is responsible for NIKE's Direct business, including all stores, e-commerce and apps globally.

ITEM 1A. RISK FACTORS

Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historic 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 SEC, 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, as amended. 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 SEC, including reports filed on Forms 8-K, 10-Q and 10-K, and include, among others, the following: health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic; international, national and local political, civil, 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 technology systems and controls, including, without limitation, the systems related to demand and supply planning and inventory control; interruptions in data and information technology systems; consumer data security; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance orders may not be indicative of future revenues due to changes in shipment timing, the changing mix of orders with shorter lead times, and discounts, order cancellations and returns; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; increases in the cost of materials, labor and energy used to manufacture products; new product development and introduction; the ability to secure and protect trademarks, patents and other intellectual property; product performance and quality; customer service; adverse publicity, including without limitation, through social media or in connection with brand damaging events; the loss of significant customers or suppliers; dependence on distributors and licensees; business disruptions; increased costs of freight and transportation to meet delivery deadlines; increases in borrowing costs due to any decline in NIKE's debt ratings; changes in business strategy or development plans; general risks associated with doing business outside of the United States, including, without limitation, exchange rate fluctuations, inflation, import duties, tariffs, quotas, political and economic instability and terrorism; the potential impact of new laws, regulations or policy, including, without limitation, tariffs, import/export, trade and immigration regulations or policies; changes in government regulations; the impact of, including business and legal developments relating to, climate change and natural disasters; litigation, regulatory proceedings, sanctions or any other claims asserted against NIKE; the ability to attract and retain qualified employees, and any negative public perception with respect to key personnel or our corporate culture, values or purpose; the effects of NIKE's decision to invest in or divest of businesses and other factors referenced or incorporated by reference in this report and other reports.

Risk Factors

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 risks emerge from time to time and it is not possible for management to predict all such risks, nor can it assess the impact of all such risks on NIKE's business or the extent to which any risk, or combination of risks, 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 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.

Our financial condition and results of operations have been and are expected to continue to be adversely affected by the coronavirus pandemic.

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. To date, this pandemic and preventative measures taken to contain or mitigate the pandemic have caused, and are expected to continue to cause, business slowdown or shutdown in affected areas and significant disruption in the financial markets, both globally and in the United States. These events have led to and could continue to lead to a decline in discretionary spending by consumers, and in turn materially impact, our business, sales, financial condition and results of operations. We have experienced a negative impact on our sales, operations and financial results, and we cannot predict the degree to, or the time period over, which our sales, operations and financial results will continue to be affected by the pandemic and preventative measures. Risks presented by the COVID-19 pandemic include, but are not limited to:

- Deterioration in economic conditions in the United States and globally;
- Reduced consumer demand for our products as consumers seek to reduce or delay discretionary spending in response to the impacts of COVID-19, including as a result of a rise in unemployment rates and diminished consumer confidence;
- Cancellation or postponement of sports seasons and sporting events in multiple countries, including in the United States, and bans on large public gatherings, which have reduced consumer spending on our products and could impact the effectiveness of our arrangements with key endorsers;
- Decreased retail traffic as a result of store closures, reduced operating hours, social distancing restrictions and/or changes in consumer behavior;
- The risk that any safety protocols in NIKE-owned or affiliated facilities will not be effective or not be perceived as effective, or that any virus-related illnesses will be linked or alleged to be linked to such facilities, whether accurate or not;
- Incremental costs resulting from the adoption of preventative measures, including providing facial coverings and hand sanitizer, rearranging operations to follow social distancing protocols, conducting temperature checks and undertaking regular and thorough disinfecting of surfaces;
- Disruption to our distribution centers and our third-party manufacturing partners and other vendors, including through the effects of facility closures, reductions in operating hours, labor shortages, and real time changes in operating procedures, including for additional cleaning and disinfection procedures;
- Bankruptcies or other financial difficulties facing our wholesale customers, which could cause them to be unable to make or delay making payments to us, or result in cancellation or reduction of their orders;
- Operational risk, including but not limited to cybersecurity risks, as a result of extended workforce remote work arrangements, and restrictions on employee travel;
- Impacts to our distribution and logistics providers' ability to operate or increases in their operating costs. These supply chain effects may have an adverse effect on our ability to meet consumer demand, including digital demand, and could result in an increase in our costs of production and distribution, including increased freight and logistics costs and other expenses; and
- Significant disruption of and volatility in global financial markets, which could have a negative impact on our ability to access capital in the future.

We continue to monitor the latest developments regarding the pandemic and have made certain assumptions regarding the pandemic for purposes of our operating, financial and tax planning projections, including assumptions regarding the duration and severity of the pandemic and the global macroeconomic impacts of the pandemic. However, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations and financial condition due to the uncertainty of future developments. In particular, we believe the ultimate impacts on our business, results of operations, cash flows and financial condition will depend on, among other things, the further spread and duration of COVID-19, the requirements to take action to help limit the spread of the illness, the availability, safety and efficacy of a vaccine and treatments for COVID-19 and the economic impacts of the pandemic. Even in those regions where we are beginning to experience business recovery should those regions fail to fully contain COVID-19 or suffer a COVID-19 relapse, those markets may not recover as quickly or at all, which could have a material adverse effect on our business and results of operations. The pandemic may also affect our business, operations or financial condition in a manner that is not presently known to us or that we currently do not consider to present significant risks.

In addition, the impact of COVID-19 may also exacerbate other risks discussed in this Item 1A. Risk Factors, any of which could have a material effect on us.

Global economic conditions could have a material adverse effect on our business, operating results and financial condition.

The uncertain state of the global economy continues to impact businesses around the world. If global economic and financial market conditions further deteriorate or do not improve, the following factors could have a material adverse effect on our business, operating results and financial condition:

- Our sales are impacted by discretionary spending by consumers. Declines in consumer spending may result in reduced demand for our products, increased inventories, reduced orders from retailers for our products, order cancellations, lower revenues, higher discounts and lower gross margins.
- In the future, we may be unable to access financing in the credit and capital markets at reasonable rates in the event we find it desirable to do so.

- We conduct transactions in various currencies, which creates exposure to fluctuations in foreign currency exchange rates relative to the U.S. Dollar. Continued volatility in the markets and exchange rates for foreign currencies and contracts in foreign currencies could have a significant impact on our reported operating results and financial condition.
- Continued volatility in the availability and prices for commodities and raw materials we use in our products and in our supply chain (such as cotton or petroleum derivatives) could have a material adverse effect on our costs, gross margins and profitability.
- If retailers of our products experience declining revenues or experience difficulty obtaining financing in the capital and credit markets to purchase our products, this could result in reduced orders for our products, order cancellations, late retailer payments, extended payment terms, higher accounts receivable, reduced cash flows, greater expense associated with collection efforts and increased bad debt expense.
- If retailers of our products experience severe financial difficulty, some may become insolvent and cease business operations, which could negatively impact the sale of our products to consumers.

If contract manufacturers of our products or other participants in our supply chain experience difficulty obtaining financing in the capital and credit markets to purchase raw materials or to finance capital equipment and other general working capital needs, it may result in delays or non-delivery of shipments of our products.

Our products, services and experiences face intense competition.

NIKE is a consumer products company and the relative popularity of various sports and fitness activities and changing design trends affect the demand for our products. The athletic footwear, apparel and equipment industry is highly competitive both in the United States and worldwide. We compete internationally with a significant number of athletic and leisure footwear companies, athletic and leisure apparel companies, sports equipment companies, private labels and large companies that have diversified lines of athletic and leisure footwear, apparel and equipment. We also compete with other companies for the production capacity of independent manufacturers that produce our products. Our NIKE Direct operations, both through our digital commerce operations and retail stores, also compete with multi-brand retailers, which sell our products through their digital platforms and physical stores, and with digital commerce platforms. In addition, we compete with respect to the digital experiences we are able to offer our consumers.

Product offerings, technologies, marketing expenditures (including expenditures for advertising and endorsements), pricing, costs of production, customer service, digital commerce platforms, digital services and experiences and social media presence are areas of intense competition. This, in addition to ongoing rapid changes in technology, a reduction in barriers to the creation of new footwear and apparel companies and consumer preferences in the markets for athletic and leisure footwear and apparel, athletic equipment, services and experiences, constitute significant risk factors in our operations. In addition, the competitive nature of retail, including shifts in the ways in which consumers shop, and the continued proliferation of digital commerce, constitutes a risk factor implicating our NIKE Direct and wholesale operations. If we do not adequately and timely anticipate and respond to our competitors, our costs may increase, demand for our products may decline, possibly significantly, or we may need to reduce wholesale or suggested retail prices for our products.

Failure to maintain our reputation, brand image and culture could negatively impact our business.

Our iconic brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brands will depend on our design and marketing efforts, including advertising and consumer campaigns, product innovation and product quality. Our commitment to product innovation and quality and our continuing investment in design (including materials) and marketing may not have the desired impact on our brand image and reputation. In addition, our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and digital dissemination of advertising campaigns on our digital platforms and through our digital experiences. We could be adversely impacted if we fail to achieve any of these objectives.

Our brand value also depends on our ability to maintain a positive consumer perception of our corporate integrity, purpose and brand culture. Negative claims or publicity involving us, our culture and values, our products, services and experiences, consumer data, or any of our key employees, endorsers, sponsors or suppliers could seriously damage our reputation and brand image, regardless of whether such claims are accurate. For example, while we require our suppliers of our products to operate their business in compliance with applicable laws and regulations, we do not control their practices. Negative publicity relating to a violation or an alleged violation of policies or laws by such suppliers could damage our brand image and diminish consumer trust in our brand. Social media, which accelerates and potentially amplifies the scope of negative publicity, can increase the challenges of responding to negative claims. Adverse publicity about regulatory or legal action against us, or by us, could also damage our reputation and brand image, undermine consumer confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. If the reputation, culture or image of any of our brands is tarnished or if we receive negative publicity, then our sales, financial condition and results of operations could be materially and adversely affected.

Our business is affected by seasonality, which could result in fluctuations in our operating results.

We experience moderate fluctuations in aggregate sales volume during the year. Historically, revenues in the first and fourth fiscal quarters have slightly exceeded those in the second and third fiscal quarters. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal or COVID-19 related cancellations or postponements and geographic demand for particular types of footwear, apparel and equipment and in connection with the timing of significant sporting events, such as the NBA Finals, Olympics or the World Cup, among others. In addition, our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice. As a result, we may not be able to accurately predict our quarterly sales. Accordingly, our results of operations are likely to fluctuate significantly from period to period. This seasonality, along with other factors that are beyond our control, including economic conditions, changes in consumer preferences, weather conditions, outbreaks of disease, social or political unrest, availability of import quotas, transportation disruptions and currency exchange rate fluctuations, could adversely affect our business and cause our results of operations to fluctuate. Our operating margins are also sensitive to a number of additional factors that are beyond our control, including manufacturing and transportation costs, shifts in product sales mix and geographic sales trends, all of which we expect to continue. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

If we are unable to anticipate consumer preferences and develop new products, we may not be able to maintain or increase our revenues and profits.

Our success depends on our ability to identify, originate and define product trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. However, lead times for many of our products may make it more difficult for us to respond rapidly to new or changing product trends or consumer preferences. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of performance products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. If we fail to anticipate accurately and respond to trends and shifts in consumer preferences by adjusting the mix of existing product offerings, developing new products, designs, styles and categories, and influencing sports and fitness preferences through extensive marketing, we could experience lower sales, excess inventories or lower profit margins, any of which could have an adverse effect on our results of operations and financial condition. In addition, we market our products globally through a diverse spectrum of advertising and promotional programs and campaigns, including social media, mobile applications and online advertising. If we do not successfully market our products or if advertising and promotional costs increase, these factors could have an adverse effect on our business, financial condition and results of operations.

We rely on technical innovation and high-quality products to compete in the market for our products.

Technical innovation and quality control in the design and manufacturing process of footwear, apparel and athletic equipment is essential to the commercial success of our products. Research and development play a key role in technical innovation. We rely upon specialists in the fields of biomechanics, chemistry, exercise physiology, engineering, digital technologies, industrial design, sustainability and related fields, as well as research committees and advisory boards made up of athletes, coaches, trainers, equipment managers, orthopedists, podiatrists and other experts to develop and test cutting-edge performance products. While we strive to produce products that help to enhance athletic performance, reduce injury and maximize comfort, if we fail to introduce technical innovation in our products, consumer demand for our products could decline, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems and loss of consumer confidence.

Failure to continue to obtain or maintain high-quality endorsers of our products could harm our business.

We establish relationships with professional athletes, sports teams and leagues, as well as other public figures, including artists, designers and influencers, to develop, evaluate and promote our products, as well as establish product authenticity with consumers. However, as competition in our industry has increased, the costs associated with establishing and retaining such sponsorships and other relationships have increased. If we are unable to maintain our current associations with professional athletes, sports teams and leagues, or other public figures, or to do so at a reasonable cost, we could lose the high visibility or on-field authenticity associated with our products, and we may be required to modify and substantially increase our marketing investments. As a result, our brands, net revenues, expenses and profitability could be harmed.

Furthermore, if certain endorsers were to stop using our products contrary to their endorsement agreements, our business could be adversely affected. In addition, actions taken or statements made by athletes, teams or leagues, or other endorsers, associated with our products that harm the reputations of those athletes, teams or leagues, or endorsers, could also seriously harm our brand image with consumers and, as a result, could have an adverse effect on our sales and financial condition. In addition, poor performance by our endorsers, a failure to continue to correctly identify promising athletes, public figures or sports organizations, to use and endorse our products or a failure to enter into cost-effective endorsement arrangements with prominent athletes, public figures and sports organizations could adversely affect our brand, sales and profitability.

Economic factors beyond our control, and changes in the global economic environment, including fluctuations in inflation and currency exchange rates, could result in lower revenues, higher costs and decreased margins and earnings.

A majority of our products are manufactured and sold outside of the United States, and we conduct purchase and sale transactions in various currencies, which creates exposure to the volatility of global economic conditions, including fluctuations in inflation and foreign currency exchange rates. Additionally, there has been, and may continue to be, volatility in currency exchange rates as a result of the United Kingdom's exit from the European Union, commonly referred to as “Brexit” or new or proposed U.S. policy changes that impact the U.S. Dollar value relative to other international currencies. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be affected by currency fluctuations, specifically amounts recorded in foreign currencies and translated into U.S. Dollars for consolidated financial reporting, as weakening of foreign currencies relative to the U.S. Dollar adversely affects the U.S. Dollar value of the Company's foreign currency-denominated sales and earnings. Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. Foreign currency fluctuations have adversely affected and could continue to have an adverse effect on our results of operations and financial condition.

We may hedge certain foreign currency exposures to lessen and delay, but not to completely eliminate, the effects of foreign currency fluctuations on our financial results. Since the hedging activities are designed to lessen volatility, they not only reduce the negative impact of a stronger U.S. Dollar or other trading currency, but they also reduce the positive impact of a weaker U.S. Dollar or other trading currency. Our future financial results could be significantly affected by the value of the U.S. Dollar in relation to the foreign currencies in which we conduct business. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities.

We may be adversely affected by the financial health of our customers.

We extend credit to our customers based on an assessment of a customer's financial condition, generally without requiring collateral. To assist in the scheduling of production and the shipping of our products, we offer certain customers the opportunity to place orders five to six months ahead of delivery under our futures ordering program. These advance orders may be canceled under certain conditions, and the risk of cancellation may increase when dealing with financially unstable retailers or retailers struggling with economic uncertainty. In the past, some customers have experienced financial difficulties up to and including bankruptcies, which have had an adverse effect on our sales, our ability to collect on receivables and our financial condition. When the retail economy weakens or as consumer behavior shifts, retailers may be more cautious with orders. A slowing or changing economy in our key markets could adversely affect the financial health of our customers, which in turn could have an adverse effect on our results of operations and financial condition. In addition, product sales are dependent in part on high quality merchandising and an appealing retail environment to attract consumers, which requires continuing investments by retailers. Retailers that experience financial difficulties may fail to make such investments or delay them, resulting in lower sales and orders for our products.

Failure to accurately forecast consumer demand could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows and harm to our business.

To meet anticipated demand for our products, we purchase products from manufacturers outside of our futures ordering program and in advance of customer orders, which we hold in inventory and resell to customers. There is a risk we may be unable to sell excess products ordered from manufacturers. Inventory levels in excess of customer demand may result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have an adverse effect on our operating results, financial condition and cash flows. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply products we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer, distributor and consumer relationships and diminish brand loyalty. The difficulty in forecasting demand also makes it difficult to estimate our future results of operations, financial condition and cash flows from period to period. A failure to accurately predict the level of demand for our products could adversely affect our net revenues and net income, and we are unlikely to forecast such effects with any certainty in advance.

Our NIKE Direct operations have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

Our NIKE Direct operations, including our retail stores and digital platforms, have required and will continue to require significant investment. Our NIKE Direct stores have required and will continue to require substantial fixed investment in equipment and leasehold improvements and personnel. We have entered into substantial operating lease commitments for retail space. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness and marketing activities and to integrate with our digital platforms. Because of their unique design and technological elements, locations and size, these stores require substantially more investment than other stores. Due to the high fixed-cost structure associated with our NIKE Direct retail stores, a decline in sales, a shift in consumer behavior away from brick-and-mortar retail, or the closure, temporary or otherwise, or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements and employee-related costs.

Many factors unique to retail operations, some of which are beyond our control, pose risks and uncertainties. Risks include, but are not limited to: credit card fraud; mismanagement of existing retail channel partners; and inability to manage costs associated with store construction and operation.

In addition, we have made significant investments in digital technologies and information systems for the digital aspect of our NIKE Direct operations, and our digital offerings will require continued investment in the development and upgrading of our technology platforms. In order to deliver high-quality digital experiences, our digital platforms must be designed effectively and work well with a range of other technologies, systems, networks, and standards that we do not control. We may not be successful in developing platforms that operate effectively with these technologies, systems, networks or standards. A growing portion of consumers access our NIKE Direct digital platforms, but in the event that it is more difficult for consumers to access and use our digital platforms, consumers find that our digital platforms do not effectively meet their needs or expectations or consumers choose not to access or use our digital platforms or use devices that do not offer access to our platforms, the success of our NIKE Direct operations could be adversely impacted. Our competitors may develop, or have already developed, digital experiences, features, content, services or technologies that are similar to ours or that achieve greater acceptance.

We may not realize a satisfactory return on our investment in our NIKE Direct operations and management's attention from our other business opportunities could be diverted, which could have an adverse effect on our business, financial condition or results of operations.

If the technology-based systems that give our consumers the ability to shop or interact with us online do not function effectively, our operating results, as well as our ability to grow our digital commerce business globally or to retain our customer base, could be materially adversely affected.

Many of our consumers shop with us through our digital platforms. Increasingly, consumers are using mobile-based devices and applications to shop online with us and with our competitors, and to do comparison shopping, as well as to engage with us and our competitors through digital experiences that are offered on mobile platforms. We are increasingly using social media and proprietary mobile applications to interact with our consumers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly digital commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers or any failure to provide attractive digital experiences to our customers could place us at a competitive disadvantage, result in the loss of digital commerce and other sales, harm our reputation with consumers, have a material adverse impact on the growth of our digital commerce business globally and could have a material adverse impact on our business and results of operations. In addition, as use of our digital platforms continues to grow, we will need an increasing amount of technical infrastructure to continue to satisfy our consumers' needs. If we fail to continue to effectively scale and adapt our digital platforms to accommodate increased consumer demand, our business may be subject to interruptions, delays or failures and consumer demand for our products and digital experiences could decline.

Risks specific to our digital commerce business also include diversion of sales from our and our retailers' brick and mortar stores, difficulty in recreating the in-store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our digital commerce business, as well as damage our reputation and brands.

We rely significantly on information technology to operate our business, including our supply chain and retail operations, and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business.

We are heavily dependent on information technology systems and networks, including the Internet and third-party services ("Information Technology Systems"), across our supply chain, including product design, production, forecasting, ordering, manufacturing, transportation, sales and distribution, as well as for processing financial information for external and internal reporting purposes, retail operations and other business activities. Information Technology Systems are critical to many of our operating activities and our business processes and may be negatively impacted by any service interruption or shutdown. For example, our ability to effectively manage and maintain our inventory and to ship products to customers on a timely basis depends significantly on the reliability of these Information Technology Systems. Over a number of years, we have implemented Information Technology Systems in all of the geographical regions in which we operate. Our work to integrate, secure and enhance these systems and related processes in our global operations is ongoing and NIKE will continue to invest in these efforts. We cannot provide assurance, however, that the measures we take to secure and enhance these systems will be sufficient to protect our Information Technology Systems and prevent cyber-attacks, system failures or data or information loss. The failure of these systems to operate effectively, including as a result of security breaches, viruses, hackers, malware, natural disasters, vendor business interruptions or other causes, or failure to properly maintain, protect, repair or upgrade systems, or problems with transitioning to upgraded or replacement systems could cause delays in product fulfillment and reduced efficiency of our operations, could require significant capital investments to remediate the problem which may not be sufficient to cover all eventualities, and may have an adverse effect on our reputation, results of operations and financial condition. Further, like other companies in the retail industry, we have in the past experienced, and we expect to continue to experience, cyber-attacks, including phishing, and other attempts to breach, or gain unauthorized access to, our systems. To date, these attacks have not had a material impact on our operations, but we cannot provide assurance that they will not have an impact in the future.

We also use Information Technology Systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. If Information Technology Systems suffer severe damage, disruption or shutdown and our business continuity plans, or those of our vendors, do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, which could result in lost revenues and profits, as well as reputational damage. Furthermore, we depend on Information Technology Systems and personal data collection for digital marketing, digital commerce, consumer engagement and the marketing and use of our digital products and services. We also rely on our ability to engage in electronic communications throughout the world between and among our employees as well as with other third parties, including customers, suppliers, vendors and consumers. Any interruption in Information Technology Systems may impede our ability to engage in the digital space and result in lost revenues, damage to our reputation, and loss of users.

We are subject to a complex array of laws and regulations and litigation and other legal and regulatory proceedings, which could have an adverse effect on our business, financial condition and results of operations.

As a multinational corporation with operations and distribution channels throughout the world, we are subject to and must comply with extensive laws and regulations in the United States and other jurisdictions in which we have operations and distribution channels. If we or our employees, agents, suppliers, and other partners fail to comply with any of these laws or regulations, such failure could subject us to fines, sanctions or other penalties that could negatively affect our reputation, business, financial condition and results of operations. We are involved in various types of claims, lawsuits, regulatory proceedings and government investigations relating to our business, our products and the actions of our employees and representatives, including contractual and employment relationships, product liability, antitrust, trademark rights and a variety of other matters. It is not possible to predict with certainty the outcome of any such legal or regulatory proceedings or investigations, and we could in the future incur judgments, fines or penalties, or enter into settlements of lawsuits and claims that could have a material adverse effect on our business, financial condition and results of operations and negatively impact our reputation. The global nature of our business means legal and compliance risks, such as anti-bribery, anti-corruption, fraud, trade, environmental, competition, privacy and other regulatory matters, will continue to exist and additional legal proceedings and other contingencies will arise from time to time, which could adversely affect us. In addition, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, may result in significant unanticipated legal and reputational risks. Any current or future legal or regulatory proceedings could divert management's attention from our operations and result in substantial legal fees.

Changes to U.S. or other countries' trade policies and tariff and import/export regulations or our failure to comply with such regulations may have a material adverse effect on our reputation, business, financial condition and results of operations.

Changes in U.S. or international social, political, regulatory and economic conditions could impact our business, financial condition and results of operations. In particular, political and economic instability, geopolitical conflicts, political unrest, civil strife, terrorist activity, acts of war, public corruption, expropriation and other economic or political uncertainties in the United States or internationally could interrupt and negatively affect the sale of our products or other business operations. Any negative sentiment toward the United States as a result of any such changes could also adversely affect our business.

In addition, changes in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business could adversely affect our business. The U.S. presidential administration has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U.S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business. It may be time-consuming and expensive for us to alter our business operations in order to adapt to or comply with any such changes.

Changes or proposed changes in U.S. or other countries' trade policies may result in restrictions and economic disincentives on international trade. Tariffs and other changes in U.S. trade policy have in the past and could in the future trigger retaliatory actions by affected countries, and certain foreign governments have instituted or are considering imposing retaliatory measures on certain U.S. goods. Further, any emerging protectionist or nationalist trends either in the United States or in other countries could affect the trade environment. The Company, similar to many other multinational corporations, does a significant amount of business that would be impacted by changes to the trade policies of the United States and foreign countries (including governmental action related to tariffs, international trade agreements, or economic sanctions). Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof or the economy of another country in which we conduct operations, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, financial condition and results of operations.

Failure to adequately protect or enforce our intellectual property rights could adversely affect our business.

We periodically discover counterfeit reproductions of our products or products that otherwise infringe our intellectual property rights. If we are unsuccessful in enforcing our intellectual property rights, continued sales of these products could adversely affect our sales and our brand and could result in a shift of consumer preference away from our products.

The actions we take to establish and protect our intellectual property rights may not be adequate to prevent imitation of our products by others. We also may be unable to prevent others from seeking to block sales of our products as violations of proprietary rights.

We may be subject to liability if third parties successfully claim we infringe on their intellectual property rights. Defending infringement claims could be expensive and time-consuming and might result in our entering into costly license agreements. We also may be subject to significant damages or injunctions against development, use, importation and/or sale of certain products.

We take various actions to prevent the unauthorized use and/or disclosure of our confidential information and intellectual property rights. These actions include contractual measures such as entering into non-disclosure and non-compete agreements and agreements relating to our collaborations with third parties and providing confidential information awareness training. Our controls and efforts to prevent unauthorized use and/or disclosure of confidential information and intellectual property rights might not always be effective. For example, confidential information related to business strategy, innovations, new technologies, mergers and acquisitions, unpublished financial results or personal data could be prematurely, inadvertently, or improperly used and/or disclosed, resulting in a loss of reputation, loss of intellectual property rights, a decline in our stock price and/or a negative impact on our market position, and could lead to damages, fines, penalties or injunctions.

In addition, the laws of certain countries may not protect or allow enforcement of intellectual property rights to the same extent as the laws of the United States. We may face significant expenses and liability in connection with the protection of our intellectual property rights, including outside the United States, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition may be adversely affected.

We are subject to data security and privacy risks that could negatively affect our results, operations or reputation.

In addition to our own sensitive and proprietary business information, we handle transactional and personal information about our wholesale customers and consumers and users of our digital experiences, which include online distribution channels and product engagement, adaptive products and personal fitness applications. Hackers and data thieves are increasingly sophisticated and operate social engineering, such as phishing, and large-scale, complex automated attacks that can evade detection for long periods of time. Any breach of our or our service providers' network, or other vendor systems, may result in the loss of confidential business and financial data, misappropriation of our consumers', users' or employees' personal information or a disruption of our business. Any of these outcomes could have a material adverse effect on our business, including unwanted media attention, impairment of our consumer and customer relationships, damage to our reputation; resulting in lost sales and consumers, fines, lawsuits, or significant legal and remediation expenses. We also may need to expend significant resources to protect against, respond to and/or redress problems caused by any breach.

In addition, we must comply with increasingly complex and rigorous, and sometimes conflicting, regulatory standards enacted to protect business and personal data in the United States, Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation (the “GDPR”), which became effective on May 25, 2018; and California passed the California Consumer Privacy Act (the "CCPA") which became effective on January 1, 2020. These laws impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR and CCPA) and regulations can be costly and time consuming, and any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, imposition of fines by governmental authorities and damage to our reputation and credibility and could have a negative impact on revenues and profits.

Our international operations involve inherent risks which could result in harm to our business.

Virtually all of our athletic footwear and apparel is manufactured outside of the United States, and the majority of our products are sold outside of the United States. Accordingly, we are subject to the risks generally associated with global trade and doing business abroad, which include foreign laws and regulations, varying consumer preferences across geographic regions, political unrest, disruptions or delays in cross-border shipments and changes in economic conditions in countries in which our products are manufactured or where we sell products. This includes, for example, the uncertainty surrounding the effect of Brexit, including changes to the legal and regulatory framework that apply to the United Kingdom and its relationship with the European Union, as well as new and proposed changes affecting tax laws and trade policy in the United States and elsewhere as further described below under *“We could be subject to changes in tax rates, adoption of new tax laws, additional tax liabilities or increased volatility in our effective tax rate”* and *“Changes to U.S. or other countries' trade policies and tariff and import/export regulations or our failure to comply with such regulations may have a material adverse effect on our reputation, business, financial condition and* *results of operations."* The U.S. presidential administration has indicated a focus on policy reforms that discourage U.S. corporations from outsourcing manufacturing and production activities to foreign jurisdictions, including through tariffs or penalties on goods manufactured outside the United States, which may require us to change the way we conduct business and adversely affect our results of operations. The administration has also targeted the specific practices of certain U.S. multinational corporations in public statements which, if directed at us, could harm our reputation or otherwise negatively impact our business.

In addition, disease outbreaks, including the current COVID-19 pandemic, terrorist acts and military conflict have increased the risks of doing business abroad. These factors, among others, could affect our ability to manufacture products or procure materials, our ability to import products, our ability to sell products in international markets and our cost of doing business. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business could be adversely affected. In addition, many of our imported products are subject to duties, tariffs or quotas that affect the cost and quantity of various types of goods imported into the United States and other countries. Any country in which our products are produced or sold may eliminate, adjust or impose new quotas, duties, tariffs, safeguard measures, anti-dumping duties, cargo restrictions to prevent terrorism, restrictions on the transfer of currency, climate change legislation, product safety regulations or other charges or restrictions, any of which could have an adverse effect on our results of operations and financial condition.

Furthermore, we are subject to the U.S. Foreign Corrupt Practices Act as well as the anti-corruption laws of other countries in which we operate. Although we implement policies and procedures designed to promote compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation could result in sanctions or other penalties and have an adverse effect on our business, reputation and operating results.

Our products are subject to risks associated with overseas sourcing, manufacturing and financing.

The principal materials used in our apparel products — natural and synthetic fabrics and threads, specialized performance fabrics designed to efficiently wick moisture away from the body, retain heat or repel rain and/or snow as well as plastic and metal hardware — are available in countries where our manufacturing takes place. The principal materials used in our footwear products — natural and synthetic rubber, plastic compounds, foam cushioning materials, natural and synthetic leather, natural and synthetic fabrics and threads, nylon, canvas and polyurethane films — are also locally available to manufacturers. Both our apparel and footwear products are dependent upon the ability of our unaffiliated contract manufacturers to locate, train, employ and retain adequate personnel. NIKE contractors and suppliers buy raw materials and are subject to wage rates that are oftentimes regulated by the governments of the countries in which our products are manufactured.

There could be a significant disruption in the supply of fabrics or raw materials from current sources or, in the event of a disruption, our contract manufacturers might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price or at all. Further, our unaffiliated contract manufacturers have experienced and may continue to experience in the future, unexpected increases in work wages, whether government mandated or otherwise and increases in compliance costs due to governmental regulation concerning certain metals used in the manufacturing of our products. In addition, we cannot be certain that our unaffiliated manufacturers will be able to fill our orders in a timely manner. If we experience significant increases in demand, or reductions in the availability of materials, or need to replace an existing manufacturer, there can be no assurance additional supplies of fabrics or raw materials or additional manufacturing capacity will be available when required on terms acceptable to us, or at all, or that any supplier or manufacturer would allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new manufacturing or sources of materials, we may encounter delays in production and added costs as a result of the time it takes to train suppliers and manufacturers in our methods, products, quality control standards and labor, health and safety standards. Any delays, interruption or increased costs in labor or wages, or the supply of materials or manufacture of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower revenues and net income both in the short- and long-term.

Because independent manufacturers make a majority of our products outside of our principal sales markets, our products must be transported by third parties over large geographic distances. Delays in the shipment or delivery of our products due to the availability of transportation, work stoppages, port strikes, infrastructure congestion or other factors, and costs and delays associated with consolidating or transitioning between manufacturers, could adversely impact our financial performance. In addition, manufacturing delays or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as air freight, which could adversely affect our profit margins. The cost of oil is a significant component in manufacturing and transportation costs, so increases in the price of petroleum products can adversely affect our profit margins. Changes in U.S. trade policies, including new and potential changes to import tariffs and existing trade policies and agreements, could also have a significant impact on our activities in foreign jurisdictions, and could adversely affect our results of operations.

In addition, Sojitz America performs import-export financing services and purchasing services for NIKE Brand products sold in certain countries and any failure of Sojitz America to provide these services or any failure of Sojitz America's banks could have an adverse effect on our ability to acquire products from our suppliers and to deliver products to our customers in the countries in which Sojitz provides services, which could in turn adversely affect our sales and profitability.

We could be subject to changes in tax rates, adoption of new tax laws, additional tax liabilities or increased volatility in our effective tax rate.

We are subject to the tax laws in the United States and numerous foreign jurisdictions. Current economic and political conditions make tax laws and regulations, or their interpretation and application, in any jurisdiction subject to significant change.

We earn a substantial portion of our income in foreign countries and are subject to the tax laws of those jurisdictions. For example, effective January 1, 2020, the tax law in the Netherlands, one of the Company's major jurisdictions, changed.

Other proposals to reform foreign tax laws could significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form these proposals will pass, several of the proposals considered, if enacted into law, could have an adverse impact on our income tax expense and cash flows.

Portions of our operations are subject to a reduced tax rate or are free of tax under various tax holidays and rulings. We also utilize tax rulings and other agreements to obtain certainty in treatment of certain tax matters. These holidays and rulings expire in whole or in part from time to time and may be extended when certain conditions are met, or terminated if certain conditions are not met. The impact of any changes in conditions would be the loss of certainty in treatment thus potentially impacting our effective income tax rate. For example, in January 2019, the European Commission opened a formal investigation to examine whether the Netherlands has breached State Aid rules when granting certain tax rulings to the Company. If this matter is adversely resolved, the Netherlands may be required to assess additional amounts with respect to current and prior periods and the Company's Netherlands income taxes in the future could increase.

We are also subject to the examination of our tax returns by the United States Internal Revenue Service ("IRS") and other tax authorities. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for income taxes. Although we believe our tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from our historical income tax provisions and accruals. The results of audits or related disputes could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. For example, we and our subsidiaries are also engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe we have clearly reflected the economics of these transactions and the proper local transfer pricing documentation is in place, tax authorities may propose and sustain adjustments that could result in changes that may impact our mix of earnings in countries with differing statutory tax rates.

Consolidation of retailers or concentration of retail market share among a few retailers may increase and concentrate our credit risk and impair our ability to sell products.

The athletic footwear, apparel and equipment retail markets in some countries are dominated by a few large athletic footwear, apparel and equipment retailers with many stores and accelerating digital commerce capabilities. The market shares of these retailers may increase through acquisitions and construction of additional stores and investments in digital capacity, and as a result of attrition as struggling retailers exit the market. Consolidation of our retailers will concentrate our credit risk with a smaller set of retailers, any of whom may experience declining sales or a shortage of liquidity, including as a result of the COVID-19 pandemic. In addition, increasing market share concentration among a few retailers in a particular country or region increases the risk that if any one of them substantially reduces their purchases of our products, we may be unable to find sufficient retail outlets for our products to sustain the same level of sales and revenues.

We are subject to the risk our licensees may not generate expected sales or maintain the value of our brands.

We currently license, and expect to continue licensing, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. If our licensees fail to successfully market and sell licensed products, or fail to obtain sufficient capital or effectively manage their business operations, customer relationships, labor relationships, supplier relationships or credit risks, it could adversely affect our revenues, both directly from reduced royalties received and indirectly from reduced sales of our other products.

We also rely on our licensees to help preserve the value of our brands. Although we attempt to protect our brands through approval rights over the design, production processes, quality, packaging, merchandising, distribution, advertising and promotion of our licensed products, we cannot completely control the use of our licensed brands by our licensees. The misuse of a brand by or negative publicity involving a licensee could have a material adverse effect on that brand and on us.

Failure of our contractors or our licensees' contractors to comply with our code of conduct, local laws and other standards could harm our business.

We work with hundreds of contractors outside of the United States to manufacture our products, and we also have license agreements that permit unaffiliated parties to manufacture or contract for the manufacture of products using our intellectual property. We require the contractors that directly manufacture our products and our licensees that make products using our intellectual property (including, indirectly, their contract manufacturers) to comply with a code of conduct and other environmental, health and safety standards for the benefit of workers. We also require our direct contractors and the contractors of our licensees to comply with applicable standards for product safety. Notwithstanding their contractual obligations, from time to time contractors may not comply with such standards or applicable local law or our licensees may fail to enforce such standards or applicable local law on their contractors. If one or more of our direct or indirect contractors violates or fails to comply with or is accused of violating or failing to comply with such standards and laws, this could harm our reputation or result in a product recall and, as a result, could have an adverse effect on our sales and financial condition. Negative publicity regarding production methods, alleged unethical or illegal practices or workplace or related conditions of any of our suppliers, manufacturers or licensees could adversely affect our brand image and sales, force us to locate alternative suppliers, manufacturers or licenses or result in the imposition of additional regulations, including new or additional quotas, tariffs, product safety regulations or other regulatory measures, by governmental authorities.

If one or more of our counterparty financial institutions default on their obligations to us or fail, we may incur significant losses.

As part of our hedging activities, we enter into transactions involving derivative financial instruments, which may include forward contracts, commodity futures contracts, option contracts, collars and swaps with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default, or our assets deposited or held in accounts with such counterparty, may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

We rely on a concentrated source base of contract manufacturers to supply a significant portion of our footwear products.

NIKE is supplied by 122 footwear factories located in 12 countries. We do not own or operate any of the footwear manufacturing facilities and depend upon independent contract manufacturers to manufacture all of the footwear products we sell. In fiscal 2020, four footwear contract manufacturers each accounted for greater than 10% of fiscal 2020 footwear production and in aggregate accounted for approximately 61% of NIKE Brand footwear production in fiscal 2020. Our ability to meet our customers' needs depends on our ability to maintain a steady supply of products from our independent contract manufacturers. If one or more of our significant suppliers were to sever their relationship with us or significantly alter the terms of our relationship, including due to changes in applicable trade policies, or be unable to perform, including as a result of the COVID-19 pandemic, we may not be able to obtain replacement products in a timely manner, which could have a material adverse effect on our sales, financial condition or results of operations. Additionally, if any of our primary contract manufacturers fail to make timely shipments, do not meet our quality standards or otherwise fail to deliver us product in accordance with our plans, there could be a material adverse effect on our results of operations.

Certain of our manufacturers are highly specialized and only produce a specific type of product. Such manufacturing partners may go out of business if consumer preferences or market conditions change such that there is no longer sufficient demand for the types of products they produce. If, in the future, the relevant products are again in demand and the specialized manufacturers no longer exist, we may not be able to locate replacement facilities to manufacture certain products in a timely manner or at all, which could have a material adverse effect on our sales, financial condition or results of operations.

Our success depends on our global distribution facilities.

We distribute our products to customers directly from the factory and through distribution centers located throughout the world. Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies and growth, particularly in emerging markets, depends on the proper operation of our distribution facilities, the development or expansion of additional distribution capabilities and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). Our distribution facilities have in the past and could be interrupted by information technology problems, disasters such as earthquakes or fires or outbreaks of disease or government actions taken to mitigate their spread. Any significant failure in our distribution facilities could result in an adverse effect on our business. We maintain business interruption insurance, but it may not adequately protect us from adverse effects caused by significant disruptions in our distribution facilities.

The market for prime real estate is competitive.

Our ability to effectively obtain real estate to open new retail stores and otherwise conduct our operations, both domestically and internationally, depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics and other factors. We also must be able to effectively renew our existing real estate leases. In addition, from time to time, we seek to downsize, consolidate, reposition or close some of our real estate locations, which may require modification of an existing lease. Failure to secure adequate new locations or successfully modify leases for existing locations, or failure to effectively manage the profitability of our existing fleet of retail stores, could have an adverse effect on our operating results and financial condition.

Additionally, the economic environment may make it difficult to determine the fair market rent of real estate properties domestically and internationally. This could impact the quality of our decisions to exercise lease options at previously negotiated rents and to renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, which could have an adverse effect on our operating results and financial condition.

Extreme weather conditions and natural disasters could negatively impact our operating results and financial condition.

Extreme weather conditions in the areas in which our retail stores, suppliers, manufacturers, customers, distribution centers, headquarters and vendors are located could adversely affect our operating results and financial condition. Moreover, natural disasters such as earthquakes, hurricanes and tsunamis, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages and public health issues, have in the past temporarily disrupted, and could in the future disrupt, our operations, the operations of our vendors, manufacturers and other suppliers or have in the past and could result in economic instability that may negatively impact our operating results and financial condition. In particular, if a natural disaster were to occur in an area in which we or our suppliers, manufacturers, customers, distribution centers and vendors are located, our continued success would depend, in part, on the safety and availability of the relevant personnel and facilities and proper functioning of our or third parties' computer, telecommunication and other systems and operations. In addition, a severe weather event could negatively impact retail traffic to our stores or stores that carry our products and could have an adverse impact on consumer spending, any of which could in turn result in negative point-of-sale trends for our merchandise. Further, climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, which may affect our business operations, either in a particular region or globally, as well as the activities of our third-party vendors and other suppliers, manufacturers and customers. In addition, the physical changes prompted by climate change could result in changes in regulations or consumer preferences, which could in turn affect our business, operating results and financial condition. We believe the diversity of locations in which we operate, our operational size and our Information Technology Systems position us well, but if we were to experience a local or regional disaster or other business continuity event, we could still experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel. Further, if we are unable to find alternative suppliers, replace capacity at key manufacturing or distribution locations or quickly repair damage to our Information Technology Systems or supply systems, we could be late in delivering, or be unable to deliver, products to our customers. These events could result in reputational damage, lost sales, cancellation charges or markdowns, all of which could have an adverse effect on our business, results of operations and financial condition.

Our financial results may be adversely affected if substantial investments in businesses and operations fail to produce expected returns.

From time to time, we may invest in technology, business infrastructure, new businesses, product offering and manufacturing innovation and expansion of existing businesses, such as our NIKE Direct operations, which require substantial cash investments and management attention. We believe cost-effective investments are essential to business growth and profitability; however, significant investments are subject to typical risks and uncertainties inherent in developing a new business or expanding an existing business. The failure of any significant investment to provide expected returns or profitability could have a material adverse effect on our financial results and divert management attention from more profitable business operations. See also "*Our NIKE Direct operations have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties*."

The success of our business depends, in part, on high-quality employees, including key personnel as well as our ability to maintain our workplace culture and values.

Our success depends in part on the continued service of high-quality employees, including key executive officers and personnel. The loss of the services of key individuals, or any negative perception with respect to these individuals, or our workplace culture or values, could harm our business. Our success also depends on our ability to recruit, retain and engage our personnel sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for employees in our industry is intense and we may not be successful in attracting and retaining such personnel. In addition, shifts in U.S. immigration policy could negatively impact our ability to attract, hire and retain highly skilled employees who are from outside the United States. We also believe that our corporate culture has been a key driver of our success, and we have invested substantial time and resources in building, maintaining and evolving our culture. Any failure to preserve and evolve our culture could negatively affect our future success, including our ability to retain and recruit employees.

Our business operations and financial performance could be adversely affected by changes in our relationship with our workforce or changes to United States or foreign employment regulations.

We have significant exposure to changes in domestic and foreign laws governing our relationships with our workforce, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which could have a direct impact on our operating costs. A significant increase in minimum wage or overtime rates in countries where we have workforces could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs. There is also a risk of potential claims that we have violated laws related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury and other claims. In addition, if there were a significant increase in the number of members of our workforce who are members of labor organizations or become parties to collective bargaining agreements, we could be vulnerable to a strike, work stoppage or other labor action, which could have an adverse effect on our business.

The sale of a large number of shares of common stock by our principal stockholder could depress the market price of our common stock.

As of June 30, 2020, Swoosh, LLC beneficially owned approximately 75% of our Class A Common Stock. If, on June 30, 2020, all of these shares were converted into Class B Common Stock, the commensurate ownership percentage of our Class B Common Stock would be approximately 16%. The shares are available for resale, subject to the requirements of the U.S. securities laws and the terms of the limited liability company agreement governing Swoosh, LLC. The sale or prospect of a sale of a substantial number of these shares could have an adverse effect on the market price of our common stock. Swoosh, LLC was formed by Philip H. Knight, our Chairman Emeritus, to hold the majority of his shares of Class A Common Stock. Swoosh, LLC is controlled by Mr. Knight's son and NIKE director, Travis Knight.

Changes in our credit ratings or macroeconomic conditions may affect our liquidity, increasing borrowing costs and limiting our financing options.

Our long-term debt is currently rated Investment Grade by Standard & Poor's and Moody's Investors Service. If our credit ratings are lowered, borrowing costs for our existing facilities or for future long-term debt or short-term credit facilities may increase and our financing options, including our access to the unsecured credit market or the capital markets, could be adversely affected. We may also be subject to restrictive covenants that would reduce our flexibility to, among other things, incur additional indebtedness, make restricted payments, pledge assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. Failure to comply with such covenants could result in a default, and as a result, the commitments of our lenders under our credit agreements may be terminated and the maturity of amounts owed may be accelerated. In addition, macroeconomic conditions, such as increased volatility or disruption in the credit markets, could adversely affect our ability to refinance existing debt.

If our internal controls are ineffective, our operating results could be adversely affected.

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, as provided in “Management's Discussion and Analysis of Financial Condition and Results of Operations.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenues and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventory reserves, contingent payments under endorsement contracts, accounting for property, plant and equipment and definite-lived assets, hedge accounting for derivatives, stock-based compensation, income taxes and other contingencies. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Class B Common Stock.

Anti-takeover provisions may impair an acquisition of the Company or reduce the price of our common stock.

There are provisions within our articles of incorporation and Oregon law intended to protect shareholder interests by providing the Board of Directors a means to attempt to deny coercive takeover attempts or to negotiate with a potential acquirer in order to obtain more favorable terms. Such provisions include a control share acquisition statute, a freeze-out statute, two classes of stock that vote separately on certain issues, and the fact that holders of Class A Common Stock elect three-quarters of the Board of Directors rounded down to the next whole number. However, such provisions could discourage, delay or prevent an unsolicited merger, acquisition or other change in control of our company that some shareholders might believe to be in their best interests or in which shareholders might receive a premium for their common stock over the prevailing market price. These provisions could also discourage proxy contests for control of the Company.

We may fail to meet market expectations, which could cause the price of our stock to decline.

Our Class B Common Stock is traded publicly, and at any given time various securities analysts follow our financial results and issue reports on us. These reports include information about our historical financial results as well as analysts' opinions of our future performance, which may, in part, be based upon any guidance we have provided. Analysts' estimates are often different from our estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. In the past, securities class action litigation has been brought against NIKE and other companies following a decline in the market price of their securities. If our stock price is volatile for any reason, we may become involved in this type of litigation in the future. Any litigation could result in reputational damage, substantial costs and a diversion of management's attention and resources needed to successfully run our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following is a summary of principal properties owned or leased by NIKE:

The NIKE World Campus, owned by NIKE and located near Beaverton, Oregon, USA, is an approximately 400-acre site consisting of over 40 buildings which, together with adjacent leased properties, functions as our world headquarters and is occupied by approximately 12,800 employees engaged in management, research, design, development, marketing, finance and other administrative functions serving nearly all of our segments. We lease a similar, but smaller, administrative facility in Hilversum, the Netherlands, which serves as the headquarters for our Europe, Middle East & Africa geography and management of certain brand functions for our non-U.S. operations. We also lease an office complex in Shanghai, China, our headquarters for our Greater China geography, occupied by employees focused on implementing our wholesale, NIKE Direct and merchandising strategies in the region, among other functions.

In the United States, NIKE has seven significant distribution centers. Four are located in Memphis, Tennessee, two of which are owned and two of which are leased. Two other distribution centers, one located in Indianapolis, Indiana and one located in Dayton, Tennessee, are leased and operated by third-party logistics providers. One distribution center for Converse is located in Ontario, California, which is leased. NIKE has a number of distribution facilities outside the United States, some of which are leased and operated by third-party logistics providers. The most significant distribution facilities outside the United States are located in Laakdal, Belgium; Taicang, China; Tomisato, Japan and Incheon, Korea, all of which we own, as well as in Suzhou, China, which is leased and operated by a third-party logistics provider.

Air Manufacturing Innovation manufactures cushioning components used in footwear at NIKE-owned and leased facilities located near Beaverton, Oregon, and in Dong Nai Province, Vietnam, as well as at NIKE-owned facilities in St. Charles, Missouri.

Aside from the principal properties described above, we lease many offices worldwide for sales and administrative purposes. We lease 1,091 retail stores worldwide, which primarily consist of factory stores. See “United States Market” and “International Markets” for additional information regarding our retail stores. Our leases expire at various dates through the year 2043.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or of which any of our property is the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NIKE's Class B Common Stock is listed on the New York Stock Exchange and trades under the symbol NKE. At July 17, 2020, there were 23,114 holders of record of NIKE's Class B Common Stock and 14 holders of record of NIKE's Class A Common Stock. These figures do not include beneficial owners who hold shares in nominee name. The Class A Common Stock is not publicly traded, but each share is convertible upon request of the holder into one share of Class B Common Stock. Refer to Selected Quarterly Financial Data in Part II, Item 6 of this Report for dividends declared on the Class A and Class B Common Stock.

In June 2018, the Board of Directors approved a four-year, $15 billion share repurchase program. As of May 31, 2020, the Company had repurchased 45.2 million shares at an average price of $89.00 per share for a total approximate cost of $4.0 billion under this program.

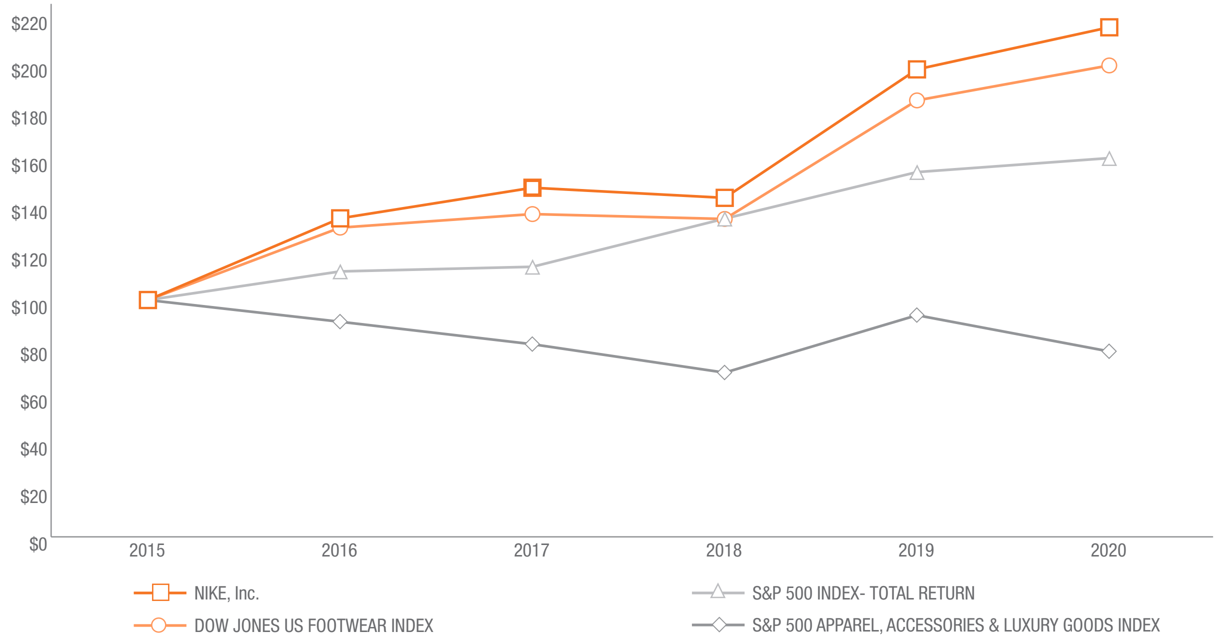
All share repurchases were made under NIKE's publicly announced program and there are no other programs under which the Company repurchases shares. The following table presents a summary of share repurchases made during the quarter ended May 31, 2020:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (IN MILLIONS)
March 1 — March 31, 2020	1,872,265	$ 85.08	$ 10,981
April 1 — April 30, 2020	—	$ —	$ 10,981
May 1 — May 31, 2020	—	$ —	$ 10,981
	1,872,265	**$ 85.08**	

PERFORMANCE GRAPH

The following graph demonstrates a five-year comparison of cumulative total returns for NIKE's Class B Common Stock; the Standard & Poor's 500 Stock Index; the Standard & Poor's Apparel, Accessories & Luxury Goods Index; and the Dow Jones U.S. Footwear Index. The graph assumes an investment of $100 on May 31, 2015 in each of the indices and our Class B Common Stock. Each of the indices assumes that all dividends were reinvested on the day of issuance.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN AMONG NIKE, INC.; S&P 500 INDEX; THE DOW JONES U.S. FOOTWEAR INDEX; AND S&P APPAREL, ACCESSORIES & LUXURY GOODS INDEX



The Dow Jones U.S. Footwear Index consists of NIKE, Deckers Outdoor Corporation, Skechers U.S.A., Inc., Steven Madden, Ltd. and Wolverine World Wide, Inc. Because NIKE is part of the Dow Jones U.S. Footwear Index, the price and returns of NIKE stock have a substantial effect on this index. The Standard & Poor's Apparel, Accessories & Luxury Goods Index consists of Hanesbrands Inc., PVH Corporation, Ralph Lauren Corporation, Tapestry, Inc., Under Armour, Inc. and V.F. Corporation. The Dow Jones U.S. Footwear Index and the Standard & Poor's Apparel, Accessories & Luxury Goods Index include companies in two major lines of business in which the Company competes. The indices do not encompass all of the Company's competitors, nor all product categories and lines of business in which the Company is engaged.

The stock performance shown on the performance graph above is not necessarily indicative of future performance. The Company will not make or endorse any predictions as to future stock performance.

The performance graph above is being furnished solely to accompany this Report pursuant to Item 201(e) of Regulation S-K, is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

ITEM 6. SELECTED FINANCIAL DATA

All share and per share amounts are reflective of the two-for-one stock split that began trading at the split-adjusted price on December 24, 2015.

	FINANCIAL HISTORY				
(In millions, except per share data and financial ratios)	2020	2019	2018	2017	2016
Year Ended May 31,					
Revenues(1)	$ 37,403	$ 39,117	$ 36,397	$ 34,350	$ 32,376
Gross profit	16,241	17,474	15,956	15,312	14,971
Gross margin(1)	43.4%	44.7%	43.8%	44.6%	46.2%
Net income(1)(2)	2,539	4,029	1,933	4,240	3,760
Earnings per common share:(2)					
Basic	1.63	2.55	1.19	2.56	2.21
Diluted	1.60	2.49	1.17	2.51	2.16
Weighted average common shares outstanding	1,558.8	1,579.7	1,623.8	1,657.8	1,697.9
Diluted weighted average common shares outstanding	1,591.6	1,618.4	1,659.1	1,692.0	1,742.5
Cash dividends declared per common share	0.955	0.86	0.78	0.70	0.62
Cash provided (used) by operations(1)	2,485	5,903	4,955	3,846	3,399
At May 31,					
Cash and equivalents(3)	$ 8,348	$ 4,466	$ 4,249	$ 3,808	$ 3,138
Short-term investments	439	197	996	2,371	2,319
Inventories(1)	7,367	5,622	5,261	5,055	4,838
Working capital	12,272	8,659	9,094	10,587	9,667
Operating lease right-of-use assets, net(4)	3,097	—	—	—	—
Total assets(4)(5)(6)	31,342	23,717	22,536	23,259	21,379
Long-term debt(3)	9,406	3,464	3,468	3,471	1,993
Total operating lease liabilities(4)	3,358	—	—	—	—
Redeemable preferred stock	0.3	0.3	0.3	0.3	0.3
Shareholders' equity(6)	8,055	9,040	9,812	12,407	12,258
Market capitalization	153,553	120,951	114,983	87,084	92,867
Financial Ratios:					
Return on equity(2)(6)	29.7%	42.7%	17.4%	34.4%	30.1%
Return on assets(2)(3)(4)(5)(6)	9.2%	17.4%	8.4%	19.0%	17.5%
Inventory turns	3.3	4.0	4.0	3.8	3.8
Current ratio at May 31(3)(4)	2.5	2.1	2.5	2.9	2.8
Price/Earnings ratio at May 31(2)	61.6	31.0	61.4	21.1	25.6

(1) Fiscal 2020 reflects the impacts of COVID-19 on our results of operations and financial condition. Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

(2) Fiscal 2018 reflects the impact from the enactment of the U.S. Tax Cuts and Jobs Act. Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional information.

(3) During the fourth quarter of fiscal 2020, the Company issued $6 billion of senior unsecured notes. Refer to Note 8 — Long-Term Debt in the accompanying Notes to the Consolidated Financial Statements for additional information.

(4) Fiscal 2020 reflects the impact from the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Refer to Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements for additional information.

(5) Fiscal 2019 reflects the impact from the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Refer to Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements for additional information.

(6) Fiscal 2019 reflects the impact from the adoption of ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. Refer to Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements for additional information.

SELECTED QUARTERLY FINANCIAL DATA

(UNAUDITED)	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
(In millions, except per share data)	2020	2019	2020	2019	2020	2019	2020	2019
Revenues[1]	$10,660	$ 9,948	$10,326	$ 9,374	$10,104	$ 9,611	$ 6,313	$10,184
Gross profit	4,871	4,397	4,544	4,105	4,473	4,339	2,353	4,633
Gross margin[1]	45.7%	44.2%	44.0%	43.8%	44.3%	45.1 %	37.3%	45.5%
Net income (loss)[1]	1,367	1,092	1,115	847	847	1,101	(790)	989
Earnings (loss) per common share:								
Basic	0.87	0.69	0.71	0.54	0.54	0.70	(0.51)	0.63
Diluted	0.86	0.67	0.70	0.52	0.53	0.68	(0.51)	0.62
Weighted average common shares outstanding	1,562.4	1,594.0	1,560.6	1,581.4	1,556.3	1,572.8	1,555.7	1,570.2
Diluted weighted average common shares outstanding	1,597.5	1,634.4	1,594.4	1,620.7	1,591.6	1,609.6	1,555.7	1,607.5
Cash dividends declared per common share	0.22	0.20	0.245	0.22	0.245	0.22	0.245	0.22

(1) The third and fourth quarters of fiscal 2020 reflect the impacts of COVID-19 on our results of operations and financial condition. Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NIKE designs, develops, markets and sells athletic footwear, apparel, equipment, accessories and services worldwide. We are the largest seller of athletic footwear and apparel in the world. We sell our products through NIKE-owned retail stores and through digital platforms (which we refer to collectively as our “NIKE Direct” operations), to retail accounts and to a mix of independent distributors, licensees and sales representatives in virtually all countries around the world. Our goal is to deliver value to our shareholders by building a profitable global portfolio of branded footwear, apparel, equipment and accessories businesses. Our strategy is to achieve long-term revenue growth by creating innovative, “must-have” products, building deep personal consumer connections with our brands and delivering compelling consumer experiences through digital platforms and at retail.

Since fiscal 2018, through the Consumer Direct Offense and our Triple Double strategy, we have focused on doubling the impact of innovation, increasing our speed and agility to market and growing our direct connections with consumers. In June 2020, we announced a new digitally empowered phase of the Consumer Direct Offense strategy: Consumer Direct Acceleration. This strategic acceleration will focus on three specific areas. First, creating the marketplace of the future through more premium, consistent and seamless consumer experiences that more closely align with what consumers want and need. This strategy will lead with NIKE Digital and our own stores, as well as through select strategic partners who share our marketplace vision. Second, we will align our product creation and category organizations around a new consumer construct focused on Men’s, Women’s and Kids'. This approach allows us to create product that better meets individual consumer needs, including more specialization of our category approach, while re-aligning and simplifying our offense to accelerate our largest growth opportunities. In particular, we’ll be reinvesting in our Women’s and Kids’ businesses and will also simplify our operating model across the remainder of the company to optimize effectiveness. Third, we will unify investments in data and analytics, demand sensing, insight gathering, inventory management and other areas against an end-to-end technology foundation to accelerate our digital transformation. We believe this unified approach will accelerate growth and unlock more efficiency for our business, while driving speed and responsiveness as we serve consumers globally.

On July 22, 2020, management announced a series of leadership and operating model changes to streamline and speed up strategic execution. These changes are expected to lead to a net loss of jobs, resulting in pre-tax, one-time employee termination costs of approximately $200 million to $250 million, which is expected to be incurred primarily during the first half of fiscal 2021, in the form of cash expenditures. These amounts are subject to change until such time as all details are finalized.

This next phase of our Consumer Direct Offense is expected to drive sustainable growth and profitability as we accelerate NIKE to a digital-first company. We are committed to the execution of this strategy, despite the short-term adverse impacts to our business from a novel strain of coronavirus (COVID-19). As such, our long-term financial goals on average, per year, remain the same and are outlined below:

- High single-digit revenue growth;
- Gross margin expansion of as much as 50 basis points;
- Slight selling and administrative expense leverage;
- Mid-teens earnings per share growth; and
- Low-thirties percentage rate of return on invested capital.

COVID-19 UPDATE

COVID-19 was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. As a result, COVID-19 has impacted our business globally, including through store closures, reduced operating hours and decreased retail traffic. In particular, the outbreak and preventive measures taken to help curb the spread had material adverse impacts on our operations and business results in Greater China during the third quarter of fiscal 2020, following the temporary closure of, or reduced operating hours in, approximately 75% of NIKE-owned and partner stores within the region. During the fourth quarter of fiscal 2020, our results of operations were further impacted as approximately 90% of our NIKE Brand stores across North America, EMEA and APLA, excluding Korea, were closed for approximately 8 weeks. The majority of Converse direct to consumer stores were also closed for a significant portion of the fourth quarter. Additionally, certain of our wholesale partners closed stores or reduced operating hours during the fourth quarter, resulting in lower than expected sales and a slowing of receipt of shipments of our products. The combined effect of store closures and reduced wholesale shipments caused higher than normal inventory levels at May 31, 2020, as *Inventories* grew 31% compared to the prior year. In order to manage future inventory growth and ensure a return to normalized levels we are modifying our buying plans and canceling certain pre-COVID-19 factory purchases, shifting product offer dates to meet near-term demand, as well as shifting available inventory into our digital channel and increasing digital fulfillment capacity specifically in

North America and EMEA. Additionally, we are investing in targeted promotions and markdowns to accelerate liquidation of excess inventory while continuing to protect the long-term health of our product franchises.

COVID-19 also impacted our distribution centers, our third-party manufacturing partners and other vendors, including through the effects of facility closures, reductions in operating hours, labor shortages and real time changes in operating procedures to accommodate social distancing guidelines and additional cleaning and disinfection procedures.

In response to the uncertainty of the pandemic described above, we enhanced our liquidity position during the fourth quarter through the issuance of $6 billion in senior unsecured notes, the temporary suspension of our share repurchase program and by entering into a new committed credit facility agreement, which provides for an additional $2 billion of borrowings. Refer to Liquidity and Capital Resources for additional discussion.

Throughout the third and fourth quarter of fiscal 2020, our digital commerce remained open, supported by the employees in the distribution centers. During the fourth quarter, NIKE Brand digital remained our fastest growing channel, growing 79% on a currency-neutral basis with each of our geographies growing over 50%. Beginning in mid-May, stores within our NIKE Direct operations gradually began reopening. As of July 17, 2020, over 90% of our NIKE Direct stores have reopened across the globe, with 100% open in Greater China, over 90% open in both EMEA and North America, and APLA open over 70%. As of July 17, 2020, substantially all Converse direct to consumer stores have reopened to serve consumers.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our future financial condition, results of operations or cash flows. However, we do expect they will have a material adverse impact on our future revenue growth as well as our overall profitability and may continue to lead to higher than normal inventory levels in various markets, revised payment terms with certain of our wholesale customers, higher sales-related reserves, factory cancellation costs and a volatile effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

On March 27, 2020, in response to COVID-19, the United States government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act is a relief package consisting of various stimulus measures, such as tax payment deferrals, various business incentives and makes certain technical corrections to the U.S. Tax Cuts and Jobs Act of 2017. The enactment of such legislation, while favorable, did not have a material impact on our fiscal 2020 Consolidated Financial Statements.

FISCAL 2020 OVERVIEW

Fiscal 2020 NIKE, Inc. *Revenues* declined 4% to $37.4 billion, as revenue growth of 7% for the first nine months of fiscal 2020 was more than offset by a 38% decline in the fourth quarter due to the impacts of COVID-19. The NIKE Brand, which represents over 90% of NIKE, Inc. *Revenues*, experienced a 4% decline, down 2% on a currency-neutral basis, driven by declines across nearly all geographies, partially offset by 11% currency-neutral growth in Greater China. NIKE Direct grew 8% on a currency-neutral basis driven by 49% growth in digital, with all geographies growing strong double digits, while wholesale revenues declined 7%. Revenues for Converse declined 3% and 1%, on a reported and currency-neutral basis, respectively, as revenue growth in Asia was more than offset by declines in North America, Europe and licensee markets.

Income before income taxes decreased 40% for fiscal 2020, primarily due to lower revenues and gross margin resulting from the impacts of COVID-19, as well as higher selling and administrative expense. For the first nine months of fiscal 2020, gross margin expanded 30 basis points compared to the first nine months of fiscal 2019. However, this was more than offset by a decline of 820 basis points in the fourth quarter of fiscal 2020, primarily due the impacts of COVID-19. For fiscal 2020, NIKE, Inc. gross margin decreased 130 basis points as higher full-price average selling price (ASP), on a wholesale equivalent basis, was more than offset by higher product costs due to incremental tariffs in the U.S., as well as factory cancellation charges, higher inventory obsolescence reserves and the negative rate impacts of supply chain costs on a lower volume of wholesale shipments in the fourth quarter of fiscal 2020. Selling and administrative expense increased, due to higher operating overhead expense partially offset by lower demand creation expense. Operating overhead expense increased due to higher wage-related expenses, as a result of our continued investment in end-to-end digital capabilities, and higher bad debt expense, partially offset by lower travel and related spend. Demand creation expense decreased primarily due to lower retail brand presentation costs and sports marketing expenses as sporting events were postponed or canceled and a majority of stores were closed globally during the fourth quarter of fiscal 2020. These decreases were partially offset by higher digital brand marketing costs.

Diluted earnings per common share reflects a 2% decline in the weighted average diluted common shares outstanding, driven by our share repurchase program.

As we continue to execute against the Consumer Direct Offense, we are focused on optimizing country operating models across our global portfolio and we remain committed to investing in our most significant growth opportunities. During the third quarter of fiscal 2020, we announced our intention to sell our NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay to strategic third-party distributors in an effort to more personally serve consumers in these respective marketplaces while driving sustainable, profitable growth. These transactions are expected to close in the first half of fiscal 2021. As a result of this decision, the related assets and liabilities of these entities were classified as held-for-sale on the Consolidated Balance Sheets as of May 31, 2020. Additionally, we recognized a non-recurring impairment charge of $405 million, within *Other (income) expense, net* on the Consolidated Statements of Income, classified within Corporate. This charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses, and could fluctuate due to changes in exchange rates up to the date of close. In future quarters, as we shift from a wholesale and direct to consumer operating model to a distributor operating model within these countries, we expect consolidated NIKE, Inc. and APLA revenue growth will be reduced due to differences in commercial terms. However, we expect the future operating model to have a favorable impact on our overall profitability as we reduce selling and administrative expenses, as well as lessen exposure to foreign exchange rate volatility.

On October 29, 2019, we signed a definitive agreement to sell the assets and liabilities of our wholly-owned subsidiary brand, Hurley. The transaction closed on December 6, 2019, and the impacts of the divestiture are not considered material to the Company.

While foreign currency markets remain volatile, in part due to geopolitical dynamics leading to a stronger U.S. Dollar, we continue to see opportunities to drive future growth and profitability. We remain committed to effectively managing our business to achieve our financial goals over the long-term by executing against the operational strategies outlined above.

For discussion related to the results of operations and changes in financial condition for fiscal 2019 compared to fiscal 2018 refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2019 Form 10-K, which was filed with the United States Securities and Exchange Commission on July 23, 2019.

USE OF NON-GAAP FINANCIAL MEASURES

Throughout this Annual Report on Form 10-K, we discuss non-GAAP financial measures, including references to wholesale equivalent revenues, currency-neutral revenues, as well as Total NIKE Brand earnings before interest and taxes (EBIT) and Total NIKE, Inc. EBIT, which should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). References to wholesale equivalent revenues are intended to provide context as to the total size of our NIKE Brand market footprint if we had no NIKE Direct operations. NIKE Brand wholesale equivalent revenues consist of (1) sales to external wholesale customers and (2) internal sales from our wholesale operations to our NIKE Direct operations, which are charged at prices comparable to those charged to external wholesale customers. Additionally, currency-neutral revenues are calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends excluding the impact of translation arising from foreign currency exchange rate fluctuations. EBIT is calculated as *Net Income* before *Interest expense (income), net* and *Income tax expense* in the Consolidated Statements of Income.

Management uses these non-GAAP financial measures when evaluating the Company's performance, including when making financial and operating decisions. Additionally, management believes these non-GAAP financial measures provide investors with additional financial information that should be considered when assessing our underlying business performance and trends. However, references to wholesale equivalent revenues, currency-neutral revenues and EBIT should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-GAAP measures used by other companies.

RESULTS OF OPERATIONS

(Dollars in millions, except per share data)	FISCAL 2020	FISCAL 2019	% CHANGE	FISCAL 2018	% CHANGE
Revenues[1]	$ 37,403	$ 39,117	-4%	$ 36,397	7%
Cost of sales	21,162	21,643	-2%	20,441	6%
Gross profit	16,241	17,474	-7%	15,956	10%
Gross margin[1]	*43.4%*	*44.7%*		*43.8%*	
Demand creation expense	3,592	3,753	-4%	3,577	5%
Operating overhead expense	9,534	8,949	7%	7,934	13%
Total selling and administrative expense	13,126	12,702	3%	11,511	10%
% of revenues	*35.1%*	*32.5%*		*31.6%*	
Interest expense (income), net	89	49	—	54	—
Other (income) expense, net	139	(78)	—	66	—
Income before income taxes	2,887	4,801	-40%	4,325	11%
Income tax expense[2]	348	772	-55%	2,392	-68%
Effective tax rate	*12.1%*	*16.1%*		*55.3%*	
NET INCOME[1]	**$ 2,539**	**$ 4,029**	**-37%**	**$ 1,933**	**108%**
Diluted earnings per common share	$ 1.60	$ 2.49	-36%	$ 1.17	113%

(1) Fiscal 2020 reflects the impacts of COVID-19 on our results of operations. Refer to discussion of our results below for additional information.

(2) Fiscal 2018 reflects the impact from the enactment of the U.S. Tax Cuts and Jobs Act. Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional information.

CONSOLIDATED OPERATING RESULTS

REVENUES

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES(1)	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES(1)
NIKE, Inc. Revenues:							
NIKE Brand Revenues by:							
Footwear	$ 23,305	$ 24,222	-4%	-2%	$ 22,268	9%	12%
Apparel	10,953	11,550	-5%	-3%	10,733	8%	11%
Equipment	1,280	1,404	-9%	-6%	1,396	1%	4%
Global Brand Divisions(2)	30	42	-29%	-26%	88	-52%	-53%
Total NIKE Brand Revenues	**35,568**	**37,218**	**-4%**	**-2%**	**34,485**	**8%**	**11%**
Converse	1,846	1,906	-3%	-1%	1,886	1%	3%
Corporate(3)	(11)	(7)	—	—	26	—	—
TOTAL NIKE, INC. REVENUES	**$ 37,403**	**$ 39,117**	**-4%**	**-2%**	**$ 36,397**	**7%**	**11%**
Supplemental NIKE Brand Revenues Details:							
NIKE Brand Revenues by:							
Sales to Wholesale Customers	$ 23,156	$ 25,423	-9%	-7%	$ 23,969	6%	10%
Sales through NIKE Direct	12,382	11,753	5%	8%	10,428	13%	16%
Global Brand Divisions(2)	30	42	-29%	-26%	88	-52%	-53%
TOTAL NIKE BRAND REVENUES	**$ 35,568**	**$ 37,218**	**-4%**	**-2%**	**$ 34,485**	**8%**	**11%**
NIKE Brand Revenues on a Wholesale Equivalent Basis:(1)							
Sales to Wholesale Customers	$ 23,156	$ 25,423	-9%	-7%	$ 23,969	6%	10%
Sales from our Wholesale Operations to NIKE Direct Operations	7,452	7,127	5%	7%	6,332	13%	16%
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	**$ 30,608**	**$ 32,550**	**-6%**	**-4%**	**$ 30,301**	**7%**	**11%**
NIKE Brand Wholesale Equivalent Revenues by:(1)							
Men's	$ 16,694	$ 17,737	-6%	-4%	$ 16,698	6%	10%
Women's	6,999	7,380	-5%	-3%	6,913	7%	11%
NIKE Kids'	5,033	5,283	-5%	-3%	4,906	8%	11%
Others(4)	1,882	2,150	-12%	-10%	1,784	21%	25%
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	**$ 30,608**	**$ 32,550**	**-6%**	**-4%**	**$ 30,301**	**7%**	**11%**
NIKE Brand Wholesale Equivalent Revenues by:(1)							
Running	$ 3,830	$ 4,488	-15%	-12%	$ 4,496	0%	4%
NIKE Basketball	1,508	1,597	-6%	-4%	1,494	7%	9%
Jordan Brand	3,609	3,138	15%	16%	2,856	10%	12%
Football (Soccer)	1,575	1,894	-17%	-14%	2,146	-12%	-6%
Training	2,688	3,137	-14%	-13%	3,126	0%	3%
Sportswear	12,285	12,442	-1%	1%	10,720	16%	21%
Others(5)	5,113	5,854	-13%	-10%	5,463	7%	9%
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	**$ 30,608**	**$ 32,550**	**-6%**	**-4%**	**$ 30,301**	**7%**	**11%**

(1) *The percent change excluding currency changes and the presentation of wholesale equivalent revenues represent non-GAAP financial measures. See "Use of Non-GAAP Financial Measures" for further information.*

(2) *Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.*

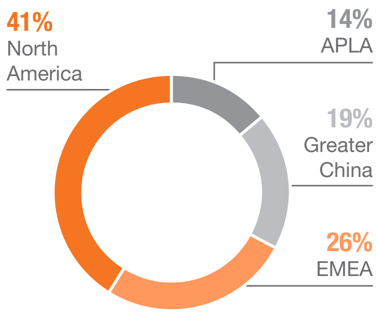
(3) *Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.*

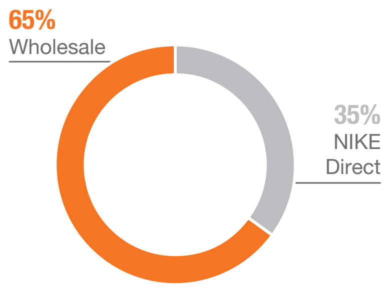
(4) *Others include all unisex products, equipment and other products not allocated to Men's, Women's and NIKE Kids', as well as certain adjustments that are not allocated to products designated by gender or age.*

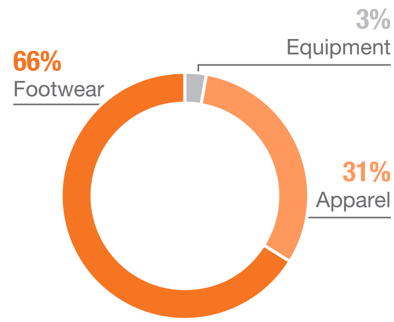
(5) *Others include all other categories and certain adjustments that are not allocated at the category level.*

FISCAL 2020 NIKE BRAND REVENUE HIGHLIGHTS

The following tables present NIKE Brand revenues disaggregated by reportable operating segment, distribution channel and major product line:







FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, NIKE, Inc. *Revenues* declined 2% for fiscal 2020, driven by lower revenues in both the NIKE Brand and Converse as the first nine months of revenue growth was offset by the impacts of lower shipments to wholesale customers and store closures within our NIKE Direct and Converse direct to consumer operations due to COVID-19 in the fourth quarter. Revenues for North America declined in fiscal 2020, reducing NIKE, Inc. *Revenues* by approximately 4 percentage points, partially offset by revenue growth in Greater China contributing approximately 2 percentage points.

On a currency-neutral basis, NIKE Brand footwear revenues decreased 2% for fiscal 2020, driven by declines in nearly all key categories, primarily Running, Sportswear and Training, partially offset by growth in the Jordan Brand. Unit sales of footwear decreased 8%, partially offset by higher ASP per pair contributing approximately 6 percentage points. The increase in ASP was primarily due to higher full-price and NIKE Direct ASPs, as well as the favorable impact of growth in our NIKE Direct business.

Currency-neutral NIKE Brand apparel revenues decreased 3% for fiscal 2020, due to declines in most key categories, primarily Running, Training and Football (Soccer), partially offset by growth in Sportswear and the Jordan Brand. Unit sales of apparel decreased 8%, partially offset by higher ASP per unit contributing approximately 5 percentage points. The increase in ASP was primarily due to higher full-price ASP and the favorable impact of growth in our NIKE Direct business.

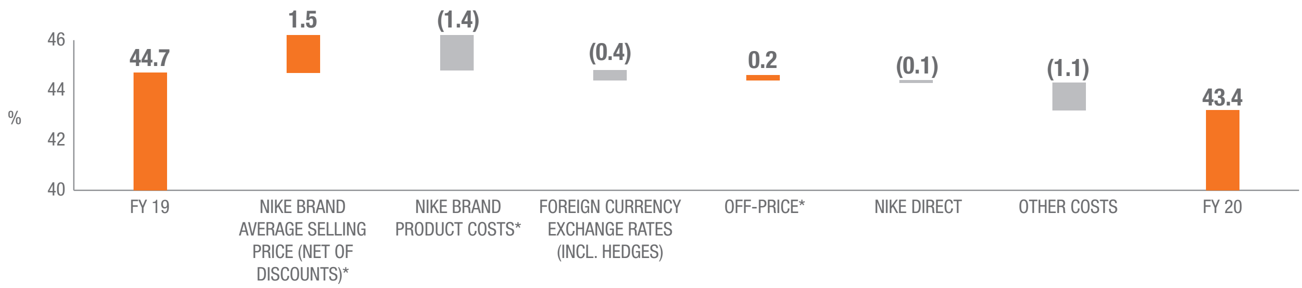
On a reported basis, NIKE Direct revenues represented approximately 35% of our total NIKE Brand revenues for fiscal 2020, compared to 32% for fiscal 2019. Digital commerce sales were $5.5 billion for fiscal 2020 compared to $3.8 billion for fiscal 2019. On a currency-neutral basis, NIKE Direct revenues increased 8% for fiscal 2020, driven by strong digital commerce sales growth of 49%, which more than offset comparable store sales contraction of 12% due to temporary store closures and stores operating on reduced hours as a result of COVID-19. Comparable store sales, which exclude digital commerce sales, comprises revenues from NIKE-owned in-line and factory stores for which all three of the following requirements have been met: (1) the store has been open at least one year, (2) square footage has not changed by more than 15% within the past year and (3) the store has not been permanently repositioned within the past year. Comparable store sales includes revenues from stores that were temporarily closed during the period as a result of COVID-19. Comparable store sales represents a performance measure that we believe is useful information for management and investors in understanding the performance of our established NIKE-owned in-line and factory stores. Management considers this metric when making financial and operating decisions. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of this metric may not be comparable to similarly titled measures used by other companies.

On a currency-neutral basis, fiscal 2020 NIKE Brand Men's and Women's revenues decreased 4% and 3%, respectively. Lower NIKE Brand Men's revenues were driven by declines in nearly all key categories, primarily Running and Training, partially offset by growth in the Jordan Brand. Lower NIKE Brand Women's revenues were driven by declines in most key categories, primarily Running and Training, partially offset by growth in Sportswear and the Jordan Brand. Revenues for our NIKE Kids' business decreased 3%, as declines primarily in Football (Soccer) more than offset growth in the Jordan Brand.

GROSS MARGIN

FISCAL 2020 COMPARED TO FISCAL 2019

For fiscal 2020, our consolidated gross profit decreased 7% to $16,241 million compared to $17,474 million for fiscal 2019, which was significantly impacted by lower shipments to our wholesale customers and store closures within our NIKE Direct operations due to COVID-19. Gross margin decreased 130 basis points to 43.4% for fiscal 2020 compared to 44.7% for fiscal 2019 due to the following:



Wholesale equivalent

Higher product costs were in part due to incremental tariffs in North America. Higher other costs, primarily in the fourth quarter of fiscal 2020 due to the impacts of COVID-19, were specifically related to increased factory cancellations costs, higher inventory obsolescence and the adverse rate impact of supply chain costs on a lower volume of wholesale shipments.

TOTAL SELLING AND ADMINISTRATIVE EXPENSE

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	FISCAL 2018	% CHANGE
Demand creation expense[(1)]	$ 3,592	$ 3,753	-4%	$ 3,577	5%
Operating overhead expense	9,534	8,949	7%	7,934	13%
Total selling and administrative expense	$ 13,126	$ 12,702	3%	$ 11,511	10%
% of revenues	35.1%	32.5%	260 bps	31.6%	90 bps

(1) Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, complimentary product, television, digital and print advertising and media costs, brand events and retail brand presentation.

FISCAL 2020 COMPARED TO FISCAL 2019

Demand creation expense decreased 4% for fiscal 2020 compared to fiscal 2019, due to lower retail brand presentation costs and lower sports marketing investments, as well as decreased advertising and marketing expenses as sporting events were postponed or canceled and a majority of stores were closed globally during the fourth quarter of fiscal 2020. These decreases were partially offset by higher digital brand marketing costs. Changes in foreign currency exchange rates decreased *Demand creation expense* by approximately 2 percentage points for fiscal 2020.

Operating overhead expense increased 7% for fiscal 2020 compared to fiscal 2019, driven by higher wage-related and administrative expenses to support our continued investments in end-to-end digital capabilities, including support for a new enterprise resource planning tool. *Operating overhead expense* was further impacted by higher bad debt expense recognized during the fourth quarter of fiscal 2020 due to the impacts of COVID-19. These increases were partially offset by lower travel and related spend. Changes in foreign currency exchange rates decreased *Operating overhead expense* by approximately 1 percentage points for fiscal 2020.

OTHER (INCOME) EXPENSE, NET

(Dollars in millions)	FISCAL 2020	FISCAL 2019	FISCAL 2018
Other (income) expense, net	$ 139	$ (78)	$ 66

Other (income) expense, net comprises foreign currency conversion gains and losses from the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, as well as unusual or non-operating transactions that are outside the normal course of business.

FISCAL 2020 COMPARED TO FISCAL 2019

Other (income) expense, net changed from $78 million of other income, net for fiscal 2019 to $139 million of other expense, net for fiscal 2020, primarily due to the non-recurring impairment charge of $405 million related to our planned, strategic distributor partnership transition within APLA. For more information see Note 20 — Acquisitions and Divestitures within the accompanying Notes to the Consolidated Financial Statements. This was offset by a $121 million net beneficial change in foreign currency conversion gains and losses, including hedges.

We estimate the combination of the translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency-related gains and losses included in *Other (income) expense, net* had an unfavorable impact on our *Income before income taxes* of $91 million for fiscal 2020.

INCOME TAXES

	FISCAL 2020	FISCAL 2019	% CHANGE	FISCAL 2018	% CHANGE
Effective tax rate	12.1%	16.1%	(400) bps	55.3%	(3,920) bps

FISCAL 2020 COMPARED TO FISCAL 2019

Our effective tax rate was 12.1% for fiscal 2020, compared to 16.1% for fiscal 2019 due to increased benefits from discrete items such as stock-based compensation.

Our effective tax rate for fiscal 2018 reflected significant changes related to the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Act"). Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional information on the impact of the Tax Act.

OPERATING SEGMENTS

Our operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America; Europe, Middle East & Africa (EMEA); Greater China; and Asia Pacific & Latin America (APLA), and include results for the NIKE and Jordan brands, with results for the Hurley Brand, prior to its divestiture, included in North America. Refer to Note 20 — Acquisitions and Divestitures within the accompanying Notes to the Consolidated Financial Statements for additional information. The Company's NIKE Direct operations are managed within each geographic operating segment. Converse is also a reportable operating segment for the Company, and operates predominately in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories.

As part of our centrally managed foreign exchange risk management program, standard foreign currency exchange rates are assigned twice per year to each NIKE Brand entity in our geographic operating segments and Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and Cost of sales for geographic operating segments and Converse reflect the use of these standard rates to record non-functional currency product purchases into the entity's functional currency. Differences between assigned standard foreign currency exchange rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from our centrally managed foreign exchange risk management program and other conversion gains and losses.

The breakdown of revenues is as follows:

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES[(1)]	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES[(1)]
North America	$ 14,484	$ 15,902	-9%	-9%	$ 14,855	7%	7%
Europe, Middle East & Africa	9,347	9,812	-5%	-1%	9,242	6%	11%
Greater China	6,679	6,208	8%	11%	5,134	21%	24%
Asia Pacific & Latin America	5,028	5,254	-4%	1%	5,166	2%	13%
Global Brand Divisions[(2)]	30	42	-29%	-26%	88	-52%	-53%
TOTAL NIKE BRAND	**35,568**	**37,218**	**-4%**	**-2%**	**34,485**	**8%**	**11%**
Converse	1,846	1,906	-3%	-1%	1,886	1%	3%
Corporate[(3)]	(11)	(7)	—	—	26	—	—
TOTAL NIKE, INC. REVENUES	**$ 37,403**	**$ 39,117**	**-4%**	**-2%**	**$ 36,397**	**7%**	**11%**

(1) *The percent change excluding currency changes represents a non-GAAP financial measure. See "Use of Non-GAAP Financial Measures" for further information.*

(2) *Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.*

(3) *Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.*

The primary financial measure used by the Company to evaluate performance of individual operating segments is EBIT, which represents *Net income* before *Interest expense (income), net* and *Income tax expense* in the Consolidated Statements of Income. As discussed in Note 17 — Operating Segments and Related Information in the accompanying Notes to the Consolidated Financial Statements, certain corporate costs are not included in EBIT of our operating segments.

The breakdown of earnings before interest and taxes is as follows:

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	FISCAL 2018	% CHANGE
North America	$ 2,899	$ 3,925	-26%	$ 3,600	9%
Europe, Middle East & Africa	1,541	1,995	-23%	1,587	26%
Greater China	2,490	2,376	5%	1,807	31%
Asia Pacific & Latin America	1,184	1,323	-11%	1,189	11%
Global Brand Divisions	(3,468)	(3,262)	-6%	(2,658)	-23%
TOTAL NIKE BRAND[(1)]	**4,646**	**6,357**	**-27%**	**5,525**	**15%**
Converse	297	303	-2%	310	-2%
Corporate	(1,967)	(1,810)	-9%	(1,456)	-24%
TOTAL NIKE, INC. EARNINGS BEFORE INTEREST AND TAXES[(1)]	**2,976**	**4,850**	**-39%**	**4,379**	**11%**
Interest expense (income), net	89	49	—	54	—
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	**$ 2,887**	**$ 4,801**	**-40%**	**$ 4,325**	**11%**

(1) *Total NIKE Brand EBIT and Total NIKE, Inc. EBIT represent non-GAAP financial measures. See "Use of Non-GAAP Financial Measures" for further information.*

NORTH AMERICA

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:							
Footwear	$ 9,329	$ 10,045	-7%	-7%	$ 9,322	8%	8%
Apparel	4,639	5,260	-12%	-12%	4,938	7%	7%
Equipment	516	597	-14%	-14%	595	0%	0%
TOTAL REVENUES	**$ 14,484**	**$ 15,902**	**-9%**	**-9%**	**$ 14,855**	**7%**	**7%**
Revenues by:							
Sales to Wholesale Customers	$ 9,371	$ 10,875	-14%	-14%	$ 10,159	7%	7%
Sales through NIKE Direct	5,113	5,027	2%	2%	4,696	7%	7%
TOTAL REVENUES	**$ 14,484**	**$ 15,902**	**-9%**	**-9%**	**$ 14,855**	**7%**	**7%**
EARNINGS BEFORE INTEREST AND TAXES	**$ 2,899**	**$ 3,925**	**-26%**		**$ 3,600**	**9%**	

We believe there continues to be a meaningful shift in the way consumers shop for product and make purchasing decisions. Consumers are demanding a constant flow of fresh and innovative product, and have an expectation for superior service and rapid delivery, all fueled by the shift toward digital and mono-brand experiences in NIKE Direct. Specifically, in North America we anticipate continued evolution within the retail landscape, driven by shifting consumer traffic patterns across digital and physical channels. The evolution of the North America marketplace is resulting in third-party retail store closures, which is expected to be further accelerated as a result of the effects of COVID-19; however, we remain focused on building long-term momentum with our strategic wholesale customers, fueled by innovative product and NIKE Brand consumer experiences, leveraging digital.

FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, North America revenues decreased 9%, as revenue growth for the first nine months of fiscal 2020 was offset by declines in the fourth quarter, primarily resulting from lower shipments to our wholesale customers and store closures within our NIKE Direct operations due to COVID-19. Revenues declined in nearly all key categories, primarily Running and Training. NIKE Direct revenues increased 2% for fiscal 2020 as strong digital commerce sales growth of 45% more than offset a 20% decline in comparable store sales due to temporary store closures and stores operating on reduced hours as a result of COVID-19 during the fourth quarter.

Footwear revenues contracted 7% on a currency-neutral basis for fiscal 2020, driven by declines in nearly all key categories, primarily Running, Training and Sportswear. Unit sales of footwear decreased 13%, partially offset by higher ASP per pair contributing approximately 6 percentage points. Higher ASP per pair was primarily due to higher NIKE Direct ASP and the favorable impact of growth in our NIKE Direct business, as well as higher full-price ASP.

On a currency-neutral basis, apparel revenues decreased 12% for fiscal 2020 as lower revenues in nearly all key categories, primarily Training, were partially offset by growth in Sportswear. Unit sales of apparel decreased 16%, partially offset by higher ASP per unit contributing approximately 4 percentage points. The increase in ASP per unit was primarily a result of higher full-price and NIKE Direct ASPs, as well as the favorable impact of growth in our NIKE Direct business.

Reported EBIT decreased 26% for fiscal 2020, reflecting lower revenues, gross margin contraction and higher selling and administrative expense. Gross margin declined 230 basis points as higher-full price ASP was more than offset by higher product costs, primarily due to incremental tariffs, as well as increased costs specifically in the fourth quarter due to COVID-19 for warehousing and freight, the adverse rate impact of supply chain costs on a lower volume of wholesale shipments, factory cancellations and inventory obsolescence. Selling and administrative expense grew due to higher operating overhead expense, partially offset by lower demand creation expense. Operating overhead expense increased primarily due to higher bad debt expense and higher administrative costs. The decrease in demand creation expense reflected higher digital brand marketing costs, which were more than offset by lower retail brand presentation costs and sports marketing expenses as leagues and sporting events were suspended and a majority of stores within our NIKE Direct operations were closed during the fourth quarter due to COVID-19.

EUROPE, MIDDLE EAST & AFRICA

(Dollars in millions)		FISCAL 2020		FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES		FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:										
Footwear	$	5,892	$	6,293	-6%	-3%	$	5,875	7%	12%
Apparel		3,053		3,087	-1%	2%		2,940	5%	9%
Equipment		402		432	-7%	-3%		427	1%	5%
TOTAL REVENUES	**$**	**9,347**	**$**	**9,812**	**-5%**	**-1%**	**$**	**9,242**	**6%**	**11%**
Revenues by:										
Sales to Wholesale Customers	$	6,574	$	7,076	-7%	-4%	$	6,765	5%	9%
Sales through NIKE Direct		2,773		2,736	1%	5%		2,477	10%	15%
TOTAL REVENUES	**$**	**9,347**	**$**	**9,812**	**-5%**	**-1%**	**$**	**9,242**	**6%**	**11%**
EARNINGS BEFORE INTEREST AND TAXES	**$**	**1,541**	**$**	**1,995**	**-23%**		**$**	**1,587**	**26%**	

FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, EMEA revenues for fiscal 2020 declined 1%, as revenue growth for the first nine months of fiscal 2020 was offset by declines in the fourth quarter, primarily resulting from lower shipments to our wholesale customers and store closures within our NIKE Direct operations due to COVID-19. The decline reflects lower revenues in the Northern Europe and Southern Europe territories, which each declined 8%, partially offset by growth in UK & Ireland of 5%. Revenues decreased in most key categories, primarily Football (Soccer) and Running, partially offset by growth in the Jordan Brand. NIKE Direct revenues increased 5% due to strong digital commerce sales growth of 50%, partially offset by a 15% decline in comparable store sales due to temporary store closures and stores operating on reduced hours as a result of COVID-19, as well as declines from certain store closures as we continually optimize our fleet to meet consumer demand across physical and digital channels.

Currency-neutral footwear revenues contracted 3% for fiscal 2020, driven by lower revenues in nearly all key categories, primarily Sportswear. Unit sales of footwear decreased 10%, partially offset by higher ASP per pair contributing approximately 7 percentage points. Higher ASP per pair primarily resulted from higher full-price and NIKE Direct ASPs.

For fiscal 2020, currency-neutral apparel revenues increased 2% as growth in several key categories, most notably Sportswear and the Jordan Brand, was partially offset by declines in Football (Soccer). Unit sales of apparel decreased 2%, partially offset by higher ASP per unit contributing approximately 4 percentage points. Higher ASP per unit was primarily due to higher full-price ASP.

Reported EBIT decreased 23% for fiscal 2020 due to lower revenues, gross margin contraction and higher selling and administrative expense. Gross margin declined 240 basis points as higher full-price ASP was more than offset by unfavorable changes in standard foreign currency exchange rates and higher other costs, which primarily occurred in the fourth quarter due to COVID-19 and reflected increased warehousing and freight costs, the adverse rate impact of supply chain costs on a lower volume of wholesale shipments and higher inventory obsolescence. Selling and administrative expense increased due to higher operating overhead expense, partially offset by lower demand creation expense. Growth in operating overhead expense was primarily due to higher bad debt expense. The decrease in demand creation expense was primarily driven by lower retail brand presentation costs resulting from store closures during the fourth quarter due to COVID-19.

GREATER CHINA

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:							
Footwear	$ 4,635	$ 4,262	9%	12%	$ 3,496	22%	25%
Apparel	1,896	1,808	5%	8%	1,508	20%	23%
Equipment	148	138	7%	11%	130	6%	8%
TOTAL REVENUES	**$ 6,679**	**$ 6,208**	**8%**	**11%**	**$ 5,134**	**21%**	**24%**
Revenues by:							
Sales to Wholesale Customers	$ 3,803	$ 3,726	2%	6%	$ 3,216	16%	19%
Sales through NIKE Direct	2,876	2,482	16%	20%	1,918	29%	33%
TOTAL REVENUES	**$ 6,679**	**$ 6,208**	**8%**	**11%**	**$ 5,134**	**21%**	**24%**
EARNINGS BEFORE INTEREST AND TAXES	**$ 2,490**	**$ 2,376**	**5%**		**$ 1,807**	**31%**	

FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, Greater China revenues for fiscal 2020 increased 11%, despite temporary store closures and stores operating on reduced hours as a result of COVID-19 during the third quarter and for part of the fourth quarter. Higher revenues were driven by growth in most key categories, led by the Jordan Brand and Sportswear. NIKE Direct revenues increased 20%, driven by strong digital commerce sales growth of 49%, the addition of new stores and comparable store sales growth of 1%.

Currency-neutral footwear revenues increased 12% for fiscal 2020, driven by growth in nearly all key categories, led by the Jordan Brand and, to a lesser extent, Sportswear. Unit sales of footwear increased 10% and higher ASP per pair contributed approximately 2 percentage points of footwear revenue growth, driven by higher full-price ASP.

The currency-neutral apparel revenue growth of 8% for fiscal 2020 was fueled by higher revenues in most key categories, led by Sportswear and the Jordan Brand. Unit sales of apparel increased 8%, while ASP per unit was flat as higher off-price and full-price ASPs were offset by unfavorable full-price mix and lower NIKE Direct ASP.

Reported EBIT increased 5% for fiscal 2020, driven by higher revenues and selling and administrative expense leverage, partially offset by gross margin contraction. Gross margin decreased 170 basis points as unfavorable changes in standard foreign currency exchange rates and higher product costs more than offset higher full-price ASP. Selling and administrative expense increased due to higher operating overhead and demand creation expense. Growth in operating overhead expense was driven by higher investments within our NIKE Direct operations. Demand creation expense increased primarily due to higher retail brand presentation costs, including digital brand marketing.

ASIA PACIFIC & LATIN AMERICA

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:							
Footwear	$ 3,449	$ 3,622	-5%	0%	$ 3,575	1%	12%
Apparel	1,365	1,395	-2%	3%	1,347	4%	15%
Equipment	214	237	-10%	-4%	244	-3%	8%
TOTAL REVENUES	**$ 5,028**	**$ 5,254**	**-4%**	**1%**	**$ 5,166**	**2%**	**13%**
Revenues by:							
Sales to Wholesale Customers	$ 3,408	$ 3,746	-9%	-4%	$ 3,829	-2%	9%
Sales through NIKE Direct	1,620	1,508	7%	12%	1,337	13%	23%
TOTAL REVENUES	**$ 5,028**	**$ 5,254**	**-4%**	**1%**	**$ 5,166**	**2%**	**13%**
EARNINGS BEFORE INTEREST AND TAXES	**$ 1,184**	**$ 1,323**	**-11%**		**$ 1,189**	**11%**	

As discussed previously, we entered into definitive agreements to sell our NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay and shift to a distributor operating model. The impacts of entering into these agreements are included within Corporate and are not reflected in the APLA operating segment results for fiscal 2020.

FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, APLA revenues increased 1% for fiscal 2020. The increase in revenues reflected growth in the Korea and SOCO (which comprises Argentina, Uruguay and Chile) territories of 14% and 6%, respectively, partially offset by declines in Mexico of 9%. Revenues increased in several key categories, led by the Jordan Brand. NIKE Direct revenues increased 12%, fueled by strong digital commerce sales growth of 62% and the addition of new stores, partially offset by a decline in comparable store sales of 4% due to temporary store closures and stores operating on reduced hours as a result of COVID-19 during the fourth quarter.

Currency-neutral footwear revenues for fiscal 2020 were flat as growth in the Jordan Brand and NIKE Basketball was offset by declines in all other key categories, primarily Training. Unit sales of footwear decreased 12%, offset by higher ASP per pair contributing approximately 12 percentage points, driven by higher full-price and NIKE Direct ASPs, both of which in part reflect inflationary conditions in our SOCO territory.

Currency-neutral apparel revenues grew 3% for fiscal 2020, driven by higher revenues in several key categories, most notably Sportswear. Unit sales of apparel decreased 5%, which were more than offset by higher ASP per unit contributing approximately 8 percentage points, primarily driven by higher full-price and NIKE Direct ASPs, both of which in part reflect inflationary conditions in our SOCO territory.

Reported EBIT decreased 11% for fiscal 2020 reflecting lower revenues and gross margin contraction, partially offset by lower selling and administrative expense. Gross margin decreased 140 basis points as higher full-price ASP was more than offset by higher product costs, unfavorable changes in standard foreign currency exchange rates, as well as higher other costs. The increase in other costs primarily occurred in the fourth quarter due to COVID-19 and reflected increased warehousing and freight, as well as higher inventory obsolescence. Selling and administrative expense decreased as lower demand creation expense was partially offset by higher operating overhead expense. The decrease in demand creation expense was primarily due to lower sports marketing costs, advertising and marketing expenses, as well as lower retail brand presentation costs as sporting events were postponed or canceled and a majority of stores were closed during the fourth quarter due to COVID-19. The increase in operating overhead expense was primarily due to higher bad debt expense and higher wage-related costs.

GLOBAL BRAND DIVISIONS

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues	$ 30	$ 42	-29%	-26%	$ 88	-52%	-53%
Earnings (Loss) Before Interest and Taxes	$ (3,468)	$ (3,262)	-6%		$ (2,658)	-23%	

Global Brand Divisions primarily represent demand creation and operating overhead expense, including product creation and design expenses that are centrally managed for the NIKE Brand, as well as costs associated with NIKE Direct global digital operations and enterprise technology. Revenues for Global Brand Divisions are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

FISCAL 2020 COMPARED TO FISCAL 2019

Global Brand Divisions' loss before interest and taxes increased 6% for fiscal 2020 as total selling and administrative expense increased compared to fiscal 2019, primarily due to higher operating overhead expense. The increase in operating overhead expense was primarily driven by higher wage-related and administrative costs resulting from investments in data and analytics capabilities, digital commerce platforms and our continued investment in a new enterprise resource planning tool, all of which are in an effort to accelerate our end-to-end digital transformation.

CONVERSE

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FISCAL 2018	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:							
Footwear	$ 1,642	$ 1,658	-1%	1%	$ 1,611	3%	5%
Apparel	89	$ 118	-25%	-22%	$ 144	-18%	-17%
Equipment	25	24	4%	8%	28	-14%	-13%
Other[1]	90	106	-15%	-14%	103	3%	4%
TOTAL REVENUES	**$ 1,846**	**$ 1,906**	**-3%**	**-1%**	**$ 1,886**	**1%**	**3%**
Revenues by:							
Sales to Wholesale Customers	$ 1,154	$ 1,247	-7%	-5%	$ 1,310	-5%	2%
Sales through Direct to Consumer	602	553	9%	11%	473	17%	5%
Other[1]	90	106	-15%	-14%	103	3%	4%
TOTAL REVENUES	**$ 1,846**	**$ 1,906**	**-3%**	**-1%**	**$ 1,886**	**1%**	**3%**
EARNINGS BEFORE INTEREST AND TAXES	**$ 297**	**$ 303**	**-2%**		**$ 310**	**-2%**	

(1) Other revenues consist of territories serviced by third-party licensees who pay royalties to Converse for the use of its registered trademarks and other intellectual property rights. We do not own the Converse trademarks in Japan and accordingly do not earn revenues in Japan.

FISCAL 2020 COMPARED TO FISCAL 2019

On a currency-neutral basis, Converse revenues decreased 1% for fiscal 2020, as revenue growth for the first nine months of fiscal 2020 was offset by declines in the fourth quarter, primarily resulting from lower shipments to our wholesale customers and store closures in our direct to consumer operations due to COVID-19. Revenue declines in North America and Europe, as well as in licensee markets were partially offset by increases in Asia. Wholesale revenues decreased 5% while direct to consumer revenues increased 11%, as strong digital sales growth across all geographies more than offset declines from Converse owned store closures due to COVID-19. Combined unit sales within the wholesale and direct to consumer channels decreased 6%, while ASP grew 6% primarily due to the favorable impact on ASP of growth in the direct to consumer channel and growth within the Asia geography.

Reported EBIT decreased 2%, primarily driven by declines in revenues, partially offset by gross margin expansion and lower selling and administrative expenses. Gross margin increased 60 basis points driven by higher full-price ASP, in part due to growth in our higher margin Asia geography, as well as higher ASP in our direct to consumer channel, primarily through digital, both of which were only partially offset by unfavorable changes in standard foreign currency exchange rates. Selling and administrative expense decreased primarily due to decreases in demand creation expense, as operating overhead expense was flat. Demand creation expense decreased as a result of lower advertising and marketing in response to COVID-19. Operating overhead expense was flat for fiscal 2020, as decreases in wage-related costs, travel and other discretionary expenses were offset by increased bad debt expense recognized in the fourth quarter.

CORPORATE

(Dollars in millions)	FISCAL 2020	FISCAL 2019	% CHANGE	FISCAL 2018	% CHANGE
Revenues	$ (11)	$ (7)	—	$ 26	—
Earnings (Loss) Before Interest and Taxes	$ (1,967)	$ (1,810)	-9%	$ (1,456)	-24%

Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

The Corporate loss before interest and taxes primarily consists of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to our corporate headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses.

In addition to the foreign currency gains and losses recognized in Corporate revenues, foreign currency results in Corporate include gains and losses resulting from the difference between actual foreign currency exchange rates and standard rates used to record non-functional currency denominated product purchases within the NIKE Brand geographic operating segments and Converse; related foreign currency hedge results; conversion gains and losses arising from re-measurement of monetary assets and liabilities in non-functional currencies; and certain other foreign currency derivative instruments.

For fiscal 2020, Corporate includes the non-recurring impairment charge recognized as a result of our decision to transition our NIKE Brand business operations in Brazil, Argentina, Chile and Uruguay to third-party distributors. This charge primarily reflects the anticipated release of associated non-cash cumulative foreign currency translation losses.

FISCAL 2020 COMPARED TO FISCAL 2019

The Corporate loss before interest and taxes increased $157 million primarily due to the following:

- an unfavorable change of $494 million, primarily due to the $405 million non-recurring impairment charge discussed above. For more information see Note 20 — Acquisitions and Divestitures within the accompanying Notes to the Consolidated Financial Statements;
- a favorable change of $213 million related to the difference between actual foreign currency exchange rates and standard foreign currency exchange rates assigned to the NIKE Brand geographic operating segments and Converse, net of hedge gains and losses; these results are reported as a component of consolidated gross margin; and
- a favorable change in net foreign currency gains and losses of $124 million related to the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, reported as a component of consolidated *Other (income) expense, net*.

FOREIGN CURRENCY EXPOSURES AND HEDGING PRACTICES

OVERVIEW

As a global company with significant operations outside the United States, in the normal course of business we are exposed to risk arising from changes in currency exchange rates. Our primary foreign currency exposures arise from the recording of transactions denominated in non-functional currencies and the translation of foreign currency denominated results of operations, financial position and cash flows into U.S. Dollars.

Our foreign exchange risk management program is intended to lessen both the positive and negative effects of currency fluctuations on our consolidated results of operations, financial position and cash flows. We manage global foreign exchange risk centrally on a portfolio basis to address those risks material to NIKE, Inc. We manage these exposures by taking advantage of natural offsets and currency correlations existing within the portfolio and, where practical and material, by hedging a portion of the remaining exposures using derivative instruments such as forward contracts and options. As described below, the implementation of the NIKE Trading Company (NTC) and our foreign currency adjustment program enhanced our ability to manage our foreign exchange risk by increasing the natural offsets and currency correlation benefits existing within our portfolio of foreign exchange exposures. Our hedging policy is designed to partially or entirely offset the impact of exchange rate changes on the underlying net exposures being hedged. Where exposures are hedged, our program has the effect of delaying the impact of exchange rate movements on our Consolidated Financial Statements; the length of the delay is dependent upon hedge horizons. We do not hold or issue derivative instruments for trading or speculative purposes.

Refer to Note 6 — Fair Value Measurements and Note 14 — Risk Management and Derivatives in the accompanying Notes to the Consolidated Financial Statements for additional description of outstanding derivatives at each reported period end.

TRANSACTIONAL EXPOSURES

We conduct business in various currencies and have transactions which subject us to foreign currency risk. Our most significant transactional foreign currency exposures are:

- Product Costs — NIKE's product costs are exposed to fluctuations in foreign currencies in the following ways:
  1. Product purchases denominated in currencies other than the functional currency of the transacting entity:
     a. Certain NIKE entities purchase product from the NTC, a wholly-owned sourcing hub that buys NIKE branded products from third-party factories, predominantly in U.S. Dollars. The NTC, whose functional currency is the U.S. Dollar, then sells the products to NIKE entities in their respective functional currencies. NTC sales to a NIKE entity with a different functional currency results in a foreign currency exposure for the NTC.
     b. Other NIKE entities purchase product directly from third-party factories in U.S. Dollars. These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. Dollar.

     In both purchasing scenarios, a weaker U.S. Dollar reduces inventory costs incurred by NIKE whereas a stronger U.S. Dollar increases its cost.
  2. Factory input costs: NIKE operates a foreign currency adjustment program with certain factories. The program is designed to more effectively manage foreign currency risk by assuming certain of the factories' foreign currency exposures, some of which are natural offsets to our existing foreign currency exposures. Under this program, our payments to these factories are adjusted for rate fluctuations in the basket of currencies ("factory currency exposure index") in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products ("factory input costs") are denominated.

     For the currency within the factory currency exposure indices that is the local or functional currency of the factory, the currency rate fluctuation affecting the product cost is recorded within *Inventories* and is recognized in *Cost of sales* when the related product is sold to a third-party. All currencies within the indices, excluding the U.S. Dollar and the local or functional currency of the factory, are recognized as embedded derivative contracts and are recorded at fair value through *Other (income) expense, net*. Refer to Note 14 — Risk Management and Derivatives in the accompanying Notes to the Consolidated Financial Statements for additional detail.

     As an offset to the impacts of the fluctuating U.S. Dollar on our non-functional currency denominated product purchases described above, a strengthening U.S. Dollar against the foreign currencies within the factory currency exposure indices reduces NIKE's U.S. Dollar inventory cost. Conversely, a weakening U.S. Dollar against the indexed foreign currencies increases our inventory cost.
- Non-Functional Currency Denominated External Sales — A portion of our NIKE Brand and Converse revenues associated with European operations are earned in currencies other than the Euro (e.g., the British Pound) but are recognized at a subsidiary that uses the Euro as its functional currency. These sales generate a foreign currency exposure.
- Other Costs — Non-functional currency denominated costs, such as endorsement contracts, also generate foreign currency risk, though to a lesser extent. In certain cases, the Company has entered into contractual agreements which have payments indexed to foreign currencies that create embedded derivative contracts recorded at fair value through *Other (income) expense, net*. Refer to Note 14 — Risk Management and Derivatives in the accompanying Notes to the Consolidated Financial Statements for additional detail.
- Non-Functional Currency Denominated Monetary Assets and Liabilities — Our global subsidiaries have various assets and liabilities, primarily receivables and payables, including intercompany receivables and payables, denominated in currencies other than their functional currencies. These balance sheet items are subject to re-measurement which may create fluctuations in *Other (income) expense, net* within our consolidated results of operations.

MANAGING TRANSACTIONAL EXPOSURES

Transactional exposures are managed on a portfolio basis within our foreign currency risk management program. We manage these exposures by taking advantage of natural offsets and currency correlations that exist within the portfolio and may also elect to use currency forward and option contracts to hedge the remaining effect of exchange rate fluctuations on probable forecasted future cash flows, including certain product cost exposures, non-functional currency denominated external sales and other costs described above. Generally, these are accounted for as cash flow hedges, except for hedges of the embedded derivative components of the product cost exposures and other contractual agreements.

Certain currency forward contracts used to manage the foreign exchange exposure of non-functional currency denominated monetary assets and liabilities subject to re-measurement and embedded derivative contracts are not formally designated as hedging instruments. Accordingly, changes in fair value of these instruments are recognized in *Other (income) expense, net* and are intended to offset the foreign currency impact of the re-measurement of the related non-functional currency denominated asset or liability or the embedded derivative contract being hedged.

TRANSLATIONAL EXPOSURES

Many of our foreign subsidiaries operate in functional currencies other than the U.S. Dollar. Fluctuations in currency exchange rates create volatility in our reported results as we are required to translate the balance sheets, operational results and cash flows of these subsidiaries into U.S. Dollars for consolidated reporting. The translation of foreign subsidiaries' non-U.S. Dollar denominated balance sheets into U.S. Dollars for consolidated reporting results in a cumulative translation adjustment to *Accumulated other comprehensive income (loss)* within *Shareholders' equity*. In the translation of our Consolidated Statements of Income, a weaker U.S. Dollar in relation to foreign functional currencies benefits our consolidated earnings whereas a stronger U.S. Dollar reduces our consolidated earnings. The impact of foreign exchange rate fluctuations on the translation of our consolidated *Revenues* was a detriment of approximately $867 million, a detriment of approximately $1,236 million, and a benefit of approximately $832 million for the years ended May 31, 2020, 2019 and 2018, respectively. The impact of foreign exchange rate fluctuations on the translation of our *Income before income taxes* was a detriment of approximately $212 million, a detriment of approximately $233 million, and a benefit of approximately $177 million for the years ended May 31, 2020, 2019 and 2018, respectively.

Management generally identifies hyper-inflationary markets as those markets whose cumulative inflation rate over a three-year period exceeds 100%. Management has concluded our Argentina subsidiary within our APLA operating segment is operating in a hyper-inflationary market. As a result, beginning in the second quarter of fiscal 2019, the functional currency of our Argentina subsidiary changed from the local currency to the U.S. Dollar. As of and for the period ended May 31, 2020, this change did not have a material impact on our results of operations or financial condition and we do not anticipate it will have a material impact in future periods based on current rates.

MANAGING TRANSLATIONAL EXPOSURES

To minimize the impact of translating foreign currency denominated revenues and expenses into U.S. Dollars for consolidated reporting, certain foreign subsidiaries use excess cash to purchase U.S. Dollar denominated available-for-sale investments. The variable future cash flows associated with the purchase and subsequent sale of these U.S. Dollar denominated investments at non-U.S. Dollar functional currency subsidiaries creates a foreign currency exposure that qualifies for hedge accounting under U.S. GAAP. We utilize forward contracts and/or options to mitigate the variability of the forecasted future purchases and sales of these U.S. Dollar investments. The combination of the purchase and sale of the U.S. Dollar investment and the hedging instrument has the effect of partially offsetting the year-over-year foreign currency translation impact on net earnings in the period the investments are sold. Hedges of the purchase of U.S. Dollar denominated available-for-sale investments are accounted for as cash flow hedges.

We estimate the combination of translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency related gains and losses included in *Other (income) expense, net* had an unfavorable impact of approximately $91 million, $97 million, and $110 million on our *Income before income taxes* for the years ended May 31, 2020, 2019 and 2018, respectively.

NET INVESTMENTS IN FOREIGN SUBSIDIARIES

We are also exposed to the impact of foreign exchange fluctuations on our investments in wholly-owned foreign subsidiaries denominated in a currency other than the U.S. Dollar, which could adversely impact the U.S. Dollar value of these investments and therefore the value of future repatriated earnings. We have, in the past, hedged and may, in the future, hedge net investment positions in certain foreign subsidiaries to mitigate the effects of foreign exchange fluctuations on these net investments. These hedges are accounted for as net investment hedges in accordance with U.S. GAAP. There were no outstanding net investment hedges as of May 31, 2020 and 2019. There were no cash flows from net investment hedge settlements for the years ended May 31, 2020, 2019 and 2018.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW ACTIVITY

Cash provided (used) by operations was an inflow of $2,485 million for fiscal 2020 compared to $5,903 million for fiscal 2019. *Net income*, adjusted for non-cash items, generated $3,730 million of operating cash inflow for fiscal 2020 compared to $5,341 million for fiscal 2019. The decrease primarily reflects lower *Net Income*, resulting from the unfavorable impacts of COVID-19. The net change in working capital and other assets and liabilities resulted in a decrease to *Cash provided (used) by operations* of $1,245 million for fiscal 2020, compared to an increase of $562 million for fiscal 2019. The net change in working capital was impacted by a $1,364 million increase in *Inventories*, in part reflecting lower shipments to our wholesale customers and store closures within our NIKE Direct operations, as well as a decrease in *Accounts Payabl*e resulting from lower spending, both of which are due to COVID-19. The net change in working capital was also unfavorably impacted by the net change in cash collateral with derivative counterparties as a result of hedging transactions. During fiscal 2020, cash collateral received from counterparties decreased $289 million compared to an increase of $266 million in fiscal 2019. Refer to the Credit Risk section of Note 14 — Risk Management and Derivatives in the accompanying Notes to the Consolidated Financial Statements for additional details. In addition, the net change in working capital was impacted by a $1,509 million reduction in *Accounts receivable, net*, in fiscal 2020, primarily driven by lower revenues in the fourth quarter of fiscal 2020 due to the impacts of COVID-19.

Cash provided (used) by investing activities was an outflow of $1,028 million for fiscal 2020, compared to an outflow of $264 million for fiscal 2019, driven primarily by lower proceeds from the net change in short-term investments. During fiscal 2020, the net change in investments (including sales, maturities and purchases) resulted in a cash inflow of $27 million compared to $850 million in fiscal 2019. Additionally, during fiscal 2020, we continued investing in our infrastructure to support future growth, specifically focused around digital capabilities, our end-to-end technology foundation, our corporate facilities and improvements across our supply chain. We expect this trend to continue in future periods.

Cash provided (used) by financing activities was an inflow of $2,491 million for fiscal 2020 compared to an outflow of $5,293 million for fiscal 2019, primarily due to the net proceeds from a $5,942 million corporate bond issuance in the fourth quarter of fiscal 2020, as well as lower share repurchases during fiscal 2020.

In fiscal 2020, we purchased 33.5 million shares of NIKE's Class B Common Stock for $3,033 million (an average price of $90.49 per share) under the four-year, $15 billion share repurchase program approved by the Board of Directors in June 2018. As of May 31, 2020, we had repurchased 45.2 million shares at a cost of $4,019 million (an average price of $89.00 per share) under this new program. We continue to expect funding of share repurchases will come from operating cash flows, excess cash and/or proceeds from debt. To enhance our liquidity position in response to COVID-19, during the fourth quarter of fiscal 2020, we elected to temporarily suspend share repurchases under our existing share repurchase program. The existing program remains authorized by the Board of Directors and we may resume share repurchases in the future at any time, depending upon market conditions, our capital needs and other factors.

CAPITAL RESOURCES

On July 23, 2019, we filed a shelf registration statement (the “Shelf”) with the U.S. Securities and Exchange Commission (SEC) which permits us to issue an unlimited amount of debt securities from time to time. The Shelf expires on July 23, 2022. On March 27, 2020 we issued $6 billion of senior unsecured notes with tranches maturing March 27, 2025, March 27, 2027, March 27, 2030, March 27, 2040 and March 27, 2050. For additional information regarding our long-term debt refer to Note 8 — Long-Term Debt in the accompanying Notes to the Consolidated Financial Statements.

On August 16, 2019, we entered into a committed credit facility agreement with a syndicate of banks which provides for up to $2 billion of borrowings, with the option to increase borrowings up to $3 billion in total upon lender approval. The facility matures on August 16, 2024, with a one-year extension option prior to any anniversary of the closing date, provided that in no event shall it extend beyond August 16, 2026. This facility replaces the prior $2 billion credit facility agreement entered into on August 28, 2015, which would have matured August 28, 2020. On April 6, 2020, we entered into a committed credit facility agreement with a syndicate of banks which provides for up to $2 billion of borrowings, in addition to the existing credit facility discussed above. The new facility matures on April 5, 2021. As of May 31, 2020 and 2019, no amounts were outstanding under our committed credit facilities.

We currently have long-term debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively. As it relates to our committed credit facility entered into on August 16, 2019, if our long-term debt ratings were to decline, the facility fee and interest rate would increase. Conversely, if our long-term debt ratings were to improve, the facility fee and interest rate would decrease. Under the committed credit facility entered into on April 6, 2020, if our long-term debt ratings were to decline, only the interest rate would increase, but would remain unchanged in the event our long-term debt rating were to improve. Changes in our long-term debt ratings would not trigger acceleration of maturity of any then-outstanding borrowings or any future borrowings under the committed credit facilities. Under these facilities, we have agreed to various covenants. These covenants include limits on our disposal of assets and the amount of debt secured by liens we may incur. In the event we were to have any borrowings outstanding under these facilities, failed to meet any covenant and were unable to obtain a waiver from a majority of the banks in the syndicate, any borrowings would become immediately due and payable. As of May 31, 2020, we were in full compliance with each of these covenants and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

Liquidity is also provided by our $4 billion commercial paper program, which we increased by $2 billion during the fourth quarter of fiscal 2020. During the fiscal year ended May 31, 2020, the maximum amount of commercial paper borrowings outstanding at any point was $1,456 million. As of May 31, 2020, we had $248 million of commercial paper outstanding at a weighted average interest rate of 1.65%. No commercial paper was outstanding as of May 31, 2019.

We may continue to issue commercial paper or other debt securities depending on general corporate needs. We currently have short-term debt ratings of A1+ and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

To date, in fiscal 2020, we have not experienced difficulty accessing the credit markets; however, future volatility in the capital markets may increase costs associated with issuing commercial paper or other debt instruments or affect our ability to access those markets.

As of May 31, 2020, we had cash, cash equivalents and short-term investments totaling $8.8 billion, primarily consisting of commercial paper, corporate notes, deposits held at major banks, money market funds, U.S. government sponsored enterprise obligations, U.S. Treasury obligations and other investment grade fixed-income securities. Our fixed-income investments are exposed to both credit and interest rate risk. All of our investments are investment grade to minimize our credit risk. While individual securities have varying durations, as of May 31, 2020, the weighted-average days to maturity of our cash equivalents and short-term investments portfolio was 14 days.

We believe that existing cash, cash equivalents, short-term investments and cash generated by operations, together with access to external sources of funds as described above, will be sufficient to meet our domestic and foreign capital needs in the foreseeable future.

We utilize a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where they are needed. We indefinitely reinvest a significant portion of our foreign earnings, and our current plans do not demonstrate a need to repatriate these earnings. Should we require additional capital in the United States, we may determine to repatriate indefinitely reinvested foreign funds or raise capital in the United States through debt. Given our existing structure, if we were to repatriate indefinitely reinvested foreign earnings, we would be required to accrue and pay withholding taxes in certain foreign jurisdictions.

OFF-BALANCE SHEET ARRANGEMENTS

In connection with various contracts and agreements, we routinely provide indemnification relating to the enforceability of intellectual property rights, coverage for legal issues that arise and other items where we are acting as the guarantor. Currently, we have several such agreements in place. Based on our historical experience and the estimated probability of future loss, we have determined that the fair value of such indemnification is not material to our financial position or results of operations.

CONTRACTUAL OBLIGATIONS

Our significant long-term contractual obligations as of May 31, 2020, and significant endorsement contracts, including related marketing commitments, entered into through the date of this report are as follows:

DESCRIPTION OF COMMITMENT	CASH PAYMENTS DUE DURING THE YEAR ENDING MAY 31,						
(Dollars in millions)	2021	2022	2023	2024	2025	THEREAFTER	TOTAL
Operating Leases	$ 550	$ 514	$ 456	$ 416	$ 374	$ 1,474	$ 3,784
Long-Term Debt[(1)]	289	286	786	275	1,275	11,541	14,452
Endorsement Contracts[(2)]	1,330	1,471	1,178	1,064	1,135	3,164	9,342
Product Purchase Obligations[(3)]	4,234	—	—	—	—	—	4,234
Other Purchase Obligations[(4)]	1,085	345	189	136	127	345	2,227
Transition Tax Related to the Tax Act[(5)]	86	86	86	161	215	268	902
TOTAL	**$ 7,574**	**$ 2,702**	**$ 2,695**	**$ 2,052**	**$ 3,126**	**$ 16,792**	**$ 34,941**

(1) *The cash payments due for long-term debt include estimated interest payments. Estimates of interest payments are based on outstanding principal amounts, applicable fixed interest rates or currently effective interest rates as of May 31, 2020 (if variable), timing of scheduled payments and the term of the debt obligations.*

(2) *The amounts listed for endorsement contracts represent approximate amounts of base compensation and minimum guaranteed royalty fees we are obligated to pay athlete, public figure, sport team and league endorsers of our products. Actual payments under some contracts may be higher than the*

amounts listed as these contracts provide for bonuses to be paid to the endorsers based upon athletic achievements and/or royalties on product sales in future periods. Actual payments under some contracts may also be lower as these contracts include provisions for reduced payments if athletic performance declines in future periods.

In addition to the cash payments, we are obligated to furnish our endorsers with NIKE product for their use. It is not possible to determine how much we will spend on this product on an annual basis as the contracts generally do not stipulate a specific amount of cash to be spent on the product. The amount of product provided to the endorsers will depend on many factors, including general playing conditions, the number of sporting events in which they participate and our own decisions regarding product and marketing initiatives. In addition, the costs to design, develop, source and purchase the products furnished to the endorsers are incurred over a period of time and are not necessarily tracked separately from similar costs incurred for products sold to customers.

(3) We generally order product at least four to five months in advance of sale based primarily on advanced orders received from external wholesale customers and internal orders from our direct to consumer operations. The amounts listed for product purchase obligations represent agreements (including open purchase orders) to purchase products in the ordinary course of business that are enforceable and legally binding and specify all significant terms. In some cases, prices are subject to change throughout the production process.

(4) Other purchase obligations primarily include construction, service and marketing commitments, including marketing commitments associated with endorsement contracts, made in the ordinary course of business. The amounts represent the minimum payments required by legally binding contracts and agreements that specify all significant terms, and may include open purchase orders for non-product purchases.

(5) Represents the future cash payments due as part of the transition tax on deemed repatriation of undistributed earnings of foreign subsidiaries, which is reflected net of foreign tax credits we utilized. Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional information.

In addition to the above, we have long-term obligations for uncertain tax positions and various post-retirement benefits for which we are not able to reasonably estimate when cash payments will occur. Refer to Note 9 — Income Taxes and Note 13 — Benefit Plans in the accompanying Notes to the Consolidated Financial Statements for further information related to uncertain tax positions and post-retirement benefits, respectively.

We also have the following outstanding short-term debt obligations as of May 31, 2020. Refer to Note 7 — Short-Term Borrowings and Credit Lines in the accompanying Notes to the Consolidated Financial Statements for further description and interest rates related to the short-term debt obligations listed below.

(Dollars in millions)	AS OF MAY 31, 2020
Notes payable, due at mutually agreed-upon dates within one year of issuance or on demand	$ 248

As of May 31, 2020, we had bank guarantees and letters of credit outstanding totaling $239 million, issued primarily for real estate agreements, self-insurance programs and other general business obligations.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements for recently adopted accounting standards.

CRITICAL ACCOUNTING POLICIES

Our previous 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 of America. 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. Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

We believe the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our Consolidated Financial Statements, so we consider these to be our critical accounting policies and estimates. Management has reviewed and discussed these critical accounting policies with the Audit & Finance Committee of the Board of Directors.

These policies require that we make estimates in the preparation of our Consolidated Financial Statements as of a given date. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. 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.

REVENUE RECOGNITION

On June 1, 2018, we adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method of adoption. Prior to fiscal 2019, amounts have not been restated and continue to be reported in accordance with our historical accounting policies. Our revenue recognition policies under Topic 606 are described in the following paragraphs and references to prior period policies under Accounting Standard Codification Topic 605 — *Revenue Recognition,* are included below in the event they are substantially different.

Revenue transactions associated with the sale of NIKE Brand footwear, apparel and equipment, as well as Converse products, comprise a single performance obligation, which consists of the sale of products to customers either through wholesale or direct to consumer channels. We satisfy the performance obligation and record revenues when transfer of control has passed to the customer, based on the terms of sale. A customer is considered to have control once they are able to direct the use and receive substantially all of the benefits of the product. Transfer of control passes to wholesale customers upon shipment or upon receipt depending on the country of the sale and the agreement with the customer. Control passes to retail store customers at the time of sale and to substantially all digital commerce customers upon shipment. Prior to fiscal 2019, the requirements for recognizing revenue were met upon delivery to the customer. The transaction price is determined based upon the invoiced sales price, less anticipated sales returns, discounts and miscellaneous claims from customers. Payment terms for wholesale transactions depend on the country of sale or agreement with the customer and payment is generally required within 90 days or less of shipment to or receipt by the wholesale customer. Payment is due at the time of sale for retail store and digital commerce transactions.

As part of our revenue recognition policy, consideration promised in our contracts with customers is variable due to anticipated reductions such as sales returns, discounts and miscellaneous claims from customers. We estimate the most likely amount we will be entitled to receive and record an anticipated reduction against *Revenues,* with an offsetting increase to *Accrued liabilities* at the time revenues are recognized. The estimated cost of inventory for product returns is recorded in *Prepaid expenses and other current assets* on the Consolidated Balance Sheets. Prior to fiscal 2019, reserve balances were reported net of the estimated cost of inventory for product returns and recognized within *Accounts receivable, ne*t for wholesale transactions and *Accrued liabilities* for our direct to consumer business, on the Consolidated Balance Sheets.

The provision for anticipated sales returns consists of both contractual return rights and discretionary authorized returns. Provisions for post-invoice sales discounts consist of both contractual programs and discretionary discounts that are expected to be granted at a later date.

Estimates of discretionary authorized returns, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims and (3) estimated returns, discounts and claims expected but not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and may differ from estimates recorded. If actual or expected future returns, discounts or claims were significantly different than reserves established, a reduction or increase to net revenues would be recorded in the period in which such determination was made.

Refer also to Note 1 — Summary of Significant Accounting Policies and Note 16 — Revenues for additional information in the accompanying Notes to the Consolidated Financial Statements.

INVENTORY RESERVES

We make ongoing estimates relating to the net realizable value of inventories based upon our assumptions about future demand and market conditions. If we estimate the net realizable value of our inventory is less than the cost of the inventory recorded on our books, we record a reserve equal to the difference between the cost of the inventory and the estimated net realizable value. This reserve is recorded as a charge to *Cost of sales*. If changes in market conditions result in reductions to the estimated net realizable value of our inventory below our previous estimate, we would increase our reserve in the period in which we made such a determination.

CONTINGENT PAYMENTS UNDER ENDORSEMENT CONTRACTS

A significant amount of our *Demand creation expense* relates to payments under endorsement contracts. In general, endorsement payments are expensed on a straight-line basis over the term of the contract. However, certain contract elements may be accounted for differently based upon the facts and circumstances of each individual contract.

Certain contracts provide for contingent payments to endorsers based upon specific achievements in their sports (e.g., winning a championship). We record demand creation expense for these amounts when the endorser achieves the specific goal.

Certain contracts provide for variable payments based upon endorsers maintaining a level of performance in their sport over an extended period of time (e.g., maintaining a specified ranking in a sport for a year). When we determine payments are probable, the amounts are reported in *Demand creation expense* ratably over the contract period based on our best estimate of the endorser's performance. In these instances, to the extent actual payments to the endorser differ from our estimate due to changes in the endorser's performance, adjustments to *Demand creation expense* may be recorded in a future period.

Certain contracts provide for royalty payments to endorsers based upon a predetermined percent of sales of particular products, which we record in *Cost of sales* as the related sales occur. For contracts containing minimum guaranteed royalty payments, we record the amount of any guaranteed payment in excess of that earned through sales of product within *Demand creation expense*.

PROPERTY, PLANT AND EQUIPMENT AND DEFINITE-LIVED ASSETS

We review the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies that would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

HEDGE ACCOUNTING FOR DERIVATIVES

We use derivative contracts to hedge certain anticipated foreign currency and interest rate transactions as well as certain non-functional currency monetary assets and liabilities. When the specific criteria to qualify for hedge accounting has been met, changes in the fair value of contracts hedging probable forecasted future cash flows are recorded in *Accumulated other comprehensive income (loss)*, rather than *Net income*, until the underlying hedged transaction affects *Net income*. In most cases, this results in gains and losses on hedge derivatives being released from *Accumulated other comprehensive income (loss)* into *Net income* sometime after the maturity of the derivative. One of the criteria for this accounting treatment is that the notional value of these derivative contracts should not be in excess of the designated amount of anticipated transactions. By their very nature, our estimates of anticipated transactions may fluctuate over time and may ultimately vary from actual transactions. When the designated amount of anticipated or actual transactions decline below hedged levels, or if it is no longer probable a forecasted transaction will occur by the end of the originally specified time period or within an additional two-month period of time thereafter, we are required to reclassify the cumulative change in fair value of the over-hedged portion of the related hedge contract from *Accumulated other comprehensive income (loss)* to *Other (income) expense, net* during the quarter in which the decrease occurs. In rare circumstances, the additional period of time may exceed two months due to extenuating circumstances related to the nature of the forecasted transaction that are outside our control or influence.

INCOME TAXES

We are subject to taxation in the United States, as well as various state and foreign jurisdictions. The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. On an interim basis, we estimate our effective tax rate for the full fiscal year. This estimated annual effective tax rate is then applied to the year-to-date *Income before income taxes* excluding infrequently occurring or unusual items, to determine the year-to-date *Income tax expense*. The income tax effects of infrequent or unusual items are recognized in the interim period in which they occur. As the fiscal year progresses, we continually refine our estimate based upon actual events and earnings by jurisdiction during the year. This continual estimation process periodically results in a change to our expected effective tax rate for the fiscal year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs.

We record valuation allowances against our deferred tax assets, when necessary. Realization of deferred tax assets (such as net operating loss carry-forwards) is dependent on future taxable earnings and is therefore uncertain. At least quarterly, we assess the likelihood that our deferred tax asset balance will be recovered from future taxable income. To the extent we believe that recovery is not likely, we establish a valuation allowance against our net deferred tax asset, which increases our *Income tax expense* in the period when such determination is made.

We have not recorded withholding tax expense for foreign earnings we have determined to be indefinitely reinvested within certain of our foreign jurisdictions. The amount of earnings indefinitely reinvested offshore is due to the actual deployment of such earnings in our offshore operations and our expectations of the future cash needs of our U.S. and foreign entities. Withholding tax consequences are also a factor in determining the amount of foreign earnings to be indefinitely reinvested offshore.

We carefully review all factors that drive the ultimate disposition of foreign earnings determined to be reinvested offshore and apply stringent standards to overcome the presumption of repatriation. Despite this approach, because the determination is based on expected working capital and other capital needs in jurisdictions where the earnings are generated, the possibility exists that foreign earnings declared as indefinitely reinvested may be repatriated. For instance, the actual cash needs of our U.S. operations may exceed our current expectations, or the actual cash needs of our foreign entities may be less than our current expectations. This would result in additional withholding tax expense in the year we determined amounts were no longer indefinitely reinvested offshore.

On a quarterly basis, we evaluate the probability a tax position will be effectively sustained and the appropriateness of the amount recognized for uncertain tax positions based on factors including changes in facts or circumstances, changes in tax law, settled audit issues and new audit activity. Changes in our assessment may result in the recognition of a tax benefit or an additional charge to the tax provision in the period our assessment changes. We recognize interest and penalties related to income tax matters in *Income tax expense*.

On December 22, 2017, the United States enacted the Tax Act, which significantly changed previous U.S. tax laws, including provisions for a one-time transition tax on deemed repatriation of undistributed foreign earnings, and a reduction in the corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017, among other changes. The Tax Act also transitions U.S. international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of our foreign subsidiaries to U.S. taxation. Certain provisions of the Tax Act, including a provision to tax global intangible low-taxed income (GILTI) of foreign subsidiaries, were not effective for the Company until fiscal 2019. In accordance with U.S. GAAP, the Company has made an accounting policy election to treat taxes due under the GILTI provision as a current period expense.

Implementation of the Tax Act required us to record incremental provisional tax expense in fiscal 2018, which increased our effective tax rate in fiscal 2018. We completed our analysis of the Tax Act in the second quarter of fiscal 2019 and no adjustments were made to the provisional amounts recorded.

Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional information.

OTHER CONTINGENCIES

In the ordinary course of business, we are involved in legal proceedings regarding contractual and employment relationships, product liability claims, trademark rights and a variety of other matters. We record contingent liabilities resulting from claims against us when a loss is assessed to be probable and the amount of the loss is reasonably estimable. Assessing probability of loss and estimating probable losses requires analysis of multiple factors, including in some cases judgments about the potential actions of third-party claimants and courts. Recorded contingent liabilities are based on the best information available and actual losses in any future period are inherently uncertain. If future adjustments to estimated probable future losses or actual losses exceed our recorded liability for such claims, we would record additional charges during the period in which the actual loss or change in estimate occurred. In addition to contingent liabilities recorded for probable losses, we disclose contingent liabilities when there is a reasonable possibility the ultimate loss will materially exceed the recorded liability. While we cannot predict the outcome of pending legal matters with certainty, we do not believe any currently identified claim, proceeding or litigation, either individually or in aggregate, will have a material impact on our results of operations, financial position or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business and consistent with established policies and procedures, we employ a variety of financial instruments to manage exposure to fluctuations in the value of foreign currencies and interest rates. It is our policy to utilize these financial instruments only where necessary to finance our business and manage such exposures; we do not enter into these transactions for trading or speculative purposes.

We are exposed to foreign currency fluctuations, primarily as a result of our international sales, product sourcing and funding activities. Our foreign exchange risk management program is intended to lessen both the positive and negative effects of currency fluctuations on our consolidated results of operations, financial position and cash flows. We use forward and option contracts to hedge certain anticipated, but not yet firmly committed, transactions as well as certain firm commitments and the related receivables and payables, including third-party and intercompany transactions. We have, in the past, and may in the future, also use forward or options contracts to hedge our investment in the net assets of certain international subsidiaries to offset foreign currency translation adjustments related to our net investment in those subsidiaries. Where exposures are hedged, our program has the effect of delaying the impact of exchange rate movements on our Consolidated Financial Statements.

The timing for hedging exposures, as well as the type and duration of the hedge instruments employed, are guided by our hedging policies and determined based upon the nature of the exposure and prevailing market conditions. Typically, the Company may enter into hedge contracts starting up to 12 to 24 months in advance of the forecasted transaction and may place incremental hedges up to 100% of the exposure by the time the forecasted transaction occurs. The majority of derivatives outstanding as of May 31, 2020 are designated as foreign currency cash flow hedges, primarily for Euro/U.S. Dollar, British Pound/Euro, Japanese Yen/U.S. Dollar and Chinese Yuan/U.S. Dollar currency pairs. Refer to Note 14 — Risk Management and Derivatives in the accompanying Notes to the Consolidated Financial Statements for additional information.

Our earnings are also exposed to movements in short- and long-term market interest rates. Our objective in managing this interest rate exposure is to limit the impact of interest rate changes on earnings and cash flows and to reduce overall borrowing costs. To achieve these objectives, we maintain a mix of commercial paper, bank loans, and fixed-rate debt of varying maturities.

MARKET RISK MEASUREMENT

We monitor foreign exchange risk, interest rate risk and related derivatives using a variety of techniques including a review of market value, sensitivity analysis and Value-at-Risk ("VaR"). Our market-sensitive derivative and other financial instruments are foreign currency forward contracts, foreign currency option contracts, intercompany loans denominated in non-functional currencies, fixed interest rate U.S. Dollar denominated debt and fixed interest rate Japanese Yen denominated debt.

We use VaR to monitor the foreign exchange risk of our foreign currency forward and foreign currency option derivative instruments only. The VaR determines the maximum potential one-day loss in the fair value of these foreign exchange rate-sensitive financial instruments. The VaR model estimates assume normal market conditions and a 95% confidence level. There are various modeling techniques that can be used in the VaR computation. Our computations are based on interrelationships between currencies and interest rates (a "variance/co-variance" technique). These interrelationships are a function of foreign exchange currency market changes and interest rate changes over the preceding one-year period. The value of foreign currency options does not change on a one-to-one basis with changes in the underlying currency rate. We adjust the potential loss in option value for the estimated sensitivity (the "delta" and "gamma") to changes in the underlying currency rate. This calculation reflects the impact of foreign currency rate fluctuations on the derivative instruments only and does not include the impact of such rate fluctuations on non-functional currency transactions (such as anticipated transactions, firm commitments, cash balances and accounts and loans receivable and payable), including those which are hedged by these instruments.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value we will incur nor does it consider the potential effect of favorable changes in market rates. It also does not represent the full extent of the possible loss that may occur. Actual future gains and losses will differ from those estimated because of changes or differences in market rates and interrelationships, hedging instruments and hedge percentages, timing and other factors.

The estimated maximum one-day loss in fair value on our foreign currency sensitive derivative financial instruments, derived using the VaR model, was $48 million and $34 million at May 31, 2020 and 2019, respectively. The VaR increased year-over-year as a result of an increase in foreign currency volatilities at May 31, 2020. Such a hypothetical loss in the fair value of our derivatives would be offset by increases in the value of the underlying transactions being hedged. The average monthly change in the fair values of foreign currency forward and foreign currency option derivative instruments was $126 million and $83 million during fiscal 2020 and fiscal 2019, respectively.

The instruments not included in the VaR are intercompany loans denominated in non-functional currencies, fixed interest rate Japanese Yen denominated debt, and fixed interest rate U.S. Dollar denominated debt. Intercompany loans and related interest amounts are eliminated in consolidation. Furthermore, our non-functional currency intercompany loans are substantially hedged against foreign exchange risk through the use of forward contracts, which are included in the VaR calculation above. Therefore, we consider the interest rate and foreign currency market risks associated with our non-functional currency intercompany loans to be immaterial to our consolidated financial position, results of operations and cash flows.

Details of third-party debt are provided in the table below. The table presents principal cash flows and related weighted average interest rates by expected maturity dates.

	EXPECTED MATURITY DATE YEAR ENDING MAY 31,							
(Dollars in millions)	2021	2022	2023	2024	2025	THEREAFTER	TOTAL	FAIR VALUE
Foreign Exchange Risk								
Japanese Yen Functional Currency								
Long-term Japanese Yen debt — Fixed rate								
Principal payments	$ 3	$ —	$ —	$ —	$ —	$ —	$ 3	$ 3
Average interest rate	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	
Interest Rate Risk								
Japanese Yen Functional Currency								
Long-term Japanese Yen debt — Fixed rate								
Principal payments	$ 3	$ —	$ —	$ —	$ —	$ —	$ 3	$ 3
Average interest rate	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	
U.S. Dollar Functional Currency								
Long-term U.S. Dollar debt — Fixed rate								
Principal payments	$ —	$ —	$ 500	$ —	$1,000	$ 8,000	$ 9,500	$ 10,642
Average interest rate	0.0%	0.0%	2.3%	0.0%	2.4%	3.1%	3.0%	

The fixed interest rate Japanese Yen denominated debt instruments were issued by and are accounted for by one of our Japanese subsidiaries. Accordingly, the monthly translation of these instruments, which varies due to changes in foreign exchange rates, is recognized in *Accumulated other comprehensive income (loss)* upon consolidation of this subsidiary.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management of NIKE, Inc. is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include certain amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

Our accounting systems include controls designed to reasonably assure assets are safeguarded from unauthorized use or disposition and provide for the preparation of financial statements in conformity with U.S. GAAP. 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 corporate audit department reviews the results of its work with the Audit & Finance Committee of the Board of Directors, presently comprised of three outside, independent directors. The Audit & Finance Committee is responsible for the appointment of the independent registered public accounting firm and reviews, with the independent registered public accounting firm, management and the internal corporate audit staff, the scope and the results of the annual audit, the effectiveness of the accounting control system and other matters relating to the financial affairs of NIKE as the Audit & Finance Committee deems appropriate. The independent registered public accounting firm and the internal corporate auditors have full access to the Audit & Finance Committee, with and without the presence of management, to discuss any appropriate matters.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13(a) - 15(f) and Rule 15(d) - 15(f) of the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of the Company that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of May 31, 2020.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited (1) the Consolidated Financial Statements and (2) the effectiveness of our internal control over financial reporting as of May 31, 2020, as stated in their report herein.

John J. Donahoe II
President and Chief Executive Officer

Matthew Friend
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of NIKE, Inc. and its subsidiaries (the “Company”) as of May 31, 2020 and 2019, and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended May 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of May 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of May 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of June 1, 2019 and the manner in which it accounts for revenue from contracts with customers and the manner in which it accounts for income taxes related to intra-entity transfers other than inventory as of June 1, 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for Income Taxes

As described in Note 9 to the consolidated financial statements, the Company recorded income tax expense of $348 million for the year ended May 31, 2020, and has net deferred tax assets of $732 million, including a valuation allowance of $26 million, and total gross unrecognized tax benefits, excluding related interest and penalties, of $771 million as of May 31, 2020, $536 million of which would affect the Company's effective tax rate if recognized in future periods. The Company is subject to taxation in the United States, as well as various state and foreign jurisdictions. As disclosed by management, the use of significant judgment and estimates, as well as the interpretation and application of complex tax laws is required by management to determine its provision for income taxes.

The principal considerations for our determination that performing procedures relating to the accounting for income taxes is a critical audit matter are the significant judgment by management when assessing complex tax laws and regulations, including new temporary regulations and recent court rulings, as it relates to determining the provision for income taxes and other tax positions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the provision for income taxes and other tax positions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the provision for income taxes and other tax positions. These procedures also included, among others, evaluating the effect on the Company's tax provision of changes in its legal entity structure and tax laws, testing management's tax calculations and considering the Company's compliance with tax laws. We also used professionals with specialized skill and knowledge to assist in evaluating the application of relevant tax laws, the provision for income taxes and the reasonableness of management's assessments of whether certain tax positions are more-likely-than-not of being sustained.

/s/ PricewaterhouseCoopers LLP
Portland, Oregon
July 24, 2020

We have served as the Company's auditor since 1974.

NIKE, INC.

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED MAY 31,		
(In millions, except per share data)	2020	2019	2018
Revenues	$ 37,403	$ 39,117	$ 36,397
Cost of sales	21,162	21,643	20,441
Gross profit	16,241	17,474	15,956
Demand creation expense	3,592	3,753	3,577
Operating overhead expense	9,534	8,949	7,934
Total selling and administrative expense	13,126	12,702	11,511
Interest expense (income), net	89	49	54
Other (income) expense, net	139	(78)	66
Income before income taxes	2,887	4,801	4,325
Income tax expense	348	772	2,392
NET INCOME	**$ 2,539**	**$ 4,029**	**$ 1,933**
Earnings per common share:			
Basic	$ 1.63	$ 2.55	$ 1.19
Diluted	$ 1.60	$ 2.49	$ 1.17
Weighted average common shares outstanding:			
Basic	1,558.8	1,579.7	1,623.8
Diluted	1,591.6	1,618.4	1,659.1

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

NIKE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	YEAR ENDED MAY 31,		
(Dollars in millions)	2020	2019	2018
Net income	$ 2,539	$ 4,029	$ 1,933
Other comprehensive income (loss), net of tax:			
Change in net foreign currency translation adjustment	(148)	(173)	(6)
Change in net gains (losses) on cash flow hedges	(130)	503	76
Change in net gains (losses) on other	(9)	(7)	34
Total other comprehensive income (loss), net of tax	(287)	323	104
TOTAL COMPREHENSIVE INCOME	**$ 2,252**	**$ 4,352**	**$ 2,037**

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

NIKE, INC.

CONSOLIDATED BALANCE SHEETS

	MAY 31,	
(In millions)	2020	2019
ASSETS		
Current assets:		
Cash and equivalents	$ 8,348	$ 4,466
Short-term investments	439	197
Accounts receivable, net	2,749	4,272
Inventories	7,367	5,622
Prepaid expenses and other current assets	1,653	1,968
Total current assets	20,556	16,525
Property, plant and equipment, net	4,866	4,744
Operating lease right-of-use assets, net	3,097	—
Identifiable intangible assets, net	274	283
Goodwill	223	154
Deferred income taxes and other assets	2,326	2,011
TOTAL ASSETS	**$ 31,342**	**$ 23,717**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3	$ 6
Notes payable	248	9
Accounts payable	2,248	2,612
Current portion of operating lease liabilities	445	—
Accrued liabilities	5,184	5,010
Income taxes payable	156	229
Total current liabilities	8,284	7,866
Long-term debt	9,406	3,464
Operating lease liabilities	2,913	—
Deferred income taxes and other liabilities	2,684	3,347
Commitments and contingencies (Note 18)		
Redeemable preferred stock	—	—
Shareholders' equity:		
Common stock at stated value:		
Class A convertible — 315 and 315 shares outstanding	—	—
Class B — 1,243 and 1,253 shares outstanding	3	3
Capital in excess of stated value	8,299	7,163
Accumulated other comprehensive income (loss)	(56)	231
Retained earnings (deficit)	(191)	1,643
Total shareholders' equity	8,055	9,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 31,342**	**$ 23,717**

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

NIKE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED MAY 31,		
(Dollars in millions)	2020	2019	2018
Cash provided (used) by operations:			
Net income	$ 2,539	$ 4,029	$ 1,933
Adjustments to reconcile net income to net cash provided (used) by operations:			
Depreciation	721	705	747
Deferred income taxes	(380)	34	647
Stock-based compensation	429	325	218
Amortization, impairment and other	398	15	27
Net foreign currency adjustments	23	233	(99)
Changes in certain working capital components and other assets and liabilities:			
(Increase) decrease in accounts receivable	1,239	(270)	187
(Increase) decrease in inventories	(1,854)	(490)	(255)
(Increase) decrease in prepaid expenses, operating lease right-of-use assets and other current and non-current assets	(654)	(203)	35
Increase (decrease) in accounts payable, accrued liabilities, operating lease liabilities and other current and non-current liabilities	24	1,525	1,515
Cash provided (used) by operations	2,485	5,903	4,955
Cash provided (used) by investing activities:			
Purchases of short-term investments	(2,426)	(2,937)	(4,783)
Maturities of short-term investments	74	1,715	3,613
Sales of short-term investments	2,379	2,072	2,496
Additions to property, plant and equipment	(1,086)	(1,119)	(1,028)
Other investing activities	31	5	(22)
Cash provided (used) by investing activities	(1,028)	(264)	276
Cash provided (used) by financing activities:			
Proceeds from borrowings, net of debt issuance costs	6,134	—	—
Increase (decrease) in notes payable, net	49	(325)	13
Proceeds from exercise of stock options and other stock issuances	885	700	733
Repurchase of common stock	(3,067)	(4,286)	(4,254)
Dividends — common and preferred	(1,452)	(1,332)	(1,243)
Other financing activities	(58)	(50)	(84)
Cash provided (used) by financing activities	2,491	(5,293)	(4,835)
Effect of exchange rate changes on cash and equivalents	(66)	(129)	45
Net increase (decrease) in cash and equivalents	3,882	217	441
Cash and equivalents, beginning of year	4,466	4,249	3,808
CASH AND EQUIVALENTS, END OF YEAR	**$ 8,348**	**$ 4,466**	**$ 4,249**
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized interest	$ 140	$ 153	$ 125
Income taxes	1,028	757	529
Non-cash additions to property, plant and equipment	121	160	294
Dividends declared and not paid	385	347	320

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

NIKE, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions, except per share data)	COMMON STOCK CLASS A SHARES	COMMON STOCK CLASS A AMOUNT	COMMON STOCK CLASS B SHARES	COMMON STOCK CLASS B AMOUNT	CAPITAL IN EXCESS OF STATED VALUE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (DEFICIT)	TOTAL
Balance at May 31, 2017	**329**	**$ —**	**1,314**	**$ 3**	**$ 5,710**	**$ (213)**	**$ 6,907**	**$12,407**
Stock options exercised			24		600			600
Repurchase of Class B Common Stock			(70)		(254)		(4,013)	(4,267)
Dividends on common stock ($0.78 per share) and preferred stock ($0.10 per share)							(1,265)	(1,265)
Issuance of shares to employees, net of shares withheld for employee taxes			4		110		(28)	82
Stock-based compensation					218			218
Net income							1,933	1,933
Other comprehensive income (loss)						104		104
Reclassifications to retained earnings in accordance with ASU 2018-02						17	(17)	—
Balance at May 31, 2018	**329**	**$ —**	**1,272**	**$ 3**	**$ 6,384**	**$ (92)**	**$ 3,517**	**$ 9,812**
Stock options exercised			18		539			539
Conversion to Class B Common Stock	(14)		14					—
Repurchase of Class B Common Stock			(54)		(227)		(4,056)	(4,283)
Dividends on common stock ($0.86 per share) and preferred stock ($0.10 per share)							(1,360)	(1,360)
Issuance of shares to employees, net of shares withheld for employee taxes			3		142		(3)	139
Stock-based compensation					325			325
Net income							4,029	4,029
Other comprehensive income (loss)						323		323
Adoption of ASU 2016-16 (Note 1)							(507)	(507)
Adoption of ASC Topic 606 (Note 1)							23	23
Balance at May 31, 2019	**315**	**$ —**	**1,253**	**$ 3**	**$ 7,163**	**$ 231**	**$ 1,643**	**$ 9,040**
Stock options exercised			20		703			703
Repurchase of Class B Common Stock			(34)		(161)		(2,872)	(3,033)
Dividends on common stock ($0.955 per share) and preferred stock ($0.10 per share)							(1,491)	(1,491)
Issuance of shares to employees, net of shares withheld for employee taxes			4		165		(9)	156
Stock-based compensation					429			429
Net income							2,539	2,539
Other comprehensive income (loss)						(287)		(287)
Adoption of ASC Topic 842 (Note 1)							(1)	(1)
Balance at May 31, 2020	**315**	**$ —**	**1,243**	**$ 3**	**$ 8,299**	**$ (56)**	**$ (191)**	**$ 8,055**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

NIKE, Inc. is a worldwide leader in the design, development and worldwide marketing and selling of athletic footwear, apparel, equipment, accessories and services. NIKE, Inc. portfolio brands include the NIKE Brand, Jordan Brand, Hurley and Converse. The NIKE Brand is focused on performance athletic footwear, apparel, equipment, accessories and services across a wide range of sport categories, amplified with sport-inspired lifestyle products carrying the Swoosh trademark, as well as other NIKE Brand trademarks. The Jordan Brand is focused on athletic and casual footwear, apparel and accessories using the Jumpman trademark. Sales and operating results of Jordan Brand products are reported within the respective NIKE Brand geographic operating segments. The Hurley brand is focused on action sports and youth lifestyle apparel and accessories under the Hurley trademark. Sales and operating results of Hurley brand products, prior to its divestiture, are reported within the NIKE Brand's North America geographic operating segment. Refer to Note 20 — Acquisitions and Divestitures for information regarding the divestiture of the Company's wholly-owned subsidiary, Hurley. Converse designs, distributes, licenses and sells casual sneakers, apparel and accessories under the Converse, Chuck Taylor, All Star, One Star, Star Chevron and Jack Purcell trademarks. In some markets outside the U.S., these trademarks are licensed to third parties who design, distribute, market and sell similar products. Operating results of the Converse brand are reported on a stand-alone basis.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of NIKE, Inc. and its subsidiaries (the "Company" or "NIKE"). All significant intercompany transactions and balances have been eliminated.

REVENUE RECOGNITION

Beginning in fiscal 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Prior to fiscal 2019, amounts have not been restated and continue to be reported in accordance with the Company's historical accounting policies. The Company's revenue recognition policies under Topic 606 are described in the following paragraphs and references to prior period policies under Accounting Standard Codification Topic 605 — *Revenue Recognition* (Topic 605)*,* are included below in the event they are substantially different.

Revenue transactions associated with the sale of NIKE Brand footwear, apparel and equipment, as well as Converse products, comprise a single performance obligation, which consists of the sale of products to customers either through wholesale or direct to consumer channels. The Company satisfies the performance obligation and records revenues when transfer of control has passed to the customer, based on the terms of sale. A customer is considered to have control once they are able to direct the use and receive substantially all of the benefits of the product.

Transfer of control passes to wholesale customers upon shipment or upon receipt depending on the country of the sale and the agreement with the customer. Control passes to retail store customers at the time of sale and to substantially all digital commerce customers upon shipment. Prior to fiscal 2019, the requirements for recognizing revenue were met upon delivery to the customer. The transaction price is determined based upon the invoiced sales price, less anticipated sales returns, discounts and miscellaneous claims from customers. Payment terms for wholesale transactions depend on the country of sale or agreement with the customer and payment is generally required within 90 days or less of shipment to or receipt by the wholesale customer. Payment is due at the time of sale for retail store and digital commerce transactions.

Consideration for trademark licensing contracts is earned through sales-based or usage-based royalty arrangements and the associated revenues are recognized over the license period.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction, and are collected by the Company from a customer, are excluded from *Revenues* and *Cost of sales* in the Consolidated Statements of Income. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in *Cost of sales* when the related revenues are recognized.

SALES-RELATED RESERVES

Consideration promised in the Company's contracts with customers is variable due to anticipated reductions such as sales returns, discounts and miscellaneous claims from customers. The Company estimates the most likely amount it will be entitled to receive and records an anticipated reduction against *Revenues*, with an offsetting increase to *Accrued liabilities* at the time revenues are recognized. The estimated cost of inventory for product returns is recorded in *Prepaid expenses and other current assets* on the Consolidated Balance Sheets. Prior to fiscal 2019, the Company's reserve balances were reported net of the estimated cost of inventory for product returns and recognized within *Accounts receivable, net* for wholesale transactions and *Accrued liabilities* for the Company's direct to consumer business, on the Consolidated Balance Sheets.

The provision for anticipated sales returns consists of both contractual return rights and discretionary authorized returns. Provisions for post-invoice sales discounts consist of both contractual programs and discretionary discounts that are expected to be granted at a later date.

Estimates of discretionary authorized returns, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims and (3) estimated returns, discounts and claims expected, but not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and thus may differ from estimates recorded. If actual or expected future returns, discounts or claims were significantly greater or lower than the reserves established, a reduction or increase to net revenues would be recorded in the period in which such determination was made.

COST OF SALES

Cost of sales consists primarily of inventory costs, as well as warehousing costs (including the cost of warehouse labor), third-party royalties, certain foreign currency hedge gains and losses and product design costs. Shipping and handling costs are expensed as incurred and included in *Cost of sales*.

DEMAND CREATION EXPENSE

Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, complimentary product, television, digital and print advertising and media costs, brand events and retail brand presentation. Advertising production costs are expensed the first time an advertisement is run. Advertising media costs are expensed when the advertisement appears. Costs related to brand events are expensed when the event occurs. Costs related to retail brand presentation are expensed when the presentation is complete and delivered.

A significant amount of the Company's promotional expenses result from payments under endorsement contracts. In general, endorsement payments are expensed on a straight-line basis over the term of the contract. However, certain contract elements may be accounted for differently based upon the facts and circumstances of each individual contract. Prepayments made under contracts are included in *Prepaid expenses and other current assets* or *Deferred income taxes and other assets* depending on the period to which the prepayment applies.

Certain contracts provide for contingent payments to endorsers based upon specific achievements in their sport (e.g., winning a championship). The Company records *Demand creation expense* for these amounts when the endorser achieves the specific goal.

Certain contracts provide for variable payments based upon endorsers maintaining a level of performance in their sport over an extended period of time (e.g., maintaining a specified ranking in a sport for a year). When the Company determines payments are probable, the amounts are reported in *Demand creation expense* ratably over the contract period based on the Company's best estimate of the endorser's performance. In these instances, to the extent actual payments to the endorser differ from the Company's estimate due to changes in the endorser's performance, adjustments to *Demand creation expense* may be recorded in a future period.

Certain contracts provide for royalty payments to endorsers based upon a predetermined percent of sales of particular products, which the Company records in *Cost of sales* as the related sales occur. For contracts containing minimum guaranteed royalty payments, the Company records the amount of any guaranteed payment in excess of that earned through sales of product within *Demand creation expense*.

Through cooperative advertising programs, the Company reimburses its wholesale customers for certain costs of advertising the Company's products. The Company records these costs in *Demand creation expense* at the point in time it is obligated to its customers for the costs. This obligation may arise prior to the related advertisement being run.

Total advertising and promotion expenses, which the Company refers to as *Demand creation expense*, were $3,592 million, $3,753 million and $3,577 million for the years ended May 31, 2020, 2019 and 2018, respectively. Prepaid advertising and promotion expenses totaled $686 million and $773 million at May 31, 2020 and 2019, respectively, of which $326 million and $333 million, respectively, was recorded in *Prepaid expenses and other current assets*, and $360 million and $440 million, respectively, was recorded in *Deferred income taxes and other assets*, depending on the period to which the prepayment applied.

OPERATING OVERHEAD EXPENSE

Operating overhead expense consists primarily of wage and benefit-related expenses, research and development costs, bad debt expense, as well as other administrative expenses, such as rent, depreciation and amortization, professional services, meetings and travel.

CASH AND EQUIVALENTS

Cash and equivalents represent cash and short-term, highly liquid investments, that are both readily convertible to known amounts of cash, and so near their maturity they present insignificant risk of changes in value because of changes in interest rates, including commercial paper, U.S. Treasury, U.S. Agency, money market funds, time deposits and corporate debt securities with maturities of 90 days or less at the date of purchase.

SHORT-TERM INVESTMENTS

Short-term investments consist of highly liquid investments, including commercial paper, U.S. Treasury, U.S. Agency, time deposits and corporate debt securities, with maturities over 90 days at the date of purchase. Debt securities the Company has the ability and positive intent to hold to maturity are carried at amortized cost. At May 31, 2020 and 2019, the Company did not hold any short-term investments classified as trading or held-to-maturity.

At May 31, 2020 and 2019, *Short-term investments* consisted of available-for-sale debt securities, which are recorded at fair value with unrealized gains and losses reported, net of tax, in *Accumulated other comprehensive income (loss)*, unless unrealized losses are determined to be other than temporary. Realized gains and losses on the sale of securities are determined by specific identification. The Company considers all available-for-sale debt securities, including those with maturity dates beyond 12 months, as available to support current operational liquidity needs and, therefore, classifies all securities with maturity dates beyond 90 days at the date of purchase as current assets within *Short-term investments* on the Consolidated Balance Sheets.

Refer to Note 6 — Fair Value Measurements for more information on the Company's short-term investments.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE

Accounts receivable, net consist primarily of amounts receivable from customers. The Company makes ongoing estimates relating to the collectability of its accounts receivable and maintains an allowance for estimated losses resulting from the inability of its customers to make required payments. In addition to judgments about the creditworthiness of significant customers based on ongoing credit evaluations, the Company considers historical levels of credit losses, as well as macroeconomic and industry trends, such as the impacts of COVID–19, to determine the amount of the allowance. Accounts receivable with anticipated collection dates greater than 12 months from the balance sheet date and related allowances are considered non-current and recorded in *Deferred income taxes and other assets*. The allowance for uncollectible accounts receivable was $214 million and $30 million as of May 31, 2020 and 2019, respectively.

INVENTORY VALUATION

Inventories are stated at lower of cost and net realizable value, and valued on either an average or a specific identification cost basis. In some instances, the Company ships product directly from its suppliers to the customer, with the related inventory and cost of sales recognized on a specific identification basis. Inventory costs primarily consist of product cost from the Company's suppliers, as well as inbound freight, import duties, taxes, insurance and logistics and other handling fees.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost. Depreciation is determined on a straight-line basis for land improvements, buildings and leasehold improvements over 2 to 40 years and for machinery and equipment over 2 to 15 years.

Depreciation and amortization of assets used in manufacturing, warehousing and product distribution are recorded in *Cost of sales*. Depreciation and amortization of all other assets are recorded in *Operating overhead expense*.

SOFTWARE DEVELOPMENT COSTS

Internal Use Software: Expenditures for major software purchases and software developed for internal use are capitalized and amortized over a 2 to 12-year period on a straight-line basis. The Company's policy provides for the capitalization of external direct costs associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes certain payroll and payroll-related costs for employees who are directly associated with internal use computer software projects.

The amount of capitalizable payroll costs with respect to these employees is limited to the time directly spent on such projects. Costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

Computer Software to be Sold, Leased or Otherwise Marketed: Development costs of computer software to be sold, leased or otherwise marketed as an integral part of a product are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established. Therefore, software development costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

The Company performs annual impairment tests on goodwill and intangible assets with indefinite lives in the fourth quarter of each fiscal year or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or an intangible asset with an indefinite life below its carrying value. Events or changes in circumstances that may trigger interim impairment reviews include significant changes in business climate, operating results, planned investments in the reporting unit, planned divestitures or an expectation that the carrying amount may not be recoverable, among other factors.

For purposes of testing goodwill for impairment, the Company allocates goodwill across its reporting units, which are considered the Company's operating segments. The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company determines it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, an impairment test is unnecessary. If an impairment test is necessary, the Company will estimate the fair value of its related reporting units. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is determined to be impaired and the Company will proceed with recording an impairment charge equal to the excess of the carrying value over the related fair value.

Indefinite-lived intangible assets primarily consist of acquired trade names and trademarks. The Company may first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company determines it is more likely than not that the indefinite-lived intangible asset is not impaired, no quantitative fair value measurement is necessary. If a quantitative fair value measurement calculation is required for these intangible assets, the Company primarily utilizes the relief-from-royalty method. This method assumes trade names and trademarks have value to the extent their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenues for the related brands, the appropriate royalty rate and the weighted average cost of capital. If the carrying value of the indefinite-lived intangible exceeds its fair value, the asset is determined to be impaired and the Company will proceed with recording an impairment charge equal to the excess of the carrying value over the related fair value.

OPERATING LEASES

Beginning in fiscal 2020, the Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Prior period amounts have not been restated and continue to be reported in accordance with the Company's historical accounting policies. The Company's lease recognition policies under Topic 842 are described in the following paragraphs.

The Company primarily leases retail store space, certain distribution and warehouse facilities, office space, equipment and other non-real estate assets. The Company determines if an arrangement is a lease at inception and begins recording lease activity at the commencement date, which is generally the date in which the Company takes possession of or controls the physical use of the asset. Right-of-use (ROU) assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis. The Company's incremental borrowing rate is used to determine the present value of future lease payments unless the implicit rate is readily determinable.

Lease agreements may contain rent escalation clauses, renewal or termination options, rent holidays or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and are reduced by the amount of lease incentives. The lease term includes the non-cancelable period of the lease and options to extend or terminate the lease when it is reasonably certain the Company will exercise those options. Certain lease agreements include variable lease payments, which are based on a percent of retail sales over specified levels or adjust periodically for inflation as a result of changes in a published index, primarily the Consumer Price Index.

FAIR VALUE MEASUREMENTS

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives, equity securities and available-for-sale debt securities. Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The Company uses a three-level hierarchy established by the Financial Accounting Standards Board (FASB) that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

The levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs with little or no market data available, which require the reporting entity to develop its own assumptions.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement.

Pricing vendors are utilized for a majority of Level 1 and Level 2 investments. These vendors either provide a quoted market price in an active market or use observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks. The fair value of derivative contracts is determined using observable market inputs such as the daily market foreign currency rates, forward pricing curves, currency volatilities, currency correlations and interest rates and considers nonperformance risk of the Company and its counterparties.

The Company's fair value measurement process includes comparing fair values to another independent pricing vendor to ensure appropriate fair values are recorded.

Refer to Note 6 — Fair Value Measurements for additional information.

FOREIGN CURRENCY TRANSLATION AND FOREIGN CURRENCY TRANSACTIONS

Adjustments resulting from translating foreign functional currency financial statements into U.S. Dollars are included in the foreign currency translation adjustment, a component of *Accumulated other comprehensive income (loss)* in *Total shareholders' equity*.

The Company's global subsidiaries have various assets and liabilities, primarily receivables and payables, which are denominated in currencies other than their functional currency. These balance sheet items are subject to re-measurement, the impact of which is recorded in *Other (income) expense, net*, within the Consolidated Statements of Income.

ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments to reduce its exposure to changes in foreign currency exchange rates and interest rates. All derivatives are recorded at fair value on the Consolidated Balance Sheets and changes in the fair value of derivative financial instruments are either recognized in *Accumulated other comprehensive income (loss)* (a component of *Total shareholders' equity*), *Long-term debt* or *Net income* depending on the nature of the underlying exposure, whether the derivative is formally designated as a hedge and, if designated, the extent to which the hedge is effective. The Company classifies the cash flows at settlement from derivatives in the same category as the cash flows from the related hedged items. For undesignated hedges and designated cash flow hedges, this is primarily within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. For designated net investment hedges, this is within the *Cash used by investing activities* component of the Consolidated Statements of Cash Flows. For the Company's fair value hedges, which are interest rate swaps used to mitigate the change in fair value of its fixed-rate debt attributable to changes in interest rates, the related cash flows from periodic interest payments are reflected within the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. Refer to Note 14 — Risk Management and Derivatives for additional information on the Company's risk management program and derivatives.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation by estimating the fair value, net of estimated forfeitures, of equity awards and recognizing the related expense as *Cost of sales* or *Operating overhead expense*, as applicable, in the Consolidated Statements of Income on a straight-line basis over the vesting period. Substantially all awards vest ratably over four years of continued employment, with stock options expiring ten years from the date of grant. The fair value of options, stock appreciation rights, and employees' purchase rights under the employee stock purchase plans (ESPPs) is determined using the Black-Scholes option pricing model. The fair value of restricted stock and restricted stock units is established by the market price on the date of grant.

Refer to Note 11 — Common Stock and Stock-Based Compensation for additional information on the Company's stock-based compensation programs.

INCOME TAXES

The Company accounts for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets to the amount management believes is more likely than not to be realized.

The Company recognizes a tax benefit from uncertain tax positions in the financial statements only when it is more likely than not the position will be sustained upon examination by relevant tax authorities. The Company recognizes interest and penalties related to income tax matters in *Income tax expense*.

Refer to Note 9 — Income Taxes for further discussion.

EARNINGS PER SHARE

Basic earnings per common share is calculated by dividing *Net income* by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting weighted average outstanding shares, assuming conversion of all potentially dilutive stock options and awards.

Refer to Note 12 — Earnings Per Share for further discussion.

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Additionally, the extent to which the evolving COVID-19 pandemic impacts the Company's financial statements will depend on a number of factors, including the magnitude and duration of the pandemic. The Company expects it may have a material, adverse impact on future revenue growth as well as overall profitability and may continue to lead to higher than normal inventory levels, revised payment terms with certain wholesale customers, higher sales-related reserves, factory cancellation costs and a volatile effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record ROU assets and corresponding lease liabilities on the balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The new guidance requires the Company to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company elected this transition method and adopted Topic 842 using a modified retrospective approach in the first quarter of fiscal 2020 with the cumulative effect of initially applying the new standard recognized in *Retained earnings* at June 1, 2019. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification (ASC) Topic 840 - *Leases*.

Upon adoption, the Company elected the package of transition practical expedients which allowed the Company to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, the Company elected the practical expedient to not separate lease components from nonlease components for all real estate leases within the portfolio. The Company made an accounting policy election to not record leases with an initial term of 12 months or less on the Consolidated Balance Sheets and will recognize related lease payments in the Consolidated Statements of Income on a straight-line basis over the lease term.

In preparation for implementation, the Company executed changes to business processes, including implementing a software solution to assist with the new reporting requirements. The adoption of Topic 842 resulted in a $2.7 billion increase to total assets and total liabilities as of June 1, 2019. Upon adoption, the Company recognized $3.2 billion of total operating lease liabilities and $2.9 billion of operating lease ROU assets, as well as removed $348 million of existing deferred rent liabilities, which was recorded as an offset against the ROU assets. In addition, the Company removed $184 million of existing assets and liabilities related to build-to-suit lease arrangements. Several other asset and liability line items in the Company's Consolidated Balance Sheets were also impacted by immaterial amounts. The adoption of the standard did not have a material impact on the Consolidated Statements of Income or Consolidated Statements of Cash Flows. For more information on the Company's lease arrangements refer to Note 19 — Leases.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. The updated guidance requires companies to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Income tax effects of intra-entity transfers of inventory will continue to be deferred until the inventory has been sold to a third party. The Company adopted the standard on June 1, 2018, using a modified retrospective approach, with the cumulative effect of applying the new standard recognized in *Retained earnings* at the date of adoption. The adoption resulted in reductions to *Retained earnings, Deferred income taxes and other assets*, and *Prepaid expenses and other current assets* of $507 million, $422 million and $45 million, respectively, and an increase in *Deferred income taxes and other liabilities* of $40 million on the Consolidated Balance Sheets.

NOTE 2 — INVENTORIES

Inventory balances of $7,367 million and $5,622 million at May 31, 2020 and 2019, respectively, were substantially all finished goods.

NOTE 3 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net included the following:

	MAY 31,	
(Dollars in millions)	2020	2019
Land and improvements	$ 345	$ 329
Buildings	2,442	2,445
Machinery and equipment	2,751	2,726
Internal-use software	1,483	1,609
Leasehold improvements	1,554	1,563
Construction in process	1,086	797
Total property, plant and equipment, gross	9,661	9,469
Less accumulated depreciation	4,795	4,725
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**$ 4,866**	**$ 4,744**

Capitalized interest was not material for the years ended May 31, 2020, 2019 and 2018.

NOTE 4 — IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

Identifiable intangible assets, net consist of indefinite-lived trademarks, acquired trademarks and other intangible assets. The following table summarizes the Company's *Identifiable intangible assets, net* balances as of May 31, 2020 and 2019:

	MAY 31,					
	2020			2019		
(Dollars in millions)	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT
Indefinite-lived trademarks	$ 246	$ —	$ 246	$ 281	$ —	$ 281
Acquired trademarks and other	47	19	28	22	20	2
IDENTIFIABLE INTANGIBLE ASSETS, NET	**$ 293**	**$ 19**	**$ 274**	**$ 303**	**$ 20**	**$ 283**

Goodwill was $223 million and $154 million at May 31, 2020 and 2019, respectively and there were no accumulated impairment losses as of May 31, 2020 and 2019. Additionally, the impact to *Goodwill* during fiscal 2020 and 2019 as a result of acquisitions and divestitures was not material.

NOTE 5 — ACCRUED LIABILITIES

Accrued liabilities included the following:

	MAY 31,	
(Dollars in millions)	2020	2019
Compensation and benefits, excluding taxes	$ 1,248	$ 1,232
Sales-related reserves	1,178	1,218
Allowance for cumulative foreign currency translation losses[1]	405	—
Endorsement compensation	393	424
Dividends payable	384	346
Import and logistics costs	273	296
Taxes other than income taxes payable	202	234
Fair value of derivatives	190	52
Liabilities held-for-sale[1]	146	—
Advertising and marketing	97	114
Collateral received from counterparties to hedging instruments	—	289
Other[2]	668	805
TOTAL ACCRUED LIABILITIES	**$ 5,184**	**$ 5,010**

(1) Refer to Note 20 — Acquisitions and Divestitures for additional information.

(2) Other consists of various accrued expenses with no individual item accounting for more than 5% of the total Accrued liabilities balance at May 31, 2020 and 2019.

NOTE 6 — FAIR VALUE MEASUREMENTS

The following tables present information about the Company's financial assets measured at fair value on a recurring basis as of May 31, 2020 and 2019 and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement. Refer to Note 1 — Summary of Significant Accounting Policies for additional detail regarding the Company's fair value measurement methodology.

	MAY 31, 2020		
(Dollars in millions)	ASSETS AT FAIR VALUE	CASH AND EQUIVALENTS	SHORT-TERM INVESTMENTS
Cash	$ 596	$ 596	$ —
Level 1:			
U.S. Treasury securities	1,204	800	404
Level 2:			
Commercial paper and bonds	32	—	32
Money market funds	5,973	5,973	—
Time deposits	981	979	2
U.S. Agency securities	1	—	1
Total Level 2	6,987	6,952	35
TOTAL	**$ 8,787**	**$ 8,348**	**$ 439**

(Dollars in millions)	MAY 31, 2019 ASSETS AT FAIR VALUE	CASH AND EQUIVALENTS	SHORT-TERM INVESTMENTS
Cash	$ 853	$ 853	$ —
Level 1:			
U.S. Treasury securities	347	200	147
Level 2:			
Commercial paper and bonds	34	1	33
Money market funds	1,637	1,637	—
Time deposits	1,791	1,775	16
U.S. Agency securities	1	—	1
Total Level 2	3,463	3,413	50
TOTAL	**$ 4,663**	**$ 4,466**	**$ 197**

As of May 31, 2020, the Company held $396 million of available-for-sale debt securities with maturity dates within one year and $43 million with maturity dates over one year and less than five years in *Short-term investments* on the Consolidated Balance Sheets. The fair value of the Company's available-for-sale debt securities approximates their amortized cost.

Included in *Interest expense (income), net* was interest income related to the Company's investment portfolio of $62 million, $82 million and $70 million for the years ended May 31, 2020, 2019 and 2018, respectively.

The Company elects to record the gross assets and liabilities of its derivative financial instruments on the Consolidated Balance Sheets. The Company's derivative financial instruments are subject to master netting arrangements that allow for the offset of assets and liabilities in the event of default or early termination of the contract. Any amounts of cash collateral received related to these instruments associated with the Company's credit-related contingent features are recorded in *Cash and equivalents* and *Accrued liabilities*, the latter of which would further offset against the Company's derivative asset balance. Any amounts of cash collateral posted related to these instruments associated with the Company's credit-related contingent features are recorded in *Prepaid expenses and other current assets*, which would further offset against the Company's derivative liability balance. Cash collateral received or posted related to the Company's credit related contingent features is presented in the *Cash provided by operations* component of the Consolidated Statements of Cash Flows. Any amounts of non-cash collateral received, such as securities, are not recorded on the Consolidated Balance Sheets pursuant to U.S. GAAP. For further information related to credit risk, refer to Note 14 — Risk Management and Derivatives.

The following tables present information about the Company's derivative assets and liabilities measured at fair value on a recurring basis as of May 31, 2020 and 2019 and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement.

	MAY 31, 2020					
	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
(Dollars in millions)	ASSETS AT FAIR VALUE	OTHER CURRENT ASSETS	OTHER LONG-TERM ASSETS	LIABILITIES AT FAIR VALUE	ACCRUED LIABILITIES	OTHER LONG-TERM LIABILITIES
Level 2:						
Foreign exchange forwards and options[(1)]	$ 94	$ 91	$ 3	$ 205	$ 188	$ 17
Embedded derivatives	1	1	—	2	2	—
TOTAL	**$ 95**	**$ 92**	**$ 3**	**$ 207**	**$ 190**	**$ 17**

(1) If the foreign exchange derivative instruments had been netted on the Consolidated Balance Sheets, the asset and liability positions would have been reduced by $76 million as of May 31, 2020. As of that date, no amount of cash collateral had been received or posted on the derivative asset and liability balances related to these foreign exchange derivative instruments.

(Dollars in millions)	MAY 31, 2019					
	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
	ASSETS AT FAIR VALUE	OTHER CURRENT ASSETS	OTHER LONG-TERM ASSETS	LIABILITIES AT FAIR VALUE	ACCRUED LIABILITIES	OTHER LONG-TERM LIABILITIES
Level 2:						
Foreign exchange forwards and options[(1)]	$ 611	$ 611	$ —	$ 51	$ 51	$ —
Embedded derivatives	11	5	6	3	1	2
TOTAL	**$ 622**	**$ 616**	**$ 6**	**$ 54**	**$ 52**	**$ 2**

(1) *If the foreign exchange derivative instruments had been netted on the Consolidated Balance Sheets, the asset and liability positions each would have been reduced by $50 million as of May 31, 2019. As of that date, the Company had received $289 million of cash collateral from various counterparties related to foreign exchange derivative instruments. No amount of collateral was posted on the Company's derivative liability balance as of May 31, 2019.*

No transfers among the levels within the fair value hierarchy occurred during the years ended May 31, 2020 or 2019.

For additional information related to the Company's derivative financial instruments, refer to Note 14 — Risk Management and Derivatives. For fair value information regarding *Notes payable* and *Long-term debt*, refer to Note 7 — Short-Term Borrowings and Credit Lines and Note 8 — Long-Term Debt, respectively. The carrying amounts of other current financial assets and other current financial liabilities approximate fair value.

NON-RECURRING FAIR VALUE MEASUREMENTS

As further discussed in Note 20 — Acquisitions and Divestitures, the Company met the criteria to recognize the related assets and liabilities of its Brazil, Argentina, Chile and Uruguay entities as held-for-sale in the third quarter of fiscal 2020 and the classification of these balances remain as such, as of May 31, 2020. This required the Company to remeasure the disposal groups at fair value, less costs to sell, which is considered a Level 3 fair value measurement and was based on each transaction's estimated consideration at the date of close. The carrying value of the Argentina, Chile and Uruguay disposal groups exceeded their fair value, less costs to sell and as a result, the Company recognized a non-recurring impairment charge of $405 million. This charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses which were included as part of the carrying value of the Argentina, Chile and Uruguay disposal groups when measuring for impairment. For the fiscal year ended May 31, 2020, the charge was recognized in *Other (income) expense, net* on the Consolidated Statements of Income, classified within Corporate, and a corresponding allowance within *Accrued Liabilities* on the Consolidated Balance Sheets.

All other assets or liabilities required to be measured at fair value on a non-recurring basis as of May 31, 2020 were immaterial. As of May 31, 2019, all assets or liabilities required to be measured at fair value on a non-recurring basis were immaterial.

NOTE 7 — SHORT-TERM BORROWINGS AND CREDIT LINES

Notes payable as of May 31, 2020 and 2019 are summarized below:

	MAY 31,			
	2020		2019	
(Dollars in millions)	BORROWINGS	INTEREST RATE	BORROWINGS	INTEREST RATE
Notes payable:				
Commercial paper[1]	$ 248	1.65%	$ —	0.00%
U.S. operations	—	0.00%	2	0.00% [2]
Non-U.S. operations	—	0.00%	7	26.00% [2]
TOTAL NOTES PAYABLE	**$ 248**		**$ 9**	

(1) Commercial paper borrowings with original maturities greater than three months are included in Proceeds from borrowings, net of debt issuance costs on the Consolidated Statements of Cash Flows.

(2) Weighted average interest rate includes non-interest bearing overdrafts.

The carrying amounts reflected in the Consolidated Balance Sheets for *Notes payable* approximate fair value.

On August 16, 2019, the Company entered into a committed credit facility agreement with a syndicate of banks which provides for up to $2 billion of borrowings, with the option to increase borrowings up to $3 billion in total upon lender approval. The facility matures on August 16, 2024, with a one year extension option prior to any anniversary of the closing date, provided that in no event shall it extend beyond August 16, 2026. Based on the Company's current long-term senior unsecured debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.46%. The facility fee is 0.04% of the total commitment. This facility replaces the prior $2 billion credit facility agreement entered into on August 28, 2015, which would have matured August 28, 2020. As of and for the periods ended May 31, 2020 and 2019, no amounts were outstanding under either committed credit facility.

On April 6, 2020, the Company entered into a committed credit facility agreement with a syndicate of banks which provides for up to $2 billion of borrowings, in addition to the existing credit facility discussed above. The new facility matures on April 5, 2021. Based on the Company's current long-term senior unsecured debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 1.05%. The facility fee is 0.20% of the total commitment. As of May 31, 2020, no amounts were outstanding under this committed credit facility.

NOTE 8 — LONG-TERM DEBT

Long-term debt, net of unamortized premiums, discounts and debt issuance costs, comprises the following:

Scheduled Maturity (Dollars and Yen in millions)	ORIGINAL PRINCIPAL	INTEREST RATE	INTEREST PAYMENTS	BOOK VALUE OUTSTANDING AS OF MAY 31, 2020	2019
Corporate Term Debt:[1][2]					
May 1, 2023	$ 500	2.25%	Semi-Annually	$ 499	$ 498
March 27, 2025	1,000	2.40%	Semi-Annually	994	—
November 1, 2026	1,000	2.38%	Semi-Annually	995	994
March 27, 2027	1,000	2.75%	Semi-Annually	994	—
March 27, 2030	1,500	2.85%	Semi-Annually	1,489	—
March 27, 2040	1,000	3.25%	Semi-Annually	985	—
May 1, 2043	500	3.63%	Semi-Annually	495	495
November 1, 2045	1,000	3.88%	Semi-Annually	984	983
November 1, 2046	500	3.38%	Semi-Annually	491	491
March 27, 2050	1,500	3.38%	Semi-Annually	1,480	—
Japanese Yen Notes:[3]					
August 20, 2001 through November 20, 2020	¥ 9,000	2.60%	Quarterly	$ 2	$ 6
August 20, 2001 through November 20, 2020	4,000	2.00%	Quarterly	1	3
Total				9,409	3,470
Less current maturities				3	6
TOTAL LONG-TERM DEBT				**$ 9,406**	**$ 3,464**

(1) These senior unsecured obligations rank equally with the Company's other unsecured and unsubordinated indebtedness.

(2) The bonds are redeemable at the Company's option at a price equal to the greater of (i) 100% of the aggregate principal amount of the notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments, plus in each case, accrued and unpaid interest. However, the bonds also feature a par call provision, which allows for the bonds to be redeemed at a price equal to 100% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest on or after the Par Call Date, as defined in the respective notes.

(3) NIKE Logistics YK assumed a total of ¥13.0 billion in loans as part of its agreement to purchase a distribution center in Japan, which serves as collateral for the loans. These loans mature in equal quarterly installments during the period August 20, 2001 through November 20, 2020.

The scheduled maturity of *Long-term debt* in each of the years ending May 31, 2021 through 2025 are $3 million, $0 million, $500 million, $0 million and $1,000 million, respectively, at face value.

The Company's long-term debt is recorded at adjusted cost, net of unamortized premiums, discounts and debt issuance costs. The fair value of long-term debt is estimated based upon quoted prices for similar instruments or quoted prices for identical instruments in inactive markets (Level 2). The fair value of the Company's long-term debt, including the current portion, was approximately $10,645 million at May 31, 2020 and $3,524 million at May 31, 2019.

NOTE 9 — INCOME TAXES

Income before income taxes is as follows:

	YEAR ENDED MAY 31,		
(Dollars in millions)	2020	2019	2018
Income before income taxes:			
United States	$ 2,954	$ 593	$ 744
Foreign	(67)	4,208	3,581
TOTAL INCOME BEFORE INCOME TAXES	**$ 2,887**	**$ 4,801**	**$ 4,325**

The provision for income taxes is as follows:

	YEAR ENDED MAY 31,		
(Dollars in millions)	2020	2019	2018
Current:			
United States			
Federal	$ (109)	$ 74	$ 1,167
State	81	56	45
Foreign	756	608	533
Total Current	728	738	1,745
Deferred:			
United States			
Federal	(231)	(33)	595
State	(47)	(9)	25
Foreign	(102)	76	27
Total Deferred	(380)	34	647
TOTAL INCOME TAX EXPENSE	**$ 348**	**$ 772**	**$ 2,392**

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act") which significantly changed previous U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21% and a one-time transition tax on deemed repatriation of undistributed foreign earnings. For fiscal 2018, the change in the corporate tax rate resulted in a blended U.S. federal statutory rate for the Company of approximately 29%.

As of May 31, 2020 and 2019, long-term income taxes payable were $757 million and $902 million, respectively, and were included within *Deferred income taxes and other assets* on the Consolidated Balance Sheets.

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

	YEAR ENDED MAY 31,		
	2020	2019	2018
Federal income tax rate	21.0%	21.0%	29.2%
State taxes, net of federal benefit	0.8%	1.0%	0.8%
Foreign earnings	5.9%	-1.1%	-19.2%
Foreign-derived intangible income benefit related to the Tax Act	-8.1%	—%	—%
Transition tax related to the Tax Act	—%	—%	43.3%
Remeasurement of deferred tax assets and liabilities related to the Tax Act	—%	—%	3.7%
Excess tax benefits from share-based compensation	-7.2%	-3.6%	-5.3%
Income tax audits and contingency reserves	-1.4%	1.3%	2.9%
U.S. research and development tax credit	-1.8%	-1.0%	-0.6%
Other, net	2.9%	-1.5%	0.5%
EFFECTIVE INCOME TAX RATE	**12.1%**	**16.1%**	**55.3%**

The effective tax rate for the fiscal year ended May 31, 2020 was lower than the effective tax rate for the fiscal year ended May 31, 2019 due to increased benefits from discrete items such as stock-based compensation. The foreign earnings rate impact shown above for the fiscal year ended May 31, 2020 includes withholding taxes of 6.5% and held for sale accounting items of

2.9%, offset by a benefit for statutory rate differences and other items of 3.5%. The foreign derived intangible income benefit reflects U.S. tax benefits introduced by the Tax Act for companies serving foreign markets. This benefit became available to the Company as a result of a restructuring of its intellectual property interests. Income tax audit and contingency reserves reflect benefits associated with the modification of the treatment of certain research and development expenditures of 2.9% offset by an increase related to the resolution of an audit by the U.S. Internal Revenue Service ("IRS") and other matters of 1.5%. Included in other is the deferral of income tax effects related to intra-entity transfers of inventory of 2.3% and other items of 0.6%.

The effective tax rate for the year fiscal ended May 31, 2019 was lower than the effective tax rate for the fiscal year ended May 31, 2018 due to significant changes related to the enactment of the Tax Act in fiscal year 2018 and reduction in the U.S. federal statutory rate to 21% in fiscal year 2019.

Deferred tax assets and liabilities comprise the following as of:

	MAY 31,	
(Dollars in millions)	2020	2019
Deferred tax assets:		
Inventories	$ 84	$ 66
Sales return reserves	115	128
Deferred compensation	295	271
Stock-based compensation	168	156
Reserves and accrued liabilities	120	101
Operating lease liabilities	491	—
Capitalized research and development expenditures	189	—
Net operating loss carry-forwards	21	81
Other	127	125
Total deferred tax assets	1,610	928
Valuation allowance	(26)	(88)
Total deferred tax assets after valuation allowance	1,584	840
Deferred tax liabilities:		
Foreign withholding tax on undistributed earnings of foreign subsidiaries	(165)	(235)
Property, plant and equipment	(232)	(188)
Right-of-use assets	(423)	—
Other	(32)	(41)
Total deferred tax liabilities	(852)	(464)
NET DEFERRED TAX ASSET	**$ 732**	**$ 376**

The above amounts exclude deferred taxes of the Company's Brazil, Argentina, Chile and Uruguay operations which are classified as held-for-sale on the Consolidated Balance Sheets as of May 31, 2020. See Note 20 — Acquisitions and Divestitures for additional information.

The following is a reconciliation of the changes in the gross balance of unrecognized tax benefits as of:

	MAY 31,		
(Dollars in millions)	2020	2019	2018
Unrecognized tax benefits, beginning of the period	$ 808	$ 698	$ 461
Gross increases related to prior period tax positions	181	85	19
Gross decreases related to prior period tax positions	(171)	(32)	(12)
Gross increases related to current period tax positions	50	81	249
Settlements	(58)	—	—
Lapse of statute of limitations	(28)	(35)	(20)
Changes due to currency translation	(11)	11	1
UNRECOGNIZED TAX BENEFITS, END OF THE PERIOD	**$ 771**	**$ 808**	**$ 698**

As of May 31, 2020, total gross unrecognized tax benefits, excluding related interest and penalties, were $771 million, $536 million of which would affect the Company's effective tax rate if recognized in future periods. The majority of the total gross unrecognized tax benefits are long-term in nature and included within *Deferred income taxes and other assets* on the Consolidated Balance Sheets.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The liability for payment of interest and penalties decreased by $16 million during the year ended May 31, 2020, increased by $17 million during the fiscal year ended May 31, 2019 and decreased by $14 million during the fiscal year ended May 31, 2018. As of May 31, 2020 and 2019, accrued interest and penalties related to uncertain tax positions were $158 million and $174 million, respectively (excluding federal benefit).

The Company is subject to taxation in the United States, as well as various state and foreign jurisdictions. The Company is currently under audit by the IRS for fiscal years 2017 through 2019. The Company has closed all U.S. federal income tax matters through fiscal 2016, with the exception of certain transfer pricing adjustments. Tax years after 2009 remain open in certain major foreign jurisdictions. Although the timing of resolution of audits is not certain, the Company evaluates all domestic and foreign audit issues in the aggregate, along with the expiration of applicable statutes of limitations, and estimates that it is reasonably possible the total gross unrecognized tax benefits could decrease by up to $50 million within the next 12 months. In January 2019, the European Commission opened a formal investigation to examine whether the Netherlands has breached State Aid rules when granting certain tax rulings to the Company. The Company believes the investigation is without merit. If this matter is adversely resolved, the Netherlands may be required to assess additional amounts with respect to current and prior periods, and the Company's Netherlands income taxes in the future could increase.

The Company historically provided for U.S. income taxes on the undistributed earnings of foreign subsidiaries unless they were considered indefinitely reinvested outside the United States. As a result of the enactment of the Tax Act, in fiscal 2018 the Company reevaluated its historic indefinite reinvestment assertion and determined that any historical or future undistributed earnings of foreign subsidiaries are no longer considered to be indefinitely reinvested. Effective January 1, 2020, however, the tax law in the Netherlands, one of the Company's major jurisdictions, changed. As a result of the change in law, the Company's undistributed earnings in the Netherlands are subject to withholding tax upon distribution. It is the Company's intention to indefinitely reinvest the historical earnings of its foreign subsidiaries outside North America prior to May 31, 2020 to ensure there is sufficient working capital to expand operations outside the United States. Accordingly, the Company has not recorded a deferred tax liability related to foreign withholding taxes on approximately $8.1 billion of undistributed earnings of these foreign subsidiaries as of May 31, 2020. Withholding taxes of approximately $1.2 billion would be payable upon the remittance of these undistributed earnings as of May 31, 2020.

A portion of the Company's foreign operations benefit from a tax holiday, which is set to expire in 2021. This tax holiday may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The tax benefit attributable to this tax holiday was $238 million, $167 million and $126 million for the fiscal years ended May 31, 2020, 2019 and 2018, respectively. The benefit of the tax holiday on diluted earnings per common share was $0.15, $0.10 and $0.08 for the fiscal years ended May 31, 2020, 2019 and 2018, respectively.

Deferred tax assets at May 31, 2020 and 2019 were reduced by a valuation allowance. For the fiscal year ended May 31, 2020, a valuation allowance was provided for U.S. foreign tax credit carry-forwards and on tax benefits generated by entities with operating losses. For the fiscal year ended May 31, 2019, the valuation allowance provided primarily related to tax benefits generated by certain entities with operating losses. There was a $62 million net decrease in the valuation allowance for the fiscal year ended May 31, 2020, compared to a $7 million net decrease for the fiscal year ended May 31, 2019, and $13 million net increase for the year ended May 31, 2018. The decrease in the Company's net valuation allowance for the fiscal year ended May 31, 2020 is primarily related to the classification of the Company's Brazil and Argentina operations as held-for-sale on the Consolidated Balance Sheets as of May 31, 2020. See Note 20 — Acquisitions and Divestitures for additional information.

The Company has recorded deferred tax assets of $15 million at May 31, 2020 for U.S. foreign tax credit carry-forwards which will begin to expire in 2030.

The Company has available domestic and foreign loss carry-forwards of $83 million at May 31, 2020. If not utilized, such losses will expire as follows:

	YEAR ENDING MAY 31,						
(Dollars in millions)	2021	2022	2023	2024	2025-2040	INDEFINITE	TOTAL
Net operating losses	$ —	$ 3	$ 2	$ 2	$ 59	$ 17	$ 83

The above amounts at May 31, 2020 exclude net operating loss carry-forwards of the Company's Brazil, Argentina and Chile operations which are included in assets held-for-sale on the Consolidated Balance Sheets at May 31, 2020. See Note 20 — Acquisitions and Divestitures for additional information.

NOTE 10 — REDEEMABLE PREFERRED STOCK

Sojitz America is the sole owner of the Company's authorized redeemable preferred stock, $1 par value, which is redeemable at the option of Sojitz America or the Company at par value aggregating $0.3 million. A cumulative dividend of $0.10 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 fiscal years ended May 31, 2020, 2019 and 2018. As the holder of the redeemable preferred stock, Sojitz America 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. The redeemable preferred stock has been fully issued to Sojitz America and is not blank check preferred stock. The Company's articles of incorporation do not permit the issuance of additional preferred stock.

NOTE 11 — COMMON STOCK AND STOCK-BASED COMPENSATION

COMMON STOCK

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 400 million and 2,400 million, respectively. 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. There are no differences in the dividend and liquidation preferences or participation rights of the holders of Class A and Class B Common Stock. From time to time, the Company's Board of Directors authorizes share repurchase programs for the repurchase of Class B Common Stock. The value of repurchased shares is deducted from *Total shareholders' equity* through allocation to *Capital in excess of stated value* and *Retained earnings*.

STOCK-BASED COMPENSATION

The NIKE, Inc. Stock Incentive Plan (the “Stock Incentive Plan”) provides for the issuance of up to 718 million previously unissued shares of Class B Common Stock in connection with equity awards granted under the Stock Incentive Plan. The Stock Incentive Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards. The exercise price for stock options and stock appreciation rights may not be less than the fair market value of the underlying shares on the date of grant. A committee of the Board of Directors administers the Stock Incentive Plan. 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. The Company generally grants stock options and restricted stock on an annual basis. Substantially all awards under the Stock Incentive Plan vest ratably over 4 years of continued employment, with stock options expiring 10 years from the date of grant.

The following table summarizes the Company's total stock-based compensation expense recognized in *Cost of sales* or *Operating overhead expense*, as applicable:

	YEAR ENDED MAY 31,		
(Dollars in millions)	2020	2019	2018
Stock options[(1)]	$ 237	$ 207	$ 149
ESPPs	53	40	34
Restricted stock	139	78	35
TOTAL STOCK-BASED COMPENSATION EXPENSE	**$ 429**	**$ 325**	**$ 218**

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees meeting certain retirement eligibility requirements. Accelerated stock option expense was $53 million, $41 million and $18 million for the fiscal years ended May 31, 2020, 2019 and 2018, respectively.

The income tax benefit related to stock-based compensation expense was $207 million, $175 million and $230 million for the fiscal years ended May 31, 2020, 2019 and 2018, respectively, and reported within *Income tax expense*.

STOCK OPTIONS

The weighted average fair value per share of the options granted during the years ended May 31, 2020, 2019 and 2018, computed as of the grant date using the Black-Scholes pricing model, was $18.71, $22.78 and $9.82, respectively. The weighted average assumptions used to estimate these fair values were as follows:

	YEAR ENDED MAY 31,		
	2020	2019	2018
Dividend yield	1.0%	1.0%	1.2%
Expected volatility	23.0%	26.6%	16.4%
Weighted average expected life (in years)	6.0	6.0	6.0
Risk-free interest rate	1.5%	2.8%	2.0%

Expected volatilities are based on the historical volatility of the Company's common stock, the implied volatility in market traded options on the Company's common stock with a term greater than one year, as well as other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

The following summarizes the stock option transactions under the plan discussed above:

	SHARES(1)	WEIGHTED AVERAGE OPTION PRICE
	(In millions)	
Options outstanding as of May 31, 2019	91.3	$ 50.59
Exercised	(20.1)	35.26
Forfeited	(2.2)	75.74
Granted	19.1	85.29
Options outstanding as of May 31, 2020	88.1	$ 60.98

(1) Includes stock appreciation rights transactions.

Options exercisable as of May 31, 2020 were 48.5 million and had a weighted average option price of $46.91 per share. The aggregate intrinsic value for options outstanding and exercisable at May 31, 2020 was $3,316 million and $2,506 million, respectively. The total intrinsic value of the options exercised during the years ended May 31, 2020, 2019 and 2018 was $1,161 million, $938 million and $889 million, respectively. The intrinsic value is the amount by which the market value of the underlying stock exceeds the exercise price of the options. The weighted average contractual life remaining for options outstanding and options exercisable at May 31, 2020 was 6.2 years and 4.5 years, respectively. As of May 31, 2020, the Company had $411 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized in *Cost of sales* or *Operating overhead expense*, as applicable, over a weighted average remaining period of 2.6 years.

EMPLOYEE STOCK PURCHASE PLANS

In addition to the Stock Incentive Plan, the Company gives employees the right to purchase shares at a discount from the market price under employee stock purchase plans (ESPPs). Subject to the annual statutory limit, employees are eligible to participate through payroll deductions of up to 10% of their compensation. At the end of each six-month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period. Employees purchased 2.7 million, 2.5 million and 3.1 million shares during each of the fiscal years ended May 31, 2020, 2019 and 2018, respectively.

RESTRICTED STOCK AND RESTRICTED STOCK UNITS

Recipients of restricted stock are entitled to cash dividends and to vote their respective shares throughout the period of restriction. Recipients of restricted stock units are entitled to dividend equivalent cash payments upon vesting. The number of restricted stock and restricted stock units vested includes shares of common stock withheld by the Company on behalf of employees to satisfy the minimum statutory tax withholding requirements.

The following summarizes the restricted stock and restricted stock unit activity under the plan discussed above:

	SHARES (In millions)	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Nonvested as of May 31, 2019	4.4	$ 70.93
Vested	(1.1)	72.64
Forfeited	(0.3)	79.62
Granted	3.8	88.26
Nonvested as of May 31, 2020	6.8	$ 79.84

The weighted average fair value per share of restricted stock and restricted stock units granted for the years ended May 31, 2020, 2019 and 2018, computed as of the grant date, was $88.26, $80.95, and $62.51, respectively. During the years ended May 31, 2020, 2019 and 2018, the aggregate fair value of restricted stock and restricted stock units vested was $98 million, $44 million and $113 million, respectively, computed as of the date of vesting. As of May 31, 2020, the Company had $342 million of unrecognized compensation costs from restricted stock and restricted stock units, net of estimated forfeitures, to be recognized in *Cost of sales* or *Operating overhead expense*, as applicable, over a weighted average remaining period of 2.7 years.

NOTE 12 — EARNINGS PER SHARE

The following is a reconciliation from basic earnings per common share to diluted earnings per common share. The computations of diluted earnings per common share excluded options, including shares under ESPPs, and restricted stock to purchase an additional 30.6 million, 17.5 million and 42.9 million shares of common stock outstanding for the fiscal years ended May 31, 2020, 2019 and 2018, respectively, because the options and restricted stock were anti-dilutive.

	YEAR ENDED MAY 31,		
(In millions, except per share data)	2020	2019	2018
Net income available to common stockholders	$ 2,539	$ 4,029	$ 1,933
Determination of shares:			
Weighted average common shares outstanding	1,558.8	1,579.7	1,623.8
Assumed conversion of dilutive stock options and awards	32.8	38.7	35.3
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**1,591.6**	**1,618.4**	**1,659.1**
Earnings per common share:			
Basic	$ 1.63	$ 2.55	$ 1.19
Diluted	$ 1.60	$ 2.49	$ 1.17

NOTE 13 — BENEFIT PLANS

The Company has a qualified 401(k) Savings and Profit Sharing Plan, in which all U.S. employees are able to participate. The Company matches a portion of employee contributions to the savings plan. Company contributions to the savings plan were $107 million, $90 million and $80 million and included in *Cost of sales* or *Operating overhead expense*, as applicable, for the years ended May 31, 2020, 2019 and 2018, respectively. The terms of the plan also allow for annual discretionary profit sharing contributions, as recommended by senior management and approved by the Board of Directors, to the accounts of eligible U.S. employees who work at least 1,000 hours in a year. For the fiscal year ended May 31, 2020, there were no profit sharing contributions made to the plan. Profit sharing contributions of $37 million and $59 million were made to the plan and included in *Cost of sales* or *Operating overhead expense*, as applicable, for the years ended May 31, 2019 and 2018, respectively.

The Company also has a Long-Term Incentive Plan (LTIP) adopted by the Board of Directors and approved by shareholders in September 1997 and later amended and approved in fiscal 2007 and fiscal 2012. The Company recognized $66 million, $83 million and $33 million of *Operating overhead expense* related to cash awards under the LTIP during the years ended May 31, 2020, 2019 and 2018, respectively.

The Company allows certain highly compensated employees and non-employee directors of the Company to defer compensation under a nonqualified deferred compensation plan. Deferred compensation plan liabilities were $725 million and $647 million at

May 31, 2020 and 2019, respectively, and primarily classified as non-current in *Deferred income taxes and other liabilities* on the Consolidated Balance Sheets.

The Company has pension plans in various countries worldwide. The pension plans are only available to local employees and are generally government mandated. The liability related to the unfunded pension liabilities of the plans was $79 million and $73 million at May 31, 2020 and 2019, respectively, and primarily classified as non-current in *Deferred income taxes and other liabilities* on the Consolidated Balance Sheets.

NOTE 14 — RISK MANAGEMENT AND DERIVATIVES

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading or speculative purposes.

The Company may elect to designate certain derivatives as hedging instruments under U.S. GAAP. The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives designated as hedges to either recognized assets or liabilities or forecasted transactions and assessing, both at inception and on an ongoing basis, the effectiveness of the hedging relationships.

The majority of derivatives outstanding as of May 31, 2020 are designated as foreign currency cash flow hedges, primarily for Euro/U.S. Dollar, British Pound/Euro, Japanese Yen/U.S. Dollar and Chinese Yuan/U.S. Dollar currency pairs. All derivatives are recognized on the Consolidated Balance Sheets at fair value and classified based on the instrument's maturity date.

The following tables present the fair values of derivative instruments included within the Consolidated Balance Sheets as of May 31, 2020 and 2019:

	DERIVATIVE ASSETS		
		MAY 31,	
(Dollars in millions)	BALANCE SHEET LOCATION	2020	2019
Derivatives formally designated as hedging instruments:			
Foreign exchange forwards and options	Prepaid expenses and other current assets	$ 43	$ 509
Foreign exchange forwards and options	Deferred income taxes and other assets	1	—
Total derivatives formally designated as hedging instruments		44	509
Derivatives not designated as hedging instruments:			
Foreign exchange forwards and options	Prepaid expenses and other current assets	48	102
Embedded derivatives	Prepaid expenses and other current assets	1	5
Foreign exchange forwards and options	Deferred income taxes and other assets	2	—
Embedded derivatives	Deferred income taxes and other assets	—	6
Total derivatives not designated as hedging instruments		51	113
TOTAL DERIVATIVE ASSETS		**$ 95**	**$ 622**

(Dollars in millions)	DERIVATIVE LIABILITIES		
		MAY 31,	
	BALANCE SHEET LOCATION	2020	2019
Derivatives formally designated as hedging instruments:			
Foreign exchange forwards and options	Accrued liabilities	$ 173	$ 5
Foreign exchange forwards and options	Deferred income taxes and other liabilities	17	—
Total derivatives formally designated as hedging instruments		190	5
Derivatives not designated as hedging instruments:			
Foreign exchange forwards and options	Accrued liabilities	15	46
Embedded derivatives	Accrued liabilities	2	1
Embedded derivatives	Deferred income taxes and other liabilities	—	2
Total derivatives not designated as hedging instruments		17	49
TOTAL DERIVATIVE LIABILITIES		**$ 207**	**$ 54**

The following table presents the amounts in the Consolidated Statements of Income in which the effects of cash flow hedges are recorded and the effects of cash flow hedge activity on these line items for the fiscal years ended May 31, 2020, 2019 and 2018:

(Dollars in millions)	YEAR ENDED MAY 31,					
	2020		2019		2018	
	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY
Revenues	$ 37,403	$ (17)	$ 39,117	$ (5)	$ 36,397	$ 34
Cost of sales	21,162	364	21,643	53	20,441	(90)
Demand creation expense	3,592	(2)	3,753	—	3,577	1
Other (income) expense, net	139	181	(78)	35	66	(69)
Interest expense (income), net	89	(7)	49	(7)	54	(7)

The following tables present the amounts affecting the Consolidated Statements of Income for the years ended May 31, 2020, 2019 and 2018:

(Dollars in millions)	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS) ON DERIVATIVES[(1)] YEAR ENDED MAY 31, 2020	2019	2018	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME[(1)] YEAR ENDED MAY 31, 2020	2019	2018
Derivatives designated as cash flow hedges:							
Foreign exchange forwards and options	$ 28	$ 14	$ 19	Revenues	$ (17)	$ (5)	$ 34
Foreign exchange forwards and options	283	405	(50)	Cost of sales	364	53	(90)
Foreign exchange forwards and options	1	2	1	Demand creation expense	(2)	—	1
Foreign exchange forwards and options	90	156	(19)	Other (income) expense, net	181	35	(69)
Interest rate swaps[(2)]	—	—	—	Interest expense (income), net	(7)	(7)	(7)
Total designated cash flow hedges	**$ 402**	**$ 577**	**$ (49)**		**$ 519**	**$ 76**	**$ (131)**

(1) *For the fiscal years ended May 31, 2020, 2019 and 2018, the amounts recorded in Other (income) expense, net as a result of the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring were immaterial.*

(2) *Gains and losses associated with terminated interest rate swaps, which were previously designated as cash flow hedges and recorded in Accumulated other comprehensive income (loss), will be released through Interest expense (income), net over the term of the issued debt.*

(Dollars in millions)	AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME ON DERIVATIVES YEAR ENDED MAY 31, 2020	2019	2018	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME ON DERIVATIVES
Derivatives not designated as hedging instruments:				
Foreign exchange forwards and options	$ 76	$ 166	$ (57)	Other (income) expense, net
Embedded derivatives	(1)	7	(4)	Other (income) expense, net

CASH FLOW HEDGES

All changes in fair value of derivatives designated as cash flow hedges are recorded in *Accumulated other comprehensive income (loss)* until *Net income* is affected by the variability of cash flows of the hedged transaction. Effective hedge results are classified in the Consolidated Statements of Income in the same manner as the underlying exposure. Derivative instruments designated as cash flow hedges must be discontinued when it is no longer probable the forecasted hedged transaction will occur in the initially identified time period. The gains and losses associated with discontinued derivative instruments in *Accumulated other comprehensive income (loss)* will be recognized immediately in *Other (income) expense, net*, if it is probable the forecasted hedged transaction will not occur by the end of the initially identified time period or within an additional two-month period thereafter. In rare circumstances, the additional period of time may exceed two months due to extenuating circumstances related to the nature of the forecasted transaction that are outside the control or influence of the Company. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company accounts for the derivative as an undesignated instrument as discussed below.

The purpose of the Company's foreign exchange risk management program is to lessen both the positive and negative effects of currency fluctuations on the Company's consolidated results of operations, financial position and cash flows. Foreign currency exposures the Company may elect to hedge in this manner include product cost exposures, non-functional currency denominated external and intercompany revenues, demand creation expenses, investments in U.S. Dollar denominated available-for-sale debt securities and certain other intercompany transactions.

Product cost exposures are primarily generated through non-functional currency denominated product purchases and the foreign currency adjustment program described below. NIKE entities primarily purchase product in two ways: (1) Certain NIKE entities purchase product from the NIKE Trading Company (NTC), a wholly-owned sourcing hub that buys NIKE branded products from third party factories, predominantly in U.S. Dollars. The NTC, whose functional currency is the U.S. Dollar, then sells the product to NIKE entities in their respective functional currencies. NTC sales to a NIKE entity with a different functional currency result in a foreign currency exposure for the NTC. (2) Other NIKE entities purchase product directly from third party factories in U.S. Dollars.

These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. Dollar.

The Company operates a foreign currency adjustment program with certain factories. The program is designed to more effectively manage foreign currency risk by assuming certain of the factories' foreign currency exposures, some of which are natural offsets to the Company's existing foreign currency exposures. Under this program, the Company's payments to these factories are adjusted for rate fluctuations in the basket of currencies (“factory currency exposure index”) in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products (“factory input costs”) are denominated. For the portion of the indices denominated in the local or functional currency of the factory, the Company may elect to place formally designated cash flow hedges. For all currencies within the indices, excluding the U.S. Dollar and the local or functional currency of the factory, an embedded derivative contract is created upon the factory's acceptance of NIKE's purchase order. Embedded derivative contracts are separated from the related purchase order, as further described within the Embedded Derivatives section below.

The Company's policy permits the utilization of derivatives to reduce its foreign currency exposures where internal netting or other strategies cannot be effectively employed. Typically, the Company may enter into hedge contracts starting up to 12 to 24 months in advance of the forecasted transaction and may place incremental hedges up to 100% of the exposure by the time the forecasted transaction occurs. The total notional amount of outstanding foreign currency derivatives designated as cash flow hedges was $8.1 billion as of May 31, 2020.

As of May 31, 2020, approximately $374 million of deferred net gains (net of tax) on both outstanding and matured derivatives in *Accumulated other comprehensive income (loss)* are expected to be reclassified to *Net income* during the next 12 months concurrent with the underlying hedged transactions also being recorded in *Net income*. Actual amounts ultimately reclassified to *Net income* are dependent on the exchange rates in effect when derivative contracts currently outstanding mature. As of May 31, 2020, the maximum term over which the Company hedges exposures to the variability of cash flows for its forecasted transactions was 24 months.

FAIR VALUE HEDGES

The Company has, in the past, been exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under U.S. GAAP. Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. The Company had no interest rate swaps designated as fair value hedges as of May 31, 2020.

NET INVESTMENT HEDGES

The Company has, in the past, hedged and may, in the future, hedge the risk of variability in foreign currency-denominated net investments in wholly-owned international operations. All changes in fair value of the derivatives designated as net investment hedges are reported in *Accumulated other comprehensive income (loss)* along with the foreign currency translation adjustments on those investments. The Company had no outstanding net investment hedges as of May 31, 2020.

UNDESIGNATED DERIVATIVE INSTRUMENTS

The Company may elect to enter into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the Consolidated Balance Sheets and/or the embedded derivative contracts. These undesignated instruments are recorded at fair value as a derivative asset or liability on the Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, together with the re-measurement gain or loss from the hedged balance sheet position and/or embedded derivative contract. The total notional amount of outstanding undesignated derivative instruments was $4.1 billion as of May 31, 2020.

EMBEDDED DERIVATIVES

As part of the foreign currency adjustment program described above, an embedded derivative contract is created upon the factory's acceptance of NIKE's purchase order for currencies within the factory currency exposure indices that are neither the U.S. Dollar nor the local or functional currency of the factory. In addition, embedded derivative contracts are created when the Company enters into certain other contractual agreements which have payments that are indexed to currencies that are not the functional currency of either substantial party to the contracts. Embedded derivative contracts are treated as foreign currency forward contracts that are bifurcated from the related contract and recorded at fair value as a derivative asset or liability on the Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, through the date the foreign currency fluctuations cease to exist.

At May 31, 2020, the total notional amount of embedded derivatives outstanding was approximately $281 million.

CREDIT RISK

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings; however, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored.

The Company's derivative contracts contain credit risk-related contingent features designed to protect against significant deterioration in counterparties' creditworthiness and their ultimate ability to settle outstanding derivative contracts in the normal course of business. The Company's bilateral credit-related contingent features generally require the owing entity, either the Company or the derivative counterparty, to post collateral for the portion of the fair value in excess of $50 million should the fair value of outstanding derivatives per counterparty be greater than $50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could also trigger collateral requirements. As of May 31, 2020, the Company was in compliance with all credit risk-related contingent features, and had derivative instruments with such features in a net liability position of $137 million. However, no derivative instruments with credit risk-related contingent features in a net liability position were greater than $50 million by counterparty. Accordingly, the Company was not required to post any collateral as a result of these contingent features. Further, as of May 31, 2020, the Company had received no cash collateral from various counterparties to its derivative contracts. The Company considers the impact of the risk of counterparty default to be immaterial.

For additional information related to the Company's derivative financial instruments and collateral, refer to Note 6 — Fair Value Measurements.

NOTE 15 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in *Accumulated other comprehensive income (loss)*, net of tax, were as follows:

(Dollars in millions)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT(1)	CASH FLOW HEDGES	NET INVESTMENT HEDGES(1)	OTHER	TOTAL
Balance at May 31, 2019	**$ (346)**	**$ 520**	**$ 115**	**$ (58)**	**$ 231**
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications(2)	(149)	387	—	(8)	230
Reclassifications to net income of previously deferred (gains) losses(3)	1	(517)	—	(1)	(517)
Total other comprehensive income (loss)	(148)	(130)	—	(9)	(287)
Balance at May 31, 2020	**$ (494)**	**$ 390**	**$ 115**	**$ (67)**	**$ (56)**

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax benefit (expense) of $0 million, $(15) million, $0 million, $1 million and $(14) million, respectively.

(3) Net of tax (benefit) expense of $0 million, $2 million, $0 million, $0 million and $2 million, respectively.

(Dollars in millions)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT(1)	CASH FLOW HEDGES	NET INVESTMENT HEDGES(1)	OTHER	TOTAL
Balance at May 31, 2018	**$ (173)**	**$ 17**	**$ 115**	**$ (51)**	**$ (92)**
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications(2)	(173)	573	—	10	410
Reclassifications to net income of previously deferred (gains) losses(3)	—	(70)	—	(17)	(87)
Total other comprehensive income (loss)	(173)	503	—	(7)	323
Balance at May 31, 2019	**$ (346)**	**$ 520**	**$ 115**	**$ (58)**	**$ 231**

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax benefit (expense) of $0 million, $(4) million, $0 million, $1 million and $(3) million, respectively.

(3) Net of tax (benefit) expense of $0 million, $6 million, $0 million, $0 million and $6 million, respectively.

The following table summarizes the reclassifications from *Accumulated other comprehensive income (loss)* to the Consolidated Statements of Income:

(Dollars in millions)	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME — YEAR ENDED MAY 31, 2020	2019	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME
Gains (losses) on foreign currency translation adjustment	$ (1)	$ —	Other (income) expense, net
Total before tax	(1)	—	
Tax (expense) benefit	—	—	
Gain (loss) net of tax	**(1)**	**—**	
Gains (losses) on cash flow hedges:			
Foreign exchange forwards and options	$ (17)	(5)	Revenues
Foreign exchange forwards and options	364	53	Cost of sales
Foreign exchange forwards and options	(2)	—	Demand creation expense
Foreign exchange forwards and options	181	35	Other (income) expense, net
Interest rate swaps	(7)	(7)	Interest expense (income), net
Total before tax	519	76	
Tax (expense) benefit	(2)	(6)	
Gain (loss) net of tax	**517**	**70**	
Gains (losses) on other	1	17	Other (income) expense, net
Total before tax	1	17	
Tax (expense) benefit	—	—	
Gain (loss) net of tax	**1**	**17**	
Total net gain (loss) reclassified for the period	**$ 517**	**$ 87**	

NOTE 16 — REVENUES

DISAGGREGATION OF REVENUES

The following tables present the Company's revenues disaggregated by reportable operating segment, major product line and by distribution channel:

	YEAR ENDED MAY 31, 2020								
(Dollars in millions)	NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:									
Footwear	$ 9,329	$ 5,892	$ 4,635	$ 3,449	$ —	$ 23,305	$ 1,642	$ —	$ 24,947
Apparel	4,639	3,053	1,896	1,365	—	10,953	89	—	11,042
Equipment	516	402	148	214	—	1,280	25	—	1,305
Other	—	—	—	—	30	30	90	(11)	109
TOTAL REVENUES	**$ 14,484**	**$ 9,347**	**$ 6,679**	**$ 5,028**	**$ 30**	**$ 35,568**	**$ 1,846**	**$ (11)**	**$ 37,403**
Revenues by:									
Sales to Wholesale Customers	$ 9,371	$ 6,574	$ 3,803	$ 3,408	$ —	$ 23,156	$ 1,154	$ —	$ 24,310
Sales through Direct to Consumer	5,113	2,773	2,876	1,620	—	12,382	602	—	12,984
Other	—	—	—	—	30	30	90	(11)	109
TOTAL REVENUES	**$ 14,484**	**$ 9,347**	**$ 6,679**	**$ 5,028**	**$ 30**	**$ 35,568**	**$ 1,846**	**$ (11)**	**$ 37,403**

	YEAR ENDED MAY 31, 2019								
(Dollars in millions)	NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:									
Footwear	$ 10,045	$ 6,293	$ 4,262	$ 3,622	$ —	$ 24,222	$ 1,658	$ —	$ 25,880
Apparel	5,260	3,087	1,808	1,395	—	11,550	118	—	11,668
Equipment	597	432	138	237	—	1,404	24	—	1,428
Other	—	—	—	—	42	42	106	(7)	141
TOTAL REVENUES	**$ 15,902**	**$ 9,812**	**$ 6,208**	**$ 5,254**	**$ 42**	**$ 37,218**	**$ 1,906**	**$ (7)**	**$ 39,117**
Revenues by:									
Sales to Wholesale Customers	$ 10,875	$ 7,076	$ 3,726	$ 3,746	$ —	$ 25,423	$ 1,247	$ —	$ 26,670
Sales through Direct to Consumer	5,027	2,736	2,482	1,508	—	11,753	553	—	12,306
Other	—	—	—	—	42	42	106	(7)	141
TOTAL REVENUES	**$ 15,902**	**$ 9,812**	**$ 6,208**	**$ 5,254**	**$ 42**	**$ 37,218**	**$ 1,906**	**$ (7)**	**$ 39,117**

For the fiscal years ended May 31, 2020 and 2019, Other revenues for Global Brand Divisions and Converse were primarily attributable to licensing businesses. For the fiscal years ended May 31, 2020 and 2019, Other revenues for Corporate primarily consisted of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse but managed through the Company's central foreign exchange risk management program.

As of May 31, 2020 and 2019, the Company did not have any contract assets and had an immaterial amount of contract liabilities recorded in *Accrued Liabilities* on the Consolidated Balance Sheets.

SALES-RELATED RESERVES

At May 31, 2020 and May 31, 2019, the Company's sales-related reserve balance, which includes returns, post-invoice sales discounts and miscellaneous claims, was $1,178 million and $1,218 million, respectively, recorded in *Accrued liabilities* on the Consolidated Balance Sheets. The estimated cost of inventory for expected product returns was $313 million and $410 million as of May 31, 2020 and May 31, 2019, respectively, and was recorded in *Prepaid expenses and other current assets* on the Consolidated Balance Sheets.

MAJOR CUSTOMERS

No customer accounted for 10% or more of the Company's consolidated net *Revenues* during the fiscal years ended May 31, 2020, 2019 and 2018.

NOTE 17 — OPERATING SEGMENTS AND RELATED INFORMATION

The Company's operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America; Europe, Middle East & Africa (EMEA); Greater China; and Asia Pacific & Latin America (APLA), and include results for the NIKE and Jordan brands, with the results for the Hurley brand, prior to its divestiture, included in North America. Refer to Note 20 — Acquisitions and Divestitures for information regarding the divestiture of the Company's wholly-owned subsidiary, Hurley, and the planned transition of NIKE Brand businesses in certain countries within APLA to third-party distributors.

The Company's NIKE Direct operations are managed within each NIKE Brand geographic operating segment. Converse is also a reportable segment for the Company, and operates in one industry: the design, marketing, licensing and selling of athletic lifestyle sneakers, apparel and accessories.

Global Brand Divisions is included within the NIKE Brand for presentation purposes to align with the way management views the Company. Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment, and demand creation and operating overhead expense, including product creation and design expenses that are centrally managed for the NIKE Brand, as well as costs associated with NIKE Direct global digital operations and enterprise technology.

Corporate consists primarily of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to the Company's headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses, including certain hedge gains and losses. For the fiscal year ended May 31, 2020, Corporate includes the non-recurring impairment charge, recognized as a result of the Company's decision to transition its operations in Brazil, Argentina, Chile and Uruguay to third-party distributors. This charge primarily reflects the anticipated release of associated non-cash cumulative foreign currency translation losses. For more information regarding this charge, refer to Note 20 — Acquisitions and Divestitures.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (EBIT), which represents *Net income* before *Interest expense (income), net* and *Income tax expense* in the Consolidated Statements of Income.

As part of the Company's centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in the Company's geographic operating segments and to Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and cost of sales for geographic operating segments and Converse reflect the use of these standard rates to record non-functional currency product purchases in the entity's functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from the Company's centrally managed foreign exchange risk management program and other conversion gains and losses.

Accounts receivable, net, Inventories and *Property, plant and equipment, net* for operating segments are regularly reviewed by management and are therefore provided below.

(Dollars in millions)	YEAR ENDED MAY 31, 2020	2019	2018
REVENUES			
North America	$ 14,484	$ 15,902	$ 14,855
Europe, Middle East & Africa	9,347	9,812	9,242
Greater China	6,679	6,208	5,134
Asia Pacific & Latin America	5,028	5,254	5,166
Global Brand Divisions	30	42	88
Total NIKE Brand	35,568	37,218	34,485
Converse	1,846	1,906	1,886
Corporate	(11)	(7)	26
TOTAL NIKE, INC. REVENUES	**$ 37,403**	**$ 39,117**	**$ 36,397**
EARNINGS BEFORE INTEREST AND TAXES			
North America	$ 2,899	$ 3,925	$ 3,600
Europe, Middle East & Africa	1,541	1,995	1,587
Greater China	2,490	2,376	1,807
Asia Pacific & Latin America	1,184	1,323	1,189
Global Brand Divisions	(3,468)	(3,262)	(2,658)
Converse	297	303	310
Corporate	(1,967)	(1,810)	(1,456)
Interest expense (income), net	89	49	54
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	**$ 2,887**	**$ 4,801**	**$ 4,325**
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT			
North America	$ 110	$ 117	$ 196
Europe, Middle East & Africa	139	233	240
Greater China	28	49	76
Asia Pacific & Latin America	41	47	49
Global Brand Divisions	438	278	286
Total NIKE Brand	756	724	847
Converse	12	18	22
Corporate	356	333	325
TOTAL ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	**$ 1,124**	**$ 1,075**	**$ 1,194**
DEPRECIATION			
North America	$ 148	$ 149	$ 160
Europe, Middle East & Africa	132	111	116
Greater China	44	50	56
Asia Pacific & Latin America	46	53	55
Global Brand Divisions	214	195	217
Total NIKE Brand	584	558	604
Converse	25	31	33
Corporate	112	116	110
TOTAL DEPRECIATION	**$ 721**	**$ 705**	**$ 747**

(Dollars in millions)	AS OF MAY 31, 2020	2019
ACCOUNTS RECEIVABLE, NET		
North America	$ 1,020	$ 1,718
Europe, Middle East & Africa	712	1,164
Greater China	321	245
Asia Pacific & Latin America(1)	425	771
Global Brand Divisions	65	105
Total NIKE Brand	2,543	4,003
Converse	149	243
Corporate	57	26
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 2,749**	**$ 4,272**
INVENTORIES		
North America	$ 3,077	$ 2,328
Europe, Middle East & Africa	2,070	1,390
Greater China	882	693
Asia Pacific & Latin America(1)	770	694
Global Brand Divisions	137	126
Total NIKE Brand	6,936	5,231
Converse	341	269
Corporate	90	122
TOTAL INVENTORIES	**$ 7,367**	**$ 5,622**
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	$ 645	$ 814
Europe, Middle East & Africa	885	929
Greater China	214	237
Asia Pacific & Latin America(1)	296	326
Global Brand Divisions	830	665
Total NIKE Brand	2,870	2,971
Converse	80	100
Corporate	1,916	1,673
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**$ 4,866**	**$ 4,744**

(1) Excludes assets held-for-sale as of May 31, 2020. See Note 20 — Acquisitions and Divestitures for additional information.

REVENUES AND LONG-LIVED ASSETS BY GEOGRAPHIC AREA

After allocation of revenues for Global Brand Divisions, Converse and Corporate to geographical areas based on the location where the sales originated, revenues by geographical area are essentially the same as reported above for the NIKE Brand operating segments with the exception of the United States. Revenues derived in the United States were $14,625 million, $16,091 million and $15,314 million for the fiscal years ended May 31, 2020, 2019 and 2018, respectively.

The Company's largest concentrations of long-lived assets primarily consist of the Company's corporate headquarters, retail locations and distribution facilities in the United States and China, as well as distribution facilities in Belgium. Long-lived assets attributable to operations in these countries, which primarily consists of property, plant and equipment, net, as well as operating lease right-of-use assets, net in conjunction with the adoption of Topic 842 in fiscal 2020, were as follows:

(Dollars in millions)	MAY 31, 2020(1)	2019
United States	$ 5,114	$ 3,174
Belgium	606	618
China	457	242

(1) Includes operating lease right-of-use assets, net in conjunction with the adoption of Topic 842. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous accounting guidance in effect for those periods.

NOTE 18 — COMMITMENTS AND CONTINGENCIES

As of May 31, 2020 and 2019, the Company had bank guarantees and letters of credit outstanding totaling $239 million and $215 million, respectively, issued primarily for real estate agreements, self-insurance programs and other general business obligations.

In connection with various contracts and agreements, the Company provides routine indemnification relating to the enforceability of intellectual property rights, coverage for legal issues that arise and other items where the Company is acting as the guarantor. Currently, the Company has several such agreements in place. However, based on the Company's historical experience and the estimated probability of future loss, the Company has determined the fair value of such indemnification is not material to the Company's financial position or results of operations.

In the ordinary course of its business, the Company is involved in various legal proceedings involving contractual and employment relationships, product liability claims, trademark rights and a variety of other matters. While the Company cannot predict the outcome of its pending legal matters with certainty, the Company does not believe any currently identified claim, proceeding or litigation, either individually or in aggregate, will have a material impact on the Company's results of operations, financial position or cash flows.

NOTE 19 — LEASES

Lease expense is recognized in *Cost of sales* or *Operating overhead expense* within the Consolidated Statements of Income, based on the underlying nature of the leased asset. For the fiscal year ended May 31, 2020, lease expense primarily consisted of operating lease costs of $569 million, along with $337 million primarily related to variable lease costs which includes an immaterial amount of short-term lease costs. As of and for the fiscal year ended May 31, 2020, finance leases were not a material component of the Company's lease portfolio.

Amounts of future undiscounted cash flows related to operating lease payments over the lease term are as follows and are reconciled to the present value of the operating lease liabilities as recorded on the Consolidated Balance Sheets:

(Dollars in millions)		AS OF MAY 31, 2020[1]
Fiscal 2021	$	550
Fiscal 2022		514
Fiscal 2023		456
Fiscal 2024		416
Fiscal 2025		374
Thereafter		1,474
Total undiscounted future cash flows related to lease payments	$	3,784
Less: Interest		426
Present value of lease liabilities	$	3,358

(1) Excludes $67 million of future operating lease payments for lease agreements signed but not yet commenced.

In accordance with Topic 840, rent expense, excluding executory costs, was $829 million and $820 million for the fiscal years ended May 31, 2019 and 2018, respectively. Amounts of minimum future annual commitments under non-cancelable operating and capital leases in accordance with Topic 840 were as follows:

	AS OF MAY 31, 2019					
(Dollars in millions)		OPERATING LEASES		CAPITAL LEASES AND OTHER FINANCING OBLIGATIONS[1]		TOTAL
Fiscal 2020	$	553	$	32	$	585
Fiscal 2021		513		34		547
Fiscal 2022		441		40		481
Fiscal 2023		386		37		423
Fiscal 2024		345		34		379
Thereafter		1,494		197		1,691
TOTAL	**$**	**3,732**	**$**	**374**	**$**	**4,106**

(1) Capital leases and other financing obligations include payments related to build-to-suit lease arrangements.

The following table includes the weighted average remaining lease terms, in years, and the weighted average discount rate used to calculate the present value of operating lease liabilities:

	AS OF MAY 31, 2020
Weighted-average remaining lease term (years)	8.7
Weighted-average discount rate	2.4%

The following table includes supplemental cash and non-cash information related to operating leases:

(Dollars in millions)	FISCAL YEAR ENDED MAY 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 532
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities(1)	$ 705

(1) Excludes the amount initially capitalized in conjunction with the adoption of Topic 842.

NOTE 20 — ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

During fiscal 2020, 2019 and 2018, the Company made multiple acquisitions focused on gaining new capabilities to fuel its Consumer Direct Offense strategy, serving consumers personally at a global scale. The impact of acquisitions, individually and in the aggregate, was not considered material to the Company's Consolidated Financial Statements.

DIVESTITURES

During the third quarter of fiscal 2020, as a result of the Company's decision to transition its wholesale and direct to consumer operating model in certain countries within its APLA operating segment, the Company signed definitive agreements to sell its NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay to third-party distributors. Specifically, NIKE entered into agreements to sell its operations in Argentina, Chile and Uruguay to Grupo Axo and to sell substantially all of its operations in Brazil to Grupo SBF S.A., through its wholly-owned subsidiary. The Company will retain a small operation in Brazil focused on certain sports marketing assets, local manufacturing and Converse. These transactions are expected to close in the first half of fiscal 2021, with Grupo SBF S.A.'s transaction subject to Brazil Antitrust Authority approvals.

As a result of this decision, beginning in the third quarter of fiscal 2020, the related assets and liabilities of these entities were classified as held-for-sale and remain as such on the Consolidated Balance Sheets as of May 31, 2020, which consisted of the following:

- Assets of $506 million, primarily consisting of $264 million of *Inventories* and $138 million of *Accounts receivable, net* which were reclassified to *Prepaid expenses and other current assets* on the Company's Consolidated Balance Sheets; and
- Liabilities of $146 million, primarily consisting of $85 million of *Accrued liabilities,* as well as $49 million of *Accounts Payable,* which was reclassified to *Accrued liabilities* on the Company's Consolidated Balance Sheets.

As a result of meeting the criteria for held-for-sale classification, the Company recognized a non-recurring impairment charge of $405 million within *Other (income) expense, net* on the Consolidated Statements of Income, classified within Corporate, and a corresponding allowance within *Accrued Liabilities* on the Consolidated Balance Sheets. This charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses, which were included as part of the carrying value of the Argentina, Chile and Uruguay disposal groups when measuring for impairment. These losses will be reclassified from *Accumulated other comprehensive income (loss)* to *Net income* upon closure of the transaction. For more information see Note 6 — Fair Value Measurements.

On October 29, 2019, the Company signed a definitive agreement to sell the assets and liabilities of its wholly-owned subsidiary brand, Hurley. The transaction closed on December 6, 2019, and the impacts of the divestiture are not considered material to the Company.

NOTE 21 — SUBSEQUENT EVENTS

In June 2020, the Company announced a new digitally empowered phase of its Consumer Direct Offense, the Consumer Direct Acceleration. As a result, on July 22, 2020, management announced a series of leadership and operating model changes to streamline and speed up strategic execution for the Company. The changes are expected to lead to a net loss of jobs, resulting in pre-tax, one-time employee termination costs of approximately $200 million to $250 million, which is expected to be incurred primarily during the first half of fiscal 2021, in the form of cash expenditures.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change of accountants nor any disagreements with accountants on any matter of accounting principles or practices or financial statement disclosure required to be reported under this Item.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Securities Exchange Act of 1934, as amended ("the 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 our management, including our 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.

We carry out a variety of ongoing procedures, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of May 31, 2020.

“Management's Annual Report on Internal Control Over Financial Reporting” is included in Item 8 of this Report.

We are continuing several transformation initiatives to centralize and simplify our business processes and systems. These are long-term initiatives, which we believe will enhance our internal control over financial reporting due to increased automation and further integration of related processes. We will continue to monitor our internal control over financial reporting for effectiveness throughout these transformation initiatives.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

No disclosure is required under this item.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 401 of Regulation S-K regarding directors is included under “NIKE, Inc. Board of Directors” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers is included under “Information about our Executive Officers” in Item 1 of this Report. The information required by Item 406 of Regulation S-K is included under “Corporate Governance — Board Structure and Responsibilities — Code of Conduct” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Items 407(d)(4) and (d)(5) of Regulation S-K regarding the Audit & Finance Committee of the Board of Directors is included under “Corporate Governance — Board Structure and Responsibilities — Board Committees” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Items 402, 407(e)(4) and 407(e)(5) of Regulation S-K regarding executive compensation is included under “Corporate Governance — Director Compensation for Fiscal 2020,” “Compensation Discussion and Analysis,” and “Stock Ownership Information — Transactions with Related Persons — Compensation Committee Interlocks and Insider Participation,” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 201(d) of Regulation S-K is included under “Compensation Discussion and Analysis — Executive Compensation Tables — Equity Compensation Plan Information” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference. The information required by Item 403 of Regulation S-K is included under “Stock Ownership Information — Stock Holdings of Certain Owners and Management” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K is included under “Stock Ownership Information — Transactions with Related Persons” and “Corporate Governance — Individual Board Skills Matrix — Director Independence” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is included under “Audit Matters — Ratification of Appointment of Independent Registered Public Accounting Firm” in the definitive Proxy Statement for our 2020 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

		FORM 10-K PAGE NO.
1.	**Financial Statements:**	
	Report of Independent Registered Public Accounting Firm	136
	Consolidated Statements of Income for each of the three years ended May 31, 2020, May 31, 2019 and May 31, 2018	138
	Consolidated Statements of Comprehensive Income for each of the three years ended May 31, 2020, May 31, 2019 and May 31, 2018	139
	Consolidated Balance Sheets at May 31, 2020 and May 31, 2019	140
	Consolidated Statements of Cash Flows for each of the three years ended May 31, 2020, May 31, 2019 and May 31, 2018	141
	Consolidated Statements of Shareholders' Equity for each of the three years ended May 31, 2020, May 31, 2019 and May 31, 2018	142
	Notes to Consolidated Financial Statements	143
2.	**Financial Statement Schedule:**	
	II — Valuation and Qualifying Accounts for the years ended May 31, 2020, 2019 and 2018	182
	All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.	

3.	**Exhibits:**
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2015).
3.2	Fifth Restated Bylaws, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 19, 2020).
4.1	Restated Articles of Incorporation, as amended (see Exhibit 3.1).
4.2	Fifth Restated Bylaws, as amended (see Exhibit 3.2).
4.3	Indenture dated as of April 26, 2013, by and between NIKE, Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed April 26, 2013).
4.4	Second Supplemental Indenture, dated as of October 29, 2015, by and between NIKE, Inc. and Deutsche Bank Trust Company Americas, as trustee, including the form of 3.875% Notes due 2045 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed October 29, 2015).
4.5	Third Supplemental Indenture, dated as of October 21, 2016, by and between NIKE, Inc. and Deutsche Bank Trust Company Americas, as trustee, including the form of 2.375% Notes due 2026 and form of 3.375% Notes due 2046 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed October 21, 2016).
4.6	Fourth Supplemental Indenture, dated as of March 27, 2020, by and between NIKE, Inc. and Deutsche Bank Trust Company Americas, as trustee, including the form of 2.400% Notes due 2025, form of 2.750% Notes due 2027, form of 2.850% Notes due 2030, form of 3.250% Notes due 2040 and form of 3.375% Notes due 2050 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed March 27, 2020).
4.7	Description of Registrants Securities (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2019).
10.1	Form of Non-Statutory Stock Option Agreement for options granted to non-employee directors prior to May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 21, 2005).*
10.2	Form of Non-Statutory Stock Option Agreement for options granted to non-employee directors after May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2010).*
10.3	Form of Non-Statutory Stock Option Agreement for options granted to executives prior to May 31, 2010 under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009).*
10.4	Form of Restricted Stock Agreement for non-employee directors under the 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014).*

10.5	Form of Non-Statutory Stock Option Agreement for options granted to executives under the Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2018).*
10.6	Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008).*
10.7	NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2014).*
10.8	NIKE, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2015).*
10.9	NIKE, Inc. Deferred Compensation Plan (Amended and Restated effective April 1, 2013) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2013).*
10.10	NIKE, Inc. Deferred Compensation Plan (Amended and Restated effective June 1, 2004) (applicable to amounts deferred before January 1, 2005) (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004).*
10.11	Amendment No. 1 effective January 1, 2008 to the NIKE, Inc. Deferred Compensation Plan (June 1, 2004 Restatement) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009).*
10.12	NIKE, Inc. Foreign Subsidiary Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2008).*
10.13	Amended and Restated Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and Mark G. Parker dated July 24, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 24, 2008).*
10.14	Form of Restricted Stock Agreement under the Stock Incentive Plan for awards after May 31, 2010 (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2015).*
10.15	Form of Restricted Stock Unit Agreement under the Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2018).*
10.16	Form of Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and its executive officers (other than Mark G. Parker and John J. Donahoe II) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 18, 2020).*
10.17	Policy for Recoupment of Incentive Compensation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 20, 2010).*
10.18	Credit Agreement dated as of August 28, 2015 among NIKE, Inc., Bank of America, N.A., as Administrative Agent, Citibank N.A., as Syndication Agent, Deutsche Bank A.G. New York Branch and HSBC Bank USA, National Association, as Co-Documentation Agents, and the other Banks named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 2, 2015).
10.19	Executive Performance Sharing Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 23, 2015).*
10.20	Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 23, 2015).*
10.21	Form of Discretionary Performance Award Agreement (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2018).*
10.22	NIKE, Inc. Amended and Restated Long-Term Incentive Plan (incorporated by reference to Exhibit A to the Company's definitive Proxy Statement filed July 25, 2017).*
10.23	Offer Letter between NIKE, Inc. and John J. Donahoe II (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 22, 2019).*
10.24	Form of Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and John J. Donahoe II (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 22, 2019).*
10.25	Form of Performance-Based Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 22, 2019).
10.26	Letter Agreement between NIKE, Inc. and Mark G. Parker (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed October 22, 2019).*
10.27	Credit Agreement, dated as of April 6, 2020, among NIKE, Inc., Bank of America, N.A., as Administrative Agent, and the other Banks named therein (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2020).
10.28	NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 19, 2020).*
10.29	NIKE, Inc. Amended and Restated Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 19, 2020).*
10.30	Form of Non-Statutory Stock Option Agreement under the NIKE, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 19, 2020).*
10.31	Form of Restricted Stock Unit Agreement under the NIKE, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed June 19, 2020).*

10.32	Credit Agreement dated as of August 16, 2019, among NIKE, Inc., Bank of America, N.A., as Administrative Agent, Citibank N.A., as Syndication Agent, Deutsche Bank Securities, Inc., HSBC Bank USA, National Association and JPMorgan Chase, N.A., as Co-Documentation Agents, and the other Banks named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 20, 2019).
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm (included within this Annual Report on Form 10-K).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* *Management contract or compensatory plan or arrangement.*

The Exhibits filed herewith do not include certain instruments with respect to long-term debt of NIKE and its subsidiaries, inasmuch as the total amount of debt authorized under any such instrument does not exceed 10 percent of the total assets of NIKE and its subsidiaries on a consolidated basis. NIKE agrees, pursuant to Item 601(b)(4)(iii) of Regulation S-K, that it will furnish a copy of any such instrument to the SEC upon request.

Upon written request to Investor Relations, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453, NIKE will furnish shareholders with a copy of any Exhibit upon payment of $0.10 per page, which represents our reasonable expenses in furnishing Exhibits.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(Dollars in millions)	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS[1]	WRITE-OFFS, NET	BALANCE AT END OF PERIOD
Sales returns reserve					
For the fiscal year ended May 31, 2018	$ 343	$ 640	$ 5	$ (658)	$ 330
For the fiscal year ended May 31, 2019[2]	734	1,959	(30)	(1,820)	843
For the fiscal year ended May 31, 2020	843	1,941	(31)	(2,071)	682

(1) Amounts included in this column primarily relate to foreign currency translation.

(2) As a result of the adoption of ASC Topic 606 during the first quarter of fiscal 2019, an asset for the estimated cost of inventory for expected products returns is now recognized separately from the liability for sales returns reserves, which is presented above.

ITEM 16. FORM 10-K SUMMARY

None.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 033-63995, 333-63581, 333-63583, 333-68864, 333-68886, 333-71660, 333-104822, 333-117059, 333-133360, 333-164248, 333-171647, 333-173727, 333-208900 and 333-215439) and the Registration Statement on Form S-3 (No. 333-232770) of NIKE, Inc. of our report dated July 24, 2020 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Portland, Oregon
July 24, 2020

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.	
By:	/s/ JOHN J. DONAHOE II **John J. Donahoe II** President and Chief Executive Officer
Date:	July 24, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
PRINCIPAL EXECUTIVE OFFICER AND DIRECTOR:		
/s/ JOHN J. DONAHOE II **John J. Donahoe II**	*President and Chief Executive Officer*	July 24, 2020
PRINCIPAL FINANCIAL OFFICER:		
/s/ MATTHEW FRIEND **Matthew Friend**	*Executive Vice President and Chief Financial Officer*	July 24, 2020
PRINCIPAL ACCOUNTING OFFICER:		
/s/ CHRIS L. ABSTON **Chris L. Abston**	*Vice President and Corporate Controller*	July 24, 2020
DIRECTORS:		
/s/ MARK G. PARKER **Mark G. Parker**	*Director, Chairman of the Board*	July 24, 2020
/s/ CATHLEEN A. BENKO **Cathleen A. Benko**	*Director*	July 24, 2020
/s/ ELIZABETH J. COMSTOCK **Elizabeth J. Comstock**	*Director*	July 24, 2020
/s/ JOHN G. CONNORS **John G. Connors**	*Director*	July 24, 2020
/s/ TIMOTHY D. COOK **Timothy D. Cook**	*Director*	July 24, 2020
/s/ THASUNDA B. DUCKETT **Thasunda B. Duckett**	*Director*	July 24, 2020
/s/ ALAN B. GRAF, JR. **Alan B. Graf, Jr.**	*Director*	July 24, 2020
/s/ PETER B. HENRY **Peter B. Henry**	*Director*	July 24, 2020
/s/ TRAVIS A. KNIGHT **Travis A. Knight**	*Director*	July 24, 2020
/s/ MICHELLE A. PELUSO **Michelle A. Peluso**	*Director*	July 24, 2020
/s/ JOHN W. ROGERS, JR. **John W. Rogers, Jr.**	*Director*	July 24, 2020

EXHIBIT 21 SUBSIDIARIES OF THE REGISTRANT

ENTITY NAME	JURISDICTION OF FORMATION
NIKE European Operations Netherlands B.V.	Netherlands
NIKE Retail Services, Inc.	Oregon
NIKE Sports (China) Ltd.	People's Republic of China
NIKE USA, Inc.	Oregon

Pursuant to Item 601(b)(21) of Regulation S-K, we have omitted some subsidiaries that, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of May 31, 2020 under Rule 1-02(w) of Regulation S-X.

DIRECTORS

Cathleen A. Benko(3)
Former Vice Chairman & Managing Principal
Deloitte LLP
Redwood City, California

Elizabeth J. Comstock(3)
Vice Chair (Retired)
General Electric Company
Fairfield, Connecticut

John G. Connors(2)
Partner
Ignition Partners LLC
Bellevue, Washington

Timothy D. Cook(3)(5)
Chief Executive Officer
Apple Inc.
Cupertino, California

John J. Donahoe II(1)
President & Chief Executive Officer
NIKE, Inc.
Beaverton, Oregon

Thasunda B. Duckett(4)
Chief Executive Officer, Chase Consumer Banking
JPMorgan Chase & Co.
New York, New York

Alan B. Graf, Jr.(2)
Executive Vice President & Chief Financial Officer
FedEx Corporation
Memphis, Tennessee

Peter B. Henry(2)
Dean Emeritus of New York University's Leonard N. Stern School of Business & William R. Berkley Professor of Economics and Finance
New York University
New York, New York

Travis A. Knight(1)
President & Chief Executive Officer
LAIKA, LLC
Hillsboro, Oregon

Mark G. Parker(1)
Executive Chairman
NIKE, Inc.
Beaverton, Oregon

Michelle A. Peluso(4)
Senior Vice President, Digital Sales and Chief Marketing Officer
IBM
New York, New York

John W. Rogers, Jr.(4)
Co-Chief Executive Officer & Chief Investment Officer
Ariel Investments, LLC
Chicago, Illinois

(1) Member — Executive Committee
(2) Member — Audit & Finance Committee
(3) Member — Compensation Committee
(4) Member — Corporate Responsibility, Sustainability & Governance Committee
(5) Lead Independent Director

CORPORATE OFFICERS

Mark G. Parker
Executive Chairman

John J. Donahoe II
President & Chief Executive Officer

Andrew Campion
Chief Operating Officer

Matthew Friend
Executive Vice President & Chief Financial Officer

Hilary K. Krane
Executive Vice President, Chief Administrative Officer & General Counsel

Monique S. Matheson
Executive Vice President, Global Human Resources

Heidi O'Neill
President, Consumer & Marketplace

Nitesh Sharan
Vice President, Corporate Finance & Treasurer

Ann M. Miller
Vice President, Corporate Secretary, and Chief Ethics & Compliance Officer

Margo S. Fowler
Vice President, Chief Intellectual Property Officer & Assistant Secretary

Adrian L. Bell
Vice President, Corporate Governance & Securities Counsel, Assistant Secretary

Mary I. Hunter
Senior Counsel, Corporate Governance & Securities, Assistant Secretary

SUBSIDIARY BRANDS

CONVERSE

160 North Washington St.
Boston, Massachusetts 02114

One Bowerman Drive
Beaverton, Oregon 97005-6453

LOCATIONS

WORLD HEADQUARTERS

One Bowerman Drive
Beaverton, Oregon 97005-6453

EUROPEAN HEADQUARTERS

Colosseum 1
1213 NL Hilversum
The Netherlands

GREATER CHINA HEADQUARTERS

LiNa Building
Tower 1, No. 99
Jiangwancheng Road
Yangpu District
Shanghai, China 200438

SHAREHOLDER INFORMATION

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
805 SW Broadway, Suite 800
Portland, Oregon 97205

REGISTRAR AND STOCK TRANSFER AGENT

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233
800-756-8200
Hearing Impaired #
TDD: 800-952-9245
http://www.computershare.com

Shareholder Information

NIKE, Inc. common stock is listed on the New York Stock Exchange under trading symbol 'NKE.' 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 copy, please call 800-640-8007 or write to NIKE's Investor Relations Department at NIKE World Headquarters, One Bowerman Drive, Beaverton, Oregon 97005-6453. Copies are available on the investor relations website, http://investors.nike.com.

Dividend Payments

Quarterly dividends on NIKE common stock, when declared by the Board of Directors, are paid on or about July 5, October 5, January 5, and April 5. Additional financial information is available at http://investors.nike.com.

Other Shareholder Assistance

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.

NIKE, INC.
One Bowerman Drive
Beaverton, OR 97005-6453
www.nike.com

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www.fsc.org