
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 2, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-16153

COACH, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-2242751
(I.R.S. Employer
Identification No.)

516 West 34th Street, New York, NY 10001
(Address of principal executive offices); (Zip Code)

(212) 594-1850
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

On May 6, 2005, the Registrant had 377,124,127 outstanding shares of common stock, which is the Registrant's only class of common stock.

The document contains 35 pages excluding exhibits.

COACH, INC.

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Form 10-Q contains certain “forward-looking statements,” based on current expectations, that involve risks and uncertainties that could cause our actual results to differ materially from management’s current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “intend,” “estimate,” “are positioned to,” “continue,” “project,” “guidance,” “forecast,” “anticipated,” or comparable terms. Future results will vary from historical results and historical growth is not indicative of future trends, which will depend upon a number of factors including but not limited to: (i) the successful implementation of our growth strategies; (ii) the effect of existing and new competition in the marketplace; (iii) our ability to successfully anticipate consumer preferences for accessories and fashion trends; (iv) our ability to control costs; (v) the effect of seasonal and quarterly fluctuations in our sales on our operating results; (vi) our exposure to international risks, including currency fluctuations; (vii) changes in economic or political conditions in the markets where we sell or source our products; (viii) our ability to protect against infringement of our trademarks and other proprietary rights; and such other risk factors as set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended July 3, 2004. Coach, Inc. assumes no obligation to update or revise any such forward-looking statements, which speak only as of their date, even if experience, future events, or changes make it clear that any projected financial or operating results will not be realized.

WHERE YOU CAN FIND MORE INFORMATION

Coach’s quarterly financial results and other important information are available by calling the Investor Relations Department at (212) 629-2618.

Coach maintains a website at www.coach.com where investors and other interested parties may obtain, free of charge, press releases and other information as well as gain access to our periodic filings with the SEC.

PART I**ITEM 1. Financial Statements****COACH, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>April 2, 2005</u>	<u>July 3, 2004</u>
	(unaudited) (amounts in thousands)	
ASSETS		
Cash and cash equivalents	\$ 216,905	\$ 262,720
Short-term investments	278,786	171,723
Trade accounts receivable, less allowances of \$5,845 and \$5,456, respectively	83,630	55,724
Inventories	180,814	161,913
Other current assets	<u>78,315</u>	<u>53,536</u>
Total current assets	838,450	705,616
Property and equipment, net	189,775	164,291
Long-term investments	198,591	130,000
Goodwill	13,729	13,605
Indefinite life intangibles	9,788	9,788
Other noncurrent assets	<u>26,439</u>	<u>21,125</u>
Total assets	<u>\$ 1,276,772</u>	<u>\$ 1,044,425</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 49,964	\$ 44,771
Accrued liabilities	169,759	123,647
Revolving credit facility	21,315	1,699
Current portion of long-term debt	<u>150</u>	<u>115</u>
Total current liabilities	241,188	170,232
Long-term debt	3,270	3,420
Other liabilities	65,080	48,289
Minority interest, net of tax	<u>53,732</u>	<u>40,198</u>
Total liabilities	363,270	262,139
Commitments and contingencies (Note 8)		
Stockholders' equity (Note 3):		
Preferred stock: (authorized 25,000,000 shares; \$0.01 par value) none issued	—	—
Common stock: (authorized 500,000,000 shares; \$0.01 par value) issued and outstanding - 376,670,602 and 379,236,402 shares, respectively	3,766	3,792
Capital in excess of par value	441,411	355,130
Retained earnings	478,576	430,461
Accumulated other comprehensive income	4,296	2,195
Unearned compensation	<u>(14,547)</u>	<u>(9,292)</u>
Total stockholders' equity	913,502	782,286
Total liabilities and stockholders' equity	<u>\$ 1,276,772</u>	<u>\$ 1,044,425</u>

See accompanying Notes to Condensed Consolidated Financial Statements

COACH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Quarter Ended		Nine Months Ended	
	April 2, 2005	March 27, 2004	April 2, 2005	March 27, 2004
	(amounts in thousands, except per share data)			
Net sales	\$ 415,939	\$ 313,073	\$ 1,291,763	\$ 982,961
Cost of sales	91,266	75,556	305,948	252,392
Gross profit	324,673	237,517	985,815	730,569
Selling, general and administrative expenses	178,842	136,648	505,414	397,371
Operating income	145,831	100,869	480,401	333,198
Interest income, net	4,945	768	10,924	1,639
Income before provision for income taxes and minority interest	150,776	101,637	491,325	334,837
Provision for income taxes	57,296	38,114	186,704	125,567
Minority interest, net of tax	4,241	5,212	13,534	13,192
Net income	<u>\$ 89,239</u>	<u>\$ 58,311</u>	<u>\$ 291,087</u>	<u>\$ 196,078</u>
Net income per share				
Basic	<u>\$ 0.24</u>	<u>\$ 0.16</u>	<u>\$ 0.77</u>	<u>\$ 0.53</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.15</u>	<u>\$ 0.75</u>	<u>\$ 0.51</u>
Shares used in computing net income per share				
Basic	<u>379,695</u>	<u>374,012</u>	<u>378,885</u>	<u>370,502</u>
Diluted	<u>391,609</u>	<u>387,139</u>	<u>390,413</u>	<u>384,294</u>

See accompanying Notes to Condensed Consolidated Financial Statements

COACH, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands)

	Total Stockholders' Equity	Preferred Stock	Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Unearned Compensation	Comprehensive Income (loss)	Shares of Common Stock
Balances at June 28, 2003	\$ 426,929	\$ —	\$ 3,660	\$ 212,654	\$ 217,622	\$ (1,359)	\$ (5,648)		366,018
Net income	261,748	—	—	—	261,748	—	—	261,748	
Shares issued for stock options and employee benefit plans	34,141	—	162	33,979	—	—	—		16,240
Tax benefit from exercise of stock options	106,458	—	—	106,458	—	—	—		
Repurchase of common stock	(54,954)	—	(30)	(6,015)	(48,909)	—	—		(3,022)
Grant of restricted stock awards	—	—	—	8,054	—	—	(8,054)		—
Amortization of restricted stock awards	4,410	—	—	—	—	—	4,410		—
Unrealized gain/(loss) on cash flow hedging derivatives, net	(460)	—	—	—	—	(460)	—	(460)	
Translation adjustments	2,892	—	—	—	—	2,892	—	2,892	
Minimum pension liability	1,122	—	—	—	—	1,122	—	1,122	
Comprehensive income								\$ 265,302	
Balances at July 3, 2004	782,286	—	3,792	355,130	430,461	2,195	(9,292)		379,236
Unaudited:									
Net income	291,087	—	—	—	291,087	—	—	291,087	
Shares issued for stock options and employee benefit plans	38,142	—	84	38,058	—	—	—		8,435
Tax benefit from exercise of stock options	60,184	—	—	60,184	—	—	—		
Repurchase of common stock	(264,971)	—	(110)	(21,889)	(242,972)	—	—		(11,000)
Grant of restricted stock awards	—	—	—	9,928	—	—	(9,928)		—
Amortization of restricted stock awards	4,673	—	—	—	—	—	4,673		—
Unrealized gain/(loss) on cash flow hedging derivatives, net	290	—	—	—	—	290	—	290	
Translation adjustments	1,811	—	—	—	—	1,811	—	1,811	
Comprehensive income								\$ 293,188	
Balances at April 2, 2005 (unaudited)	\$ 913,502	\$ —	\$ 3,766	\$ 441,411	\$ 478,576	\$ 4,296	\$ (14,547)		376,671

See accompanying Notes to Condensed Consolidated Financial Statements

COACH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	April 2, 2005	March 27, 2004
	(amounts in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 291,087	\$ 196,078
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	43,170	31,781
Minority Interest	13,534	13,192
Tax benefit from exercise of stock options	60,184	73,046
Increase in deferred tax assets	(5,783)	(171)
Increase in deferred tax liability	14,824	—
Other non cash credits, net	(70)	4,233
Changes in operating assets and liabilities:		
Increase in trade accounts receivable	(27,906)	(43,187)
Increase in inventories	(18,901)	(10,027)
Increase in other assets	(25,049)	(8,939)
Increase in other liabilities	5,191	6,969
Increase in accounts payable	5,193	13,033
Increase in accrued liabilities	42,888	32,125
Net cash provided by operating activities	<u>398,362</u>	<u>308,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(63,739)	(47,556)
Proceeds from dispositions of property and equipment	18	57
Purchases of investments	(380,713)	—
Maturity of investments	205,059	—
Net cash used in investing activities	<u>(239,375)</u>	<u>(47,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(264,971)	(54,954)
Repayment of long-term debt	(115)	(80)
Borrowings on revolving credit facility	350,456	166,903
Repayments of revolving credit facility	(330,840)	(180,110)
Proceeds from exercise of stock options	40,668	23,774
Net cash used in financing activities	<u>(204,802)</u>	<u>(44,467)</u>
(Decrease) increase in cash and cash equivalents	(45,815)	216,167
Cash and cash equivalents at beginning of period	262,720	229,176
Cash and cash equivalents at end of period	<u>\$ 216,905</u>	<u>\$ 445,343</u>
Cash paid for income taxes	\$ 107,939	\$ 25,513
Cash paid for interest	<u>\$ 222</u>	<u>\$ 241</u>

See accompanying Notes to Condensed Consolidated Financial Statements

COACH, INC.

Notes to Condensed Consolidated Financial Statements
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

1. Basis of Presentation and Organization

The accompanying unaudited condensed consolidated financial statements include the accounts of Coach, Inc. (“Coach” or the “Company”), all 100% owned subsidiaries, and Coach Japan, Inc. These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from this report as is permitted by SEC rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended July 3, 2004 (“fiscal 2004”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial condition, results of operations, and changes in cash flows of the Company for the interim periods presented. The results of operations for the quarter and nine months ended April 2, 2005 are not necessarily indicative of results to be expected for the entire fiscal year, ending July 2, 2005 (“fiscal 2005”).

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

2. Stock-Based Compensation

The Company accounts for stock-based compensation plans and the employee stock purchase plan in accordance with Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” and related Interpretations. Accordingly, as stock options and replacement stock options are granted at market price, no compensation cost is recognized for options issued under stock-based compensation plans or for shares purchased under the employee stock purchase plan.

The following illustrates the effect on net income and earnings per share as if the fair value based method of accounting, defined in Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” had been applied:

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>April 2, 2005</u>	<u>March 27, 2004</u>	<u>April 2, 2005</u>	<u>March 27, 2004</u>
Net income, as reported	\$ 89,239	\$ 58,311	\$ 291,087	\$ 196,078
Deduct:				
Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	<u>(8,367)</u>	<u>(6,399)</u>	<u>(22,331)</u>	<u>(18,460)</u>
Proforma net income	<u>\$ 80,872</u>	<u>\$ 51,912</u>	<u>\$ 268,756</u>	<u>\$ 177,618</u>
Earnings per share:				
Basic — as reported	<u>\$ 0.24</u>	<u>\$ 0.16</u>	<u>\$ 0.77</u>	<u>\$ 0.53</u>
Basic — proforma	<u>\$ 0.21</u>	<u>\$ 0.14</u>	<u>\$ 0.71</u>	<u>\$ 0.48</u>
Diluted — as reported	<u>\$ 0.23</u>	<u>\$ 0.15</u>	<u>\$ 0.75</u>	<u>\$ 0.51</u>
Diluted — proforma	<u>\$ 0.21</u>	<u>\$ 0.13</u>	<u>\$ 0.69</u>	<u>\$ 0.46</u>

During the third quarters of fiscal 2005 and fiscal 2004, the compensation cost that has been charged against income, reflecting amortization of restricted stock units, was \$1,787 and \$1,085, respectively. During the first nine months of fiscal 2005 and fiscal 2004, the compensation cost that has been charged against income, reflecting amortization of restricted stock units, was \$4,673 and \$3,283, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions for grants through the third quarters of fiscal 2005 and fiscal 2004, respectively: expected lives (years) of 1.51 and 1.87, risk-free interest rate of 2.5% and 1.6%, expected volatility of 30.1% and 34.1% and a zero dividend yield in both periods. The weighted-average fair value of individual options granted through the third quarters of fiscal 2005 and fiscal 2004 were \$3.23 and \$2.64, respectively.

3. Stock Split

On January 24, 2005, Coach's Board of Directors authorized a two-for-one split of the Company's common stock, to be effected in the form of a special dividend of one share of the Company's common stock for each share outstanding. The additional shares issued as a result of the stock split were distributed on April 4, 2005 to stockholders of record on March 21, 2005. The effect of the stock split on earnings per share was retroactively applied to all periods presented.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

4. Goodwill and Other Intangible Assets

The carrying value of goodwill as of April 2, 2005 and July 3, 2004, by operating segment, is as follows:

	Direct-to- Consumer	Indirect	Total
Balance at July 3, 2004	\$ 3,408	\$ 10,197	\$ 13,605
Foreign exchange impact	<u>—</u>	<u>124</u>	<u>124</u>
Balance at April 2, 2005	<u>\$ 3,408</u>	<u>\$ 10,321</u>	<u>\$ 13,729</u>

5. Debt

Coach's revolving credit facility (the "Fleet facility") is available for seasonal working capital requirements or general corporate purposes and may be prepaid without penalty or premium. During the first nine months of fiscal 2005 and fiscal 2004 there were no borrowings under the Fleet facility. As of April 2, 2005 and July 3, 2004, there were no outstanding borrowings under the Fleet facility.

Coach pays a commitment fee of 12.5 to 30 basis points on any unused amounts of our revolving credit facility. Coach also pays interest of LIBOR plus 55 to 125 basis points on any outstanding borrowings. Both the commitment fee and the LIBOR margin are based on the Company's fixed charge coverage ratio. At April 2, 2005, the commitment fee was 12.5 basis points and the LIBOR margin was 55 basis points.

The Fleet facility contains various covenants and customary events of default. The Company has been in compliance with all covenants since the inception of the Fleet facility.

Coach Japan has available credit facilities with several Japanese financial institutions. These facilities contain various covenants and customary events of default. Coach Japan has been in compliance with all covenants since the inception of the facilities. Coach, Inc. is not a guarantor on any of these facilities.

During the first nine months of fiscal 2005 and fiscal 2004 the peak borrowings under the Japanese credit facilities were \$50,461 and \$36,084, respectively. As of April 2, 2005 and July 3, 2004, the outstanding borrowings under the Japanese facilities were \$21,315 and \$1,699, respectively.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

6. Investments

The Company's investments consist of U.S. government and agency debt securities as well as municipal government and corporate debt securities. As the Company has both the ability and the intent to hold these securities until maturity, all investments are classified as held to maturity and are stated at amortized cost. The following table shows the amortized cost, fair value, and gross unrealized gains and losses of the Company's investments at April 2, 2005 and July 3, 2004.

	April 2, 2005			July 3, 2004		
	Amortized Cost	Fair Value	Unrealized Gain/(Loss)	Amortized Cost	Fair Value	Unrealized (Loss)
Short-term investments:						
U.S. government and agency securities	\$ 105,000	\$ 104,620	\$ (380)	\$ 50,000	\$ 49,930	\$ (70)
Commercial paper	—	—	—	74,260	74,187	(73)
Corporate debt securities	173,786	173,002	(784)	22,500	22,500	—
Certificates of deposit	—	—	—	24,963	24,860	(103)
Short-term investments	<u>\$ 278,786</u>	<u>\$ 277,622</u>	<u>\$ (1,164)</u>	<u>\$ 171,723</u>	<u>\$ 171,477</u>	<u>\$ (246)</u>
Long-term investments:						
U.S. government and agency securities	\$ 49,934	\$ 49,325	\$ (609)	\$ 130,000	\$ 129,975	\$ (25)
Corporate debt securities	148,657	146,219	(2,438)	—	—	—
Long-term investments	<u>\$ 198,591</u>	<u>\$ 195,544</u>	<u>\$ (3,047)</u>	<u>\$ 130,000</u>	<u>\$ 129,975</u>	<u>\$ (25)</u>

Securities with maturity dates within one year are classified as short-term investments. Securities with maturity dates greater than one year are classified as long-term investments. At April 2, 2005, the maturity dates of long-term investments, based on current contractual maturities, extend to February 2007. Actual redemptions could differ from contractual maturities as some borrowers have the right to call certain obligations.

The difference between the amortized cost and fair value of the investments is the unrealized gains and losses, caused primarily by interest rate fluctuations. The securities to which the unrealized losses relate have been in a continuous loss position for less than twelve months. The Company does not consider these investments to be other-than-temporarily impaired at April 2, 2005. The Company has both the ability and the intent to hold these investments until a recovery of fair value, which may be at maturity.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

7. Earnings Per Share

Basic net income per share was calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and stock awards.

The following is a reconciliation of the weighted-average shares outstanding and calculation of basic and diluted earnings per share:

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>April 2, 2005</u>	<u>March 27, 2004</u>	<u>April 2, 2005</u>	<u>March 27, 2004</u>
Net earnings	<u>\$ 89,239</u>	<u>\$ 58,311</u>	<u>\$ 291,087</u>	<u>\$ 196,078</u>
Total basic shares	379,695	374,012	378,885	370,502
Dilutive securities:				
Employee benefit and stock award plans	2,734	2,568	2,835	2,570
Stock option programs	<u>9,180</u>	<u>10,559</u>	<u>8,693</u>	<u>11,222</u>
Total diluted shares	<u>391,609</u>	<u>387,139</u>	<u>390,413</u>	<u>384,294</u>
Earnings per share:				
Basic	<u>\$ 0.24</u>	<u>\$ 0.16</u>	<u>\$ 0.77</u>	<u>\$ 0.53</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.15</u>	<u>\$ 0.75</u>	<u>\$ 0.51</u>

At April 2, 2005, options to purchase 1,899 shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from \$27.96 to \$29.47 were greater than the average market price of the common shares.

At March 27, 2004, options to purchase 833 shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from \$19.33 to \$21.59, were greater than the average market price of the common shares.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

8. Segment Information

The Company operates its business in two reportable segments: Direct-to-Consumer and Indirect. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through Company-operated retail and factory stores, the Internet, and the Coach catalog constitute the Direct-to-Consumer segment. Indirect refers to sales of Coach products to other retailers and includes sales through Coach Japan. In deciding how to allocate resources and assess performance, Coach's executive officers regularly evaluate the sales and operating income of these segments. Operating income is the gross margin of the segment less direct expenses of the segment. Unallocated corporate expenses include production variances, general marketing, administration and information systems, as well as distribution and customer service expenses.

Quarter Ended	Direct-to-	Indirect	Corporate	
April 2, 2005	Consumer		Unallocated	Total
Net sales	\$ 208,516	\$ 207,423	\$ —	\$ 415,939
Operating income (loss)	82,047	107,758	(43,974)	145,831
Interest income, net	—	—	4,945	4,945
Income (loss) before provision for income taxes and minority interest	82,047	107,758	(39,029)	150,776
Provision for income taxes	—	—	57,296	57,296
Minority interest, net of tax	—	—	4,241	4,241
Depreciation and amortization	7,965	3,301	4,188	15,454
Total assets	228,836	246,662	801,274	1,276,772
Additions to long-lived assets	5,578	5,513	6,191	17,282

Quarter Ended	Direct-to-	Indirect	Corporate	
March 27, 2004	Consumer		Unallocated	Total
Net sales	\$ 160,261	\$ 152,812	\$ —	\$ 313,073
Operating income (loss)	59,314	75,902	(34,347)	100,869
Interest income, net	—	—	768	768
Income (loss) before provision for income taxes and minority interest	59,314	75,902	(33,579)	101,637
Provision for income taxes	—	—	38,114	38,114
Minority interest, net of tax	—	—	5,212	5,212
Depreciation and amortization	8,504	1,825	2,929	13,258
Total assets	221,773	198,726	507,341	927,840
Additions to long-lived assets	11,809	3,102	2,602	17,513

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

Nine Months Ended April 2, 2005	Direct-to- Consumer	Indirect	Corporate Unallocated	Total
Net sales	\$ 690,906	\$ 600,857	\$ —	\$ 1,291,763
Operating income (loss)	297,162	311,182	(127,943)	480,401
Interest income, net	—	—	10,924	10,924
Income (loss) before provision for income taxes and minority interest	297,162	311,182	(117,019)	491,325
Provision for income taxes	—	—	186,704	186,704
Minority interest, net of tax	—	—	13,534	13,534
Depreciation and amortization	22,731	8,789	11,650	43,170
Total assets	228,836	246,662	801,274	1,276,772
Additions to long-lived assets	30,357	21,325	12,057	63,739
Nine Months Ended March 27, 2004	Direct-to- Consumer	Indirect	Corporate Unallocated	Total
Net sales	\$ 531,821	\$ 451,140	\$ —	\$ 982,961
Operating income (loss)	212,509	222,033	(101,344)	333,198
Interest income, net	—	—	1,639	1,639
Income (loss) before provision for income taxes and minority interest	212,509	222,033	(99,705)	334,837
Provision for income taxes	—	—	125,567	125,567
Minority interest, net of tax	—	—	13,192	13,192
Depreciation and amortization	18,187	5,208	8,386	31,781
Total assets	221,773	198,726	507,341	927,840
Additions to long-lived assets	30,670	10,756	6,130	47,556

The following is a summary of the corporate costs not allocated in the determination of segment performance:

	Quarter Ended		Nine Months Ended	
	April 2, 2005	March 27, 2004	April 2, 2005	March 27, 2004
Production variances	\$ 4,961	\$ 4,936	\$ 7,528	\$ 9,606
Advertising, marketing and design	(16,339)	(13,419)	(52,068)	(41,579)
Administration and information systems	(23,613)	(18,412)	(57,115)	(46,786)
Distribution and customer service	(8,983)	(7,452)	(26,288)	(22,585)
Total corporate unallocated	<u>\$(43,974)</u>	<u>\$(34,347)</u>	<u>\$(127,943)</u>	<u>\$(101,344)</u>

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
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Geographic Area Information

As of April 2, 2005, Coach operated 186 retail stores and 80 factory stores in North America and operated distribution, product development, and quality control locations in the United States, Italy, Hong Kong, China, and South Korea. In addition, Coach Japan operates 113 department store shop-in-shops, retail stores, and factory stores in Japan. Geographic revenue information is based on the location of the customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period.

Quarter Ended					
April 2, 2005		United States	Japan	Other International	Total
Net sales		\$ 295,334	\$ 98,613	\$ 21,992	\$ 415,939
Long-lived assets		362,863	72,752	2,707	438,322
Quarter Ended					
March 27, 2004		United States	Japan	Other International	Total
Net sales		\$ 224,185	\$ 71,917	\$ 16,971	\$ 313,073
Long-lived assets		159,672	42,556	800	203,028
Nine Months Ended					
April 2, 2005		United States	Japan	Other International	Total
Net sales		\$ 944,694	\$ 276,287	\$ 70,782	\$ 1,291,763
Long-lived assets		362,863	72,752	2,707	\$ 438,322
Nine Months Ended					
March 27, 2004		United States	Japan	Other International	Total
Net sales		\$ 731,338	\$ 199,235	\$ 52,388	\$ 982,961
Long-lived assets		159,672	42,556	800	203,028

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
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9. Commitments and Contingencies

At April 2, 2005, the Company had outstanding letters of credit totaling \$57,238. Of this amount, \$16,764 relates to the letter of credit obtained in connection with leases transferred to the Company by the Sara Lee Corporation, for which Sara Lee retains contingent liability. The remaining letters of credit were issued for purchases of inventory and lease guarantees.

Coach is a party to several pending legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, Coach's general counsel and management are of the opinion that the final outcome should not have a material effect on Coach's financial position, results of operations, or cash flows.

10. Derivative Instruments and Hedging Activities

The fair value of open foreign currency derivatives included in other current assets at April 2, 2005 was \$642 compared to \$486 included in accrued liabilities at July 3, 2004. For the nine months ended April 2, 2005, changes in the fair value of contracts designated and effective as cash flow hedges resulted in an increase to equity as a benefit to other comprehensive income of \$290, net of taxes. For the nine months ended March 27, 2004, changes in the fair value of contracts designated and effective as cash flow hedges resulted in a reduction to equity as a charge to other comprehensive income of \$1,041, net of taxes.

11. Stock Repurchase Program

On August 12, 2004, the Coach Board of Directors approved a \$200,000 increase to the Company's common stock repurchase program and extended the duration of this program through August 2006. Purchases of Coach stock may be made from time to time, subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares will be retired and may be reissued in the future for general corporate and other uses. Coach may terminate or limit the stock repurchase program at any time.

During the first nine months of fiscal 2005 and fiscal 2004, the Company repurchased and retired 11,000 and 3,022 shares, respectively, of common stock, at an average cost of \$24.09 and \$18.18, respectively, per share.

As of April 2, 2005, Coach had completed the current authorization of the stock repurchase program.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
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12. Business Interruption Insurance

In the fiscal year ended June 29, 2002, Coach's World Trade Center location was completely destroyed as a result of the September 11th attack. Losses relating to the Company's business interruption coverage were filed with the insurers. Coach has held discussions with its insurance carriers and expects to fully recover these losses.

During the quarters ended April 2, 2005 and March 27, 2004, Coach received \$440 and \$0, respectively, under its business interruption coverage. For the nine months ended April 2, 2005 and March 27, 2003, Coach received \$2,644 and \$2,657, respectively, under its business interruption coverage. These amounts are included as a reduction to selling, general and administrative expenses.

13. Retirement Plans

The components of net periodic pension cost for the Coach Leatherware Company, Inc. Supplemental Pension Plan were:

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>April 2, 2005</u>	<u>March 27, 2004</u>	<u>April 2, 2005</u>	<u>March 27, 2004</u>
Service cost	\$ 4	\$ 3	\$ 11	\$ 10
Interest cost	77	95	231	286
Expected return on plan assets	(45)	(70)	(136)	(211)
Recognized actuarial loss	<u>47</u>	<u>62</u>	<u>143</u>	<u>185</u>
Net periodic pension cost	<u>\$ 83</u>	<u>\$ 90</u>	<u>\$ 249</u>	<u>\$ 270</u>

Coach has elected to contribute an additional \$521 for the fiscal year ending July 2, 2005 from what was previously disclosed for a total expected fiscal year 2005 contribution of \$1,290.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
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14. Recent Accounting Developments

Lease Accounting

On February 7, 2005, the Office of the Chief Accountant of the Securities and Exchange Commission issued a letter in which it expressed its views regarding the accounting for certain operating leases and the application of GAAP. As a result, the Company reviewed its accounting practices related to leasing transactions. The Company determined that in order to comply with Statement of Financial Accounting Standards No. 13, "Accounting for Leases," Financial Accounting Standards Board Technical Bulletin No. 88-1, "Issues Relating to Accounting for Leases," and Financial Accounting Standards Board Technical Bulletin 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," it would adjust its accounting for the construction build-out period of leases, as well as reclassify amounts in the balance sheet and cash flow statements for construction allowances from landlords for leased stores.

Previously, the Company recognized the straight-line rent expense for leases beginning on the earlier of the store opening date or lease commencement date, which generally had the effect of excluding the build-out period of its stores from the calculation of the period over which it expensed rent. The Company now records rent expense when it takes possession of a store to begin its buildout, which generally occurs before the stated commencement of the lease term and is approximately 60 to 90 days prior to the opening of the store. This adjustment resulted in a cumulative, non-cash charge to rent expense of approximately \$3,900 in the quarter ended April 2, 2005, of which approximately \$3,400 related to prior periods.

The Company also periodically receives allowances from landlords related to pre-opening construction at new stores. Historically, the Company recorded these allowances as a reduction of capital expenditures and the carrying values of fixed assets. The Company has reclassified these allowances from fixed assets to a deferred lease credit on the balance sheet. The deferred lease credit will be amortized over the lease term which is consistent with the amortization period for the constructed assets. As a result of the reclassification, previously reported property and equipment and lease liabilities have been increased by \$14,302 at April 2, 2005 and \$15,767 at July 3, 2004. The previously reported cash flows from operating activities have been increased and cash flows from investing activities have been decreased by \$0 for the nine months ended April 2, 2005 and \$5,966 for the nine months ended March 27, 2004. In addition, the Company has reclassified deferred rent of a long-term nature out of current liabilities and into other liabilities at April 2, 2005 and July 3, 2004.

The lease accounting adjustments do not affect historical or future cash flows or the timing of payments under related leases. The Company believes that the effect of the lease accounting adjustments on the Company's current and prior period financial statements is not material.

COACH, INC.
Notes to Condensed Consolidated Financial Statements — (continued)
Quarters and Nine Months Ended April 2, 2005 and March 27, 2004
(dollars and shares in thousands, except per share data)
(unaudited)

15. Subsequent Events

On April 26, 2005, the Company announced the agreement to purchase Sumitomo's 50% interest in Coach Japan, Inc. for approximately \$225,000 plus undistributed profits and paid-in capital of approximately \$75,000. The purchase is expected to close at the end of the current fiscal year and be accretive to earnings in fiscal year 2006.

On May 11, 2005, the Coach Board of Directors approved a common stock repurchase program to acquire up to \$250,000 of Coach's outstanding common stock. Purchases of Coach stock may be made from time to time, subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares of common stock will become authorized but unissued shares and may be issued in the future for general corporate and other purposes. The Company may terminate or limit the stock repurchase program at any time.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of Coach's financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes thereto which are included herein.

Executive Overview

Founded in 1941, Coach has grown from a family-run workshop in a Manhattan loft to a leading American designer and marketer of fine accessories and gifts for women and men. Coach developed its initial expertise in the small-scale production of classic, high-quality leather goods constructed from "glove-tanned" leather with close attention to detail. Coach has grown into a designer and marketer of high-quality modern American classic accessories with expanding international brand recognition. Coach sells its products worldwide through its own retail stores, select department and specialty stores, its on-line store, www.coach.com, and its catalog. Coach has built upon its brand awareness in the United States by expanding into international markets, particularly in Japan and East Asia, diversifying its product offerings beyond leather handbags, further developing its multi-channel distribution strategy, and licensing products with the Coach brand name.

Coach generates revenue by selling its products directly to consumers, indirectly through wholesale customers and Coach Japan, and by licensing its brand name to select manufacturers. During the quarter ended April 2, 2005, net sales increased 32.8% to \$415.9 million from \$313.1 million during the same period of fiscal 2004. The increase in net sales is attributable to growth across all distribution channels and key categories. Operating income for the quarter ended April 2, 2005 increased 44.5% to \$145.8 million from \$100.9 million generated in the same period of fiscal 2004, driven by these increases in net sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses. Net income for the quarter ended April 2, 2005 increased 53.0% to \$89.2 million from \$58.3 million generated in the same period of fiscal 2004. The increase in net income is attributable to this increased operating income, partially offset by a higher provision for income taxes and a higher minority interest expense.

During the nine months ended April 2, 2005, net sales increased 31.4% to \$1,291.8 million from \$983.0 million during the same period of fiscal 2004. The increase in net sales is attributable to growth across all distribution channels and key categories. Operating income for the nine months ended April 2, 2005 increased 44.2% to \$480.4 million from \$333.2 million generated in the same period of fiscal 2004, driven by these increases in net sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses. Net income for the nine months ended April 2, 2005 increased 48.4% to \$291.1 million from \$196.1 million generated in the same period of fiscal 2004. The increase in net income is attributable to this increased operating income, partially offset by a higher provision for income taxes and a higher minority interest expense.

[Table of Contents](#)**Results of Operations**

The following is a discussion of the results of operations for the third quarter and first nine months of fiscal 2005 compared to the third quarter and first nine months of fiscal 2004 and a discussion of the changes in financial condition during the first nine months of fiscal 2005.

Third Quarter Fiscal 2005 Compared to Third Quarter Fiscal 2004

Consolidated statements of income for the third quarter of fiscal 2005 compared to the third quarter of fiscal 2004 are as follows:

	Quarter Ended (unaudited)			
	April 2, 2005		March 27, 2004	
	(amounts in millions, except per share data)			
	\$	% of net sales	\$	% of net sales
Net sales	\$ 414.2	99.6%	\$ 311.7	99.6%
Licensing revenue	1.7	0.4	1.4	0.4
Total net sales	415.9	100.0	313.1	100.0
Cost of sales	91.3	22.0	75.6	24.1
Gross profit	324.6	78.0	237.5	75.9
Selling, general and administrative expenses	178.8	43.0	136.6	43.6
Operating income	145.8	35.1	100.9	32.2
Interest income, net	4.9	1.2	0.8	0.3
Income before provision for income taxes and minority interest	150.8	36.3	101.7	32.5
Provision for income taxes	57.4	13.8	38.2	12.2
Minority interest, net of tax	4.2	1.0	5.2	1.7
Net income	<u>\$ 89.2</u>	<u>21.4%</u>	<u>\$ 58.3</u>	<u>18.6%</u>
Net income per share:				
Basic	<u>\$ 0.24</u>		<u>\$ 0.16</u>	
Diluted	<u>\$ 0.23</u>		<u>\$ 0.15</u>	
Weighted-average number of shares:				
Basic	<u>379.7</u>		<u>374.0</u>	
Diluted	<u>391.6</u>		<u>387.1</u>	

Net Sales

Net sales by business segment in the third quarter of fiscal 2005 compared to the third quarter of fiscal 2004 are as follows:

	Quarter Ended				
	(unaudited)				
	Net Sales		Rate of Increase	Percentage of Total Net Sales	
April 2, 2005	March 27, 2004	April 2, 2005		March 27, 2004	
	(dollars in millions)		('05 v. '04)		
Direct-to-consumer	\$ 208.5	\$ 160.3	30.1%	50.1%	51.2%
Indirect	207.4	152.8	35.7%	49.9	48.8
Total net sales	\$ 415.9	\$ 313.1	32.8%	100.0%	100.0%

Direct-to-Consumer. Net sales increased 30.1% to \$208.5 million during the third quarter of fiscal 2005 from \$160.3 million during the same period of fiscal 2004, driven by increased comparable store sales, new store sales, and expanded store sales in our North American retail and factory store divisions. Sales growth in comparable stores, defined as those stores open for at least the previous twelve months, was 12.7% for retail stores and 37.4% for factory stores. Comparable store sales growth for the entire North American store chain was 22.4%, which accounted for \$24.7 million of the net sales increase. Since the end of the third quarter of fiscal 2004, Coach has opened 19 retail stores and five factory stores. Sales from these new stores, as well as the non-comparable portion of sales from stores opened during the third quarter of fiscal 2004, accounted for \$16.5 million of the net sales increase. Since the end of the third quarter of fiscal 2004, Coach also expanded eight retail stores and two factory stores. Sales from these expanded stores, as well as the non-comparable portion of sales from stores expanded during the third quarter of fiscal 2004, accounted for \$1.9 million of the net sales increase. Sales growth in the Internet business accounted for the remaining sales increase. These increases were slightly offset by store closures. Since the end of the third quarter of fiscal 2004, Coach has closed two factory stores.

Indirect. Net sales increased 35.7% to \$207.4 million in the third quarter of fiscal 2005 from \$152.8 million during the same period of fiscal 2004. The increase was driven by growth at our Japanese joint venture, Coach Japan, Inc. in which net sales increased \$27.5 million over the comparable period of the prior year. Since the end of the third quarter of fiscal 2004, we have opened 12 locations in Japan. Sales from these new stores, as well as the non-comparable portion of sales from other new stores, accounted for \$12.2 million of the net sales increase. In addition, comparable store net sales gains accounted for an increase of \$8.2 million over the comparable period of the prior year. Since the end of the third quarter of fiscal 2004, we have also expanded 17 locations in Japan. Sales from these expanded stores, as well as the non-comparable portion of sales from other expanded stores, accounted for \$5.8 million of the net sales increase. Finally, the impact of foreign currency exchange rates resulted in an increase in reported net sales of \$2.3 million. These increases were slightly offset by store closures. Since the end of the third quarter of fiscal 2004, Coach Japan has closed six locations.

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The increase in indirect sales was also driven by growth in the U.S. wholesale, international wholesale, and business-to-business divisions, which contributed increased sales of \$15.3 million, \$4.4 million, and \$4.1 million, respectively, as compared to the same period of the prior year. The remaining net sales increase is attributable to increases in other indirect channels.

Gross Profit

Gross profit increased 36.7% to \$324.6 million in the third quarter of fiscal 2005 from \$237.5 million during the same period of fiscal 2004. Gross margin increased 220 basis points to 78.1% in the third quarter of fiscal 2005 from 75.9% during the same period of fiscal 2004. This improvement was driven by a shift in channel mix, as our higher gross margin channels grew faster than the business as a whole, which contributed 183 additional basis points, a shift in product mix, reflecting increased penetration of higher margin collections, which contributed 30 additional basis points, and the continuing impact of sourcing cost initiatives, which contributed six additional basis points.

The following chart illustrates the gross margin performance Coach has experienced over the last seven quarters.

	Fiscal Year Ended July 3, 2004				Fiscal Year Ending July 2, 2005		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gross margin	72.7%	74.2%	75.9%	76.7%	75.0%	75.8%	78.1%

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 30.9% to \$178.8 million in the third quarter of fiscal 2005 from \$136.6 million during the same period of fiscal 2004. As a percentage of net sales, selling, general and administrative expenses during the third quarter of fiscal 2005 were 43.0% compared to 43.6% during the third quarter of fiscal 2004. This improvement is attributable to leveraging our expense base on higher sales.

Selling expenses increased 34.0% to \$127.5 million, or 30.6% of net sales, in the third quarter of fiscal 2005 from \$95.2 million, or 30.4% of net sales, during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to an increase in operating expenses associated with North American retail stores and Coach Japan. The \$16.1 million increase in North American retail stores operating expenses is attributable to increased variable expenses to support sales growth and operating expenses associated with new stores. Domestically, Coach opened 19 new retail stores and five new factory stores since the end of the third quarter of fiscal 2004. Expenses from these new stores, as well as the non-comparable portion of expenses from stores opened during the third quarter of fiscal 2004, increased total expenses by \$8.0 million. The increase in Coach Japan expenses was \$15.3 million, driven by operating expenses of new stores and increased variable expenses related to higher sales. In addition, the impact of foreign currency exchange rates increased reported expenses by \$1.1 million. The remaining increase in selling expenses was due to increased variable expenses to support sales growth.

Advertising, marketing, and design costs increased 21.5% to \$18.1 million, or 4.4% of net sales, in the third quarter of fiscal 2005, from \$14.9 million, or 4.8% of net sales, during the same period of fiscal 2004. The dollar increase was primarily due to increased staffing costs, design expenditures, and advertisements.

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Distribution and customer service expenses increased to \$9.6 million in the third quarter of fiscal 2005 from \$8.1 million during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to higher sales volumes. However, efficiency gains at the distribution and customer service facility resulted in an improvement in the ratio of these expenses to net sales from 2.6% in the third quarter of fiscal 2004 to 2.3% in the third quarter of fiscal 2005.

Administrative expenses increased 28.3% to \$23.6 million, or 5.7% of net sales, in the third quarter of fiscal 2005 from \$18.4 million, or 5.9% of net sales, during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to increased employee staffing costs and building occupancy costs.

Interest Income, Net

Interest income, net was \$4.9 million in the third quarter of fiscal 2005 as compared to \$0.8 million in the third quarter of fiscal 2004. The dollar increase was due to increased cash and investment balances during the third quarter of fiscal 2005 as well as higher returns on our investments.

Income Taxes

The effective tax rate increased to 38% in the third quarter of fiscal 2005 compared with the 37.5% recorded in the third quarter of fiscal 2004.

Minority Interest, Net of Tax

Minority interest expense decreased to \$4.2 million, or 1.0% of net sales, in the third quarter of fiscal 2005 as compared to \$5.2 million, or 1.7% of net sales, in the third quarter of fiscal 2004. This decrease was due to decreased profits from the operations of Coach Japan.

[Table of Contents](#)**First Nine Months Fiscal 2005 Compared to First Nine Months Fiscal 2004**

Consolidated statements of income for the first nine months of fiscal 2005 compared to the first nine months of fiscal 2004 are as follows:

	Nine Months Ended			
	(unaudited)		(unaudited)	
	April 2, 2005	March 27, 2004	April 2, 2005	March 27, 2004
	(amounts in millions, except per share data)			
	\$	% of net sales	\$	% of net sales
Net sales	\$ 1,287.1	99.6%	\$ 979.3	99.6%
Licensing revenue	4.7	0.4	3.7	0.4
Total net sales	1,291.8	100.0	983.0	100.0
Cost of sales	305.9	23.7	252.4	25.7
Gross profit	985.9	76.3	730.6	74.3
Selling, general and administrative expenses	505.4	39.1	397.4	40.4
Operating income	480.5	37.2	333.2	33.9
Interest income, net	10.9	0.8	1.6	0.2
Income before provision for income taxes and minority interest	491.4	38.0	334.8	34.1
Provision for income taxes	186.8	14.5	125.5	12.8
Minority interest, net of tax	13.5	1.0	13.2	1.3
Net income	<u>\$ 291.1</u>	<u>22.5%</u>	<u>\$ 196.1</u>	<u>19.9%</u>
Net income per share:				
Basic	<u>\$ 0.77</u>		<u>\$ 0.53</u>	
Diluted	<u>\$ 0.75</u>		<u>\$ 0.51</u>	
Weighted-average number of shares:				
Basic	<u>378.9</u>		<u>370.5</u>	
Diluted	<u>390.4</u>		<u>384.3</u>	

Net Sales

Net sales by business segment in the first nine months of fiscal 2005 compared to the first nine months of fiscal 2004 are as follows:

	Nine Months Ended (unaudited)				
	Net Sales			Percentage of Total Net Sales	
	April 2, 2005 (dollars in millions)	March 27, 2004	Rate of Increase (’05 v. ’04)	April 2, 2005	March 27, 2004
Direct-to-consumer	\$ 690.9	\$ 531.9	29.9%	53.5%	54.1%
Indirect	600.9	451.1	33.2%	46.5	45.9
Total net sales	<u>\$ 1,291.8</u>	<u>\$ 983.0</u>	<u>31.4%</u>	<u>100.0%</u>	<u>100.0%</u>

Direct-to-Consumer. Net sales increased 29.9% to \$690.9 million during the first nine months of fiscal 2005 from \$531.9 million during the same period of fiscal 2004, driven by increased comparable store sales, new store sales, and expanded store sales in our North American retail and factory store divisions. Sales growth in comparable stores, defined as those stores opened for at least the previous twelve months, was 13.6% for retail stores and 21.5% for factory stores. Comparable store sales growth for the entire North American store chain was 16.9%, which accounted for \$78.4 million of the net sales increase. Since the end of the first nine months of fiscal 2004, Coach has opened 19 retail stores and five factory stores. Sales from these new stores, as well as the non-comparable portion of sales from stores opened during the first nine months of fiscal 2004, accounted for \$62.7 million of the net sales increase. Since the end of the first nine months of fiscal 2004, Coach also expanded eight retail stores and two factory stores. Sales from these expanded stores, as well as the non-comparable portion of sales from stores expanded during the first nine months of fiscal 2004, accounted for \$7.8 million of the net sales increase. Sales growth in the Internet business accounted for the remaining sales increase. These increases were slightly offset by store closures. Since the end of the first nine months of fiscal 2004, Coach has closed two factory stores.

Indirect. Net sales increased 33.2% to \$600.9 million in the first nine months of fiscal 2005 from \$451.1 million during the same period of fiscal 2004. The increase was driven by growth at our Japanese joint venture, Coach Japan, Inc. in which net sales increased \$78.2 million over the comparable period of the prior year. Since the end of the first nine months of fiscal 2004, we have opened 12 locations in Japan. Sales from these new stores, as well as the non-comparable portion of sales from other new stores, accounted for \$28.4 million of the net sales increase. In addition, comparable store net sales gains accounted for an increase of \$23.6 million over the comparable period of the prior year. Since the end of the first nine months of fiscal 2004, we have also expanded 17 locations in Japan. Sales from these expanded stores, as well as the non-comparable portion of sales from other expanded stores, accounted for \$16.8 million of the net sales increase. Finally, the impact of foreign currency exchange rates resulted in an increase in reported net sales of \$11.2 million. These increases were slightly offset by store closures. Since the end of the first nine months of fiscal 2004, Coach Japan has closed six locations.

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The increase in indirect sales was also driven by growth in the U.S. wholesale, international wholesale, and business-to-business divisions, which contributed increased sales of \$39.1 million, \$13.8 million, and \$10.2 million, respectively, as compared to the same period of the prior year. The remaining net sales increase is attributable to increases in other indirect channels.

Gross Profit

Gross profit increased 34.9% to \$985.9 million in the first nine months of fiscal 2005 from \$730.6 million during the same period of fiscal 2004. Gross margin increased 200 basis points to 76.3% in the first nine months of fiscal 2005 from 74.3% during the same period of fiscal 2004. This improvement was driven by a shift in channel mix, as our higher gross margin channels grew faster than the business as a whole, which contributed 119 additional basis points, a shift in product mix, reflecting increased penetration of higher margin collections, which contributed 60 additional basis points, and the continuing impact of sourcing cost initiatives, which contributed 20 additional basis points.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 27.2% to \$505.4 million in the first nine months of fiscal 2005 from \$397.4 million during the same period of fiscal 2004. As a percentage of net sales, selling, general and administrative expenses during the first nine months of fiscal 2005 were 39.1% compared to 40.4% during the first nine months of fiscal 2004. This improvement is attributable to leveraging our expense base on higher sales.

Selling expenses increased 29.5% to \$361.5 million, or 27.9% of net sales, in the first nine months of fiscal 2004 from \$279.2 million, or 28.4% of net sales, during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to an increase in operating costs associated with North American retail stores and Coach Japan. The \$42.8 million increase in North American retail stores operating expenses is attributable to increased variable expenses to support sales growth and operating expenses associated with new stores. Domestically, Coach opened 19 new retail stores and five new factory stores since the end of the first nine months of fiscal 2004. Expenses from these new stores, as well as the non-comparable portion of expenses from stores opened during the first nine months of fiscal 2004, increased total expenses by \$17.7 million. The increase in Coach Japan expenses was \$36.4 million, driven by operating expenses of new stores and increased variable expenses related to higher sales. In addition, the impact of foreign currency exchange rates increased reported expenses by \$5.1 million. The remaining increase in selling expenses was due to increased variable expenses to support sales growth.

Advertising, marketing, and design costs increased 24.8% to \$58.9 million, or 4.6% of net sales, in the first nine months of fiscal 2005 from \$47.2 million, or 4.8% of net sales, during the same period of fiscal 2004. The dollar increase was primarily due to increased employee staffing costs, design expenditures and advertisements.

Distribution and customer service expenses increased to \$27.9 million in the first nine months of fiscal 2005 from \$24.2 million during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to higher sales volumes. However, efficiency gains at the distribution and customer service facility resulted in an improvement in the ratio of these expenses to net sales from 2.5% in the first nine months of fiscal 2004 to 2.2% in the first nine months of fiscal 2005.

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Administrative expenses increased by 22.0% to \$57.1 million, or 4.4% of net sales, in the first nine months of fiscal 2005 from \$46.8 million, or 4.8% of net sales, during the same period of fiscal 2004. The dollar increase in these expenses was primarily due to increased employee staffing costs and building occupancy costs.

Interest Income, Net

Interest income, net was \$10.9 million in the first nine months of fiscal 2005 as compared to \$1.6 million in the first nine months of fiscal 2004. The dollar increase was due to increased cash and investment balances during the first nine months of fiscal 2005 as well as higher returns on our investments.

Income Taxes

The effective tax rate increased to 38% in the first nine months of fiscal 2005 compared with the 37.5% recorded in the first nine months of fiscal 2004.

Minority Interest, Net of Tax

Minority interest expense increased to \$13.5 million, or 1.0% of net sales, in the first nine months of fiscal 2005 as compared to \$13.2 million, or 1.3% of net sales, in the first nine months of fiscal 2004. This increase was due to increased profits from the operations of Coach Japan and the impact of foreign currency exchange rates.

FINANCIAL CONDITION

Liquidity and Capital Resources

Net cash provided by operating activities was \$398.4 million for the first nine months of fiscal 2005 compared to \$302.2 million in the first nine months of fiscal 2004. The year-to-year improvement of \$96.2 million was primarily the result of higher earnings of \$95.0 million.

Net cash used in investing activities was \$239.4 million in the first nine months of fiscal 2005 compared to \$41.5 million in the first nine months of fiscal 2004. The increase in net cash used in investing activities is primarily attributable to the \$175.7 million net purchase of investments. In addition, capital expenditures, which related primarily to new and renovated retail stores in the United States and Japan, increased by \$22.1 million.

Net cash used in financing activities was \$204.8 million in the first nine months of fiscal 2005 compared to \$44.5 million used in the comparable period of fiscal 2004. The year-to-year increase in cash used primarily resulted from an additional \$210.0 million expended to repurchase common stock in the first nine months of fiscal 2005 as compared to the same period of the prior year offset by an additional \$19.6 million in funds borrowed, net of repayments, on Coach Japan's revolving credit facility and an additional \$16.9 million in proceeds received from the exercise of stock options.

Coach's revolving credit facility (the "Fleet facility") is available for seasonal working capital requirements or general corporate purposes and may be prepaid without penalty or premium. During the first nine months of fiscal 2005 and fiscal 2004 there were no borrowings under the Fleet facility. As of April 2, 2005 and July 3, 2004, there were no outstanding borrowings under the Fleet facility.

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Coach pays a commitment fee of 12.5 to 30 basis points on any unused amounts of our revolving credit facility. Coach also pays interest of LIBOR plus 55 to 125 basis points on any outstanding borrowings. Both the commitment fee and the LIBOR margin are based on the Company's fixed charge coverage ratio. At April 2, 2005, the commitment fee was 12.5 basis points and the LIBOR margin was 55 basis points.

The Fleet facility contains various covenants and customary events of default. Coach has been in compliance with all covenants since the inception of the Fleet facility.

To provide funding for working capital and general corporate purposes, Coach Japan has available credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 8.6 billion yen or approximately \$80 million at April 2, 2005. Interest is based on the Tokyo Interbank rate plus a margin of up to 50 basis points.

These Japanese facilities contain various covenants and customary events of default. Coach Japan has been in compliance with all covenants since the inception of these facilities. Coach, Inc. is not a guarantor on these facilities.

During the first nine months of fiscal 2005 and fiscal 2004 the peak borrowings under the Japanese credit facilities were \$50.5 million and \$36.1 million, respectively. As of April 2, 2005 and July 3, 2004, the outstanding borrowings under the Japanese facilities were \$21.3 million and \$1.7 million, respectively.

On August 12, 2004, the Coach Board of Directors approved a \$200 million increase to the Company's common stock repurchase program and extended the duration of this program through August 2006. Purchases of Coach stock may be made from time to time, subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares will be retired and may be reissued in the future for general corporate and other uses. Coach may terminate or limit the stock repurchase program at any time.

During the first nine months of fiscal 2005 and fiscal 2004, the Company repurchased 11.0 million and 3.0 million shares, respectively, of common stock, at an average cost of \$24.09 and \$18.18, respectively, per share.

As of April 2, 2005, Coach had completed the current authorization of the stock repurchase program.

On May 11, 2005, the Coach Board of Directors approved a common stock repurchase program to acquire up to \$250 million of Coach's outstanding common stock. Purchases of Coach stock may be made from time to time, subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares of common stock will become authorized but unissued shares and may be issued in the future for general corporate and other purposes. The Company may terminate or limit the stock repurchase program at any time.

We expect that fiscal 2005 capital expenditures will be approximately \$95 million and will relate to the following: new retail and factory stores as well as store expansions in the United States and Japan, department store and distributor location renovations, information systems, and corporate facilities. In the U.S., we plan to open about 20 new retail stores and five new factory stores, of which 17 were opened by the end of the first nine months of fiscal 2005. In Japan, we plan to open about 12 new locations, of which ten were opened by the end of the first nine months of fiscal 2005. We intend to finance these

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investments from internally generated cash flows, on hand cash, or by using funds from our Japanese revolving credit facilities.

Coach experiences significant seasonal variations in its working capital requirements. During the first fiscal quarter Coach builds inventory for the holiday selling season, opens new retail stores, and generates higher levels of trade receivables. In the second fiscal quarter its working capital requirements are reduced substantially as Coach generates greater consumer sales and collects wholesale accounts receivable. During the first nine months of fiscal 2005, Coach purchased approximately \$325 million of inventory, which was funded by operating cash flow.

On April 26, 2005, we announced the agreement to purchase Sumitomo's 50% interest in Coach Japan, Inc. for approximately \$225 million plus undistributed profits and paid-in capital of approximately \$75 million. The purchase is expected to close at the end of the current fiscal year and be accretive to earnings in fiscal year 2006. This transaction will be funded by on hand cash and cash provided by operations.

Management believes that cash flow from operations and on hand cash will provide adequate funds for the foreseeable working capital needs, planned capital expenditures, and the common stock repurchase program. Any future acquisitions, joint ventures, or other similar transactions may require additional capital and there can be no assurance that any such capital will be available to Coach on acceptable terms or at all. Coach's ability to fund its working capital needs, planned capital expenditures, and scheduled debt payments and to comply with all of the financial covenants under its debt agreements, depends on its future operating performance and cash flow, which are subject to prevailing economic conditions and to financial, business, and other factors, some of which are beyond Coach's control.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

Seasonality

Because its products are frequently given as gifts, Coach has historically realized, and expects to continue to realize, higher sales and operating income in the second quarter of its fiscal year, which includes the holiday months of November and December. In addition, fluctuations in sales and operating income in any fiscal quarter are affected by the timing of seasonal wholesale shipments and other events affecting retail sales. However, over the past several years, we have achieved higher levels of growth in the non-holiday quarters, which has reduced these seasonal fluctuations. We expect that these trends will continue, and we will continue to balance our year-round business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion of results of operations and financial condition relies on our consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates that are subject to varying degrees of uncertainty. We believe that investors need to be aware of these policies and how they impact our financial statements as a whole, as well as our related discussion and analysis presented herein. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts. The accounting policies and related risks described in our Annual Report on Form 10-K for the year ended July 3, 2004 are those that depend most heavily on

these judgments and estimates. As of April 2, 2005, there have been no material changes to any of the critical accounting policies contained therein.

Lease Accounting

On February 7, 2005, the Office of the Chief Accountant of the Securities and Exchange Commission issued a letter in which it expressed its views regarding the accounting for certain operating leases and the application of GAAP. As a result, the Company reviewed its accounting practices related to leasing transactions. The Company determined that in order to comply with Statement of Financial Accounting Standards No. 13, "Accounting for Leases," Financial Accounting Standards Board Technical Bulletin No. 88-1, "Issues Relating to Accounting for Leases," and Financial Accounting Standards Board Technical Bulletin 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," it would adjust its accounting for the construction build-out period of leases, as well as reclassify amounts in the balance sheet and cash flow statements for construction allowances from landlords for leased stores.

Previously, the Company recognized the straight-line rent expense for leases beginning on the earlier of the store opening date or lease commencement date, which generally had the effect of excluding the build-out period of its stores from the calculation of the period over which it expensed rent. The Company now records rent expense when it takes possession of a store to begin its buildout, which generally occurs before the stated commencement of the lease term and is approximately 60 to 90 days prior to the opening of the store. This adjustment resulted in a cumulative, non-cash charge to rent expense of approximately \$3.9 million in the quarter ended April 2, 2005, of which approximately \$3.4 million related to prior periods.

The Company also periodically receives allowances from landlords related to pre-opening construction at new stores. Historically, the Company recorded these allowances as a reduction of capital expenditures and the carrying values of fixed assets. The Company has reclassified these allowances from fixed assets to a deferred lease credit on the balance sheet. The deferred lease credit will be amortized over the lease term which is consistent with the amortization period for the constructed assets. As a result of the reclassification, previously reported property and equipment and lease liabilities have been increased by \$14.3 million at April 2, 2005 and \$15.8 million at July 3, 2004. The previously reported cash flows from operating activities have been increased and cash flows from investing activities have been decreased by \$0 for the nine months ended April 2, 2005 and \$6.0 million for the nine months ended March 27, 2004. In addition, the Company has reclassified deferred rent of a long-term nature out of current liabilities and into other liabilities at April 2, 2005 and July 3, 2004.

The lease accounting adjustments do not affect historical or future cash flows or the timing of payments under related leases. Management believes that the effect of the lease accounting adjustments on the Company's current and prior period financial statements is not material.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in interest rates or foreign currency exchange rates. Coach manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments with respect to Coach Japan. The following quantitative disclosures are based on quoted market prices obtained through independent pricing sources for the same or similar types of financial instruments, taking into consideration the underlying terms and maturities and

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theoretical pricing models. These quantitative disclosures do not represent the maximum possible loss or any expected loss that may occur, since actual results may differ materially from those estimates.

Foreign Exchange

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than the entity's functional currency and from foreign-denominated revenues translated into U.S. dollars.

Substantially all of Coach's fiscal 2005 non-licensed product needs were purchased from independent manufacturers in countries other than the United States. These countries include China, Turkey, India, Costa Rica, Dominican Republic, Hungary, Indonesia, Italy, Korea, Philippines, Singapore, Spain, Taiwan, and Thailand. Additionally, sales are made through international channels to third-party distributors. Substantially all purchases and sales involving international parties are denominated in U.S. dollars and therefore are not hedged by Coach using any derivative instruments.

Coach is exposed to market risk from foreign currency exchange rate fluctuations with respect to Coach Japan as a result of its U.S. dollar denominated inventory purchases. Coach Japan enters into certain foreign currency derivative contracts, primarily foreign exchange forward contracts, to manage these risks. These transactions are in accordance with Company risk management policies. Coach does not enter into derivative transactions for speculative or trading purposes.

The fair value of open foreign currency derivatives included in other current assets at April 2, 2005 was \$0.6 million compared to \$0.5 million included in accrued liabilities at July 3, 2004. For the nine months ended April 2, 2005, changes in the fair value of contracts designated and effective as cash flow hedges resulted in an increase to equity as a benefit to other comprehensive income of \$0.3 million, net of taxes. For the nine months ended March 27, 2004, changes in the fair value of contracts designated and effective as cash flow hedges resulted in a reduction to equity as a charge to other comprehensive income of \$1.0 million, net of taxes.

Interest Rate

Coach faces minimal interest rate risk exposure in relation to its outstanding debt of \$24.6 million at April 2, 2005. Of this amount, \$21.3 million, under revolving credit facilities, is subject to interest rate fluctuations. As this level of debt and the resulting interest expense are not significant, any change in interest rates applied to the fair value of this debt would not have a material impact on the results of operations or cash flows of Coach.

ITEM 4. Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures as of April 2, 2005, each of Lew Frankfort, the Chief Executive Officer of the Company, and Michael F. Devine, III, the Chief Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms.

Based on an evaluation by management, with the participation of Messrs. Frankfort and Devine, there was no change in the Company's internal control over financial reporting that occurred during the

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Company's first fiscal nine months that has materially affected, or is reasonably like to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. Legal Proceedings

Coach is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business, including proceedings to protect Coach's intellectual property rights, litigation instituted by persons alleged to have been injured upon premises within Coach's control, and litigation with present or former employees. As part of its policing program for its intellectual property rights, from time to time, Coach files lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, trademark dilution, and/or state or foreign law claims. At any given point in time, Coach may have one or more of such actions pending. These actions often result in seizure of counterfeit merchandise and/or out of court settlements with defendants. From time to time, defendants will raise as affirmative defenses or as counterclaims the invalidity or unenforceability of certain of Coach's intellectual properties. Although Coach's litigation with present or former employees is routine and incidental to the conduct of Coach's business, as well as for any business employing significant numbers of U.S. based employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages for actions claiming discrimination on the basis of age, gender, race, religion, disability, or other legally protected characteristic or for termination of employment that is wrongful or in violation of implied contracts. Coach believes, however, that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on Coach's business or consolidated financial statements.

ITEM 4. Submission of Matters to a Vote of Security – Holders

None

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 Stock Purchase Agreement, dated April 25, 2005, among the Company, Coach Japan Holdings, Inc., Coach Japan, Inc., Coach Japan Investments, Inc. and Sumitomo Corporation.
- 31.1 Rule 13(a) – 14(a)/15(d) – 14(a) Certifications
- 32.1 Section 1350 Certifications

(b) Reports on Form 8-K

Current report on Form 8-K, filed with the Commission on August 4, 2004. This report contained the Company's preliminary earnings results for the fourth quarter of, and full year for, fiscal year 2004.

Current report on Form 8-K, filed with the Commission on October 13, 2004. This report contained a description of actions taken by the Company to amend and restate the Rights Agreement dated as of May 3, 2001 between Coach and Mellon Investor Services LLC.

Current report on Form 8-K, filed with the Commission on October 26, 2004. This report contained the Company's preliminary earnings results for the first quarter of fiscal year 2005.

Current report on Form 8-K, filed with the Commission on January 12, 2005. This report contained the Company's preliminary sales results for the second quarter and first half of fiscal year 2005.

Current report on Form 8-K, filed with the Commission on January 25, 2005. This report contained the Company's preliminary earnings results for the second quarter and first half of fiscal year 2005.

Current report on Form 8-K, filed with the Commission on February 25, 2005. This report announced the appointment of a new member of the Company's board of directors.

Current report on Form 8-K, filed with the Commission on April 26, 2005. This report contained the Company's preliminary earnings results for the third quarter and first nine months of fiscal year 2005.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COACH, INC.
(Registrant)

By: /s/ Michael F. Devine, III
Name: Michael F. Devine, III
Title: Senior Vice President,
Chief Financial Officer and
Chief Accounting Officer

Dated: May 12, 2005

STOCK PURCHASE AGREEMENT

AMONG

COACH JAPAN HOLDINGS, INC.,

COACH INC.,

COACH JAPAN, INC.,

COACH JAPAN INVESTMENTS, INC.

AND

SUMITOMO CORPORATION

25 APRIL, 2005

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (the "Agreement") entered into on 25 April, 2005 (the "Effective Date"), by and among Coach Japan Holdings, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America (the "Buyer"), Coach Inc., a corporation registered in Maryland, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America ("Coach Inc."), Coach Japan, Inc., a company incorporated in Japan whose principal place of business is at Aoyama Palacio Tower, 6-3, Kitaaoyama 3-chome, Minato-ku, Tokyo 107-0061, Japan (the "Company"), Coach Japan Investments, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America ("TK Investor No. 1"), and Sumitomo Corporation, a company incorporated in Japan whose principal place of business is at 1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan (the "Seller"). The Buyer, Coach Inc., the Company, TK Investor No. 1 and the Seller are sometimes referred to herein collectively as the "Parties" or individually as a "Party." Coach Inc. and the Buyer are sometimes referred to herein collectively as the "Coach Parties" or individually as a "Coach Party."

The Seller owns 500 ordinary shares in the capital of the Company and, in its capacity as TK Investor No. 2 (as defined below), has an outstanding TK Investment (as defined below) in the Company.

This Agreement contemplates a transaction in which the Buyer wishes to purchase from the Seller, and the Seller wishes to sell to the Buyer, the Shares (as defined below) in return for cash and the Company will repay the TK Investment to TK Investor No.2 and TK Investor No.2 will accept such repayment of the TK Investment in full.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the respective representations, warranties, covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows.

1. Definitions.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"Affiliate," in relation to a Party, means a Person Controlled by or Controlling that Party or a Person under common Control with that Party.

"Buyer" has the meaning set forth in the preface above.

"Closing" has the meaning set forth in Section 2(b) below.

"Closing Date" has the meaning set forth in Section 2(b) below.

"Coach Indemnified Parties" has the meaning set forth in Section 7(a) below.

"Company" has the meaning set forth in the preface above.

"Confidential Information" means any information which the Seller (or any of its Affiliates, officers, employees and agents) may have or acquire in relation to the customers, business, finances, assets or affairs of the Company or its Affiliates, save for (i) any information which is publicly available or becomes publicly available through no act of the Seller (or any of its Affiliates), (ii) any information disclosed to Seller by a third party that did not acquire the information under any obligation of confidentiality, and (iii) information independently acquired by Seller as the result of work carried out by an employee to whom no disclosure of such information had been made.

"Control": A Person shall be deemed to have Control of another Person if it exercises, is able to exercise, is entitled to exercise or is entitled to acquire direct or indirect control over that other Person's affairs including if it possesses or is entitled to:

(a) a majority of the outstanding capital stock or voting rights of that other Person as of the date of determination; or

(b) a majority of any distributions from that other Person or assets on a winding up of that other Person as of the date of determination;

and "Controlled" and "Controlling" shall be construed accordingly.

"Cooperation Agreement" means the agreement to be entered into on the Closing Date between the Company and the Seller in substantially the form agreed as initialed on the Effective Date by the parties thereto for identification.

"Effective Date" has the meaning set forth in the preface above.

"Existing Agreements" means, collectively and individually, the Shareholders Agreement, the Funding Agreement and TK Agreement No. 2.

"Funding Agreement" means the funding agreement entered into between the Company, TK Investor No.1 and TK Investor No.2 on July 30, 2001.

"Indemnified Party" has the meaning set forth in Section 7(c) below.

"Indemnifying Party" has the meaning set forth in Section 7(c) below.

"Letter of Indemnity" means the letter of indemnity dated July 28, 2004 between Seller and Coach Inc.

"Letter Regarding Foreign Exchange Hedging Policy" means the letter agreement dated September 21, 2001 between the Seller and Coach Inc. relating to the Company's foreign exchange hedging policy.

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Net Losses" has the meaning set forth in TK Agreement No. 2.

"Net Profits" has the meaning set forth in TK Agreement No. 2.

"New Letter of Indemnity" means the letter of indemnity to be entered into on the Closing Date between the Seller and Coach Inc. in substantially the form agreed as initialed on the Effective Date by the parties thereto for identification.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Ordinary Shares" means ordinary shares of non-par value in the capital of the Company.

"Party" has the meaning set forth in the preface above.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Security Interest" means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialmen's, and similar liens, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

"Seller" has the meaning set forth in the preamble above.

"Seller Indemnified Parties" has the meaning set forth in Section 7(a) below.

"Shareholders Agreement" means the shareholders agreement relating to the Company entered into between the Buyer, Coach Inc., the Seller and the Company on July 30, 2001.

"Share Payment" has the meaning set forth in Section 2(c) below.

"Shares" means the 500 Ordinary Shares in the capital of the Company held by the Seller.

"Sumitomo Directors" has the meaning ascribed to it in the Shareholders Agreement.

"Sumitomo Seconded" means each of the persons whose names are set forth in Schedule 1 who are seconded by the Seller to the Company as of the date of this Agreement.

"Support Contracts" means contracts entered into between the Company and Affiliates of the Seller set forth in Schedule 2 for the provision of certain services for the benefit of the Company.

"Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"TK Agreement No.2" means the Tokumei Kumiai Agreement entered into between the Company and TK Investor No.2 on July 30, 2001.

"TK Investment" means the aggregate Advances (as such term is defined in the Funding Agreement) made by TK Investor No.2 to the Company pursuant to the Funding Agreement and TK Agreement No.2.

"TK Investor No.1" has the meaning set forth in the preamble.

"TK Investor No.2" means the Seller as a tokumei kumiai investor in the Company.

"TK Payment" has the meaning set forth in Section 2(c) below. "Waiver Letter" means the letter agreement dated June 15, 2001 between the Seller and Coach Inc.

2. Purchase and Sale of Shares and Repayment of TK Investment

(a) Basic Transaction. At the Closing (as defined below), and subject to the terms and conditions of this Agreement, for the consideration specified below in Section 2(c): (i) the Buyer agrees to purchase from the Seller, and the Seller agrees to sell, transfer and deliver to the Buyer, all of the Shares, and (ii) the Company agrees to pay to TK Investor No. 2, and TK Investor No. 2 agrees to accept, the TK Payment (as defined below) in complete satisfaction of TK Investor No. 2's rights under TK Agreement No. 2 and the Funding Agreement with respect to the TK Investment, Net Losses and Net Profits.

(b) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Coach Inc. at 516 West 34th Street, New York, New York 10001, United States of America commencing at 9:00 a.m. local time on July 1, 2005 or such other date as the Parties may mutually agree (the "Closing Date").

(c) Purchase Price for Shares and Payment in respect of TK Investment. At the Closing: (i) the Buyer shall pay to the Seller the sum of six million U.S. Dollars (\$6,000,000) (the "Share Payment") in consideration for the Shares by delivery in cash payable by wire transfer or delivery of other immediately available funds, and (ii) the Company shall pay to TK Investor No.2 the sum of two hundred and ninety four million U.S. Dollars (\$294,000,000) (the "TK Payment"), which shall constitute the repayment in full of the TK Investment, the distribution in full of all accrued Net Profits and Net Losses and a termination payment to compensate TK Investor No.2 for loss of benefit under TK Agreement No.2., by delivery in cash payable by wire transfer or delivery of other immediately available funds and TK Investor No. 2 shall accept such amount in complete satisfaction of its rights under TK Agreement No.2 and the

Funding Agreement. At the Closing the Buyer shall determine the allocation of the amount of the TK Payment among (i) the repayment of the TK Investment, (ii) the distribution of all accrued Net Profits and Net Losses, and (iii) the termination payment to compensate TK Investor No.2 for loss of benefit under TK Agreement No.2.

(d) Deliveries at the Closing. At the Closing, (i) the Seller will deliver to the Coach Parties the various certificates, instruments, and documents referred to in Section 6(a), (ii) the Coach Parties will deliver to the Seller the various certificates, instruments, and documents referred to in Section 6(b), (iii) the Seller will deliver to the Buyer the stock certificates representing all of the Shares and any other document which the Buyer reasonably requests in order to obtain good title to the Shares and to enable the Buyer to ensure the registration of the Shares free from any encumbrance in its name or the name of its nominee, as applicable, (iv) the Company and the Seller shall each execute and deliver the Cooperation Agreement, (v) the Seller will deliver to the Buyer all documentation the Buyer reasonably requests to certify its acceptance of the TK Payment in complete satisfaction of its rights under TK Agreement No. 2 and the Funding Agreement with respect to the TK Investment, Net Losses and Net Profits, (vi) the Buyer will deliver to the Seller the Share Payment, and (vii) the Company will deliver to the Seller the TK Payment.

(e) Termination of Existing Agreements. Upon the occurrence of the Closing, the Existing Agreements, the Letter of Indemnity and the Letter Regarding Foreign Exchange Hedging Policy shall immediately and automatically terminate and be of no further force or effect, including without limitation any provisions thereof that are specified to survive termination, and neither the Seller, the Coach Parties, the Company or the TK Investor No.1 shall have any further liability thereunder.

3. Representations and Warranties Concerning the Transaction.

(a) Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer that the statements contained in this Section 3(a) are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3(a)).

(i) Organization of Seller. The Seller is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(ii) Authorization of Transaction. The Seller has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Seller, enforceable in accordance with its terms and conditions except to the extent that the enforceability thereof may be limited by: (x) applicable bankruptcy, insolvency, fraudulent conveyance, organization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and remedies; and (y) general principles of equity. The Seller need not give any notice to, make any filing with, or obtain any authorization,

consent, or approval of any government or governmental agency in order to consummate the transactions contemplated by this Agreement. The execution of this Agreement by the Seller and the transactions contemplated hereunder has been approved by the Seller's board of directors.

(iii) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Seller is subject or any provision of its charter or bylaws or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject.

(iv) Brokers' Fees. The Seller has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

(v) Shares. The Seller holds of record and owns beneficially the Shares, free and clear of any restrictions on transfer, Taxes, Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. The Seller is not a party to any option, warrant, purchase right, or other contract or commitment that could require the Seller to sell, transfer, or otherwise dispose of any capital stock of the Company (other than this Agreement). The Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of the Company.

(vi) TK Agreement No.2. The Seller is beneficially entitled to its rights under TK Agreement No.2, free and clear of any restrictions on transfer, Taxes, Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. The Seller is not a party to any option, warrant, purchase right, or other contract or commitment that could require the Seller to sell, transfer, or otherwise dispose of its rights and interest under TK Agreement No.2 (other than this Agreement). TK Agreement No.2 has not been varied, amended or waived.

(b) Representations and Warranties of the Coach Parties. The Coach Parties jointly and severally represent and warrant to the Seller that the statements contained in this Section 3(b) are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3(b)).

(i) Organization of the Buyer. Each of the Coach Parties, the Company and TK Investor No.1 is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(ii) Authorization of Transaction. Each of the Coach Parties, the Company and TK Investor No.1 has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of each of the Coach Parties, the Company and TK Investor No.1, enforceable in accordance with its terms and conditions except to the extent that the enforceability thereof may be limited by: (x) applicable bankruptcy, insolvency, fraudulent conveyance, organization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and remedies; and (y) general principles of equity. None of the Coach Parties, the Company or TK Investor No.1 need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order to consummate the transactions contemplated by this Agreement. The execution of this Agreement by Coach Inc., the Buyer and TK Investor No.1 and the transactions contemplated hereunder has been approved by their respective boards of directors.

(iii) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which any of the Coach Parties, the Company or TK Investor No.1 is subject or any provision of its charter or bylaws or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which any of the Coach Parties, the Company or TK Investor No.1 is a party or by which it is bound or to which any of its assets is subject.

(c) Survival of Representations and Warranties. The representations and warranties of the Parties contained in this Agreement shall survive the Closing hereunder (even if the damaged Party knew or had reason to know of any misrepresentation or breach of warranty or covenant at the time of Closing) and continue in full force and effect for a period of twelve months thereafter; provided, however, that the representations and warranties of the Seller contained in Section 3(a)(v) and Section 3(a)(vi) shall survive the Closing hereunder and continue in full force and effect in accordance with the statutes of limitations applicable thereto.

(d) Exclusivity of Representations. The representations and warranties made by the Parties in this Agreement are the exclusive representations and warranties made by the Parties. Each of the Parties hereby disclaims any other express or implied representations or warranties.

4. Pre-Closing Covenants. The Parties agree as follows with respect to the period from the execution of this Agreement until the Closing (or until termination of this Agreement pursuant to Section 8).

(a) General. Each of the Parties will use its reasonable best efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including the satisfaction, but not the waiver, of the closing conditions set forth in Section 6).

(b) Notices and Consents. Each of the Parties will give any notices to, make any filings with, and use its commercially reasonable best efforts to obtain any authorizations, consents, and approvals of governments, governmental agencies or third parties required in connection with the transactions contemplated by this Agreement.

(c) Standstill. Neither the Seller, on the one hand, nor the Coach Parties, the Company and TK Investor No. 1, on the other hand, will commence any legal action or otherwise assert any rights against the other arising under the Existing Agreements or at law with respect to any breach or alleged breach of the Existing Agreements prior to the date of this Agreement.

(d) Share Certificates. The Company shall issue to the Seller share certificates representing the Shares, to facilitate the transfer of the Shares to Buyer at the Closing.

(e) Funding Notices. The Company shall not issue any Funding Notice (as defined in the Funding Agreement) to the Seller in its capacity as TK Investor No. 2.

(f) Price Increases. Notwithstanding anything to the contrary contained in Section 8.1 of the Shareholders Agreement, the Buyer and the Seller agree that the current Business Plan (as defined in the Shareholders Agreement) shall remain in effect through the Closing and that no revision to the Business Plan shall be submitted to the Company's Board of Directors for approval until after the Closing. Coach, Inc. further agrees that no modifications to the prices payable by the Company under that certain License and Distribution Agreement dated July 30, 2001 between Coach, Inc. and the Company (the "Distribution Agreement") for Products (as defined in the Distribution Agreement) shall be made until after the Closing. Notwithstanding the foregoing, if this Agreement is terminated prior to the Closing in accordance with Section 8, this Section 4(f) shall be of no further effect.

(g) Financial Statements. Through the Closing Date, the Coach Parties and the Company shall continue to deliver a monthly balance sheet and statement of income for the Company to the Seller in accordance with past practice.

(h) Sumitomo Seconddees. The Seller shall continue to make the Sumitomo Seconddees available to the Company up to the Closing Date or, if earlier, the termination date specified on Schedule 1 on the existing terms of their secondments (notwithstanding any provisions of such existing terms providing for earlier termination). The Seller's obligations under this Section 4(h) shall be limited to using its commercially reasonable best efforts to make

the Sumitomo Secondees available during the specified period. Should any of the Sumitomo Secondees resign, the Seller shall have no obligation to make a replacement employee available to the Company and the Company shall have no obligation to pay any fees in respect of such Sumitomo Secondees for the period from the date of resignation.

5. Post-Closing Covenants. The Parties agree as follows with respect to the period following the Closing.

(a) General. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Seller, on the one hand, and the Coach Parties, the Company and TK Investor No. 1, on the other hand, will take such further action (including the execution and delivery of such further instruments and documents) as the other may reasonably request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 7). The Seller acknowledges and agrees that from and after the Closing the Buyer will be entitled to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to the Company, provided that the Seller shall be entitled to retain copies of any such documents and information as it deems necessary, acting reasonably, for its own administrative and accounting purposes. Each of the Parties shall make any governmental or regulatory filings required in connection with the execution, delivery or performance by each of the Parties or the consummation by it of the transactions contemplated hereby, all at its sole cost and expense, and the other Parties shall upon request, execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper for the preparation of the filings.

(b) Transition. For a period of one (1) year from the Effective Date, the Seller will not take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Company from maintaining the same business relationships with the Company after the Closing as it maintained with the Company prior to the Closing. The Seller will use its commercially reasonable best efforts to refer all customer inquiries relating to the Company to the Buyer from and after the Closing. The Seller will not take any action that is designed or intended to have the effect of discouraging its Affiliates who are parties to the Support Contracts from performing the Support Contracts in accordance with their respective terms.

(c) Confidentiality. For a period of three (3) years following the Closing Date, the Seller shall at all times keep secret and confidential and shall not use (and shall procure that its Affiliates (other than those who are parties to the Support Contracts), officers, employees and agents shall keep secret and confidential and not use) the Confidential Information except in connection with this Agreement. In the event that the Seller is requested or required by applicable law, stock exchange rule or by any subpoena or similar legal process to disclose any Confidential Information, the Seller will notify the Buyer promptly of the request or requirement so that the Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 5(c). In the event that such protective order is not obtained or the Buyer waives compliance with the provisions of this section 5(c), and the Seller is, on the advice of counsel, required to disclose Confidential Information, the Seller may disclose such Confidential Information; provided that the Seller will disclose only that portion of the

Confidential Information required to be disclosed and will exercise its commercially reasonable best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information.

(d) Financial Statements.

Within seventy five (75) days after Closing the Coach Parties shall deliver to the Seller a balance sheet and statement of income for the Company as of the Closing Date and for the period beginning on July 4, 2004 and ending on the Closing Date, reflecting the Company's financial results and prepared on a historical basis in accordance with generally accepted accounting principles in Japan, together with a review report prepared by Deloitte Touche Tohmatsu.

(e) Restrictive Covenants.

(i) For a period of one (1) year from and after the Effective Date, the Seller undertakes that it will not have any direct or indirect interest, through any investment in, or any participation with, any other entity or act as agent or distributor of any other entity, which sells, markets or distributes in the retail or wholesale markets in Japan the Products (as defined in the Shareholders Agreement) distributed by the Company as of the Closing Date or any products marketed by or under the brands listed on Schedule 3, except that the matters set forth in paragraphs (1), (2), (3), (4) and (5) of the Waiver Letter shall constitute exceptions to this Section 5(e).

(ii) For a period of two (2) years from and after the Closing Date, (x) the Seller undertakes that it will not and shall ensure that its Affiliates will not directly or indirectly and whether on its own behalf or on behalf of any other Person canvass, solicit or attempt to entice away from the Company, or offer or cause to be offered any employment in any capacity to any person employed by the Company (whether or not such person would thereby breach his employment or appointment terms) and (y) the Buyer undertakes that it will not and shall ensure that its Affiliates will not directly or indirectly and whether on its own behalf or on behalf of any other Person canvass, solicit or attempt to entice away from the Seller, or offer or cause to be offered any employment in any capacity to any person employed by the Seller (whether or not such person would thereby breach his employment or appointment terms); provided, however that this provision shall not restrict either Party from making general solicitations to the public by way of advertisements in the media; and provided further that this provision shall not be deemed to prohibit the Buyer or its Affiliates from employing any of the Sumitomo Secondedes who affirmatively seek such employment so long as Buyer and its Affiliates otherwise comply with this Section 5(e)(ii).

(iii) Seller undertakes to the Coach Parties and the Company that it will not, and will make commercially reasonable best efforts to ensure that its Affiliates, shareholders, officers, employees or agents will not, do any act or thing

that would reasonably be expected to damage the reputation of the Coach Parties or the Company and will not make or publish or cause to be made or published to anyone in any circumstances any disparaging remarks concerning the Coach Parties or the Company.

(iv) Each of the Coach Parties and the Company undertakes to the Seller that it will not, and will make commercially reasonable best efforts to ensure that its Affiliates, shareholders, officers, employees or agents will not, do any act or thing that would reasonably be expected to damage the reputation of the Seller or its Affiliates and will not make or publish or cause to be made or published to anyone in any circumstances any disparaging remarks concerning the Seller or its Affiliates.

(v) If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 5(e) is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of that term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

6. Conditions to Obligation to Close.

(a) Conditions to Obligation of the Coach Parties and the Company.

The obligation of the Coach Parties, the Company and TK Investor No. 1 to consummate the transactions contemplated by this Agreement is subject to satisfaction or waiver of the following conditions:

(i) the representations and warranties set forth in Section 3(a) shall be true and correct in all material respects at and as of the Closing Date;

(ii) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) no action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement, (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, (C) affect adversely the right of the Buyer to own the Shares (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iv) the Seller shall have delivered to the Coach Parties and the Company a certificate to the effect that each of the conditions specified above in Section 6(a)(i)-(iii) are satisfied in all respects;

(v) the Seller shall have executed and delivered to the Coach Parties and the Company a release substantially in the form of Exhibit A;

(vi) the Buyer shall have received a letter of resignation, effective as of the Closing, of each Sumitomo Director acknowledging that he or she has no claim outstanding for director's fees, wrongful or unfair dismissal, redundancy or any claim in respect of any other moneys or benefits due to him or her from the Company arising out of such resignation and that he or she is not entitled to any remuneration from the Company in respect of his or her appointment; and

(vii) the Seller shall have executed and delivered the Cooperation Agreement.

The Coach Parties, the Company and TK Investor No. 1 may waive any condition specified in this Section 6(a) by executing a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of the Seller. The obligation of the Seller to consummate the transactions contemplated by this Agreement is subject to satisfaction or waiver of the following conditions:

(i) the representations and warranties set forth in Section 3(b) above shall be true and correct in all material respects at and as of the Closing Date;

(ii) the Coach Parties and the Company shall have performed and complied with all of their respective covenants hereunder in all material respects through the Closing;

(iii) no action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement or (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iv) each of the Coach Parties, the Company and TK Investor No. 1 shall have delivered to the Seller a certificate to the effect that each of the conditions specified above in Section 6(b)(i)-(iii) are satisfied in all respects with respect to such Coach Party, the Company or TK Investor No. 1 as the case may be;

(v) Coach Inc. shall have delivered to the Seller the New Letter of Indemnity dated as of the Closing Date;

(vi) the Coach Parties, the Company and TK Investor No.1 shall have executed and delivered to the Seller a release substantially in the form of Exhibit B; and

(vii) the Company shall have executed and delivered the Cooperation Agreement.

The Seller may waive any condition specified in this Section 6(b) by executing a writing so stating at or prior to the Closing.

7. Indemnities

(a) Seller's Indemnities

(i) The Seller hereby confirms and agrees that any and all Adverse Consequences arising as a result of the Seller's being a party to TK Agreement No.2 or its receipt of the TK Payment at any time, whether prior to, on or after the Closing Date, shall remain the sole and exclusive liability, obligation and responsibility of the Seller and the Seller shall indemnify and hold the Coach Parties, the Company and TK Investor No.1 and their respective directors, officers and other employees, representatives and agents (the "Coach Indemnified Parties") harmless from and against all such Adverse Consequences which they may suffer. Notwithstanding the foregoing, the Seller shall have no liability whatsoever to the Coach Indemnified Parties with respect to any Adverse Consequences arising as a result of (x) the allocation of the three hundred million U.S. Dollars (\$300,000,000) payable to Sumitomo under Section 2(c) as between the Share Payment and the TK Payment, (y) the allocation of the TK Payment by the Buyer pursuant to the final sentence of Section 2(c), or (z) the accounting treatment of the TK Payment by Coach Japan or the Coach Parties (collectively, the "Excluded Liabilities").

(ii) The Seller shall indemnify and hold the Coach Indemnified Parties harmless from and against all Adverse Consequences arising from any breach of any representation, warranty or covenant of the Seller under this Agreement.

(b) Coach Parties' Indemnity. The Coach Parties, jointly and severally, shall indemnify and hold the Seller and its directors, officers and other employees, representatives and agents (the "Seller Indemnified Parties") harmless from and against all Adverse Consequences arising from (x) the Excluded Liabilities, or (y) any breach of any representation, warranty or covenant of the Coach Parties, the Company or TK Investor No. 1 under this Agreement.

(c) Procedures for Indemnification.

(i) In the event of a claim being brought against a Coach Indemnified Party or a Seller Indemnified Party (as the case may be, an "Indemnified Party") with respect to which the Indemnified Party intends to make a claim for indemnification against the Seller or the Coach Parties, the Company or TK Investor No.1 as the case may be (the "Indemnifying Party"), the Indemnified

Party shall promptly (but in no event more than 30 days after learning of such claim) give notice to the Indemnifying Party of the claim and permit the Indemnifying Party to assume control of the claim; provided that any failure to provide the foregoing notice on a timely basis shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that it is prejudiced or otherwise damaged thereby.

(ii) The Indemnifying Party shall have the right to undertake, conduct and control, through counsel reasonably acceptable to the Indemnified Party, and at the Indemnifying Party's sole expense, the conduct and settlement of such claim, and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith, provided that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement without the prior written consent of the Indemnified Party (not to be withheld unreasonably).

(iii) The Indemnifying Party shall permit the Indemnified Party and counsel chosen by the Indemnified Party and reasonably acceptable to the Indemnifying Party to monitor such conduct or settlement and shall provide the Indemnified Party and such counsel with such information regarding such claim, proceeding or suit as either of them may reasonably request, but the fees and expenses of such counsel shall be borne by the Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such claim, proceeding or suit include the Indemnified Party and the Indemnifying Party, and in the reasonable opinion of counsel to the Indemnified Party representation of both Parties by the same counsel would be inappropriate due to actual or likely conflicts of interest between them, in either of which case the reasonable fees and disbursements of counsel for such Indemnified Party shall be reimbursed by the Indemnifying Party to the Indemnified Party if the Indemnifying Party is ultimately held liable, or if the Indemnifying Party is able to recover such fees and disbursements where the Indemnified Party is not so able; and

(iv) In no event shall the Indemnifying Party without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment that does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party a release from all liability in respect of such claim.

(d) Determination of Adverse Consequences. The Parties shall take into account the time cost of money in determining Adverse Consequences for purposes of this Section 7. All indemnification payments under this Section 7 shall be deemed adjustments to the consideration specified above in Section 2(c).

(e) Other Indemnification Provisions. The foregoing indemnification provisions are in addition to, and not in derogation of, any statutory, equitable, or common law remedy any Party may have for breach of representation, warranty, or covenant.

8. Termination.

(a) Termination of Agreement. The Parties may terminate this Agreement as provided below:

(i) the Parties may terminate this Agreement by written consent signed by all the Parties at any time prior to the Closing;

(ii) the Coach Parties may terminate this Agreement by giving written notice to the Seller at any time prior to the Closing (A) in the event (x) the Seller has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, (y) the Coach Parties have notified the Seller of the breach, and (z) the breach has continued without cure for a period of 30 days after the notice of breach or (B) if the Closing shall not have occurred on or before July 1, 2005, by reason of the failure of any condition precedent under Section 6(a) hereof (unless the failure results primarily from the Coach Parties' breach of any representation, warranty, or covenant contained in this Agreement);

(iii) the Seller may terminate this Agreement by giving written notice to the Coach Parties at any time prior to the Closing (A) in the event (x) the Coach Parties, the Company or TK Investor No. 1 has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, (y) the Seller has notified the Coach Parties, the Company or TK Investor No. 1, as the case may be, of the breach, and (z) the breach has continued without cure for a period of 30 days after the notice of breach or (B) if the Closing shall not have occurred on or before July 1, 2005, by reason of the failure of any condition precedent under Section 6(b) hereof (unless the failure results primarily from the Seller's breach of any representation, warranty, or covenant contained in this Agreement).

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 8(a) above, all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party (except for any Liability of any Party then in breach).

9. Miscellaneous.

(a) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that the Parties shall issue a press release upon the execution of this Agreement in a form to be mutually agreed; and provided further that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Parties prior to making the disclosure).

(b) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of the other Party; provided, however, that the Buyer may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases the Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Seller:

Sumitomo Corporation
1-8-11 Harumi
Chuo-ku
Tokyo 104-8610
Japan

Attention: General Manager, Brand Accessories Business
Department
Fax: +81 3 5166 6380

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
Fukoku Seimei Building 2F
2-2-2 Uchisaiwai-cho
Chiyoda-ku, Tokyo
100-0011
Japan

Attention: Lisa Yano
Fax: +81 3 3597 8120

If to the Coach Parties, the Company or TK Investor No. 1:

Coach, Inc.
516 West 34th Street
New York, NY 10001
USA

Attention: General Counsel
Fax: +1 212 629 2398

with a copy to:

Latham & Watkins
99 Bishopsgate
London
EC2M 3XF
United Kingdom

Attention: David Miles
Fax: +44 20 7374 4460

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(i) Consent to Jurisdiction and Service of Process. Each Party hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby shall only be instituted in the federal or state courts located in New York, New York and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each Party hereby

irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth or referred to in Section 9(g).

(j) Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(k) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(l) Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions of this Agreement. If any provision of this Agreement, or the application of that provision to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted for that provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of the invalid or unenforceable provision and (b) the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of that provision, or the application of that provision, in any other jurisdiction.

(m) Expenses. Each of the Parties will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. The Seller agrees that the Company has not borne and will not bear any of the Seller's costs and expenses (including any of its legal fees and expenses) in connection with this Agreement or any of the transactions contemplated hereby.

(n) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless

the context requires otherwise. The word "including" shall mean including without limitation. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

(o) Incorporation of Exhibits, Annexes, and Schedules. The Exhibits, Annexes, and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(p) Specific Performance. Each of the Parties acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court having jurisdiction over the Parties and the matter (subject to the provisions set forth in Section 9(i) above), in addition to any other remedy to which they may be entitled, at law or in equity.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

COACH JAPAN HOLDINGS, INC.

By: -----
Title: -----

COACH INC.

By: -----
Title: -----

COACH JAPAN, INC.

By: -----
Title: -----

COACH JAPAN INVESTMENTS, INC.

By: -----
Title: -----

SUMITOMO CORPORATION

By: -----
Title: -----

Exhibit A

Seller's Release

The undersigned, Sumitomo Corporation, a company incorporated in Japan whose principal place of business is at 1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan, for itself and on behalf of its past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys (together, "Sumitomo"), does hereby:

(i) release (i) Coach Japan Holdings, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America; (ii) Coach Inc., a corporation registered in Maryland, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America; (iii) Coach Japan, Inc., a company incorporated in Japan whose principal place of business is at Aoyama Palacio Tower, 6-3, Kitaoyama 3-chome, Minato-ku, Tokyo 107-0061, Japan; and (iv) Coach Japan Investments, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America, and each of their respective past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys (together, the "Coach Parties") from any and all liability and accountability with respect to any and all actions, causes of action, suites, charges, disputes, controversies, debts, dues, sums of money, damages, judgments, executions, claims and demands whatsoever, in law or in equity, known or unknown, which the undersigned ever had, now have or may hereafter have, for, upon, or by reason of any matters, act omission, cause or thing whatsoever from the beginning of the world to the date of this Release, including but not limited to any matter, cause or thing relating to those contracts, agreements, arrangements and commitments set forth on Schedule I hereto; provided, however, that nothing contained in this Release shall release any person or entity from any obligation or liability it may have arising out of or relating to (i) that certain Stock Purchase Agreement, dated April 25, 2005 (the "Stock Purchase Agreement"), by and between Coach Japan Holdings, Inc., Coach, Inc., Coach Japan, Inc., Coach Japan Investments, Inc. and Sumitomo Corporation and (ii) any and all agreements, contracts, certificates, letters or other documents delivered pursuant to, or in connection with, the Stock Purchase Agreement;

(ii) acknowledge that this Release was made in exchange for good and valuable consideration;

(iii) acknowledge that this Release represents the entire release and may not be changed orally;

(iv) acknowledge that this Release is to be governed by New York law without regard to the conflict of laws principles of each law; and

(v) acknowledge that for the purpose of this Release (i) the term "Affiliate" has the meaning set forth in the Stock Purchase Agreement and (ii) the term "Subsidiary" means, as to the entity in question, any corporation, partnership, joint venture or other legal entity of

which the entity in question owns, directly or indirectly, 50% or more of the stock of other equity interests the holders of which generally are entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, joint venture or other legal entity.

Dated: July 1, 2005.

SUMITOMO CORPORATION, for itself and on behalf of each of its past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys

By:

Title:

-A-2-

SCHEDULE I

- - Funding Agreement, dated July 30, 2001, entered into between Coach Japan, Inc., Coach Japan Investments, Inc. and Sumitomo Corporation.
- - Shareholders Agreement, dated July 30, 2001, entered into between Coach Japan Holdings, Inc., Coach Inc., Sumitomo Corporation and Coach Japan, Inc.
- - Tokumei Kumiai Agreement, dated July 30, 2001, entered into between Coach Japan, Inc. and Sumitomo Corporation.
- - Letter Agreement, dated September 21, 2001, between Sumitomo Corporation and Coach Inc. relating to foreign exchange hedging policy.

Exhibit B

Coach Parties' Release

Each of the undersigned, (i) Coach Japan Holdings, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America; (ii) Coach Inc., a corporation registered in Maryland, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America; (iii) Coach Japan, Inc., a company incorporated in Japan whose principal place of business is at Aoyama Palacio Tower, 6-3, Kitaaooyama 3-chome, Minato-ku, Tokyo 107-0061, Japan; and (iv) Coach Japan Investments, Inc., a corporation registered in Delaware, United States of America whose principal place of business is at 516 West 34th Street, New York, New York 10001, United States of America, for itself and on behalf of each of its respective past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys, does hereby:

(i) release Sumitomo Corporation, a company incorporated in Japan whose principal place of business is at 1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan, and each of its respective past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys from any and all liability and accountability with respect to any and all actions, causes of action, suites, charges, disputes, controversies, debts, dues, sums of money, damages, judgments, executions, claims and demands whatsoever, in law or in equity, known or unknown, which the undersigned ever had, now have or may hereafter have, for, upon, or by reason of any matters, act omission, cause or thing whatsoever from the beginning of the world to the date of this Release, including but not limited to any matter, cause or thing relating to those contracts, agreements, arrangements and commitments set forth on Schedule I hereto; provided, however, that nothing contained in this Release shall release any person or entity from any obligation or liability it may have arising out of or relating to (i) that certain Stock Purchase Agreement, dated April 25, 2005 (the "Stock Purchase Agreement"), by and between Coach Japan Holdings, Inc., Coach, Inc., Coach Japan, Inc., Coach Japan Investments, Inc. and Sumitomo Corporation and (ii) any and all agreements, contracts, certificates, letters or other documents delivered pursuant to, or in connection with, the Stock Purchase Agreement;

(ii) acknowledge that this Release was made in exchange for good and valuable consideration;

(iii) acknowledge that this Release represents the entire release and may not be changed orally;

(iv) acknowledge that this Release is to be governed by New York law without regard to the conflict of laws principles of each law; and

(v) acknowledge that for the purpose of this Release (i) the term "Affiliate" has the meaning set forth in the Stock Purchase Agreement and (ii) the term "Subsidiary" means, as to the entity in question, any corporation, partnership, joint venture or other legal entity of which the entity in question owns, directly or indirectly, 50% or more of the stock of other equity

interests the holders of which generally are entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, joint venture or other legal entity.

Dated: July 1, 2005.

COACH JAPAN HOLDINGS, INC., for itself and on behalf of each of its past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys

By: _____
Title: _____

COACH INC., for itself and on behalf of each of its past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's officers, employees, directors, representatives, agents and attorneys

By: _____
Title: _____

COACH JAPAN, INC., for itself and on behalf of each of its past, present and future parents, Subsidiaries and other Affiliates, predecessors, successors and assigns, and each of the foregoing's

officers, employees, directors,
representatives, agents and attorneys

By: -----
Title: -----

COACH JAPAN INVESTMENTS, INC., for itself
and on behalf of each of its past, present
and future parents, Subsidiaries and other
Affiliates, predecessors, successors and
assigns, and each of the foregoing's
officers, employees, directors,
representatives, agents and attorneys

By: -----
Title: -----

SCHEDULE I

- - Funding Agreement, dated July 30, 2001, entered into between Coach Japan, Inc., Coach Japan Investments, Inc. and Sumitomo Corporation.
- - Shareholders Agreement, dated July 30, 2001, entered into between Coach Japan Holdings, Inc., Coach Inc., Sumitomo Corporation and Coach Japan, Inc.
- - Tokumei Kumiai Agreement, dated July 30, 2001, entered into between Coach Japan, Inc. and Sumitomo Corporation.
- - Letter Agreement, dated September 21, 2001, between Sumitomo Corporation and Coach Inc. relating to foreign exchange hedging policy.

SCHEDULE 1

SUMITOMO SECONDEES

Name	Date on which Secondment will Terminate
- - - - -	-----
Shintaro Kitsuda	June 30, 2005
Toshiyuki Shimano	June 30, 2005
Soichiro Fujiwara	December 31, 2005
Yuko Okatsu	December 31, 2005

SCHEDULE 2

SUPPORT CONTRACTS

Alltrans

SCS

Sumitrans

Mobile Star

Sumisho Lease

SCHEDULE 3

COMPETING BRANDS

Agnes B. Voyage
Bally
Bottega Venetta
Bulgari
Calvin Klein
Cole Hahn
Dickson Poon Accessories
Donna Karan/DKNY
Dooney and Bourke
Dunhill
Fendi
Ferragamo
Furla
Gucci
Gucci Group
Hartmann
Hermes
J.P. Todd
Kate Spade
Kitamura
Liz Claiborne Accessories
LVMH Accessories
Miu Miu
Nine West
Polo Ralph Lauren
Prada
Printemps Accessories
Sazaby
Timberland
Tumi
Vendome Group

I, Michael F. Devine, III, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Coach, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2005

By: /s/ Michael F. Devine, III

Name: Michael F. Devine, III

Title: Senior Vice President and Chief Financial Officer

