Risk Factors Comparison 2023-07-20 to 2022-07-21 Form: 10-K

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Certain written and oral statements, other than purely historic information, including estimates, projections, statements relating to NIKE ~~’~~ **'** s business plans, objectives and expected operating or financial results and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this **Annual** ~~report~~ **Report** , other reports, filings with the SEC, press releases, conferences or otherwise, are ~~“~~ **"** forward- looking statements ~~”~~ **"** within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended. Forward- looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words ~~“~~ **"** believe, ~~” “~~ **""** anticipate, ~~” “~~ **""** expect, ~~” “~~ **""** estimate, ~~” “~~ **""** project, ~~” “~~ **""** will be, ~~” “~~ **""** will continue, ~~” “~~ **""** will likely result ~~”~~ **"** or words or phrases of similar meaning. Forward- looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward- looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the SEC, including reports filed on Forms 8- K, 10- Q and 10- K, and include, among others, the following: ~~health epidemics, pandemics and similar outbreaks, including the COVID- 19 pandemic;~~ international, national and local political, civil, economic and market conditions **, including high, and increases in, inflation and interest rates** ; the size and growth of the overall athletic or leisure footwear, apparel and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic or leisure footwear, apparel and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products and the various market factors described above; our ability to execute on our sustainability strategy and achieve our sustainability- related goals and targets, including sustainable product offerings; difficulties in implementing, operating and maintaining NIKE ~~’~~ **'** s increasingly complex information technology systems and controls, including, without limitation, the systems related to demand and supply planning and inventory control; interruptions in data and information technology systems; consumer data security; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance orders may not be indicative of future revenues due to changes in shipment timing, the changing mix of orders with shorter lead times, and discounts, order cancellations and returns; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE ~~’~~ **'** s products; increases in the cost of materials, labor and energy used to manufacture products; new product development and introduction; the ability to secure and protect trademarks, patents and other intellectual property; product performance and quality; customer service; adverse publicity and an inability to maintain NIKE ~~’~~ **'** s reputation and brand image, including without limitation, through social media or in connection with brand damaging events; the loss of significant customers or suppliers; dependence on distributors and licensees; business disruptions; increased costs of freight and transportation to meet delivery deadlines; increases in borrowing costs due to any decline in NIKE ~~’~~ **'** s debt ratings; changes in business strategy or development plans; general risks associated with doing business outside of the United States, including, without limitation, exchange rate fluctuations, ~~inflation,~~ import duties, tariffs, quotas, sanctions, political and economic instability, conflicts and terrorism; the potential impact of new and existing laws, regulations or policy, including, without limitation, tariffs, import / export, trade, wage and hour or labor and immigration regulations or policies; changes in government regulations; the impact of, including business and legal developments relating to, climate change, extreme weather conditions and natural disasters; litigation, regulatory proceedings, sanctions or any other claims asserted against NIKE; the ability to attract and retain qualified employees, and any negative public perception with respect to key personnel or our corporate culture, values or purpose; the effects of NIKE ~~’~~ **'** s decision to invest in or divest of businesses or capabilities **; health epidemics, pandemics and similar outbreaks, including the COVID- 19 pandemic;** and other factors referenced or incorporated by reference in this **Annual** ~~report~~ **Report** and other reports **.** Investors should also be aware that while NIKE does,from time to time,communicate with securities analysts,it is against NIKE ~~’~~ **'** s policy to disclose to them any material non- public information or other confidential commercial information.Accordingly,shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report.Furthermore,NIKE has a policy against confirming financial forecasts or projections issued by others.Thus,to the extent that reports issued by securities analysts contain any projections,forecasts or opinions,such reports are not the responsibility of NIKE ~~.~~. Risk Factors The risks included here are not exhaustive. Other sections of this **Annual** ~~report~~ **Report** may include additional factors which could adversely affect NIKE ~~’~~ **'** s business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for management to predict all such risks, nor can it assess the impact of all such risks on NIKE ~~’~~ **'** s business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward- looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward- looking statements as a prediction of actual results. Investors should also be aware that while...... not the responsibility of NIKE. 2022 **2023** FORM 10- K 9Economic and Industry Risks Global economic conditions could have a material adverse effect on our business, operating results and financial condition. The uncertain state of the global economy **, including high and rising levels of inflation and interest rates and the risk of a recession,** continues to impact businesses around the world. If global economic and financial market conditions deteriorate, the following factors **, among others,** could have a material adverse effect on our business, operating results and financial condition: • Our sales are impacted by discretionary spending by consumers. Declines in consumer spending have in the past **resulted in** and **may** in the future ~~may~~ result in reduced demand for our products, increased inventories, reduced orders from retailers for our products, order cancellations, lower revenues, higher discounts and lower gross margins. • In the future, we may be unable to access financing in the credit and capital markets at reasonable rates in the event we find it desirable to do so. • We conduct transactions in various currencies, which creates exposure to fluctuations in foreign currency exchange rates relative to the U. S. Dollar. Continued volatility in the markets and exchange rates for foreign currencies and contracts in foreign currencies **has had and** could **continue to** have a significant impact on our reported operating results and financial condition. • Continued volatility in the availability and prices for commodities and raw materials we use in our products and in our supply chain (such as cotton or petroleum derivatives) **has had and** could **in the future** have a material adverse effect on our costs, gross margins and profitability. In addition, supply chain issues caused by factors including the COVID- 19 pandemic and geopolitical conflicts have impacted and may continue to impact the availability, pricing and timing for obtaining commodities and raw materials. • If retailers of our products experience declining revenues or experience difficulty obtaining financing in the capital and credit markets to purchase our products, this could result in reduced orders for our products, order cancellations, late retailer payments, extended payment terms, higher accounts receivable, reduced cash flows, greater expense associated with collection efforts and increased bad debt expense. • ~~If~~ **In the past, certain** retailers of our products **have** ~~experience~~ **experienced** severe financial difficulty, ~~some may~~ become insolvent and ~~cease~~ **ceased** business operations, **and this could occur in the future,** which could negatively impact the sale of our products to consumers. **•** If contract manufacturers of our products or other participants in our supply chain experience difficulty obtaining financing in the capital and credit markets to purchase raw materials or to finance capital equipment and other general working capital needs, it may result in delays or non- delivery of shipments of our products. Our **products,services and** experiences face intense competition.NIKE is a consumer products company and the relative popularity of various sports and fitness activities and changing design trends affect the demand for our products,services and experiences.The athletic footwear,apparel and equipment industry is highly competitive both in the United States and worldwide.We compete internationally with a significant number of athletic and leisure footwear companies,athletic and leisure apparel companies,sports equipment companies,private labels and large companies that have diversified lines of athletic and leisure footwear,apparel and equipment.We also compete with other companies for the production capacity of contract manufacturers that produce our products.In addition,we and our contract manufacturers compete with other companies and industries for raw materials used in our products.Our NIKE Direct operations,both through our digital commerce operations and retail stores,also compete with multi- brand retailers,which sell our products through their digital platforms and physical stores,and with digital commerce platforms.In addition,we compete with respect to the digital services and experiences we are able to offer our consumers,including fitness and activity apps;sport,fitness and wellness content and services;and digital services and features in retail stores that enhance the consumer experience.Product offerings,technologies,marketing expenditures (including expenditures for advertising and endorsements),pricing,costs of production,customer service,digital commerce platforms,digital services and experiences and social media presence are areas of intense competition.These,in addition to ongoing rapid changes in technology,a reduction in barriers to the creation of new footwear and apparel companies and consumer preferences in the markets for athletic and leisure footwear,apparel,and equipment,services and experiences,constitute significant risk factors in our operations.In addition,the competitive nature of retail,including shifts in the ways in which consumers shop,and the continued proliferation of digital commerce,constitutes a risk factor implicating our NIKE Direct and wholesale operations.If we do not adequately and timely anticipate and respond to our **competitors,our costs may increase,demand for our products may decline,possibly significantly,or we may need to reduce wholesale or suggested retail prices for our products.** ~~2022~~ **2023** FORM 10- K **10** ~~11 competitors,our costs may increase,demand for our products may decline,possibly significantly,or we may need to reduce wholesale or suggested retail prices for our products.~~ Economic factors beyond our control,and changes in the global economic environment,including fluctuations in inflation and currency exchange rates,could result in lower revenues,higher costs and decreased margins and earnings.A majority of our products are manufactured and sold outside of the United States,and we conduct purchase and sale transactions in various currencies,which creates exposure to the volatility of global economic conditions,including fluctuations in inflation and foreign currency exchange rates.Central banks may deploy various strategies to combat inflation,including increasing interest rates,which may impact our borrowing costs.Additionally,there has been,and may continue to be,volatility in currency exchange rates ~~including as a result of U.S.policy changes and the Russia and Ukraine conflict~~ that impact the U.S.Dollar value relative to other international currencies.Our international revenues and expenses generally are derived from sales and operations in foreign currencies,and these revenues and expenses **are** ~~could be~~ affected by currency fluctuations,specifically amounts recorded in foreign currencies and translated into U.S.Dollars for consolidated financial reporting,as weakening of foreign currencies relative to the U.S.Dollar adversely affects the U.S.Dollar value of the Company' s foreign currency- denominated sales and earnings.Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance.Foreign currency fluctuations have adversely affected and could continue to have an adverse effect on our results of operations and financial condition.We ~~may~~ hedge certain foreign currency exposures to lessen and delay,but not to completely eliminate,the effects of foreign currency fluctuations on our financial results.Since the hedging activities are designed to lessen volatility,they not only reduce the negative impact of a stronger U.S.Dollar or other trading currency,but they also reduce the positive impact of a weaker U.S.Dollar or other trading currency.Our future financial results **have in the past been and** could **in the future** be significantly affected by the value of the U.S.Dollar in relation to the foreign currencies in which we conduct business.The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities.We may be adversely affected by the financial health of our **wholesale** customers.We extend credit to our customers based on an assessment of a customer' s financial condition,generally without requiring collateral.To assist in the scheduling of production and the shipping of our products,we offer certain customers the opportunity to place orders five to six months ahead of delivery under our futures ordering program.These advance orders may be canceled under certain conditions,and the risk of cancellation ~~may increase~~ **increases** when dealing with financially unstable retailers or retailers struggling with economic uncertainty.In the past,some customers have experienced financial difficulties up to and including bankruptcies,which have had an adverse effect on our sales,our ability to collect on receivables and our financial condition.When the retail economy weakens or as consumer behavior shifts,retailers ~~may~~ **tend to** be more cautious with orders.A slowing or changing economy in our key markets **,including a recession,** could adversely affect the financial health of our customers,which in turn could have an adverse effect on our results of operations and financial condition.In addition,product sales are dependent in part on high quality merchandising and an appealing retail environment to attract consumers,which requires continuing investments by retailers.Retailers that experience financial difficulties may fail to make such investments or delay them,resulting in lower sales and orders for our products ~~.The ongoing financial uncertainty surrounding COVID-19,particularly for retailers,could also have an effect on our sales,our ability to collect on receivables and our financial condition~~ .Climate change and other sustainability- related matters,or legal,regulatory or market responses thereto,may have an adverse impact on our business and results of operations.There are concerns that increased levels of carbon dioxide and other greenhouse gases in the atmosphere have caused,and may continue to cause,potentially at a growing rate,increases in global temperatures,changes in weather patterns and increasingly frequent and / or prolonged extreme weather and climate events.Climate change may also exacerbate challenges relating to the availability and quality of water and raw materials,including those used in the production of our products,and may result in changes in regulations or consumer preferences,which could in turn affect our business,operating results and financial condition.For example,there has been increased focus by governmental and non- governmental organizations,consumers,customers,employees and other stakeholders on products that are sustainably made and other sustainability matters,including responsible sourcing and deforestation,the use of plastic,energy and water,the recyclability or recoverability of packaging and materials transparency,any of which may require us to incur increased costs for additional transparency,due diligence and reporting.In addition,federal,state or local governmental authorities in various countries have proposed,and are likely to continue to propose,legislative and regulatory initiatives to reduce or mitigate the impacts of climate change on the environment.Various countries and regions are following different approaches to the regulation of climate change,which could increase the complexity of,and potential cost related to complying with,such regulations.Any of the foregoing may require us to make additional investments in facilities and equipment,may impact the availability and cost of key raw materials used in the production of our products or the demand for our products,and,in turn,may adversely impact our business,operating results and financial condition. ~~2022 FORM 10- K 12~~ Although we have announced sustainability- related goals and targets,there can be no assurance that our stakeholders will agree with our strategies,and any perception,whether or not valid,that we have failed to achieve,or to act responsibly with respect to,such matters or to effectively respond to new or additional legal or regulatory requirements regarding climate change,could result in adverse publicity and adversely affect our business and reputation.Execution of these strategies and achievement of our goals is subject to risks and uncertainties,many of which are outside of our control.These risks and uncertainties include,but are not **2023 FORM 10- K 11** limited to,our ability to execute our strategies and achieve our goals within the currently projected costs and the expected timeframes;the availability and cost of raw materials and renewable energy;unforeseen production,design,operational and technological difficulties;the outcome of research efforts and future technology developments,including the ability to scale projects and technologies on a commercially competitive basis such as carbon sequestration and / or other related processes;compliance with,and changes or additions to,global and regional regulations,taxes,charges,mandates or requirements relating to greenhouse gas emissions,carbon costs or climate- related goals;adapting products to customer preferences and customer acceptance of sustainable supply chain solutions;and the actions of competitors and competitive pressures.As a result,there is no assurance that we will be able to successfully execute our strategies and achieve our sustainability- related goals,which could damage our reputation and customer and other stakeholder relationships and have an adverse effect on our business,results of operations and financial condition.Extreme weather conditions and natural disasters could negatively impact our operating results and financial condition.Given the broad and global scope of our operations,we are particularly vulnerable to the physical risks of climate change,such as shifts in weather patterns.Extreme weather conditions in the areas in which our retail stores,suppliers,manufacturers,customers,distribution centers,offices,headquarters and vendors are located could adversely affect our operating results and financial condition.Moreover,natural disasters such as earthquakes,hurricanes,wildfires ~~and~~ **,** tsunamis **,floods or droughts** ,whether occurring in the United States or abroad,and their related consequences and effects,including energy shortages and public health issues,have in the past temporarily disrupted,and could in the future disrupt,our operations,the operations of our vendors,manufacturers and other suppliers or have in the past resulted in,and in the future could result in,economic instability that may negatively impact our operating results and financial condition.In particular,if a natural disaster or severe weather event were to occur in an area in which we or our suppliers,manufacturers,employees,customers,distribution centers ~~and~~ **or** vendors are located,our continued success would depend,in part,on the safety and availability of the relevant personnel and facilities and proper functioning of our or third parties' computer,network,telecommunication and other systems and operations.In addition,a natural disaster or severe weather event could negatively impact retail traffic to our stores or stores that carry our products and could have an adverse impact on consumer spending,any of which could in turn result in negative point-of- sale trends for our merchandise.Further,climate change may increase both the frequency and severity of extreme weather conditions and natural disasters,which may affect our business operations,either in a particular region or globally,as well as the activities of our third- party vendors and other suppliers,manufacturers and customers.We believe the diversity of locations in which we operate,our operational size,disaster recovery and business continuity planning and our information technology systems and networks,including the Internet and third- party services (~~“~~ **"** Information Technology Systems ~~”~~ **"**) **,** position us well,but may not be sufficient for all or for concurrent eventualities.If we were to experience a local or regional disaster or other business continuity event or concurrent events,we could ~~still~~ experience operational challenges,in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations,such as key executive officers or personnel.For example,our ~~World~~ **world** ~~Headquarters~~ **headquarters** ~~are~~ **is** located in an active seismic zone,which is at a higher risk for earthquakes and the related consequences or effects.Further,if we are unable to find alternative suppliers,replace capacity at key manufacturing or distribution locations or quickly repair damage to our Information Technology Systems or supply systems,we could be late in delivering,or be unable to deliver,products to our customers.These events could result in reputational damage **,lost sales,cancellation charges or markdowns,all of which could have an adverse effect on our business,results of operations and financial condition.Our** financial condition and results of operations have been, and could in the future be, adversely affected by **a pandemic, epidemic or other public health emergency. Pandemics, including** the COVID- 19 pandemic ~~. A novel strain of coronavirus (COVID- 19) was first identified in Wuhan~~ , ~~China in December 2019,~~ and ~~subsequently declared a pandemic by the~~ **other** ~~World~~ **public** ~~Health~~ **health emergencies,** ~~Organization. The COVID- 19 pandemic~~ and preventative measures taken to contain or mitigate ~~the pandemic~~ **such crises** have caused, and may in the future cause, business slowdown or shutdown in affected areas and significant disruption in the financial markets, both globally and in the United States. These events have led to and could again lead to adverse impacts to our global supply chain, factory cancellation costs, store closures, and a decline in retail traffic and discretionary spending by consumers and, in turn, materially impact our business, sales, financial condition and results of operations as well as cause a volatile effective tax rate driven by changes in the mix of earnings across our jurisdictions. We cannot predict whether, and to what degree, our sales, operations and financial results could in the future be affected by the pandemic and preventative measures. Risks presented by ~~the COVID- 19 pandemic~~ **pandemics and other public health emergencies** include, but are not limited to: • Deterioration in economic conditions in the United States and globally, including the effect of prolonged periods of inflation on our consumers and vendors; • Disruption to our distribution centers, contract manufacturers, finished goods ~~contract~~ factories and other vendors, through the effects of facility closures, increased operating costs, reductions in operating hours, labor shortages, and real time changes in operating procedures, such as additional cleaning and disinfection procedures, which have had, and could in the future again have, a significant impact on our planned inventory production and distribution, including higher inventory levels or inventory shortages in various markets; **2023 FORM 10- K 12** • Impacts to our distribution and logistics providers ~~'~~ **'** ability to operate, including labor and container shortages, and increases in their operating costs. These supply chain effects have had, and could in the future have, an adverse effect on our ability to meet consumer demand, including digital demand, and have in the past resulted in and could in the future result in extended inventory transit times and an increase in our costs of production and distribution, including increased freight and logistics costs and other expenses; • Decreased retail traffic as a result of store closures, reduced operating hours, social distancing restrictions and / or changes in consumer behavior; ~~2022 FORM 10- K 10~~ • Reduced consumer demand for our products ~~if consumers seek to reduce or delay discretionary spending in response to the impacts of COVID- 19~~ , including as a result of a rise in unemployment rates, higher costs of borrowing, inflation and diminished consumer confidence; • Cancellation or postponement of sports seasons and sporting events in multiple countries, ~~including in the United States,~~ and bans on large public gatherings, which have reduced **and in the future could reduce** consumer spending on our products and could impact the effectiveness of our arrangements with key endorsers; • The risk that any safety protocols in NIKE- owned or affiliated facilities, including our offices, will not be effective or not be perceived as effective, or that any virus- related illnesses will be linked or alleged to be linked to such facilities, whether accurate or not; • Incremental costs resulting from the adoption of preventative measures and compliance with regulatory requirements, including providing facial coverings and hand sanitizer, rearranging operations to follow social distancing protocols, conducting temperature checks, ~~COVID- 19~~ testing and undertaking regular and thorough disinfecting of surfaces; • Bankruptcies or other financial difficulties facing our wholesale customers, which could cause them to be unable to make or delay making payments to us, or result in revised payment terms, cancellation or reduction of their orders ~~; • Operational risk, including but not limited to cybersecurity risks, as a result of continued workforce remote work arrangements, and restrictions on employee travel~~ ; and • Significant disruption of and volatility in global financial markets, which could have a negative impact on our ability to access capital in the future. We ~~continue to monitor~~ **cannot reasonably predict** the ~~latest developments regarding the~~ **ultimate impact of any** pandemic ~~and have made certain assumptions regarding the pandemic for~~ **or public health emergency** ~~purposes of our operating, financial and tax planning projections~~ , including ~~assumptions regarding the duration and severity of the pandemic and the global macroeconomic impacts of the pandemic. However, we are unable to accurately predict~~ the extent of ~~the~~ **any adverse** impact ~~of the pandemic~~ on our business, **results of** operations and financial condition ~~due to the uncertainty of future developments. In particular~~ , **which** ~~we believe the ultimate impacts on our business, results of operations, cash flows and financial condition~~ will depend on, among other things, the ~~further~~ **duration and** spread ~~and duration~~ of ~~COVID- 19~~ **the pandemic or public health emergency, the impact of governmental regulations that have been, and may continue to be, imposed in response, the effectiveness of actions taken to contain or mitigate the outbreak, the availability, safety and efficacy of vaccines** , including **against** emerging ~~variant~~ **variants** ~~strains~~ of ~~COVID- 19,~~ the **infectious disease** ~~requirements to take action to help limit the spread of the illness~~ , ~~the impact of the easing of restrictions in various regions, the availability, widespread distribution~~ and **global** ~~acceptance, as well as the safety and efficacy of vaccines for COVID- 19 and the~~ economic **conditions** ~~impacts of the pandemic~~ . **Additionally, disruptions** ~~Even in those regions where we~~ have **in** ~~experienced business recovery, should those~~ -- **the past made** ~~regions fail to fully contain COVID- 19 or suffer a COVID- 19 relapse, those markets may not recover as quickly or at all, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, COVID- 19 related disruptions are making~~ it more challenging to compare our performance, including our revenue growth and overall profitability, across quarters and fiscal years **, and could have this effect in the future** . ~~The~~ **Any** pandemic **or public health emergency** may also affect our business, results of operations or financial condition in a manner that is not presently known to us or that we currently do not consider to present significant risks **and** ~~. In addition, the impact of COVID- 19~~ may also exacerbate, or occur concurrently with, other risks discussed in this Item 1A. Risk Factors, any of which could have a material effect on us. Our products, services and experiences face...... results of operations and financial condition. Business and Operational Risks Failure to maintain our reputation, brand image and culture could negatively impact our business. Our iconic brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brands will depend on our design and marketing efforts, including advertising and consumer campaigns, product innovation and product quality. Our commitment to product innovation, quality and sustainability, and our continuing investment in design (including materials), marketing and sustainability measures may not have the desired impact on our brand image and reputation. In addition, our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media and digital environment, including our ~~increasing~~ reliance on social media **and other digital advertising networks,** and digital dissemination of advertising campaigns on our digital platforms and through our digital experiences and products. We could be adversely impacted if we fail to achieve any of these objectives. Our brand value also depends on our ability to maintain a positive consumer perception of our corporate integrity, purpose and brand culture. Negative claims or publicity involving us, our culture and values, our products, services and experiences, consumer data, or any of our key employees, endorsers, sponsors ~~or~~ **,** suppliers **or partners** could seriously damage our reputation and brand image, regardless of whether such claims are accurate. For example, while we require our suppliers of our products to operate ~~2022 FORM 10- K 13~~ their business in compliance with applicable laws and regulations, we do not control their practices. Negative publicity relating to a violation or an alleged violation of policies or laws by such suppliers could damage our brand image and diminish consumer trust in our brand. Further, our reputation and brand image could be damaged as a result of our support of, association with or lack of support or disapproval of certain social causes, as well as any decisions we make to continue to conduct, or change, certain of our activities in response to such considerations. Social media, which accelerates and potentially amplifies the scope of negative publicity, can increase the challenges of responding to negative claims. Adverse publicity about regulatory or legal action against us, or by us, could also damage our reputation and brand image, undermine consumer confidence in us and reduce long- term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. If **2023 FORM 10- K 13** the reputation, culture or image of any of our brands is tarnished or if we receive negative publicity, then our sales, financial condition and results of operations could be materially and adversely affected. Our business is affected by seasonality, which could result in fluctuations in our operating results. We experience moderate fluctuations in aggregate sales volume during the year. Historically, revenues in the first and fourth fiscal quarters have slightly exceeded those in the second and third fiscal quarters. However, the mix of product sales may vary considerably from time to time or in the future as a result of strategic shifts in our business ~~, changes in COVID- 19 related cancellations or postponements~~ and seasonal or geographic demand for particular types of footwear, apparel and equipment and in connection with the timing ~~, cancellation or postponement~~ of significant sporting events, such as the NBA Finals, Olympics or the World Cup, among others. In addition, our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice. As a result, we may not be able to accurately predict our quarterly sales. Accordingly, our results of operations are likely to fluctuate significantly from period to period. This seasonality, along with other factors that are beyond our control, including economic conditions, changes in consumer preferences, weather conditions, outbreaks of disease, social or political unrest, availability of import quotas, transportation disruptions and currency exchange rate fluctuations, **has in the past adversely affected and** could **in the future** adversely affect our business and cause our results of operations to fluctuate. Our operating margins are also sensitive to a number of additional factors that are beyond our control, including manufacturing and transportation costs, shifts in product sales mix and geographic sales trends, all of which we expect to continue. Results of operations in any period should not be considered indicative of the results to be expected for any future period. If we are unable to anticipate consumer preferences and develop new products, we may not be able to maintain or increase our revenues and profits. Our success depends on our ability to identify, originate and define product trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. However, lead times for many of our products may make it more difficult for us to respond rapidly to new or changing product trends or consumer preferences. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of performance products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. If we fail to anticipate accurately and respond to trends and shifts in consumer preferences by adjusting the mix of existing product offerings, developing new products, designs, styles and categories, and influencing sports and fitness preferences through extensive marketing, we could experience lower sales, excess inventories or lower profit margins, any of which could have an adverse effect on our results of operations and financial condition. In addition, we market our products globally through a diverse spectrum of advertising and promotional programs and campaigns, including social media ~~, mobile applications~~ and ~~online~~ **other digital** advertising **networks** . If we do not successfully market our products or if advertising and promotional costs increase, these factors could have an adverse effect on our business, financial condition and results of operations. We rely on technical innovation and high- quality products to compete in the market for our products. Technical innovation and quality control in the design and manufacturing processes of footwear, apparel, equipment and other products and services are essential to the commercial success of our products and development of new products. Research and development play a key role in technical innovation. We rely upon specialists in the fields of biomechanics, chemistry, exercise physiology, engineering, digital technologies, industrial design, sustainability and related fields, as well as research committees and advisory boards made up of athletes, coaches, trainers, equipment managers, orthopedists, podiatrists and other experts to develop and test cutting- edge performance products. While we strive to produce products that help to enhance athletic performance and reduce injury and maximize comfort, if we fail to introduce technical innovation in our products, consumer demand for our products could decline, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems and loss of consumer confidence. Failure to continue to obtain or maintain high- quality endorsers of our products could harm our business. We establish relationships with professional athletes, sports teams and leagues, as well as other public figures, including artists, designers and influencers, to develop, evaluate and promote our products, as well as establish product authenticity with consumers. However, as competition in our industry has increased, the costs associated with establishing and retaining such sponsorships and other relationships have increased **, and competition to attract and retain high- quality endorsers has increased** . If we are unable to maintain our current associations with professional athletes, sports teams and leagues, or other public figures, or to do so at a reasonable cost, we could lose the high visibility or ~~2022 FORM 10- K 14~~ on-field authenticity associated with our products, and we may be required to modify and substantially increase our marketing investments. As a result, our brands, net revenues, expenses and profitability could be harmed. Furthermore, if certain endorsers were to stop using our products contrary to their endorsement agreements, our business could be adversely affected. In addition, actions taken or statements made by athletes, teams or leagues, or other endorsers, associated with our products or brand that harm the reputations of those athletes, teams or leagues, or endorsers, **or our decisions to cease collaborating with certain endorsers in light of actions taken or statements made by them, have in the past harmed and** could ~~also~~ **in the future** seriously harm our brand image with consumers and, as a result, could have an adverse effect on **2023 FORM 10- K 14** our sales and financial condition. ~~In addition, poor~~ **Poor** or non- performance by our endorsers, a failure to continue to correctly identify promising athletes, public figures or sports organizations, to use and endorse our products and brand or a failure to enter into cost- effective endorsement arrangements with prominent athletes, public figures and sports organizations could adversely affect our brand, sales and profitability. Failure to accurately forecast consumer demand could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows and harm to our business. To meet anticipated demand for our products, we purchase products from manufacturers outside of our futures ordering program and in advance of customer orders, which we hold in inventory and resell to customers. There is a risk we may be unable to sell excess products ordered from manufacturers. Inventory levels in excess of customer demand may result in inventory write- downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have an adverse effect on our operating results, financial condition and cash flows. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply products we require at the time we need them, we may experience inventory shortages. Inventory shortages could delay shipments to customers, negatively impact retailer, distributor and consumer relationships and diminish brand loyalty. The difficulty in forecasting demand also makes it difficult to estimate our future results of operations, financial condition and cash flows from period to period. A failure to accurately predict the level of demand for our products could adversely affect our net revenues and net income, and we are unlikely to forecast such effects with any certainty in advance. Our NIKE Direct operations have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties. Our NIKE Direct operations, including our retail stores and digital platforms, have required and will continue to require significant investment. Our NIKE Direct stores have required and will continue to require substantial fixed investment in equipment and leasehold improvements and personnel. We have entered into substantial operating lease commitments for retail space. Certain stores have been designed and built to serve as high- profile venues to promote brand awareness and marketing activities and to integrate with our digital platforms. Because of their unique design and technological elements, locations and size, these stores require substantially more investment than other stores. Due to the high fixed- cost structure associated with our NIKE Direct retail stores, a decline in sales, a shift in consumer behavior away from brick- and- mortar retail, or the closure, temporary or otherwise, or poor performance of individual or multiple stores could result in significant lease termination costs, write- offs of equipment and leasehold improvements and employee- related costs. Many factors unique to retail operations, some of which are beyond our control, pose risks and uncertainties. Risks include, but are not limited to: credit card fraud; mismanagement of existing retail channel partners; ~~and~~ inability to manage costs associated with store construction and operation **; and theft** . In addition, we have made significant investments in digital technologies and information systems for the digital aspect of our NIKE Direct operations, and our digital offerings will require continued investment in the development and upgrading of our technology platforms. In order to deliver high- quality digital experiences, our digital platforms must be designed effectively and work well with a range of other technologies, systems, networks, and standards that we do not control. We may not be successful in developing platforms that operate effectively with these technologies, systems, networks or standards. A growing portion of consumers access our NIKE Direct digital platforms, but in the event that it is more difficult for consumers to access and use our digital platforms, consumers find that our digital platforms do not effectively meet their needs or expectations or consumers choose not to access or use our digital platforms or use devices that do not offer access to our platforms, the success of our NIKE Direct operations could be adversely impacted. Our competitors may develop, or have already developed, digital experiences, features, content, services or technologies that are similar to ours or that achieve greater acceptance. We may not realize a satisfactory return on our investment in our NIKE Direct operations and management' s attention from our other business opportunities could be diverted, which could have an adverse effect on our business, financial condition or results of operations. If the technology- based systems that give our consumers the ability to shop or interact with us online do not function effectively, our operating results, as well as our ability to grow our digital commerce business globally or to retain our customer base, could be materially adversely affected. Many of our consumers shop with us through our digital platforms. Increasingly, consumers are using mobile- based devices and applications to shop online with us and with our competitors, and to do comparison shopping, as well as to engage with us and our competitors through digital services and experiences that are offered on mobile platforms. We **use** ~~are increasingly using~~ social ~~2022 FORM 10- K 15~~ media and proprietary mobile applications to interact with our consumers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, secure ~~,~~ **and** user- friendly digital commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers or any failure to provide attractive digital experiences to our customers could place us at a competitive disadvantage, result in the loss of digital commerce and other sales, harm our reputation with consumers, have a material adverse impact on the growth of our digital commerce business globally and have a material adverse impact on our business and results of operations. In **2023 FORM 10- K 15** addition, as use of our digital platforms continues to grow, we will need an increasing amount of technical infrastructure to continue to satisfy our consumers' needs. If we fail to continue to effectively scale and adapt our digital platforms to accommodate increased consumer demand, our business may be subject to interruptions, delays or failures and consumer demand for our products and digital experiences could decline. Risks specific to our digital commerce business also include diversion of sales from our and our retailers' brick and mortar stores, difficulty in recreating the in- store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our digital commerce business, as well as damage our reputation and brands. We rely significantly on information technology to operate our business, including our supply chain and retail operations, and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business. We are heavily dependent on Information Technology Systems, across our supply chain, including product design, production, forecasting, ordering, manufacturing, transportation, sales and distribution, as well as for processing financial information for external and internal reporting purposes, retail operations and other business activities. Information Technology Systems are critical to many of our operating activities and our business processes and may be negatively impacted by any service interruption or shutdown. For example, our ability to effectively manage and maintain our inventory and to ship products to customers on a timely basis depends significantly on the reliability of these Information Technology Systems. Over a number of years, we have implemented Information Technology Systems in all of the geographical regions in which we operate. Our work to integrate, secure and enhance these systems and related processes in our global operations is ongoing and NIKE will continue to invest in these efforts. We cannot provide assurance, however, that the measures we take to secure and enhance these systems will be sufficient to protect our Information Technology Systems and prevent cyber- attacks, system failures or data or information loss. The failure of these systems to operate effectively, including as a result of security breaches, viruses, hackers, malware, natural disasters, vendor business interruptions or other causes, failure to properly maintain, protect, repair or upgrade systems, or problems with transitioning to upgraded or replacement systems could cause delays in product fulfillment and reduced efficiency of our operations, could require significant capital investments to remediate the problem which may not be sufficient to cover all eventualities, and may have an adverse effect on our reputation, results of operations and financial condition. In addition, the ~~increased~~ use of employee- owned devices for communications as well as **hybrid** work ~~- from- home~~ arrangements ~~, such as those implemented in response to the COVID- 19 pandemic~~ , present additional operational risks to our Information Technology Systems, including, but not limited to, increased risks of cyber- attacks. Further, like other companies in the retail industry, we have in the past experienced, and we expect to continue to experience, cyber- attacks, including phishing, and other attempts to breach, or gain unauthorized access to, our systems. To date, these attacks have not had a material impact on our operations, but we cannot provide assurance that they will not have an impact in the future. We also use Information Technology Systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. **From time to time, we have expended, and expect to continue to expend, significant resources to modify, update and enhance our Information Technology Systems and to investigate and remediate vulnerabilities or other exposures. These modifications, updates and enhancements may cost more than initially expected and may not be effective in preventing issues and disruptions. Moreover, due to the complexity of our Information Technology Systems, the process of implementing modifications or enhancements can itself create a risk of systems disruptions and security issues.** If Information Technology Systems suffer severe damage, disruption or shutdown and our business continuity plans, or those of our vendors, do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, which could result in lost revenues and profits, as well as reputational damage. Furthermore, we depend on Information Technology Systems and personal data collection for digital marketing, digital commerce, consumer engagement and the marketing and use of our digital products and services. We also rely on our ability to engage in electronic communications throughout the world between and among our employees as well as with other third parties, including customers, suppliers, vendors and consumers. Any interruption in Information Technology Systems may impede our ability to engage in the digital space and result in lost revenues, damage to our reputation, and loss of users. We are subject to the risk our licensees may not generate expected sales or maintain the value of our brands. We currently license, and expect to continue licensing, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. If our licensees fail to successfully market and sell licensed products, or fail to obtain sufficient capital or effectively manage their business operations, customer relationships, labor relationships, supplier relationships or credit risks, it could adversely affect our revenues, both directly from reduced royalties received and indirectly from reduced sales of our other products. We also rely on our licensees to help preserve the value of our brands. Although we attempt to protect our brands through approval rights over the design, production processes, quality, packaging, merchandising, distribution, advertising and promotion ~~2022 FORM 10- K 16~~ of our licensed products, we cannot completely control the use of our licensed brands by our licensees. The misuse of a brand by or negative publicity involving a licensee could have a material adverse effect on that brand and on us. **2023 FORM 10- K 16** Consolidation of retailers or concentration of retail market share among a few retailers may increase and concentrate our credit risk and impair our ability to sell products. The athletic footwear, apparel and equipment retail markets in some countries are dominated by a few large athletic footwear, apparel and equipment retailers with many stores and accelerating digital commerce capabilities. The market shares of these retailers may increase through acquisitions and construction of additional stores and investments in digital capacity, and as a result of attrition as struggling retailers exit the market. Consolidation of our retailers will concentrate our credit risk with a smaller set of retailers, any of whom may experience declining sales or a shortage of liquidity ~~, including as a result of the COVID- 19 pandemic~~ . In addition, increasing market share concentration among a few retailers in a particular country or region increases the risk that if any one of them substantially reduces their purchases of our products, we may be unable to find sufficient retail outlets for our products to sustain the same level of sales and revenues. If one or more of our counterparty financial institutions default on their obligations to us or fail, we may incur significant losses. As part of our hedging activities, we enter into transactions involving derivative financial instruments, which may include forward contracts, commodity futures contracts, option contracts, collars and swaps with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default, or our assets deposited or held in accounts with such counterparty, may be limited by the counterparty' s liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition. We rely on a concentrated source base of contract manufacturers to supply a significant portion of our footwear products. As of May 31, ~~2022~~ **2023** , ~~we were supplied by 120~~ **our contract manufacturers operated 123** finished goods footwear ~~contract~~ factories located in 11 countries. We rely upon contract manufacturers, which we do not own or operate, to manufacture all of the footwear products we sell. For fiscal ~~2022~~ **2023** , four footwear contract manufacturers each accounted for greater than 10 % of footwear production and in the aggregate accounted for approximately 58 % of NIKE Brand footwear production. Our ability to meet our customers' needs depends on our ability to maintain a steady supply of products from our contract manufacturers. If one or more of our significant suppliers were to sever their relationship with us or significantly alter the terms of our relationship, including due to changes in applicable trade policies, or be unable to perform ~~, including as a result of the COVID- 19 pandemic~~ , we may not be able to obtain replacement products in a timely manner, which could have a material adverse effect on our business operations, sales, financial condition or results of operations. Additionally, if any of our primary footwear contract manufacturers fail to make timely shipments, do not meet our quality standards or otherwise fail to deliver us product in accordance with our plans, there could be a material adverse effect on our results of operations. Certain of our footwear contract manufacturers are highly specialized and only produce a specific type of product. Such contract manufacturers may go out of business if consumer preferences or market conditions change such that there is no longer sufficient demand for the types of products they produce. If, in the future, the relevant products are again in demand and the specialized contract manufacturers no longer exist, we may not be able to locate replacement facilities to manufacture certain footwear products in a timely manner or at all, which could have a material adverse effect on our sales, financial condition or results of operations. The market for prime real estate is competitive. Our ability to effectively obtain real estate to open new retail stores and otherwise conduct our operations, both domestically and internationally, depends on the availability of real estate that meets our criteria for traffic, square footage, co- tenancies, lease economics, demographics and other factors. We also must be able to effectively renew our existing real estate leases. In addition, from time to time, we seek to downsize, consolidate, reposition or close some of our real estate locations, which may require modification of an existing lease. Failure to secure adequate new locations or successfully modify leases for existing locations, or failure to effectively manage the profitability of our existing fleet of retail stores, could have an adverse effect on our operating results and financial condition. Additionally, the economic environment may make it difficult to determine the fair market rent of real estate properties domestically and internationally. This could impact the quality of our decisions to exercise lease options at previously negotiated rents and to renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, which could have an adverse effect on our operating results and financial condition. ~~2022~~ **2023** FORM 10- K 17 The success of our business depends, in part, on high- quality employees, including key personnel as well as our ability to maintain our workplace culture and values. Our success depends in part on the continued service of high- quality employees, including key executive officers and personnel. The loss of the services of key individuals, or any negative perception with respect to these individuals, or our workplace culture or values, could harm our business. Our success also depends on our ability to recruit, retain and engage our personnel sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for employees in our industry is intense and we may not be successful in attracting and retaining such personnel. Changes to our current and future ~~office environments or adoption of a new~~ work ~~model~~ **models** ~~that expects employees to work on- site for a specified number of days with some flexibility to work remotely on other days,~~ may not meet the needs or expectations of our employees or may not be perceived as favorable compared to other companies' policies, which could negatively impact our ability to attract, hire and retain our employees. In addition, shifts in U. S. immigration policy could negatively impact our ability to attract, hire and retain highly skilled employees who are from outside the United States. We also believe that our corporate culture has been a key driver of our success, and we have invested substantial time and resources in building, maintaining and evolving our culture. Any failure to preserve and evolve our culture could negatively affect our future success, including our ability to retain and recruit employees. Our business operations and financial performance could be adversely affected by changes in our relationship with our workforce or changes to United States or foreign employment regulations. We have significant exposure to changes in domestic and foreign laws governing our relationships with our workforce, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which could have a direct impact on our operating costs. A significant increase in minimum wage or overtime rates in countries where we have workforce could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs. There is also a risk of potential claims that we have violated laws related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury and other claims. In addition, if there were a significant increase in the number of members of our workforce who are members of labor organizations or become parties to collective bargaining agreements, we could be vulnerable to a strike, work stoppage or other labor action, which could have an adverse effect on our business. Risks Related to Operating a Global Business Our international operations involve inherent risks which could result in harm to our business. ~~Virtually~~ **Nearly** all of our athletic footwear and apparel is manufactured outside of the United States, and the majority of our products are sold outside of the United States. Accordingly, we are subject to the risks generally associated with global trade and doing business abroad, which include foreign laws and regulations, varying consumer preferences across geographic regions, political tensions, unrest, disruptions or delays in cross- border shipments and changes in economic conditions in countries in which our products are manufactured or where we sell products. Changes in ~~the~~ U. S. **or international social** ~~government' s import and export policies~~ , **political** ~~including trade restrictions~~ , ~~sanctions~~ **regulatory** and ~~countersanctions, increased tariffs~~ **economic conditions could impact** ~~or~~ **our** ~~quotas, embargoes, safeguards or customs restrictions, could require us to change the way we conduct~~ business **, reputation, financial condition** and **results of operations. In particular, political and economic instability, geopolitical conflicts, political unrest, civil strife, terrorist activity, acts of war, public corruption, expropriation, nationalism and other economic or political uncertainties in the United States or internationally could interrupt and negatively affect the sale of our products or other business operations. Any negative sentiment toward the United States as a result of any such changes could also** adversely affect our **business** ~~results of operations~~ . In addition, disease outbreaks ~~, including the recent COVID- 19 pandemic~~ , terrorist acts and military conflict have increased the risks of doing business abroad. These factors, among others, could affect our ability to manufacture products or procure materials, or our costs for manufacturing and procuring materials, our ability to import products, our ability to sell products in international markets and our cost of doing business. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business could be adversely affected . In addition, many of our...... our business, reputation and operating results . Our products are subject to risks associated with overseas sourcing, manufacturing and financing. The principal materials used in our footwear products — natural and synthetic rubber, plastic compounds, foam cushioning materials, natural and synthetic leather, nylon, polyester and natural fiber textiles and polyurethane films — are locally available to manufacturers. The principal materials used in our apparel products — natural and synthetic fabrics, yarns and threads (both virgin and recycled), specialized performance fabrics designed to efficiently wick moisture away from the body, retain heat and repel rain and / or snow as well as plastic and metal hardware — are also available in countries where our manufacturing takes ~~2022 FORM 10- K 18~~ place. Both our apparel and footwear products are dependent upon the ability of our contract manufacturers to locate, train, employ and retain adequate personnel. NIKE contract manufacturers and materials suppliers buy raw materials and are subject to wage rates and other labor standards that are oftentimes regulated by the governments of the countries in which our products are manufactured. There could be a significant disruption in the supply of fabrics or raw materials from current sources or, in the event of a disruption or heightened competition for such materials, our contract manufacturers might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price or at all. Further, our contract manufacturers have experienced and may continue to experience in the future, unexpected closures, unexpected increases in work wages or other **2023 FORM 10- K 18** changes in labor standards, whether government mandated or otherwise, and increases in compliance costs due to governmental regulation concerning certain metals, fabrics or raw materials used in the manufacturing of our products. In addition, we cannot be certain that manufacturers that we do not contract and that we refer to as" unaffiliated manufacturers" will be able to fill our orders in a timely manner. If we experience significant increases in demand, or reductions in the availability of materials, or need to replace an existing contract manufacturer or materials supplier, there can be no assurance additional supplies of fabrics or raw materials or additional manufacturing capacity will be available when required on terms acceptable to us, or at all, or that any contract manufacturer, unaffiliated manufacturer, or any materials supplier would allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new manufacturing capacity or sources of materials, we may encounter delays in production and added costs as a result of the time it takes to train suppliers and manufacturers in our methods, products, quality control standards and labor, health and safety standards. Any delays, interruption or increased costs in labor or wages, in the supply of materials or in the manufacturing of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower revenues and net income both in the short- and long- term. Because contract manufacturers make a majority of our products outside of our principal sales markets, our products must be transported by third parties over large geographic distances. Delays in the shipment or delivery of our products due to the availability of transportation, container shortages, labor shortages, including work stoppages or port strikes, infrastructure and port congestion or other factors, and costs and delays associated with consolidating or transitioning between manufacturers, have adversely impacted, and could in the future adversely impact the availability of our products and, in turn, our financial performance. In addition, delays in the shipment or delivery of our products, manufacturing delays or unexpected demand for our products have required us, and may in the future require us to use faster, but more expensive, transportation methods such as air freight, which could adversely affect our profit margins. The cost of oil is a significant component in manufacturing and transportation costs, so increases in the price of petroleum products can adversely affect our profit margins. Changes in U. S. trade policies, including modifications to import tariffs and existing trade policies and agreements, have also had, and could continue to have a significant impact on our activities in foreign jurisdictions, and could adversely affect our reputation or results of operations. Our success depends on our global distribution facilities. We distribute our products to customers directly from the factory and through distribution centers located throughout the world. Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies and growth, particularly in emerging markets, depends on the proper operation of our distribution facilities, the development or expansion of additional distribution capabilities and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). Our distribution facilities have in the past and could **in the future** be interrupted by information technology problems, disasters such as earthquakes or fires or outbreaks of disease or government actions taken to mitigate their spread. Any significant failure in our distribution facilities could result in an adverse effect on our business. We maintain business interruption insurance, but it may not adequately protect us from adverse effects caused by significant disruptions in our distribution facilities. Legal, Regulatory, and Compliance Risks We are subject to a complex array of laws and regulations and litigation and other legal and regulatory proceedings, which could have an adverse effect on our business, financial condition and results of operations. As a multinational corporation with operations and distribution channels throughout the world, we are subject to and must comply with extensive laws and regulations in the United States and other jurisdictions in which we have operations and distribution channels. If we or our employees, agents, suppliers, and other partners fail to comply with any of these laws or regulations, such failure could subject us to fines, sanctions or other penalties that could negatively affect our reputation, business, financial condition and results of operations. Furthermore, laws, regulations and policies and the interpretation of such, can conflict among jurisdictions and compliance in one jurisdiction may result in legal or reputational risks in another jurisdiction. We are involved in various types of claims, lawsuits, regulatory proceedings and government investigations relating to our business, our products and the actions of our employees and representatives, including contractual and employment relationships, product liability, antitrust, trademark rights and a variety of other matters. It is not possible to predict with certainty the outcome of any such legal or regulatory proceedings or investigations, and we could in the future incur judgments, fines or penalties, or enter into settlements of lawsuits and claims that could have a material adverse effect on our business, financial condition and results of operations and negatively impact our reputation.The global nature of our business means legal and compliance risks,such as anti- bribery,anti- corruption,fraud,trade,environmental,competition,privacy and other regulatory matters,will continue to exist and additional legal proceedings and other contingencies have and will continue to arise from time to time,which could adversely affect us.In addition,the adoption of new laws or regulations,or changes in the interpretation of existing laws or regulations,may result in significant unanticipated legal and reputational risks.Moreover,the regulation of certain transactions we engage in,including those involving **virtual goods** ~~non- fungible tokens (" NFTs")~~ and cryptocurrencies,remains in an early stage and subject to significant uncertainty.As a result,we are required to exercise our judgment as to whether or how certain laws or regulations **apply,or may in the future** ~~2022~~ **2023** FORM 10- K 19 operations and negatively impact our reputation....... apply, or may in the future apply, and it is possible that legislators, regulators and courts may disagree with our conclusions. Any current or future legal or regulatory proceedings could divert management' s attention from our operations and result in substantial legal fees. Changes to U. S. or other countries' trade policies and tariff and import / export regulations or our failure to comply with such regulations may have a material adverse effect on our reputation, business, financial condition and results of operations. Changes in **the** U. S. **government' s import** ~~or international social, political, regulatory~~ and ~~economic conditions could impact~~ **export policies, including trade restrictions, sanctions and countersanctions, increased tariffs** ~~our~~ **or quotas, embargoes, safeguards or customs restrictions, could require us to change the way we conduct** business ~~, reputation, financial condition~~ and ~~results of operations. In particular, political and economic instability, geopolitical conflicts, political unrest, civil strife, terrorist activity, acts of war, public corruption, expropriation, nationalism and other economic or political uncertainties in the United States or internationally could interrupt and negatively affect the sale of our products or other business operations. Any negative sentiment toward the United States as a result of any such changes could also~~ adversely affect our ~~business~~ **results of operations** . In addition, changes in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business could adversely affect our business. U. S. presidential administrations have instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U. S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U. S. and other countries where we conduct our business. It may be time- consuming and expensive for us to alter our business operations in order to adapt to or comply with any such changes. Changes or proposed changes in U. S. or other countries' trade policies may result in restrictions and economic disincentives on international trade. Tariffs and other changes in U. S. trade policy have in the past and could in the future trigger retaliatory actions by affected countries, and certain foreign governments have instituted or are considering imposing retaliatory measures on certain U. S. goods. Further, any emerging protectionist or nationalist trends either in the United States or in other countries could affect the trade environment. The Company, similar to many other multinational corporations, does a significant amount of business that would be impacted by changes to the trade policies of the United States and foreign countries (including governmental action related to tariffs, international trade agreements, or economic sanctions). Such changes have the potential to adversely impact the U. S. economy or certain sectors thereof or the economy of another country in which we conduct operations, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, financial condition and results of operations .In addition,many of our imported products are subject to duties,tariffs or quotas that affect the cost and quantity of various types of goods imported into the United States and other countries.Any country in which our products are produced or sold may eliminate,adjust or impose new quotas,duties,tariffs,safeguard measures,anti- dumping duties,cargo restrictions to prevent terrorism,restrictions on the transfer of currency,climate change legislation,product safety regulations or other charges or restrictions,any of which could have an adverse effect on our results of operations and financial condition.Furthermore,we are subject to the **FCPA** ~~U.S.Foreign Corrupt Practices Act~~ as well as the anti- corruption laws of other countries in which we operate.Although we implement policies and procedures designed to promote compliance with these laws,our employees,independent contractors,contract manufacturers,suppliers and agents,as well as those companies to which we outsource certain of our business operations,may take actions in violation of our policies.Any such violation could result in sanctions or other penalties and have an adverse effect on **our business,reputation and operating results** . Failure to adequately protect or enforce our intellectual property rights could adversely affect our business. We periodically discover counterfeit reproductions of our products or products that otherwise infringe our intellectual property rights. If we are unsuccessful in enforcing our intellectual property rights, continued sales of these products could adversely affect our sales and our brand and could result in a shift of consumer preference away from our products. The actions we take to establish and protect our intellectual property rights may not be adequate to prevent imitation of our products by others. We also may be unable to prevent others from seeking to block sales of our products as violations of proprietary rights. We may be subject to liability if third parties successfully claim we infringe their intellectual property rights. Defending infringement claims could be expensive and time- consuming and might result in our entering into costly license agreements. We also may be subject to significant damages or injunctions against development, manufacturing, use, importation and / or sale of certain products. We take various actions to prevent the unauthorized use and / or disclosure of our confidential information and intellectual property rights. These actions include contractual measures such as entering into non- disclosure and non- compete agreements and agreements relating to our collaborations with third parties and providing confidential information awareness training. Our controls and efforts to prevent unauthorized use and / or disclosure of confidential information and intellectual property rights might not always be effective. For example, confidential information related to business strategy, innovations, new technologies, mergers and acquisitions, unpublished financial results or personal data could be prematurely, inadvertently, or improperly used and / or disclosed, resulting in a loss of reputation, loss of intellectual property rights, a decline in our stock price and / or a negative impact on our market position, and could lead to damages, fines, penalties or injunctions. In addition, new products we offer, such as ~~NFTs~~ **virtual goods** , may raise various novel intellectual property law considerations, including adequacy and scope of assignment, licensing, transfer, copyright and other right- of- use issues. ~~2022~~ **2023** FORM 10- K 20 In addition, the laws of certain countries may not protect or allow enforcement of intellectual property rights to the same extent as the laws of the United States. We may face significant expenses and liability in connection with the protection of our intellectual property rights, including outside the United States, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition may be adversely affected. We are subject to data security and privacy risks that could negatively affect our results, operations or reputation. In addition to our own sensitive and proprietary business information, we handle transactional and personal information about our wholesale customers and consumers and users of our digital experiences, which include online distribution channels and product engagement, adaptive products and personal fitness applications. Hackers and data thieves are increasingly sophisticated and operate social engineering, such as phishing, and large- scale, complex automated attacks that can evade detection for long periods of time. Any breach of our or our service providers' networks, or other vendor systems, may result in the loss of confidential business and financial data, misappropriation of our consumers', users' or employees' personal information or a disruption of our business. Any of these outcomes could have a material adverse effect on our business, including unwanted media attention, impairment of our consumer and customer relationships, damage to our reputation; resulting in lost sales and consumers, fines, lawsuits, or significant legal and remediation expenses. We also may need to expend significant resources to protect against, respond to and / or redress problems caused by any breach. In addition, we must comply with increasingly complex and rigorous, and sometimes conflicting, regulatory standards enacted to protect business and personal data in the United States, Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation (the ~~"~~ **"** GDPR ~~"~~ **"**) ~~,~~ **; the United Kingdom enacted the UK General Data Protection Regulation (** which ~~became effective on May 25, 2018~~ **implements the GDPR into UK law)** ; ~~five~~ **several** states in the United States **have** ~~(California, Virginia, Colorado, Utah, and Connecticut)~~ passed data privacy laws ~~in 2020 and 2021~~ ; China enacted the Data Security Law and Personal Information Protection Law **;** ~~, which became effective on September 1, 2021 and November 1, 2021, respectively,~~ and additional jurisdictions have adopted or are considering proposing or adopting similar regulations. These laws impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws and regulations ~~(including implementation of the privacy and process enhancements called for under laws in the European Union, United States and China)~~ can be costly and time consuming, and any failure to comply with these regulatory standards could subject us to legal **, operational** and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, imposition of fines by governmental authorities and damage to our reputation and credibility and could have a negative impact on revenues and profits. We could be subject to changes in tax rates, adoption of new tax laws, additional tax liabilities or increased volatility in our effective tax rate. We earn a substantial portion of our income in foreign countries and, as such, we are subject to the tax laws in the United States and numerous foreign jurisdictions. Current economic and political conditions make tax laws and regulations, or their interpretation and application, in any jurisdiction subject to significant change. Proposals to reform U. S. and foreign tax laws could significantly impact how U. S. multinational corporations are taxed on ~~foreign~~ **global** earnings and could increase the U. S. corporate tax rate **. For example, the Organization for Economic Co- operation and Development (OECD) and the G20 Inclusive Framework on Base Erosion and Profit Shifting (the" Inclusive Framework") has put forth two proposals — Pillar One and Pillar Two — that revise the existing profit allocation and nexus rules and ensure a minimal level of taxation, respectively. On December 12, 2022, the European Union member states agreed to implement the Inclusive Framework' s global corporate minimum tax rate of 15 %. Other countries are also actively considering changes to their tax laws to adopt certain parts of the Inclusive Framework' s proposals** . Although we cannot predict whether or in what form these proposals will ~~pass~~ **be enacted into law** , ~~several of the~~ **these changes** ~~proposals considered~~ , if enacted into law, could have an adverse impact on our effective tax rate, income tax expense and cash flows. Portions of our operations are subject to a reduced tax rate or are under ~~various~~ **a** tax ~~holidays~~ - **holiday** . We also utilize tax rulings and other agreements to obtain certainty in treatment of certain tax matters. ~~These~~ **Tax** holidays **and rulings can** expire from time to time and may be extended when certain conditions are met, or terminated if certain conditions are not met. The impact of any changes in conditions would be the loss of certainty in treatment thus potentially impacting our effective income tax rate. For example, in January 2019, the European Commission opened a formal investigation to examine whether the Netherlands has breached State Aid rules when granting certain tax rulings to the Company. If this matter is adversely resolved, the Netherlands may be required to assess additional amounts with respect to prior periods, and the Company' s income taxes related to prior periods in the Netherlands could increase. We are also subject to the examination of our tax returns by the United States Internal Revenue Service (~~“~~ **"** IRS ~~”~~ **"**) and other tax authorities. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of ~~its~~ **our** provision for income taxes. Although we believe our tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from our historical income tax provisions and accruals. The results of audits or related disputes could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. For example, we and our subsidiaries are also engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe we have clearly reflected the economics of these transactions **2023 FORM 10- K 21** and the proper local transfer pricing documentation is in place, tax authorities may propose and sustain adjustments that could result in changes that may impact our mix of earnings in countries with differing statutory tax rates. ~~2022 FORM 10- K 21~~ Failure of our contractors or our licensees' contractors to comply with our code of conduct, local laws and other standards could harm our business. We have license agreements that permit independent parties to manufacture or contract for the manufacture of products using our intellectual property. We require the contractors that directly manufacture our products and our licensees that make products using our intellectual property (including, indirectly, their contract manufacturers) to comply with a code of conduct and other environmental, human rights, health and safety standards for the benefit of workers. We also require our contract manufacturers and the contractors of our licensees to comply with applicable standards for product safety. Notwithstanding their contractual obligations, from time to time contractors may not comply with such standards or applicable local law or our licensees may fail to enforce such standards or applicable local law on their contractors. If one or more of our direct or indirect contractors violates or fails to comply with, or is accused of violating or failing to comply with, such standards and laws, this could harm our reputation or result in a product recall and, as a result, could have an adverse effect on our sales and financial condition. Negative publicity regarding production methods, alleged unethical or illegal practices or workplace or related conditions of any of our suppliers, manufacturers or licensees could adversely affect our brand image and sales, force us to locate alternative suppliers, manufacturers or licenses or result in the imposition of additional regulations, including new or additional quotas, tariffs, sanctions, product safety regulations or other regulatory measures, by governmental authorities. Risks Related to Our Securities, Investments and Liquidity Our financial results may be adversely affected if substantial investments in businesses and operations fail to produce expected returns. From time to time, we may invest in technology, business infrastructure, new businesses or capabilities, product offering and manufacturing innovation and expansion of existing businesses, such as our NIKE Direct operations, which require substantial cash investments and management attention. We believe cost- effective investments are essential to business growth and profitability; however, significant investments are subject to typical risks and uncertainties inherent in developing a new business or expanding an existing business. The failure of any significant investment to provide expected returns or profitability could have a material adverse effect on our financial results and divert management attention from more profitable business operations. See also ~~“~~ **"** Our NIKE Direct operations have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties. ~~”~~ **"** The sale of a large number of shares of common stock by our principal ~~stockholder~~ **shareholder** could depress the market price of our common stock. As of June 30, ~~2022~~ **2023** , Swoosh, LLC beneficially owned approximately 77 % of our Class A Common Stock. If, on June 30, ~~2022~~ **2023** , all of these shares were converted into Class B Common Stock, ~~the~~ **Swoosh, LLC' s** commensurate ownership percentage of our Class B Common Stock would be approximately 16 %. The shares are available for resale, subject to the requirements of the U. S. securities laws and the terms of the limited liability company agreement governing Swoosh, LLC. The sale or prospect of a sale of a substantial number of these shares could have an adverse effect on the market price of our common stock. Swoosh, LLC was formed by Philip H. Knight, our Chairman Emeritus, to hold the majority of his shares of Class A Common Stock. Mr. Knight does not have voting rights with respect to Swoosh, LLC, although Travis Knight, his son and a NIKE director, has a significant role in the management of the Class A Common Stock owned by Swoosh, LLC. Changes in our credit ratings or macroeconomic conditions may affect our liquidity, increasing borrowing costs and limiting our financing options. Our long- term debt is currently rated Investment Grade by Standard & Poor' s and Moody' s Investors Service. If our credit ratings are lowered, borrowing costs for our existing facilities or for future long- term debt or short- term credit facilities may increase and our financing options, including our access to credit or capital markets, could be adversely affected. We may also be subject to restrictive covenants that would reduce our flexibility to, among other things, incur additional indebtedness, make restricted payments, pledge assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. Failure to comply with such covenants could result in a default, and as a result, the commitments of our lenders under our credit agreements may be terminated and the maturity of amounts owed may be accelerated. In addition, macroeconomic conditions, such as increased volatility or disruption in the credit **or capital** markets, could adversely affect our ability to refinance existing debt. If our internal controls are ineffective, our operating results could be adversely affected. Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience ~~difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations. 2022~~ **2023** FORM 10- K 22 **difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.** If our estimates or judgments relating to our critical accounting estimates prove to be incorrect, our operating results could be adversely affected. The preparation of financial statements in conformity with accounting principles generally accepted in the United States ~~of America~~ requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, as provided in ~~“~~ **"** Management' s Discussion and Analysis of Financial Condition and Results of Operations **"** . ~~”~~ The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenues and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventory reserves, ~~contingent payments under endorsement contracts, accounting for property, plant and equipment and definite- lived assets,~~ hedge accounting for derivatives, income taxes and other contingencies. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Class B Common Stock. Anti- takeover provisions may impair an acquisition of the Company or reduce the price of our common stock. There are provisions within our articles of incorporation and Oregon law intended to protect shareholder interests by providing the Board of Directors a means to attempt to deny coercive takeover attempts or to negotiate with a potential acquirer in order to obtain more favorable terms. Such provisions include a control share acquisition statute, a freeze- out statute, two classes of stock that vote separately on certain issues, and the fact that holders of Class A Common Stock elect three- quarters of the Board of Directors rounded down to the next whole number. However, such provisions could discourage, delay or prevent an unsolicited merger, acquisition or other change in control of ~~our~~ **the** ~~company~~ **Company** that some shareholders might believe to be in their best interests or in which shareholders might receive a premium for their common stock over the prevailing market price. These provisions could also discourage proxy contests for control of the Company. We may fail to meet market expectations, which could cause the price of our stock to decline. Our Class B Common Stock is traded publicly, and at any given time various securities analysts follow our financial results and issue reports on us. These reports include information about our historical financial results as well as analysts' opinions of our future performance, which may, in part, be based upon any guidance we have provided. Analysts' estimates are often different from our estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. In the past, securities class action litigation has been brought against NIKE and other companies following a decline in the market price of their securities. If our stock price is volatile for any reason, we may become involved in this type of litigation in the future. Any litigation could result in reputational damage, substantial costs and a diversion of management' s attention and resources needed to successfully run our business.