NIKE INC
Form 10-K
July 23, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED May 31, 2015
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)	(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	New York Stock Exchange
(Title of Each Class)	(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.	þ	¨
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	¨	þ
• 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.	þ	¨
• whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).	þ	¨
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	þ	

• whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule

12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

- whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ¨ þ

As of November 30, 2014, the aggregate market values of the Registrant's Common Stock held by non-affiliates were:

Class A	$4,394,312,083
Class B	67,997,995,244
	$72,392,307,327

As of July 17, 2015, the number of shares of the Registrant's Common Stock outstanding were:

Class A	177,457,876
Class B	677,893,713
	855,351,589

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on September 17, 2015 are incorporated by reference into Part III of this Report.

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NIKE, INC.
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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 e-commerce website is located at www.nike.com. On our NIKE corporate website, located at news.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 may also be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (www.sec.gov) that contains current, quarterly and annual reports, proxy and information statements and other information regarding issuers that file electronically. 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 to retail accounts, through NIKE-owned retail stores and internet websites (which we refer to as our “Direct to Consumer” or "DTC" operations), and through a mix of independent distributors and licensees throughout the world. Virtually all of our products are manufactured by independent contractors. Practically 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 eight key categories: Running, Basketball, Football (Soccer), Men’s Training, Women’s Training, Action Sports, Sportswear (our sports-inspired lifestyle products) and Golf. Basketball includes our Jordan Brand product offerings and Men's Training includes our baseball and American football product offerings. We also market products designed for kids, as well as for other athletic and recreational uses such as cricket, lacrosse, tennis, volleyball, wrestling, walking and 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 high-quality construction and innovation in our products. Sportswear, Running, Basketball and Football (Soccer) are currently our top-selling footwear categories and we expect them to continue to lead in footwear sales.

We sell sports apparel covering most of 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 exemplifies our commitment to innovation and high-quality construction. Sportswear, Men's Training, Running and Football (Soccer) 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, golf clubs 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.

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 the Jordan Brand are included within the NIKE Brand Basketball category and within the respective NIKE Brand geographic operating segments.

One of our wholly owned subsidiary brands, Hurley, headquartered in Costa Mesa, California (“Hurley”), designs and distributes a line of action sports and youth lifestyle apparel and accessories under the Hurley trademark. Sales and operating results for Hurley are included within the NIKE Brand Action Sports category and within the NIKE Brand's North America geographic operating segment, respectively.

Another of our wholly owned subsidiary brands, Converse, headquartered in Boston, Massachusetts (“Converse”), 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 DTC 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.

On February 1, 2013, and November 30, 2012, we completed the divestitures of the Cole Haan and Umbro businesses, respectively, allowing us to better focus our resources on driving growth in the NIKE, Jordan, Hurley and Converse brands.

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Sales and Marketing

Financial information about geographic and segment operations appears in Note 18 — Operating Segments and Related Information of the accompanying Notes to the Consolidated Financial Statements.

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.

Because NIKE is a consumer products company, the relative popularity of various sports and fitness activities and 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. We report our NIKE Brand operations based on our internal geographic organization. Each NIKE Brand geography operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel, equipment, accessories and services. Our reportable operating segments for the NIKE Brand are: North America, Western Europe, Central & Eastern Europe, Greater China, Japan and Emerging Markets. Our NIKE Brand Direct to Consumer operations are managed within each geographic operating segment.

Converse is also a reportable segment, and operates in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories.

United States Market

For both fiscal 2015 and fiscal 2014, NIKE Brand and Converse sales in the United States accounted for approximately 46% of total revenues, compared to 45% for fiscal 2013. We sell our NIKE Brand, Jordan Brand, Hurley 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 sales as well as independent sales representatives to sell specialty products for golf and skateboarding. During fiscal 2015, our three largest customers accounted for approximately 26% of sales in the United States.

We make substantial use of our futures ordering program, which allows retailers to order five to six months in advance of delivery with the commitment that their orders will be delivered within a set time period at a fixed price. In fiscal 2015, 87% of our U.S. wholesale footwear shipments (excluding NIKE Golf, Hurley and Converse) were made under the futures program, compared to 86% in fiscal 2014 and 87% in fiscal 2013. In fiscal 2015, 67% of our U.S. wholesale apparel shipments (excluding NIKE Golf, Hurley and Converse) were made under the futures program, compared to 71% in fiscal 2014 and 67% in fiscal 2013.

Our Direct to Consumer operations sell NIKE Brand products, including Jordan Brand and Hurley, to consumers through our e-commerce website, www.nike.com. We also sell Converse products to consumers through a Converse owned e-commerce website, www.converse.com. In addition, our Direct to Consumer operations sell through the following number of retail stores in the United States:

U.S. Retail Stores	Number
NIKE Brand factory stores	185
NIKE Brand in-line stores, including employee-only stores	33
Converse stores (including factory stores)	92
Hurley stores (including factory and employee stores)	29
TOTAL	339

NIKE owns a full product line distribution center located in Memphis, Tennessee. In addition, NIKE has four other distribution centers, three of which are leased, also located in Memphis. NIKE Brand apparel and equipment products are also shipped from our leased Foothill Ranch, California distribution center. Converse and Hurley products are shipped primarily from leased facilities in Ontario, California.

International Markets

For both fiscal 2015 and fiscal 2014, non-U.S. NIKE Brand and Converse sales accounted for 54% of total revenues, compared with 55% for fiscal 2013. We sell our products to retail accounts, through our own Direct to Consumer 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 45 distribution centers outside of the United States. In many countries and regions, including Canada, Asia, some Latin American countries and Europe, we have a futures ordering program for retailers similar to the United States futures ordering program described above. During fiscal 2015, NIKE’s three largest customers outside of the United States accounted for approximately 12% of total non-U.S. sales.

Our Direct to Consumer business operates the following number of retail stores outside the United States, in addition to NIKE and Converse owned e-commerce websites in over 25 countries:

Non-U.S. Retail Stores	Number
NIKE Brand factory stores	512
NIKE Brand in-line stores, including employee-only stores	73
Converse stores (including factory stores)	7
TOTAL	592

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International branch offices and subsidiaries of NIKE are located in Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, China, Croatia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, the Netherlands, 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 worldwide net sales during fiscal 2015.

Orders

Worldwide futures orders for NIKE Brand athletic footwear and apparel, scheduled for delivery from June through November 2015, were $13.5 billion compared with $13.3 billion for the same period last year. This futures orders amount is calculated based upon our forecast of the actual currency exchange rates under which our revenues will be translated during this period. Reported futures orders are not necessarily indicative of our expectation of revenues for this period. This is because the mix of orders can shift between futures and at-once orders and the fulfillment of certain of these futures orders may fall outside of the scheduled time period noted above. In addition, foreign currency exchange rate fluctuations as well as differing levels of discounts, order cancellations and returns can cause differences in the comparisons between futures orders and actual revenues. Moreover, a portion of our revenue is not derived from futures orders, including at-once and closeout sales of NIKE Brand footwear and apparel, sales of NIKE Brand equipment, sales from our Direct to Consumer operations and sales from our Converse, Hurley and NIKE Golf businesses.

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 receive continued emphasis as NIKE strives to produce products that help to enhance athletic performance, reduce injury and maximize comfort while reducing waste.

In addition to NIKE’s own staff of specialists in the areas of biomechanics, chemistry, exercise physiology, engineering, industrial design, sustainability and related fields, we also utilize research committees and advisory boards made up of athletes, coaches, trainers, equipment managers, orthopedists, podiatrists 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, NIKE is simultaneously focused on the design of innovative products incorporating such technologies throughout our product categories. Using market intelligence and research, the various NIKE design teams identify opportunities to leverage new technologies in existing categories responding to consumer preferences. The proliferation of NIKE Air, Lunar, Zoom, Free, Flywire, Dri-Fit, Flyknit, Flyweave and NIKE+ technologies through Running, Basketball, Men's Training, Women's Training and Sportswear, among others, typifies our dedication to designing innovative products.

Manufacturing

We are supplied by approximately 146 footwear factories located in 14 countries. The largest single footwear factory accounted for approximately 7% of total fiscal 2015 NIKE Brand footwear production. Virtually all of our footwear is manufactured outside of the United States by independent contract manufacturers who often operate multiple factories. In fiscal 2015, contract factories in Vietnam, China and Indonesia manufactured approximately 43%, 32% and 20% of total NIKE Brand footwear, respectively. We also have manufacturing agreements with independent factories in Argentina, Brazil, India and Mexico to manufacture footwear for sale primarily within those countries. In fiscal 2015, five footwear contract manufacturers each accounted for greater than 10% of footwear production, and in aggregate accounted for approximately 69% of NIKE Brand footwear production.

We are supplied by approximately 408 apparel factories located in 39 countries. The largest single apparel factory accounted for approximately 11% of total fiscal 2015 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. In fiscal 2015, most of this apparel production occurred in China, Vietnam, Sri Lanka, Thailand, Indonesia, Malaysia and Cambodia. In fiscal 2015, one apparel contract manufacturer accounted for more than 10% of apparel production, and the top five contract manufacturers in aggregate accounted for approximately 36% 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 2015, NIKE IHM, Inc., a wholly-owned subsidiary of NIKE, Inc., with facilities near Beaverton, Oregon and in St. Louis, Missouri, and independent contractors in China and Vietnam, were our largest suppliers of the Air-Sole cushioning components used in footwear. 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.

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Since 1972, Sojitz Corporation of America ("Sojitz America"), a large Japanese trading company and the sole owner of our redeemable preferred stock, has performed significant import-export financing services for us. During fiscal 2015, Sojitz America provided financing and purchasing services for NIKE Brand products sold in certain NIKE markets including Argentina, Uruguay, Canada, Brazil, India, Indonesia, the Philippines, South Africa and Thailand, excluding products produced and sold in the same country. Approximately 8% 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. Our current agreements with Sojitz America expire on May 31, 2018, and contain a provision allowing us to extend the agreements to May 31, 2019.

International Operations and Trade

Our international operations and sources of supply are subject to the usual risks of doing business abroad, such as possible 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 conditions have affected international trade and caused a rise in 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. In Brazil and Argentina, we are actively participating in dumping investigations against footwear from China and actively monitoring actions in other countries 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. Moreover, with respect to 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.

NIKE advocates for trade liberalization for footwear and apparel in a number of regional and bilateral free trade agreements. The passage of Trade Promotion Authority in the United States will enable the conclusion of the Trans-Pacific Partnership (TPP). If ultimately passed, the TPP has the potential to reduce or eliminate high rates of customs duties for imports into the United States of NIKE products sourced from TPP countries (primarily footwear and apparel from Vietnam and apparel from Malaysia). Similarly, the European Union is close to concluding a free trade agreement with Vietnam that could lead to duty reduction or elimination for footwear and apparel.

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, Li Ning, lululemon athletica, Puma, V.F. Corp., Under Armour and UNIQLO, 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, apparel and equipment in the world. Important aspects of competition in this industry are:

- Product attributes such as quality; performance and reliability; new product innovation and development and consumer price/value.
- Consumer connection and affinity for brands and products, developed through marketing and promotion; social media interaction; customer support and service; identification with prominent and influential athletes, 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 online.

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

Trademarks and Patents

We utilize 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 utilize 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.

NIKE has copyright protection in its design, graphics and other original works. When appropriate, we have sought registrations for this content.

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NIKE owns patents, and has a patent license, facilitating its use of “Air” technologies. The "Air" process utilizes pressurized gas encapsulated in polyurethane. Some of the early patents directed to the “Air” technologies have expired, which may enable competitors to use certain types of similar technology. Subsequent NIKE patents directed to the “Air” technologies will not expire for several years.

We also file and maintain many U.S. and foreign utility patents, as well as many U.S. and foreign design patents protecting components, manufacturing techniques, features and industrial design used in various athletic and leisure footwear, apparel, athletic equipment, digital devices and golf products. These patents expire at various times; and patents issued for original applications filed this calendar year in the United States may last until 2030 for design patents and until 2035 for utility patents.

We believe our success depends primarily upon our capabilities in areas such as design, research and development, production and marketing rather than exclusively upon our patent and trade secret positions. However, we have followed a policy of filing patent applications for the United States and select foreign countries on inventions, designs and improvements that we deem valuable. We also continue to vigorously protect our trademarks and patents against third-party infringement.

Employees

As of May 31, 2015, we had approximately 62,600 employees worldwide, including retail and part-time employees. Management considers its relationship with employees to be excellent. None of our employees are represented by a union, except for certain employees in the Emerging Markets 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.

Executive Officers of the Registrant

The executive officers of NIKE, Inc. as of July 17, 2015 are as follows:

Philip H. Knight, Chairman of the Board of Directors — Mr. Knight, 77, a director since 1968, is a co-founder of NIKE and, except for the period from June 1983 through September 1984, served as its President from 1968 to 1990 and from June 2000 to December 2004. Prior to 1968, Mr. Knight was a certified public accountant with Price Waterhouse and Coopers & Lybrand and was an Assistant Professor of Business Administration at Portland State University.

Mark G. Parker, President and Chief Executive Officer — Mr. Parker, 59, was appointed President and Chief Executive Officer in January 2006. 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.

David J. Ayre, Executive Vice President, Global Human Resources — Mr. Ayre, 55, joined NIKE as Vice President, Global Human Resources in 2007. Prior to joining NIKE, he held a number of senior human resource positions with PepsiCo, Inc. since 1990, most recently as head of Talent and Performance Rewards.

Donald W. Blair, Executive Vice President and Chief Financial Officer — Mr. Blair, 57, joined NIKE in November 1999. Prior to joining NIKE, he held a number of financial management positions with PepsiCo, Inc., including Vice President, Finance of Pepsi-Cola Asia, Vice President, Planning of PepsiCo’s Pizza Hut Division and Senior Vice President, Finance of The Pepsi Bottling Group, Inc. Prior to joining PepsiCo, Mr. Blair was a certified public accountant with Deloitte, Haskins & Sells.

Trevor A. Edwards, President, NIKE Brand — Mr. Edwards, 52, joined NIKE in 1992. He was appointed Marketing Manager, Strategic Accounts for Foot Locker in 1993, Director of Marketing for the Americas in 1995, Director of Marketing for Europe in 1997, Vice President, Marketing for Europe, Middle East and Africa in 1999 and Vice President, U.S. Brand Marketing in 2000. Mr. Edwards was appointed corporate Vice President, Global Brand Management in 2002, Vice President, Global Brand and Category Management in 2006 and President, NIKE Brand in 2013. Prior to NIKE, Mr. Edwards was with the Colgate-Palmolive Company.

Jeanne P. Jackson, President, Product and Merchandising — Ms. Jackson, 63, joined NIKE in 2009. She was appointed President, Direct to Consumer in 2009 and President, Product and Merchandising in 2013. Ms. Jackson also served as a member of the NIKE, Inc. Board of Directors from 2001 through 2009. She founded and served as Chief Executive Officer of MSP Capital, a private investment company, from 2002 to 2009. Ms. Jackson was Chief Executive Officer of Walmart.com from March 2000 to January 2002. She was with Gap, Inc., as President and Chief Executive Officer of Banana Republic from 1995 to 2000, also serving as Chief Executive Officer of Gap, Inc. Direct from 1998 to 2000. Since 1978, she has held various retail management positions with Victoria's Secret, The Walt Disney Company, Saks Fifth Avenue and Federated Department Stores.

Hilary K. Krane, Executive Vice President, Chief Administrative Officer and General Counsel — Ms. Krane, 51, joined NIKE as Vice President and General Counsel in April 2010. In 2011, her responsibilities expanded and she became Vice President, General Counsel and Corporate Affairs. Ms. Krane was appointed to 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.

John F. Slusher, Executive Vice President, Global Sports Marketing — Mr. Slusher, 46, has been employed by NIKE since 1998 with primary responsibilities in global sports marketing. Mr. Slusher was appointed Director of Sports Marketing for the Asia Pacific and Americas in 2006, divisional Vice President of Asia Pacific & Americas Sports Marketing in September 2007 and Vice President, Global Sports Marketing in November 2007. Prior to joining NIKE, Mr. Slusher was an attorney at the law firm of O'Melveny & Myers from 1995 to 1998.

Eric D. Sprunk, Chief Operating Officer — Mr. Sprunk, 51, joined NIKE in 1993. He was appointed Finance Director and General Manager of the Americas in 1994, Finance Director for NIKE Europe in 1995, Regional General Manager of NIKE Europe Footwear in 1998 and Vice President & General Manager of the Americas in 2000. Mr. Sprunk was appointed Vice President of Global Footwear in 2001, Vice President of Merchandising and Product in 2009 and Chief Operating Officer in 2013. Prior to joining NIKE, Mr. Sprunk was a certified public accountant with Price Waterhouse from 1987 to 1993.

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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 mean
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: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products and the various market factors described above; difficulties in implementing, operating and maintaining NIKE’s increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning and inventory control; interruptions in data and information technology systems; consumer data security; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance futures orders may not be indicative of future revenues due to changes in shipment timing, the changing mix of futures and at-once orders, 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; 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 the United States, including, without limitation, exchange rate fluctuations, import duties, tariffs, quotas, political and economic instability and terrorism; changes in government regulations; the impact of, including business and legal developments relating to, climate change; natural disasters; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; 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.

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 issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

Our products 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 in the United States and 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. We also compete with other companies for the production capacity of independent manufacturers that produce our products.

Product offerings, technologies, marketing expenditures (including expenditures for advertising and endorsements), pricing, costs of production, customer service and social media presence are areas of intense competition. This, in addition to 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. If we do not adequately and timely anticipate and respond to our competitors, our costs may increase or the consumer demand for our products may decline significantly.

Failure to maintain our reputation and brand image 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. We could be adversely impacted if we fail to achieve any of these objectives or if the reputation or image of any of our brands is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action against us could 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.

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 online dissemination of advertising campaigns. Negative posts or comments about us on social networking websites could seriously damage our reputation and brand image. If we do not maintain, extend and expand our brand image, then our product sales, financial condition and results of operations could be materially and adversely affected.

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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 aggressive 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 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 plays a key role in technical innovation. We rely upon specialists in the fields of biomechanics, chemistry, exercise physiology, engineering, 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.

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 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 to do so at a reasonable cost, we could lose the 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 by athletes, teams or leagues associated with our products that harm the reputations of those athletes, teams or leagues, 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 to use and endorse our products, or a failure to enter into cost-effective endorsement arrangements with prominent athletes and sports organizations could adversely affect our brand, sales and profitability.

Currency exchange rate fluctuations 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. As a result, we conduct purchase and sale transactions in various currencies, which increases our exposure to fluctuations in foreign currency exchange rates globally. 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, including 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.

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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, and most acutely in emerging markets and developing economies. If global economic and financial market conditions do not improve or deteriorate, the following factors could have a material adverse effect on our business, operating results and financial condition:

- Slower consumer spending may result in reduced demand for our products, reduced orders from retailers for our products, order cancellations, lower revenues, higher discounts, increased inventories 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 increases our 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 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 and geographic demand for particular types of footwear, apparel and equipment and in connection with the timing of global sporting events, including without limitation the Olympics and the World Cup. 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 general economic conditions, changes in consumer preferences, weather conditions, 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.

Futures orders may not be an accurate indication of our future revenues.

We make substantial use of our futures ordering program, which allows retailers to order five to six months in advance of delivery with the commitment that their orders will be delivered within a set period of time at a fixed price. Our futures ordering program allows us to minimize the amount of products we hold in inventory, purchasing costs, the time necessary to fill customer orders and the risk of non-delivery. We report changes in futures orders in our periodic financial reports. Although we believe futures orders are an important indicator of our future revenues, reported futures orders are not necessarily indicative of our expectation of revenues for any future period. This is because the mix of orders can shift between futures and at-once orders. In addition, foreign currency exchange rate fluctuations, order cancellations, shipping timing, returns and discounts can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including at-once and closeout sales of NIKE Brand footwear and apparel, sales of NIKE Brand equipment, sales from our Direct to Consumer operations and sales from our Converse, Hurley and NIKE Golf businesses.

Our futures ordering program does not prevent excess inventories or inventory shortages, which could result in decreased operating margins, cash flows and harm to our business.

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 and financial condition. 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 and distributor relationships and diminish brand loyalty.

The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial condition 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.

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

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 seasonal products, we offer customers the ability to place orders five to six months ahead of delivery under our futures ordering program. These advance orders may be canceled, and the risk of cancellation may increase when dealing with financially ailing retailers or retailers struggling with economic uncertainty. In the past, some customers have experienced financial difficulties, which have had an adverse effect on our sales, our ability to collect on receivables and our financial condition. When the retail economy weakens, retailers may be more cautious with orders. A slowing 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 store 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.

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. These retailers have in the past increased their market share and may continue to do so in the future by expanding through acquisitions and construction of additional stores. These situations concentrate our credit risk with a relatively small number of retailers, and, if any of these retailers were to experience a shortage of liquidity, it would increase the risk that their outstanding payables to us may not be paid. In addition, increasing market share concentration among one or 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 a sufficient number of other retail outlets for our products to sustain the same level of sales and revenues.

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

Our Direct to Consumer stores have required substantial fixed investment in equipment and leasehold improvements, information systems, inventory 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. Because of their unique design elements, locations and size, these stores require substantially more investment than other stores. Due to the high fixed-cost structure associated with our Direct to Consumer operations, a decline in sales or the closure 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 the Company's 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, extreme weather conditions in the areas in which our stores are located could adversely affect our business.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our e-commerce business globally, could be materially adversely affected.

Many of our customers shop with us through our e-commerce website and mobile commerce applications. Increasingly, customers are using tablets and smart phones to shop online with us and with our competitors and to do comparison shopping. We are increasingly using social media and proprietary mobile applications to interact with our customers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly e-commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our e-commerce business globally and could have a material adverse impact on our business and results of operations.

Risks specific to our e-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 e-commerce business, as well as damage our reputation and brands.

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

We believe that our intellectual property rights are important to our brand, our success and our competitive position. We periodically discover products that are counterfeit reproductions of our products or that otherwise infringe on our intellectual property rights. If we are unsuccessful in enforcing our intellectual property, 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 or 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 that 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 confidential information. Such actions include contractual measures such as entering into non-disclosure and non-compete agreements and providing confidential information awareness training. Our controls and efforts to prevent unauthorized use and/or disclosure of confidential information might not always be effective. Confidential information that is related to business strategy, new technologies, mergers and acquisitions, unpublished financial results or personal data could be prematurely or inadvertently used and/or disclosed, resulting in a loss of reputation, a decline in our stock price and/or a negative impact on our market position, and could lead to damages, fines, penalties or injunctions.

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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 the risk that 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 a licensee could have a material adverse effect on that brand and on us.

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

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Any breach of our network may result in the loss of valuable business data, misappropriation of our consumers' or employees' personal information or a disruption of our business, which could give rise to unwanted media attention, materially damage our customer relationships and reputation and result in lost sales, fines or lawsuits.

In addition, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data. 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, damage to our reputation and credibility and could have a negative impact on revenues and profits.

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 these contractors 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. Significant or continuing noncompliance with such standards and laws by one or more contractors 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.

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. In addition, disease outbreaks, 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.

Changes in tax laws and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We earn a substantial portion of our income in foreign countries, and are subject to the tax laws of those jurisdictions. The Company's most significant tax liabilities are incurred in the United States, China and the Netherlands. If our capital or financing needs in the U.S. require us to repatriate earnings from foreign jurisdictions above our current levels, our effective income tax rates for the affected periods could be negatively impacted. Current economic and political conditions make tax rules in any jurisdiction, including the U.S., subject to significant change. There have been proposals to reform U.S. and foreign tax laws that 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.

Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, the outcome of income tax audits in various jurisdictions around the world and any repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

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We and our subsidiaries are engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe that these transactions reflect the accurate economic allocation of profit and that the proper transfer pricing documentation is in place, the profit allocation and transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

Portions of our operations are subject to a reduced tax rate or are free of tax under various tax holidays and rulings that expire in whole or in part from time to time. These tax holidays and rulings may be extended when certain conditions are met, or terminated if certain conditions are not met. If the tax holidays and rulings are not extended, or if we fail to satisfy the conditions of the reduced tax rate, then our effective tax rate would increase in the future.

We are also subject to the examination of our tax returns by the Internal Revenue Service and other tax authorities. We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to significant discretion. 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.

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 that are 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 approximately 146 footwear factories located in 14 countries. We do not own or operate any of our own footwear manufacturing facilities and depend upon independent contract manufacturers to manufacture all of the footwear products we sell. In fiscal 2015, five footwear contract manufacturers each accounted for greater than 10% of fiscal 2015 footwear production, and in aggregate accounted for approximately 69% of NIKE Brand footwear production in fiscal 2015. 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, 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.

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, 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 that additional supplies of fabrics or raw materials or additional manufacturing capacity will be available when required on terms that are 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.

In addition, Sojitz America performs significant import-export financing services for the Company. During fiscal 2015, Sojitz America provided financing and purchasing services for NIKE Brand products sold in certain NIKE markets including Argentina, Uruguay, Canada, Brazil, India, Indonesia, the Philippines, South Africa and Thailand (collectively the "Sojitz Markets"), excluding products produced and sold in the same country. 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 the Sojitz Markets. Such a disruption could result in canceled orders that would adversely affect sales and profitability.

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 could be interrupted by information technology problems and disasters such as earthquakes or fires. 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 that could be caused by significant disruptions in our distribution facilities.

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 hosted 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. 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 and enhance these systems and related processes in our global operations is ongoing. The failure of these systems to operate effectively, including as a result of security breaches, viruses, hackers or other causes, 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, and may have an adverse effect on our reputation, results of operations and financial condition.

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 our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans 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 and use for digital marketing, digital commerce and the marketing and use of our NIKE+ products and services. We also 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. Our 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.

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 at times 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, customers, distribution centers 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, could disrupt our operations, the operations of our vendors and other suppliers or result in economic instability that may negatively impact our operating results 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 retail 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.

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We are subject to periodic litigation and other regulatory proceedings, which could result in unexpected expense of time and resources.

From time to time we are called upon to defend ourselves against lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have an adverse impact on our business, financial condition and results of operations. In addition, any significant litigation in the future, regardless of its merits, could divert management's attention from our operations and result in substantial legal fees.

We depend on key personnel, the loss of whom would harm our business.

Our future success will depend in part on the continued service of key executive officers and personnel. The loss of the services of any key individual could harm our business. Our future 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.

The sale of a large number of shares of common stock owned or managed by our Chairman and related entities could depress the market price of our common stock.

As of June 30, 2015, Philip H. Knight, Co-founder and Chairman of our Board of Directors, and Swoosh, LLC, an entity formed to manage 128,500,000 shares of Class A Common Stock formerly owned by Mr. Knight, beneficially owned more than 82% of our Class A Common Stock. If on June 30, 2015 all of the aforementioned Class A Common Stock were converted into Class B Common Stock, the commensurate ownership percentage of our Class B Common Stock would be approximately 17.7%. The Class A Common Stock 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 the sale of a substantial number of these shares could have an adverse effect on the market price of our common stock.

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 future long-term debt or short-term credit facilities may increase and our financing options, including our access to the unsecured credit market, could be limited. 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 U.S. GAAP 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 that 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 revenue 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, allowance for uncollectible accounts receivable, inventories, contingent payments under endorsement contracts, accounting for property, plant and equipment and definite-lived assets and goodwill and indefinite-lived intangible assets. 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 of our articles of incorporation and Oregon law that are 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.

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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' estimates of our future performance. Analysts' estimates are based upon their own opinions and 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, we may become involved in this type of litigation in the future. Any litigation could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business.

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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 a 394-acre facility of 44 buildings which, together with adjacent leased properties, functions as our world headquarters and is occupied by approximately 9,200 employees engaged in management, research, design, development, marketing, finance and other administrative functions serving nearly all of our divisions. We also lease various office facilities in the surrounding metropolitan area. We lease a similar, but smaller, administrative facility in Hilversum, the Netherlands, which serves as the headquarters for the Western Europe and Central & Eastern Europe geographies, and manages certain brand management functions for our non-U.S. operations. We also lease an office complex in Shanghai, China, our headquarters for Greater China, occupied by employees focused on implementing our wholesale, DTC and merchandising strategies in the region, among other functions. In the United States, NIKE owns a full product line distribution center located in Memphis, Tennessee. In addition, NIKE has four other distribution centers, three of which are leased, also located in Memphis. NIKE Brand apparel and equipment are also shipped from our Foothill Ranch, California distribution center, which we lease. Smaller leased distribution facilities for non-NIKE Brand businesses are located in various parts of the United States. We also own or lease distribution and customer service facilities outside the United States. The most significant are the distribution facilities located in Laakdal, Belgium; Taicang, China; Tomisato, Japan and Incheon, Korea, all of which we own.

NIKE IHM, Inc. manufactures Air-Sole cushioning components at NIKE-owned facilities located near Beaverton, Oregon and in St. Charles, Missouri. We also manufacture and sell small amounts of various other plastic products to other manufacturers through NIKE IHM, Inc.

Aside from the principal properties described above, we lease many offices worldwide for sales and administrative purposes. We lease approximately 930 retail stores worldwide, which consist primarily of factory outlet stores. See "United States Market" and "International Markets" in Part I of this Report. Our leases expire at various dates through the year 2033.

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.

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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, 2015, there were 23,347 holders of record of our Class B Common Stock and 20 holders of record of our 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. The following tables set forth, for each of the quarterly periods indicated, the high and low sales prices for the Class B Common Stock as reported on the New York Stock Exchange Composite Tape and dividends declared on the Class A and Class B Common Stock.

Fiscal 2015 (June 1, 2014 — May 31, 2015)	High	Low	Dividends Declared
First quarter	$80.30	$73.14	$0.24
Second quarter	99.76	78.35	0.28
Third quarter	99.50	90.69	0.28
Fourth quarter	105.50	95.18	0.28

Fiscal 2014 (June 1, 2013 — May 31, 2014)	High	Low	Dividends Declared
First quarter	$66.85	$59.11	$0.21
Second quarter	79.87	63.50	0.24
Third quarter	80.26	69.85	0.24
Fourth quarter	80.09	70.60	0.24

The following table presents a summary of share repurchases made by NIKE during the quarter ended May 31, 2015, under the four-year, $8 billion share repurchase program approved by the Board in September 2012; purchases under this program began during the second quarter of fiscal 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
March 1 — March 31, 2015	1,510,740	$96.47	1,510,740	$2,582
April 1 — April 30, 2015	2,659,836	$99.95	2,659,836	$2,316
May 1 — May 31, 2015	2,616,006	$101.97	2,616,006	$2,050
	6,786,582	$99.95	6,786,582	

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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, 2010 in each of our Class B Common Stock, and the stocks comprising the Standard & Poor's 500 Stock Index, the Standard & Poor's Apparel, Accessories & Luxury Goods Index and the Dow Jones U.S. Footwear Index. 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; S&P APPAREL, ACCESSORIES & LUXURY GOODS INDEX AND THE DOW JONES U.S. FOOTWEAR INDEX

The Dow Jones U.S. Footwear Index consists of NIKE, Deckers Outdoor Corp., Wolverine World Wide, Inc., Iconix Brand Group, Inc., Crocs, Inc. and Steven Madden, Ltd, among other companies. 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 V.F. Corp., Coach, Inc., Polo Ralph Lauren Corporation, Under Armour, Inc. and Fossil Group, Inc, among other companies. 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, and 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.

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ITEM 6. Selected Financial Data

Unless otherwise indicated, the following disclosures reflect the Company's continuing operations; refer to Note 15 — Discontinued Operations in the accompanying Notes to the Consolidated Financial Statements for additional information regarding discontinued operations. All per share amounts are reflective of the two-for-one stock split that began trading at the split-adjusted price on December 26, 2012.

(Dollars in millions, except per share data and financial ratios)	Financial History 2015	2014	2013	2012	2011
Year Ended May 31,					
Revenues	$30,601	$27,799	$25,313	$23,331	$20,117
Gross profit	14,067	12,446	11,034	10,148	9,202
Gross margin %	46.0 %	44.8 %	43.6 %	43.5 %	45.7 %
Net income from continuing operations	3,273	2,693	2,451	2,257	2,163
Net income (loss) from discontinued operations	—	—	21	(46)	(39)
Net income	3,273	2,693	2,472	2,211	2,124
Earnings per common share from continuing operations:					
Basic	3.80	3.05	2.74	2.45	2.27
Diluted	3.70	2.97	2.68	2.40	2.23
Earnings per common share from discontinued operations:					
Basic	—	—	0.02	(0.05)	(0.04)
Diluted	—	—	0.02	(0.05)	(0.04)
Weighted average common shares outstanding	861.7	883.4	897.3	920.0	951.1
Diluted weighted average common shares outstanding	884.4	905.8	916.4	939.6	971.3
Cash dividends declared per common share	1.08	0.93	0.81	0.70	0.60
Cash flow from operations, inclusive of discontinued operations(1)	4,680	3,013	3,032	1,932	1,796
Price range of common stock:					
High	105.50	80.26	65.91	57.20	46.15
Low	73.14	59.11	43.89	39.29	33.61
At May 31,					
Cash and equivalents	$3,852	$2,220	$3,337	$2,254	$1,877
Short-term investments	2,072	2,922	2,628	1,503	2,661
Inventories	4,337	3,947	3,484	3,251	2,630
Working capital, excluding assets and liabilities of discontinued operations(2)(3)	9,642	8,669	9,686	7,531	7,275
Total assets, excluding assets of discontinued operations(2)	21,600	18,594	17,545	14,804	14,398
Long-term debt	1,079	1,199	1,210	228	276
Capital lease obligations(4)	5	74	81	—	—
Redeemable preferred stock	0.3	0.3	0.3	0.3	0.3
Shareholders' equity	12,707	10,824	11,081	10,319	9,793
Year-end stock price	101.67	76.91	61.66	54.09	42.23
Market capitalization	87,044	66,921	55,124	49,546	39,523
Financial Ratios:					
Return on equity	27.8 %	24.6 %	23.1 %	22.0 %	21.8 %

Return on assets	16.3 %	14.9 %	15.3 %	15.1 %	15.0 %
Inventory turns	4.0	4.1	4.2	4.5	4.8
Current ratio at May 31	2.5	2.7	3.5	3.0	2.9
Price/Earnings ratio at May 31	27.5	25.9	22.8	23.0	19.3

(1) Prior year amounts for fiscal 2014, 2013 and 2012 have been revised to correct immaterial misstatements as described in Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements.

(2) Assets of discontinued operations were $0 million, $0 million, $0 million, $615 million and $560 million for the years ended May 31, 2015, 2014, 2013, 2012 and 2011, respectively.

(3) Liabilities of discontinued operations were $0 million, $0 million, $18 million, $170 million and $184 million for the years ended May 31, 2015, 2014, 2013, 2012 and 2011, respectively.

(4) During the fiscal year ended May 31, 2015, the Company restructured the terms of certain capital leases, which now qualify as operating leases.

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Selected Quarterly Financial Data (Unaudited)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
(Dollars in millions, except per share data)	2015	2014	2015	2014	2015	2014	2015	2014
Revenues	$7,982	$6,971	$7,380	$6,431	$7,460	$6,972	$7,779	$7,425
Gross profit	3,721	3,132	3,327	2,826	3,426	3,103	3,593	3,385
Gross margin %	46.6 %	44.9 %	45.1 %	43.9 %	45.9 %	44.5 %	46.2 %	45.6 %
Net income from continuing operations[(1)]	962	779	655	534	791	682	865	698
Net income[(1)]	962	779	655	534	791	682	865	698
Earnings per common share from continuing operations:								
Basic	1.11	0.88	0.76	0.60	0.92	0.77	1.01	0.80
Diluted	1.09	0.86	0.74	0.59	0.89	0.75	0.98	0.78
Weighted average common shares outstanding	864.9	889.4	863.1	888.0	861.4	882.3	857.5	873.7
Diluted weighted average common shares outstanding	886.2	910.7	884.8	910.6	883.8	904.8	879.8	895.2
Cash dividends declared per common share	0.24	0.21	0.28	0.24	0.28	0.24	0.28	0.24
Price range of common stock:								
High	80.30	66.85	99.76	79.87	99.50	80.26	105.50	80.09
Low	73.14	59.11	78.35	63.50	90.69	69.85	95.18	70.60

(1) Net income for the three month period ended May 31, 2015 was increased by an adjustment to Income tax expense to correct amounts accrued in prior fiscal 2015 quarters on intercompany transactions. These adjustments were not material to any prior interim periods and did not impact Net income or Income tax expense for the year ended May 31, 2015.

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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 to retail accounts, through NIKE-owned in-line and factory retail stores and NIKE-owned internet websites (which we refer to as our "Direct to Consumer" or "DTC" operations), and through 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 at retail and online.

In addition to achieving long-term, sustainable revenue growth, we continue to strive to deliver shareholder value by driving operational excellence in several key areas:

• Expanding gross margin by:
  - Delivering innovative, premium products that command higher prices while maintaining a balanced price-to-value proposition for consumers;
  - Reducing product costs through a continued focus on manufacturing efficiency, product design and innovation;
  - Making our supply chain a competitive advantage by investing in new technologies that increase automation, help reduce waste and have long-term potential to increase both customization of our products and speed to market; and
  - Driving growth in our higher gross margin DTC business as part of an integrated marketplace growth strategy across our DTC and wholesale operations.
• Optimizing selling and administrative expense by focusing on:
  - Investments in consumer engagement that drive economic returns in the form of incremental revenue and gross profit;
  - Infrastructure investments that improve the efficiency and effectiveness of our operations; and
  - Increasing the productivity of our legacy infrastructure.
• Improving working capital efficiency; and
• Deploying capital effectively.

Through execution of this strategy, our long-term financial goals continue to be:

• High single-digit revenue growth,
• Mid-teens earnings per share growth,
• Strong return on invested capital and accelerated cash flows and
• Sustainable, profitable, long-term growth through effective management of our diversified portfolio of businesses.

Over the past ten years, we have achieved many of these financial goals. During this time, revenues and diluted earnings per common share for NIKE, Inc., inclusive of both continuing and discontinued operations, have grown 8% and 13%, respectively, on an annual compounded basis. Our return on invested capital has increased from 23.2% to 28.1% and we expanded gross margins by approximately 150 basis points.

On November 15, 2012, we announced a two-for-one stock split of both Class A and Class B Common shares. The stock split was in the form of a 100% stock dividend payable on December 24, 2012 to shareholders of record at the close of business on December 10, 2012. Common stock began trading at the split-adjusted price on December 26, 2012. All share numbers and per share amounts presented reflect the stock split.

Our fiscal 2015 results from continuing operations demonstrated NIKE's ongoing commitment to deliver consistent growth in revenues, earnings and cash returns to shareholders, while investing for long-term growth. Despite significant foreign currency headwinds, we delivered record revenues and earnings per share in fiscal 2015. NIKE, Inc. Revenues grew 10% to $30.6 billion, gross margin expanded 120 basis points, Net income from continuing operations increased 22% to $3.3 billion and diluted earnings per common share increased 25% to $3.70.

Earnings before interest and income taxes ("EBIT") from continuing operations increased 18% for fiscal 2015, driven by revenue growth and gross margin expansion, which more than offset higher selling and administrative expense. The increase in revenues was attributable to growth across nearly all NIKE Brand geographies, key categories and product types. This broad-based growth was primarily fueled by:

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- Innovative performance and sportswear products, incorporating proprietary technology platforms such as NIKE Air, Free, Zoom, Lunar, Flywire, Dri-Fit and Flyknit;
- Deep brand connections to consumers through a category lens, reinforced by investments in endorsements by high-profile athletes, sports teams and leagues, high-impact marketing around global sporting events (such as the World Cup and NFL Super Bowl) and digital marketing; and
- Strong category retail presentation online and at NIKE-owned and retail partner stores.

Our Converse business also grew, with revenue and EBIT growth of 18% and 4%, respectively.

Gross margin increased primarily due to higher average selling prices and the favorable impact of our higher-margin DTC businesses, partially offset by higher product input costs, primarily a result of labor input cost inflation and shifts in mix to higher-cost products.

For fiscal 2015, the growth of our net income from continuing operations was positively affected by a year-over-year decrease in our effective tax rate of 180 basis points primarily due to the favorable resolution of audits in several jurisdictions. In addition, diluted earnings per common share grew at a higher rate than net income due to a 2% decrease in the weighted average diluted common shares outstanding, driven by our share repurchase program.

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While foreign currency markets remain volatile, we continue to see opportunities to drive future growth and remain committed to effectively managing our business to achieve our financial goals over the long-term by executing against the operational strategies outlined above.

Results of Operations

Unless otherwise indicated, the following disclosures reflect the Company's continuing operations.

(Dollars in millions, except per share data)	Fiscal 2015	Fiscal 2014	% Change	Fiscal 2013	% Change
Revenues	$30,601	$27,799	10 %	$25,313	10 %
Cost of sales	16,534	15,353	8 %	14,279	8 %
Gross profit	14,067	12,446	13 %	11,034	13 %
Gross margin %	46.0 %	44.8 %		43.6 %	
Demand creation expense	3,213	3,031	6 %	2,745	10 %
Operating overhead expense	6,679	5,735	16 %	5,051	14 %
Total selling and administrative expense	9,892	8,766	13 %	7,796	12 %
% of Revenues	32.3 %	31.5 %		30.8 %	
Interest expense (income), net	28	33	—	(3)	—
Other (income) expense, net	(58)	103	—	(15)	—
Income before income taxes	4,205	3,544	19 %	3,256	9 %
Income tax expense	932	851	10 %	805	6 %
Effective tax rate	22.2 %	24.0 %		24.7 %	
Net income from continuing operations	3,273	2,693	22 %	2,451	10 %
Net income from discontinued operations[1]	—	—	—	21	—
Net income	$3,273	$2,693	22 %	$2,472	9 %
Diluted earnings per common share - continuing operations	$3.70	$2.97	25 %	$2.68	11 %
Diluted earnings per common share - discontinued operations[1]	$—	$—	—	$0.02	—

(1) During fiscal 2013, we divested of Umbro and Cole Haan, allowing us to focus our resources on driving growth in the NIKE, Jordan, Converse and Hurley brands. As of May 31, 2013, we had substantially completed all transition services related to the sale of both businesses. The results of the divestitures are presented as discontinued operations. Please refer to Note 15 — Discontinued Operations in the accompanying Notes to the Consolidated Financial Statements for more detail.

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Consolidated Operating Results
Revenues

(Dollars in millions)	Fiscal 2015	Fiscal 2014[1]	% Change	% Change Excluding Currency Changes[2]	Fiscal 2013[1]	% Change	% Change Excluding Currency Changes[2]
NIKE, Inc. Revenues:							
NIKE Brand Revenues by:							
Footwear	$18,318	$16,208	13 %	17 %	$14,635	11 %	12 %
Apparel	8,636	8,109	6 %	10 %	7,491	8 %	10 %
Equipment	1,632	1,670	-2 %	1 %	1,640	2 %	4 %
Global Brand Divisions[3]	115	125	-8 %	-2 %	115	9 %	6 %
Total NIKE Brand Revenues	28,701	26,112	10 %	14 %	23,881	9 %	11 %
Converse	1,982	1,684	18 %	21 %	1,449	16 %	15 %
Corporate[4]	(82)	3	—	—	(17)	—	—
TOTAL NIKE, INC. REVENUES	$30,601	$27,799	10 %	14 %	$25,313	10 %	11 %
Supplemental NIKE Brand Revenues Details:							
NIKE Brand Revenues by:							
Sales to Wholesale Customers	$21,952	$20,683	6 %	10 %	$19,401	7 %	8 %
Sales Direct to Consumer	6,634	5,304	25 %	29 %	4,365	22 %	22 %
Global Brand Divisions[3]	115	125	-8 %	-2 %	115	9 %	6 %
TOTAL NIKE BRAND REVENUES	$28,701	$26,112	10 %	14 %	$23,881	9 %	11 %
NIKE Brand Revenues on a Wholesale Equivalent Basis:[5]							
Sales to Wholesale Customers	$21,952	$20,683	6 %	10 %	$19,401	7 %	8 %
Sales from our Wholesale Operations to Direct to Consumer Operations	3,881	3,107	25 %	29 %	2,499	24 %	25 %
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	$25,833	$23,790	9 %	13 %	$21,900	9 %	10 %
NIKE Brand Wholesale Equivalent Revenues by:[5]							
Men's	$14,694	$14,001	5 %	9 %	$13,073	7 %	9 %
Women's	5,724	4,971	15 %	20 %	4,494	11 %	12 %
Young Athletes'	4,301	3,737	15 %	19 %	3,251	15 %	16 %
Others[6]	1,114	1,081	3 %	7 %	1,082	0 %	1 %
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	$25,833	$23,790	9 %	13 %	$21,900	9 %	10 %

NIKE Brand Wholesale Equivalent Revenues by:(5)								
Running	$4,853	$4,623	5	%9	%$4,274	8	%10	%
Basketball	3,715	3,119	19	%21	%2,629	19	%19	%
Football (Soccer)	2,246	2,413	-7	%-2	%2,043	18	%21	%
Men’s Training	2,537	2,483	2	%4	%2,393	4	%5	%
Women’s Training	1,279	1,145	12	%16	%1,065	8	%10	%
Action Sports	736	738	0	%4	%683	8	%9	%
Sportswear	6,596	5,742	15	%20	%5,456	5	%7	%
Golf	771	789	-2	%0	%792	0	%1	%
Others(7)	3,100	2,738	13	%17	%2,565	7	%8	%
TOTAL NIKE BRAND WHOLESALE EQUIVALENT REVENUES	$25,833	$23,790	9	%13	%$21,900	9	%10	%

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(1) Certain prior year amounts have been reclassified to conform to fiscal 2015 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.
(2) Results have been restated using actual exchange rates in use during the comparative period to enhance the visibility of the underlying business trends by excluding the impact of translation arising from foreign currency exchange rate fluctuations.
(3) Global Brand Divisions revenues primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment.
(4) Corporate revenues primarily consist of foreign currency revenue-related hedge gains and losses generated by entities within the NIKE Brand geographic operating segments and Converse through our centrally managed foreign exchange risk management program.
(5) References to NIKE Brand wholesale equivalent revenues are intended to provide context as to the total size of our NIKE Brand market footprint if we had no Direct to Consumer operations. NIKE Brand wholesale equivalent revenues consist of (1) sales to external wholesale customers and (2) internal sales from our wholesale operations to our Direct to Consumer operations which are charged at prices that are comparable to prices charged to external wholesale customers.
(6) Others include all unisex products, equipment and other products not allocated to Men's, Women's and Young Athletes', as well as certain adjustments that are not allocated to products designated by gender or age.
(7) Others include all other categories and certain adjustments that are not allocated at the category level.

Fiscal 2015 Compared to Fiscal 2014

On a currency-neutral basis, revenues from NIKE, Inc. continuing operations grew 14% for fiscal 2015, driven by increases in revenues for both the NIKE Brand and Converse. Every NIKE Brand geography delivered higher revenues for fiscal 2015 as our category offense continued to deliver innovative products, deep brand connections and compelling retail experiences to consumers. North America contributed 5 percentage points of the increase in NIKE, Inc. revenues, while Western Europe contributed 4 percentage points, Greater China contributed 2 percentage points and Central & Eastern Europe, Emerging Markets and Converse each contributed 1 percentage point.

Excluding the effects of changes in currency exchange rates, NIKE Brand footwear and apparel revenues increased 17% and 10%, respectively, while NIKE Brand equipment revenues increased 1% during fiscal 2015. The increase in NIKE Brand footwear revenues for fiscal 2015 was driven by strong performance in our Sportswear, Basketball, Running and Football (Soccer) categories. Footwear unit sales in fiscal 2015 increased 9% and increases in average selling price per pair contributed approximately 8 percentage points of footwear revenue growth. The increase in average selling price per pair was driven primarily by shifts in mix to higher-priced products, and to a lesser extent, the favorable impact of growth in our higher-priced DTC business.

The constant-currency increase in NIKE Brand apparel revenues for fiscal 2015 was driven by growth in most key categories, led by Sportswear, Running and Women's Training, which were partially offset by a decline in Football (Soccer) due largely to the comparison to significant sales of replica apparel in advance of the World Cup in 2014. Fiscal 2015 unit sales of apparel increased 8% and increases in average selling price per unit contributed approximately 2 percentage points of apparel revenue growth. The increase in average selling price per unit was driven primarily by increased revenues from our higher-priced DTC business.

While wholesale revenues remain the largest component of overall NIKE Brand revenues, we continue to expand our DTC businesses in each of our geographies. Our NIKE Brand DTC operations include NIKE-owned in-line and factory stores, as well as online sales through NIKE-owned websites. For fiscal 2015, DTC revenues represented approximately 23% of our total NIKE Brand revenues compared to 20% in fiscal 2014. On a currency-neutral basis, DTC revenues grew 29% for fiscal 2015, driven by strong comparable store sales growth of 16%, significant online sales growth and the addition of new stores. Comparable store sales include 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. Online sales through NIKE-owned websites, which are not included in comparable store sales, grew 59% in fiscal 2015. Online sales represented approximately 18% of our total NIKE Brand DTC revenues for fiscal 2015 compared to 15% for fiscal 2014.

On a wholesale equivalent basis and excluding the effects of changes in currency exchange rates, fiscal 2015 NIKE Brand Men’s revenues increased 9%, driven by growth in our Sportswear, Basketball and Running categories. Women’s revenues accelerated in fiscal 2015, achieving 20% growth primarily due to increases in Sportswear, Running and Women's Training categories. Revenues in our Young Athletes' business increased 19% as a result of continued efforts to expand footwear and apparel offerings for this group across multiple categories, particularly Basketball.

Fiscal 2014 Compared to Fiscal 2013

On a currency-neutral basis, revenues from NIKE, Inc. continuing operations grew 11% for fiscal 2014, driven by increases in revenues for both the NIKE Brand and Converse. Every NIKE Brand geography delivered higher revenues for fiscal 2014. North America contributed 5 percentage points of the increase in NIKE, Inc. revenues, while Western Europe and Emerging Markets each contributed 2 percentage points and Central & Eastern Europe and Converse each contributed 1 percentage point.

On a currency-neutral basis, NIKE Brand footwear and apparel revenues increased 12% and 10%, respectively, while NIKE Brand equipment revenues increased 4% during fiscal 2014. The increase in NIKE Brand footwear revenues for fiscal 2014 was mainly due to growth in our Basketball, Sportswear, Running and Football (Soccer) categories. Footwear unit sales in fiscal 2014 increased approximately 7% and the average selling price per pair contributed approximately 5 percentage points of footwear revenue growth, driven nearly equally by price increases and shifts in mix to higher-priced products.

For NIKE Brand apparel, the increase in revenues for fiscal 2014 was driven by growth in all key categories, most notably our Football (Soccer), Running and Women's Training categories. In fiscal 2014, unit sales of apparel increased approximately 6% and the average selling price per unit contributed approximately 4 percentage points of apparel revenue growth, driven by price increases and, to a lesser extent, a shift in mix to higher-priced products.

For fiscal 2014, DTC revenues represented approximately 20% of our total NIKE Brand revenues compared to 18% in fiscal 2013. On a currency-neutral basis, DTC revenues grew 22% for fiscal 2014, as comparable store sales grew 10%, and we continued to open new stores and expand our e-commerce business. Online sales through NIKE-owned websites grew 42% in fiscal 2014. Online sales represented approximately 15% of our total NIKE Brand DTC revenues for fiscal 2014 compared to 12% for fiscal 2013.

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On a wholesale equivalent basis and excluding the effects of changes in currency exchange rates, fiscal 2014 NIKE Brand Men's revenues increased 9% mainly as a result of strong growth in our Basketball, Football (Soccer), Running and Sportswear categories. Women's revenues increased 12% in large part due to increases in our Running, Sportswear and Women's Training categories. The 16% increase in the Young Athletes' business was driven by increases in the Basketball and Football (Soccer) categories in part due to our expanded footwear and apparel offerings for this age group.

Futures Orders

Futures orders for NIKE Brand footwear and apparel scheduled for delivery from June through November 2015 were 2% higher than the orders reported for the comparable prior year period. The U.S. Dollar futures order amount is calculated based upon our internal forecast of the currency exchange rates under which our revenues will be translated during this period. Excluding the impact of currency changes, futures orders increased 13%, with unit orders and average selling price per unit contributing approximately 8 and 5 percentage points of growth, respectively.

By geography, futures orders growth was as follows:

	Reported Futures Orders		Futures Orders Excluding Currency Changes[1]	
North America	13	%	13	%
Western Europe	-11	%	14	%
Central & Eastern Europe	-9	%	17	%
Greater China	20	%	22	%
Japan	1	%	20	%
Emerging Markets	-14	%	2	%
TOTAL NIKE BRAND FUTURES ORDERS	2	%	13	%

(1) Reported futures have been restated using prior year exchange rates for the comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

The reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is due to year-over-year changes in shipment timing, changes in the mix of orders between futures and at-once orders and because the fulfillment of certain orders may fall outside of the schedule noted above. In addition, exchange rate fluctuations as well as differing levels of order cancellations, discounts and returns can cause differences in the comparisons between futures orders and actual revenues. Moreover, a portion of our revenue is not derived from futures orders, including sales of at-once and closeout NIKE Brand footwear and apparel, sales of NIKE Brand equipment, sales from our DTC operations and sales from Converse, NIKE Golf and Hurley.

Gross Margin

(Dollars in millions)	Fiscal 2015		Fiscal 2014		% Change		Fiscal 2013		% Change	
Gross profit	$14,067		$12,446		13	%	$11,034		13	%
Gross margin %	46.0	%	44.8	%	120	bps	43.6	%	120	bps

Fiscal 2015 Compared to Fiscal 2014

For fiscal 2015, our consolidated gross margin was 120 basis points higher than fiscal 2014, primarily driven by the following factors:

- Higher NIKE Brand average net selling prices (increasing gross margin approximately 250 basis points) primarily attributable to shifts in mix to higher-priced products and, to a lesser extent, increased prices, in part in response to inflationary conditions in certain territories;
- Higher NIKE Brand product costs (decreasing gross margin approximately 190 basis points) largely due to shifts in mix to higher-cost products, labor input cost inflation and higher air freight costs, in part to mitigate the negative impacts from product delays due to the West Coast port congestion in the United States;
- Growth in our higher-margin DTC business (increasing gross margin approximately 40 basis points); and
- Changes in foreign currency exchange rates (including gains and losses on hedge transactions) increased gross margin approximately 20 basis points.

Fiscal 2014 Compared to Fiscal 2013

For fiscal 2014, our consolidated gross margin was 120 basis points higher than fiscal 2013, primarily driven by the following factors:

- Higher NIKE Brand average net selling prices (increasing gross margin approximately 160 basis points) attributable to both shifts in mix to higher-priced products and price increases;
- Higher NIKE Brand product costs (decreasing gross margin approximately 50 basis points), primarily due to shifts in mix to higher-cost products, as well as labor input cost inflation;
- Growth in our higher-margin DTC business (increasing gross margin approximately 40 basis points);
- Improved margins due to cleaner closeout inventories (increasing margin approximately 20 basis points); and
- Unfavorable changes in foreign currency exchange rates, including hedges (decreasing gross margin approximately 50 basis points).

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Total Selling and Administrative Expense

(Dollars in millions)	Fiscal 2015	Fiscal 2014	% Change	Fiscal 2013	% Change
Demand creation expense(1)	$3,213	$3,031	6 %	$2,745	10 %
Operating overhead expense	6,679	5,735	16 %	5,051	14 %
Total selling and administrative expense	$9,892	$8,766	13 %	$7,796	12 %
% of Revenues	32.3 %	31.5 %	80 bps	30.8 %	70 bps

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

Fiscal 2015 Compared to Fiscal 2014

Demand creation expense increased 6% for fiscal 2015 compared to the prior year, primarily due to support for key brand and consumer events, including the World Cup in early fiscal 2015, increased digital brand marketing, investments in DTC marketing and higher sports marketing expense. Changes in foreign currency exchange rates decreased growth in Demand creation expense by approximately 4 percentage points for fiscal 2015.

Operating overhead expense increased 16% compared to the prior year, primarily driven by investments in our rapidly growing DTC business, including new store openings and higher variable expenses, investments in operational infrastructure and consumer-focused digital capabilities and higher performance-based compensation. For fiscal 2015, changes in foreign currency exchange rates decreased growth in Operating overhead expense by approximately 3 percentage points.

Fiscal 2014 Compared to Fiscal 2013

Demand creation expense increased 10% compared to the prior year, mainly driven by marketing support for events, including the World Cup, higher sports marketing expense, key product launches and initiatives and investments to upgrade the presentation of our products in wholesale accounts. For fiscal 2014, changes in foreign currency exchange rates did not have a material impact on Demand creation expense.

Compared to the prior year, Operating overhead expense increased 14%, primarily attributable to growth in our DTC business driven by new store openings, higher personnel costs and e-commerce launches, as well as increased investments in our digital capabilities and corporate infrastructure. Changes in foreign currency exchange rates did not have a material impact on Operating overhead expense for fiscal 2014.

Other (Income) Expense, Net

(In millions)	Fiscal 2015	Fiscal 2014	Fiscal 2013
Other (income) expense, net	$(58)	$103	$(15)

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 2015 Compared to Fiscal 2014

Other (income) expense, net shifted from $103 million of other expense, net for fiscal 2014 to $58 million of other (income), net for fiscal 2015, primarily driven by a $147 million change to net foreign currency conversion gains, primarily due to significant hedge gains from available-for-sale investments, as well as an adverse legal judgment in the prior year related to a long outstanding bankruptcy case for a former customer in Western Europe.

We estimate the combination of the translation of foreign currency-denominated profits from our international business 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 $73 million for fiscal 2015.

Fiscal 2014 Compared to Fiscal 2013

Other (income) expense, net shifted from $15 million of other (income), net for fiscal 2013 to $103 million of other expense, net for fiscal 2014, primarily driven by a $90 million adverse change in foreign currency conversion gains and losses as well as an adverse legal judgment in the second quarter of fiscal 2014 related to a long outstanding bankruptcy case for a former customer in Western Europe.

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 $139 million for fiscal 2014.

Income Taxes

	Fiscal 2015		Fiscal 2014		% Change	Fiscal 2013		% Change
Effective tax rate	22.2	%	24.0	%	(180) bps	24.7	%	(70) bps

Fiscal 2015 Compared to Fiscal 2014

The 180 basis point decrease in our effective tax rate for the fiscal year was primarily due to the favorable resolution of audits in several jurisdictions.

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Fiscal 2014 Compared to Fiscal 2013

The 70 basis point decrease in our effective tax rate for the fiscal year was primarily driven by an increase in earnings in lower tax jurisdictions. During the fourth quarter of the fiscal year ended May 31, 2014, we reached a resolution with the IRS on an Advanced Pricing Agreement. This agreement did not have a material impact on our effective tax rate for fiscal 2014. Refer to Note 9 — Income Taxes in the accompanying Notes to the Consolidated Financial Statements for additional disclosure.

Operating Segments

Our reportable 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, Western Europe, Central & Eastern Europe, Greater China, Japan and Emerging Markets, and include results for the NIKE, Jordan and Hurley brands. The Company’s NIKE Brand DTC operations are managed within each geographic operating segment. Converse is also a reportable segment for NIKE, Inc., and operates 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 rates are assigned twice per year to each NIKE Brand entity in our geographic operating segments and Converse. These rates are set approximately nine months in advance of the future selling season 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 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 2015	Fiscal 2014	% Change	% Change Excluding Currency Changes[1]	Fiscal 2013	% Change	% Change Excluding Currency Changes[1]
North America	$13,740	$12,299	12 %	12 %	$11,158	10 %	10 %
Western Europe	5,709	4,979	15 %	21 %	4,193	19 %	14 %
Central & Eastern Europe	1,417	1,387	2 %	15 %	1,229	13 %	15 %
Greater China	3,067	2,602	18 %	19 %	2,478	5 %	3 %
Japan	755	771	-2 %	9 %	876	-12 %	5 %
Emerging Markets	3,898	3,949	-1 %	8 %	3,832	3 %	13 %
Global Brand Divisions[2]	115	125	-8 %	-2 %	115	9 %	6 %
Total NIKE Brand Revenues	28,701	26,112	10 %	14 %	23,881	9 %	11 %
Converse	1,982	1,684	18 %	21 %	1,449	16 %	15 %
Corporate[3]	(82)	3	—	—	(17)	—	—
TOTAL NIKE, INC. REVENUES	$30,601	$27,799	10 %	14 %	$25,313	10 %	