

Consolidated Statements of Income

<i>(In millions, except per share data)</i>	Year Ended May 31,		
	2011	2010	2009
Revenues	\$ 20,862	\$ 19,014	\$ 19,176
Cost of sales	11,354	10,214	10,572
Gross margin	9,508	8,800	8,604
Demand creation expense	2,448	2,356	2,352
Operating overhead expense	4,245	3,970	3,798
Total selling and administrative expense	6,693	6,326	6,150
Restructuring charges (Note 16)	—	—	195
Goodwill impairment (Note 4)	—	—	199
Intangible and other asset impairment (Note 4)	—	—	202
Interest expense (income), net (Notes 6, 7 and 8)	4	6	(10)
Other (income), net (Note 17)	(33)	(49)	(89)
Income before income taxes	2,844	2,517	1,957
Income taxes (Note 9)	711	610	470
Net income	\$ 2,133	\$ 1,907	\$ 1,487
Basic earnings per common share (Notes 1 and 12)	\$ 4.48	\$ 3.93	\$ 3.07
Diluted earnings per common share (Notes 1 and 12)	\$ 4.39	\$ 3.86	\$ 3.03
Dividends declared per common share	\$ 1.20	\$ 1.06	\$ 0.98

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

PART II

ITEM 8 Financial Statements and Supplemental Data

Consolidated Balance Sheets

(In millions)	May 31,	
	2011	2010
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,955	\$ 3,079
Short-term investments (Note 6)	2,583	2,067
Accounts receivable, net (Note 1)	3,138	2,650
Inventories (Notes 1 and 2)	2,715	2,041
Deferred income taxes (Note 9)	312	249
Prepaid expenses and other current assets	594	873
Total current assets	11,297	10,959
Property, plant and equipment, net (Note 3)	2,115	1,932
Identifiable intangible assets, net (Note 4)	487	467
Goodwill (Note 4)	205	188
Deferred income taxes and other assets (Notes 9 and 17)	894	873
TOTAL ASSETS	\$ 14,998	\$ 14,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 8)	\$ 200	\$ 7
Notes payable (Note 7)	187	139
Accounts payable (Note 7)	1,469	1,255
Accrued liabilities (Notes 5 and 17)	1,985	1,904
Income taxes payable (Note 9)	117	59
Total current liabilities	3,958	3,364
Long-term debt (Note 8)	276	446
Deferred income taxes and other liabilities (Notes 9 and 17)	921	855
Commitments and contingencies (Note 15)	—	—
Redeemable Preferred Stock (Note 10)	—	—
Shareholders' equity:		
Common stock at stated value (Note 11):		
Class A convertible — 90 and 90 shares outstanding	—	—
Class B — 378 and 394 shares outstanding	3	3
Capital in excess of stated value	3,944	3,441
Accumulated other comprehensive income (Note 14)	95	215
Retained earnings	5,801	6,095
Total shareholders' equity	9,843	9,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 14,998	\$ 14,419

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

Consolidated Statements of Cash Flows

(In millions)	Year Ended May 31,		
	2011	2010	2009
Cash provided by operations:			
Net income	\$ 2,133	\$ 1,907	\$ 1,487
Income charges (credits) not affecting cash:			
Depreciation	335	324	335
Deferred income taxes	(76)	8	(294)
Stock-based compensation (Note 11)	105	159	171
Impairment of goodwill, intangibles and other assets (Note 4)	—	—	401
Amortization and other	23	72	48
Changes in certain working capital components and other assets and liabilities excluding the impact of acquisition and divestitures:			
(Increase) decrease in accounts receivable	(273)	182	(238)
(Increase) decrease in inventories	(551)	285	32
(Increase) decrease in prepaid expenses and other current assets	(35)	(70)	14
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	151	297	(220)
Cash provided by operations	1,812	3,164	1,736
Cash used by investing activities:			
Purchases of short-term investments	(7,616)	(3,724)	(2,909)
Maturities of short-term investments	4,313	2,334	1,280
Sales of short-term investments	2,766	453	1,110
Additions to property, plant and equipment	(432)	(335)	(456)
Disposals of property, plant and equipment	1	10	33
Increase in other assets, net of other liabilities	(30)	(11)	(47)
Settlement of net investment hedges	(23)	5	191
Cash used by investing activities	(1,021)	(1,268)	(798)
Cash used by financing activities:			
Reductions in long-term debt, including current portion	(8)	(32)	(7)
Increase (decrease) in notes payable	41	(205)	177
Proceeds from exercise of stock options and other stock issuances	345	364	187
Excess tax benefits from share-based payment arrangements	64	58	25
Repurchase of common stock	(1,859)	(741)	(649)
Dividends — common and preferred	(555)	(505)	(467)
Cash used by financing activities	(1,972)	(1,061)	(734)
Effect of exchange rate changes	57	(47)	(47)
Net (decrease) increase in cash and equivalents	(1,124)	788	157
Cash and equivalents, beginning of year	3,079	2,291	2,134
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,955	\$ 3,079	\$ 2,291
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized interest	\$ 32	\$ 48	\$ 47
Income taxes	736	537	765
Dividends declared and not paid	145	131	121

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

PART II

ITEM 8 Financial Statements and Supplemental Data

Consolidated Statements of Shareholders' Equity

	Common Stock				Capital in Excess of Stated Value	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Class A		Class B					
<i>(In millions, except per share data)</i>	Shares	Amount	Shares	Amount				
BALANCE AT MAY 31, 2008	97	\$ —	394	\$ 3	\$ 2,498	\$ 251	\$ 5,073	\$ 7,825
Stock options exercised			4		167			167
Conversion to Class B Common Stock	(2)		2					—
Repurchase of Class B Common Stock			(11)		(6)		(633)	(639)
Dividends on Common stock (\$0.98 per share)							(475)	(475)
Issuance of shares to employees			1		45			45
Stock-based compensation (Note 11):					171			171
Forfeiture of shares from employees			—		(4)		(1)	(5)
Comprehensive income:							1,487	1,487
Net income								
Other comprehensive income:								
Foreign currency translation and other (net of tax benefit of \$178)						(335)		(335)
Net gain on cash flow hedges (net of tax expense of \$168)						454		454
Net gain on net investment hedges (net of tax expense of \$55)						106		106
Reclassification to net income of previously deferred net gains related to hedge derivatives (net of tax expense of \$40)						(108)		(108)
Total comprehensive income						117	1,487	1,604
BALANCE AT MAY 31, 2009	95	\$ —	390	\$ 3	\$ 2,871	\$ 368	\$ 5,451	\$ 8,693
Stock options exercised			9		380			380
Conversion to Class B Common Stock	(5)		5					—
Repurchase of Class B Common Stock			(11)		(7)		(747)	(754)
Dividends on Common stock (\$1.06 per share)							(515)	(515)
Issuance of shares to employees			1		40			40
Stock-based compensation (Note 11):					159			159
Forfeiture of shares from employees			—		(2)		(1)	(3)
Comprehensive income:							1,907	1,907
Net income								
Other comprehensive income (Notes 14 and 17):								
Foreign currency translation and other (net of tax benefit of \$72)						(159)		(159)
Net gain on cash flow hedges (net of tax expense of \$28)						87		87
Net gain on net investment hedges (net of tax expense of \$21)						45		45
Reclassification to net income of previously deferred net gains related to hedge derivatives (net of tax expense of \$42)						(122)		(122)
Reclassification of ineffective hedge gains to net income (net of tax expense of \$1)						(4)		(4)
Total comprehensive income						(153)	1,907	1,754

	Common Stock				Capital in Excess of Stated Value	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Class A		Class B					
<i>(In millions, except per share data)</i>	Shares	Amount	Shares	Amount				
BALANCE AT MAY 31, 2010	90	\$ —	394	\$ 3	\$ 3,441	\$ 215	\$ 6,095	\$ 9,754
Stock options exercised			7		368			368
Repurchase of Class B Common Stock			(24)		(14)		(1,857)	(1,871)
Dividends on Common stock (\$1.20 per share)							(569)	(569)
Issuance of shares to employees			1		49			49
Stock-based compensation (Note 11):					105			105
Forfeiture of shares from employees			—		(5)		(1)	(6)
Comprehensive income:								
Net income							2,133	2,133
Other comprehensive income (Notes 14 and 17):								
Foreign currency translation and other (net of tax expense of \$121)						263		263
Net loss on cash flow hedges (net of tax benefit of \$66)						(242)		(242)
Net loss on net investment hedges (net of tax benefit of \$28)						(57)		(57)
Reclassification to net income of previously deferred net gains related to hedge derivatives (net of tax expense of \$24)						(84)		(84)
Total comprehensive income						(120)	2,133	2,013
BALANCE AT MAY 31, 2011	90	\$ —	378	\$ 3	\$ 3,944	\$ 95	\$ 5,801	\$ 9,843

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

Notes to Consolidated Financial Statements

Note 1	Summary of Significant Accounting Policies.....	41
Note 2	Inventories.....	43
Note 3	Property, Plant and Equipment.....	43
Note 4	Identifiable Intangible Assets, Goodwill and Umbro Impairment.....	44
Note 5	Accrued Liabilities.....	45
Note 6	Fair Value Measurements.....	45
Note 7	Short-Term Borrowings and Credit Lines.....	47
Note 8	Long-Term Debt.....	47
Note 9	Income Taxes.....	48
Note 10	Redeemable Preferred Stock.....	50
Note 11	Common Stock and Stock-Based Compensation.....	50
Note 12	Earnings Per Share.....	51
Note 13	Benefit Plans.....	51
Note 14	Accumulated Other Comprehensive Income.....	52
Note 15	Commitments and Contingencies.....	52
Note 16	Restructuring Charges.....	52
Note 17	Risk Management and Derivatives.....	52
Note 18	Operating Segments and Related Information.....	55

NOTE 1 Summary of Significant Accounting Policies

Description of Business

NIKE, Inc. is a worldwide leader in the design, marketing and distribution of athletic and sports-inspired footwear, apparel, equipment and accessories. Wholly-owned NIKE subsidiaries include Cole Haan, which designs, markets and distributes dress and casual shoes, handbags, accessories and coats; Converse Inc., which designs, markets and distributes athletic and casual footwear, apparel and accessories; Hurley International LLC, which designs, markets and distributes action sports and youth lifestyle footwear, apparel and accessories; and Umbro International Limited, which designs, distributes and licenses athletic and casual footwear, apparel and equipment, primarily for the sport of soccer.

Basis of Consolidation

The consolidated financial statements include the accounts of NIKE, Inc. and its subsidiaries (the "Company"). All significant intercompany transactions and balances have been eliminated.

Recognition of Revenues

Wholesale revenues are recognized when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. This occurs upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale. Provisions for sales discounts, returns and miscellaneous claims from customers are made at the time of sale. As of May 31, 2011 and 2010, the Company's reserve balances for sales discounts, returns and miscellaneous claims were \$423 million and \$371 million, respectively.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and included in cost of sales.

Demand Creation Expense

Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, television, digital and print advertising, brand events, and retail brand presentation. Advertising production costs are expensed the first time an advertisement is run. Advertising placement costs are expensed in the month the advertising appears, while costs related to brand events are expensed when the event occurs. Costs related to retail brand presentation are expensed when the presentation is completed and delivered. A significant amount of the Company's promotional expenses result from payments under endorsement contracts. Accounting for endorsement payments is based upon specific contract provisions. Generally, endorsement payments are expensed on a straight-line basis over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Prepayments made under contracts are included in prepaid expenses or other assets depending on the period to which the prepayment applies.

Through cooperative advertising programs, the Company reimburses retail customers for certain costs of advertising the Company's products. The Company records these costs in selling and administrative expense at the point in time when it is obligated to its customers for the costs, which is when the related revenues are recognized. This obligation may arise prior to the related advertisement being run.

Total advertising and promotion expenses were \$2,448 million, \$2,356 million, and \$2,352 million for the years ended May 31, 2011, 2010 and 2009, respectively. Prepaid advertising and promotion expenses recorded in prepaid expenses and other assets totaled \$291 million and \$261 million at May 31, 2011 and 2010, respectively.

Cash and Equivalents

Cash and equivalents represent cash and short-term, highly liquid investments with maturities of three months or less at date of purchase. The carrying amounts reflected in the consolidated balance sheet for cash and equivalents approximate fair value.

Short-Term Investments

Short-term investments consist of highly liquid investments, including commercial paper, U.S. treasury, U.S. agency, and corporate debt securities, with maturities over three months from the date of purchase. Debt securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. At May 31, 2011 and 2010, the Company did not hold any short-term investments that were classified as trading or held-to-maturity.

At May 31, 2011 and 2010, short-term investments consisted of available-for-sale securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses reported, net of tax, in other comprehensive income, unless unrealized losses are determined to be other than temporary. The Company considers all available-for-sale securities, including those with maturity dates beyond 12 months, as available to support current operational liquidity needs and therefore classifies all securities with maturity dates beyond three months at the date of purchase as current assets within short-term investments on the consolidated balance sheet.

See Note 6 — Fair Value Measurements for more information on the Company's short term investments.

Allowance for Uncollectible Accounts Receivable

Accounts receivable consists primarily of amounts receivable from customers. We make ongoing estimates relating to the collectability of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Accounts receivable with anticipated collection dates greater than 12 months from the balance sheet date and related allowances are considered non-current and recorded in other assets. The allowance for uncollectible accounts receivable was \$124 million and \$117 million at May 31, 2011 and 2010, respectively, of which \$50 million and \$43 million was classified as long-term and recorded in other assets.

Inventory Valuation

Inventories are stated at lower of cost or market and valued on a first-in, first-out ("FIFO") or moving average cost basis.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements over 2 to 40 years and for machinery and equipment over 2 to 15 years. Computer software (including, in some cases, the cost of internal labor) is depreciated on a straight-line basis over 3 to 10 years.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse

PART II

Note 1 Summary of Significant Accounting Policies

change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value.

Identifiable Intangible Assets and Goodwill

The Company performs annual impairment tests on goodwill and intangible assets with indefinite lives in the fourth quarter of each fiscal year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or an intangible asset with an indefinite life below its carrying value. Events or changes in circumstances that may trigger interim impairment reviews include significant changes in business climate, operating results, planned investments in the reporting unit, or an expectation that the carrying amount may not be recoverable, among other factors. The impairment test requires the Company to estimate the fair value of its reporting units. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and the Company proceeds to step two of the impairment analysis. In step two of the analysis, the Company measures and records an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

The Company generally bases its measurement of fair value of a reporting unit on a blended analysis of the present value of future discounted cash flows and the market valuation approach. The discounted cash flows model indicates the fair value of the reporting unit based on the present value of the cash flows that the Company expects the reporting unit to generate in the future. The Company's significant estimates in the discounted cash flows model include: its weighted average cost of capital; long-term rate of growth and profitability of the reporting unit's business; and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of the reporting unit to comparable publicly traded companies in similar lines of business. Significant estimates in the market valuation approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment, and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting unit.

The Company believes the weighted use of discounted cash flows and the market valuation approach is the best method for determining the fair value of its reporting units because these are the most common valuation methodologies used within its industry; and the blended use of both models compensates for the inherent risks associated with either model if used on a stand-alone basis.

Indefinite-lived intangible assets primarily consist of acquired trade names and trademarks. In measuring the fair value for these intangible assets, the Company utilizes the relief-from-royalty method. This method assumes that trade names and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

Foreign Currency Translation and Foreign Currency Transactions

Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income in shareholders' equity.

The Company's global subsidiaries have various assets and liabilities, primarily receivables and payables, that are denominated in currencies other than their functional currency. These balance sheet items are subject to remeasurement, the impact of which is recorded in other (income), net, within our consolidated statement of income.

Accounting for Derivatives and Hedging Activities

The Company uses derivative financial instruments to limit exposure to changes in foreign currency exchange rates and interest rates. All derivatives are recorded at fair value on the balance sheet and changes in the fair value of derivative financial instruments are either recognized in other comprehensive income (a component of shareholders' equity), debt or net income depending on the nature of the underlying exposure, whether the derivative is formally designated as a hedge, and, if designated, the extent to which the hedge is effective. The Company classifies the cash flows at settlement from derivatives in the same category as the cash flows from the related hedged items. For undesignated hedges and designated cash flow hedges, this is within the cash provided by operations component of the consolidated statements of cash flows. For designated net investment hedges, this is generally within the cash used by investing activities component of the cash flow statement. As our fair value hedges are receive-fixed, pay-variable interest rate swaps, the cash flows associated with these derivative instruments are periodic interest payments while the swaps are outstanding, which are reflected in net income within the cash provided by operations component of the cash flow statement.

See Note 17 — Risk Management and Derivatives for more information on the Company's risk management program and derivatives.

Stock-Based Compensation

The Company estimates the fair value of options and stock appreciation rights granted under the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan") and employees' purchase rights under the Employee Stock Purchase Plans ("ESPPs") using the Black-Scholes option pricing model. The Company recognizes this fair value, net of estimated forfeitures, as selling and administrative expense in the consolidated statements of income over the vesting period using the straight-line method.

See Note 11 — Common Stock and Stock-Based Compensation for more information on the Company's stock programs.

Income Taxes

The Company accounts for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. United States income taxes are provided currently on financial statement earnings of non-U.S. subsidiaries that are expected to be repatriated. The Company determines annually the amount of undistributed non-U.S. earnings to invest indefinitely in its non-U.S. operations. The Company recognizes interest and penalties related to income tax matters in income tax expense.

See Note 9 — Income Taxes for further discussion.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting weighted average outstanding shares, assuming conversion of all potentially dilutive stock options and awards.

See Note 12 — Earnings Per Share for further discussion.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Standards

In January 2010, the Financial Accounting Standards Board ("FASB") issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3 of the fair value measurement hierarchy. This guidance became effective for the Company beginning March 1, 2010, except for disclosures relating to purchases, sales, issuances and settlements of Level 3 assets and liabilities, which will be effective for the Company beginning June 1, 2011. As this guidance only requires expanded disclosures, the adoption did not and will not impact the Company's consolidated financial position or results of operations.

In June 2009, the FASB issued a new accounting standard that revised the guidance for the consolidation of variable interest entities ("VIE"). This new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE, and requires an ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. This guidance became effective for the Company beginning June 1, 2010. The adoption of this guidance did not have an impact on the Company's consolidated financial position or results of operations.

Recently Issued Accounting Standards

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. This new guidance requires the components of net income and other comprehensive income to be either presented in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. This new guidance eliminates the current option to report other comprehensive income and its components in the statement of shareholders' equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for the Company beginning June 1, 2012. As this guidance only amends the presentation of the components of comprehensive income, the adoption will not have an impact on the Company's consolidated financial position or results of operations.

In April 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards. This new guidance, which is effective for the Company beginning June 1, 2012, amends current U.S. GAAP fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The Company does not expect the adoption will have a material impact on its consolidated financial position or results of operations.

In October 2009, the FASB issued new standards that revised the guidance for revenue recognition with multiple deliverables. These new standards impact the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for the Company beginning June 1, 2011. The Company does not expect the adoption will have a material impact on its consolidated financial position or results of operations.

NOTE 2 Inventories

Inventory balances of \$2,715 million and \$2,041 million at May 31, 2011 and 2010, respectively, were substantially all finished goods.

NOTE 3 Property, Plant and Equipment

Property, plant and equipment included the following:

<i>(In millions)</i>	As of May 31,	
	2011	2010
Land	\$ 237	\$ 223
Buildings	1,124	952
Machinery and equipment	2,487	2,217
Leasehold improvements	931	821
Construction in process	127	177
	4,906	4,390
Less accumulated depreciation	2,791	2,458
	\$ 2,115	\$ 1,932

Capitalized interest was not material for the years ended May 31, 2011, 2010, and 2009.

PART II

Note 4 Identifiable Intangible Assets, Goodwill and Umbro Impairment

NOTE 4 Identifiable Intangible Assets, Goodwill and Umbro Impairment

Identified Intangible Assets and Goodwill

The following table summarizes the Company's identifiable intangible asset balances as of May 31, 2011 and 2010:

(In millions)	May 31, 2011			May 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Patents	\$ 80	\$ (24)	\$ 56	\$ 69	\$ (21)	\$ 48
Trademarks	44	(25)	19	40	(18)	22
Other	47	(22)	25	32	(18)	14
TOTAL	\$ 171	\$ (71)	\$ 100	\$ 141	\$ (57)	\$ 84
Unamortized intangible assets — Trademarks			387			383
IDENTIFIABLE INTANGIBLE ASSETS, NET			\$ 487			\$ 467

The effect of foreign exchange fluctuations for the year ended May 31, 2011 increased unamortized intangible assets by approximately \$4 million.

Amortization expense, which is included in selling and administrative expense, was \$16 million, \$14 million, and \$12 million for the years ended May 31, 2011, 2010, and 2009, respectively. The estimated amortization

expense for intangible assets subject to amortization for each of the years ending May 31, 2012 through May 31, 2016 are as follows: 2012: \$16 million; 2013: \$14 million; 2014: \$12 million; 2015: \$8 million; 2016: \$7 million.

All goodwill balances are included in the Company's "Other" category for segment reporting purposes. The following table summarizes the Company's goodwill balance as of May 31, 2011 and 2010:

(In millions)	Goodwill	Accumulated Impairment	Goodwill, net
May 31, 2009	\$ 393	\$ (199)	\$ 194
Other ⁽¹⁾	(6)	—	(6)
May 31, 2010	387	(199)	188
Umbro France ⁽²⁾	10	—	10
Other ⁽¹⁾	7	—	7
MAY 31, 2011	\$ 404	\$ (199)	\$ 205

(1) Other consists of foreign currency translation adjustments on Umbro goodwill.

(2) In March 2011, Umbro acquired the remaining 51% of the exclusive licensee and distributor of the Umbro brand in France for approximately \$15 million.

Umbro Impairment in Fiscal 2009

The Company performs annual impairment tests on goodwill and intangible assets with indefinite lives in the fourth quarter of each fiscal year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or intangible assets with an indefinite life below its carrying value. As a result of a significant decline in global consumer demand and continued weakness in the macroeconomic environment, as well as decisions by Company management to adjust planned investment in the Umbro brand, the Company concluded sufficient indicators of impairment existed to require the performance of an interim assessment of Umbro's goodwill and indefinite lived intangible assets as of February 1, 2009. Accordingly, the Company performed the first step of the goodwill impairment assessment for Umbro by comparing the estimated fair value of Umbro to its carrying amount, and determined there was a potential impairment of goodwill as the carrying amount exceeded the estimated fair value. Therefore, the Company performed the second step of the assessment which compared the implied fair value of Umbro's goodwill to the book value of goodwill. The implied fair value of goodwill is determined by allocating the estimated fair value of Umbro to all of its assets and liabilities, including both recognized and unrecognized intangibles, in the same manner as goodwill was determined in the original business combination.

The Company measured the fair value of Umbro by using an equal weighting of the fair value implied by a discounted cash flow analysis and by comparisons with the market values of similar publicly traded companies. The Company believes the blended use of both models compensates for the inherent risk associated with either model if used on a stand-alone basis, and this combination is indicative of the factors a market participant would consider when performing a similar valuation. The fair value of Umbro's indefinite-lived trademark was estimated

using the relief from royalty method, which assumes that the trademark has value to the extent that Umbro is relieved of the obligation to pay royalties for the benefits received from the trademark. The assessments of the Company resulted in the recognition of impairment charges of \$199 million and \$181 million related to Umbro's goodwill and trademark, respectively, for the year ended May 31, 2009. A tax benefit of \$55 million was recognized as a result of the trademark impairment charge. In addition to the above impairment analysis, the Company determined an equity investment held by Umbro was impaired, and recognized a charge of \$21 million related to the impairment of this investment. These charges are included in the Company's "Other" category for segment reporting purposes.

The discounted cash flow analysis calculated the fair value of Umbro using management's business plans and projections as the basis for expected cash flows for the next 12 years and a 3% residual growth rate thereafter. The Company used a weighted average discount rate of 14% in its analysis, which was derived primarily from published sources as well as our adjustment for increased market risk given current market conditions. Other significant estimates used in the discounted cash flow analysis include the rates of projected growth and profitability of Umbro's business and working capital effects. The market valuation approach indicates the fair value of Umbro based on a comparison of Umbro to publicly traded companies in similar lines of business. Significant estimates in the market valuation approach include identifying similar companies with comparable business factors such as size, growth, profitability, mix of revenue generated from licensed and direct distribution, and risk of return on investment.

Holding all other assumptions constant at the test date, a 100 basis point increase in the discount rate would reduce the adjusted carrying value of Umbro's net assets by an additional 12%.

NOTE 5 Accrued Liabilities

Accrued liabilities included the following:

(In millions)	May 31,	
	2011	2010
Compensation and benefits, excluding taxes	\$ 628	\$ 599
Endorser compensation	284	267
Taxes other than income taxes	214	158
Fair value of derivatives	186	164
Dividends payable	145	131
Advertising and marketing	139	125
Import and logistics costs	98	80
Other ⁽¹⁾	291	380
	\$ 1,985	\$ 1,904

(1) Other consists of various accrued expenses and no individual item accounted for more than 5% of the balance at May 31, 2011 and 2010.

NOTE 6 Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale securities. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company uses a three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach).

The levels of hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar

assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2011 and 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

(In millions)	May 31, 2011						Balance Sheet Classification
	Fair Value Measurements Using			Assets /Liabilities at Fair Value			
	Level 1	Level 2	Level 3				
ASSETS							
Derivatives:							
Foreign exchange forwards and options	\$ —	\$ 38	\$ —	\$ 38			Other current assets and other long-term assets
Interest rate swap contracts	—	15	—	15			Other current assets and other long-term assets
Total derivatives	—	53	—	53			
Available-for-sale securities:							
U.S. Treasury securities	125	—	—	125			Cash equivalents
Commercial paper and bonds	—	157	—	157			Cash equivalents
Money market funds	—	780	—	780			Cash equivalents
U.S. Treasury securities	1,473	—	—	1,473			Short-term investments
U.S. Agency securities	—	308	—	308			Short-term investments
Commercial paper and bonds	—	802	—	802			Short-term investments
Total available-for-sale securities	1,598	2,047	—	3,645			
TOTAL ASSETS	\$ 1,598	\$ 2,100	\$ —	\$ 3,698			
LIABILITIES							
Derivatives:							
Foreign exchange forwards and options	\$ —	\$ 197	\$ —	\$ 197			Accrued liabilities and other long-term liabilities
TOTAL LIABILITIES	\$ —	\$ 197	\$ —	\$ 197			

PART II

Note 6 Fair Value Measurements

May 31, 2010

<i>(In millions)</i>	Fair Value Measurements Using			Assets/Liabilities at Fair Value	Balance Sheet Classification
	Level 1	Level 2	Level 3		
ASSETS					
Derivatives:					
Foreign exchange forwards and options	\$ —	\$ 420	\$ —	\$ 420	Other current assets and other long-term assets
Interest rate swap contracts	—	15	—	15	Other current assets and other long-term assets
Total derivatives	—	435	—	435	
Available-for-sale securities:					
U.S. Treasury securities	1,232	—	—	1,232	Cash equivalents
Commercial paper and bonds	—	462	—	462	Cash equivalents
Money market funds	—	685	—	685	Cash equivalents
U.S. Treasury securities	1,085	—	—	1,085	Short-term investments
U.S. Agency securities	—	298	—	298	Short-term investments
Commercial paper and bonds	—	684	—	684	Short-term investments
Total available-for-sale securities	2,317	2,129	—	4,446	
TOTAL ASSETS	\$ 2,317	\$ 2,564	\$ —	\$ 4,881	
LIABILITIES					
Derivatives:					
Foreign exchange forwards and options	\$ —	\$ 165	\$ —	\$ 165	Accrued liabilities and other long-term liabilities
TOTAL LIABILITIES	\$ —	\$ 165	\$ —	\$ 165	

Derivative financial instruments include foreign currency forwards, option contracts and interest rate swaps. The fair value of these derivatives contracts is determined using observable market inputs such as the forward pricing curve, currency volatilities, currency correlations and interest rates, and considers nonperformance risk of the Company and that of its counterparties. Adjustments relating to these risks were not material for the years ended May 31, 2011 and 2010.

Available-for-sale securities are primarily comprised of investments in U.S. Treasury and agency securities, commercial paper, bonds and money market funds. These securities are valued using market prices on both active markets (level 1) and less active markets (level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily-available pricing sources for comparable instruments.

Short-term investments classified as available-for-sale consist of the following at fair value:

<i>(In millions)</i>	As of May 31,	
	2011	2010
Available-for-sale investments:		
U.S. treasury and agencies	\$ 1,781	\$ 1,383
Commercial paper and bonds	802	684
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	\$ 2,583	\$ 2,067

Included in interest expense (income), net for the years ended May 31, 2011, 2010, and 2009 was interest income of \$30 million, \$30 million, and \$50 million, respectively, related to cash and equivalents and short-term investments.

As of May 31, 2011 and 2010, the Company had no material Level 3 measurements and no assets or liabilities measured at fair value on a non-recurring basis.

Short-Term Investments

As of May 31, 2011 and 2010, short-term investments consisted of available-for-sale securities. As of May 31, 2011, the Company held \$2,253 million of available-for-sale securities with maturity dates within one year and \$330 million with maturity dates over one year and less than five years within short-term investments. As of May 31, 2010, the Company held \$1,900 million of available-for-sale securities with maturity dates within one year and \$167 million with maturity dates over one year and less than five years within short-term investments.

For fair value information regarding notes payable and long-term debt, refer to Note 7 — Short-Term Borrowings and Credit Lines and Note 8 — Long-Term Debt.

NOTE 7 Short-Term Borrowings and Credit Lines

Notes payable to banks and interest-bearing accounts payable to Sojitz Corporation of America ("Sojitz America") as of May 31, 2011 and 2010, are summarized below:

(In millions)	May 31,			
	2011		2010	
	Borrowings	Interest Rate	Borrowings	Interest Rate
Notes payable:				
U.S. operations	35	— ⁽¹⁾	18	— ⁽¹⁾
Non-U.S. operations	152	7.05% ⁽¹⁾	121	6.35% ⁽¹⁾
	\$ 187		\$ 139	
Sojitz America	\$ 111	0.99%	\$ 88	1.07%

(1) Weighted average interest rate includes non-interest bearing overdrafts.

The carrying amounts reflected in the consolidated balance sheet for notes payable approximate fair value.

The Company purchases through Sojitz America certain athletic footwear, apparel and equipment it acquires from non-U.S. suppliers. These purchases are for the Company's operations outside of the United States, Europe and Japan. Accounts payable to Sojitz America are generally due up to 60 days after shipment of goods from the foreign port. The interest rate on such accounts payable is the 60-day London Interbank Offered Rate ("LIBOR") as of the beginning of the month of the invoice date, plus 0.75%.

As of May 31, 2011 and 2010, the Company had no amounts outstanding under its commercial paper program.

In December 2006, the Company entered into a \$1 billion revolving credit facility with a group of banks. The facility matures in December 2012. Based on the Company's current long-term senior unsecured debt ratings of A+ and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.15%. The facility fee is 0.05% of the total commitment. Under this agreement, the Company must maintain, among other things, certain minimum specified financial ratios with which the Company was in compliance at May 31, 2011. No amounts were outstanding under this facility as of May 31, 2011 and 2010.

NOTE 8 Long-Term Debt

Long-term debt, net of unamortized premiums and discounts and swap fair value adjustments, is comprised of the following:

(In millions)	May 31,	
	2011	2010
5.66% Corporate bond, payable July 23, 2012	\$ 26	\$ 27
5.40% Corporate bond, payable August 7, 2012	16	16
4.70% Corporate bond, payable October 1, 2013	50	50
5.15% Corporate bond, payable October 15, 2015	114	112
4.30% Japanese Yen note, payable June 26, 2011	130	116
1.52% Japanese Yen note, payable February 14, 2012	62	55
2.60% Japanese Yen note, maturing August 20, 2001 through November 20, 2020	54	53
2.00% Japanese Yen note, maturing August 20, 2001 through November 20, 2020	24	24
Total	476	453
Less current maturities	200	7
	\$ 276	\$ 446

The scheduled maturity of long-term debt in each of the years ending May 31, 2012 through 2016 are \$200 million, \$48 million, \$58 million, \$8 million and \$109 million, at face value, respectively.

The Company's long-term debt is recorded at adjusted cost, net of amortized premiums and discounts and interest rate swap fair value adjustments. The fair value of long-term debt is estimated based upon quoted prices for similar instruments. The fair value of the Company's long-term debt, including the current portion, was approximately \$482 million at May 31, 2011 and \$453 million at May 31, 2010.

In fiscal years 2003 and 2004, the Company issued a total of \$240 million in medium-term notes of which \$190 million, at face value, were outstanding at May 31, 2011. The outstanding notes have coupon rates that range from 4.70% to 5.66% and maturity dates ranging from July 2012 to October 2015. For each of these notes, except the \$50 million note maturing in October 2013, the Company has entered into interest rate swap agreements whereby the Company receives fixed interest payments at the same rate as the notes and pays variable interest payments based on the six-month LIBOR plus a spread. Each swap has the same notional amount and maturity date as the

corresponding note. At May 31, 2011, the interest rates payable on these swap agreements ranged from approximately 0.3% to 1.0%.

In June 1996, one of the Company's wholly owned Japanese subsidiaries, NIKE Logistics YK, borrowed ¥10.5 billion (approximately \$130 million as of May 31, 2011) in a private placement with a maturity of June 26, 2011. Interest is paid semi-annually. The agreement provides for early retirement of the borrowing.

In July 1999, NIKE Logistics YK assumed a total of ¥13.0 billion in loans as part of its agreement to purchase a distribution center in Japan, which serves as collateral for the loans. These loans mature in equal quarterly installments during the period August 20, 2001 through November 20, 2020. Interest is also paid quarterly. As of May 31, 2011, ¥6.3 billion (approximately \$78 million) in loans remain outstanding.

In February 2007, NIKE Logistics YK entered into a ¥5.0 billion (approximately \$62 million as of May 31, 2011) term loan that replaced certain intercompany borrowings and matures on February 14, 2012. The interest rate on the loan is approximately 1.5% and interest is paid semi-annually.

PART II

Note 9 Income Taxes

NOTE 9 Income Taxes

Income before income taxes is as follows:

<i>(In millions)</i>	Year Ended May 31,		
	2011	2010	2009
Income before income taxes:			
United States	\$ 1,084	\$ 699	\$ 846
Foreign	1,760	1,818	1,111
	\$ 2,844	\$ 2,517	\$ 1,957

The provision for income taxes is as follows:

<i>(In millions)</i>	Year Ended May 31,		
	2011	2010	2009
Current:			
United States			
Federal	\$ 289	\$ 200	\$ 410
State	57	50	46
Foreign	441	349	308
	787	599	764
Deferred:			
United States			
Federal	(61)	18	(251)
State	—	(1)	(8)
Foreign	(15)	(6)	(35)
	(76)	11	(294)
	\$ 711	\$ 610	\$ 470

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

	Year Ended May 31,		
	2011	2010	2009
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	1.3%	1.3%	1.2%
Foreign earnings	-10.2%	-13.6%	-14.9%
Other, net	-1.1%	1.5%	2.7%
EFFECTIVE INCOME TAX RATE	25.0%	24.2%	24.0%

The effective tax rate for the year ended May 31, 2011 of 25.0% increased from the fiscal 2010 effective tax rate of 24.2% due primarily to the change in geographic mix of earnings. A larger percentage of our earnings before income taxes in the current year are attributable to operations in the United States where the statutory tax rate is generally higher than the tax rate on operations

outside of the U.S. This impact was partially offset by changes to uncertain tax positions. Our effective tax rate for the year ended May 31, 2010 of 24.2% increased from the fiscal 2009 effective rate of 24.0%. The effective tax rate for fiscal 2009 includes a tax benefit related to charges recorded for the impairment of Umbro's goodwill, intangible and other assets.

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

(In millions)	May 31,	
	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	\$ 19	\$ 17
Inventories	63	47
Sales return reserves	72	52
Deferred compensation	152	144
Stock-based compensation	148	145
Reserves and accrued liabilities	66	86
Foreign loss carry-forwards	60	26
Foreign tax credit carry-forwards	236	148
Hedges	21	1
Undistributed earnings of foreign subsidiaries	—	128
Other	86	37
Total deferred tax assets	923	831
Valuation allowance	(51)	(36)
Total deferred tax assets after valuation allowance	872	795
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	(40)	—
Property, plant and equipment	(151)	(99)
Intangibles	(97)	(99)
Hedges	(1)	(72)
Other	(20)	(8)
Total deferred tax liability	(309)	(278)
NET DEFERRED TAX ASSET	\$ 563	\$ 517

The following is a reconciliation of the changes in the gross balance of unrecognized tax benefits:

(In millions)	May 31,		
	2011	2010	2009
Unrecognized tax benefits, as of the beginning of the period	\$ 282	\$ 274	\$ 251
Gross increases related to prior period tax positions	13	87	53
Gross decreases related to prior period tax positions	(98)	(122)	(62)
Gross increases related to current period tax positions	59	52	72
Gross decreases related to current period tax positions	(6)	—	—
Settlements	(43)	(3)	(29)
Lapse of statute of limitations	(8)	(9)	(4)
Changes due to currency translation	13	3	(7)
UNRECOGNIZED TAX BENEFITS, AS OF THE END OF THE PERIOD	\$ 212	\$ 282	\$ 274

As of May 31, 2011, the total gross unrecognized tax benefits, excluding related interest and penalties, were \$212 million, \$93 million of which would affect the Company's effective tax rate if recognized in future periods. Total gross unrecognized tax benefits, excluding interest and penalties, as of May 31, 2010 and 2009 was \$282 million and \$274 million, respectively.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The liability for payment of interest and penalties increased \$10 million, \$6 million, and \$2 million during the years ended May 31, 2011, 2010, and 2009, respectively. As of May 31, 2011 and 2010, accrued interest and penalties related to uncertain tax positions was \$91 million and \$81 million, respectively (excluding federal benefit).

The Company is subject to taxation primarily in the U.S., China and the Netherlands as well as various state and other foreign jurisdictions. The Company has concluded substantially all U.S. federal income tax matters through fiscal year 2009. The Company is currently under audit by the Internal Revenue Service for the 2010 tax year. The Company's major foreign jurisdictions, China and the Netherlands, have concluded substantially all income tax matters through calendar 2000 and fiscal 2005, respectively. The Company estimates that it is reasonably possible that the total gross unrecognized tax

benefits could decrease by up to \$69 million within the next 12 months as a result of resolutions of global tax examinations and the expiration of applicable statutes of limitations.

The Company has indefinitely reinvested approximately \$4.4 billion of the cumulative undistributed earnings of certain foreign subsidiaries. Such earnings would be subject to U.S. taxation if repatriated to the U.S. Determination of the amount of unrecognized deferred tax liability associated with the indefinitely reinvested cumulative undistributed earnings is not practicable.

A portion of the Company's foreign operations are benefitting from a tax holiday that will phase out in 2019. The decrease in income tax expense for the year ended May 31, 2011 as a result of this arrangement was approximately \$36 million (\$0.07 per diluted share) and \$30 million (\$0.06 per diluted share) for the year ended May 31, 2010.

Deferred tax assets at May 31, 2011 and 2010 were reduced by a valuation allowance relating to tax benefits of certain subsidiaries with operating losses where it is more likely than not that the deferred tax assets will not be realized. The net change in the valuation allowance was an increase of \$15 million and \$10 million for the years ended May 31, 2011 and 2010, respectively and a decrease of \$15 million for the year ended May 31, 2009.

PART II

Note 10 Redeemable Preferred Stock

The Company does not anticipate that any foreign tax credit carry-forwards will expire. The Company has available domestic and foreign loss carry-forwards of \$183 million at May 31, 2011. Such losses will expire as follows:

(In millions)	Year Ending May 31,						Total
	2013	2014	2015	2016	2017-2028	Indefinite	
Net Operating Losses	\$ 7	\$ 10	\$ 4	\$ 10	\$ 91	\$ 61	183

During the years ended May 31, 2011, 2010, and 2009, income tax benefits attributable to employee stock-based compensation transactions of \$68 million, \$57 million, and \$25 million, respectively, were allocated to shareholders' equity.

NOTE 10 Redeemable Preferred Stock

Sojitz America is the sole owner of the Company's authorized Redeemable Preferred Stock, \$1 par value, which is redeemable at the option of Sojitz America or the Company at par value aggregating \$0.3 million. A cumulative dividend of \$0.10 per share is payable annually on May 31 and no dividends may be declared or paid on the common stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years

ended May 31, 2011, 2010, and 2009. As the holder of the Redeemable Preferred Stock, Sojitz America does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

NOTE 11 Common Stock and Stock-Based Compensation

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 175 million and 750 million, respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 163 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the plan. The 1990 Plan authorizes the grant of non-statutory

stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and performance-based awards. The exercise price for stock options and stock appreciation rights may not be less than the fair market value of the underlying shares on the date of grant. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. Substantially all stock option grants outstanding under the 1990 Plan were granted in the first quarter of each fiscal year, vest ratably over four years, and expire 10 years from the date of grant.

The following table summarizes the Company's total stock-based compensation expense recognized in selling and administrative expense:

(in millions)	Year Ended May 31,		
	2011	2010	2009
Stock options ⁽¹⁾	\$ 77	\$ 135	\$ 129
ESPPs	14	14	14
Restricted stock	14	10	8
Subtotal	105	159	151
Stock options and restricted stock expense — restructuring ⁽²⁾	—	—	20
TOTAL STOCK-BASED COMPENSATION EXPENSE	\$ 105	\$ 159	\$ 171

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees eligible for accelerated stock option vesting upon retirement. In the first quarter of fiscal 2011, the Company changed the accelerated vesting provisions of its stock option plan. Under the new provisions, accelerated stock option expense for year ended May 31, 2011 was \$12 million. The accelerated stock option expense for the years ended May 31, 2010 and 2009 was \$74 million and \$59 million, respectively.

(2) In connection with the restructuring activities that took place during fiscal 2009, the Company recognized stock-based compensation expense relating to the modification of stock option agreements, allowing for an extended post-termination exercise period, and accelerated vesting of restricted stock as part of severance packages. See Note 16 — Restructuring Charges for further details.

As of May 31, 2011, the Company had \$111 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized as selling and administrative expense over a weighted average period of 2.2 years.

The weighted average fair value per share of the options granted during the years ended May 31, 2011, 2010, and 2009, as computed using the Black-Scholes pricing model, was \$17.68, \$23.43, and \$17.13, respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Year Ended May 31,		
	2011	2010	2009
Dividend yield	1.6%	1.9%	1.5%
Expected volatility	31.5%	57.6%	32.5%
Weighted average expected life (in years)	5.0	5.0	5.0
Risk-free interest rate	1.7%	2.5%	3.4%

The Company estimates the expected volatility based on the implied volatility in market traded options on the Company's common stock with a term greater than one year, along with other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise

patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

The following summarizes the stock option transactions under the plan discussed above:

	Weighted Average	
	Shares ⁽¹⁾	Option Price
	<i>(In millions)</i>	
Options outstanding May 31, 2008	36.6	\$ 40.14
Exercised	(4.0)	35.70
Forfeited	(1.3)	51.19
Granted	7.5	58.17
Options outstanding May 31, 2009	38.8	\$ 43.69
Exercised	(8.6)	37.64
Forfeited	(0.6)	51.92
Granted	6.4	52.79
Options outstanding May 31, 2010	36.0	\$ 46.60
Exercised	(7.0)	42.70
Forfeited	(0.5)	58.08
Granted	6.3	69.20
Options outstanding May 31, 2011	34.8	\$ 51.29
Options exercisable at May 31,		
2009	21.4	\$ 36.91
2010	20.4	41.16
2011	20.1	\$ 44.05

(1) Includes stock appreciation rights transactions.

The weighted average contractual life remaining for options outstanding and options exercisable at May 31, 2011 was 6.0 years and 4.5 years, respectively. The aggregate intrinsic value for options outstanding and exercisable at May 31, 2011 was \$1,154 million and \$811 million, respectively. The aggregate intrinsic value was the amount by which the market value of the underlying stock exceeded the exercise price of the options. The total intrinsic value of the options exercised during the years ended May 31, 2011, 2010, and 2009 was \$267 million, \$239 million, and \$108 million, respectively.

In addition to the 1990 Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans ("ESPPs"). Employees are eligible to participate through payroll deductions up to 10% of their compensation. At the end of each six-month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period. Employees

purchased 0.8 million shares during the years ended May 31, 2011 and 2010, and 1.0 million shares during the year ended May 31, 2009.

From time to time, the Company grants restricted stock and unrestricted stock to key employees under the 1990 Plan. The number of shares granted to employees during the years ended May 31, 2011, 2010, and 2009 were 0.2 million, 0.5 million, and 0.1 million with weighted average values per share of \$70.23, \$53.16, and \$56.97, respectively. Recipients of restricted shares are entitled to cash dividends and to vote their respective shares throughout the period of restriction. The value of all of the granted shares was established by the market price on the date of grant. During the years ended May 31, 2011, 2010, and 2009, the fair value of restricted shares vested was \$15 million, \$8 million, and \$10 million, respectively, determined as of the date of vesting.

NOTE 12 Earnings Per Share

The following is a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase an additional 0.2 million, 0.2 million, and 13.2 million shares of common stock were outstanding at May 31, 2011, 2010, and 2009, respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

<i>(In millions, except per share data)</i>	Year Ended May 31,		
	2011	2010	2009
Determination of shares:			
Weighted average common shares outstanding	475.5	485.5	484.9
Assumed conversion of dilutive stock options and awards	10.2	8.4	5.8
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	485.7	493.9	490.7
Basic earnings per common share	\$ 4.48	\$ 3.93	\$ 3.07
Diluted earnings per common share	\$ 4.39	\$ 3.86	\$ 3.03

NOTE 13 Benefit Plans

The Company has a profit sharing plan available to most U.S.-based employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. A subsidiary of the Company also has a profit sharing plan available to its U.S.-based employees. The terms of the plan call for annual contributions as determined by the subsidiary's executive management.

Contributions of \$39 million, \$35 million, and \$28 million were made to the plans and are included in selling and administrative expense for the years ended May 31, 2011, 2010, and 2009, respectively. The Company has various 401(k) employee savings plans available to U.S.-based employees. The Company matches a portion of employee contributions. Company contributions to

PART II

Note 14 Accumulated Other Comprehensive Income

the savings plans were \$39 million, \$34 million, and \$38 million for the years ended May 31, 2011, 2010, and 2009, respectively, and are included in selling and administrative expense.

The Company also has a Long-Term Incentive Plan ("LTIP") that was adopted by the Board of Directors and approved by shareholders in September 1997 and later amended in fiscal 2007. The Company recognized \$31 million, \$24 million, and \$18 million of selling and administrative expense related to

cash awards under the LTIP during the years ended May 31, 2011, 2010, and 2009, respectively.

The Company has pension plans in various countries worldwide. The pension plans are only available to local employees and are generally government mandated. The liability related to the unfunded pension liabilities of the plans was \$93 million and \$113 million at May 31, 2011 and 2010, respectively, which was primarily classified as long-term in other liabilities.

NOTE 14 Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income, net of tax, are as follows:

(In millions)	May 31,	
	2011	2010
Cumulative translation adjustment and other	\$ 168	\$ (95)
Net deferred gain on net investment hedge derivatives	50	107
Net deferred (loss) gain on cash flow hedge derivatives	(123)	203
	\$ 95	\$ 215

NOTE 15 Commitments and Contingencies

The Company leases space for certain of its offices, warehouses and retail stores under leases expiring from 1 to 24 years after May 31, 2011. Rent expense was \$446 million, \$416 million, and \$397 million for the years ended May 31, 2011, 2010 and 2009, respectively. Amounts of minimum future annual rental commitments under non-cancelable operating leases in each of the five years ending May 31, 2012 through 2016 are \$374 million, \$310 million, \$253 million, \$198 million, \$174 million, respectively, and \$535 million in later years.

As of May 31, 2011 and 2010, the Company had letters of credit outstanding totaling \$99 million and \$101 million, respectively. These letters of credit were generally issued for the purchase of inventory.

In connection with various contracts and agreements, the Company provides routine indemnifications relating to the enforceability of intellectual property rights, coverage for legal issues that arise and other items where the Company is acting as the guarantor. Currently, the Company has several such agreements in place. However, based on the Company's historical experience and the estimated probability of future loss, the Company has determined that the fair value of such indemnifications is not material to the Company's financial position or results of operations.

In the ordinary course of its business, the Company is involved in various legal proceedings involving contractual and employment relationships, product liability claims, trademark rights, and a variety of other matters. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company's financial position or results of operations.

NOTE 16 Restructuring Charges

During fiscal 2009, the Company took necessary steps to streamline its management structure, enhance consumer focus, drive innovation more quickly to market and establish a more scalable, long-term cost structure. As a result, the Company reduced its global workforce by approximately 5% and incurred pre-tax restructuring charges of \$195 million, primarily consisting of severance costs related to the workforce reduction. As nearly all of the restructuring activities were completed in fiscal 2009, the Company did not

recognize additional costs relating to these actions. The restructuring charge is reflected in the corporate expense line in the segment presentation of earnings before interest and taxes in Note 18 — Operating Segments and Related Information. The restructuring accrual included in accrued liabilities in the consolidated balance sheet was \$3 million and \$8 million as of May 31, 2011 and 2010, respectively.

NOTE 17 Risk Management and Derivatives

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading purposes.

The Company formally documents all relationships between formally designated hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to either specific firm commitments or forecasted transactions. The Company also enters into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the balance sheet, which are not designated as hedging instruments under the accounting standards for derivatives and hedging. Accordingly, changes in the fair value of these non-designated instruments of recorded balance sheet positions are recognized

immediately in other (income), net, on the income statement together with the transaction gain or loss from the hedged balance sheet position. The Company classifies the cash flows at settlement from these undesignated instruments in the same category as the cash flows from the related hedged items, generally within the cash provided by operations component of the cash flow statement.

The majority of derivatives outstanding as of May 31, 2011 are designated as cash flow, fair value or net investment hedges. All derivatives are recognized on the balance sheet at their fair value and classified based on the instrument's maturity date. The total notional amount of outstanding derivatives as of May 31, 2011 was \$7 billion, which is primarily comprised of cash flow hedges for Euro/U.S. Dollar, British Pound/Euro, and Japanese Yen/U.S. Dollar currency pairs.

The following table presents the fair values of derivative instruments included within the consolidated balance sheet as of May 31, 2011 and 2010:

(In millions)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	May 31, 2011	May 31, 2010	Balance Sheet Location	May 31, 2011	May 31, 2010
Derivatives formally designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	\$ 22	\$ 316	Accrued liabilities	\$ 170	\$ 25
Foreign exchange forwards and options	Deferred income taxes and other long-term assets	7	—	Deferred income taxes and other long-term liabilities	10	—
Interest rate swap contracts	Deferred income taxes and other long-term assets	15	15	Deferred income taxes and other long-term liabilities	—	—
Total derivatives formally designated as hedging instruments		44	331		180	25
Derivatives not designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	\$ 9	\$ 104	Accrued liabilities	\$ 16	\$ 139
Foreign exchange forwards and options	Deferred income taxes and other long-term assets	—	—	Deferred income taxes and other long-term liabilities	1	1
Total derivatives not designated as hedging instruments		9	104		17	140
TOTAL DERIVATIVES		\$ 53	\$ 435		\$ 197	\$ 165

The following tables present the amounts affecting the consolidated statements of income for years ended May 31, 2011, 2010 and 2009:

Derivatives formally designated (In millions)	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives ⁽¹⁾			Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income ⁽¹⁾				
	Year Ended May 31,			Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income Into Income ⁽¹⁾	Year Ended May 31,			
	2011	2010	2009		2011	2010	2009	
Derivatives designated as cash flow hedges:								
Foreign exchange forwards and options	\$ (87)	\$ (30)	\$ 106	Revenue	\$ (30)	\$ 51	\$ 93	
Foreign exchange forwards and options	(152)	89	350	Cost of sales	103	60	(14)	
Foreign exchange forwards and options	(4)	5	—	Selling and administrative expense	1	1	1	
Foreign exchange forwards and options	(65)	51	165	Other (income), net	34	56	68	
Total designated cash flow hedges		\$ (308)	\$ 115	\$ 621		\$ 108	\$ 168	\$ 148
Derivatives designated as net investment hedges:								
Foreign exchange forwards and options	\$ (85)	\$ 66	\$ 161	Other (income), net	\$ —	\$ —	\$ —	

(1) For the year ended May 31, 2011 and 2009, the Company recorded an immaterial amount of ineffectiveness from cash flow hedges in other (income), net. For the year ended May 31, 2010, \$5 million of ineffectiveness from cash flow hedges was recorded in other (income), net.

(In millions)	Amount of Gain (Loss) Recognized in Income on Derivatives			Location of Gain (Loss) Recognized in Income on Derivatives
	Year Ended May 31,			
	2011	2010	2009	
Derivatives designated as fair value hedges:				
Interest rate swaps ⁽¹⁾	\$ 6	\$ 7	\$ 2	Interest expense (income), net
Derivatives not designated as hedging instruments:				
Foreign exchange forwards and options	\$ (30)	\$ (91)	\$ (83)	Other (income), net

(1) All interest rate swap agreements meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swap agreements are exactly offset by changes in the fair value of the underlying long-term debt. Refer to section "Fair Value Hedges" for additional detail.

Refer to Note 5 — Accrued Liabilities for derivative instruments recorded in accrued liabilities, Note 6 — Fair Value Measurements for a description of how the above financial instruments are valued, Note 14 — Accumulated Other

Comprehensive Income and the consolidated statements of shareholders' equity for additional information on changes in other comprehensive income for the years ended May 31, 2011, 2010 and 2009.

PART II

Note 17 Risk Management and Derivatives

Cash Flow Hedges

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenues, product costs, selling and administrative expense, investments in U.S. dollar-denominated available-for-sale debt securities and intercompany transactions, including intercompany borrowings, will be adversely affected by changes in exchange rates. It is the Company's policy to utilize derivatives to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. Hedged transactions are denominated primarily in Euros, British Pounds and Japanese Yen. The Company hedges up to 100% of anticipated exposures typically 12 months in advance, but has hedged as much as 34 months in advance.

All changes in fair values of outstanding cash flow hedge derivatives, except the ineffective portion, are recorded in other comprehensive income until net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in other comprehensive income will be released to net income some time after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure. Results of hedges of revenue and product costs are recorded in revenue and cost of sales, respectively, when the underlying hedged transaction affects net income. Results of hedges of selling and administrative expense are recorded together with those costs when the related expense is recorded. Results of hedges of forecasted purchases of U.S. dollar-denominated available-for-sale securities are recorded in other (income), net when the securities are sold. Results of hedges of forecasted intercompany transactions are recorded in other (income), net when the transaction occurs. The Company classifies the cash flows at settlement from these designated cash flow hedge derivatives in the same category as the cash flows from the related hedged items, generally within the cash provided by operations component of the cash flow statement.

Premiums paid on options are initially recorded as deferred charges. The Company assesses the effectiveness of options based on the total cash flows method and records total changes in the options' fair value to other comprehensive income to the degree they are effective.

As of May 31, 2011, \$120 million of deferred net losses (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to net income during the next 12 months as a result of underlying hedged transactions also being recorded in net income. Actual amounts ultimately reclassified to net income are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of May 31, 2011, the maximum term over which the Company is hedging exposures to the variability of cash flows for its forecasted and recorded transactions is 15 months.

The Company formally assesses both at a hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Effectiveness for cash flow hedges is assessed based on forward rates. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, but is expected to occur within an additional two-month period of time thereafter, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified to net income when the forecasted transaction affects net income. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized

immediately in net income. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in other (income), net. For the year ended May 31, 2011 an immaterial amount of ineffectiveness was recorded to other (income), net. For the years ended May 31, 2010 and 2009, the Company recorded in other (income), net \$5 million gain and an immaterial amount of ineffectiveness from cash flow hedges, respectively.

Fair Value Hedges

The Company is also exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives currently used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps. As of May 31, 2011, all interest rate swap agreements are designated as fair value hedges of the related long-term debt and meet the shortcut method requirements under the accounting standards for derivatives and hedging. Accordingly, changes in the fair values of the interest rate swap agreements are exactly offset by changes in the fair value of the underlying long-term debt. The cash flows associated with the Company's fair value hedges are periodic interest payments while the swaps are outstanding, which are reflected in net income within the cash provided by operations component of the cash flow statement. No ineffectiveness has been recorded to net income related to interest rate swaps designated as fair value hedges for the years ended May 31, 2011, 2010, and 2009.

In fiscal 2003, the Company entered into a receive-floating, pay-fixed interest rate swap agreement related to a Japanese Yen denominated intercompany loan with one of the Company's Japanese subsidiaries. This interest rate swap was not designated as a hedge under the accounting standards for derivatives and hedging.

Accordingly, changes in the fair value of the swap were recorded to net income each period through maturity as a component of interest expense (income), net. Both the intercompany loan and the related interest rate swap matured during the year ended May 31, 2009.

Net Investment Hedges

The Company also hedges the risk of variability in foreign-currency-denominated net investments in wholly-owned international operations. All changes in fair value of the derivatives designated as net investment hedges, except ineffective portions, are reported in the cumulative translation adjustment component of other comprehensive income along with the foreign currency translation adjustments on those investments. The Company classifies the cash flows at settlement of its net investment hedges within the cash used by investing component of the cash flow statement. The Company assesses hedge effectiveness based on changes in forward rates. The Company recorded no ineffectiveness from its net investment hedges for the years ended May 31, 2011, 2010, and 2009.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored and reported to senior management according to prescribed guidelines. The Company also utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business.

The Company's derivative contracts contain credit risk related contingent features aiming to protect against significant deterioration in counterparties' creditworthiness and their ultimate ability to settle outstanding derivative contracts in the normal course of business. The Company's bilateral credit related contingent features require the owing entity, either the Company or the derivative

counterparty, to post collateral should the fair value of outstanding derivatives per counterparty be greater than \$50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could trigger collateral requirements. As of May 31, 2011, the Company was in compliance with all such credit risk related contingent features. The aggregate fair value

of derivative instruments with credit risk related contingent features that are in a net liability position at May 31, 2011 was \$160 million. The Company, or any counterparty, were not required to post any collateral as a result of these contingent features. As a result of the above considerations, the Company considers the impact of the risk of counterparty default to be immaterial.

NOTE 18 Operating Segments and Related Information

Operating Segments

The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions for operations participating in NIKE Brand sales activity excluding NIKE Golf. Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel, and equipment. In fiscal 2009, the Company initiated a reorganization of the NIKE Brand into a new model consisting of six geographies. Effective June 1, 2009, the Company's new reportable operating segments for the NIKE Brand are: North America, Western Europe, Central and Eastern Europe, Greater China, Japan, and Emerging Markets. Previously, NIKE Brand operations were organized into the following four geographic regions: U.S., Europe, Middle East and Africa (collectively, "EMEA"), Asia Pacific, and Americas. The Company's NIKE Brand Direct to Consumer operations are managed within each geographic segment.

The Company's "Other" category is broken into two components for presentation purposes to align with the way management views the Company. The "Global Brand Divisions" category primarily represents NIKE Brand licensing businesses that are not part of a geographic operating segment, selling, general and administrative expenses that are centrally managed for the NIKE Brand and costs associated with product development and supply chain operations. The "Other Businesses" category primarily consists of the activities of our affiliate brands; Cole Haan, Converse Inc., Hurley International LLC and Umbro International Limited; and NIKE Golf. Activities represented in the "Other" category are immaterial for individual disclosure.

Revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure.

Corporate consists of unallocated general and administrative expenses, which includes expenses associated with centrally managed departments, depreciation and amortization related to the Company's headquarters, unallocated insurance and benefit programs, including stock-based compensation, certain foreign currency gains and losses, including hedge gains and losses, certain corporate eliminations and other items.

Effective June 1, 2009, the primary financial measure used by the Company to evaluate performance of individual operating segments is Earnings Before Interest and Taxes (commonly referred to as "EBIT") which represents net income before interest expense (income), net and income taxes in the consolidated statements of income. Reconciling items for EBIT represent corporate expense items that are not allocated to the operating segments for management reporting. Previously, the Company evaluated performance of individual operating segments based on pre-tax income or income before income taxes.

As part of the Company's centrally managed foreign exchange risk management program, standard foreign currency rates are assigned to each NIKE Brand entity in our geographic operating segments and are used to record any non-functional currency revenues or product purchases into the entity's functional currency. Geographic operating segment revenues and cost of sales reflect use of these standard rates. For all NIKE Brand operating segments, differences between assigned standard foreign currency rates and actual market rates are included in Corporate together with foreign currency hedge gains and losses generated from the centrally managed foreign exchange risk management program and other conversion gains and losses. Prior to June 1, 2010, foreign currency results, including hedge results and other conversion gains and losses generated by the Western Europe and Central & Eastern Europe geographies were recorded in their respective geographic results.

Additions to long-lived assets as presented in the following table represent capital expenditures.

Accounts receivable, inventories and property, plant and equipment for operating segments are regularly reviewed by management and are therefore provided below.

Certain prior year amounts have been reclassified to conform to fiscal 2011 presentation, as South Africa became part of the Emerging Markets operating segment beginning June 1, 2010. Previously, South Africa was part of the Central & Eastern Europe operating segment.

PART II

Note 18 Operating Segments and Related Information

(In millions)	Year Ended May 31,		
	2011	2010	2009
REVENUE			
North America	\$ 7,578	\$ 6,696	\$ 6,778
Western Europe	3,810	3,892	4,139
Central & Eastern Europe	1,031	993	1,247
Greater China	2,060	1,742	1,743
Japan	766	882	926
Emerging Markets	2,736	2,199	1,828
Global Brand Divisions	123	105	96
Total NIKE Brand	18,104	16,509	16,757
Other Businesses	2,747	2,530	2,419
Corporate	11	(25)	—
TOTAL NIKE CONSOLIDATED REVENUES	\$ 20,862	\$ 19,014	\$ 19,176
EARNINGS BEFORE INTEREST AND TAXES			
North America	\$ 1,750	\$ 1,538	\$ 1,429
Western Europe	721	856	939
Central & Eastern Europe	233	253	394
Greater China	777	637	575
Japan	114	180	205
Emerging Markets	688	521	364
Global Brand Divisions	(998)	(867)	(811)
Total NIKE Brand	3,285	3,118	3,095
Other Businesses ⁽¹⁾	334	299	(193)
Corporate ⁽²⁾	(771)	(894)	(955)
Total NIKE Consolidated Earnings Before Interest and Taxes	2,848	2,523	1,947
Interest expense (income), net	4	6	(10)
TOTAL NIKE CONSOLIDATED EARNINGS BEFORE TAXES	\$ 2,844	\$ 2,517	\$ 1,957
ADDITIONS TO LONG-LIVED ASSETS			
North America	\$ 79	\$ 45	\$ 99
Western Europe	75	59	70
Central & Eastern Europe	5	4	7
Greater China	43	80	59
Japan	9	12	10
Emerging Markets	21	11	12
Global Brand Divisions	44	30	37
Total NIKE Brand	276	241	294
Other Businesses	38	52	90
Corporate	118	42	72
TOTAL ADDITIONS TO LONG-LIVED ASSETS	\$ 432	\$ 335	\$ 456
DEPRECIATION			
North America	\$ 70	\$ 65	\$ 64
Western Europe	52	57	51
Central & Eastern Europe	4	4	4
Greater China	19	11	7
Japan	22	26	30
Emerging Markets	14	12	10
Global Brand Divisions	39	33	43
Total NIKE Brand	220	208	209
Other Businesses	44	46	38
Corporate	71	70	88
TOTAL DEPRECIATION	\$ 335	\$ 324	\$ 335

(1) During the year ended May 31, 2009, the Other category included a pre-tax charge of \$401 million for the impairment of goodwill, intangible and other assets of Umbro, which was recorded in the third quarter of fiscal 2009. See Note 4 — Identifiable Intangible Assets, Goodwill and Umbro Impairment for more information.

(2) During the year ended May 31, 2009, Corporate expense included pre-tax charges of \$195 million for the Company's restructuring activities, which were completed in the fourth quarter of fiscal 2009. See Note 16 — Restructuring Charges for more information.

<i>(In millions)</i>	Year Ended May 31,	
	2011	2011
ACCOUNTS RECEIVABLE, NET		
North America	\$ 1,069	\$ 848
Western Europe	500	402
Central & Eastern Europe	290	271
Greater China	140	129
Japan	153	167
Emerging Markets	466	350
Global Brand Divisions	23	22
Total NIKE Brand	2,641	2,189
Other Businesses	471	442
Corporate	26	19
TOTAL ACCOUNTS RECEIVABLE, NET	\$ 3,138	\$ 2,650
INVENTORIES		
North America	\$ 1,034	\$ 768
Western Europe	434	347
Central & Eastern Europe	145	102
Greater China	152	104
Japan	82	68
Emerging Markets	429	285
Global Brand Divisions	25	20
Total NIKE Brand	2,301	1,694
Other Businesses	414	347
Corporate	—	—
TOTAL INVENTORIES	\$ 2,715	\$ 2,041
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	\$ 330	\$ 325
Western Europe	338	282
Central & Eastern Europe	13	11
Greater China	179	146
Japan	360	333
Emerging Markets	58	48
Global Brand Divisions	116	99
Total NIKE Brand	1,394	1,244
Other Businesses	164	167
Corporate	557	521
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$ 2,115	\$ 1,932

Revenues by Major Product Lines

Revenues to external customers for NIKE Brand products are attributable to sales of footwear, apparel and equipment. Other revenues to external customers primarily include external sales by Cole Haan, Converse, Hurley, NIKE Golf, and Umbro.

<i>(In millions)</i>	Year Ended May 31,		
	2011	2010	2009
Footwear	\$ 11,493	\$ 10,332	\$ 10,307
Apparel	5,475	5,037	5,245
Equipment	1,013	1,035	1,110
Other	2,881	2,610	2,514
	\$ 20,862	\$ 19,014	\$ 19,176