EST. 1941

ANNUAL REPORT 2002

4. CHAIRMAN'S LETTER
8. HERITAGE
10. FOUNDATION
12. STRATEGY
14. GROWTH
16. FINANCIALS

"...our company has only begun to leverage our opportunities..."

LEW FRANKFORT, CHAIRMAN AND CEO

FINANCIAL HIGHLIGHTS

(DOLLARS IN MILLIONS, EXCEPT FOR EARNINGS PER SHARE) *(Note: Amounts disclosed below exclude the impact of reorganization costs)*	2002	2001	INCREASE/(DECREASE)
Net sales	**$719.4**	$600.5	19.8%
Gross margin	**67.2%**	63.6%	358 bps
Operating income	**$137.0**	$106.3	28.9%
Operating income as a percentage of net sales	**19.0%**	17.7%	
Net income	**$ 88.0**	$ 67.0	31.3%
Net income as a percentage of net sales	**12.2%**	11.2%	
Net income per diluted share	**$ 0.97**	$ 0.79	21.8%
Weighted-average number of common shares (diluted)	**91.0**	84.3	
Net cash/(debt) position	**$ 59.8**	$ (4.0)	$63.8
Return on average stockholders' equity	**43.1%**	37.1%	
Stockholders' equity per share	**$ 2.91**	$ 1.70	

TO OUR SHAREHOLDERS:

Fiscal 2002 was a truly outstanding year for our company as we surpassed our stated financial goals and experienced increasing momentum in every quarter despite the challenges this year presented.

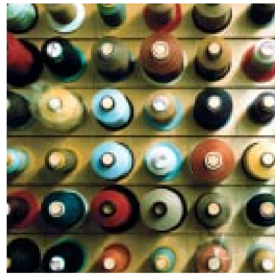
Most importantly, our strong annual results speak to the cumulative impact of several years of efforts to rejuvenate the Coach brand – increasing our recognition globally and achieving widespread acceptance as a modern, American resource.

Clearly, the enthusiastic response to our offering has been a validation of our strong brand equity and the evolution of our product. Our reinvigorated retail environment, sharply focused gift assortment, and power of our presentation and marketing were critical factors in driving sales this year. Further, the strength of our earnings, which surpassed the growth in sales, evidenced our continuing ability to improve manufacturing margins and reduce costs.

Sales for fiscal 2002 rose 20% to $719.4 million with all channels of distribution posting increases from prior year levels. We were especially pleased with our North American full priced businesses. Accelerating throughout the year, they were driven by our new product introductions, ongoing momentum in enduring collections, and new or expanded categories such as footwear, jewelry, hats and outerwear.

Gross margin for the year climbed to over 67%, driven by the consolidation of Coach Japan, Inc., channel mix, and sourcing cost initiatives. At the same time, selling, general, and administrative expenses as a percentage of net sales rose to 48% due to Japan joint venture costs, which offset operating leverage achieved elsewhere. For the full year the Company's operating margin increased to 19% before the impact of reorganization costs.

- Direct-to-consumer sales, which consist primarily of sales at Coach stores, rose 14% to $447.1 million in fiscal 2002. These results were generated by new and expanded stores as well as higher comparable store sales.



• Indirect sales increased 31% to $272.3 million, driven by strong gains in both the Japanese and U.S. wholesale businesses. In fiscal 2002, international sales accounted for nearly 20% of revenues, up from 14% in the prior year.

Fiscal 2002, our first full year as a fully independent public company, was a year of many accomplishments. Through our joint venture, Coach Japan, we purchased the two primary distributors of Coach in Japan and began to build the infrastructure necessary to support significant growth in this market. Additionally, we opened our first Japanese flagship store, located in the Ginza section of Tokyo, with great success. In the U.S., we added 23 net new stores while completing our retail store renovation program. Also in the U.S., we reassorted Coach locations within department stores – implementing a key item strategy – and realized significant increases in market share and point-of-sale revenues.

While the past year was truly exceptional, reflecting both the enduring strength of the Coach brand and our increasingly global recognition as a fashion resource, I believe our company has only just begun to capitalize on our opportunities. Our proposition is unique. We hold a leading U.S. market position in accessories, our consumer base is strong and loyal, and we command the benefits of multi-channel distribution, financial strength, and a seasoned management team. Further, we have proven strategies for sustainable growth that build upon the strength of our core brand and business equities, and reinforce Coach's leadership position as an American classic lifestyle accessories brand. We're confident that these strategies will allow us to achieve continued superior financial results in the years ahead.

Lew Frankfort
Chairman and CEO

heritage

"Est. 1941." This phrase speaks to the authenticity of the Coach brand – and for us, the product is the heart of the brand. It is something more than quality, durability, and craftsmanship. It is an enduring sense of Classic American Style. The brand is why our customers develop an emotional bond with us. It is the cornerstone of our broad and differentiated product offering, and will remain the heart of our vision and strategy.

COACH

foundation

We believe the unique proposition of our business is founded on the blending of inspiration with logic. The inspiration anchoring the Coach product and brand makes our customers extremely loyal. Our logic in identifying and developing growth opportunities has broadened our customer into a base that is strong and diverse. There is more than superb design and the highest levels of quality behind the strength of Coach's brand; there is a wide, global consumer – dedicated and growing.

strategy

Diversification. Fashion innovation. Dynamic, integrated marketing. Coach's multi-channel, international distribution assures flexible access to the global consumer. Under President, Executive Creative Director Reed Krakoff, Coach's wide array of product is developed and marketed with a precise, unified vision. This diversity – of both product and reach – does more than provide us with the critical balance so necessary in today's atmosphere; it is the essential element in our proven formula for sustainable growth.

COACH

516
COACH

growth

We will reinforce Coach as a fashion resource and strengthen Coach as a year-round gift destination. We will also accelerate our domestic growth with new store openings, introducing at least 20 retail stores annually. We will aggressively expand market share globally, focusing on the important Japanese consumer – wherever she chooses to shop. The global accessories and gifts market is large, and growing. Our proven growth strategies will allow Coach to deliver superior performance in the years ahead.

financials

17 SELECTED FINANCIAL DATA

19 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

29 CERTIFICATIONS

30 INDEPENDENT AUDITORS' REPORTS

32 CONSOLIDATED BALANCE SHEETS

33 CONSOLIDATED STATEMENTS OF INCOME

34 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

35 CONSOLIDATED STATEMENTS OF CASH FLOWS

36 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

59 CORPORATE INFORMATION

60 SHAREHOLDER INFORMATION

Selected Financial Data (in thousands except for 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 June 29, 2002 have been derived from the Company'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	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000	JULY 3, 1999	JUNE 27, 1998
CONSOLIDATED STATEMENTS OF INCOME:[1]					
Net sales[2]	$719,403	$600,491	$537,694	$500,944	$513,915
Cost of sales	236,041	218,507	220,085	226,190	235,512
Gross profit	483,362	381,984	317,609	274,754	278,403
Selling, general and administrative expenses	346,354	275,727	261,592	248,171	253,390
Reorganization costs[3]	3,373	4,569	–	7,108	–
Operating income	133,635	101,688	56,017	19,475	25,013
Interest expense, net	299	2,258	387	414	236
Income before provision for income taxes and minority interest	133,336	99,430	55,630	19,061	24,777
Provision for income taxes	47,325	35,400	17,027	2,346	4,180
Minority interest, net of tax	184	–	–	–	(66)
Net income	$ 85,827	$ 64,030	$ 38,603	$ 16,715	$ 20,663
Net income per share					
Basic	$ 0.97	$ 0.78	$ 0.55	$ 0.24	$ 0.29
Diluted	$ 0.94	$ 0.76	$ 0.55	$ 0.24	$ 0.29
Shares used in computing net income per share[4]					
Basic	88,048	81,860	70,052	70,052	70,052
Diluted	90,952	84,312	70,052	70,052	70,052
CONSOLIDATED PERCENTAGE OF NET SALES DATA:					
Gross margin	67.2%	63.6%	59.1%	54.8%	54.2%
Selling, general and administrative expenses	48.1%	45.9%	48.7%	49.5%	49.3%
Operating income	18.6%	16.9%	10.4%	3.9%	4.9%
Net income	11.9%	10.7%	7.2%	3.3%	4.0%
CONSOLIDATED BALANCE SHEET DATA:					
Working capital	$128,160	$ 47,119	$ 54,089	$ 51,685	$ 95,554
Total assets	440,571	258,711	296,653	282,088	257,710
Inventory	136,404	105,162	102,097	101,395	132,400
Receivable from Sara Lee	–	–	63,783	54,150	–
Payable to Sara Lee	–	–	–	–	11,088
Revolving credit facility	34,169	7,700	–	–	–
Long-term debt	3,615	3,690	3,775	3,810	3,845
Stockholders' equity	$260,356	$148,314	$212,808	$203,162	$186,859

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000	JULY 3, 1999	JUNE 27, 1998
SUPPLEMENTAL INFORMATION:					
Operating income	$133,635	$101,688	$56,017	$19,475	$25,013
Add back: reorganization costs(3)	3,373	4,569	–	7,108	–
Operating income excluding reorganization costs	$137,008	$106,257	$56,017	$26,583	$25,013
Net income	$ 85,827	$ 64,030	$38,603	$16,715	$20,663
Add back: reorganization costs(3)	3,373	4,569	–	7,108	–
Tax effect of reorganization costs	(1,197)	(1,627)	–	(2,488)	–
Net income excluding reorganization costs	$ 88,003	$ 66,972	$38,603	$21,335	$20,663
Operating income excluding reorganization costs as a percentage of net sales	19.0%	17.7%	10.4%	5.3%	4.9%
Net income excluding reorganization costs as a percentage of net sales	12.2%	11.2%	7.2%	4.3%	4.0%

Operating income excluding reorganization costs and net income excluding reorganization costs are financial indicators utilized by management to measure operating performance. These measures should not be construed as an alternative to, or better indicator of, operating earnings as determined in accordance with generally accepted accounting principles.

(1) Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 1998, 2000, 2001 and 2002 were 52-week years.

(2) Net sales for all prior periods have been adjusted for the reclassification of rebates and allowances, from selling, general and administrative expenses in accordance with EITF 00-25. The effect of the adoption resulted in a reclassification of $15,588, $11,224, $6,837 and $8,305 from selling, general and administrative expenses to a reduction in net sales for fiscal 2001, 2000, 1999 and 1998.

(3) During fiscal 1999, Coach committed to and completed a reorganization plan involving the closure of its Carlstadt, New Jersey, warehouse and distribution center, the closure of its Italian manufacturing operation, and the reorganization of its Medley, Florida, manufacturing facility. 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 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 were intended to reduce costs and resulted in the transfer of production to lower cost third-party manufacturers.

(4) The two-for-one stock split in July 2002 has 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.

OVERVIEW

Coach was founded in 1941 and was acquired by Sara Lee Corporation in July 1985. In October 2000, Coach was listed on the New York Stock Exchange and sold 17.0 million shares of stock in an initial public offering. In April 2001, Sara Lee ended its ownership with a distribution of its remaining shares in Coach via an exchange offer.

Coach is a designer and marketer of high-quality, modern American classic accessories. Coach's primary product offerings include handbags, women's and men's accessories, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves.

Coach generates revenue by selling its products directly to consumers and indirectly through wholesale customers and by licensing its brand name to select manufacturers. Direct-to-consumer sales consist of sales of Coach products through its 138 Company-operated U.S. retail stores, 74 Company-operated U.S. factory stores, its direct mail catalogs and its e-commerce website. Indirect sales consist of sales of Coach products to approximately 1,400 department store and specialty retailer locations in the United States, 118 international department store, retail store, factory store and duty-free shop locations in 18 countries and 83 retail and department store locations managed by its joint venture 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 and furniture.

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 and may fluctuate from quarter to quarter. These factors include changes in the mix of products it sells, fluctuations in cost of materials and changes in the relative sales mix among its distribution channels.

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

As part of the transformation of Coach's business, Coach ceased production at the Medley, Florida, manufacturing facility in October 2000. This reorganization involved the termination of 362 manufacturing, warehousing and management employees at the Medley facility. These actions reduced costs by the resulting transfer of production to lower cost third-party manufacturers.

In April 2002, Coach ceased production at the Lares, Puerto Rico, manufacturing facility. This reorganization involved the termination of 394 manufacturing, warehousing and management employees at the Lares facility. These actions will reduce costs by the resulting transfer of production to lower cost third-party manufacturers.

Coach's fiscal year ends on the Saturday closest to June 30.

RESULTS OF OPERATIONS

The following is a discussion of the results of operations for fiscal 2002 compared to fiscal 2001, and fiscal 2001 compared to fiscal 2000 along with a discussion of the changes in financial condition during fiscal 2002.

This Management's Discussion and Analysis should be read in conjunction with Coach's Consolidated Financial Statements and accompanying footnotes thereto.

Net sales by business segment for fiscal 2002 compared to fiscal 2001 and fiscal 2000 are as follows:

	NET SALES			RATE OF INCREASE		PERCENTAGE OF TOTAL NET SALES		
FISCAL YEAR ENDED (DOLLARS IN MILLIONS)	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000	('02 V. '01)	('01 V. '00)	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Direct	$447.1	$391.8	$352.0	14.1%	11.3%	62.1%	65.2%	65.5%
Indirect	272.3	208.7	185.7	30.5	12.4	37.9	34.8	34.5
Total net sales	$719.4	$600.5	$537.7	19.8%	11.7%	100.0%	100.0%	100.0%

Consolidated statements of income for fiscal 2002 compared to fiscal 2001 and fiscal 2000 are as follows:

FISCAL YEAR ENDED	JUNE 29, 2002		JUNE 30, 2001		JULY 1, 2000	
(DOLLARS IN MILLIONS, EXCEPT FOR EARNINGS PER SHARE)	$	% OF NET SALES	$	% OF NET SALES	$	% OF NET SALES
Net sales	$716.5	99.6%	$598.3	99.6%	$535.9	99.7%
Licensing revenue	2.9	0.4	2.2	0.4	1.8	0.3
Total net sales	719.4	100.0	600.5	100.0	537.7	100.0
Cost of sales	236.0	32.8	218.5	36.4	220.1	40.9
Gross profit	483.4	67.2	382.0	63.6	317.6	59.1
Selling, general and administrative expenses	346.4	48.1	275.7	45.9	261.6	48.7
Reorganization costs	3.4	0.5	4.6	0.8	–	0.0
Operating income	133.6	18.6	101.7	16.9	56.0	10.4
Interest expense, net	0.3	0.1	2.3	0.4	0.4	0.1
Income before provision for income taxes and minority interest	133.3	18.5	99.4	16.5	55.6	10.3
Provision for income taxes	47.3	6.6	35.4	5.8	17.0	3.1
Minority interest, net of tax	0.2	0.0	–	0.0	–	0.0
Net income	$ 85.8	11.9%	$ 64.0	10.7%	$ 38.6	7.2%

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Net income per share:			
Basic	$0.97 (1)	$0.78 (3)	$0.55
Diluted	$0.94 (2)	$0.76 (4)	$0.55
Weighted-average number of common shares: (5)			
Basic	88.0	81.9	70.1
Diluted	91.0	84.3	70.1

(1) $1.00 per share after adding back the impact of the reorganization charge, net of tax.
(2) $0.97 per share after adding back the impact of the reorganization charge, net of tax.
(3) $0.82 per share after adding back the impact of the reorganization charge, net of tax.
(4) $0.79 per share after adding back the impact of the reorganization charge, net of tax.
(5) The two-for-one stock split in July 2002 has been retroactively applied to all periods.

FISCAL 2002 COMPARED TO FISCAL 2001

NET SALES

Net sales increased by 19.8% to $719.4 million in fiscal 2002 from $600.5 million in fiscal 2001. These results reflect increased volume in both the direct-to-consumer and indirect channels.

DIRECT Net sales increased 14.1% to $447.1 million in fiscal 2002 from $391.8 million in fiscal 2001. The increase was primarily due to new store openings. Net sales from new retail and factory stores accounted for approximately 78% or $42.9 million of the increase in net sales. Since the end of fiscal 2001, Coach opened 20 retail stores and six factory stores. In addition, comparable store sales growth for retail stores and factory stores open for one full year was 4.3% and 3.4%, which primarily represented the balance of the increase in net sales, which was partially offset by the three retail stores that were closed during fiscal 2002.

INDIRECT Net sales increased 30.5% to $272.3 million in fiscal 2002 from $208.7 million in fiscal 2001. This increase was driven primarily by the consolidation of Coach Japan and comparable store sales growth in Japan. Coach Japan sales to consumers are recorded at retail, versus sales to the former distributors, which were recorded at wholesale value. The impact of Coach Japan accounted for approximately $55 million of the increase in net sales. This increase is a result of the shift to retail from wholesale pricing, which contributed approximately $37 million of the increase, with the balance of this increase resulting from increased sales volume. The international wholesale business was relatively consistent compared to the prior year. The U.S. wholesale category accounted for approximately $8 million of the increase in net sales offset by a decrease in net sales of approximately $4 million in the business-to-business category.

GROSS PROFIT

Gross profit increased 26.5% to $483.4 million in fiscal 2002 from $382.0 million in fiscal 2001. Gross margin increased approximately 360 basis points to 67.2% in fiscal 2002 from 63.6% in fiscal 2001. This improvement was driven by the consolidation of Coach Japan, which contributed approximately 230 basis points. There was a shift in product mix, reflecting the continued diversification into non-leather fabrications with new and successful mixed-material collections. This contributed approximately 100 basis points. In addition, gross margin benefited from the continuing impact of sourcing cost reductions, which contributed 30 basis points.

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

(UNAUDITED)	Q1	Q2	1ST HALF	Q3	Q4	2ND HALF	TOTAL YEAR
Fiscal 2002	64.1%	68.6%	66.8%	68.8%	66.6%	67.6%	67.2%
Fiscal 2001	62.3%	64.9%	63.9%	64.0%	62.6%	63.3%	63.6%

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 25.6% to $346.4 million in fiscal 2002 from $275.7 million in fiscal 2001. Selling, general and administrative expenses increased to 48.1% as a percentage of net sales versus 45.9% in fiscal 2001.

Selling expenses increased by 40.9% to $229.3 million, or 31.9% of net sales, in fiscal 2002 from $162.7 million, or 27.1% of net sales, in fiscal 2001. The dollar increase in these expenses was primarily due to the operating costs associated with Coach Japan; which were borne by former distributors in prior periods. Operating costs associated with Coach Japan totaled $46.6 million in fiscal 2002. Included in these costs was a $3.3 million fair value adjustment for open foreign currency forward contracts. Also contributing to the increase was $20.1 million in operating costs associated with new retail and factory stores; increased variable costs for comparable store sales; store remodels; costs to support the additional stores; and store sales promotions to enhance sales.

Advertising, marketing, and design expenses decreased by 0.8% to $51.7 million, or 7.2% of net sales, in fiscal 2002 from $52.2 million, or 8.7% of net sales, in fiscal 2001. The dollar decrease in these expenses was primarily due to the leveraging of costs through focused media placements, as well as greater usage of postcards and direct mail.

Distribution and customer service expenses increased to $26.9 million in fiscal 2002 from $25.8 million in fiscal 2001. The dollar increase in these expenses was primarily due to higher sales volumes, partially offset by efficiency gains at the distribution and customer service facility, which resulted in a decline in the ratio to net sales from 4.3% in fiscal 2001 to 3.7% in fiscal 2002.

Administrative expenses increased to $38.5 million, or 5.4% of net sales, in fiscal 2002 from $35.0 million, or 5.8% of net sales, in fiscal 2001. The absolute dollar increase in these expenses was primarily due to increased staffing costs and consulting services related to Coach becoming a stand-alone company, offset by business interruption proceeds gain recorded for $1.4 million in fiscal 2002 relating to our World Trade Center location.

REORGANIZATION COSTS

In the third fiscal quarter of 2002 management of Coach committed to and announced a plan to cease production at the Lares, Puerto Rico, manufacturing facility in March 2002. This reorganization involved the termination of 394 manufacturing, warehousing and management employees at the Lares facility. These actions were intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach expects to achieve costs savings of $3.9 million in fiscal 2003 and $5.2 million in ongoing savings from these actions, to be realized in the form of lower costs of goods. Coach recorded a reorganization cost of $4.5 million in the third quarter of fiscal 2002. In the fourth quarter of fiscal 2002, this charge was reduced to $3.4 million. This was primarily due to the complete disposition of the fixed assets, in which proceeds exceeded original estimates by management. This reorganization cost includes $2.2 million for worker separation costs, $0.7 million for lease termination costs and $0.5 million for the write-down of long-lived assets to net realizable value. By June 29, 2002, production ceased at the Lares facility and disposition of the fixed assets and the termination of all employees had been completed.

OPERATING INCOME

Operating income increased 31.4% to $133.6 million from $101.7 million in fiscal 2001. This increase resulted from higher sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses. Excluding the impact of both fiscal 2002 and fiscal 2001 reorganization costs, operating income increased 28.9% to $137.0 million, or 19.0% of net sales, in fiscal 2002 from $106.3 million, or 17.7% of net sales, in fiscal 2001.

INTEREST EXPENSE, NET

Net interest expense decreased 86.8% to $0.3 million, or 0.04% of net sales, in fiscal 2002 from $2.3 million or 0.4% of net sales, in fiscal 2001. The dollar decrease was due to reduced borrowings as a result of positive cash flow and cash on hand in fiscal 2002.

INCOME TAXES

The effective tax rate decreased to 35.5% in fiscal 2002 compared with the 35.6% recorded in fiscal 2001.

MINORITY INTEREST

Minority interest, net of tax was $0.2 million in fiscal 2002. There was no minority interest in fiscal 2001. Included in minority interest was the joint venture partner's portion of the net income generated from the operations of Coach Japan.

NET INCOME

Net income increased 34.0% to $85.8 million from $64.0 million in fiscal 2001. This increase was the result of increased operating income. Excluding the impact of both fiscal 2002 and fiscal 2001 reorganization costs, net of related tax effect, net income increased 31.4% to $88.0 million, or 12.2% of net sales, in fiscal 2002 from $67.0 million, or 11.2% of net sales, in fiscal 2001.

EARNINGS PER SHARE

Diluted net income per share was $0.94 in fiscal 2002 and $0.76 in fiscal 2001, which includes the effect of the two-for-one stock split in July 2002. Diluted net income per share excluding the impact of the reorganization costs, net of related tax effect, was $0.97 in fiscal 2002 and $0.79 in fiscal 2001.

FISCAL 2001 COMPARED TO FISCAL 2000

NET SALES

Net sales increased by 11.7% to $600.5 million in fiscal 2001 from $537.7 million in fiscal 2000. These results reflect increased volume in both the direct-to-consumer and indirect channels.

DIRECT Net sales increased 11.3% to $391.8 million in fiscal 2001 from $352.0 million in fiscal 2000. The increase was primarily due to new store openings, store renovations, store expansions and comparable stores sales growth. Comparable store sales growth

for retail stores and factory stores open for one full year was 2.1% and 4.3%, respectively. During fiscal 2001, Coach opened 15 new retail stores and five new factory stores. In addition, 28 retail stores and five factory stores were remodeled, while three retail stores and one factory store were expanded. No stores were closed during fiscal 2001.

INDIRECT Net sales attributable to United States and international wholesale shipments increased 12.4% to $208.7 million in fiscal 2001 from $185.7 million in fiscal 2000. The increase was primarily due to strong gains in the international wholesale channel, highlighted by continued double-digit increases in comparable location sales to Japanese consumers worldwide and increased demand for new products. Licensing revenue increased 23.5% to $2.2 million in fiscal 2001 from $1.8 million in fiscal 2000 due primarily to expanded distribution of licensed footwear product.

GROSS PROFIT

Gross profit increased 20.3% to $382.0 million in fiscal 2001 from $317.6 million in fiscal 2000. Gross margin increased approximately 450 basis points to 63.6% in fiscal 2001 from 59.1% in fiscal 2000. This improvement was driven by a shift in product mix, reflecting the continued diversification into non-leather fabrications with new and successful mixed-material collections. In addition, gross margin benefited from the continuing impact of sourcing cost reductions as well as channel mix, as the international channel continued to expand as a percentage of sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 5.4% to $275.7 million in fiscal 2001 from $261.6 million in fiscal 2000. Selling, general and administrative expenses decreased to 45.9% as a percentage of net sales versus 48.7% in fiscal 2000.

Selling expenses increased by 12.9% to $162.7 million, or 27.1% of net sales, in fiscal 2001 from $144.1 million, or 26.8% of net sales, in fiscal 2000. The dollar increase in these expenses was primarily due to $16.3 million of operating costs associated with new retail and factory stores; increased variable costs for comparable store sales; store remodels; costs to support the additional stores; and store sales promotions to enhance sales. The remaining selling expense increase was caused primarily by volume-related costs in our indirect sales channels.

Advertising, marketing, and design expenses increased by 4.0% to $52.2 million, or 8.7% of net sales, in fiscal 2001 from $50.2 million, or 9.3% of net sales, in fiscal 2000. The dollar increase in these expenses was primarily due to increased staffing expenses of $1.0 million and increased advertising expenses of $0.6 million.

Distribution and customer service expenses increased slightly to $25.8 million, or 4.3% of net sales, in fiscal 2001 from $25.3 million, or 4.7% of net sales, in fiscal 2000. The dollar increase in these expenses was due to higher sales volumes, partially offset by efficiency gains at our distribution and customer service facility.

Administrative expenses decreased to $35.0 million, or 5.8% of net sales, in fiscal 2001 from $41.9 million, or 7.8% of net sales, in fiscal 2000. The decrease in these expenses was due to lower fringe benefit costs and lower performance based compensation expenses, partially offset by higher occupancy costs associated with the lease renewal of our New York City corporate headquarters location and incremental expenses incurred to support new corporate governance activities relating to the Company becoming publicly owned.

REORGANIZATION COSTS

In the first fiscal quarter of 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida, manufacturing facility in October 2000. This reorganization involved the termination of 362 manufacturing, warehousing and management employees at the Medley facility. These actions were intended to reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach achieved cost savings of $2.7 million in fiscal 2001. Coach recorded a reorganization cost of $5.0 million in the first quarter of fiscal year 2001. In the second half of fiscal year 2001, this charge was reduced to $4.6 million. This was due primarily to the complete disposition of the fixed assets, in which the proceeds exceeded original estimates by management. This reorganization cost includes $3.1 million for worker separation costs, $0.8 million for lease termination costs and $0.6 million for the write-down of long-lived assets to net realizable value. By June 30, 2001, production ceased at the Medley facility, disposition of the fixed assets had been accomplished and the termination of the 362 employees had been completed.

OPERATING INCOME

Operating income increased 81.5% to $101.7 million from $56.0 million in fiscal 2000. This increase resulted from higher sales and improved gross margins, partially offset by an increase in selling, general and administrative expenses. Before the impact of reorganization costs, operating income increased 89.7% to $106.3 million, or 17.7% of net sales, in fiscal 2001 from $56.0 million, or 10.4% of net sales, in fiscal 2000.

INTEREST EXPENSE, NET

Net interest expense increased 483% to $2.3 million, or 0.4% of net sales, in fiscal 2001 from $0.4 million or 0.1% of net sales, in fiscal 2000. The increase was due to interest expense on the note payable to an affiliate of Sara Lee that Coach assumed in October 2000 as part of the initial public offering and interest expense on borrowings on the Fleet National Bank facility (the "Fleet facility"), which replaced the facility previously provided by Sara Lee. There was no interest expense incurred on the facility provided by Sara Lee in the prior year.

INCOME TAXES

The effective tax rate increased to 35.6% in fiscal 2001 from 30.6% in fiscal 2000. This increase was caused by a lower percentage of income in fiscal 2001 attributable to Company-owned offshore manufacturing, which is taxed at lower rates.

NET INCOME

Net income increased 65.9% to $64.0 million from $38.6 million in fiscal 2000. This increase was the result of increased operating income partially offset by a higher provision for income taxes and increased interest expense. Before the impact of reorganization costs, net of related tax effect, net income increased 73.5% to $67.0 million, or 11.2% of net sales, in fiscal 2001 from $38.6 million, or 7.2% of net sales, in fiscal 2000.

EARNINGS PER SHARE

Diluted net income per share was $0.76 in fiscal 2001. This reflects a weighted average of the shares outstanding before and after the public offering of common stock in October 2000 and the effect of the two-for-one stock split in July 2002. Fiscal 2000 diluted net income per share was $0.55 since only the shares owned by Sara Lee are used in the calculation.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided from operating and investing activities was $52.0 million for fiscal 2002. Net cash provided from operating and investing activities was $93.3 million in fiscal 2001, a period not fully comparable since it represented Coach as a subsidiary of Sara Lee through April 5, 2001. Fiscal 2001 benefited by a decrease in Receivables from Sara Lee. Excluding the impact of the decrease in Receivables from Sara Lee, net cash provided from operating and investing activities would have been $61.8 million in fiscal 2001. The year-on-year decrease was the result of increased working capital requirements for the joint venture in Japan, its acquisition of P.D.C. Co. Ltd. and its buyout of distribution rights and assets from J. Osawa, partially offset by higher earnings during the year.

Capital expenditures amounted to $42.8 million in fiscal 2002, compared with $31.9 million in fiscal 2001 and in both periods related primarily to new and renovated retail and factory stores. Coach's future capital expenditures will depend on the timing and rate of expansion of our businesses, new store openings, store renovations, international expansion opportunities and management information systems initiatives.

Net cash provided from financing activities was $38.3 million for fiscal 2002 as compared with a use of cash of $89.7 million in fiscal 2001. The year-to-year increase resulted from proceeds received from its joint venture partner and net proceeds from the exercise of stock options, offset by the repurchase of common stock. During fiscal 2001 Coach repaid long-term debt that was assumed as part of the equity restructuring related to the initial public offering completed in October 2000.

To provide funding for working capital for operations and general corporate purposes, on February 27, 2001, Coach, certain lenders and Fleet National Bank, as primary lender and administrative agent, entered into a $100 million senior unsecured revolving credit

facility. Indebtedness under this revolving credit facility bears interest calculated, at Coach's option, at either a rate of LIBOR plus a margin or the prime rate announced by Fleet.

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

The initial LIBOR margin under the facility was 125 basis points. For the year ended June 29, 2002, the LIBOR margin was 100 basis points reflecting an improvement in our fixed-charge coverage ratio. Under this revolving credit facility, Coach pays a commitment fee of 20 to 35 basis points based on any unused amounts. The initial commitment fee was 30 basis points. For the year ended June 29, 2002, the commitment fee was 25 basis points.

During fiscal 2002 the peak borrowings under the Fleet facility were $46.9 million. In fiscal 2001 the peak borrowings under the Sara Lee credit facility were $37.7 million. As of June 29, 2002, the borrowings under the Fleet facility were fully repaid from operating cash flow. The facility remains available for seasonal working capital requirements or general corporate purpose.

In order to provide funding for working capital, the acquisition of distributors and general corporate purposes, Coach Japan has entered into credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 6.7 billion yen or approximately $56 million at June 29, 2002. Interest is based on the Tokyo Interbank rate plus a margin of up to 50 basis points.

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

During fiscal 2002 the peak borrowings under the Japanese credit facilities were $35.4 million. As of June 29, 2002, borrowings under the Japanese revolving credit facility agreements were $34.2 million.

On September 17, 2001 the Coach Board of Directors authorized the establishment of a common stock repurchase program. Under this program, up to $80 million may be utilized to repurchase common stock through September 2004. 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. Coach may terminate or limit the stock repurchase program at any time.

During fiscal 2002, Coach repurchased 0.9 million shares at an average cost of $11.45 per share, which were financed out of operating cash flows and borrowings under the credit facility, which were repaid during fiscal 2002.

During August 2002, Coach repurchased 1.9 million shares at an average cost of $25.92. The stock repurchases of approximately $50 million were financed out of cash on hand and operating cash flows. As of August 30, 2002, Coach had expended approximately $60 million of the $80 million authorized to date under the stock repurchase program.

Coach opened 20 new U.S. retail stores in fiscal 2002. As of June 29, 2002 we completed our store renovation program, which began in fiscal 1999. We expect that fiscal 2003 capital expenditures for new retail stores will be approximately $20 million and that capital expenditures for retail, factory and department store renovations will be approximately $15 million. We intend to finance these investments from internally generated cash flows or by using funds from our revolving credit facility.

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 2002, Coach purchased approximately $253 million of inventory, which was funded by operating cash flow and by borrowings under its revolving credit facility.

Management believes that cash flow from operations and availability under the revolving credit facilities will provide adequate funds for the foreseeable working capital needs, planned capital expenditures and the common stock repurchase program. Any future acquisitions, joint ventures or other similar transactions may require additional capital and there can be no assurance that any such

capital will be available to Coach on acceptable terms or at all. Coach's ability to fund its working capital needs, planned capital expenditures and scheduled debt payments, and to comply with all of the financial covenants under its debt agreements, depends on its future operating performance and cash flow, which 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 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 the letter of credit until the annual minimum rental payments under the relevant leases are less than $2.0 million. 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. 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 June 2002 the letter of credit was reduced to $19.8 million. We expect that it will be required to maintain the letter of credit for at least 10 years.

The following represents the scheduled maturities of Coach's long-term contractual obligations as June 29, 2002.

	PAYMENTS DUE BY PERIOD				
(AMOUNTS IN MILLIONS)	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	AFTER 5 YEARS	TOTAL
Operating leases	$38.8	$109.0	$61.6	$116.8	$326.2
Revolving credit facility	34.2	–	–	–	34.2
Long-term debt including the current portion	0.1	0.3	0.4	2.9	3.7
Total	$73.1	$109.3	$62.0	$119.7	$364.1

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 facility. This loan has a remaining balance of $3.7 million and bears interest at 8.77%. Principal and interest payments are made semi-annually, with the final payment due in 2014.

TAX RATE

Coach has completed the shutdown of its Lares, Puerto Rico, manufacturing facility. The shutdown eliminated the tax benefit Coach has received under Section 936 of the Internal Revenue Code. As a result, in fiscal year 2003 it is anticipated that the effective tax rate will increase to approximately 37%.

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. We anticipate that our sales and operating profit will continue to be seasonal in nature.

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 judgement. 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 judgements 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. Coach's more significant policies where alternative methods are available include accounting for stock options and inventories. For more information on Coach's accounting policies please refer to the Notes to Consolidated Financial Statements. Other critical accounting policies are as follows:

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.

VALUATION OF LONG-LIVED ASSETS

Long-lived assets, other than intangible assets and goodwill, primarily include property and equipment. Long-lived assets being retained for use by Coach are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance. Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142 ("SFAS 142") (discussed in New Accounting Standards) we included intangible assets and goodwill as a component of the long-lived asset categories reviewed for impairment as discussed above. Subsequent to the adoption of SFAS 142, indefinite lived intangible assets and goodwill were reviewed for impairment in accordance with the new accounting standards.

Long-lived assets that are to be disposed of, are reported at the lower of carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which management commits to a plan to dispose of the assets. However, our estimates project cash flows several years into the future and could be affected by variable factors such as inflation, real estate markets and economic conditions.

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 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 sales from the licensee.

NEW ACCOUNTING STANDARDS

In April 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") reached a final consensus on Issue 00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products." In November 2001, EITF 00-25 was codified in EITF 01-09. This issue addresses the recognition, measurement and income statement classification of consideration provided to distributors or retailers. Previously, Coach had recorded these activities within selling, general and administrative expenses. Coach adopted EITF 00-25 in the first quarter of fiscal 2002. In connection with this adoption, prior period amounts have been reclassified to conform with the current year's presentation. The effect of the adoption resulted in a reclassification from selling, general and administrative expense to a reduction in net sales of $15.6 million for fiscal 2001 and $11.2 million for fiscal 2000.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. As such all business combinations initiated after June 30, 2001 are now accounted for using the purchase method. The adoption of SFAS 141 did not have any effect on our consolidated financial statements. Under SFAS 142, goodwill and intangible assets with indefinite lives, such as our trademarks, are no longer amortized but are reviewed annually (or more frequently

if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). Coach adopted this pronouncement in the first quarter of fiscal 2002 resulting in no goodwill and trademark amortization expense in fiscal 2002. Goodwill and trademark amortization of $0.9 million was recorded in fiscal 2001 and fiscal 2000. The transitional impairment tests were completed and did not result in an impairment charge.

In November 2001, the EITF reached consensus on Issue 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001." Related to their discussion of this topic, the EITF also reached consensus on Issue 01-13, "Income Statement Display of Business Interruption Insurance Recoveries." These issues primarily relate to supplemental disclosure of the impact of the terrorist attacks and the recognition of business interruption insurance recoveries. Refer to Note 18, "Terrorist Attacks," of the consolidated financial statements, for a discussion of the relevant impact on the Coach business and financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS 143 is effective for the first quarter in the fiscal year ending June 28, 2003. Coach does not expect the adoption of this statement to have a material impact on its consolidated results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." However, SFAS 144 retains the fundamental provisions of Statement 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 is effective for the first quarter in the fiscal year ending June 28, 2003. Coach is currently evaluating the impact, if any, of adopting this statement on its consolidated results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 rescinds the provisions of SFAS No. 4 that require companies to classify certain gains and losses from debt extinguishments as extraordinary items, eliminates the provisions of SFAS No. 44 regarding transition to the Motor Carrier Act of 1980 and amends the provisions of SFAS No. 13 to require that certain lease modifications be treated as sale-leaseback transactions. The provisions of SFAS 145 related to classification of debt extinguishments are effective for fiscal years beginning after May 15, 2002. Gains and losses from extinguishment of debt will be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30; otherwise such costs will be classified within income from operations. The provisions of SFAS 145 related to lease modification are effective for transactions occurring after May 15, 2002. It is not expected that the adoption of this statement will have a material impact on Coach's consolidated financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." It applies to costs associated with an exit activity that does not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS 144. A liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Coach does not expect the adoption of this statement to have a material impact on its consolidated results of operations or financial position.

Certifications

We certify that:

1. We have reviewed this annual report of Coach, Inc.

2. Based on our knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on our knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Coach, Inc. as of, and for, the periods presented in this annual report.

Lew Frankfort
Chairman and Chief Executive Officer

Michael F. Devine, III
Senior Vice President, Chief Financial Officer

Independent Auditors' Report

To the Board of Directors and Shareholders of Coach, Inc.:

We have audited the accompanying consolidated balance sheet of Coach, Inc. and subsidiaries (the "Company") as of June 29, 2002 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Company's financial statements for the years ended June 30, 2001 and July 1, 2000, before the revisions described in Note 2 to the financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 26, 2001 (except with respect to the matter discussed in Note 16, as to which the date is July 31, 2001. Such information is included as a component of Note 12 for the year ended June 29, 2002).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 29, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the financial statements of the Company as of June 30, 2001 and July 1, 2000, and for the years then ended were audited by other auditors who have ceased operations. We audited the adjustments described in Note 2 that were applied to revise the financial statements for the years ended June 30, 2001 and July 1, 2000 to give retroactive effect to the change in the method of accounting for consideration provided to distributors or retailers to conform to Emerging Issues Task Force of the Financial Accounting Standards Board Issue 00-25, as codified by Issue 01-09 and the two-for-one split of the Company's common stock. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

Deloitte & Touche LLP

Deloitte & Touche LLP
New York, New York
July 29, 2002
(August 30, 2002 as to Note 22)

The following report is a copy of a previously issued Report of Independent Public Accountants. This report relates to prior year's financial statements. This report has not been reissued by Arthur Andersen LLP.

Report of Independent Public Accountants

To the Board of Directors and Shareholders of Coach, Inc.:

We have audited the accompanying consolidated balance sheets of Coach, Inc. (a Maryland corporation) as of June 30, 2001 and July 1, 2000, and the related consolidated statements of income, stockholders' equity and cash flows for the fiscal years ended June 30, 2001, July 1, 2000 and July 3, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Coach, Inc. as of June 30, 2001 and July 1, 2000 and the results of its operations and its cash flows for the fiscal years ended June 30, 2001, July 1, 2000 and July 3, 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP
New York, New York
July 26, 2001

(except with respect to the matter discussed in
Note 16 as to which the date is July 31, 2001)

Consolidated Balance Sheets

(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)	JUNE 29, 2002	JUNE 30, 2001
ASSETS		
Cash and cash equivalents	$ 93,962	$ 3,691
Trade accounts receivable, less allowances of $4,176 and $6,288, respectively	30,925	20,608
Inventories	136,404	105,162
Deferred income taxes	14,123	13,921
Prepaid expenses and other current assets	12,174	8,185
Total current assets	287,588	151,567
Goodwill, net	13,006	4,924
Intangibles, net	9,389	9,389
Other noncurrent assets	14,968	1,382
Property and equipment, net	90,589	72,388
Deferred income taxes	25,031	19,061
Total assets	$440,571	$258,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 25,819	$ 14,313
Accrued liabilities	99,365	82,390
Revolving credit facility	34,169	7,700
Current portion of long-term debt	75	45
Total current liabilities	159,428	104,448
Long-term debt	3,615	3,690
Other liabilities	2,625	2,259
Minority interest	14,547	–
Total liabilities	180,215	110,397
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock: (authorized 25,000,000 shares; $0.01 par value) none issued	–	–
Common stock: (authorized 250,000,000 shares; $0.01 par value) issued and outstanding – 89,453,722 and 87,371,984 shares, respectively	895	874
Capital in excess of par value	155,403	125,277
Retained earnings	105,509	22,650
Accumulated other comprehensive income (loss)	215	(487)
Unearned compensation	(1,666)	–
Total stockholders' equity	260,356	148,314
Total liabilities and stockholders' equity	$440,571	$258,711

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

FISCAL YEAR ENDED (AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Net sales	$719,403	$600,491	$537,694
Cost of sales	236,041	218,507	220,085
Gross profit	483,362	381,984	317,609
Selling, general and administrative expenses	346,354	275,727	261,592
Reorganization costs	3,373	4,569	–
Operating income	133,635	101,688	56,017
Interest income	(825)	(305)	(33)
Interest expense	1,124	2,563	420
Income before provision for income taxes and minority interest	133,336	99,430	55,630
Provision for income taxes	47,325	35,400	17,027
Minority interest, net of tax	184	–	–
Net income	$ 85,827	$ 64,030	$ 38,603
Net income per share			
Basic	$ 0.97	$ 0.78	$ 0.55
Diluted	$ 0.94	$ 0.76	$ 0.55
Shares used in computing net income per share			
Basic	88,048	81,860	70,052
Diluted	90,952	84,312	70,052

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement 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 July 3, 1999	$ 203,162	$–	$700	$ –	$ 203,266	$(804)	$ –		70,052
Net income	38,603	–	–	–	38,603	–	–	$38,603	
Equity distribution	(29,466)	–	–	–	(29,466)	–	–	–	
Translation adjustments	152	–	–	–	–	152	–	152	
Minimum pension liability	357	–	–	–	–	357	–	357	
Comprehensive income								$39,112	
Balances at July 1, 2000	$212,808	$–	$700	$ –	$212,403	$(295)	$ –		70,052
Net income	64,030	–	–	–	64,030	–	–	$64,030	
Capitalization of receivable from Sara Lee	(63,783)	–	–	–	(63,783)	–	–	–	
Assumption of long-term debt	(190,000)	–	–	–	(190,000)	–	–		
Issuance of common stock, net	122,000	–	170	121,830	–	–	–		16,974
Exercise of stock options	2,046	–	4	2,042	–	–	–		346
Tax benefit from exercise of stock options	1,405	–	–	1,405	–	–	–		
Translation adjustments	338	–	–	–	–	338	–	338	
Minimum pension liability	(530)	–	–	–	–	(530)	–	(530)	
Comprehensive income								$63,838	
Balances at June 30, 2001	$148,314	$–	$874	$125,277	$22,650	$(487)	$ –		87,372
Net income	85,827	–	–	–	85,827	–	–	$85,827	
Exercise of stock options	20,802	–	29	20,773	–	–	–		2,942
Tax benefit from exercise of stock options	13,793	–	–	13,793	–	–	–		
Repurchase of common stock	(9,848)	–	(9)	(6,871)	(2,968)	–	–		(860)
Grant of restricted stock awards	–	–	1	2,431	–	–	(2,432)		–
Amortization of restricted stock awards	766	–	–	–	–	–	766		
Translation adjustments	396	–	–	–	–	396	–	396	
Minimum pension liability	306	–	–	–	–	306	–	306	
Comprehensive income								$86,529	
Balances at June 29, 2002	$ 260,356	$–	$895	$155,403	$ 105,509	$ 215	$(1,666)		89,454

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

FISCAL YEAR ENDED (AMOUNTS IN THOUSANDS)	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 85,827	$ 64,030	$ 38,603
Adjustments for noncash charges included in net income:			
Depreciation and amortization	25,494	24,131	22,628
Reorganization costs	3,373	4,569	–
Tax benefit from exercise of stock options	13,793	1,405	–
(Increase) decrease in deferred taxes	(4,969)	(5,797)	2,661
Other noncash credits, net	1,666	(192)	(1,688)
Changes in current assets and liabilities:			
Increase in trade accounts receivable	(5,855)	(5,041)	(3,751)
Decrease in receivable from Sara Lee	–	31,437	22,442
Increase in inventories	(16,638)	(3,065)	(725)
Increase in other current assets and liabilities	(12,843)	(357)	(90)
Increase (decrease) in accounts payable	8,671	6,447	(6,279)
Increase in accrued liabilities	9,418	6,762	11,154
Net cash from operating activities	107,937	124,329	84,955
CASH FLOWS USED IN INVESTMENT ACTIVITIES			
Purchases of property and equipment	(42,764)	(31,868)	(26,060)
Acquisitions of distributors, net of cash acquired	(14,805)	–	–
Dispositions of property and equipment	1,592	799	2,695
Net cash used in investment activities	(55,977)	(31,069)	(23,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Partner contribution to joint venture	14,363	–	–
Issuance of common stock, net	–	122,000	–
Repurchase of common stock	(9,848)	–	–
Repayment of long-term debt	(45)	(190,040)	(35)
Borrowings from Sara Lee	–	451,534	541,047
Repayments to Sara Lee	–	(482,971)	(573,122)
Equity distribution	–	–	(29,466)
Borrowings on Revolving Credit Facility	200,006	68,300	–
Repayments of Revolving Credit Facility	(186,967)	(60,600)	–
Proceeds from exercise of stock options	20,802	2,046	–
Net cash from (used in) financing activities	38,311	(89,731)	(61,576)
Increase in cash and equivalents	90,271	3,529	14
Cash and equivalents at beginning of period	3,691	162	148
Cash and equivalents at end of period	$ 93,962	$ 3,691	$ 162
Cash paid for income taxes[1]	$ 33,263	$ 35,664	$ –
Cash paid for interest	$ 786	$ 2,349	$ 361

(1) In fiscal 2000 the Company was a division of Sara Lee and tax payments were included in the Sara Lee receivable account.

See accompanying Notes to the Consolidated Financial Statements.

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

1. BASIS OF PRESENTATION AND ORGANIZATION

Coach ("Coach" or the "Company") was formed in 1941 and was acquired by the Sara Lee Corporation ("Sara Lee") in July 1985. On June 1, 2000, Coach was incorporated under the laws of the state of Maryland. Pursuant to the Separation Agreements, Sara Lee transferred to Coach the assets and liabilities that related to the Coach business on October 2, 2000 (the "Separation Date"), prior to the date of completion of Coach's initial public offering.

In October 2000, Coach was listed on the New York Stock Exchange and sold 16,974 shares of its common stock, representing 19.5% of the outstanding shares. In April 2001, Sara Lee completed a distribution of its ownership in Coach via an exchange offer.

Coach designs, produces and markets high-quality, modern American classic accessories. Coach products are manufactured by third-party suppliers. Coach markets products via Company-operated retail and factory stores, direct mail catalogs, an e-commerce website, and via selected upscale department and specialty retailer locations and international department, retail and duty-free shop locations.

The consolidated financial statements of Coach reflect the historical results of operations and cash flows of the Coach leather goods and accessories business of Sara Lee during each respective period until the Separation Date. Coach was operated as a division of Sara Lee in the United States and as a subsidiary in foreign countries until April 5, 2001. The historical financial statements have been prepared using Sara Lee's historical basis in the assets and liabilities and the results of Coach's business. The financial information included herein may not reflect the consolidated financial position, operating results, changes in stockholders' equity and cash flows of Coach in the future, or what they would have been had Coach been a separate, stand-alone entity during Sara Lee's ownership. On the Separation Date, Coach began operating as a separate legal entity.

In June 2001, Coach and Sumitomo Corporation ("Sumitomo") commenced a joint venture to form Coach Japan, Inc. ("CJI"). Coach has a 50% interest in the joint venture and is deemed to have control; therefore the financial statements of the joint venture have been consolidated with the Company.

2. 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 June 29, 2002, June 30, 2001 and July 1, 2000 were all 52-week periods.

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; the disclosure of contingent assets and liabilities at the date of the financial statements; and 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 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, all 100% owned subsidiaries and CJI. All significant intercompany transactions and balances within the Company are eliminated in consolidation.

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

CONCENTRATION OF CREDIT RISK Financial instruments which 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 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 and returns was $4,176 at June 29, 2002 and $6,288 at June 30, 2001. The Company believes no significant concentration of credit risk exists with respect to these cash investments and accounts receivable.

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. Inventories recorded at LIFO were $525 lower than if they were valued at FIFO at the end of fiscal 2002. Inventories valued under LIFO amount to $27,555 in fiscal 2002. There were no inventories recorded at LIFO at the end of fiscal 2001. 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.

GOODWILL AND OTHER INTANGIBLE ASSETS As discussed in "Recent Accounting Pronouncements," the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective in the first quarter of fiscal 2002. Under this new standard, goodwill and indefinite life intangible assets are no longer amortized but are subject to annual impairment tests. Other intangible assets with finite lives will continue to be amortized on a straight-line basis over the periods of expected benefit. The transitional impairment tests were completed and did not result in an impairment charge.

IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets, other than intangible assets and goodwill, primarily include property and equipment. Long-lived assets being retained for use by the Company are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance. Prior to the adoption of SFAS 142 (discussed in Recent Accounting Pronouncements), the Company included intangible assets and goodwill as a component of the long-lived asset categories reviewed for impairment as discussed above. Subsequent to the adoption of SFAS 142, indefinite lived intangible assets and goodwill were reviewed for impairment in accordance with the new accounting standards.

Long-lived assets that are to be disposed of, are reported at the lower of carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which management commits to a plan to dispose of the assets. See Note 8 for long-lived asset write-downs recorded in connection with the Company's fiscal 2002 and fiscal 2001 reorganization plans.

MINORITY INTEREST IN SUBSIDIARY Minority interest in the statements of income represents Sumitomo's share of the income in CJI. The minority interest in the consolidated balance sheets reflects the original investment by Sumitomo in that consolidated subsidiary, along with their proportional share of the cumulative income of that subsidiary.

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 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. 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 $17,279 for the fiscal year 2002, $16,445 for the fiscal year 2001 and $15,764 for the fiscal year 2000, 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 $10,694 for fiscal year 2002, $10,087 for fiscal year 2001 and $9,670 for fiscal year 2000, 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" ("SFAS 109"). Under SFAS 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.

The Company's operating results have been included in Sara Lee's consolidated U.S. and state income tax returns and in the tax returns of certain Sara Lee foreign operations, for periods where Sara Lee owned greater than 80% of the Company's outstanding capital stock. During these periods prior to April 5, 2001, the provision for income taxes in the Company's financial statements has been prepared as if the Company were a stand-alone entity and filed separate tax returns.

STOCK-BASED COMPENSATION SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS 123") establishes a fair value-based method of accounting for stock-based employee compensations plans; however, it also allows an entity to continue to measure compensation expense for those plans using the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Under the fair value method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Under the intrinsic value-based method, compensation expense is the excess, if any, of the quoted market price of the stock at the grant date or other measurement date over the amount an employee must pay to acquire the stock. Coach has elected to account for its stock-based employee compensation plans under APB 25 with pro forma disclosures of net earnings and earnings per share, as if the fair value-based method of accounting defined in SFAS 123 had been applied.

FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of the revolving credit facility at June 29, 2002 and June 30, 2001 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 June 29, 2002 and June 30, 2001, the carrying values of cash and cash equivalents, trade accounts receivable, accounts payable, and accrued liabilities approximated their values due to the short-term maturities of these accounts.

Coach, through CJI, enters into foreign currency forward contracts that economically hedge certain U.S. dollar denominated inventory risk, but have not been designated for hedge accounting. The fair value of these contracts are recognized currently in earnings. The fair value of the foreign currency derivative is based on its market value as determined by an independent party. However, considerable judgement 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. Gains and losses from foreign currency transactions were not significant for fiscal 2002, 2001 and 2000.

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 of 2002 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 July 3, 2002 to stockholders of record on June 19, 2002. The effect of the stock split on earnings per share was retroactively applied to all periods presented.

RECENT ACCOUNTING PRONOUNCEMENTS In April 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") reached a final consensus on Issue 00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products." In November 2001, EITF 00-25 was codified in EITF 01-09. This issue addresses the recognition, measurement and income statement classification of consideration provided to distributors or retailers. Previously, the Company had recorded these activities within selling, general and administrative expenses. The Company adopted EITF 00-25 in the first quarter of fiscal 2002. In connection with this adoption, prior period amounts have been reclassified to conform with the current year's presentation. The effect of the adoption resulted in a reclassification from selling, general and administrative expense to a reduction in net sales of $15,588 for fiscal 2001 and $11,224 for fiscal 2000.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives, such as the Company's trademarks, are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. As described further in Note 14, separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The Company adopted this statement in the first quarter of fiscal 2002, resulting in no goodwill or trademark amortization expense in fiscal 2002. Accumulated amortization of goodwill and indefinite life intangible assets was $10,503 at June 29, 2002 and June 30, 2001.

In November 2001, the EITF reached consensus on Issue 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001." Related to their discussion of this topic, the EITF also reached consensus on Issue 01-13, "Income Statement Display of Business Interruption Insurance Recoveries." These issues primarily relate to supplemental disclosure of the impact of the terrorist attacks and the recognition of business interruption insurance recoveries. Refer to Note 18, "Terrorist Attacks," for discussion of the relevant impact on the Coach business and financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." ("SFAS 143"). SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS 143 is effective for the first quarter in the fiscal year ending June 28, 2003. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment for Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." However, SFAS 144 retains the fundamental provisions of Statement No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 is effective for the first quarter in the fiscal year ending June 28, 2003. The Company is currently evaluating the impact of adopting this pronouncement on its consolidated results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 rescinds the provisions of SFAS No. 4 that require companies to classify certain gains and losses from debt extinguishments as extraordinary items, eliminates the provisions of SFAS No. 44 regarding transition to the Motor Carrier Act of 1980 and amends the provisions of SFAS No. 13 to require that certain lease modifications be

treated as sale-leaseback transactions. The provisions of SFAS 145 related to classification of debt extinguishments are effective for fiscal years beginning after May 15, 2002. Gains and losses from extinguishment of debt will be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30; otherwise such costs will be classified within income from operations. The provisions of SFAS 145 related to lease modification are effective for transactions occurring after May 15, 2002. It is not expected that the adoption of this Statement will have a material impact on Coach's consolidated financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." It applies to costs associated with an exit activity that does not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS 144. A liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of this Statement to have a material impact on Coach's consolidated results of operations or financial position.

3. BALANCE SHEET COMPONENTS

The components of certain balance sheet accounts are as follows:

	JUNE 29, 2002	JUNE 30, 2001
INVENTORY		
Finished goods	$ 136,187	$ 104,326
Work in process	9	257
Materials and supplies	208	579
Total inventory	$ 136,404	$ 105,162
PROPERTY AND EQUIPMENT		
Machinery and equipment	$ 9,069	$ 9,849
Furniture and fixtures	82,279	74,452
Leasehold improvements	123,279	108,077
Construction in progress	22,933	10,069
Less: accumulated depreciation	(146,971)	(130,059)
Total property and equipment, net	$ 90,589	$ 72,388
ACCRUED LIABILITIES		
Income and other taxes	$ 13,016	$ 9,968
Payroll and benefits	34,251	34,139
Rent, utilities, insurance, interest and administrative	15,238	14,244
Accrued operating expenses	36,860	24,039
Total accrued liabilities	$ 99,365	$ 82,390

4. 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	JUNE 29, 2002		JUNE 30, 2001		JULY 1, 2000	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Income (loss) before provision for income taxes and minority interest:						
United States	$125,273	94.0%	$92,163	92.7%	$43,527	78.2%
Puerto Rico	7,831	5.9	7,847	7.9	13,000	23.4
Foreign	232	0.1	(580)	(0.6)	(897)	(1.6)
Total income before provision for income taxes and minority interest:	$133,336	100.0%	$99,430	100.0%	$55,630	100.0%
Tax expense at U.S. statutory rate:	$ 46,668	35.0%	$34,801	35.0%	$19,471	35.0%
State taxes, net of federal benefit	3,894	2.9	3,512	3.5	1,888	3.4
Difference between U.S. and Puerto Rican rates	(1,411)	(1.1)	(2,353)	(2.4)	(3,965)	(7.1)
Nondeductible amortization	–	–	103	0.1	315	0.6
Other, net	(1,826)	(1.3)	(663)	(0.6)	(682)	(1.3)
Taxes at effective worldwide rates	$ 47,325	35.5%	$35,400	35.6%	$17,027	30.6%

Current and deferred tax provisions (benefits) were:

FISCAL YEAR ENDED	JUNE 29, 2002		JUNE 30, 2001		JULY 1, 2000	
	CURRENT	DEFERRED	CURRENT	DEFERRED	CURRENT	DEFERRED
Federal	$41,497	$ 245	$34,686	$(4,821)	$10,876	$2,317
Puerto Rico	50	12	267	86	585	–
Foreign	5,089	(5,559)	–	(221)	–	–
State	5,658	333	6,244	(841)	2,905	344
Total current and deferred tax provisions (benefits)	$52,294	$(4,969)	$41,197	$(5,797)	$14,366	$2,661

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

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Deferred tax provisions (benefits):			
Depreciation	$ (261)	$(2,909)	$ –
Employee benefits	5,346	(314)	1,843
Advertising accruals	–	(240)	–
Nondeductible reserves	(65)	113	1,076
Other, net	(9,989)	(2,447)	(258)
Total deferred tax (benefits) provisions	$(4,969)	$(5,797)	$2,661

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

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Deferred tax assets:			
Reserves not deductible until paid	$ 3,351	$ 3,224	$ 7,432
Pension and other employee benefits	4,165	9,510	2,727
Property, plant and equipment	10,549	10,288	12,979
Other	21,089	9,960	4,047
Total deferred tax assets	$39,154	$32,982	$27,185

5. DEBT

REVOLVING CREDIT FACILITIES Prior to February 27, 2001, Coach participated in a cash concentration system requiring that cash balances be deposited with Sara Lee, which were netted against borrowings/billings provided by Sara Lee.

On July 2, 2000, Coach entered into a revolving credit facility with Sara Lee. The maximum borrowing permitted under this facility was $75,000. Interest accrued at U.S. dollar LIBOR plus 30 basis points. Any receivable balance from Sara Lee under this facility earned interest at U.S. dollar LIBOR minus 20 basis points. The credit facility contained certain covenants, all of which were complied with. This facility was terminated on February 27, 2001.

During October 2000, Coach completed an equity restructuring, which included the assumption of $190,000 of long-term debt payable to a subsidiary of Sara Lee. This long-term debt had an original maturity date of September 30, 2002, accruing interest at U.S. dollar LIBOR plus 30 basis points. The note contained certain covenants, consistent with the above mentioned revolving credit facility. In fiscal 2001, this loan was fully paid off by the Company by the net proceeds from the initial public offering, redeeming the short-term investments with Sara Lee and drawing down on the Sara Lee revolving credit facility.

To provide funding for working capital for operations and general corporate purposes, on February 27, 2001, Coach, certain lenders and Fleet National Bank, as primary lender and administrative agent, entered into a $100,000 senior unsecured three-year revolving credit facility (the "Fleet facility"). This facility expires on February 27, 2004.

The initial LIBOR margin under the Fleet facility was 125 basis points. For the year ended June 29, 2002, the LIBOR margin was 100 basis points reflecting an improvement in our fixed-charge coverage ratio. Under this revolving credit facility, Coach pays a commitment fee of 20 to 35 basis points based on any unused amounts. The initial commitment fee was 30 basis points. For the year ended June 29, 2002, the commitment fee was 25 basis points. This credit facility may be prepaid without penalty or premium.

During fiscal 2002 the peak borrowings under the Fleet facility were $46,850. In fiscal 2001 the peak borrowings under the Sara Lee and Fleet revolving credit facility were $37,667 and $31,000, respectively. As of June 29, 2002, the borrowings under the Fleet facility were fully repaid from operating cash flow. This facility remains available for seasonal working capital requirements or general corporate purposes.

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

In order to provide funding for working capital, the acquisition of distributors and general corporate purposes, CJI has entered into credit facilities with several Japanese financial institutions. These facilities allow a maximum borrowing of 6,700,000 yen or approximately $56,000 at June 29, 2002. 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. CJI has been in compliance with all covenants since their inception. Coach, Inc. is not a guarantor on any of these facilities.

During fiscal 2002 the peak borrowings under the Japanese credit facilities were $35,426. As of June 29, 2002, the outstanding borrowings under the Japanese facilities were $34,169.

LONG-TERM DEBT Coach is party to an Industrial Revenue Bond related to its Jacksonville facility. This loan has a remaining balance of $3,690 and bears interest at 8.77%. Principal and interest payments are made semi-annually, with the final payment due in 2014.

Future principal payments under the industrial revenue bond are as follows:

FISCAL YEAR	AMOUNT
2003	$ 75
2004	80
2005	115
2006	150
2007	170
Subsequent to 2007	3,100
Total	$3,690

6. LEASES

Coach leases certain office, distribution, retail and manufacturing facilities. The lease agreements, which expire at various dates through 2016, 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 other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target, which triggers the related payment, are considered probable. Rent expense for the Company's operating leases consisted of the following:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Minimum rentals	$36,965	$28,929	$25,495
Contingent rentals	3,292	2,902	2,869
Total rent expense	$40,257	$31,831	$28,364

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

FISCAL YEAR	AMOUNT
2003	$ 38,765
2004	37,536
2005	36,358
2006	35,063
2007	32,263
Subsequent to 2007	146,168
Total minimum future rental payments	$326,153

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.

7. COMMITMENTS AND CONTINGENCIES

Currently, Sara Lee is a guarantor or a party to many of Coach's leases. The Company 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 the Company by Sara Lee but for which Sara Lee retains contingent liability. The Company is required to maintain the letter of credit until the annual minimum rental payments under the relevant leases are less than $2,000. The Company has agreed to make efforts to remove Sara Lee from all its existing leases and Sara Lee is not a guarantor or a party to any new or renewed leases. The initial letter of credit had a face amount of $20,600 and the Company expects this amount to decrease annually as its guaranteed obligations are reduced. As of June 29, 2002, the letter of credit was reduced to $19,820. The Company expects that it will be required to maintain the letter of credit for at least 10 years.

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

8. REORGANIZATION COSTS

On January 23, 2002, management of Coach announced a plan to cease production at the Lares, Puerto Rico, manufacturing facility. This reorganization involved the termination of 394 manufacturing, warehousing and management employees at the Lares, Puerto Rico, facility. These actions will reduce costs by the resulting transfer of production to lower cost third-party manufacturers. Coach recorded reorganization costs of $4,467 in the third quarter. In the fourth quarter this charge was reduced to $3,373. This was due primarily to the complete disposition of the fixed assets, resulting in the receipt of proceeds greater than originally estimated. The reorganization costs include $2,229 for worker separation costs, $659 for lease termination costs and $485 for the write-down of long-lived assets to net realizable value.

The composition of the reorganization reserve, included in accrued liabilities, is set forth in the following table. By June 29, 2002, production ceased at the Lares facility and disposition of the fixed assets and the termination of the 394 employees had been completed.

	REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF JUNE 29, 2002
Workers' separation costs	$2,229	$ –	$(2,073)	$156
Lease termination costs	659	–	(616)	43
Losses on disposal of fixed assets	485	(485)	–	–
Total reorganization reserve	$3,373	$(485)	$(2,689)	$199

Coach anticipates that the remaining workers' separation and lease termination costs will be settled during the first half of fiscal 2003.

In the first quarter of fiscal 2001, management of Coach committed to and announced a plan to cease production at the Medley, Florida, manufacturing facility in October 2000. This reorganization involved the termination of 362 manufacturing, warehousing and management employees at that facility. These actions reduced costs by the resulting transfer of production to lower cost third-party manufacturers. Coach recorded a reorganization cost of $4,950 in the first quarter of fiscal year 2001. In the third quarter of fiscal year 2001, this charge was reduced to $4,569. This was primarily due to the complete disposition of the fixed assets at proceeds greater than originally estimated by management. The reorganization costs included $3,103 for worker separation costs, $832 for lease termination costs and $634 for the write-down of long-lived assets to net realizable value.

The composition of the reorganization reserve is set forth in the following table. By June 30, 2001, production ceased at the Medley facility and disposition of the fixed assets and the termination of the 362 employees had been completed.

	REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF JUNE 30, 2001
Workers' separation costs	$3,103	$ –	$(3,103)	$ –
Lease termination costs	832	–	(832)	–
Losses on disposal of fixed assets	634	(634)	–	–
Total reorganization reserve	$4,569	$(634)	$(3,935)	$ –

9. STOCK-BASED COMPENSATION

COACH STOCK-BASED PLANS At the time of the initial public offering Coach established the 2000 Stock Incentive Plan and the 2000 Non-Employee Director Stock 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 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.

Under Coach's stock option plans, 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 was 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.

Concurrent with the initial public offering in October 2000, Coach granted 6,382 options to essentially all full-time employees and 30 options to outside members of the Board of Directors at the initial public offering price of $8.

Coach employees, at the initial public offering date, converted 2,408 Sara Lee options into the same number of Coach options while maintaining the same exercise price.

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

	NUMBER OF COACH OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISABLE SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at July 1, 2000	–	$ –	–	$ –
Granted at the initial public offering	6,412	8.00		
Sara Lee options converted	2,408	12.06		
Granted	1,344	14.17		
Exercised	(482)	9.06		
Canceled/expired	(238)	8.83		
Outstanding at June 30, 2001	9,444	9.91	1,751	12.06
Granted	4,452	19.26		
Exercised	(3,558)	10.17		
Canceled/expired	(328)	10.07		
Outstanding at June 29, 2002	10,010	$13.97	1,592	$13.63

The following table summarizes information about stock options under the Coach option plans at June 29, 2002.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JUNE 29, 2002	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JUNE 29, 2002	WEIGHTED-AVERAGE EXERCISE PRICE
$ 8.00–10.00	3,818	7.55	$ 8.01	297	$ 8.12
$10.01–12.50	743	7.30	11.55	287	11.77
$12.51–17.50	1,641	6.59	15.55	991	15.69
$17.51–29.88	3,808	8.36	19.73	17	21.13
	10,010	7.68	$13.97	1,592	$13.63

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	JUNE 29, 2002	JUNE 30, 2001
Expected lives (years)	1.6	3.0
Risk-free interest rate	3.3%	6.0%
Expected volatility	48.3%	49.0%
Dividend yield	–%	–%

The weighted-average fair values of individual options granted were $4.81 during fiscal 2002 and $3.34 during fiscal 2001.

EMPLOYEE STOCK PURCHASE PLAN During fiscal 2002, Coach established the employee stock purchase plan and received stockholder approval of this program. Under this 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 26 shares to Coach employees in fiscal year 2002. Pro forma compensation expense is calculated for the fair value of employees purchase rights using the Black-Scholes model. Underlying assumptions are an expected life of .4 years, risk free interest rate of 1.9%, expected volatility of 35.6% and dividend yield of 0%. The weighted–average fair value of the purchase rights granted during fiscal 2002 was $5.88.

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 generally restricted and subject to forfeiture until the retention period is completed. The retention period is generally three years. As of June 29, 2002, retention awards of 140 shares are outstanding, including the 76 shares that were converted from a Sara Lee program at the time of the initial public offering. This value is initially recorded as unearned compensation and is charged to earnings over the retention period. The expense related to these awards was $235 for fiscal 2002 and $315 for fiscal 2001.

SARA LEE STOCK-BASED PLANS Prior to the completion of the exchange offer in April 2001, Coach employees participated in stock-based compensation plans of Sara Lee. Sara Lee maintained various stock option, employee stock purchase and stock award plans.

STOCK OPTIONS The exercise price of each stock option equaled 100% of the market price of Sara Lee's stock on the date of grant and generally had a maximum term of 10 years. Options generally vest ratably over three years. Under certain stock option plans, an active employee could receive a Sara Lee replacement stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option was 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.

A summary of options held by Coach employees and retirees under the Sara Lee option plans follows:

	NUMBER OF SARA LEE OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISABLE SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at July 3, 1999	1,518	$22.63	603	$23.02
Granted	563	22.69		
Exercised	(167)	24.01		
Canceled/expired	(216)	21.89		
Transfers	111	19.26		
Outstanding at July 1, 2000	1,809	23.06	935	23.44
Converted	(1,204)	24.11		
Granted	6	19.87		
Exercised	(67)	17.70		
Canceled/expired	(240)	22.21		
Outstanding at June 30, 2001	304	20.21	298	20.13
Exercised	(7)	20.14		
Canceled/expired	(213)	20.32		
Outstanding at June 29, 2002	84	$19.93	83	$19.89

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

FISCAL YEAR ENDED	JUNE 30, 2001	JULY 1, 2000
Expected lives (years)	3.0	4.0
Risk-free interest rate	5.4%	5.9%
Expected volatility	33.6%	27.0%
Dividend yield	2.8%	2.6%

The weighted-average fair values of individual options granted were $4.65 during fiscal 2001 and $4.96 during fiscal 2000.

EMPLOYEE STOCK PURCHASE PLAN Sara Lee maintained an employee stock purchase plan that permitted full-time Coach employees to purchase a limited number of Sara Lee common shares at 85% of market value. Under the plan, Sara Lee sold to Coach employees 57 shares in fiscal year 2001 and 100 shares in fiscal year 2000. Pro forma compensation expense is calculated for the fair value of the employees' purchase rights using the Black-Scholes model. Assumptions include an expected life of a quarter of a year and weighted-average risk-free interest rates of 5.4% in fiscal years 2001 and 2000, respectively. Other underlying assumptions are consistent with those used for the Sara Lee stock option plans described above.

STOCK UNIT AWARDS Restricted stock unit awards of Sara Lee stock were granted to Coach employees as performance awards and retention awards. The value of performance awards was determined assuming the employee meets the performance requirements and based upon the estimated fair value of the stock earned at the end of the performance cycle. The value is accrued through a charge to earnings as the award vests. The vesting period is typically three years. The value of retention awards is determined assuming the employee meets the retention requirements and based upon the fair value of the Sara Lee stock at the grant date. The value is accrued through a charge to earnings over the retention period. The retention period is typically three years.

All stock unit awards are restricted and subject to forfeiture and entitle the participant to dividends that are escrowed until the participant receives the shares. The expense related to these awards was $728 for fiscal 2001 and $963 for fiscal 2000.

PRO FORMA SFAS 123 DISCLOSURE Under APB 25, no compensation cost is recognized for stock options and replacement stock options under the stock-based compensation plans and shares purchased under the employee stock purchase plan. Had compensation cost for the grants for stock-based compensation been determined consistent with SFAS 123, net income and net income per share, basic and diluted, for the fiscal years ended 2002, 2001 and 2000 would have been as follows:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Net income	$75,600	$58,884	$36,051
Net income per share:			
Basic	$ 0.86	$ 0.72	$ 0.52
Diluted	$ 0.83	$ 0.70	$ 0.52

DEFERRED COMPENSATION Under the Coach, Inc. Executive Deferred Compensation Plan, executive officers and employees at or above the 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 were $2,051 at June 29, 2002 and $2,007 at June 30, 2001; these amounts are reflected 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 June 29, 2002.

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	10,150	$13.78	6,830
Equity compensation plans not approved by security holders	209	$19.40	811

10. RETIREMENT PLANS

Coach has established the Coach, Inc. Savings and Profit Sharing Plan, which is a noncontributory defined contribution plan. Employees who meet certain eligibility requirements and are not part of a collective bargaining agreement participate in this program.

Coach sponsors a noncontributory defined benefit plan, The Coach Leatherware Company, Inc. Supplemental Pension Plan, for individuals who are a part of collective bargaining arrangements.

Employees who met certain eligibility requirements and were not part of a collective bargaining arrangement participate in defined benefit pension plans sponsored by Sara Lee through June 30, 2001. These defined benefit pension plans include employees from a number of domestic Sara Lee business units. The annual cost of the Sara Lee defined benefit plans is allocated to all of the participating businesses based upon a specific actuarial computation. All obligations pursuant to these plans are obligations of Sara Lee.

The annual expense incurred by Coach for the defined contribution and benefit plans is as follows:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Coach, Inc. Savings and Profit Sharing Plan	$3,926	$ –	$ –
Coach Leatherware Company, Inc. Supplemental Pension Plan	71	110	173
Participation in Sara Lee sponsored defined benefit plans	–	3,542	2,154
Total expense	$3,997	$3,652	$2,327

The components of the Coach Leatherware Company, Inc. Supplemental Pension Plan expense were:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Components of defined benefit net periodic pension cost (benefit):			
Service cost	$ 15	$ 183	$ 192
Interest cost	350	337	314
Expected return on assets	(381)	(415)	(359)
Amortization of:			
Net initial asset	–	(48)	(50)
Prior service cost	1	29	29
Net actuarial loss	86	24	47
Net periodic pension cost	$ 71	$ 110	$ 173

The funded status of the Coach Leatherware Company, Inc. Supplemental Pension Plan at the respective year ends was:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Projected benefit obligation:			
Beginning of year	$5,515	$5,289	$5,109
Service cost	15	183	192
Interest cost	350	337	314
Benefits paid	(187)	(177)	(148)
Actuarial (gain)	(279)	(117)	(178)
Benefit obligation at end of year	$5,414	$5,515	$5,289

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Fair value of plan assets:			
Beginning of year	$4,605	$4,990	$4,306
Actual return (loss) on plan assets	322	(208)	541
Employer contributions	–	–	291
Benefits paid	(187)	(177)	(148)
Fair value of plan assets at end of year	$4,740	$4,605	$4,990

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Funded status	$ (675)	$ (909)	$ (299)
Unrecognized:			
Prior service cost	1	1	205
Net actuarial loss	850	1,156	674
Net initial asset	–	–	(48)
Prepaid benefit cost recognized	$ 176	$ 248	$ 532
Amounts recognized on the consolidated balance sheets:			
Other noncurrent assets	$ 1	$ 1	$ 205
Noncurrent benefit liability	(675)	(909)	(299)
Accumulated other comprehensive income	850	1,156	626
Prepaid benefit cost recognized	$ 176	$ 248	$ 532

Net pension expense for the Coach Leatherware Company, Inc. Plan is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year.

The assumptions used at the respective year ends were:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Discount rate	7.00%	6.50%	6.50%
Long-term rate of return on plan assets	8.25%	8.50%	8.25%
Rate of compensation increase	5.50%	5.50%	5.50%

11. 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 Coach catalogue and the Internet constitute the Direct-to-Consumer segment. Indirect refers to sales of Coach products to other retailers and includes sales through its joint venture in 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 at standard cost less direct expenses of the segment. Unallocated corporate expenses include manufacturing variances, general marketing, administration and information systems, distribution and customer service expenses.

FISCAL 2002	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$447,062	$272,341	$ –	$719,403
Operating income (loss)	135,831	106,720	(108,916)	133,635
Interest income	–	–	825	825
Interest expense	–	–	1,124	1,124
Income (loss) before provision for income taxes and minority interest	135,831	106,720	(109,215)	133,336
Provision for income taxes	–	–	47,325	47,325
Minority interest, net of tax	–	–	184	184
Depreciation and amortization	16,192	1,986	7,316	25,494
Total assets	146,907	107,248	186,416	440,571
Additions to long-lived assets	28,461	21,162	7,398	57,021

FISCAL 2001	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$391,776	$208,715	$ –	$600,491
Operating income (loss)	120,330	89,516	(108,158)	101,688
Interest income	–	–	305	305
Interest expense	–	–	2,563	2,563
Income (loss) before provision for income taxes and minority interest	120,330	89,516	(110,416)	99,430
Provision for income taxes	–	–	35,400	35,400
Minority interest, net of tax	–	–	–	–
Depreciation and amortization	14,600	1,525	8,006	24,131
Total assets	135,760	60,374	62,577	258,711
Additions to long-lived assets	24,823	2,568	4,477	31,868

FISCAL 2000	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Net sales	$352,006	$185,688	$ –	$537,694
Operating income (loss)	103,161	68,011	(115,155)	56,017
Interest income	–	–	33	33
Interest expense	–	–	420	420
Income (loss) before provision for income taxes and minority interest	103,161	68,011	(115,542)	55,630
Provision for income taxes	–	–	17,027	17,027
Minority interest, net of tax	–	–	–	–
Depreciation and amortization	10,952	1,585	10,091	22,628
Total assets	122,029	51,953	122,671	296,653
Additions to long-lived assets	18,930	1,202	5,928	26,060

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

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Manufacturing variances	$ 2,180	$ (170)	$ (10,230)
Advertising, marketing and design	(44,526)	(44,837)	(40,336)
Administration and information systems	(38,512)	(35,011)	(41,928)
Distribution and customer service	(24,685)	(23,571)	(22,661)
Reorganization costs	(3,373)	(4,569)	–
Total corporate unallocated	$(108,916)	$(108,158)	$(115,155)

GEOGRAPHIC AREA INFORMATION As of June 29, 2002, Coach operates 138 retail stores and 74 factory stores in the United States, two retail locations in the United Kingdom, and operated four manufacturing, distribution, product development and quality control locations in the United States, Italy and China. Geographic revenue information is based on the location of the end customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period. Indirectly, through CJI, Coach operates 83 retail and department store locations in Japan.

FISCAL 2002	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$590,237	$95,702	$33,464	$719,403
Long-lived assets	106,600	20,647	705	127,952

FISCAL 2001	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$528,585	$40,861	$31,045	$600,491
Long-lived assets	87,217	489	377	88,083

FISCAL 2000	UNITED STATES	JAPAN	OTHER INTERNATIONAL(1)	TOTAL
Net sales	$486,506	$28,383	$22,805	$537,694
Long-lived assets	80,382	–	611	80,993

(1) Other International sales reflect shipments to third-party distributors primarily in East Asia and sales from Coach-operated retail stores in the United Kingdom.

12. COACH JAPAN, INC. AND THE ACQUISITION OF DISTRIBUTORS

In order to expand its presence in the Japanese market and to exercise greater control over its brand in that country, Coach formed CJI and has completed a program to acquire the existing distributors. This entity is a joint venture with Sumitomo, which manages the Coach business in Japan. Coach owns 50% of CJI and is deemed to have control as Coach appoints a majority of the Board of Directors and as such, CJI is accounted for as a consolidated subsidiary. Under the terms of the joint venture agreement, Coach supplies its merchandise to CJI for distribution and sale in Japan. Additionally, the joint venture agreement contains provisions to enable Coach to purchase the remaining minority interest in CJI after the beginning of the seventh year of the joint venture agreement. Alternatively, Sumitomo could require Coach to purchase its ownership interest in the joint venture after such time as established in the terms of the joint venture agreement.

On July 31, 2001, CJI completed the purchase of 100% of the capital stock of P.D.C. Co. Ltd. ("PDC") from the Mitsukoshi Department Store Group ("Mitsukoshi") for a total purchase price of $9,018. Mitsukoshi established PDC in 1991 to expand Coach distribution to select department stores throughout Japan. At the time of acquisition PDC operated 63 retail and department store locations in Japan. The strength of the going concern and the established locations supported a premium above the fair value of the individual

assets. The fair value of assets acquired was $22,351 and liabilities assumed were $20,732. Excess purchase price over fair market value is reported as goodwill. Results of the acquired business are included in the consolidated financial statements from August 1, 2001, onward. Unaudited pro forma information related to this acquisition are not included, as the impact of this transaction is not material to the consolidated results of the Company.

On January 1, 2002, CJI completed the buyout of the distribution rights and assets, related to the Coach business, from J. Osawa and Company, Ltd. for $5,792 in cash. At the time of the acquisition, J. Osawa operated 13 retail and department store locations in Japan. The strength of the going concern and the established locations supported a premium above the fair value of the individual assets. The assets acquired of $5,371 were recorded at estimated fair values as determined by the Company's management based upon information currently available. Goodwill of $421 has been recognized for the excess of the purchase price over the preliminary estimate of fair market value of the net assets acquired. Accordingly, the allocation of the purchase price is subject to revision, which is not expected to be material, based on the final determination of fair values of the assets acquired. Results of the acquired business are included in the consolidated financial statements from January 1, 2002, onward. Unaudited pro forma information related to this acquisition are not included, as the impact of this transaction is not material to the consolidated results of the Company.

There are currently a total of 85 Coach locations in Japan, including 68 department stores and 15 retail stores managed by CJI and two airport locations operated by a distributor. CJI plans to open additional locations within existing major retailers, enter new department store relationships and open freestanding retail locations.

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective July 2, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in fair value of the hedged item are recorded in the statements of operations in the period incurred. If the derivative is designated as a cash flow hedge, effective changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the statement of operations when the hedged items affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings immediately. The cumulative effect of adoption of SFAS 133 was not material to the financial position or the results of operations of the Company.

Substantially, all purchases and sales involving international parties are denominated in U.S. dollars and, therefore, are not hedged using any derivative instruments. The Company had not used foreign exchange instruments prior to the formation of CJI.

The Company is exposed to market risk from foreign currency exchange rate fluctuations with respect to CJI. The Company, through CJI, enters into certain foreign currency derivative instruments that economically hedge certain of its risks but have not been designated for hedge accounting. These transactions are in accordance with Company risk management policies. The Company does not enter into derivative transactions for speculative or trading purposes. During fiscal 2002, CJI entered into foreign currency forward contracts for its U.S. dollar-denominated inventory purchases. In assessing the fair value of these contracts, the Company has utilized independent valuations. However, some judgement is required in developing estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could settle in a current market exchange. The use of different market assumptions or methodologies could effect the estimated fair value.

The foreign currency contracts entered into by the Company have durations no greater than 12 months. At June 29, 2002, open foreign currency forward contracts with a notional amount of $33,150 were fair valued (i.e., marked to market) and resulted in a pretax noncash charge to earnings of $3,252, included as a component of selling, general and administrative expenses, with a corresponding liability included in accrued liabilities. There were no foreign currency forward contracts entered into by the Company as of June 30, 2001.

14. GOODWILL AND INTANGIBLE ASSETS

The Company adopted SFAS 142 in the first quarter of fiscal 2002, resulting in no goodwill or trademark amortization expense in fiscal 2002. Under the new standard, goodwill and indefinite life intangible assets, such as the Company's trademarks, are no longer amortized but are subject to annual impairment tests. In accordance with SFAS 142, prior period amounts were not restated. Coach recorded goodwill and trademark amortization expense of $900 in fiscal 2001 and $899 in fiscal 2000. If the guidance of the statement had been applied retroactively, prior year results would have been different than previously reported. A reconciliation of net income as reported to adjusted net income for the exclusion of goodwill and trademark amortization, net of tax, is as follows:

FISCAL YEAR ENDED	JUNE 30, 2001	JULY 1, 2000
Net income as reported	$64,030	$38,603
Add back: amortization expense, net of tax	664	696
Adjusted net income	$64,694	$39,299
Net income per share as reported:		
Basic	$ 0.78	$ 0.55
Diluted	$ 0.76	$ 0.55
Adjusted net income per share:		
Basic	$ 0.79	$ 0.56
Diluted	$ 0.77	$ 0.56
Shares used in computing net income per share:		
Basic	81,860	70,052
Diluted	84,312	70,052

The net carrying value of goodwill and other intangible assets as of June 29, 2002 and June 30, 2001 is comprised of the following:

	JUNE 29, 2002	JUNE 30, 2001
Goodwill	$13,006	$ 4,924
Indefinite life intangible assets	9,389	9,389
Total	$22,395	$14,313

Changes in the carrying amounts of net goodwill for the year ended June 29, 2002 are as follows:

	DIRECT-TO-CONSUMER	INDIRECT	CORPORATE UNALLOCATED	TOTAL
Balance at July 1, 2000	$ –	$ –	$5,219	$ 5,219
Amortization	–	–	(238)	(238)
Foreign exchange impact	–	–	(57)	(57)
Balance at June 30, 2001	–	–	4,924	4,924
PDC acquisition	–	7,399	–	7,399
J. Osawa acquisition	–	421	–	421
Foreign exchange impact	–	262	–	262
Balance at June 29, 2002	$ –	$8,082	$4,924	$13,006

15. EARNINGS PER SHARE

Prior to October 2, 2000, Coach operated as a division of Sara Lee and did not have any shares outstanding. The initial capitalization of Coach, Inc. was two shares. On October 2, 2000, a stock dividend was declared resulting in 70,052 shares held by Sara Lee. The number of shares outstanding has been restated to reflect the effect of this stock dividend for all periods presented prior to October 2, 2000. During October 2000, the initial public offering of the Company's common stock was accomplished resulting in the issuance of an additional 16,974 shares. Following the offering, 87,026 shares were outstanding. Dilutive securities include share equivalents held in employee benefit programs and the impact of stock option programs.

The following is a reconciliation of the weighted-average shares outstanding:

FISCAL YEAR ENDED	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Total basic shares	88,048	81,860	70,052
Dilutive securities			
Employee benefit and stock award plans	342	244	–
Stock option programs	2,562	2,208	–
Total diluted shares	90,952	84,312	70,052

Diluted net income per share was $0.94 in fiscal 2002. This reflects a weighted-average of the shares outstanding during fiscal 2002. Comparable diluted net income per share for fiscal 2001 was $0.76. This reflects a weighted-average of the shares outstanding before and after the initial public offering of stock in October 2000. Fiscal 2000 diluted net income per share was $0.55 since only the shares owned by Sara Lee are used in the calculation. The effect of the two-for-one stock split was retroactively applied to all periods presented.

16. RELATIONSHIP WITH SARA LEE

Three types of intercompany transactions were recorded in the Coach intercompany account with Sara Lee: cash collections from Coach's operations that were deposited into the intercompany account; cash borrowings that were used to fund operations; and allocations of corporate expenses and charges. Cash collections included all cash receipts required to be deposited into the intercompany account as part of the Sara Lee cash concentration system. Cash borrowings made by Coach from the Sara Lee cash concentration system were used to fund operating expenses.

The Company was charged with allocations of corporate expenses in the amounts of $31,437 for fiscal 2001 and $22,442 for fiscal 2000, which were included as a component of selling, general and administrative expenses. These charges consisted of expenses for business insurance, medical insurance, employee benefit plan amounts, income, employment and other tax amounts and allocations from Sara Lee for certain centralized administration costs for treasury, real estate, accounting, auditing, tax, risk management, human resources and benefits administration. As of the Separation Date there are no further transactions of this nature.

17. 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. The Company is currently aware of one institutional shareholder whose common stock holdings exceed the 10% threshold established by the rights plan. This holder has been given permission to increase its ownership in the Company to a maximum of 15%, subject to certain exceptions, before triggering the provision of the rights plan.

18. TERRORIST ATTACKS

Coach operated a retail store in the World Trade Center since 1995. During fiscal 2001, the store generated sales of $4,382. As a result of the September 11, 2001 attack, the store was destroyed. Inventory of $180 and fixed assets of $353 have been removed from the accounts and Coach has received preliminary payments under its property insurance coverage.

Preliminary losses relating to the Company's business interruption coverage have been filed with the insurers. Coach has held discussions with its insurance carriers and expects to fully recover these losses. In the third and fourth quarters of fiscal 2002 Coach received preliminary payments and recorded a gain of $1,413, of which $1,002 was received in the fourth quarter, under the Company's business interruption coverage. This amount was included as a reduction of selling, general and administrative expenses.

19. 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. 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 2002, the Company repurchased 860 shares at an average cost of $11.45 per share.

20. 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 bears interest at a rate of 5.12% per annum, compounded annually. This loan amount and the applicable accrued interest is recorded as a component of other noncurrent assets in the accompanying balance sheet. Repayments of $400 principal must be made on or before each of July 26, 2003, 2004, 2005; the remaining $800 of principal, together with all accrued interest under the loan, must be paid on or before July 26, 2006. Mr. Krakoff may repay these amounts at any time. As collateral for the loan, Mr. Krakoff pledged to Coach his options to purchase 300 shares of Coach common stock at a price of $8.00 per share, including the shares of stock and any cash or other property he receives upon exercise of or in exchange for those options. Mr. Krakoff would be obligated to repay the loan in full immediately following certain events of default, including his failure to make payments under the loan as scheduled, his bankruptcy or the termination of his employment with Coach for any reason.

21. SUBSEQUENT EVENT – CASE LONDON LTD.

On July 1, 2002 Coach signed an agreement with Case London Ltd. (“Case”) for the exclusive distribution of Coach products in the United Kingdom and Ireland. In addition, Case will assume the responsibility of operating the existing Coach store on Sloane Street and the Coach shop in Harrods in London.

22. SUBSEQUENT EVENT – STOCK REPURCHASE

During August 2002, the Company repurchased 1,929 shares of common stock at an average cost of $25.92 per share. The stock repurchases of approximately $50,000 were financed out of cash on hand and operating cash flows. As of August 30, 2002, Coach had expended approximately $60,000 of the $80,000 authorized to date under the stock repurchase program.

23. QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
FISCAL 2002				
Net sales	$150,702	$235,750	$161,571	$171,380
Gross profit	96,571	161,618	111,106	114,067
Net income	12,538	44,166	11,817	17,306
Earnings per common shares:				
Basic	$ 0.14	$ 0.51	$ 0.13	$ 0.19
Diluted	$ 0.14	$ 0.49	$ 0.13	$ 0.19
FISCAL 2001				
Net sales	$131,495	$211,028	$125,714	$132,254
Gross profit	81,931	136,882	80,442	82,729
Net income	7,591	39,204	7,993	9,242
Earnings per common shares:				
Basic	$ 0.11	$ 0.45	$ 0.09	$ 0.11
Diluted	$ 0.11	$ 0.44	$ 0.09	$ 0.10
FISCAL 2000				
Net sales	$115,775	$191,728	$112,166	$118,025
Gross profit	61,048	118,087	67,331	71,143
Net income	2,049	28,262	3,034	5,258
Earnings per common shares:				
Basic	$ 0.03	$ 0.40	$ 0.04	$ 0.08
Diluted	$ 0.03	$ 0.40	$ 0.04	$ 0.08

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 H. ELLIS
Limited Partner,
Goldman, Sachs & Co.

SALLY KASAKS
Marketing and Retail Consultant,
ISTA Incorporated

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

IRENE R. MILLER
Chief Executive Officer,
Akim, Inc.

KEITH MONDA
President,
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,
Chief Operating Officer

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

DAVID DEMATTEI
President,
North American Retail
and Wholesale Divisions

REED KRAKOFF
President,
Executive Creative Director

CAROLE SADLER
Senior Vice President,
General Counsel and Secretary

FELICE SCHULANER
Senior Vice President,
Human Resources

SENIOR MANAGEMENT OF COACH, INC.

KATE BUGGELN
Senior Vice President,
Strategic Planning and
Business Development

PETER EMMERSON
President,
International

JOANN KUSS
Senior Vice President,
Worldwide Merchandising

DANIEL NOCKELS
Senior Vice President,
Operations

MARY WANG
President,
U.S. Wholesale

IAN BICKLEY
President,
Japan

THOMAS BRITT
Senior Vice President,
Chief Information Officer

GEORGE NUNNO
Senior Vice President,
Design

PATRICK WADE
Senior Vice President,
Worldwide Visual Merchandising
Store Design

LARRY BREWER
Vice President,
Corporate Systems

DAVID DUPLANTIS
Vice President,
Merchandise Planning

FRED FRIESENHAHN
Vice President,
Leather Management

STEVEN GRASSO
Vice President,
Creative Services

RANDEE JACKSON
Vice President,
Retail Stores

ANDREA LALIBERTE
Vice President,
Distribution and
Customer Service

WALKER MACWILLIAM
Vice President,
Men's Design

RICHARD MYERS
Vice President,
Logistics and Planning

JAMES OFFUTT
Vice President,
Factory Stores

GABRIEL SACA
Vice President,
Global Sourcing

ANDREA SHAW RESNICK
Vice President,
Investor Relations

PAUL SPITZBERG
Vice President,
Special Markets

ELIZABETH STANLEY-BROWN
Vice President,
Product Development
and Quality

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 6, 2002,
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 our Investor Relations Department 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 2002 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 & 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." Prior to our October 5, 2000 initial public offering, there was no established public trading market for any of the Company's securities. The following table sets forth, for the fiscal year 2002, 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
September 29, 2001	$21.10	$10.95
December 29, 2001	19.32	11.42
March 30, 2002	26.28	18.98
June 29, 2002	29.94	23.93
Closing price at June 28, 2002	$27.45	

Coach has never declared or paid any cash dividends on our common stock. Coach currently intends to retain future earnings, if any, for use in its business and does not anticipate paying regular cash dividends on its common stock. The Fleet 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.

©2002 Coach, Inc. Coach®, the Coach tag, the Coach lozenge and Coach Signature are registered trademarks of Coach. Design by Addison www.addison.com

COACH

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