

The Company evaluates the performance of its reportable operating segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers and sales through the Company's retail stores located in those geographic locations. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the reportable operating segments. Costs excluded from segment operating income include various corporate expenses such as R&D, corporate marketing expenses, certain share-based compensation expenses, income taxes, various nonrecurring charges and other separately managed general and administrative costs. The Company does not include intercompany transfers between segments for management reporting purposes.

The following table shows information by reportable operating segment for 2016, 2015 and 2014 (in millions):

	2016	2015	2014
Americas:			
Net sales	\$ 86,613	\$ 93,864	\$ 80,095
Operating income	\$ 28,172	\$ 31,186	\$ 26,158
Europe:			
Net sales	\$ 49,952	\$ 50,337	\$ 44,285
Operating income	\$ 15,348	\$ 16,527	\$ 14,434
Greater China:			
Net sales	\$ 48,492	\$ 58,715	\$ 31,853
Operating income	\$ 18,835	\$ 23,002	\$ 11,039
Japan:			
Net sales	\$ 16,928	\$ 15,706	\$ 15,314
Operating income	\$ 7,165	\$ 7,617	\$ 6,904
Rest of Asia Pacific:			
Net sales	\$ 13,654	\$ 15,093	\$ 11,248
Operating income	\$ 4,781	\$ 5,518	\$ 3,674

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for 2016, 2015 and 2014 is as follows (in millions):

	2016	2015	2014
Segment operating income	\$ 74,301	\$ 83,850	\$ 62,209
Research and development expense	(10,045)	(8,067)	(6,041)
Other corporate expenses, net	(4,232)	(4,553)	(3,665)
Total operating income	<u>\$ 60,024</u>	<u>\$ 71,230</u>	<u>\$ 52,503</u>