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ANNUAL REPORT 2005

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"Our outstanding sales performance and growth is a direct result of the strength of the Coach brand, which rests on three core brand equities: product innovation, relevance, and excellent value."

—Lew Frankfort, Chairman and CEO

FINANCIAL HIGHLIGHTS

(Dollars in millions. Except for earnings per share)	**2005**	2004	Increase/ (Decrease)
Net sales	**$ 1,710.4**	$ 1,321.1	29.5 %
Gross margin	**76.6 %**	74.9 %	170 bps
Operating income	**$ 621.8**	$ 444.5	39.9 %
Operating income as a percentage of net sales	**36.4 %**	33.6 %	280 bps
Net income	**$ 388.7**	$ 261.7	48.5 %
Net income as a percentage of net sales	**22.7 %**	19.8 %	290 bps
Net income per diluted share	**$ 1.00**	$ 0.68	47.1 %
Weighted-average number of common shares (diluted)	**390.1**	385.6	4.5
Net cash provided by operating activities	**$ 544.3**	$ 454.5	$ 89.8
Stockholders' equity per share	**$ 2.73**	$ 2.06	32.5 %

TO OUR SHAREHOLDERS

Fiscal 2005 was a stellar year for Coach, as we delivered outstanding results in all key financial metrics, throughout every channel of our business. Our performance once again reflected the strength of our business model, the sustainability of our growth strategies, our ability to execute efficiently and the endurance of the Coach brand.

Sales for fiscal 2005 rose 29% to $1.7 billion, with all channels of distribution posting increases from prior year levels. We were particularly pleased with the strength of both our full priced retail and wholesale channels and our rapidly growing factory business in North America. In addition, we were also happy with the continued strong market share gains we achieved in Japan, consolidating our number two market share position. Once again, both new and existing stores generated excellent results driven by product innovation, relevance and excellent value within our offering.

Gross margin for the year climbed to nearly 77%, driven by channel mix, product mix, and sourcing cost initiatives. At the same time, selling, general, and administrative expenses as a percentage of net sales declined to about 40%, due to operating leverage achieved in the U.S. and other non-Japan businesses. The company's operating margin rose to 36.4%, a remarkable 280 basis point expansion from fiscal 2004 levels.

Direct to consumer sales, which consist primarily of sales at Coach stores, rose 29% to $935 million in fiscal 2005. These results were generated by new and expanded stores as well as higher comparable store sales. Indirect sales increased 30% to $775 million, driven by strong gains in all channels, including Coach Japan, U.S. department stores, international wholesale, and business-to-business. In fiscal 2005, sales at Coach Japan accounted for 22% of revenues.

Fiscal 2005 was another year of continued distribution and market share growth for Coach. In the U.S. we added 19 new full price stores, including six new markets, and expanded seven others. Through Coach Japan we continued to develop our opportunity in Japan, adding four net new locations and expanding 14 highly productive shop-in-shops, as well as one retail store. We also opened four Japanese flagship stores with excellent results this year, in the cities of Sapporo, Sendai, Osaka and Nagoya.

Our formula for success has remained constant despite a changing environment. We have five unvarying elements that separate us from the competition – our distinctive brand, our leadership position, our loyal consumer base, our multi-channel, international distribution and our focus on product innovation and the consumer. The engine that drives these elements is our strong and seasoned management team, fueled by fresh, exciting product and supported by an adaptive, dynamic, global sourcing and supply chain.

It is the passion, commitment and talent of our people that enable us to consistently excel. Our brand has never been stronger, nor has our accessible luxury proposition ever been more vibrant. We believe that we are well positioned to capitalize on the multiple opportunities ahead of us and have the vision, strategies and tactics in place to realize our long term growth plans. We're confident that our growth strategies will allow us to achieve continued momentum in the years ahead.

Lew Frankfort

Lew Frankfort,
Chairman and CEO

Coach is a distinctive American brand. We deliver stylish, aspirational, extremely well-made products that represent excellent value. Coach is the number one accessible luxury accessories brand in the U.S., and in Japan, we're the fastest growing imported handbag and accessory brand. Each year, as our market share grows, our leadership position becomes even stronger.

THE COACH BRAND

The hallmark of the Coach brand is our product. Each is crafted from exceptional leathers and materials, proprietary hardware and the finest attention to detail. Today, Coach products, which were originally known for their classic style and excellent quality, are also renowned for their innovative design and fresh, modern appeal.

As we celebrate our five year anniversary as a public company, the strength of the Coach brand endures, resting on three core brand equities – product innovation, relevance and exceptional value.

Coach is a growth story. Our distinctive brand proposition differentiates us from our competition and provides a strong foundation for accelerated, sustainable growth. The Coach business is based on our multi-channel international distribution model, which maintains a critical balance. Our success does not depend on the performance of a single channel.

ROADMAP FOR GROWTH

We have a clearly articulated “roadmap” for growth, with the target of doubling our sales over the next four to five years with a higher rate of profitability. To drive this growth, we have a strong, knowledge-driven management team in place, supported by a performance-based corporate culture. We have a nimble and flexible supply chain able to adapt to change. And finally, we have advanced technological systems designed to support our growth.

Our strategy for the future is focused on two “primary drivers”– increasing distribution and maximizing productivity.

We are accelerating growth internationally through store openings in new and existing markets, as well as expansions and relocations of our most productive stores.

INCREASE DISTRIBUTION

Over the next four to five years, we plan to open over 100 new Coach stores in the U.S. and Canada, bringing our North American full price store base to nearly 300. We believe we can reach about 140 locations throughout Japan, including at least 15 flagship stores, double the current number of flagships.

During the next few years, we expect to achieve about 10% growth per year through distribution, just as we have done in the past.

In addition, emerging markets such as Greater China, Korea and Taiwan also provide attractive distribution growth opportunities for Coach.

Maximizing productivity in our stores is the second strategy for growth. This initiative is twofold.

MAXIMIZE PRODUCTIVITY

First – our goal is to improve sales productivity by introducing new product monthly, gaining a greater share of our consumer's accessories wardrobe. We will continue to design product for new usage occasions, such as evening and weekend, meeting the demands of our consumer's changing lifestyle.

One way we develop new product is by "building on our successes"– expanding and evolving Coach Collections that are popular with our consumers. Hamptons Weekend, Madison, and Duffles are examples of Coach Collections that we update seasonally, adding new silhouettes, colors, and textures.

Second – we will continue to offer new product that is innovative and relevant to our consumer's lifestyle. At Coach, we understand the importance of our consumer's point of view. We conduct extensive consumer research each year by individually interviewing about 15,000 consumers in order to understand and anticipate their needs. As a result we introduce fresh, relevant product into our stores and department store locations, website and direct mail programs monthly, matching the shopping style of our best consumers.

Reed Krakoff
President, Executive Creative Director

PRODUCT INNOVATION AND RELEVANCE

Many of our consumers tell us that they now come to Coach as a fashion innovation resource, similar to how they seek out trends in technology. For example, we now offer iPod® covers in seasonal leathers, metallics and exotic materials designed to coordinate with other Coach Collections. iPod® is a registered trademark of Apple.

Excellent customer service remains an element critical to the success of the Coach brand. To further enhance our profitability we are strengthening customer service in our stores to create a more satisfying shopping experience.

COACH SERVICE

First – we have evolved our in-store marketing programs, making it easier for our consumers to shop. An example is a program called “Coach By Special Request”, which allows our consumers to order classic and special edition Coach product, direct from our factory and shipped to their home.

Second – we are elevating the level of customer service in our stores in a number of ways, including comprehensive training programs for our sales associates and consumer appreciation programs.

At Coach, we want to be as well-known for excellent service as we are for great product.

THE COACH RESULTS

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Keith Monda
President, Chief Operating Officer

Selected Financial Data (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended July 2, 2005 have been derived from Coach's audited Consolidated Financial Statements. The financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

FISCAL YEAR ENDED[1]	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003	JUNE 29, 2002	JUNE 30, 2001
CONSOLIDATED STATEMENTS OF INCOME:					
Net sales	$ 1,710,423	$ 1,321,106	$ 953,226	$ 719,403	$ 600,491
Cost of sales	399,652	331,024	275,797	236,041	218,507
Gross profit	1,310,771	990,082	677,429	483,362	381,984
Selling, general and administrative expenses	688,961	545,617	433,667	346,354	275,727
Reorganization costs[2]	–	–	–	3,373	4,569
Operating income	621,810	444,465	243,762	133,635	101,688
Interest income (expense), net	15,760	3,192	1,059	(299)	(2,258)
Income before provision for income taxes and minority interest	637,570	447,657	244,821	133,336	99,430
Provision for income taxes	235,277	167,866	90,585	47,325	35,400
Minority interest, net of tax	13,641	18,043	7,608	184	–
Net income	$ 388,652	$ 261,748	$ 146,628	$ 85,827	$ 64,030
Net income per share					
Basic	$ 1.03	$ 0.70	$ 0.41	$ 0.24	$ 0.20
Diluted	$ 1.00	$ 0.68	$ 0.39	$ 0.24	$ 0.19
Shares used in computing net income per share:[3]					
Basic	378,670	372,120	359,116	352,192	327,440
Diluted	390,191	385,558	371,684	363,808	337,248
CONSOLIDATED PERCENTAGE OF NET SALES DATA:					
Gross margin	76.6%	74.9%	71.1%	67.2%	63.6%
Selling, general and administrative expenses	40.3%	41.3%	45.5%	48.1%	45.9%
Operating income	36.3%	33.6%	25.6%	18.6%	16.9%
Net income	22.7%	19.8%	15.4%	11.9%	10.7%
CONSOLIDATED BALANCE SHEET DATA:					
Working capital	$ 443,580	$ 535,384	$ 297,488	$ 136,902	$ 53,991
Total assets	1,347,132	1,044,425	629,109	448,402	262,506
Inventory	184,419	161,913	143,807	136,404	105,162
Revolving credit facility	12,292	1,699	26,471	34,169	7,700
Long-term debt	3,270	3,420	3,535	3,615	3,690
Stockholders' equity	$ 1,032,776	$ 782,286	$ 426,929	$ 260,356	$ 148,314

(1) Coach's fiscal year ends on the Saturday closest to June 30. Fiscal years 2005, 2003, 2002 and 2001 were 52-week years, while fiscal year 2004 was a 53-week year.

(2) During fiscal 2001, Coach committed to and completed a reorganization plan involving the complete closure of its Medley, Florida, manufacturing operation. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all of its distribution functions at the Jacksonville, Florida, distribution center. During fiscal 2002, Coach committed to and completed a reorganization plan involving the complete closure of its Lares, Puerto Rico, manufacturing operation. These actions, also intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers.

(3) The two-for-one stock splits in April 2005, October 2003 and July 2002 have been retroactively applied to all prior periods.

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 Coach's financial statements and notes to those statements included elsewhere in this document.

EXECUTIVE OVERVIEW

Founded in 1941, Coach (the "Company") is a designer and marketer of high-quality, modern American classic accessories. Coach's primary product offerings include handbags, accessories, business cases, outerwear and related accessories and weekend and travel accessories.

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. Direct-to-consumer sales consist of sales of Coach products through its 193 Company-operated North American retail stores, its 82 Company-operated North American factory stores, its online store and its catalogs. Indirect sales consist of sales of Coach products to approximately 1,000 department store locations in the United States, through 94 international department stores, freestanding retail locations and specialty retailers in 19 countries and through 103 department store shop-in-shops and retail and factory store locations operated by Coach Japan, Inc. Coach generates additional wholesale sales through business-to-business programs, in which companies purchase Coach products to use as gifts or incentive rewards. Licensing revenues consist of royalties paid to Coach under licensing arrangements with select partners for the sale of Coach branded watches, footwear, eyewear and office furniture. Net sales were $1,710.4 million, $1,321.1 million and $953.2 million in fiscal 2005, 2004 and 2003, respectively, representing a 29.5% increase in fiscal 2005 as compared to fiscal 2004 and a 38.6% increase in fiscal 2004 as compared to fiscal 2003. These net sales increases were driven by growth across all distribution channels.

Coach's cost of sales consists of the costs associated with the sourcing of its products. Coach's gross profit is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, foreign currency exchange rates and fluctuations in material costs. These factors, among others, may cause gross profit to fluctuate from quarter to quarter. Gross profit increased to $1,310.8 million in fiscal 2005 from $990.1 million in fiscal 2004 and $677.4 million in fiscal 2003. Gross margin increased to 76.6% in fiscal 2005 as compared to 74.9% in fiscal 2004 and 71.1% in fiscal 2003, representing an increase of 170 basis points in fiscal 2005 as compared to fiscal 2004 and 380 basis points in fiscal 2004 as compared to fiscal 2003. These increases were primarily driven by the factors discussed above.

Selling, general and administrative expenses comprise four categories: selling; advertising, marketing and design; distribution and customer service; and administration and information services. Selling expenses include store employee compensation, store occupancy costs, store supply costs, wholesale account administration compensation and all Coach Japan operating expenses. These expenses are affected by the number of Coach and Coach Japan operated stores open during any fiscal period and the related proportion of retail and wholesale sales. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations, market research expenses and mail order costs. Distribution and customer services expenses include warehousing, order fulfillment, shipping and handling, customer service and bag repair costs. Administration and information services expenses include compensation costs for the executive, finance, human resources, legal and information systems departments, as well as consulting and software expenses. Selling, general and administrative expenses increase as Coach and Coach Japan operate more stores, although an increase in the number of stores generally results in the fixed portion of selling, general and administrative expenses being spread over a larger sales base.

Operating income was $621.8 million, $444.5 million and $243.8 million in fiscal 2005, 2004 and 2003, respectively. The 39.9% increase in fiscal 2005 from fiscal 2004 and 82.3% increase in fiscal 2004 from fiscal 2003 were both driven by the increases in net sales and gross profit discussed previously, partially offset by increases in selling, general and administrative expenses.

Net income was $388.7 million, $261.7 million and $146.6 million in fiscal 2005, 2004 and 2003, respectively. In all fiscal years, the increases in net income were primarily attributable to the increases in operating income, discussed above.

Coach's fiscal year ends on the Saturday closest to June 30. Fiscal 2005 and fiscal 2003 were each 52-week periods, whereas fiscal 2004 was a 53-week period. The fifty-third week in fiscal 2004 contributed approximately $19.5 million of additional net sales.

ACQUISITION OF COACH JAPAN, INC.

On July 1, 2005, Coach completed the purchase of Sumitomo's 50% interest in Coach Japan, Inc. for $228.4 million, including transaction costs, plus undistributed profits and paid-in capital of $72.9 million. Coach Japan was a joint venture established between Coach and Sumitomo Corporation, to operate and expand the Coach business in Japan. Coach Japan is accounted for as a consolidated subsidiary. Coach recorded the 50% interest in the assets and liabilities of Coach Japan acquired through this acquisition at their fair values as follows: trade accounts receivable of $15.4 million, inventory of $43.1 million, property and equipment of $21.8 million, customer list of $0.3 million, goodwill of $225.3 million, other assets of $25.0 million, and liabilities of $30.7 million. The results of operations for Coach Japan, Inc. from July 1, 2005 are included in our consolidated results of operations for the fiscal year ended July 2, 2005.

The following unaudited pro forma information assumes the Coach Japan, Inc. acquisition had occurred on July 4, 2004. The pro forma information, as presented below, is not indicative of the results that would have been obtained had the transaction occurred July 4, 2004, nor is it indicative of our future results. The final purchase price allocation and the resulting effect on net income may differ significantly from the unaudited pro forma amounts included herein.

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)	(UNAUDITED)	(UNAUDITED)
Net revenue	$ 1,710.4	$ 1,321.1
Net income	402.3	279.8
Net income per share – Basic	1.06	0.75
Net income per share – Diluted	1.03	0.73

The following is a discussion of the results of operations for fiscal 2005 compared to fiscal 2004 and fiscal 2004 compared to fiscal 2003 as well as a discussion of the changes in financial condition during fiscal 2005.

RESULTS OF OPERATIONS

Consolidated statements of income for fiscal 2005, 2004 and 2003 are as follows:

FISCAL YEAR ENDED	JULY 2, 2005		JULY 3, 2004(1)		JUNE 28, 2003	
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE DATA)	$	% OF NET SALES	$	% OF NET SALES	$	% OF NET SALES
Net sales	$ 1,704.1	99.6%	$ 1,316.3	99.6%	$ 949.4	99.6%
Licensing revenue	6.3	0.4	4.8	0.4	3.8	0.4
Total net sales	1,710.4	100.0	1,321.1	100.0	953.2	100.0
Cost of sales	399.6	23.4	331.0	25.1	275.8	28.9
Gross profit	1,310.8	76.6	990.1	74.9	677.4	71.1
Selling, general and administrative expenses	689.0	40.3	545.6	41.3	433.7	45.5
Operating income	621.8	36.3	444.5	33.6	243.7	25.6
Interest income, net	15.8	0.9	3.2	0.2	1.1	0.1
Income before provision for income taxes and minority interest	637.6	37.3	447.7	33.9	244.8	25.7
Provision for income taxes	235.3	13.8	168.0	12.7	90.6	9.5
Minority interest, net of tax	13.6	0.8	18.0	1.4	7.6	0.8
Net income	$ 388.7	22.7%	$ 261.7	19.8%	$ 146.6	15.4%
Net income per share:						
Basic	$ 1.03		$ 0.70		$ 0.41	
Diluted	$ 1.00		$ 0.68		$ 0.39	
Weighted-average number of common shares:						
Basic	378.7		372.1		359.1	
Diluted	390.2		385.6		371.7	

(1) 53-week fiscal year

Net sales by business segment for fiscal 2005 compared to fiscal 2004 and fiscal 2003 are as follows:

	NET SALES			RATE OF INCREASE		PERCENTAGE OF TOTAL NET SALES		
FISCAL YEAR ENDED (DOLLARS IN MILLIONS)	JULY 2, 2005	JULY 3, 2004[1]	JUNE 28, 2003	('05 VERSUS '04)	('04 VERSUS '03)	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Direct	$ 935.5	$ 726.5	$ 559.5	28.8%	29.8%	54.7%	55.0%	58.7%
Indirect	774.9	594.6	393.7	30.3	51.0	45.3	45.0	41.3
Total net sales	$ 1,710.4	$ 1,321.1	$ 953.2	29.5%	38.6%	100.0%	100.0%	100.0%

(1) 53-week fiscal year

FISCAL 2005 COMPARED TO FISCAL 2004

NET SALES

Coach excludes new locations from the comparable store base for the first year of operation. Similarly, stores that are expanded by more than 15% are also excluded from the comparable store base until the first anniversary of their reopening. Stores that are closed for renovations are removed from the comparable store base. In fiscal 2005, 52 weeks of sales were reported and compared to the equivalent 52-week period during fiscal 2004.

DIRECT Net sales increased 28.8% to $935.5 million during fiscal 2005 from $726.5 million during fiscal 2004, driven by increased comparable store sales, new store sales and expanded store sales in our North American retail and factory stores divisions. Sales growth in comparable stores was 14.1% for retail stores and 23.9% for factory stores. Comparable store sales growth for the entire North American store chain was 18.2%, which accounted for $112.0 million of the net sales increase. Since the end of fiscal 2004, Coach has opened 19 retail stores and seven factory stores. Sales from these new stores, as well as the noncomparable portion of sales from stores opened during fiscal 2004, accounted for $84.8 million of the net sales increase. Since the end of fiscal 2004, Coach also expanded seven retail stores and two factory stores. Sales from these expanded stores, as well as the noncomparable portion of sales from stores expanded during fiscal 2004, accounted for $11.0 million of the net sales increase. Sales growth in the Internet business accounted for the remaining sales increase. The net sales increase was offset by an additional week of sales during fiscal 2004, which represented approximately $11.6 million. Also, these increases were slightly offset by a decline in the direct marketing channel and store closures. Since the end of fiscal 2004, Coach has closed one factory store.

INDIRECT Net sales increased 30.3% to $774.9 million in fiscal 2005 from $594.6 million during fiscal 2004. The increase was primarily driven by growth at Coach Japan, Inc. in which net sales increased $95.7 million over the comparable period of the prior year. Since the end of fiscal 2004, we have opened 12 locations in Japan. Sales from these new stores, as well as the noncomparable portion of sales from other new stores, accounted for $40.3 million of the net sales increase. In addition, comparable store net sales gains accounted for an increase of $30.3 million over the prior year. Since the end of fiscal 2004, we have also expanded 14 locations in Japan. Sales from these expanded stores, as well as the noncomparable portion of sales from other expanded stores, accounted for $20.2 million of the net sales increase. Finally, the impact of foreign currency exchange rates resulted in an increase in reported net sales of $12.9 million. The net sales increase was slightly offset by $4.1 million of sales from Coach Japan during the additional week of fiscal 2004. The net sales increase was further offset by Coach Japan store closures. Since the end of fiscal 2004, Coach Japan has closed eight locations.

The increase in indirect net sales was also driven by growth in the U.S. wholesale, international wholesale and business-to-business divisions, which contributed increased sales of $47.8 million, $19.0 million and $9.9 million, respectively, as compared to the prior year. The remaining net sales increase is attributable to increases in other indirect channels. The net sales increase was slightly offset by $3.8 million of sales from other indirect channels during the additional week of fiscal 2004.

GROSS PROFIT

Gross profit increased 32.4% to $1,310.8 million in fiscal 2005 from $990.1 million in fiscal 2004. Gross margin increased 170 basis points to 76.6% in fiscal 2005 from 74.9% in 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 approximately 80 additional basis points; a shift in

product mix, reflecting increased penetration of higher margin mixed material product and accessories, which contributed approximately 60 additional basis points; and the continuing impact of sourcing cost initiatives, which contributed approximately 30 additional basis points.

The following chart illustrates the gross margin performance we have experienced over the last 12 quarters:

	FIRST QUARTER	SECOND QUARTER	FIRST HALF	THIRD QUARTER	FOURTH QUARTER	SECOND HALF	TOTAL YEAR
Fiscal 2005	75.0%	75.8%	75.5%	78.1%	77.6%	77.8%	76.6%
Fiscal 2004	72.7%	74.2%	73.6%	75.9%	76.7%	76.3%	74.9%
Fiscal 2003	68.1%	70.3%	69.4%	72.5%	73.2%	72.9%	71.1%

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 26.3% to $689.0 million in fiscal 2005 from $545.6 million in fiscal 2004. The dollar increase was caused primarily by increased store operating expenses attributable to new stores opened both domestically and in Japan and increased variable expenses to support increased net sales. As a percentage of net sales, selling, general and administrative expenses during fiscal 2005 were 40.3% compared to 41.3% during fiscal 2004. This improvement was due to leveraging our expense base on higher sales.

Selling expenses increased 28.8% to $497.3 million, or 29.1% of net sales, in fiscal 2005 from $386.2 million, or 29.2% of net sales, in fiscal 2004. The dollar increase in these expenses was primarily due to an increase in operating expenses associated with Coach Japan and operating expenses associated with North American stores that were opened during and after the end of fiscal 2004. The increase in Coach Japan expenses was $51.4 million, driven by new store operating expenses, investment in corporate infrastructure, increased variable expenses related to higher sales and increased advertising expense to support the brand in Japan. In addition, the impact of foreign currency exchange rates increased reported expenses by $5.8 million. Domestically, Coach has opened 19 new retail stores and seven new factory stores since the end of fiscal 2004. Expenses from these new stores, as well as the noncomparable portion of expenses from stores opened in fiscal 2004, increased total expenses by $23.1 million. The remaining increase in selling expenses was due to increased variable expenses to support sales growth.

Advertising, marketing, and design costs increased by 24.1% to $78.8 million, or 4.6% of net sales, in fiscal 2005 from $63.5 million, or 4.8% of net sales, in fiscal 2004. This dollar increase was primarily due to increased staffing costs and increased design expenditures.

Distribution and customer service expenses increased to $36.9 million in fiscal 2005 from $32.4 million in 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 fiscal 2004 to 2.2% in fiscal 2005.

Administrative expenses increased 19.7% to $76.0 million, or 4.4% of net sales, in fiscal 2005 from $63.5 million, or 4.8% of net sales, in fiscal 2004. The dollar increase in these expenses was primarily due to increased compensation costs as well as increased professional and consulting fees. Included in administrative expenses are business interruption proceeds of $2.6 million, related to our World Trade Center location.

INTEREST INCOME, NET

Net interest income was $15.8 million in fiscal 2005, as compared to $3.2 million in fiscal 2004. This dollar change was due to increased positive cash balances during fiscal 2005 as well as higher returns on investments. During fiscal 2004, Coach began investing in marketable securities with maturities greater than 90 days, which yielded greater rates of return.

PROVISION FOR INCOME TAXES

The effective tax rate decreased to 36.9% in fiscal 2005 compared with the 37.5% recorded in fiscal 2004. As a result of the buyout of our joint venture partner in Coach Japan and a continued need to grow the Coach Japan business, we have determined that the earnings of Coach Japan will be permanently reinvested and the tax provision previously recorded relating to the expatriation of those earnings was reversed. The reversal was recorded in the fourth quarter and brought the full year to the lower effective appropriate annual rate.

MINORITY INTEREST

Minority interest expense, net of tax, decreased to $13.6 million, or 0.8% of net sales, in fiscal 2005 from $18.0 million, or 1.4% of net sales, in fiscal 2004. The decrease was primarily due to transfer price increases to Coach Japan, Inc., increased marketing expenses and additional infrastructure investments.

FISCAL 2004 COMPARED TO FISCAL 2003

NET SALES

Coach excludes new locations from the comparable store base for the first year of operation. Similarly, stores that are expanded by more than 15% are also excluded from the comparable store base until the first anniversary of their reopening. Stores that are closed for renovations are removed from the comparable store base. In fiscal 2004, 53 weeks of sales were reported and compared to the equivalent 53-week period.

DIRECT Net sales increased 29.8% to $726.5 million during fiscal 2004 from $559.5 million in fiscal 2003, driven by increased comparable store sales, new store sales and expanded store sales in our North American retail and factory stores divisions. This net sales increase was also driven by an additional week of sales, which represented approximately $11.6 million of the total. Sales growth in comparable stores was 21.9% for retail stores and 10.3% for factory stores. Comparable store sales growth for the entire North American store chain was 16.9%, which accounted for $95.7 million of the net sales increase. Since the end of fiscal 2003, Coach has opened 19 retail stores and two factory stores. Sales from these new stores, as well as the noncomparable portion of sales from stores opened during fiscal 2003, accounted for $53.0 million of the net sales increase. Since the end of fiscal 2003, Coach also expanded nine retail stores. Sales from these expanded stores, as well as the noncomparable portion of sales from stores expanded during fiscal 2003, accounted for $15.3 million of the net sales increase. Sales growth in the Internet business accounted for the remaining sales increase. These increases were slightly offset by a decline in the direct marketing channel and store closures. Since the end of fiscal 2003, Coach has closed one retail store and two factory stores.

INDIRECT Net sales increased 51.0% to $594.6 million in fiscal 2004 from $393.7 million during fiscal 2003. The increase was primarily driven by growth at our Japanese joint venture, Coach Japan, Inc. in which net sales increased $100.4 million over the comparable period of the prior year, including $4.1 million of sales during the additional week of the fiscal year. Since the end of fiscal 2003, we have opened eight locations in Japan. Sales from these new stores, as well as the noncomparable portion of sales from stores opened during fiscal 2003, accounted for $44.0 million of the net sales increase. Our Japan locations experienced double-digit comparable net sales gains from the prior year, which represented $33.3 million of the net sales increase. Since the end of fiscal 2003, we have also expanded 16 locations in Japan, which accounted for $7.3 million of the net sales increase. Finally, the impact of foreign currency exchange rates resulted in an increase in reported net sales of $21.7 million. These net sales increases were slightly offset by store closures. Since the end of fiscal 2003, Coach Japan has closed one location. The increase in indirect net sales was also driven by growth in the U.S. wholesale, international wholesale and business-to-business divisions, which contributed increased sales of $37.5 million, $33.5 million and $22.0 million, respectively, as compared to the same period in the prior year. The remaining net sales increase is attributable to increases in other indirect channels.

GROSS PROFIT

Gross profit increased 46.2% to $990.1 million in fiscal 2004 from $677.4 million in fiscal 2003. Gross margin increased 380 basis points to 74.9% in fiscal 2004 from 71.1% in fiscal 2003. 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 approximately 140 additional basis points; a shift in product mix, reflecting increased penetration of higher margin mixed material product and accessories, which contributed approximately 120 additional basis points; and the continuing impact of sourcing cost initiatives, which contributed approximately 120 additional basis points.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 25.8% to $545.6 million in fiscal 2004 from $433.7 million in fiscal 2003. The dollar increase was caused primarily by increased variable expenses related to Coach Japan, increased variable expenses to support increased net sales, and increased store operating expenses attributable to new stores opened both domestically and in

Japan, as compared to the prior year. As a percentage of net sales, selling, general and administrative expenses during fiscal 2004 were 41.3% compared to 45.5% during fiscal 2003. This improvement was due to leveraging our expense base on higher sales.

Selling expenses increased 31.0% to $386.2 million, or 29.2% of net sales, in fiscal 2004 from $294.9 million, or 30.9% of net sales, in fiscal 2003. The dollar increase in these expenses was primarily due to an increase in operating expenses associated with Coach Japan and operating expenses associated with North American stores that were opened during and after the end of fiscal 2003. The increase in Coach Japan expenses was $42.8 million, driven by new stores operating expenses, increased variable expenses related to higher sales, and the nonrecurrence of a $3.4 million favorable fair value adjustment for open foreign currency forward contracts. In addition, the impact of foreign currency exchange rates increased reported expenses by $10.0 million. Domestically, Coach has opened 19 new retail stores and two new factory stores since the end of fiscal 2003. Expenses from these new stores, as well as the noncomparable portion of expenses from stores opened in fiscal 2003, increased total expenses by $16.2 million. The remaining increase in selling expenses was due to increased variable expenses to support sales growth.

Advertising, marketing, and design costs increased by 10.8% to $63.5 million, or 4.8% of net sales, in fiscal 2004, from $57.3 million, or 6.0% of net sales, in fiscal 2003. This dollar increase was primarily due to increased staffing costs and increased design expenditures.

Distribution and customer service expenses increased to $32.4 million in fiscal 2004 from $29.7 million in fiscal 2003. 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 3.1% in fiscal 2003 to 2.5% in fiscal 2004.

Administrative expenses increased 22.6% to $63.5 million, or 4.8% of net sales, in fiscal 2004 from $51.8 million, or 5.5% of net sales, in fiscal 2003. The dollar increase in these expenses was primarily due to increased compensation costs as well as increased professional and consulting fees. These increases were offset by an increase in business interruption proceeds of $1.2 million, related to our World Trade Center location.

INTEREST INCOME, NET

Net interest income was $3.2 million in fiscal 2004, as compared to $1.1 million in fiscal 2003. This dollar change was due to increased positive cash balances during fiscal 2004 as well as higher returns on investments. During fiscal 2004, Coach began investing in marketable securities with maturities greater than 90 days, which yielded greater rates of return.

PROVISION FOR INCOME TAXES

The effective tax rate increased to 37.5% in fiscal 2004 compared with the 37.0% recorded in fiscal 2003.

MINORITY INTEREST

Minority interest expense, net of tax, increased to $18.0 million, or 1.4% of net sales, in fiscal 2004 from $7.6 million, or 0.8% of net sales, in fiscal 2003. This increase was due to increased profits from the operations of Coach Japan and the impact of a stronger yen.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided from operating activities was $544.3 million in fiscal 2005 compared to $454.5 million in fiscal 2004. The $89.8 million increase was due primarily to increased earnings of $126.9 million, as well as an increase in accrued liabilities of $36.1 million, primarily attributable to a higher provision for income taxes. There was a decrease in the change in accounts receivable of $10.6 million due to improved collection rates. The increase was offset by increased deferred taxes of $67.9 million. Finally, there was a decrease in the tax benefit from the exercise of stock options of $28.0 million.

Net cash used in investment activities was $371.8 million in fiscal 2005 compared to $375.3 million in fiscal 2004. The decrease in net cash used in investment activities is attributable to investment maturities during the year of $330.7 million. This decrease was partially offset by the buyout of our joint venture partner's interest in Coach Japan of $228.4 million, increased investment purchases of $77.8 million and increased capital expenditures of $20.9 million, which related primarily to new and renovated retail stores in the United States and Japan, as well as technology enhancements.

Net cash used in financing activities was $280.6 million in fiscal 2005 compared to $45.7 million in fiscal 2004. The $234.9 million increase in cash used resulted from an additional $210.0 million of funds expended to repurchase common stock. In connection with the buyout of Coach Japan, we distributed accumulated earnings of $57.4 million and repaid our initial investment of $15.5 million to our joint venture partner. The increase in cash used was offset by additional net borrowings on the revolving credit facility of $35.4 million and increased proceeds of $12.7 million received from the exercise of stock options.

On October 16, 2003, Coach, certain lenders and Bank of America, N.A. ("Bank of America"), as primary lender and administrative agent, renewed the $100 million senior unsecured revolving credit facility (the "Bank of America facility"), extending the facility expiration to October 16, 2006. At Coach's request, the Bank of America facility can be expanded to $125 million. On June 23, 2005, this facility was expanded for one additional year, to October 16, 2007. This facility is available for seasonal working capital requirements or general corporate purposes and may be prepaid without penalty or premium.

During fiscal 2005 and fiscal 2004 there were no borrowings under the Bank of America facility. As of July 2, 2005, there were no outstanding borrowings under the Bank of America facility.

Under this revolving credit facility, Coach pays a commitment fee of 10 to 25 basis points, based on the Company's fixed charge coverage ratio, on any unused amounts of the revolving credit facility. The initial commitment fee was 15 basis points. At July 2, 2005, the commitment fee was 12.5 basis points. The initial LIBOR margin under the facility was 62.5 basis points. At July 2, 2005, the LIBOR margin was 55 basis points, reflecting an improvement in our fixed-charge coverage ratio.

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

To provide funding for working capital and general corporate purposes, Coach Japan entered into credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 8.6 billion yen, or approximately $77 million, at July 2, 2005. Interest is based on the Tokyo Interbank rate plus a margin of up to 50 basis points.

During fiscal 2005 and fiscal 2004, the peak borrowings under the Japanese credit facilities were $50.5 million and $36.1 million, respectively. At July 2, 2005 and July 3, 2004, outstanding borrowings under the Japanese facilities were $12.3 million and $1.7 million, respectively.

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

On August 12, 2004, the Coach Board of Directors approved a $200 million increase to the Company's existing common stock repurchase program and extended the duration of this program through August 2006. As of April 2, 2005, Coach had completed this 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.

During fiscal 2005 and fiscal 2004, Coach repurchased 11.0 million and 3.0 million shares, respectively, of common stock, at an average cost of $24.09 and $18.18 per share, respectively.

In fiscal 2005, total capital expenditures were $94.6 million. Coach opened 19 new retail and seven new factory stores in North America, which represented $20.0 million of capital expenditures. We also expanded seven retail stores and two factory stores, which represented $19.9 million of capital expenditures. Spending on department store renovations and distributor locations was $4.7 million. In addition, $14.0 million was used for information systems and corporate facilities. These investments were financed from internally generated cash flows and on hand cash. In Japan, we invested $22.9 million, primarily for the opening of 12 new locations, store expansions and information systems. These investments were financed by using funds from our Japanese revolving credit facilities and operating cash flow.

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 consumer sales and collects wholesale accounts receivable. In fiscal 2005, Coach purchased approximately $377 million of inventory, which was funded by on hand cash, operating cash flow and by borrowings under the Japanese revolving credit facilities.

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. 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, as well as to comply with all of the financial covenants under its debt agreements, depends on its future operating performance and cash flow, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond Coach's control.

Currently, Sara Lee is a guarantor or a party to many of Coach's leases. Coach has agreed to make efforts to remove Sara Lee from all of its existing leases, and Sara Lee is not a guarantor or a party to any new or renewed leases. Coach has obtained a letter of credit for the benefit of Sara Lee in an amount approximately equal to the annual minimum rental payments under leases transferred to Coach by Sara Lee, but for which Sara Lee retains contingent liability. Coach is required to maintain this letter of credit until the annual minimum rental payments under the relevant leases are less than $2.0 million. The initial letter of credit had a face amount of $20.6 million, and we expect this amount to decrease annually as Coach's guaranteed obligations are reduced. As of July 2, 2005, the letter of credit was $15.4 million. We expect that we will be required to maintain the letter of credit for at least 10 years.

As of July 2, 2005, the scheduled maturities of Coach's long-term contractual obligations are as follows:

	PAYMENTS DUE BY PERIOD				
(AMOUNTS IN MILLIONS)	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	AFTER 5 YEARS	TOTAL
Operating leases	$ 62.6	$ 115.1	$ 102.4	$ 175.0	$ 455.1
Revolving credit facility	12.3	–	–	–	12.3
Long-term debt including the current portion	0.2	0.4	0.6	2.2	3.4
Total	$ 75.1	$ 115.5	$ 103.0	$ 177.2	$ 470.8

Coach does not have any off-balance-sheet financing or unconsolidated special purpose entities. Coach's risk management policies prohibit the use of derivatives for trading purposes. The valuation of financial instruments that are marked to market are based upon independent third-party sources.

LONG-TERM DEBT

Coach is party to an Industrial Revenue Bond related to its Jacksonville, Florida, facility. This loan has a remaining balance of $3.4 million and bears interest at 8.77%. Principal and interest payments are made semiannually, with the final payment due in 2014.

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 nonholiday quarters, which has reduced these seasonal fluctuations. We expect that these trends will continue, and we will further balance our year round business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. The accounting policies discussed below are considered critical because changes to certain judgments and assumptions inherent in these policies could affect the financial statements.

In certain instances, accounting principles generally accepted in the United States of America allow for the selection of alternative accounting methods. The Company's significant policies that involve the selection of alternative methods are accounting for stock options and inventories.

OPERATING LEASES

The Company leases retail stores and office space under operating leases. The majority of the Company's lease agreements provide for tenant improvement allowances, rent escalation clauses and/or contingent rent provisions. In fiscal 2005, the Company conformed its accounting for operating leases and leasehold improvements to Statement of Financial Accounting Standards ("SFAS") No. 13 and its related interpretations as clarified by the Office of the Chief Accountant of the Securities and Exchange Commission to the American Institute of Certified Public Accountants on February 7, 2005.

Tenant improvement allowances are recorded as a deferred lease credit on the balance sheet and amortized over the lease term, which is consistent with the amortization period for the constructed assets. Historically, the consolidated balance sheets reflected these allowances as a reduction of capital expenditures and the carrying value of fixed assets and the consolidated statements of cash flows reflected tenant improvement allowances as a reduction of capital expenditures within investing activities. Since the impact of this change in accounting was not material to any previously reported fiscal year, the cumulative effect was recorded in the third quarter of fiscal 2005.

In addition to the above, the Company recorded a cumulative, noncash charge in the third quarter of fiscal 2005 to reflect the impact of recording rent expense prior to the store opening (during the construction buildout period). 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 buildout 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. The adjustment resulted in a cumulative, noncash charge to rent expense of approximately $4.8 million during fiscal 2005, of which approximately $4.3 million related to prior periods.

STOCK-BASED COMPENSATION

Two alternative methods for accounting for stock options are available: the intrinsic value method and the fair value method. The Company uses the intrinsic value method of accounting for stock options and, accordingly, no compensation expense has been recognized. Under either method, the determination of the pro forma amounts involves several assumptions including option life and future volatility. See Note 1 and Note 8 to the Consolidated Financial Statements for expanded disclosures.

INVENTORIES

U.S. inventories are valued at the lower of cost (determined by the first-in, first-out method) or market. Inventories in Japan are valued at the lower of cost (determined by the last-in, first-out method) or market. Inventory costs include material, conversion costs, freight and duties. Reserves for slow-moving and aged merchandise are provided based on historical experience and current product demand. We evaluate the adequacy of reserves quarterly. A decrease in product demand due to changing customer tastes, buying patterns or increased competition could impact Coach's evaluation of its slow-moving and aged merchandise.

For more information on Coach's accounting policies, please refer to the Notes to Consolidated Financial Statements. Other critical accounting policies are as follows:

VALUATION OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which the Company adopted effective with the beginning of fiscal 2002, the Company assesses the carrying value of its long-lived assets for possible impairment based on a review of forecasted operating cash flows and the profitability of the related business. The Company did not record any impairment losses in fiscal 2005, fiscal 2004 or fiscal 2003.

REVENUE RECOGNITION

Sales are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction or, for the wholesale, Internet and catalog channels, upon shipment of merchandise, when title passes to the customer. Allowances for estimated uncollectible accounts, discounts, returns and allowances are provided when sales are recorded based upon historical experience and current trends. Royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is recognized based upon reported net sales from the licensee.

NEW ACCOUNTING STANDARDS

In October 2004, the Emerging Issues Task Force ("EITF") issued its abstract No. 04-1, "Accounting for Preexisting Relationships between the Parties to a Business Combination." EITF 04-1 addresses the appropriate accounting treatment for portions of the acquisition costs of an entity that may be deemed to apply to elements of a preexisting business relationship between the acquiring company and the target company. EITF 04-1 is effective for combinations consummated after October 2004. The adoption of EITF 04-1 had no effect on historical financial statements.

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs – an amendment of ARB. No. 43, Chapter 4." SFAS 151 is an amendment of Accounting Research Board Opinion No. 43 and sets standards for the treatment of abnormal amounts of idle facility expense, freight, handling costs and spoilage. SFAS 151 is effective for fiscal years beginning after June 15, 2005. We are currently evaluating the impact of SFAS 151 on our financial statements.

In December 2004, the FASB issued Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP No. 109-2"). FSP No. 109-2 provides guidance under SFAS No. 109, "Accounting for Income Taxes," with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. We do not plan to make any dividends under this provision, but we are still evaluating the impact of FSP 109-2 on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29," which eliminates certain narrow differences between Accounting Principles Board ("APB") 29 and international accounting standards. SFAS 153 is effective for fiscal periods beginning on or after June 15, 2005. The adoption of SFAS 153 is not expected to have a material impact on our financial statements.

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which is a revision of SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The pronouncement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (typically the vesting period). SFAS 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. We are currently evaluating the effect of SFAS 123R on our financial statements with the intent of implementing this standard in fiscal 2006.

In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment" ("SAB 107"). SAB 107 expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payments arrangements. Subsequently, the SEC decided to delay the required implementation of SFAS 123R to fiscal years beginning after June 15, 2005. We are currently evaluating the effect of SFAS 123R and SAB 107 on our financial statements with the intent of implementing this standard in fiscal 2006.

In March 2005, the FASB issued SFAS Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 provides clarification regarding the meaning of the term "conditional asset retirement obligation" as used in FASB 143, "Accounting for Asset Retirement Obligations." We are currently evaluating the impact of FIN 47 on our financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted. The Company will adopt SFAS 154 in the required period.

In June 2005, the EITF reached consensus on EITF 05-6, "Determining the Amortization Period for Leasehold Improvements." Under EITF 05-6, leasehold improvements placed in service significantly after and not contemplated at, or near, the beginning of the lease term, should be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date the leasehold improvements are purchased. EITF 05-6 is effective for periods beginning after June 29, 2005 and is not expected to have a material impact on our consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Coach, Inc., New York, New York:

We have audited the accompanying consolidated balance sheets of Coach, Inc. and subsidiaries (the "Company") as of July 2, 2005 and July 3, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended July 2, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at July 2, 2005 and July 3, 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 2, 2005 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of July 2, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 9, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Deloitte & Touche LLP
New York, New York
September 9, 2005

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Coach, Inc., New York, New York:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Coach, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of July 2, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of July 2, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 2, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended July 2, 2005 of the Company and our report dated September 9, 2005 expressed an unqualified opinion on those consolidated financial statements.

Deloitte & Touche LLP
New York, New York
September 9, 2005

Consolidated Balance Sheets

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)	JULY 2, 2005	JULY 3, 2004
ASSETS		
Cash and cash equivalents	$ 154,566	$ 262,720
Short-term investments	228,485	171,723
Trade accounts receivable, less allowances of $4,124 and $5,456, respectively	65,399	55,724
Inventories	184,419	161,913
Deferred income taxes	50,820	34,521
Prepaid expenses and other current assets	25,671	19,015
Total current assets	709,360	705,616
Property and equipment, net	203,862	164,291
Long-term investments	122,065	130,000
Deferred income taxes	31,520	–
Goodwill	238,711	13,605
Indefinite life intangibles	9,788	9,788
Other noncurrent assets	31,826	21,125
Total assets	$ 1,347,132	$ 1,044,425
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 64,985	$ 44,771
Accrued liabilities	185,502	123,647
Deferred income taxes	2,851	–
Revolving credit facility	12,292	1,699
Current portion of long-term debt	150	115
Total current liabilities	265,780	170,232
Deferred income taxes	4,512	15,791
Long-term debt	3,270	3,420
Other liabilities	40,794	32,498
Minority interest, net of tax	–	40,198
Total liabilities	314,356	262,139
Commitments and contingencies (Note 6)		
Stockholders' equity		
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 – 378,429,710 and 379,236,402 shares, respectively	3,784	3,792
Capital in excess of par value	465,015	355,130
Retained earnings	576,141	430,461
Accumulated other comprehensive income	903	2,195
Unearned compensation	(13,067)	(9,292)
Total stockholders' equity	1,032,776	782,286
Total liabilities and stockholders' equity	$ 1,347,132	$ 1,044,425

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Income

FISCAL YEAR ENDED (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	JULY 2, 2005	JULY 3, 2004[1]	JUNE 28, 2003
Net sales	$ 1,710,423	$ 1,321,106	$ 953,226
Cost of sales	399,652	331,024	275,797
Gross profit	1,310,771	990,082	677,429
Selling, general and administrative expenses	688,961	545,617	433,667
Operating income	621,810	444,465	243,762
Interest income, net	15,760	3,192	1,059
Income before provision for income taxes and minority interest	637,570	447,657	244,821
Provision for income taxes	235,277	167,866	90,585
Minority interest, net of tax	13,641	18,043	7,608
Net income	$ 388,652	$ 261,748	$ 146,628
Net income per share			
Basic	$ 1.03	$ 0.70	$ 0.41
Diluted	$ 1.00	$ 0.68	$ 0.39
Shares used in computing net income per share			
Basic	378,670	372,120	359,116
Diluted	390,191	385,558	371,684

(1) 53-week fiscal year

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

(AMOUNTS IN THOUSANDS)	TOTAL STOCK-HOLDERS' EQUITY	PREFERRED STOCK-HOLDERS' EQUITY	COMMON STOCK-HOLDERS' EQUITY	CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS	ACCUMU-LATED OTHER COMPRE-HENSIVE INCOME (LOSS)	UNEARNED COMPEN-SATION	COMPRE-HENSIVE INCOME (LOSS)	SHARES OF COMMON STOCK
Balances at June 29, 2002	$ 260,356	$ –	$ 3,580	$ 152,718	$ 105,509	$ 215	$ (1,666)		357,816
Net income	146,628	–	–	–	146,628	–	–	$ 146,628	
Shares issued for stock options and employee benefit plans	28,395	–	156	28,239	–	–	–		15,800
Tax benefit from exercise of stock options	41,503	–	–	41,503	–	–	–		
Repurchase of common stock	(49,947)	–	(76)	(15,356)	(34,515)	–	–		(7,716)
Grant of restricted stock awards	–	–	–	5,550	–	–	(5,550)		–
Amortization of restricted stock awards	1,568	–	–	–	–	–	1,568		118
Unrealized gain on cash flow hedging derivatives, net	168	–	–	–	–	168	–	168	
Translation adjustments	(348)	–	–	–	–	(348)	–	(348)	
Minimum pension liability	(1,394)	–	–	–	–	(1,394)	–	(1,394)	
Comprehensive income								$ 145,054	
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 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
Net income	388,652	–	–	–	388,652	–	–	$ 388,652	
Shares issued for stock options and employee benefit plans	42,988	–	102	42,886	–	–	–		10,194
Tax benefit from exercise of stock options	78,480	–	–	78,480	–	–	–		
Repurchase of common stock	(264,971)	–	(110)	(21,889)	(242,972)	–	–		(11,000)
Grant of restricted stock awards	–	–	–	10,408	–	–	(10,408)		–
Amortization of restricted stock awards	6,633	–	–	–	–	–	6,633		–
Unrealized gain on cash flow hedging derivatives, net	1,229	–	–	–	–	1,229	–	1,229	
Translation adjustments	(2,331)	–	–	–	–	(2,331)	–	(2,331)	
Minimum pension liability	(190)	–	–	–	–	(190)	–	(190)	
Comprehensive income								$ 387,360	
Balances at July 2, 2005	$1,032,776	$ –	$ 3,784	$ 465,015	$ 576,141	$ 903	$ (13,067)		378,430

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

FISCAL YEAR ENDED (AMOUNTS IN THOUSANDS)	JULY 2, 2005	JULY 3, 2004 (1)	JUNE 28, 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 388,652	$ 261,748	$ 146,628
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	57,033	44,510	31,350
Minority interest	13,641	18,043	7,608
Tax benefit from exercise of stock options	78,480	106,458	41,503
(Increase) decrease in deferred taxes	(56,247)	11,646	8,778
Other noncash credits, net	3,881	3,372	(969)
Changes in assets and liabilities:			
Increase in trade accounts receivable	(9,675)	(20,254)	(4,545)
Increase in inventories	(22,506)	(18,106)	(7,403)
Increase in other assets	(14,885)	(3,861)	(10,880)
Increase in other liabilities	23,820	7,058	6,242
Increase in accounts payable	20,214	18,134	818
Increase in accrued liabilities	61,855	25,785	7,239
Net cash provided by operating activities	544,263	454,533	226,369
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(94,592)	(73,659)	(61,857)
Acquisition of joint venture	(228,431)	–	–
Proceeds from disposition of property and equipment	18	58	27
Purchases of investments	(379,530)	(301,723)	–
Maturities of investments	330,703	–	–
Net cash used in investing activities	(371,832)	(375,324)	(61,830)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of common stock	(264,971)	(54,954)	(49,947)
Distribution of earnings to joint venture shareholders	(57,403)	–	–
Repayment of joint venture partner contribution	(15,524)	–	–
Repayment of long-term debt	(115)	(80)	(75)
Borrowings on revolving credit facility	359,503	168,865	63,164
Repayments of revolving credit facility	(348,910)	(193,637)	(70,862)
Proceeds from exercise of stock options	46,835	34,141	28,395
Net cash used in financing activities	(280,585)	(45,665)	(29,325)
(Decrease) increase in cash and cash equivalents	(108,154)	33,544	135,214
Cash and cash equivalents at beginning of period	262,720	229,176	93,962
Cash and cash equivalents at end of period	$ 154,566	$ 262,720	$ 229,176
Cash paid for income taxes	$ 162,702	$ 33,136	$ 56,083
Cash paid for interest	$ 238	$ 330	$ 679

(1) 53-week fiscal year

See accompanying Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Coach, Inc. (the "Company") designs, produces and markets high-quality, modern American classic accessories. The Company's primary product offerings, manufactured by third-party suppliers, include handbags, accessories, business cases, outerwear and related accessories and weekend and travel accessories. Coach's products are sold through direct-to-consumer channels, including Company-operated retail and factory stores, its online store and its catalogs, as well as through indirect channels, including department store locations in the United States, international department stores, freestanding retail locations and specialty retailers and retail and factory store locations operated by Coach Japan, Inc.

SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR The Company's fiscal year ends on the Saturday closest to June 30. Unless otherwise stated, references to years in the financial statements relate to fiscal years. The fiscal years ended July 2, 2005 ("fiscal 2005") and June 28, 2003 ("fiscal 2003") were each 52-week periods, whereas the fiscal year ended July 3, 2004 ("fiscal 2004") was a 53-week period.

USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could differ from estimates in amounts that may be material to the financial statements.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and all subsidiaries under the control of the Company, including Coach Japan, Inc. All significant intercompany transactions and balances are eliminated in consolidation.

CASH AND CASH EQUIVALENTS Cash and cash equivalents consist of cash balances and highly liquid investments with a maturity of less than 90 days.

INVESTMENTS Investments consist of U.S. government and agency debt securities as well as municipal government and corporate debt securities. These securities are classified as held to maturity, as the Company has both the ability and the intent to hold these securities until maturity. Investments are recorded at amortized cost. Premiums are amortized and discounts are accreted over the lives of the related securities as adjustments to interest income, using the effective interest method. Dividend and interest income are recognized when earned.

CONCENTRATION OF CREDIT RISK Financial instruments that potentially expose Coach to concentration of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high-credit quality financial institutions and currently invests primarily in U.S. government and agency debt securities, municipal government and corporate debt securities, and bank money market funds placed with major banks and financial institutions. Accounts receivable is generally diversified due to the number of entities comprising Coach's customer base and their dispersion across many geographical regions. The Company's allowance for bad debts, returns and allowances was $4,124 at July 2, 2005 and $5,456 at July 3, 2004. The Company believes no significant concentration of credit risk exists with respect to these cash investments and accounts receivable.

INVENTORIES Inventories consist primarily of finished goods. U.S. inventories are valued at the lower of cost (determined by the first-in, first-out method ("FIFO")) or market. Inventories in Japan are valued at the lower of cost (determined by the last-in, first-out method ("LIFO")) or market. At the end of fiscal 2005 and fiscal 2004, inventories recorded at LIFO were $17 lower and $2,409 higher, respectively, than if they were valued at FIFO. Inventories valued under LIFO amounted to $40,861 and $34,508 in fiscal 2005 and 2004, respectively. Inventory costs include material, conversion costs, freight and duties.

PROPERTY AND EQUIPMENT Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Machinery and equipment are depreciated over lives of five to seven years and furniture and fixtures are depreciated over lives of three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings as incurred while expenditures for major renewals and improvements are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts.

OPERATING LEASES The Company leases retail stores and office space under operating leases. The majority of the Company's lease agreements provide for tenant improvement allowances, rent escalation clauses and/or contingent rent provisions. In fiscal 2005, the Company conformed its accounting for operating leases and leasehold improvements to Statement of Financial Accounting Standards ("SFAS") No. 13 and its related interpretations as clarified by the Office of the Chief Accountant of the Securities and Exchange Commission to the American Institute of Certified Public Accountants on February 7, 2005.

Tenant improvement allowances are recorded as a deferred lease credit on the balance sheet and amortized over the lease term, which is consistent with the amortization period for the constructed assets. Historically, the consolidated balance sheets reflected these allowances as a reduction of capital expenditures and the carrying value of fixed assets and the consolidated statements of cash flows reflected tenant improvement allowances as a reduction of capital expenditures within investing activities. Since the impact of this change in accounting was not material to any previously reported fiscal year, the cumulative effect was recorded in the third quarter of fiscal 2005.

In addition to the above, the Company recorded a cumulative, noncash charge in the third quarter of fiscal 2005 to reflect the impact of recording rent expense prior to the store opening (during the construction buildout period). 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 buildout 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. The adjustment resulted in a cumulative, noncash charge to rent expense of approximately $4,800 during fiscal 2005, of which approximately $4,300 related to prior periods.

GOODWILL AND OTHER INTANGIBLE ASSETS The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective with the beginning of fiscal 2002. In accordance with SFAS No. 142, the Company's goodwill account is no longer amortized but rather is evaluated for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Based on this annual evaluation, the Company has concluded that there is no impairment of its goodwill or indefinite life intangible assets.

VALUATION OF LONG-LIVED ASSETS In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which the Company adopted effective with the beginning of fiscal 2002, the Company assesses the carrying value of its long-lived assets for possible impairment based on a review of forecasted operating cash flows and the profitability of the related business. The Company did not record any impairment losses in fiscal 2005, fiscal 2004 or fiscal 2003.

MINORITY INTEREST IN SUBSIDIARY Minority interest in the statements of income represents Sumitomo Corporation's share of the earnings in Coach Japan. The minority interest in the consolidated balance sheets as of July 3, 2004 reflects the original investment by Sumitomo in that consolidated subsidiary, along with its proportional share of the cumulative income, net of tax. The Company acquired Sumitomo's share of the equity in Coach Japan, Inc. on July 1, 2005.

REVENUE RECOGNITION Sales are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction or, for the wholesale, Internet and catalog channels, upon shipment of merchandise, when title passes to the customer. Allowances for estimated uncollectible accounts, discounts and returns are provided when sales are recorded. Royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is recognized based upon reported sales from the licensee.

ADVERTISING Advertising costs, which include media and production, totaled $28,112, $21,574 and $19,885 in fiscal years 2005, 2004 and 2003, respectively, and are included in selling, general and administrative expenses. Advertising costs are expensed when the advertising first appears.

SHIPPING AND HANDLING Shipping and handling costs incurred were $16,188, $13,080 and $11,290 in fiscal years 2005, 2004 and 2003, respectively, and are included in selling, general and administrative expenses.

INCOME TAXES The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, a deferred tax liability or asset is recognized for the estimated future tax consequences of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. As of the fourth quarter of fiscal 2005, the Company intends to permanently reinvest the controlled foreign corporation's undistributed earnings outside the United States. As permitted in the Accounting Principles Board ("APB") Opinion No. 23, "Accounting for Income Taxes – Special Areas," the Company does not provide U.S. income taxes on these earnings.

STOCK-BASED COMPENSATION The Company's stock-based compensation plans and the employee stock purchase plan, as more fully described in Note 8, "Stock-Based Compensation," are accounted for in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, no compensation cost is recognized for stock options and replacement stock options issued under stock-based compensation plans or for shares purchased under the employee stock purchase plan. The compensation cost that has been charged against income, reflecting amortization of restricted stock units, was $6,633, $4,410 and $1,568 in fiscal 2005, 2004 and 2003, respectively. The following illustrates the effect on net income and earnings per share as if the fair value based method of accounting, defined in SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Net income, as reported	$ 388,652	$ 261,748	$ 146,628
Deduct:			
Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(30,040)	(23,799)	(15,947)
Pro forma net income	$ 358,612	$ 237,949	$ 130,681
Earnings per share:			
Basic – as reported	$ 1.03	$ 0.70	$ 0.41
Basic – pro forma	$ 0.95	$ 0.64	$ 0.36
Diluted – as reported	$ 1.00	$ 0.68	$ 0.39
Diluted – pro forma	$ 0.92	$ 0.62	$ 0.35

FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of the revolving credit facility at July 2, 2005 and July 3, 2004 approximated its carrying value due to its floating interest rates. The Company has evaluated its Industrial Revenue Bond and believes, based on the interest rate, related term and maturity, that the fair value of such instrument approximates its carrying amount. As of July 2, 2005 and July 3, 2004, the carrying values of cash and cash equivalents, investments, trade accounts receivable, accounts payable and accrued liabilities approximated their values due to the short-term maturities of these accounts. See Note 7, "Investments," for the fair values of the Company's investments as of July 2, 2005.

Coach, through Coach Japan, enters into foreign currency forward contracts that hedge certain U.S. dollar denominated inventory risk, that have been designated for hedge accounting. The fair value of these contracts is recognized in other comprehensive income. The fair value of the foreign currency derivative is based on its market value as determined by an independent party. However, considerable judgment is required in developing estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that Coach could settle in a current market exchange. The use of different market assumptions or methodologies could affect the estimated fair value.

FOREIGN CURRENCY The functional currency of the Company's foreign operations is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted-average exchange rates for the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. Translation adjustment losses in fiscal 2005 were $2,331 compared to translation adjustment gains in fiscal 2004 of $2,892. Translation adjustment losses in fiscal 2003 were $348.

NET INCOME 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.

STOCK SPLIT In May 2002, Coach's Board of Directors authorized a two-for-one split of the Company's 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 July 3, 2002 to stockholders of record on June 19, 2002.

In August 2003, 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 October 1, 2003 to stockholders of record on September 17, 2003.

In January 2005, Coach's Board of Directors authorized a two-for-one stock 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 these stock splits on the number of shares and earnings per share was retroactively applied to all periods presented.

RECENT ACCOUNTING PRONOUNCEMENTS In October 2004, the Emerging Issues Task Force ("EITF") issued its abstract No. 04-1 "Accounting for Preexisting Relationships between the Parties to a Business Combination." EITF 04-1 addresses the appropriate accounting treatment for portions of the acquisition costs of an entity that may be deemed to apply to elements of a preexisting business relationship between the acquiring company and the target company. EITF 04-1 is effective for combinations consummated after October 2004. The adoption of EITF 04-1 had no effect on historical financial statements.

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." SFAS 151 is an amendment of Accounting Research Board Opinion No. 43 and sets standards for the treatment of abnormal amounts of idle facility expense, freight, handling costs and spoilage. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of SFAS 151 on the financial statements.

In December 2004, the FASB issued Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP No. 109-2"). FSP No. 109-2 provides guidance under SFAS No. 109, "Accounting for Income Taxes," with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. The Company does not plan to make any dividends under this provision but is still evaluating the impact of FSP 109-2 on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29," which eliminates certain narrow differences between APB 29 and international accounting standards. SFAS 153 is effective for fiscal periods beginning on or after June 15, 2005. The adoption of SFAS 153 is not expected to have a material impact on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which is a revision of SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes APB 25, "Accounting for Stock Issued to Employees." The pronouncement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (typically the vesting period). SFAS 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Company is currently evaluating the effect of SFAS 123R on its financial statements with the intent of implementing this standard in fiscal 2006.

In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment." SAB 107 expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payments arrangements. Subsequently, the SEC decided to delay the required implementation of SFAS 123R to fiscal years beginning after June 15, 2005. The Company is currently evaluating the effect of SFAS 123R and SAB 107 on its financial statements with the intent of implementing this standard in fiscal 2006.

In March 2005, the FASB issued Statement of Financial Accounting Standards Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 provides clarification regarding the meaning of the term "conditional asset retirement obligation" as used in FASB 143, "Accounting for Asset Retirement Obligations." The Company is currently evaluating the impact of FIN 47 on the financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted. The Company will adopt SFAS 154 in the required period.

In June 2005, the EITF reached consensus on EITF 05-6, "Determining the Amortization Period for Leasehold Improvements." Under EITF 05-6, leasehold improvements placed in service significantly after and not contemplated at, or near, the beginning of the lease term, should be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date the leasehold improvements are purchased. EITF 05-6 is effective for periods beginning after June 29, 2005 and is not expected to have a material impact on the consolidated financial statements.

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

2. BALANCE SHEET COMPONENTS

The components of certain balance sheet accounts are as follows:

	JULY 2, 2005	JULY 3, 2004
PROPERTY AND EQUIPMENT		
Machinery and equipment	$ 7,618	$ 8,346
Furniture and fixtures	148,252	140,005
Leasehold improvements	243,784	212,000
Construction in progress	21,428	11,522
Less: accumulated depreciation	(217,220)	(207,582)
Total property and equipment, net	$ 203,862	$ 164,291
ACCRUED LIABILITIES		
Income and other taxes	$ 49,180	$ 16,699
Payroll and employee benefits	65,653	54,291
Operating expenses	70,669	52,657
Total accrued liabilities	$ 185,502	$ 123,647

3. INCOME TAXES

The provisions for income taxes computed by applying the U.S. statutory rate to income before taxes as reconciled to the actual provisions were:

FISCAL YEAR ENDED	JULY 2, 2005		JULY 3, 2004		JUNE 28, 2003	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
Income (loss) before provision for income taxes and minority interest:						
United States	$ 584,695	91.7%	$ 388,862	86.9%	$ 224,380	91.7%
Foreign	52,875	8.3	58,795	13.1	20,441	8.3
Total income before provision for income taxes and minority interest	$ 637,570	100.0%	$ 447,657	100.0%	$ 244,821	100.0%
Tax expense at U.S. statutory rate	$ 223,150	35.0%	$ 156,680	35.0%	$ 85,687	35.0%
State taxes, net of federal benefit	33,279	5.2	16,179	3.6	10,358	4.2
Reversal of deferred U.S. taxes on foreign earnings	(16,247)	(2.5)	–	–	–	–
Nontaxable foreign sourced income	(4,458)	(0.7)	(5,182)	(1.2)	(2,069)	(0.8)
Other, net	(447)	(0.1)	189	0.0	(3,391)	(1.3)
Taxes at effective worldwide rates	$ 235,277	36.9%	$ 167,866	37.5%	$ 90,585	37.0%

Current and deferred tax provisions (benefits) were:

FISCAL YEAR ENDED	JULY 2, 2005		JULY 3, 2004		JUNE 28, 2003	
	CURRENT	DEFERRED	CURRENT	DEFERRED	CURRENT	DEFERRED
Federal	$ 184,318	$ (29,744)	$ 128,449	$ (7,314)	$ 67,432	$ 1,728
Puerto Rico	–	–	–	–	31	(1,182)
Foreign	28,228	1,276	2,302	19,538	402	6,239
State	60,849	(9,650)	25,468	(577)	13,942	1,993
Total current and deferred tax provisions (benefits)	$ 273,395	$ (38,118)	$ 156,219	$ 11,647	$ 81,807	$ 8,778

The following are the components of the deferred tax provisions (benefits) occurring as a result of transactions being reported in different years for financial and tax reporting:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
DEFERRED TAX PROVISIONS (BENEFITS)			
Depreciation	$ (9,546)	$ (3)	$ 2,269
Employee benefits	(2,945)	(3,267)	1,048
Advertising accruals	2	(280)	348
Nondeductible reserves	(6,681)	(5,228)	(2,025)
Earnings of foreign subsidiaries	(9,226)	23,920	9,296
Other, net	(9,722)	(3,495)	(2,158)
Total deferred tax provisions (benefits)	$ (38,118)	$ 11,647	$ 8,778

The deferred tax assets and liabilities at the respective year-ends were as follows:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004
DEFERRED TAX ASSETS		
Reserves not deductible until paid	$ 45,978	$ 31,060
Pension and other employee benefits	11,289	7,041
Property, plant and equipment	21,456	11,499
Other	3,617	5,212
Total deferred tax assets	$ 82,340	$ 54,812
DEFERRED TAX LIABILITIES		
Earnings of foreign subsidiaries	$ –	$ 29,578
Equity adjustments	2,644	–
Other	4,719	6,504
Total deferred tax liabilities	$ 7,363	$ 36,082
Net deferred tax assets	$ 74,977	$ 18,730

The Company has received tax benefit from the exercise of stock options. This benefit is reflected as a credit to stockholders' equity and not reflected in the provision for income taxes. The amount of this benefit was $78,480, $106,458 and $41,503 in fiscal 2005, 2004 and 2003, respectively.

On July 1, 2005, the Company acquired the minority interest that it had not previously owned in Coach Japan, Inc., becoming the 100% owner of the Japanese operation. The Company currently does not intend to distribute to the United States the earnings of the Japanese company, but will reinvest such earnings offshore. As a result, the excess provision for the tax that would have been due upon the distribution of the Japanese company's earnings accumulated through July 2, 2005 was reversed. The impact of this reversal on the current year provision for income taxes was a reduction of $16,247.

The American Jobs Creation Act of 2004 was signed into law on October 22, 2004. The Act included a special one-time 85% dividends-received deduction (the "Repatriation Provision") on the repatriation of certain foreign earnings to a U.S. taxpayer provided that specified conditions and restrictions are satisfied. As Coach does not intend to repatriate the foreign earnings, the Company expects that the Repatriation Provision will have no effect on its financial statements.

Significant judgment is required in determining the worldwide provision for income taxes, and there are many transactions for which the ultimate tax outcome is uncertain. It is the Company's policy to establish provisions for taxes that may become payable in future years as a result of an examination by tax authorities. The Company establishes the provisions based upon management's assessment of exposure associated with permanent tax differences and tax credits. The provisions are analyzed periodically and adjustments are made as events occur that warrant adjustments to those provisions.

4. DEBT

REVOLVING CREDIT FACILITIES On October 16, 2003, Coach, certain lenders and Bank of America, N.A., as primary lender and administrative agent, renewed the $100,000 senior unsecured three-year revolving credit facility (the "Bank of America facility"), extending the facility expiration to October 16, 2006. At Coach's request, the Bank of America facility can be expanded to $125,000. On June 23, 2005, this facility was extended for one additional year, to October 16, 2007. This facility is available for seasonal working capital requirements or general corporate purposes and may be prepaid without penalty or premium.

During fiscal 2005 and 2004, there were no borrowings under the Bank of America facility. As of July 2, 2005, there were no outstanding borrowings under the Bank of America facility.

Coach pays a commitment fee of 10 to 25 basis points based on any unused amounts of the Bank of America facility. The initial commitment fee was 15 basis points. At July 2, 2005, the commitment fee was 12.5 basis points. The initial LIBOR margin under the Bank of America facility was 62.5 basis points. At July 2, 2005, the LIBOR margin was 55 basis points, reflecting an improvement in our fixed-charge coverage ratio.

The Bank of America facility prohibits Coach from paying dividends while the credit facility is in place, with certain exceptions. Any future determination to pay cash dividends will be at the discretion of Coach's Board of Directors and will be dependent upon Coach's financial condition, operating results, capital requirements and such other factors as the Board of Directors deems relevant.

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

To provide funding for working capital and general corporate purposes, Coach Japan entered into credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 8.6 billion yen, or approximately $77,000, at July 2, 2005. Interest is based on the Tokyo Interbank rate plus a margin of up to 50 basis points.

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

During fiscal 2005 and 2004, the peak borrowings under the Japanese credit facilities were $50,461 and $36,084, respectively. As of July 2, 2005 and July 3, 2004, outstanding borrowings under the Japanese credit facilities were $12,292 and $1,699, respectively.

LONG-TERM DEBT Coach is party to an Industrial Revenue Bond related to its Jacksonville, Florida, facility. This loan bears interest at 8.77%. Principal and interest payments are made semiannually, with the final payment due in 2014. As of July 2, 2005 and July 3, 2004, the remaining balance on the loan was $3,420 and $3,535, respectively. Future principal payments under the Industrial Revenue Bond are as follows:

FISCAL YEAR	AMOUNT
2006	$ 150
2007	170
2008	235
2009	285
2010	335
Subsequent to 2010	2,245
Total	$ 3,420

5. LEASES

Coach leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2019, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Rent-free periods and scheduled rent increases are recorded as components of rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target (i.e., sales levels), which triggers the related payment, is considered probable. Rent expense for the Company's operating leases consisted of the following:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Minimum rentals	$ 73,283	$ 55,352	$ 47,098
Contingent rentals	12,101	7,555	4,885
Total rent expense	$ 85,384	$ 62,907	$ 51,983

Future minimum rental payments under noncancelable operating leases are as follows:

FISCAL YEAR	AMOUNT
2006	$ 62,597
2007	57,900
2008	57,173
2009	53,846
2010	48,538
Subsequent to 2010	175,000
Total minimum future rental payments	$ 455,054

Certain operating leases provide for renewal for periods of three to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by new leases.

6. COMMITMENTS AND CONTINGENCIES

At July 2, 2005 and July 3, 2004, the Company had letters of credit outstanding totaling $68,849 and $50,473, respectively. Of these amounts, $15,425 and $16,764, respectively, related 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. Coach expects that it will be required to maintain the letter of credit for at least 10 years. The remaining letters of credit, which expire at various dates through 2008, primarily collateralize the Company's obligation to third parties for the purchase of inventory and lease guarantees.

Coach is a party to employment agreements with certain executives, which provide for compensation and other benefits. The agreements also provide for severance payments under certain circumstances.

In the ordinary course of business, 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 will not have a material effect on Coach's cash flow, results of operations or financial position.

7. 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 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 July 2, 2005 and July 3, 2004.

FISCAL YEAR ENDED	JULY 2, 2005			JULY 3, 2004		
	AMORTIZED COST	FAIR VALUE	UNREALIZED LOSS	AMORTIZED COST	FAIR VALUE	UNREALIZED LOSS
Short-term investments:						
U.S. government and agency securities	$ 55,000	$ 54,861	$ (139)	$ 50,000	$ 49,930	$ (70)
Commercial paper	–	–	–	74,260	74,187	(73)
Corporate debt securities	173,485	172,467	(1,018)	22,500	22,500	–
Certificates of deposit	–	–	–	24,963	24,860	(103)
Short-term investments	$ 228,485	$ 227,328	$ (1,157)	$ 171,723	$ 171,477	$ (246)
Long-term investments:						
U.S. government and agency securities	$ 49,945	$ 49,405	$ (540)	$ 130,000	$ 129,975	$ (25)
Corporate debt securities	72,120	71,216	(904)	–	–	–
Long-term investments	$ 122,065	$ 120,621	$ (1,444)	$ 130,000	$ 129,975	$ (25)

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 July 2, 2005, the maturity dates of long-term investments, based on current contractual maturities, extend to February 2007. Actual maturities could differ from contractual maturities, as some borrowers have the right to call certain obligations.

The difference between amortized cost and fair value is the result of 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 12 months. The Company does not consider these investments to be other-than-temporarily impaired at July 2, 2005, as the Company has both the ability and the intent to hold these investments until a recovery of fair value, which may be at maturity.

8. STOCK-BASED COMPENSATION

COACH STOCK-BASED PLANS Coach maintains the 2000 Stock Incentive Plan, the 2000 Non-Employee Director Stock Plan and the 2004 Stock Incentive Plan to award stock options and other forms of equity compensation to certain members of Coach management and the outside members of its Board of Directors. The 2000 Stock Incentive Plan and the 2000 Non-Employee Director Stock Plan were approved by Coach's stockholders during fiscal 2002. The 2004 Stock Incentive Plan was approved by Coach's stockholders during fiscal 2005. The exercise price of each stock option equals 100% of the market price of Coach's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years.

For options granted under Coach's stock option plans prior to July 1, 2003, an active employee can receive a replacement stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option is 100% of the market value at the date of exercise of the original option and will remain exercisable for the remaining term of the original option. Replacement stock options generally vest six months from the grant date. Replacement stock options of 7,029, 11,264, and 7,360 were granted in fiscal 2005, 2004 and 2003, respectively.

A summary of options held by Coach employees under the Coach option plans is as follows:

	NUMBER OF COACH OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISABLE SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at June 29, 2002	40,040	$ 3.49	6,368	$ 3.41
Granted	19,040	7.67		
Exercised	(20,352)	3.76		
Canceled/expired	(3,668)	3.95		
Outstanding at June 28, 2003	35,060	$ 5.56	5,748	$ 5.43
Granted	22,748	16.55		
Exercised	(24,120)	8.12		
Canceled/expired	(1,004)	6.87		
Outstanding at July 3, 2004	32,684	$ 11.28	5,278	$ 6.52
Granted	14,927	23.20		
Exercised	(15,184)	12.74		
Canceled/expired	(873)	12.84		
Outstanding at July 2, 2005	31,554	$ 16.17	11,178	$ 16.48

The following table summarizes information about stock options under the Coach option plans at July 2, 2005.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 2, 2005	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 2, 2005	WEIGHTED-AVERAGE EXERCISE PRICE
$ 2.00– 5.00	2,418	5.12	$ 3.66	2,418	$ 3.66
$ 5.01–10.00	4,756	6.98	6.38	1,685	6.82
$10.01–20.00	16,108	8.47	15.52	1,727	13.72
$20.01–35.00	8,272	5.63	26.74	5,348	26.21
	31,554	7.24	$ 16.17	11,178	$ 16.48

The fair value of each Coach option grant is estimated on the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Expected lives (years)	1.4	1.6	1.5
Risk-free interest rate	2.6%	1.6%	1.7%
Expected volatility	29.2%	32.4%	35.2%
Dividend yield	–%	–%	–%

The weighted-average fair values of individual options granted during fiscal 2005, 2004 and 2003 were $3.10, $2.45 and $1.23, respectively.

EMPLOYEE STOCK PURCHASE PLAN Under the Employee Stock Purchase Plan, full-time Coach employees are permitted to purchase a limited number of Coach common shares at 85% of market value. Under this plan, Coach sold 159, 200 and 268 shares to employees in fiscal 2005, 2004 and 2003, respectively. Pro forma compensation expense is calculated for the fair value of employees' purchase rights using the Black-Scholes model and the following weighted-average assumptions:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Expected lives (years)	0.5	0.5	0.5
Risk-free interest rate	2.8%	1.2%	1.2%
Expected volatility	27.6%	28.8%	38.3%
Dividend yield	–%	–%	–%

The weighted-average fair value of the purchase rights granted during fiscal 2005, 2004 and 2003 was $6.24, $4.85 and $2.60, respectively.

STOCK UNIT AWARDS Restricted stock unit awards of Coach common stock have been granted to employees as retention awards. The value of retention awards is determined based upon the fair value of Coach stock at the grant date. Stock awards are restricted and subject to forfeiture until the retention period is completed. The retention period is generally three years. As of July 2, 2005, retention awards of 1,861 shares were outstanding. This value is initially recorded as unearned compensation and is charged to earnings over the retention period. The amortization expense related to these awards was $6,633, $4,410 and $1,568 for fiscal 2005, 2004 and 2003, respectively.

DEFERRED COMPENSATION Under the Coach, Inc. Executive Deferred Compensation Plan, executive officers and certain employees at or above the senior director level may elect to defer all or a portion of their annual bonus or annual base salary into the plan. Under the Coach, Inc. Deferred Compensation Plan for Non-Employee Directors, Coach's outside directors may similarly defer their director's fees. Amounts deferred under these plans may, at the participants' election, be either represented by deferred stock units, which represent the right to receive shares of Coach common stock on the distribution date elected by the participant, or placed in an interest-bearing account to be paid on such distribution date. The amounts accrued under these plans at July 2, 2005 and July 3, 2004 were $4,777 and $4,263, respectively, and are included in other noncurrent liabilities in the consolidated balance sheets.

The following table summarizes share and exercise price information about Coach's equity compensation plans as of July 2, 2005.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS OR RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS
Equity compensation plans approved by security holders	33,415	$15.27	30,384
Equity compensation plans not approved by security holders	768	$ 4.52	3,073
Total	34,183		33,457

9. RETIREMENT PLANS

Coach maintains the Coach, Inc. Savings and Profit Sharing Plan, which is a defined contribution plan. Employees who meet certain eligibility requirements and are not part of a collective bargaining agreement may participate in this program. The annual expense incurred by Coach for this defined contribution plan was $8,621, $7,620 and $5,308 in fiscal 2005, 2004 and 2003, respectively.

Coach also sponsors a noncontributory defined benefit plan, The Coach, Inc. Supplemental Pension Plan, for individuals who are part of collective bargaining arrangements. The plan provides benefits based on years of service.

The Company uses a March 31 measurement date for its defined benefit retirement plan. Obligation and funded status information for the Company's defined benefit retirement plan is as follows:

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 5,260	$ 5,983
Service cost	14	13
Interest cost	308	381
Benefits paid	(178)	(249)
Actuarial loss	394	797
Plan settlements[1]	–	(1,665)
Benefit obligation at end of year	$ 5,798	$ 5,260
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 2,706	$ 3,863
Actual return on plan assets	34	757
Employer contributions	1,290	–
Benefits paid	(178)	(249)
Plan settlements[1]	–	(1,665)
Fair value of plan assets at end of year	$ 3,852	$ 2,706
FUNDED STATUS		
Funded status at end of year	$ (1,946)	$ (2,554)
Unrecognized prior service cost	–	–
Unrecognized net actuarial loss	2,117	1,766
Net amount recognized	$ 171	$ (788)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS		
Other noncurrent assets	$ –	$ –
Accrued benefit liability	(1,946)	(2,554)
Accumulated other comprehensive income	2,117	1,766
Net amount recognized	$ 171	$ (788)

(1) Reflects additional lump sum payments made after the measurement date and before fiscal year end.

The accumulated benefit obligation for the defined benefit pension plan was $5,798 and $5,260 at July 2, 2005 and July 3, 2004, respectively.

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004
INFORMATION FOR PENSION PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Projected benefit obligation	$ 5,798	$ 5,260
Accumulated benefit obligation	5,798	5,260
Fair value of plan assets	3,852	2,706
ADDITIONAL INFORMATION		
Increase in minimum liability included in other comprehensive income	$ 350	$ (479)
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS		
Discount rate	5.75%	6.00%
Rate of compensation increase	N/A	N/A
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST		
Discount rate	6.00%	6.50%
Expected long-term return on plan assets	6.75%	7.50%
Rate of compensation increase	N/A	N/A

To develop the expected long-term rate of return on plan assets assumption, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets assumption for the portfolio. This resulted in the selection of the 6.75% assumption for fiscal 2005.

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	$ 14	$ 13	$ 15
Interest cost	308	381	370
Expected return on plan assets	(181)	(281)	(381)
Amortization of prior service cost	–	–	1
Amortization of net actuarial loss	190	246	46
Settlement loss	–	559	–
Net periodic benefit cost	$ 331	$ 918	$ 51

The Company's pension plan weighted-average asset allocations, by asset category, as of the measurement dates, are as follows:

	PLAN ASSETS	
ASSET CATEGORY	FISCAL 2005	FISCAL 2004
Domestic equities	62.4%	69.0%
International equities	4.5	4.1
Fixed income	20.9	25.1
Cash equivalents	12.2	1.8
Total	100.0%	100.0%

The goals of the investment program are to fully fund the obligation to pay retirement benefits in accordance with the Coach, Inc. Supplemental Pension Plan and to provide returns that, along with appropriate funding from Coach, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits. The target allocation range of percentages for each major category of plan assets, on a weighted-average basis, are as follows:

	LOW	TARGET	HIGH
Equity securities	30%	45%	60%
Fixed income	25%	40%	55%
Cash equivalents	5%	15%	25%

The equity securities category includes common stocks, preferred stocks, and commingled funds of approved securities. The target allocation of securities is a maximum of 5% of equity assets in any one individual common or preferred stock and a maximum of 15% in any one mutual fund.

The Company expects to contribute $442 to its defined benefit pension plan during the year ending July 1, 2006.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

FISCAL YEAR	PENSION BENEFITS
2006	$ 274
2007	293
2008	307
2009	319
2010	338
2011–2015	1,956

10. 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.

FISCAL 2005	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$ 935,461	$ 774,962	$ –	$ 1,710,423
Operating income (loss)	406,122	385,674	(169,986)	621,810
Interest income	–	–	16,980	16,980
Interest expense	–	–	1,220	1,220
Income (loss) before provision for income taxes and minority interest	406,122	385,674	(154,226)	637,570
Provision for income taxes	–	–	235,277	235,277
Minority interest, net of tax	–	–	13,641	13,641
Depreciation and amortization	29,510	12,126	15,397	57,033
Total assets	242,604	273,548	830,980	1,347,132
Additions to long-lived assets	47,906	27,673	19,013	94,592

FISCAL 2004	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$ 726,457	$ 594,649	$ –	$ 1,321,106
Operating income (loss)	293,626	288,648	(137,809)	444,465
Interest income	–	–	4,000	4,000
Interest expense	–	–	808	808
Income (loss) before provision for income taxes and minority interest	293,626	288,648	(134,617)	447,657
Provision for income taxes	–	–	167,866	167,866
Minority interest, net of tax	–	–	18,043	18,043
Depreciation and amortization	26,621	6,940	10,949	44,510
Total assets	227,657	176,568	640,200	1,044,425
Additions to long-lived assets	41,554	19,919	12,186	73,659

FISCAL 2003	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$ 559,553	$ 393,673	$ –	$ 953,226
Operating income (loss)	198,247	166,604	(121,089)	243,762
Interest income	–	–	1,754	1,754
Interest expense	–	–	695	695
Income (loss) before provision for income taxes and minority interest	198,247	166,604	(120,030)	244,821
Provision for income taxes	–	–	90,585	90,585
Minority interest, net of tax	–	–	7,608	7,608
Depreciation and amortization	18,603	5,327	7,420	31,350
Total assets	205,614	137,587	285,908	629,109
Additions to long-lived assets	37,265	16,602	7,990	61,857

The following is a summary of the common costs not allocated in the determination of segment performance.

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Production variances	$ 11,028	$ 12,581	$ 6,755
Advertising, marketing and design	(70,234)	(56,714)	(48,491)
Administration and information systems	(75,970)	(63,521)	(51,843)
Distribution and customer service	(34,810)	(30,155)	(27,510)
Total corporate unallocated	$ (169,986)	$ (137,809)	$ (121,089)

GEOGRAPHIC AREA INFORMATION Geographic revenue information is based on the location of our customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period. As of July 2, 2005, Coach operated 193 retail stores and 82 factory stores in North America. Indirectly, through Coach Japan, Coach operates 103 department store shop-in-shops and retail and factory store locations in Japan. Coach operates distribution, product development and quality control locations in the United States, Italy, Hong Kong, China and South Korea.

FISCAL 2005	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$ 1,242,004	$ 372,326	$ 96,093	$ 1,710,423
Long-lived assets	314,919	288,338	2,995	606,252

FISCAL 2004	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$ 982,668	$ 278,011	$ 60,427	$ 1,321,106
Long-lived assets	280,938	55,487	2,384	338,809

FISCAL 2003	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$ 735,890	$ 177,821	$ 39,515	$ 953,226
Long-lived assets	138,708	31,966	785	171,459

(1) Other International sales reflect shipments to third-party distributors primarily in East Asia.

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Substantially all purchases and sales involving international parties are denominated in U.S. dollars, the majority of which are not hedged using any derivative instruments. However, the Company 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. In addition, the Company is exposed to foreign currency exchange rate fluctuations related to the euro-denominated expenses of its Italian sourcing office. During the third quarter of fiscal 2003, the Company began a program to enter into certain foreign currency derivative contracts, primarily foreign exchange forward contracts, in order to manage these fluctuations. However, during the second quarter of fiscal 2004, the Company reassessed this program and determined, based on current business conditions, that the Company would discontinue hedging against the euro.

The foreign currency contracts entered into by the Company have durations no greater than 12 months. The fair values of open foreign currency derivatives included in accrued liabilities at July 2, 2005 and July 3, 2004 were $0 and $486, respectively. The fair values of open foreign currency derivatives included in current assets at July 2, 2005 and July 3, 2004 were $1,535 and $0, respectively. As of July 2, 2005, open foreign currency forward contracts designated as hedges with a notional amount of $46,900 were fair valued, resulting in an increase to equity as a benefit to other comprehensive income of $1,229, net of taxes. As of July 3, 2004, open foreign currency forward contracts designated as hedges with a notional amount of $63,600 were fair valued, resulting in a reduction to equity as a charge to other comprehensive income of $460, net of taxes.

12. GOODWILL

Changes in the carrying amounts of net goodwill for the years ended July 2, 2005 and July 3, 2004 are as follows:

	DIRECT-TO-CONSUMER	INDIRECT	TOTAL
Balance at June 28, 2003	$ 3,408	$ 9,601	$ 13,009
Foreign exchange impact	–	596	596
Balance at July 3, 2004	$ 3,408	$ 10,197	$ 13,605
Acquisition	–	225,263	225,263
Foreign exchange impact	–	(157)	(157)
Balance at July 2, 2005	$ 3,408	$ 235,303	$ 238,711

On July 1, 2005, Coach completed the purchase of Sumitomo's 50% interest in Coach Japan. See Note 17, "Acquisition of Coach Japan, Inc.," for more information on the acquisition.

13. BUSINESS INTERRUPTION INSURANCE

As a result of the September 11, 2001 attack, the World Trade Center store was completely destroyed. 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 fiscal 2005, 2004 and 2003, Coach received payments of $2,644, $2,657 and $1,484, respectively, under its business interruption coverage. These amounts are included as a reduction to selling, general and administrative expenses.

14. EARNINGS PER SHARE

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

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004	JUNE 28, 2003
Net earnings	$ 388,652	$ 261,748	$ 146,628
Total basic shares	378,670	372,120	359,116
Dilutive securities:			
Employee benefit and stock award plans	2,784	2,578	1,840
Stock option programs	8,737	10,860	10,728
Total diluted shares	390,191	385,558	371,684
Earnings per share:			
Basic	$ 1.03	$ 0.70	$ 0.41
Diluted	$ 1.00	$ 0.68	$ 0.39

15. STOCK REPURCHASE PROGRAM

On September 17, 2001, the Coach Board of Directors authorized the establishment of a common stock repurchase program. Under this program, up to $80,000 may be utilized to repurchase common stock through September 2004. On January 30, 2003, the Coach Board of Directors approved an additional common stock repurchase program to acquire up to $100,000 of Coach's outstanding common stock through January 2006 and extended the duration of Coach's existing repurchase program through January 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 will become authorized but unissued shares and may be issued in the future for general corporate and other uses. The Company may terminate or limit the stock repurchase program at any time.

During fiscal 2005, 2004 and 2003, the Company repurchased and retired 11,000, 3,022 and 7,716 shares of common stock at an average cost of $24.09, $18.18 and $6.48 per share, respectively. As of July 2, 2005, Coach had approximately $250,000 remaining in the stock repurchase program.

16. RELATED-PARTY TRANSACTION

On July 26, 2001, Coach made a loan to Reed Krakoff, its President, Executive Creative Director, in the principal amount of $2,000. The loan bore interest at a rate of 5.12% per annum, compounded annually. The loan amount and applicable accrued interest, less payments received, was recorded as a component of other noncurrent assets in the accompanying balance sheets. Included in the loan agreement was a repayment schedule requiring full repayment on or before July 26, 2006.

On November 7, 2002, Mr. Krakoff paid Coach the first principal payment of $400 under the loan agreement. On March 11, 2004, Mr. Krakoff made an accelerated payment to retire the full outstanding principal and interest under the loan agreement.

17. ACQUISITION OF COACH JAPAN, INC.

On July 1, 2005, Coach completed the purchase of Sumitomo's 50% interest in Coach Japan, Inc. for $228,431, including transaction costs, plus undistributed profits and paid-in capital of $72,927. Coach Japan was a joint venture established between Coach and Sumitomo Corporation, to operate and expand the Coach business in Japan. Coach Japan is accounted for as a consolidated subsidiary. Coach recorded the 50% interest in the assets and liabilities of Coach Japan acquired through this acquisition at their fair values as follows: trade accounts receivable of $15,369, inventory of $43,089, property and equipment of $21,848, customer list of $250, goodwill of $225,263, other assets of $24,969 and liabilities of $30,672. The results of operations for Coach Japan, Inc. from July 1, 2005 are included in our consolidated results of operations for the fiscal year ended July 2, 2005.

The following unaudited pro forma information assumes the Coach Japan, Inc. acquisition had occurred on July 4, 2004. The pro forma information, as presented below, is not indicative of the results that would have been obtained had the transaction occurred July 4, 2004, nor is it indicative of our future results. The final purchase price allocation and the resulting effect on net income may differ significantly from the unaudited pro forma amounts included herein.

FISCAL YEAR ENDED	JULY 2, 2005	JULY 3, 2004
	(UNAUDITED)	(UNAUDITED)
Net revenue	$ 1,710,423	$ 1,321,106
Net income	402,293	279,791
Net income per share – Basic	1.06	0.75
Net income per share – Diluted	1.03	0.73

18. SHAREHOLDER RIGHTS PLAN

On May 3, 2001, Coach declared a "poison pill" dividend distribution of rights to buy additional common stock, to the holder of each outstanding share of Coach's common stock.

Subject to limited exceptions, these rights may be exercised if a person or group intentionally acquires 10% or more of the Company's common stock or announces a tender offer for 10% or more of the common stock on terms not approved by the Coach Board of Directors. In this event, each right would entitle the holder of each share of Coach's common stock to buy one additional common share of the Company at an exercise price far below the then-current market price. Subject to certain exceptions, Coach's Board of Directors will be entitled to redeem the rights at $0.001 per right at any time before the close of business on the tenth day following either the public announcement that, or the date on which a majority of Coach's Board of Directors becomes aware that, a person has acquired 10% or more of the outstanding common stock. As of the end of fiscal 2005, there were no shareholders whose common stock holdings exceeded the 10% threshold established by the rights plan.

19. SUBSEQUENT EVENT

On August 22, 2005, Coach, Inc. entered into three-year extensions to the employment agreements of three key executives: Lew Frankfort, Chairman and Chief Executive Officer; Reed Krakoff, President and Executive Creative Director; and Keith Monda, President and Chief Operating Officer. These amendments extend the terms of the executives' employment agreements from July 2008 through August 2011.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL FISCAL YEAR
FISCAL 2005					
Net sales	$ 344,065	$ 531,759	$ 415,939	$ 418,660	$ 1,710,423
Gross profit	258,174	402,968	324,673	324,956	1,310,771
Net income	67,725	134,123	89,239	97,565	388,652
Earnings per common share:					
Basic	$ 0.18	$ 0.35	$ 0.24	$ 0.26	$ 1.03
Diluted	$ 0.17	$ 0.34	$ 0.23	$ 0.25	$ 1.00
FISCAL 2004					
Net sales[1]	$ 258,375	$ 411,513	$ 313,073	$ 338,145	$ 1,321,106
Gross profit	187,909	305,143	237,517	259,513	990,082
Net income	42,329	95,438	58,311	65,670	261,748
Earnings per common share:					
Basic	$ 0.12	$ 0.26	$ 0.16	$ 0.17	$ 0.70
Diluted	$ 0.11	$ 0.25	$ 0.15	$ 0.17	$ 0.68
FISCAL 2003					
Net sales	$ 192,791	$ 308,523	$ 220,396	$ 231,516	$ 953,226
Gross profit	131,224	216,842	159,807	169,556	677,429
Net income	22,480	62,431	31,853	29,864	146,628
Earnings per common share:					
Basic	$ 0.06	$ 0.18	$ 0.09	$ 0.08	$ 0.41
Diluted	$ 0.06	$ 0.17	$ 0.09	$ 0.08	$ 0.39

(1) Fiscal 2004 fourth quarter and total fiscal year net sales include week 53 sales of $19,500.

The sum of the quarterly earnings per common share may not equal the full-year amount, since the computations of the weighted-average number of common-equivalent shares outstanding for each quarter and the full year are made independently.

Corporate Information

BOARD OF DIRECTORS

LEW FRANKFORT
Chairman and
Chief Executive Officer,
Coach, Inc.

JOSEPH ELLIS
Limited Partner,
Goldman, Sachs & Co.

SALLY FRAME KASAKS
Marketing and
Retail Consultant,
ISTA Incorporated

GARY LOVEMAN
Chief Executive Officer and
President,
Harrah's Entertainment, Inc.

IVAN MENEZES
President and
Chief Executive Officer,
Diageo North America

IRENE MILLER
Chief Executive Officer,
Akim, Inc.

KEITH MONDA
President and
Chief Operating Officer,
Coach, Inc.

MICHAEL E. MURPHY
Retired Vice Chairman and
Chief Administrative Officer,
Sara Lee Corporation

EXECUTIVE OFFICERS OF THE COMPANY

LEW FRANKFORT
Chairman and
Chief Executive Officer

KEITH MONDA
President and
Chief Operating Officer

MICHAEL F. DEVINE, III
Senior Vice President and
Chief Financial Officer

MICHAEL TUCCI
President,
North American Retail Division

REED KRAKOFF
President,
Executive Creative Director

CAROLE P. SADLER
Senior Vice President,
General Counsel and Secretary

FELICE SCHULANER
Senior Vice President,
Human Resources

SENIOR MANAGEMENT OF COACH, INC.

IAN BICKLEY
President,
Japan

THOMAS BRITT
Senior Vice President,
Chief Information Officer

DAVID DUPLANTIS
Senior Vice President,
Retail Merchandise Planning

PETER EMMERSON
President,
International

JOANN KUSS
Senior Vice President,
Worldwide Merchandising

ANDREA LALIBERTE
Senior Vice President,
Distribution and
Customer Service

ANGUS MCRAE
Senior Vice President,
Operations

KATHERINE NEDOROSTEK
President,
U.S. Wholesale

GEORGE NUNNO
Senior Vice President,
Design

MICHELLE ADAMS
Vice President,
Production,
Women's Handbags
and Accessories

JIM ALTIERI
Vice President,
Operations Finance

LAURA F. BOOTH
Vice President,
Compensation,
Benefits and HRIS

FRANCINE DELLABADIA
Vice President,
Merchandising

KATHY DYDENSBORG
Vice President,
Merchandise Planning

MICHAEL FERNBACHER
Vice President,
Architecture

FRED FRIESENHAHN
Vice President,
Leather Management

ANTHONY GALVIN
Vice President,
Real Estate and Construction

SHEILA HARDING
Vice President,
Production,
Women's Handbags
and Accessories

RANDEE JACKSON
Vice President,
Retail Stores

MICHAEL KINGSTON
Vice President,
Corporate Systems

WALKER MACWILLIAM
Vice President,
Men's Design

JON MAROTO
Vice President,
Design Support

SERGE MINASSIAN
Vice President,
Information Systems

GIULIA MOLINI
Vice President,
Coach European Services

RICHARD MYERS
Vice President,
Logistics and Planning

JAMES OFFUTT
Vice President,
Factory Stores

MARY LYNN PHILLIPS
Vice President,
Retail Finance and
Store Operations

ANDREA SHAW RESNICK
Vice President,
Investor Relations

GABRIEL SACA
Vice President,
Global Sourcing

JANET SANDIFER
Vice President,
International Wholesale

PAUL SPITZBERG
Vice President,
Special Markets

JOSEPH STAFINIAK
Vice President,
General Manager – Footwear

MICHAEL TODD
Vice President,
Leather

NANCY WALSH
Vice President,
Treasurer

Shareholder Information

COMPANY HEADQUARTERS
Coach, Inc.
516 West 34th Street
New York, New York 10001
212-594-1850

ANNUAL MEETING OF SHAREHOLDERS
Wednesday, November 2, 2005
9:00 a.m.
Coach, Inc.
516 West 34th Street, 4th floor
New York, New York 10001

TRANSFER AGENT AND REGISTRAR
Please direct communications regarding individual stock records and address changes to:
Mellon Investor Services
Overpeck Centre
85 Challenger Road
Ridgefield Park,
New Jersey 07660
or call 1-800-851-9677
www.melloninvestor.com

INVESTOR/FINANCIAL MEDIA CONTACT
Securities analysts, investors and the financial media should contact Andrea Shaw Resnick, Vice President, Investor Relations, at the Company's headquarters, or by calling 212-629-2618.

INFORMATION UPDATES
Coach's quarterly financial results and other important information are available by calling the Investor Relations Department at 212-629-2618 or by accessing our website at www.coach.com.

ANNUAL REPORT AND FORM 10-K
Shareholders may obtain, without charge, a copy of the Company's 2005 Annual Report and Form 10-K as filed with the Securities and Exchange Commission by writing to Daniel Ross, Associate Counsel, at the Company's headquarters.

INDEPENDENT PUBLIC ACCOUNTANTS
Deloitte and Touche LLP
Two World Financial Center
New York, New York 10281

CATALOGS
To request a Coach catalog, please call 1-800-223-8647.

MARKET AND DIVIDEND INFORMATION
Coach's common stock is listed on the New York Stock Exchange and is traded under the symbol "COH." The following table sets forth, for the fiscal year 2005, the high and low closing prices per share of Coach's common stock as reported on the New York Stock Exchange Composite Tape.

QUARTER ENDED	HIGH	LOW
October 2, 2004	$ 23.03	$ 18.06
January 1, 2005	28.53	19.83
April 2, 2005	29.75	26.41
July 2, 2005	33.92	25.22
Closing price at July 1, 2005	$ 33.55	

Coach has never declared or paid any cash dividends on its common stock. Coach currently intends to retain future earnings, if any, for use in its business and is presently not planning to pay regular cash dividends in its common stock. The Bank of America facility prohibits Coach from paying dividends while the credit facility is in place, with certain exceptions. Any future determination to pay cash dividends will be at the discretion of Coach's Board of Directors and will be dependent upon Coach's financial condition, operating results, capital requirements and such other factors as the Board of Directors deems relevant.

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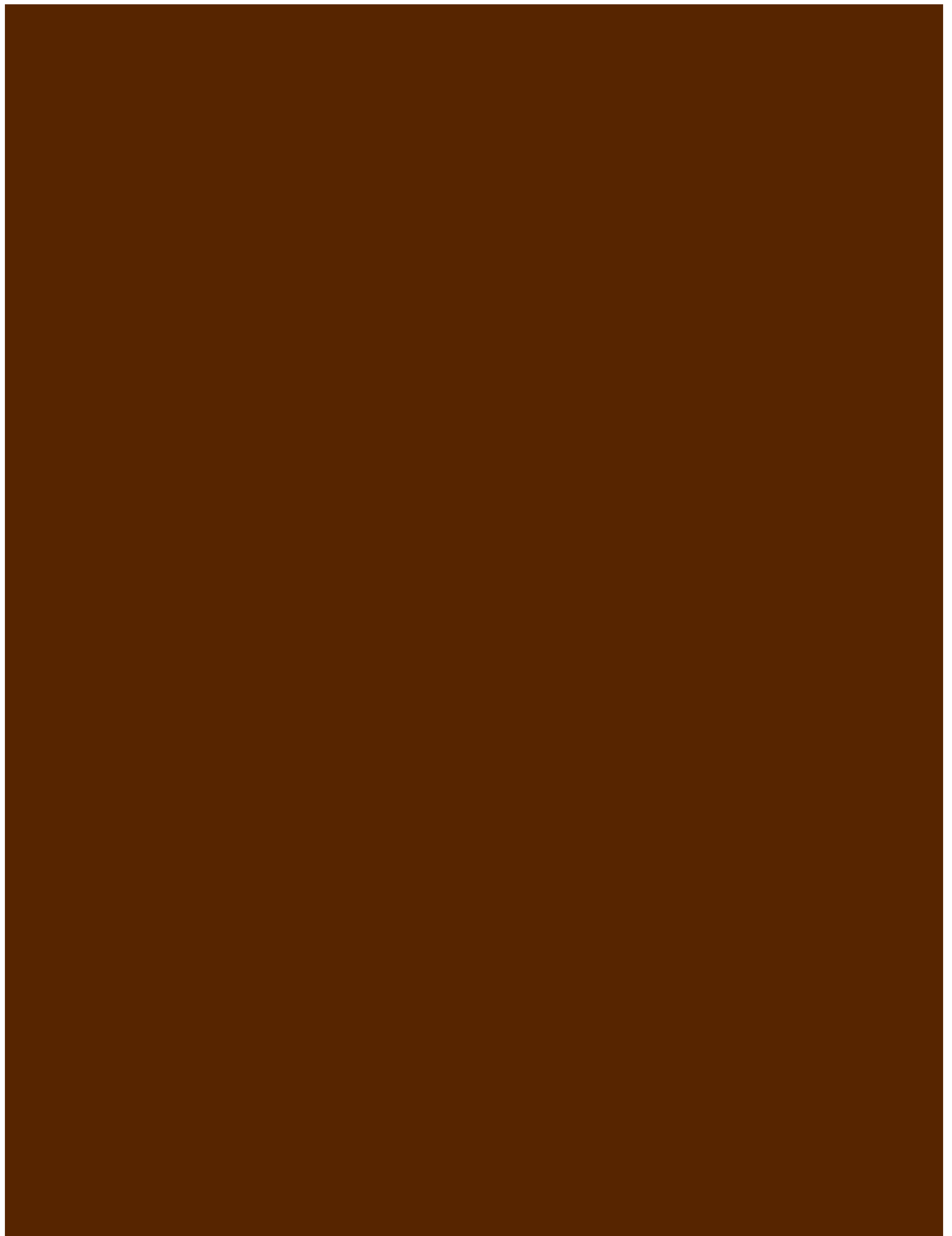

COACH 516 West 34th Street, New York, New York 10001