GENESCO

(Mark One)

☑ **Form 10-Q**
Quarterly Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934
For Quarter Ended
July 29, 2006

o Transition Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934

Securities and Exchange Commission
Washington, D.C. 20549
Commission File No. 1-3083

Genesco Inc.
A Tennessee Corporation
I.R.S. No. 62-0211340
Genesco Park
1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
Telephone 615/367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act (check one:)
Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes o No ☑

Common Shares Outstanding August 25, 2006 — 22,807,001

INDEX

	Page
Part I. Financial Information	
Item 1. Financial Statements (unaudited):	
Condensed Consolidated Balance Sheets — July 29, 2006, January 28, 2006 and July 30, 2005	3
Condensed Consolidated Statements of Earnings — Three Months and Six Months Ended July 29, 2006 and July 30, 2005	5
Condensed Consolidated Statements of Cash Flows — Three Months and Six Months Ended July 29, 2006 and July 30, 2005	6
Condensed Consolidated Statements of Shareholders' Equity — Fiscal Year Ended January 28, 2006 and Six Months Ended July 29, 2006	7
Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3. Quantitative and Qualitative Disclosures About Market Risk	52
Item 4. Controls and Procedures	53
Part II. Other Information	
Item 1. Legal Proceedings	54
Item 1A. Risk Factors	54
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 4. Submission of Matters to a Vote of Security Holders	55
Item 6. Exhibits	55
Signature	56
EX-31.1 CERTIFICATION OF CEO	
EX-31.1 CERTIFICATION OF CFO	
EX-32.1 CERTIFICATION OF CEO	
EX-32.2 CERTIFICATION OF CFO	

Table of Contents

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Assets	July 29, 2006	January 28, 2006	July 30, 2005
Current Assets			
Cash and cash equivalents	**$ 19,360**	$ 60,451	$ 38,848
Accounts receivable, net of allowances of $2,087 at July 29, 2006, $1,439 at January 28, 2006 and $1,677 at July 30, 2005	**19,293**	21,171	17,762
Inventories	**331,439**	230,648	270,688
Deferred income taxes	**8,907**	8,649	3,898
Prepaids and other current assets	**22,406**	20,269	19,849
Total current assets	**401,405**	341,188	351,045
Property and equipment:			
Land	**4,972**	4,972	4,972
Buildings and building equipment	**14,742**	14,723	14,663
Computer hardware, software and equipment	**66,135**	60,289	57,840
Furniture and fixtures	**71,543**	67,036	61,982
Construction in progress	**13,732**	11,728	8,015
Improvements to leased property	**207,412**	187,083	169,207
Property and equipment, at cost	**378,536**	345,831	316,679
Accumulated depreciation	**(174,117)**	(157,784)	(143,363)
Property and equipment, net	**204,419**	188,047	173,316
Deferred income taxes	**-0-**	-0-	617
Goodwill	**96,235**	96,235	96,561
Trademarks	**47,675**	47,671	47,634
Other intangibles, net of accumulated amortization of $5,244 at July 29, 2006, $4,302 at January 28, 2006 and $3,150 at July 30, 2005	**3,342**	4,284	5,436
Other noncurrent assets	**9,033**	8,693	9,340
Total Assets	**$ 762,109**	$ 686,118	$ 683,949

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Liabilities and Shareholders' Equity	July 29, 2006	January 28, 2006	July 30, 2005
Current Liabilities			
Accounts payable	**$ 144,954**	$ 73,929	$ 114,837
Accrued employee compensation	**14,612**	26,047	15,337
Accrued other taxes	**9,514**	12,129	8,571
Accrued income taxes	**-0-**	12,886	-0-
Other accrued liabilities	**27,177**	27,178	26,338
Provision for discontinued operations	**3,909**	4,033	3,677
Total current liabilities	**200,166**	156,202	168,760
Long-term debt	**129,250**	106,250	151,250
Pension liability	**21,083**	23,222	23,406
Deferred rent and other long-term liabilities	**53,288**	50,013	45,571
Provision for discontinued operations	**1,802**	1,680	1,631
Total liabilities	**405,589**	337,367	390,618
Commitments and contingent liabilities			
Shareholders' Equity			
Non-redeemable preferred stock	**6,648**	6,695	7,229
Common shareholders' equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
July 29, 2006 — 23,360,219/22,871,755			
January 28, 2006 — 23,748,134/23,259,670			
July 30, 2005 — 23,231,418/22,742,954	**23,360**	23,748	23,231
Additional paid-in capital	**114,196**	123,137	115,583
Retained earnings	**255,525**	239,232	191,934
Accumulated other comprehensive loss	**(25,352)**	(26,204)	(26,789)
Treasury shares, at cost	**(17,857)**	(17,857)	(17,857)
Total shareholders' equity	**356,520**	348,751	293,331
Total Liabilities and Shareholders' Equity	**$ 762,109**	$ 686,118	$ 683,949

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Earnings
(In Thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	July 29, 2006	July 30, 2005	**July 29, 2006**	July 30, 2005
Net sales	**$ 304,301**	$ 275,168	**$ 619,319**	$ 561,253
Cost of sales	**150,911**	136,210	**304,560**	275,742
Selling and administrative expenses	**140,619**	124,948	**282,485**	252,204
Restructuring and other, net	**480**	177	**589**	3,044
Earnings from operations	**12,291**	13,833	**31,685**	30,263
Interest expense, net				
Interest expense	**2,267**	2,821	**4,541**	5,877
Interest income	**(107)**	(253)	**(467)**	(605)
Total interest expense, net	**2,160**	2,568	**4,074**	5,272
Earnings before income taxes from continuing operations	**10,131**	11,265	**27,611**	24,991
Income taxes	**4,187**	4,499	**11,001**	9,799
Earnings from continuing operations	**5,944**	6,766	**16,610**	15,192
(Provision for) earnings from discontinued operations, net	**-0-**	-0-	**(189)**	65
Net Earnings	**$ 5,944**	$ 6,766	**$ 16,421**	$ 15,257
Basic earnings per common share:				
Continuing operations	**$ .26**	$ .29	**$ .72**	$ .67
Discontinued operations	**$ .00**	$ .00	**$ (.01)**	$ .00
Net earnings	**$ .26**	$ .29	**$ .71**	$ .67
Diluted earnings per common share:				
Continuing operations	**$ .24**	$ .27	**$ .65**	$ .60
Discontinued operations	**$ .00**	$ .00	**$ (.01)**	$ .01
Net earnings	**$ .24**	$ .27	**$ .64**	$ .61

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands)

	Three Months Ended		Six Months Ended	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	**$ 5,944**	$ 6,766	**$ 16,421**	$ 15,257
Tax benefit of stock options exercised	**-0-**	454	**(158)**	1,500
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:				
Depreciation	**9,827**	8,439	**19,177**	16,887
Provision for legal settlement	**-0-**	-0-	**-0-**	2,571
Deferred income taxes	**(446)**	53	**(1,325)**	(522)
Provision for losses on accounts receivable	**197**	(11)	**254**	(16)
Impairment of long-lived assets	**460**	173	**548**	337
Share-based compensation and restricted stock	**1,806**	84	**3,505**	168
Provision for (earnings from) discontinued operations	**-0-**	-0-	**311**	(106)
Other	**338**	776	**883**	1,326
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	**3,252**	(237)	**1,624**	160
Inventories	**(83,666)**	(53,603)	**(100,791)**	(63,492)
Prepaids and other current assets	**(893)**	(2,053)	**(778)**	(1,799)
Accounts payable	**47,859**	30,699	**60,656**	44,284
Other accrued liabilities	**(3,231)**	138	**(29,089)**	(12,123)
Other assets and liabilities	**2,776**	2,076	**1,848**	(1,100)
Net cash (used in) provided by operating activities	**(15,777)**	(6,246)	**(26,914)**	3,332
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	**(17,343)**	(10,846)	**(36,413)**	(23,144)
Proceeds from sale of property and equipment	**-0-**	1	**-0-**	1
Net cash used in investing activities	**(17,343)**	(10,845)	**(36,413)**	(23,143)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of long-term debt	**-0-**	(10,000)	**-0-**	(10,000)
Payments of capital leases	**-0-**	(77)	**-0-**	(190)
Tax benefit of stock options exercised	**-0-**	-0-	**158**	-0-
Shares repurchased	**(11,729)**	-0-	**(11,729)**	-0-
Change in overdraft balances	**6,554**	2,310	**10,369**	4,954
Revolver borrowings, net	**23,000**	-0-	**23,000**	-0-
Dividends paid on non-redeemable preferred stock	**(64)**	(69)	**(128)**	(142)
Exercise of stock options	**-0-**	1,398	**566**	3,969
Net cash provided by (used in) financing activities	**17,761**	(6,438)	**22,236**	(1,409)
Net Cash Flow	**(15,359)**	(23,529)	**(41,091)**	(21,220)
Cash and cash equivalents at beginning of period	**34,719**	62,377	**60,451**	60,068
Cash and cash equivalents at end of period	**$ 19,360**	$ 38,848	**$ 19,360**	$ 38,848
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	**$ 2,869**	$ 3,519	**$ 4,050**	$ 5,173
Income taxes	**14,383**	9,398	**27,267**	15,535

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(In Thousands)

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive Income	Total Share-holders' Equity
Balance January 29, 2005	**$ 7,474**	**$ 22,926**	**$ 109,005**	**$ 176,819**	**$ (26,302)**	**$ (17,857)**		**$ 272,065**
Net earnings	-0-	-0-	-0-	62,686	-0-	-0-	$ 62,686	62,686
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(273)	-0-	-0-	-0-	(273)
Exercise of stock options	-0-	547	8,297	-0-	-0-	-0-	-0-	8,844
Employee restricted stock	-0-	229	400	-0-	-0-	-0-	-0-	629
Issue shares — Employee Stock Purchase Plan	-0-	25	483	-0-	-0-	-0-	-0-	508
Tax benefit of stock options exercised	-0-	-0-	3,850	-0-	-0-	-0-	-0-	3,850
Conversion of Series 4 preferred stock	(723)	11	712	-0-	-0-	-0-	-0-	-0-
Loss on foreign currency forward contracts (net of tax benefit of $0.7 million)	-0-	-0-	-0-	-0-	(1,047)	-0-	(1,047)	(1,047)
Gain on interest rate swaps (net of tax of $0.1 million)	-0-	-0-	-0-	-0-	61	-0-	61	61
Minimum pension liability adjustment (net of tax of $0.7 million)	-0-	-0-	-0-	-0-	1,084	-0-	1,084	1,084
Other	(56)	10	390	-0-	-0-	-0-	-0-	344
Comprehensive income							$ 62,784	
Balance January 28, 2006	**6,695**	**23,748**	**123,137**	**239,232**	**(26,204)**	**(17,857)**		**348,751**
Net earnings	-0-	-0-	-0-	16,421	-0-	-0-	16,421	16,421
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(128)	-0-	-0-	-0-	(128)
Exercise of stock options	-0-	26	540	-0-	-0-	-0-	-0-	566
Shares repurchased	-0-	(433)	(13,171)	-0-	-0-	-0-	-0-	(13,604)
Employee and non-employee restricted stock	-0-	-0-	1,408	-0-	-0-	-0-	-0-	1,408
Share-based compensation	-0-	-0-	2,097	-0-	-0-	-0-	-0-	2,097
Tax benefit of stock options exercised	-0-	-0-	158	-0-	-0-	-0-	-0-	158
Gain on foreign currency forward contracts (net of tax of $0.6 million)	-0-	-0-	-0-	-0-	849	-0-	849	849
Loss on interest rate swaps (net of tax benefit of $17,000)	-0-	-0-	-0-	-0-	(25)	-0-	(25)	(25)
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	28	-0-	28	28
Other	(47)	19	27	-0-	-0-	-0-	-0-	(1)
Comprehensive income*							$ 17,273	
Balance July 29, 2006	**$ 6,648**	**$ 23,360**	**$ 114,196**	**$ 255,525**	**$ (25,352)**	**$ (17,857)**		**$ 356,520**

* Comprehensive income was $6.2 million and $6.3 million for the second quarter ended July 29, 2006 and July 30, 2005, respectively. Comprehensive income was $14.8 million for the six month period ended July 30, 2005.

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The condensed consolidated financial statements contained in this report of Genesco Inc., a Tennessee corporation (together with its subsidiaries, the "Company") are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending February 3, 2007 ("Fiscal 2007") and of the fiscal year ended January 28, 2006 ("Fiscal 2006"). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K.

Nature of Operations

The Company's businesses include the design or sourcing, marketing and distribution of footwear, principally under the *Johnston & Murphy, Dockers* and *Perry Ellis* brands and the operation at July 29, 2006 of 1,870 *Journeys, Journeys Kidz, Johnston & Murphy, Underground Station, Jarman, Hat World, Lids, Hat Zone, Cap Connection* and *Head Quarters* retail footwear and headwear stores.

Principles of Consolidation

All subsidiaries are consolidated in the condensed consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years' data to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates or judgments include the following key financial areas:

Inventory Valuation

The Company values its inventories at the lower of cost or market.

In its wholesale operations, cost is determined using the first-in, first-out ("FIFO") method. Market is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders. The Company provides reserves when the inventory has not been marked down to market based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

In its retail operations, other than the Hat World segment, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margin, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

The Hat World segment employs the moving average cost method for valuing inventories and applies freight using an allocation method. The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

Impairment of Definite-Lived Long-Lived Assets

The Company periodically assesses the realizability of its definite-lived long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement of the value of held and used definite-lived long-lived assets.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 8 to the Company's Condensed Consolidated Financial Statements. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves will be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Revenue Recognition

Retail sales are recorded at the point of sale and are net of estimated returns. Catalog and internet sales are recorded at time of delivery to the customer and are net of estimated returns. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Estimated returns are based on historical returns and claims. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

Pension Plan Accounting

In December 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement revised employers' disclosures about pension plans and other post retirement benefit plans. It did not change the measurement or recognition of those plans required by SFAS No. 87, "Employers' Accounting for Pensions."

The Company accounts for the defined benefit pension plans using SFAS No. 87, "Employers' Accounting for Pensions." Under SFAS No. 87, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Included in cash and cash equivalents at July 29, 2006, January 28, 2006 and July 30, 2005 are cash equivalents of $0.8 million, $48.5 million and $21.8 million, respectively. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less. The majority of payments due from banks for customer credit card transactions process within 24 — 48 hours and are accordingly classified as cash and cash equivalents.

At July 29, 2006, January 28, 2006 and July 30, 2005, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $27.6 million, $17.2 million and $22.6 million, respectively. These amounts are included in accounts payable.

Concentration of Credit Risk and Allowances on Accounts Receivable

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry. Two customers accounted for 13% each of the Company's trade receivables balance as of July 29, 2006 and no other customer accounted for more than 9% of the Company's trade receivables balance as of July 29, 2006.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, as well as company-specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

Property and Equipment

Property and equipment are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Computer hardware, software and equipment	3-10 years
Furniture and fixtures	10 years

Leases

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms and the charge to earnings is included in selling and administrative expenses in the Condensed Consolidated Statements of Earnings.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes any rent holidays and the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as a rent liability.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term.

Goodwill and Other Intangibles

Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets,” goodwill and intangible assets with indefinite lives are not amortized, but tested at least annually for impairment. SFAS No. 142 also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks acquired in connection with the acquisition of Hat World Corporation on April 1, 2004. The Company tests for impairment of intangible assets with an indefinite life, at a minimum on an annual basis, relying on a number of factors including operating results, business plans and projected future cash flows. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount.

Identifiable intangible assets of the Company with finite lives are primarily leases and customer lists. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Post-retirement Benefits

Substantially all full-time employees, except employees in the Hat World segment, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cost of Sales

For the Company's retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company's warehouses from suppliers and the cost of transportation from the Company's warehouses to the stores. Additionally, the cost of its distribution facilities allocated to its retail operations is included in cost of sales.

For the Company's wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company's warehouses from suppliers.

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of $0.7 million and $0.9 million for the second quarter of Fiscal 2007 and 2006, respectively, and $1.4 million and $2.1 million for the first six months of Fiscal 2007 and 2006, respectively.

Buying, Merchandising and Occupancy Costs

The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin.

Shipping and Handling Costs

Shipping and handling costs related to inventory purchased from suppliers is included in the cost of inventory and is charged to cost of sales in the period that the inventory is sold. All other shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the accompanying Condensed Consolidated Statements of Earnings.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Store Closings and Exit Costs

From time to time, the Company makes strategic decisions to close stores or exit locations or activities. If stores or operating activities to be closed or exited constitute components, as defined by SFAS No. 144, and will not result in a migration of customers and cash flows, these closures will be considered discontinued operations when the related assets meet the criteria to be classified as held for sale, or at the cease-use date, whichever occurs first. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Statement of Earnings, if material individually or cumulatively.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by SFAS No. 144, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company's normal impairment policy, but with consideration given to revised estimates of future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were $7.2 million and $6.3 million for the second quarter of Fiscal 2007 and 2006, respectively, and $15.4 million and $14.1 million for the first six months of Fiscal 2007 and 2006, respectively. Direct response advertising costs for catalogs are capitalized, in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position No. 93-7, "Reporting on Advertising Costs." Such costs are amortized over the estimated future revenues realized from such advertising, not to exceed six months. The Condensed Consolidated Balance Sheets include prepaid assets for direct response advertising costs of $0.9 million, $0.9 million and $0.6 million at July 29, 2006, January 28, 2006 and July 30, 2005, respectively.

Consideration to Resellers

The Company does not have any written buy-down programs with retailers, but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer's inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cooperative Advertising

Cooperative advertising funds are made available to all of the Company’s wholesale customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company’s cooperative advertising agreements require that wholesale customers present documentation or other evidence of specific advertisements or display materials used for the Company’s products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company’s cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with Emerging Issues Task Force (“EITF”) Issue No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products).”

Cooperative advertising costs recognized in selling and administrative expenses were $0.6 million and $0.5 million for the second quarter of Fiscal 2007 and 2006, respectively, and $1.1 million and $1.0 million for the first six months of Fiscal 2007 and 2006, respectively. During the first six months of Fiscal 2007 and 2006, the Company’s cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

Vendor Allowances

From time to time, the Company negotiates allowances from its vendors for markdowns taken or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor’s products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $1.7 million and $0.9 million for the second quarter of Fiscal 2007 and 2006, respectively, and $2.3 million and $1.8 million for the first six months of Fiscal 2007 and 2006, respectively. During the first six months of Fiscal 2007 and 2006, the Company's cooperative advertising reimbursements received were not in excess of the costs reimbursed.

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards are limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 6).

Other Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires, among other things, the Company's minimum pension liability adjustment, unrealized gains or losses on foreign currency forward contracts, unrealized gains and losses on interest rate swaps and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at July 29, 2006 consisted of $25.9 million of cumulative minimum pension liability adjustments, net of tax, cumulative net gains of $0.2 million on foreign currency forward contracts, net of tax, cumulative net gains of $0.2 million on interest rate swaps, net of tax, and a foreign currency translation adjustment of $0.1 million.

Business Segments

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires that companies disclose "operating segments" based on the way management disaggregates the Company for making internal operating decisions (see Note 9).

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Derivative Instruments and Hedging Activities

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of SFAS No. 133," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," (collectively "SFAS 133") require an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative are recorded each period in current earnings or in other comprehensive income depending on the intended use of the derivative and the resulting designation.

New Accounting Principles

Effective January 29, 2006, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), using the modified prospective transition method. Under the modified prospective transition method, compensation cost recognized for the three months and six months ended July 29, 2006 includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 29, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123; and (ii) compensation cost for all share-based payments granted on or after January 29, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123(R). In accordance with the modified prospective method, the Company has not restated prior period results. See Note 7 to the Company's Condensed Consolidated Financial Statements for additional information on the Company's share-based compensation plans and adoption of SFAS No. 123(R).

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the income statement (that is, gross versus net presentation)," which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes and some types of excise taxes. EITF No. 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. EITF No. 06-3 will not impact the method for recording and reporting these sales taxes in the Company's Condensed Consolidated Financial Statements as the Company's policy is to exclude all such taxes from revenue.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — - an interpretation of SFAS No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This Interpretation prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold should be measured in order to determine the tax benefit to be recognized in the financial statements. FIN 48 is effective in fiscal years beginning after December 15, 2006. The Company has not yet determined the impact, if any, of adopting FIN 48 on its Condensed Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 2
Restructuring and Other Charges and Discontinued Operations

Restructuring and Other Charges

In accordance with Company policy, assets are determined to be impaired when the revised estimated future cash flows were insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the fair value of those assets.

Asset impairment charges are reflected as a reduction of the net carrying value of property and equipment, and in restructuring and other, net in the accompanying Condensed Consolidated Statements of Earnings.

The Company recorded a pretax charge to earnings of $0.5 million ($0.3 million net of tax) in the second quarter of Fiscal 2007. The charge was primarily for retail store asset impairments.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2007. The charge was primarily for retail store asset impairments.

The Company recorded a pretax charge to earnings of $0.2 million ($0.1 million net of tax) in the second quarter of Fiscal 2006. The charge was primarily for retail store asset impairments and lease terminations of two Jarman stores. These lease terminations were the continuation of a plan previously announced by the Company in Fiscal 2004.

The Company recorded a pretax charge to earnings of $2.9 million ($1.8 million net of tax) in the first quarter of Fiscal 2006. The charge included $2.6 million for settlement of a California employment class action (see Note 8), $0.2 million for retail store asset impairments and $0.1 million for lease terminations of two Jarman stores.

Accrued Provision for Discontinued Operations

In thousands	Facility Shutdown Costs	Other	Total
Balance January 29, 2005	$ 5,800	$ 3	$ 5,803
Excess provision Fiscal 2006	(98)	-0-	(98)
Charges and adjustments, net	8	-0-	8
Balance January 28, 2006	5,710	3	5,713
Additional provision Fiscal 2007	311	-0-	311
Charges and adjustments, net	(310)	(3)	(313)
Balance July 29, 2006*	5,711	-0-	5,711
Current provision for discontinued operations	3,909	-0-	3,909
Total Noncurrent Provision for Discontinued Operations	**$ 1,802**	**$ -0-**	**$ 1,802**

* Includes $5.5 million environmental provision including $3.8 million in current provision for discontinued operations.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 3
Inventories

In thousands	July 29, 2006	January 28, 2006
Raw materials	**$ 168**	$ 203
Wholesale finished goods	**31,275**	30,392
Retail merchandise	**299,996**	200,053
Total Inventories	**$331,439**	$ 230,648

Note 4
Derivative Instruments and Hedging Activities

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments for its Johnston & Murphy division, the Company enters into foreign currency forward exchange contracts for Euro to make Euro denominated payments with a maximum hedging period of twelve months. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged. The settlement terms of the forward contracts correspond with the payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. The notional amount of such contracts outstanding at July 29, 2006 and January 28, 2006, was $9.7 million and $7.5 million, respectively. Forward exchange contracts have an average remaining term of approximately three months. The gain based on spot rates under these contracts at July 29, 2006 and January 28, 2006 was $0.2 million and $15,000, respectively. For the six months ended July 29, 2006, the Company recorded an unrealized gain on foreign currency forward contracts of $1.4 million in accumulated other comprehensive loss, before taxes. The Company monitors the credit quality of the major national and regional financial institutions with which it enters into such contracts.

The Company estimates that the majority of net hedging gains related to forward exchange contracts will be reclassified from accumulated other comprehensive loss into earnings through lower cost of sales over the succeeding year.

The Company uses interest rate swaps as a cash flow hedge to manage interest costs and the risk associated with changing interest rates of long-term debt. During the first quarter ended May 1, 2004, the Company entered into three separate forward-starting interest rate swap agreements as a means of managing its interest rate exposure on its $100.0 million variable rate term loan. All three agreements were effective beginning on October 1, 2004 and are designed to swap a variable rate of three-month LIBOR (5.51% at July 3, 2006, the day the rate was set) for a fixed rate ranging from 2.52% to 3.32%. The aggregate notional amount of the swaps was $65.0 million. Of the three agreements, the swap agreement with a $15.0 million notional amount expired on October 1, 2005. The swap agreement with a $20.0 million notional amount expired on July 1, 2006 but it was paid off early in January 2006. The swap agreement with an original $30.0 million notional amount expires on April 1, 2007 and has a $20.0 million notional amount as of July 29, 2006. The fixed rate on the remaining swap agreement is 3.32%. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations. The Company received $0.3 million in Fiscal 2006 as a result of early termination of some of the interest rate swap agreements.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 4
Derivative Instruments and Hedging Activities, Continued

In order to ensure continued hedge effectiveness, the Company intends to elect the three-month LIBOR option for its variable rate interest payments on its term loan as of each interest payment date. Since the interest payment dates coincide with the swap reset dates, the hedges are expected to be perfectly effective. However, because the swaps do not qualify for the short-cut method, the Company will evaluate quarterly the continued effectiveness of the hedge and will reflect any ineffectiveness in the results of operations. As long as the hedge continues to be perfectly effective, net amounts paid or received will be reflected as an adjustment to interest expense and the changes in the fair value of the derivative will be reflected in other comprehensive income.

At July 29, 2006, the net gain of these interest rate swap agreements was $0.2 million, net of tax, representing the change in fair value of the derivative instruments.

Note 5
Defined Benefit Pension Plans and Other Benefit Plans

Components of Net Periodic Benefit Cost

	Pension Benefits			
	Three Months Ended		Six Months Ended	
In thousands	**July 29, 2006**	July 30, 2005	**July 29, 2006**	July 30, 2005
Service cost	**$ 63**	$ 61	**$ 126**	$ 127
Interest cost	**1,605**	1,656	**3,213**	3,326
Expected return on plan assets	**(1,944)**	(1,920)	**(3,892)**	(3,861)
Amortization:				
Losses	**1,105**	1,087	**2,270**	2,329
Net amortization	**1,105**	1,087	**2,270**	2,329
Net Periodic Benefit Cost	**$ 829**	$ 884	**$ 1,717**	$ 1,921

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 5
Defined Benefit Pension Plans and Other Benefit Plans, Continued

	Other Benefits			
	Three Months Ended		Six Months Ended	
In thousands	**July 29, 2006**	July 30, 2005	**July 29, 2006**	July 30, 2005
Service cost	**$ 54**	$ 37	**$ 108**	$ 74
Interest cost	**50**	44	**100**	88
Amortization:				
Losses	**22**	14	**44**	28
Net amortization	**22**	14	**44**	28
Net Periodic Benefit Cost	**$ 126**	$ 95	**$ 252**	$ 190

While there was no cash requirement projected for the plan in 2006, the Company made a $4.0 million contribution to the plan in March 2006.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 6
Earnings Per Share

(In thousands, except per share amounts)	For the Three Months Ended July 29, 2006			For the Three Months Ended July 30, 2005		
	Income (Numerator)	**Shares (Denominator)**	**Per-Share Amount**	**Income (Numerator)**	**Shares (Denominator)**	**Per-Share Amount**
Earnings from continuing operations	**$ 5,944**			$ 6,766		
Less: Preferred stock dividends	**(64)**			(69)		
Basic EPS						
Income available to common shareholders	**5,880**	**22,988**	**$ .26**	6,697	22,702	$ .29
Effect of Dilutive Securities						
Options		**393**			478	
Convertible preferred stock(1)	**-0-**	**-0-**		-0-	-0-	
4 1/8% Convertible Subordinated Debentures	**604**	**3,899**		617	3,899	
Employees' preferred stock(2)		**60**			63	
Diluted EPS						
Income available to common shareholders plus assumed conversions	**$ 6,484**	**27,340**	**$ .24**	$ 7,314	27,142	$ .27

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for all periods presented. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,125, 37,263 and 13,960, respectively.

(2) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

Table of Contents

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 6
Earnings Per Share, Continued

	For the Six Months Ended July 29, 2006			For the Six Months Ended July 30, 2005		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	**$ 16,610**			$ 15,192		
Less: Preferred stock dividends	**(128)**			(142)		
Basic EPS						
Income available to common shareholders	**16,482**	**23,015**	**$ .72**	15,050	22,613	$ .67
Effect of Dilutive Securities						
Options		**414**			445	
Convertible preferred stock(1)	**-0-**	**-0-**		-0-	-0-	
4 1/8% Convertible Subordinated Debentures	**1,207**	**3,899**		1,233	3,899	
Employees' preferred stock(2)		**60**			63	
Diluted EPS						
Income available to common shareholders plus assumed conversions	**$ 17,689**	**27,388**	**$ .65**	$ 16,283	27,020	$ .60

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for all periods presented. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,125, 37,263 and 13,960, respectively.

(2) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

The weighted shares outstanding reflects the effect of stock buy back programs. In a series of authorizations from Fiscal 1999-2003, the Company's board of directors authorized the repurchase of up to 7.5 million shares. In June 2006, the board authorized an additional $20.0 million in stock repurchases. The Company repurchased 433,000 shares at a cost of $13.6 million in the second quarter ended July 29, 2006, which includes 25,000 shares from prior authorizations. Of the $13.6 million repurchased during the second quarter this year, $1.9 million was not paid in the quarter but included in other accrued liabilities in the Condensed Consolidated Balance Sheet. In August 2006, the board authorized an additional $30.0 million in stock repurchases. In total, the Company has repurchased 7.5 million shares at a cost of $84.9 million from all authorizations as of July 29, 2006.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans

The Company's stock-based compensation plans, as of July 29, 2006, are described below. Prior to January 29, 2006, the Company accounted for these plans under the recognition and measurement provisions of APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation."

Effective January 29, 2006, the Company adopted SFAS No. 123(R), using the modified prospective transition method. Under the modified prospective transition method, compensation cost recognized for the three months and six months ended July 29, 2006 includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 29, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123; and (ii) compensation cost for all share-based payments granted on or after January 29, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123(R). In accordance with the modified prospective method, the Company has not restated prior period results.

Stock Incentive Plans

The Company has two fixed stock incentive plans. Under the 2005 Equity Incentive Plan, effective as of June 23, 2005, the Company may grant options, restricted shares and other stock-based awards to its management personnel as well as directors for up to 1.0 million shares of common stock. Under the 1996 Stock Incentive Plan, the Company could grant options to its officers and other key employees of and consultants to the Company as well as directors for up to 4.4 million shares of common stock. There will be no future awards under the 1996 Stock Incentive Plan. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options granted under both plans vest 25% at the end of each year.

For the three months and six months ended July 29, 2006, the Company recognized share-based compensation cost of $1.1 million and $2.1 million, respectively, for its fixed stock incentive plans included in selling and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings. The Company also recognized a total income tax benefit for share-based compensation arrangements of $0.0 million and $0.2 million for the three months and six months ended July 29, 2006, respectively. The Company did not capitalize any share-based compensation cost.

As a result of adopting SFAS No. 123(R), earnings before income taxes from continuing operations, earnings from continuing operations and net earnings for the three months and six months ended July 29, 2006 were $1.1 million, $1.1 million, $1.1 million, $2.1 million, $1.9 million and $1.9 million lower, respectively, than if the Company had continued to account for share-based compensation under APB No. 25. The effect of adopting SFAS No. 123(R) on basic and diluted earnings per common share for the three months and six months ended July 29, 2006 was $0.05, $0.04, $0.08 and $0.07, respectively.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans, Continued

The following table illustrates the effect on net earnings per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 for the three months and six months ended July 30, 2005:

(In thousands, except per share amounts)	Three Months Ended July 30, 2005	Six Months Ended July 30, 2005
Net earnings, as reported	$ 6,766	$ 15,257
Add: stock-based employee compensation expense included in reported net earnings, net of related tax effects	52	156
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(730)	(1,475)
Pro forma net earnings	$ 6,088	$ 13,938
Earnings per share:		
Basic — as reported	$ 0.29	$ 0.67
Basic — pro forma	$ 0.27	$ 0.61
Diluted — as reported	$ 0.27	$ 0.61
Diluted — pro forma	$ 0.24	$ 0.56

Prior to adopting SFAS No. 123(R), the Company presented the tax benefit of stock option exercises as operating cash flows. SFAS No. 123(R) requires that the cash flows resulting from tax benefits for tax deductions in excess of the compensation cost recognized for those options (excess tax benefit) be classified as financing cash flows. Accordingly, the Company classified excess tax benefits of $0.0 million and $0.2 million as financing cash inflows rather than as operating cash inflows on its Condensed Consolidated Statement of Cash Flows for the three months and six months ended July 29, 2006.

SFAS No. 123(R) also requires companies to calculate an initial “pool” of excess tax benefits available at the adoption date to absorb any unused deferred tax assets that may be recognized under SFAS No. 123(R). The Company has elected to calculate the pool of excess tax benefits under the alternative transition method described in FASB Staff Position (“FSP”) No. 123(R)-3, “Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards,” which also specifies the method the Company must use to calculate excess tax benefits reported on the Condensed Consolidated Statements of Cash Flows.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans, Continued

The Company did not grant any stock options for the three months or six months ended July 29, 2006 or July 30, 2005. For Fiscal 2006, the Company estimated the fair value of each option award on the date of grant using a Black-Scholes option pricing model. The Company based expected volatility on implied volatilities of traded Genesco options combined with historical term structures. The Company based the risk free rate on the 20-year constant maturity treasury bond rate. The Company estimated the expected term of stock options using historical exercise and employee termination experience. The Company does not currently pay a dividend. The following table shows the weighted average assumptions used to develop the fair value estimates for Fiscal 2006:

	Fiscal 2006
Volatility	.42
Risk Free Rate	4.4%
Expected Term (years)	5.2
Dividend yields	0.0%

A summary of fixed stock option activity and changes since the Company's most recent fiscal year-end is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands) (1)
Outstanding at January 28, 2006	1,464,486	$20.84		
Granted	-0-	—		
Exercised	(26,000)	21.75		
Forfeited	(39,146)	23.50		
Outstanding, July 29, 2006	1,399,340	$20.75	6.89	$8,613
Exercisable, July 29, 2006	656,638	$18.24	5.85	$5,362

(1) Based upon the difference between the closing market price of the Company's common stock on the last trading day of the quarter and the grant price of in-the-money options.

The total intrinsic value, which represents the difference between the underlying stock's market price and the option's exercise price, of options exercised during the three months and six months ended July 29, 2006 and July 30, 2005 was $0.0 million, $1.3 million, $0.5 million and $4.1 million, respectively.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans, Continued

A summary of the status of the Company's nonvested shares of its fixed stock incentive plans as of July 29, 2006, are presented below:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 28, 2006	806,848	$13.11
Granted	-0-	—
Vested	(25,000)	14.27
Forfeited	(39,146)	13.80
Nonvested at July 29, 2006	742,702	13.04

As of July 29, 2006, there were $6.6 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the stock incentive plans discussed above. That cost is expected to be recognized over a weighted average period of 2.07 years.

Cash received from option exercises under all share-based payment arrangements for the three months and six months ended July 29, 2006 and July 30, 2005 was $0.0 million, $1.4 million, $0.6 million and $4.0 million, respectively. The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $0.0 million, $0.5 million, $0.2 million and $1.5 million for the three months and six months ended July 29, 2006 and July 30, 2005, respectively.

Restricted Stock Incentive Plans

The 1996 Stock Incentive Plan (the "1996 Plan") provided for an automatic grant of restricted stock to non-employee directors on the date of the annual meeting of shareholders at which an outside director is first elected. The outside director restricted stock so granted was to vest with respect to one-third of the shares each year as long as the director is still serving as a director. Once the shares have vested, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. The 2005 Equity Incentive Plan includes no automatic grant provisions, but permits the board of directors to make awards to non-employee directors. The board granted restricted stock to two new non-employee directors in Fiscal 2006 on substantially the same terms as the automatic awards under the 1996 Plan, except that transfer restrictions are to lapse after three years.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans, Continued

In addition, under the 1996 Plan an outside director could elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock were granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the outside director's ceasing to serve as a director or committee chairman during such fiscal year. Once the shares were earned, the director was restricted from selling, transferring, pledging or assigning the shares for an additional four years. Under the 2005 Equity Incentive Plan, Retainer Stock awards were made on substantially the same terms as the grants under the 1996 Plan, except that transfer restrictions are to lapse three years from the date of grant. For the six months ended July 29, 2006 and July 30, 2005, the Company issued 3,022 shares and 2,465 shares, respectively, of Retainer Stock. There were no shares issued for the three months ended July 29, 2006 or July 30, 2005.

Also pursuant to the 1996 Plan, annually on the date of the annual meeting of shareholders, beginning in Fiscal 2004, each outside director received restricted stock valued at $44,000 based on the average of stock prices for the first five days in the month of the annual meeting of shareholders. For Fiscal 2007, each outside director received restricted stock valued at $60,000 based on the average of stock prices for the first five days in the month of the annual meeting of shareholders. The outside director restricted stock vests with respect to one-third of the shares each year as long as the director is still serving as a director. Once the shares vest, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. For the three months and six months ended July 29, 2006 and July 30, 2005, the Company issued 16,400 shares and 8,855 shares, respectively, of director restricted stock.

For the three months and six months ended July 29, 2006 and July 30, 2005, the Company recognized $0.1 million, $0.1 million, $0.2 million and $0.2 million, respectively, of director restricted stock related share-based compensation in selling and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings.

On April 24, 2002, the Company issued 36,764 shares of restricted stock to the President and CEO of the Company under the 1996 Plan. Pursuant to the terms of the grant, these shares vested on April 23, 2005, provided that on such date the grantee remained continuously employed by the Company since the date of the agreement. Compensation cost recognized in selling and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings for these shares was $0.1 million for the six months ended July 30, 2005. The 36,764 shares were issued in April 2005.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Share-Based Compensation Plans, Continued

Under the 2005 Equity Incentive Plan, the Company issued 228,594 shares of restricted stock in October and December 2005. There were 2,106 shares forfeited in the three months ended April 29, 2006. Of the 226,488 restricted shares outstanding, 106,445 shares vest at the end of three years and 120,043 shares vest 25% per year over four years, provided that on such date the grantee has remained continuously employed by the Company since the date of grant. The fair value of this stock is charged against income as compensation cost over the vesting period. Compensation cost recognized in selling and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings for these shares was $0.6 million and $1.2 million, respectively, for the three months and six months ended July 29, 2006.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, the Company is authorized to issue up to 1.0 million shares of common stock to qualifying full-time employees whose total annual base salary is less than $90,000, effective October 1, 2002. Prior to October 1, 2002, the total annual base salary was limited to $100,000. Under the terms of the Plan, employees could choose each year to have up to 15% of their annual base earnings or $8,500, whichever is lower, withheld to purchase the Company’s common stock. The purchase price of the stock was 85% of the closing market price of the stock on either the exercise date or the grant date, whichever was less. The Company’s board of directors amended the Company’s Employee Stock Purchase Plan effective October 1, 2005 to provide that participants may acquire shares under the Plan at a 5% discount from fair market value on the last day of the Plan year. Under SFAS No. 123(R), shares issued under the Plan as amended are non-compensatory.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 8
Legal Proceedings

Environmental Matters
New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation (the "Department") and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remediation measure ("IRM") with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company estimates that the cost of conducting the RIFS and implementing the IRM will be in the range of $6.6 million to $6.8 million, net of insurance recoveries, $3.6 million of which the Company has already paid. In the course of preparing the RIFS, the Company has identified remedial alternatives with estimated undiscounted costs ranging from $-0- to $24.0 million, excluding amounts previously expended or provided for by the Company, as described in this footnote.

The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order. The Company's voluntary assumption of certain responsibility to date was based upon its judgment that such action was preferable to litigation to determine its liability, if any, for contamination related to the site. The Company intends to continue to evaluate the costs of further voluntary remediation versus the costs and uncertainty of litigation.

As part of its analysis of whether to undertake further voluntary action, the Company has assessed various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Village of Garden City has proposed the installation at the supply wells of enhanced treatment measures at an estimated cost of approximately $2.6 million, with estimated future costs of up to $2.0 million. In the third quarter of Fiscal 2005, the Company provided for the estimated cost of a remedial alternative it considers adequate to prevent such impact and which it would be willing to implement voluntarily. The Village of Garden City has also asserted that the Company is liable for historical costs of treatment at the wells totaling approximately $3.4 million. Because of evidence with regard to when contaminants from the site of the Company's former operations first reached the wells, the Company believes it should have no liability with respect to such historical costs.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 8
Legal Proceedings, Continued

Whitehall Environmental Matters

The Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's former Volunteer Leather Company facility in Whitehall, Michigan.

The Company has submitted to the Michigan Department of Environmental Quality ("MDEQ") and provided for certain costs associated with a remedial action plan (the "Plan") designed to bring the property into compliance with regulatory standards for non-industrial uses. The Company estimates that the costs of resolving environmental contingencies related to the Whitehall property range from $1.1 million to $5.4 million, and considers the cost of implementing the Plan to be the most likely cost within that range. While management believes that the Plan should be sufficient to satisfy applicable regulatory standards with respect to the site, until the Plan is finally approved by MDEQ, management cannot provide assurances that no further remediation will be required or that its estimate of the range of possible costs or of the most likely cost of remediation will prove accurate.

In December 2005, the U.S. Environmental Protection Agency ("EPA") notified the Company that it considers the Company a potentially responsible party ("PRP") with respect to contamination at two Superfund sites in New York State. The sites were used as landfills for process wastes generated by a glue manufacturer, which acquired tannery wastes from several tanners, allegedly including the Company's Whitehall tannery, for use as raw materials in the gluemaking process. The Company has no records indicating that it ever provided raw materials to the gluemaking operation and has not been able to establish whether EPA's substantive allegations are accurate. The Company has joined a joint defense group with other tannery PRP's with respect to one of the two sites. The joint defense group has developed an estimated cost of remediation for the site and proposed an allocation of liabilities among the PRP's that, if accepted, is estimated to result in liability to the Company of approximately $100,000 with respect to the site. There is no assurance that the proposed allocation will be accepted or that the actual cost of remediation will not exceed the estimate. Additionally, the Company presently cannot estimate its liability, if any, with respect to the second site associated with the glue manufacturer's waste disposal.

Related to all outstanding environmental contingencies, the Company had accrued $5.5 million as of July 29, 2006, $5.4 million as of January 28, 2006 and $5.5 million as of January 29, 2005. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Condensed Consolidated Balance Sheets.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 8
Legal Proceedings, Continued

Other Matters
Patent Action

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, *Schoenhaus, et al. vs. Genesco Inc., et al.*, alleging that certain features of shoes in the Company's Johnston & Murphy line infringe the plaintiff's patent, misappropriate trade secrets and involve conversion of the plaintiff's proprietary information and unjust enrichment of the Company. On January 10, 2005, the court granted summary judgment to the Company on the patent claims, finding that the accused products do not infringe the plaintiff's patent. The plaintiffs appealed the summary judgment to the U.S. Court of Appeals for the Federal Circuit, pending which the trial court stayed the remainder of the case. On March 15, 2006, the Court of Appeals affirmed the summary judgment in the Company's favor.

California Employment Matters

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.*, alleging violations of California wages and hours laws, and seeking damages of $40 million plus punitive damages. On May 4, 2005, the Company and the plaintiffs reached an agreement in principle to settle the action, subject to court approval and other conditions. In connection with the proposed settlement, to provide for the settlement payment to the plaintiff class and related expenses, the Company recognized a charge of $2.6 million before taxes included in Restructuring and Other, net in the Condensed Consolidated Statements of Earnings for the first three months of Fiscal 2006. On May 25, 2005, a second putative class action, *Drake vs. Genesco Inc., et al.*, making allegations similar to those in the Schreiner complaint on behalf of employees of the Company's Johnston & Murphy division, was filed by a different plaintiff in the California Superior Court, Los Angeles. On November 22, 2005, the *Schreiner* court granted final approval of the settlement and the Company and the *Drake* plaintiff reached an agreement on November 17, 2005 to settle that action. The two matters were resolved more favorably to the Company than originally expected, as not all members of the plaintiff class in *Schreiner* submitted claims and because the court required that plaintiff's counsel bear the administrative expenses of the settlement. Consequently, the Company recognized income of $0.9 million before tax, reflected in Restructuring and Other, net, in the Condensed Consolidated Statements of Earnings for the third quarter of Fiscal 2006.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 8
Legal Proceedings, Continued

On November 4, 2005, a former employee gave notice to the California Labor Work Force Development Agency ("LWDA") of a claim against Genesco for allegedly failing to provide a payroll check that is negotiable and payable in cash, on demand, without discount, at an established place of business in California, as required by the California Labor Code. LWDA is investigating the claim. On May 18, 2006, the same claimant filed a putative class, representative and private attorney general action alleging the same violations of the Labor Code in the Superior Court of California, Alameda County, seeking statutory penalties, damages, restitution, and injunctive relief. The Company disputes the material allegations of the complaint and intends to defend the matter vigorously.

[Table of Contents](#)

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 9
Business Segment Information

The Company operates five reportable business segments (not including corporate): Journeys Group, comprised of the Journeys, Journeys Kidz and Shi by Journeys retail footwear chains; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains; Hat World Group, comprised of the Hat World, Lids, Hat Zone, Cap Connection and Head Quarters retail headwear operations; Johnston & Murphy Group, comprised of Johnston & Murphy retail operations and wholesale distribution; and Licensed Brands, comprised of Dockers® Footwear and Perry Ellis® Footwear. The Company introduced Perry Ellis Footwear with a limited offering for the Holiday 2005 season.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are based on the way management organizes the segments in order to make operating decisions and assess performance along types of products sold. Journeys Group, Underground Station Group and Hat World Group sell primarily branded products from other companies while Johnston & Murphy Group and Licensed Brands sell primarily the Company's owned and licensed brands.

Corporate assets include cash, deferred income taxes, deferred note expense and corporate fixed assets. The Company charges allocated retail costs of distribution to each segment and unallocated retail costs of distribution to the corporate segment. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, stock compensation, interest expense, interest income, restructuring charges and other, including severance and litigation.

Three Months Ended July 29, 2006 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 136,669	$ 30,917	$ 78,506	$ 41,916	$ 16,226	$ 177	$ 304,411
Intercompany sales	-0-	-0-	-0-	-0-	(110)	-0-	(110)
Net sales to external customers	$ 136,669	$ 30,917	$ 78,506	$ 41,916	$ 16,116	$ 177	$ 304,301
Segment operating income (loss)	$ 7,935	$ (1,747)	$ 8,617	$ 2,484	$ 1,335	$ (5,853)	$ 12,771
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(480)	(480)
Earnings (loss) from operations	7,935	(1,747)	8,617	2,484	1,335	(6,333)	12,291
Interest expense	-0-	-0-	-0-	-0-	-0-	(2,267)	(2,267)
Interest income	-0-	-0-	-0-	-0-	-0-	107	107
Earnings (loss) before income taxes from continuing operations	$ 7,935	$ (1,747)	$ 8,617	$ 2,484	$ 1,335	$ (8,493)	$ 10,131
Total assets	$ 249,207	$ 67,514	$ 263,946	$ 63,911	$ 22,854	$ 94,677	$ 762,109
Depreciation	3,950	1,136	2,623	723	16	1,379	9,827
Capital expenditures	6,544	1,201	6,390	1,065	13	2,130	17,343

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 9
Business Segment Information, Continued

Three Months Ended July 30, 2005 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 118,928	$ 32,186	$ 69,055	$ 41,008	$ 13,970	$ 75	$ 275,222
Intercompany sales	-0-	-0-	-0-	-0-	(54)	-0-	(54)
Net sales to external customers	$ 118,928	$ 32,186	$ 69,055	$ 41,008	$ 13,916	$ 75	$ 275,168
Segment operating income (loss)	$ 6,951	$ (681)	$ 9,258	$ 2,418	$ 1,018	$ (4,954)	$ 14,010
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(177)	(177)
Earnings (loss) from operations	6,951	(681)	9,258	2,418	1,018	(5,131)	13,833
Interest expense	-0-	-0-	-0-	-0-	-0-	(2,821)	(2,821)
Interest income	-0-	-0-	-0-	-0-	-0-	253	253
Earnings (loss) before income taxes from continuing operations	$ 6,951	$ (681)	$ 9,258	$ 2,418	$ 1,018	$ (7,699)	$ 11,265
Total assets	$ 194,590	$ 59,687	$ 239,165	$ 64,564	$ 18,570	$ 107,373	$ 683,949
Depreciation	3,185	979	2,218	706	12	1,339	8,439
Capital expenditures	3,256	850	5,649	469	3	619	10,846

Six Months Ended July 29, 2006 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	**$ 278,169**	**$ 70,873**	**$ 149,194**	**$ 85,947**	**$ 35,477**	**$ 221**	**$ 619,881**
Intercompany sales	**-0-**	**-0-**	**-0-**	**-0-**	**(562)**	**-0-**	**(562)**
Net sales to external customers	**$ 278,169**	**$ 70,873**	**$ 149,194**	**$ 85,947**	**$ 34,915**	**$ 221**	**$ 619,319**
Segment operating income (loss)	**$ 21,086**	**$ 658**	**$ 14,624**	**$ 5,307**	**$ 3,064**	**$ (12,465)**	**$ 32,274**
Restructuring and other	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**(589)**	**(589)**
Earnings (loss) from operations	**21,086**	**658**	**14,624**	**5,307**	**3,064**	**(13,054)**	**31,685**
Interest expense	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**(4,541)**	**(4,541)**
Interest income	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**467**	**467**
Earnings (loss) before income taxes from continuing operations	**$ 21,086**	**$ 658**	**$ 14,624**	**$ 5,307**	**$ 3,064**	**$ (17,128)**	**$ 27,611**
Total assets	**$ 249,207**	**$ 67,514**	**$ 263,946**	**$ 63,911**	**$ 22,854**	**$ 94,677**	**$ 762,109**
Depreciation	**7,647**	**2,235**	**5,118**	**1,408**	**29**	**2,740**	**19,177**
Capital expenditures	**15,953**	**2,790**	**12,056**	**2,465**	**27**	**3,122**	**36,413**

Table of Contents

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 9
Business Segment Information, Continued

Six Months Ended July 30, 2005 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 247,772	$ 72,022	$ 131,202	$ 82,516	$ 27,869	$ 133	$ 561,514
Intercompany sales	-0-	-0-	-0-	-0-	(261)	-0-	(261)
Net sales to external customers	$ 247,772	$ 72,022	$ 131,202	$ 82,516	$ 27,608	$ 133	$ 561,253
Segment operating income (loss)	$ 20,719	$ 1,935	$ 14,740	$ 4,948	$ 1,764	$ (10,799)	$ 33,307
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(3,044)	(3,044)
Earnings (loss) from operations	20,719	1,935	14,740	4,948	1,764	(13,843)	30,263
Interest expense	-0-	-0-	-0-	-0-	-0-	(5,877)	(5,877)
Interest income	-0-	-0-	-0-	-0-	-0-	605	605
Earnings (loss) before income taxes from continuing operations	$ 20,719	$ 1,935	$ 14,740	$ 4,948	$ 1,764	$ (19,115)	$ 24,991
Total assets	$ 194,590	$ 59,687	$ 239,165	$ 64,564	$ 18,570	$ 107,373	$ 683,949
Depreciation	6,464	1,931	4,373	1,418	22	2,679	16,887
Capital expenditures	8,407	2,517	10,116	1,205	72	827	23,144

Note 10
Subsequent Event

On August 24, 2006, the Company entered into an amendment to the credit agreement dated as of April 1, 2004, as amended April 10, 2006, governing its revolving credit facility with nine banks. The amendment increased aggregate revolving credit capacity to $105 million from $75 million and raised limits on the payment of dividends and stock repurchases by the Company.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This discussion and the notes to the Condensed Consolidated Financial Statements include certain forward-looking statements, which include statements regarding our intent, belief or expectations and all statements other than those made solely with respect to historical fact. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward looking statements and the Company’s future results, liquidity, capital resources or prospects. These factors (some of which are beyond the Company’s control) include:

- Weakness in consumer demand for products sold by the Company.
- Fashion trends that affect the sales or product margins of the Company’s retail product offerings.
- Changes in the timing of holidays or in the onset of seasonal weather affecting period to period sales comparisons.
- Changes in buying patterns by significant wholesale customers.
- Disruptions in product supply or distribution.
- Unfavorable trends in foreign exchange rates and other factors affecting the cost of products.
- Changes in business strategies by the Company’s competitors (including pricing and promotional discounts).
- The Company’s ability to open, staff and support additional retail stores on schedule and at acceptable expense levels, to renew leases in existing stores on schedule and at acceptable expense levels.
- The Company’s ability to identify appropriate growth opportunities, including brand extensions, new concept launches, and acquisitions, and to execute its growth strategies.
- Variations from expected pension-related charges caused by conditions in the financial markets.
- The outcome of litigation and environmental matters involving the Company, including those discussed in Note 8 to the Condensed Consolidated Financial Statements.
- Fluctuations in oil prices causing changes in gasoline and energy prices resulting in changes in consumer spending and utility and product costs.

In addition to the risks referenced above, additional risks are highlighted in the Company’s Annual Report on Form 10-K for the year ended January 28, 2006 and this Quarterly Report under the heading “Item 1A. Risk Factors.” Forward-looking statements reflect the expectations of the Company at the time they are made, and investors should rely on them only as expressions of opinion about what may happen in the future and only at the time they are made. The Company undertakes no obligation to update any forward-looking statement. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, predictions about future revenue and margin trends are inherently uncertain and the Company may alter its business strategies to address changing conditions.

Overview

Description of Business

The Company is a leading retailer of branded footwear and of licensed and branded headwear, operating 1,849 retail footwear and headwear stores throughout the United States and Puerto Rico and 21 headwear stores in Canada as of July 29, 2006. The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed

Dockers and Perry Ellis brands to more than 1,000 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

The Company operates five reportable business segments (not including corporate): Journeys Group, comprised of the Journeys, Journeys Kidz and Shi by Journeys retail footwear chains; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains; Hat World Group, comprised of the Hat World, Lids, Hat Zone, Cap Connection and Head Quarters retail headwear operations; Johnston & Murphy Group, comprised of Johnston & Murphy retail operations and wholesale distribution; and Licensed Brands, comprised of Dockers® Footwear and Perry Ellis® Footwear. The Company introduced Perry Ellis Footwear with a limited offering for the Holiday 2005 season.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 to 22 year old men and women. The stores average approximately 1,775 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,400 square feet. Shi by Journeys retail footwear stores, the first of which opened in November 2005, sell footwear and accessories to fashionable women in their early 20's to mid 30's. These stores average approximately 2,000 square feet.

The Underground Station Group retail footwear stores sell footwear and accessories for men and women in the 20 to 35 age group. The Underground Station Group stores average approximately 1,675 square feet. In the fourth quarter of Fiscal 2004, the Company made the strategic decision to close 34 Jarman stores subject to its ability to negotiate lease terminations. These stores are not suitable for conversion to Underground Station stores. The Company intends to convert the remaining Jarman stores to Underground Station stores and close the remaining Jarman stores not closed in Fiscal 2005 as quickly as it is financially feasible, subject to landlord approval. During the first six months of Fiscal 2007, five Jarman stores were closed and two Jarman stores were converted to Underground Station stores. During Fiscal 2006, 13 Jarman stores were closed and two Jarman stores were converted to Underground Station stores.

The Hat World, Lids, Hat Zone, Cap Connection and Head Quarters retail stores sell licensed and branded headwear to men and women primarily in the mid-teen to mid-20's age group. These stores average approximately 725 square feet and are located in malls, airports, street level stores and factory outlet stores throughout the United States and in Canada.

Johnston & Murphy retail stores sell a broad range of men's dress and casual footwear and accessories to business and professional consumers. These stores average approximately 1,325 square feet and are located primarily in better malls nationwide. Johnston & Murphy shoes are also distributed through the Company's wholesale operations to better department and independent specialty stores. In addition, the Company sells Johnston & Murphy footwear in factory stores located in factory outlet malls. These stores average approximately 2,400 square feet.

The Company entered into an exclusive license with Levi Strauss and Company to market men's footwear in the United States under the Dockers® brand name in 1991. The Dockers license agreement was renewed October 22, 2004. The Dockers license agreement, as amended, expires on December 31, 2006 with a Company option to renew through December 31, 2008, subject to certain conditions, which the Company expects to satisfy. The Company uses the Dockers name to market casual and dress casual footwear to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country.

The Company entered into an exclusive license with Perry Ellis International to market men's footwear in the United States under the Perry Ellis® and Perry Ellis Portfolio® brands in 2005. The Perry Ellis license agreement expires December 31, 2008 with a Company option to renew through December 31, 2011. The Company introduced Perry Ellis Footwear with a limited offering for the Holiday 2005 season. The Company expects to sell footwear under the Perry Ellis license primarily to department and specialty stores across the country. Sales of products marketed under this license were not material in Fiscal 2006 and the Company does not expect them to be material in Fiscal 2007.

Strategy

The Company's strategy is to seek long-term, organic growth by: 1) increasing the Company's store base, 2) increasing retail square footage, 3) improving comparable store sales, 4) increasing operating margin and 5) enhancing the value of its brands. Our future results are subject to various risks, uncertainties and other challenges, including those discussed under the caption "Forward Looking Statements," above and those discussed in Item 1A., "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended January 28, 2006. Among the most important of these factors are those related to consumer demand. Conditions in the external economy can affect demand, resulting in changes in sales and, as prices are adjusted to drive sales and control inventories, in gross margins. Because fashion trends influencing many of the Company's target customers (particularly customers of Journeys Group, Underground Station Group and Hat World Group) can change rapidly, the Company believes that its ability to detect and respond quickly to those changes has been important to its success. Even when the Company succeeds in aligning its merchandise offerings with consumer preferences, those preferences may affect results by, for example, driving sales of products with lower average selling prices. Moreover, economic factors, such as high fuel prices may reduce the consumer's disposable income and reduce demand for the Company's merchandise, regardless of the Company's skill in detecting and responding to fashion trends. The Company believes its experience and discipline in merchandising and the buying power associated with its relative size in the industry are important to its ability to mitigate risks associated with changing customer preferences and other reductions in consumer demand. Also important to the Company's long-term prospects are the availability and cost of appropriate locations for the Company's retail concepts. The Company is opening stores in airports and on streets in major cities, tourist venues and college campuses, among other locations in an effort to broaden its selection of locations for additional stores beyond the malls that have traditionally been the dominant venue for its retail concepts. The Company will also consider appropriate acquisitions to supplement its organic growth.

Summary of Operating Results

The Company's net sales increased 10.6% during the second quarter of Fiscal 2007 compared to the second quarter of Fiscal 2006. The increase was driven primarily by the addition of new stores and a 15.8% increase in Licensed Brands sales. Gross margin decreased slightly as a percentage of net sales during the second quarter of Fiscal 2007, primarily due to decreases related to promotional activity in the Underground Station Group and Hat World Group businesses. Selling and administrative expenses increased as a percentage of net sales during the second quarter of Fiscal 2007 due to increased expenses in all businesses and due to share-based compensation and restricted stock expense included in corporate. (See Note 7 to the Condensed Consolidated Financial Statements.) Operating income decreased as a percentage of net sales during the second quarter of Fiscal 2007 due to decreased operating income in the Underground Station Group and Hat World Group businesses, partially offset by an increase in operating income in the Journeys Group and Licensed Brands businesses.

Significant Developments

Amended Revolving Credit Facility

On August 24, 2006, the Company entered into an amendment to the credit agreement dated as of April 1, 2004, as amended April 10, 2006, governing its revolving credit facility with nine banks. The amendment increased aggregate revolving credit capacity to $105 million from $75 million and raised limits on the payment of dividends and stock repurchases by the Company.

Restructuring and Other Charges

The Company recorded a pretax charge to earnings of $0.5 million ($0.3 million net of tax) in the second quarter of Fiscal 2007. The charge was primarily for retail store asset impairments.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2007. The charge was primarily for retail store asset impairments.

The Company recorded a pretax charge to earnings of $0.2 million ($0.1 million net of tax) in the second quarter of Fiscal 2006. The charge was primarily for retail store asset impairments and lease terminations of two Jarman stores. These lease terminations were the continuation of a plan previously announced by the Company in Fiscal 2004.

The Company recorded a pretax charge to earnings of $2.9 million ($1.8 million net of tax) in the first quarter of Fiscal 2006. The charge included $2.6 million for settlement of a California employment class action (see Note 8), $0.2 million for retail store asset impairments and $0.1 million for lease terminations of two Jarman stores.

Results of Operations — Second Quarter Fiscal 2007 Compared to Fiscal 2006

The Company’s net sales in the second quarter ended July 29, 2006 increased 10.6% to $304.3 million from $275.2 million in the second quarter ended July 30, 2005. Gross margin increased 10.4% to $153.4 million in the second quarter this year from $139.0 million in the same period last year and decreased slightly as a percentage of net sales from 50.5% to 50.4%. Selling and administrative expenses in the second quarter this year increased 12.5% from the second quarter last year and increased as a percentage of net sales from 45.4% to 46.2%. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company’s gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings before income taxes from continuing operations (“pretax earnings”) for the second quarter ended July 29, 2006 were $10.1 million compared to $11.3 million for the second quarter ended July 30, 2005. Pretax earnings for the second quarter ended July 29, 2006 included restructuring and other charges of $0.5 million ($0.3 million net of tax), primarily for retail store asset impairments. Pretax earnings for the second quarter ended July 30, 2005 included restructuring and other charges of $0.2 million ($0.1 million net of tax), primarily for retail store asset impairments and lease terminations of two Jarman stores. These lease terminations were the continuation of a plan previously announced by the Company in Fiscal 2004.

Net earnings for the second quarter ended July 29, 2006 were $5.9 million ($0.24 diluted earnings per share) compared to $6.8 million ($0.27 diluted earnings per share) for the second quarter ended July 30, 2005. The Company recorded an effective income tax rate of 41.3% in the second quarter this year compared to 39.9% in the same period last year. This year's income tax expense includes a $0.2 million adjustment relating to changes in state tax laws.

Journeys Group

	Three Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 136,669**	$ 118,928	14.9%
Operating income	**$ 7,935**	$ 6,951	14.2%
Operating margin	**5.8%**	5.8%	

Net sales from Journeys Group increased 14.9% for the second quarter ended July 29, 2006 compared to the same period last year. The increase reflects primarily a 13% increase in average Journeys Group stores operated (i.e., the sum of the number of stores open on the first day of the fiscal quarter and the last day of each fiscal month during the quarter divided by four) and a 5% increase in comparable store sales. The comparable sales increase reflected an increase of 8% in footwear unit comparable sales, offset by a 2% decline in the average price per pair of shoes related to changes in product mix. Unit sales increased 19% during the same period. Journeys Group operated 806 stores at the end of the second quarter of Fiscal 2007, including 64 Journeys Kidz stores and six Shi by Journeys stores, compared to 711 stores at the end of the second quarter last year, including 41 Journeys Kidz stores.

Journeys Group operating income for the second quarter ended July 29, 2006 increased 14.2% to $7.9 million compared to $7.0 million for the second quarter ended July 30, 2005. The increase was due to increased net sales and increased gross margin as a percentage of net sales, reflecting decreased markdowns.

Underground Station Group

	Three Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 30,917**	$ 32,186	(3.9)%
Operating loss	**$ (1,747)**	$ (681)	(156.5)%
Operating margin	**(5.7)%**	(2.1)%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) decreased 3.9% for the second quarter ended July 29, 2006 compared to the same period last year. Sales for Underground Station stores increased 3% for the second quarter ended July 29, 2006. Sales for Jarman retail stores decreased 28% for the second quarter this year, reflecting a 25% decrease in the average number of Jarman stores operated related to the Company's strategy of closing Jarman stores or converting them to Underground Station stores. Comparable store sales decreased 6% for the Underground Station Group, 5% for Underground Station stores and 11% for Jarman retail stores. The decrease in comparable store sales was

primarily due to weak demand for men's athletic shoes and what management believes was overall softness in the urban market. The average price per pair of shoes for Underground Station Group was flat in the second quarter of Fiscal 2007, while unit sales decreased 6% during the same period. The average price per pair of shoes at Underground Station stores decreased 1% in the second quarter of Fiscal 2007, reflecting changes in product mix, while unit sales increased 2%. Underground Station Group operated 231 stores at the end of the second quarter of Fiscal 2007, including 189 Underground Station stores, compared to 226 stores at the end of the second quarter last year, including 168 Underground Station stores.

Underground Station Group operating income for the second quarter ended July 29, 2006 decreased to $(1.7) million compared to $(0.7) million in the second quarter ended July 30, 2005. The decrease was due to decreased net sales and increased expenses as a percentage of net sales due to the negative leverage from the decline in comparable store sales as store related expenses grew faster than sales.

Hat World Group

	Three Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 78,506**	$ 69,055	13.7%
Operating income	**$ 8,617**	$ 9,258	(6.9)%
Operating margin	**11.0%**	13.4%	

Net sales from Hat World Group increased 13.7% for the second quarter ended July 29, 2006 compared to the same period last year, reflecting primarily a 16% increase in average stores operated. Hat World Group comparable store sales were flat for the second quarter ended July 29, 2006. The comparable store sales were impacted by softer sales in NCAA headwear and in other, branded categories like beer and trucker hats. This was partially offset by strength in core and fashion-oriented Major League Baseball products, as well as branded action and performance headwear. Hat World Group operated 685 stores at the end of the second quarter of Fiscal 2007, including 21 stores in Canada, compared to 593 stores at the end of the second quarter last year, including 18 stores in Canada.

Hat World Group operating income for the second quarter ended July 29, 2006 decreased 6.9% to $8.6 million compared to $9.3 million for the second quarter ended July 30, 2005. The decrease in operating income was primarily due to decreased gross margin as a percentage of net sales, reflecting increased promotional activity.

Johnston & Murphy Group

	Three Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 41,916**	$ 41,008	2.2%
Operating income	**$ 2,484**	$ 2,418	2.7%
Operating margin	**5.9%**	5.9%	

Johnston & Murphy Group net sales increased 2.2% to $41.9 million for the second quarter ended July 29, 2006 from $41.0 million for the second quarter ended July 30, 2005, reflecting primarily a 4% increase in average retail stores operated and a 4% increase in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 4% in the second quarter of Fiscal 2007 and the average price per pair of shoes was flat for the same period. Retail operations accounted for 76.2% of Johnston & Murphy Group sales in the second quarter this year, down from 76.6% in the second quarter last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 1% (increased 2% in the Johnston and Murphy Shops) in the second quarter this year, primarily due to changes in product mix, while footwear unit sales were flat during the same period. The store count for Johnston & Murphy retail operations at the end of the second quarter of Fiscal 2007 included 148 Johnston & Murphy shops and factory stores compared to 142 Johnston & Murphy shops and factory stores at the end of the second quarter of Fiscal 2006.

Johnston & Murphy Group operating income for the second quarter ended July 29, 2006 increased 2.7% compared to the same period last year, primarily due to increased net sales and increased gross margin as a percentage of net sales, reflecting improvement in the wholesale business due to shipments of less off-priced product and lower markdowns in the retail business.

Licensed Brands

	Three Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 16,116**	$ 13,916	15.8%
Operating income	**$ 1,335**	$ 1,018	31.1%
Operating margin	**8.3%**	7.3%	

Licensed Brands' net sales increased 15.8% to $16.1 million for the second quarter ended July 29, 2006, from $13.9 million for the second quarter ended July 30, 2005. The sales increase reflects the increase in sales of Dockers Footwear, which performed well at retail. Unit sales for Dockers Footwear increased 14% for the second quarter this year and the average price per pair of shoes increased 1% compared to the same period last year.

Licensed Brands' operating income for the second quarter ended July 29, 2006 increased 31.1% from $1.0 million for the second quarter ended July 30, 2005 to $1.3 million, primarily due to increased net sales and to increased gross margin as a percentage of net sales from lower shipments of off-priced product.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the second quarter ended July 29, 2006 were $6.3 million compared to $5.1 million for the second quarter ended July 30, 2005. Corporate expenses in the second quarter this year included share-based compensation and restricted stock expense of approximately $1.8 million. Last year's second quarter results included restricted stock expense of $0.1 million.

Interest expense decreased 19.6% from $2.8 million in the second quarter ended July 30, 2005 to $2.3 million for the second quarter ended July 29, 2006, primarily due to the decrease in the term loan outstanding from $65.0 million at the end of the second quarter last year to $20 million at the end of the second quarter this year. There was an average of $2.8 million of revolver borrowings under the Company's revolving credit facility during the three months ended July 29, 2006. There were no borrowings under the Company's revolving credit facility during the three months ended July 30, 2005. Interest income decreased 57.7% from $0.3 million to $0.1 million for the second quarter ended July 29, 2006 due to the decrease in average short-term investments.

This year's second quarter included $0.5 million in restructuring and other charges, primarily for retail store asset impairments. Last year's second quarter included $0.2 million in restructuring and other charges, primarily for retail store asset impairments and lease terminations of two Jarman stores.

Results of Operations — Six Months Fiscal 2007 Compared to Fiscal 2006

The Company's net sales in the six months ended July 29, 2006 increased 10.3% to $619.3 million from $561.3 million in the six months ended July 30, 2005. Gross margin increased 10.2% to $314.8 million in the first six months this year from $285.5 million in the same period last year and decreased slightly as a percentage of net sales from 50.9% to 50.8%. Selling and administrative expenses in the first six months this year increased 12.0% from the first six months last year and increased as a percentage of net sales from 44.9% to 45.6%. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings before income taxes from continuing operations ("pretax earnings") for the six months ended July 29, 2006 were $27.6 million compared to $25.0 million for the six months ended July 30, 2005. Pretax earnings for the six months ended July 29, 2006 included restructuring and other charges of $0.6 million, primarily for retail store asset impairments. Pretax earnings for the six months ended July 30, 2005 included restructuring and other charges of $3.0 million, primarily $2.6 million for an anticipated settlement of a previously announced class action lawsuit (see Note 8), retail store asset impairments and lease terminations of four Jarman stores. These lease terminations were the continuation of a plan previously announced by the Company in Fiscal 2004.

Net earnings for the six months ended July 29, 2006 were $16.4 million ($0.64 diluted earnings per share) compared to $15.3 million ($0.61 diluted earnings per share) for the six months ended July 30, 2005. The Company recorded an effective income tax rate of 39.8% for the first six months ended July 29, 2006 compared to 39.2% in the same period last year. This year's income tax expense includes a $0.2 million adjustment relating to changes in state tax laws.

Journeys Group

	Six Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$278,169**	$247,772	12.3%
Operating income	**$ 21,086**	$ 20,719	1.8%
Operating margin	**7.6%**	8.4%	

Net sales from Journeys Group increased 12.3% for the first six months ended July 29, 2006 compared to the same period last year. The increase reflects primarily a 12% increase in average Journeys Group stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the six months divided by seven) and an increase in comparable store sales of 3% for the first six months ended July 29, 2006. Unit sales increased 17% for the six months ended July 29, 2006 while the average price per pair of shoes decreased 2% during the same period.

Journeys Group operating income for the six months ended July 29, 2006 increased 1.8% to $21.1 million compared to $20.7 million for the six months ended July 30, 2005. The increase was due to increased net sales and increased gross margin as a percentage of net sales, reflecting decreased markdowns.

Underground Station Group

	Six Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 70,873**	$ 72,022	(1.6)%
Operating income	**$ 658**	$ 1,935	(66.0)%
Operating margin	**0.9%**	2.7%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) decreased 1.6% for the six months ended July 29, 2006 compared to the same period last year. Sales for Underground Station stores increased 5% for the six months ended July 29, 2006. Sales for Jarman retail stores decreased 25% for the six months ended this year, reflecting a 25% decrease in the average number of Jarman stores operated related to the Company’s strategy of closing Jarman stores or converting them to Underground Station stores. Comparable store sales decreased 5% for the Underground Station Group, 3% for Underground Station stores and 10% for Jarman retail stores. The average price per pair of shoes for Underground Station Group was flat in the first six months of Fiscal 2007, while unit sales decreased 5% during the same period. The average price per pair of shoes at Underground Station stores decreased 1% in the first six months of Fiscal 2007, while unit sales increased 2%.

Underground Station Group operating income for the first six months ended July 29, 2006 decreased 66.0% to $0.7 million compared to $1.9 million in the first six months ended July 30, 2005. The decrease was due to decreased net sales and decreased gross margin as a percentage of net sales, reflecting increased markdowns, and to increased expenses as a percentage of net sales

due to the negative leverage from negative comparable store sales as store related expenses grew faster than sales.

During the first quarter this year, the Company was notified that Nike products will no longer be distributed through Underground Station stores. Nike made up approximately 13% of the Underground Station Group sales in Fiscal 2006. Underground Station received a full allocation of Nike product for back-to-school in the second quarter this year. Nike product has historically not had a significant impact on fourth quarter sales at Underground Station. Therefore, the Company does not anticipate a material impact from this decision in Fiscal 2007. It intends to expand its product offering to include additional brands and categories and a wider assortment of existing brands and categories in Fiscal 2008 in response to the Nike decision.

Hat World Group

	Six Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 149,194**	$ 131,202	13.7%
Operating income	**$ 14,624**	$ 14,740	(0.8)%
Operating margin	**9.8%**	11.2%	

Net sales from Hat World Group increased 13.7% for the six months ended July 29, 2006 compared to the same period last year, reflecting primarily a 17% increase in average stores operated. Hat World Group comparable store sales were flat for the first six months ended July 29, 2006.

Hat World Group operating income for the first six months ended July 29, 2006 decreased 0.8% to $14.6 million compared to $14.7 million for the first six months ended July 30, 2005. The decrease in operating income was due to decreased gross margin as a percentage of net sales, reflecting increased promotional activity, and to increased expenses as a percentage of net sales resulting from negative leverage due to flat comparable store sales, as store related expenses grew faster than the sales increase.

Johnston & Murphy Group

	Six Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 85,947**	$ 82,516	4.2%
Operating income	**$ 5,307**	$ 4,948	7.3%
Operating margin	**6.2%**	6.0%	

Johnston & Murphy Group net sales increased 4.2% to $85.9 million for the six months ended July 29, 2006 from $82.5 million for the six months ended July 30, 2005, reflecting primarily a 9% increase in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 9% in the first six months of Fiscal 2007 and the average price per pair of shoes was flat for the same period. Retail operations accounted for 73.6% of Johnston & Murphy segment sales in the first six months this year, down from 74.9% in the first six months

last year. Comparable store sales for Johnston & Murphy retail operations decreased 1% for the six months ended July 29, 2006 compared to the same period last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 3% (2% in the Johnston and Murphy Shops) in the first six months this year, primarily due to changes in product mix, while footwear unit sales increased 3% during the same period.

Johnston & Murphy Group operating income for the six months ended July 29, 2006 increased 7.3% to $5.3 million compared to $4.9 million for the same period last year, primarily due to increased net sales and increased gross margin as a percentage of net sales, primarily due to lower markdowns in the retail business and improvement in the wholesale business due to shipments of less off-priced product.

Licensed Brands

	Six Months Ended		
	July 29, 2006	July 30, 2005	% Change
	(dollars in thousands)		
Net sales	**$ 34,915**	$ 27,608	26.5%
Operating income	**$ 3,064**	$ 1,764	73.7%
Operating margin	**8.8%**	6.4%	

Licensed Brands' net sales increased 26.5% to $34.9 million for the six months ended July 29, 2006, from $27.6 million for the six months ended July 30, 2005. The sales increase reflects the increase in sales of Dockers Footwear, including replenishment sales of Dockers products, in particular the proStyle ® and Stain Defender ® footwear, which performed well at retail. Dockers' sales increase also reflected sell-in related to increasing shelf space in existing accounts. Unit sales for Dockers Footwear increased 24% for the first six months this year and the average price per pair of shoes increased 1% compared to the same period last year.

Licensed Brands' operating income for the six months ended July 29, 2006 increased 73.7% from $1.8 million for the six months ended July 30, 2005 to $3.1 million, primarily due to increased net sales, increased gross margin as a percentage of net sales from lower shipments of off-priced products, and to decreased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the six months ended July 29, 2006 were $13.1 million compared to $13.8 million for the six months ended July 30, 2005. Corporate expenses in the first six months this year included share-based compensation and restricted stock expense of approximately $3.5 million. Last year's first six months results included restricted stock expense of $0.3 million.

Interest expense decreased 22.7% from $5.9 million in the six months ended July 30, 2005 to $4.5 million for the six months ended July 29, 2006, primarily due to the decrease in the term loan outstanding from $65.0 million at the end of first six months last year to $20 million at the end of the first six months this year. There was an average of $1.4 million of revolver borrowings under the Company's revolving credit facility during the six months ended July 29, 2006. There were no borrowings under the Company's revolving credit facility during the six months ended July 30, 2005. Interest income decreased 22.8% to $0.5 million for the six months ended July 29, 2006

from $0.6 million for the same period last year, primarily due to the decrease in average short-term investments.

This year's first six months included $0.6 million in restructuring and other charges, primarily for retail store asset impairments. Last year's first six months included $3.0 million in restructuring and other charges, primarily for settlement of a California employment class action, retail store asset impairments and lease terminations of four Jarman stores.

Liquidity and Capital Resources

The following table sets forth certain financial data at the dates indicated.

	July 29, 2006	January 28, 2006	July 30, 2005
		(dollars in millions)	
Cash and cash equivalents	**$ 19.4**	$ 60.5	$ 38.8
Working capital	**$ 201.2**	$ 185.0	$ 182.3
Long-term debt	**$ 129.3**	$ 106.3	$ 151.3

Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Historically, cash flow from operations has been generated principally in the fourth quarter of each fiscal year.

Cash used in operating activities was $26.9 million in the first six months of Fiscal 2007 compared to cash provided by operating activities of $3.3 million in the first six months of Fiscal 2006. The $30.2 million decrease in cash flow from operating activities from last year reflects primarily a decrease in cash flow from changes in inventory and other accrued liabilities of $37.3 million and $17.0 million, respectively. The $37.3 million decrease in cash flow from inventory was due to seasonal increases in retail inventory and growth in our retail businesses to support the net increase of 97 stores in the first six months of Fiscal 2007 versus 54 stores in the first six months of Fiscal 2006. The $17.0 million decrease in cash flow from other accrued liabilities was due to increased bonus payments and an $11.7 million increase in income taxes paid for the first six months this year compared to the same period last year.

The $100.8 million increase in inventories at July 29, 2006 from January 28, 2006 levels reflects seasonal increases in retail inventory and inventory purchased to support the net increase of 97 stores in the first six months this year.

Accounts receivable at July 29, 2006 decreased $1.6 million compared to January 28, 2006 due primarily to reductions in non-trade receivables relating primarily to tenant allowances and to insurance payments received that were due to the Company as a result of Hurricane Katrina.

Cash provided (or used) due to changes in accounts payable and accrued liabilities are as follows:

	Three Months Ended	
	July 29, 2006	July 30, 2005
	(in thousands)	
Accounts payable	**$ 60,656**	$ 44,284
Accrued liabilities	**(29,089)**	(12,123)
	$ 31,567	$ 32,161

The fluctuations in cash provided due to changes in accounts payable for the first six months this year from the first six months last year are due to changes in buying patterns and payment terms negotiated with individual vendors. The change in cash provided due to changes in accrued liabilities for the first six months this year from the first six months last year was due primarily to increased bonus payments and tax payments in the first six months of Fiscal 2007.

There was an average of $1.4 million of revolving credit borrowings during the first six months ended July 29, 2006 and no revolving credit borrowings during the first six months ended July 30, 2005, as cash generated from operations and cash on hand funded most of the seasonal working capital requirements and capital expenditures for the first six months of Fiscal 2007.

The Company's contractual obligations over the next five years have increased from January 28, 2006. Operating lease obligations increased to $947 million from $843 million due to new store openings. Purchase obligations increased to $259 million from $233 million due to seasonal increases in purchases of retail inventory and new store openings.

Capital Expenditures

Total capital expenditures in Fiscal 2007 are expected to be approximately $66.7 million. These include expected retail capital expenditures of $58.0 million to open approximately 60 Journeys stores, 25 Journeys Kidz stores, 14 Shi by Journeys stores, 14 Johnston & Murphy shops and factory stores, 11 Underground Station stores and 103 Hat World stores and to complete 103 major store renovations, including three conversions of Jarman stores to Underground Station stores. The amount of capital expenditures in Fiscal 2007 for other purposes is expected to be approximately $8.7 million, including approximately $1.6 million for new systems to improve customer service and support the Company's growth.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its planned capital expenditures through Fiscal 2007, although the Company plans to borrow under its revolving credit facility from time to time, particularly in the fall, to support seasonal working capital requirements. The approximately $3.9 million of costs associated with discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand and borrowings under the revolving credit facility.

The Company's board of directors authorized the repurchase, from time to time, of up to 7.5 million shares of the Company's common stock under a series of authorizations in Fiscal 1999-2003. Purchases were funded from available cash and borrowings under the revolving credit facility. The Company repurchased 7.1 million shares at a cost of $72.1 million under those authorizations. In June 2006, the board authorized an additional $20 million in stock repurchases. The Company repurchased 0.4 million shares at a cost of $12.8 million during the second quarter of Fiscal 2007, leaving $7.2 million remaining to be repurchased under this

authorization as of July 29, 2006. In August 2006, the board authorized an additional $30 million in stock repurchases. In total, the Company has repurchased 7.5 million shares at a cost of $84.9 million at an average price of $11.27 per share from all authorizations as of July 29, 2006.

There were $11.4 million of letters of credit outstanding and $23.0 million revolver borrowings outstanding under the revolving credit facility at July 29, 2006, leaving availability under the revolving credit facility of $40.6 million. The revolving credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and lease adjusted debt to EBITDAR ratios. The Company was in compliance with these financial covenants at July 29, 2006.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to common stock, including repurchases. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, $2.30 Series 1, $4.75 Series 3 and $4.75 Series 4, and on its $1.50 Subordinated Cumulative Preferred Stock is $256,000.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 8 to the Company's Condensed Consolidated Financial Statements. The Company has made accruals for certain of these contingencies, including approximately $0.4 million in the first six months of Fiscal 2007, $0.8 million reflected in Fiscal 2006 and $0.9 million reflected in Fiscal 2005. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Financial Market Risk

The following discusses the Company's exposure to financial market risk related to changes in interest rates and foreign currency exchange rates.

Outstanding Debt of the Company — The Company's outstanding long-term debt of $86.3 million 4 1/8% Convertible Subordinated Debentures due June 15, 2023 bears interest at a fixed rate. Accordingly, there would be no immediate impact on the Company's interest expense due to fluctuations in market interest rates. The Company's $20.0 million outstanding under the term loan bears interest according to a pricing grid providing margins over LIBOR or Alternate Base Rate. The Company entered into three separate interest rate swap agreements as a means of managing its interest rate exposure on the original term loan. The notional amount of the one remaining swap agreement is $20.0 million. At July 29, 2006, the net gain on this interest rate swap was $0.2 million.

Cash and Cash Equivalents — The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company does not have significant exposure to changing interest rates on invested cash at July 29, 2006. As a result, the Company considers the interest rate market risk implicit in these investments at July 29, 2006 to be low.

Foreign Currency Exchange Rate Risk — Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. At July 29, 2006, the Company had $9.7 million of forward foreign exchange contracts for Euro. The Company's policy is not to speculate in derivative instruments for profit on the exchange rate price fluctuation and it does not hold any derivative instruments for trading purposes. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. The unrealized gain on contracts outstanding at July 29, 2006 was $0.2 million based on current spot rates. As of July 29, 2006, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately $1.1 million.

Accounts Receivable — The Company's accounts receivable balance at July 29, 2006 is concentrated in its two wholesale businesses, which sell primarily to department stores and independent retailers across the United States. Two customers accounted for 13% each of the Company's trade accounts receivable balance as of July 29, 2006 and no other customer accounted for more than 9% of the Company's trade receivables balance as of July 29, 2006. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk, historical trends and other information; however, credit risk is affected by conditions or occurrences within the economy and the retail industry, as well as company-specific information.

Summary — Based on the Company's overall market interest rate and foreign currency rate exposure at July 29, 2006, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates or foreign currency exchange rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2007 would not be material.

New Accounting Principles

On January 29, 2006, the Company adopted SFAS No.123(R) using the modified prospective transition method. Under the modified prospective transition method, recognized compensation cost for the six months ended July 29, 2006 includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 29, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123; and (ii) compensation cost for all share-based payments granted on or after January 29, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123(R). In accordance with the modified prospective method, the Company has not restated prior period results. SFAS No. 123(R) requires the Company to measure and recognize compensation expense for all share-based payment awards based on estimated fair values at the date of grant. Determining the fair value of share-based awards at the grant date requires judgment in developing assumptions, which involve a number of variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards and expected stock option exercise behavior. In addition, the Company also uses judgment in estimating the number of share-based awards that are expected to be forfeited. For the six months ended July 29, 2006 and July 30, 2005, the Company estimated the fair value of each option award on the date of grant using a Black-Scholes option pricing model. As a result of

adopting SFAS No. 123(R), earnings before income taxes from continuing operations, earnings from continuing operations and net earnings for the three months and six months ended July 29, 2006 were $1.1 million, $1.1 million, $1.1 million, $2.1 million, $1.9 million and $1.9 million lower, respectively, than if the Company had continued to account for share-based compensation under APB No. 25. The effect of adopting SFAS No. 123(R) on basic and diluted earnings per common share for the three months and six months ended July 29, 2006 was $0.05, $0.04, $0.08 and $0.07, respectively.

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the income statement (that is, gross versus net presentation)," which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes and some types of excise taxes. EITF No. 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. EITF No. 06-3 will not impact the method for recording and reporting these sales taxes in the Company's Condensed Consolidated Financial Statements as the Company's policy is to exclude all such taxes from revenue.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of SFAS No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This Interpretation prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold should be measured in order to determine the tax benefit to be recognized in the financial statements. FIN 48 is effective in fiscal years beginning after December 15, 2006. The Company has not yet determined the impact, if any, of adopting FIN 48 on its Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company incorporates by reference the information regarding market risk appearing under the heading "Financial Market Risk" in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of July 29, 2006, the principal executive officer and principal financial officer of the Company have concluded that, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the Company's second fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company incorporates by reference the information regarding legal proceedings in Note 8 of the Company's Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended January 28, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Repurchases (shown in 000's except share and per share amounts):

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total of Number of Shares (or Units Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
May 2006				
4-30-06 to 5-27-06	—	$ —	—	100,000
June 2006				
5-28-06 to 6-24-06	—	$ —	—	100,000
July 2006				
6-25-06 to 6-28-06	25,000	$33.17	25,000	75,000(2)
6-29-06 to 7-29-06	408,000	$31.31	408,000	$ 7,225

(1) The Company's Board of Directors authorized the repurchase, from time to time, of up to 7.5 million shares of the Company's common stock under a series of authorizations in Fiscal 1999 — 2003. The Company repurchased 7.1 shares at a cost of $72.1 million under those authorizations. On June 28, 2006, the Company's Board of Directors authorized an additional $20.0 million in stock repurchases. As of July 29, 2006, the Company had repurchased and retired a total of 7.5 million shares of common stock at an aggregate cost of approximately $84.9 million. In August 2006, the Board of Directors authorized an additional $30.0 million in stock repurchases.

(2) This authorization was replaced with the new $20.0 million authorization on June 28, 2006.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of shareholders held on June 28, 2006, shares representing a total of 23,462,029 votes were outstanding and entitled to vote. At the meeting, shareholders of the Company:

1) elected eleven directors nominated by the board of directors by the following votes:

	Votes "For"	Votes "Withheld"
James S. Beard	21,893,081	253,283
Leonard L. Berry	21,893,769	252,595
William F. Blaufuss, Jr.	21,894,934	251,430
James W. Bradford	21,892,589	253,775
Robert V. Dale	21,891,313	255,051
Matthew C. Diamond	21,889,882	256,482
Marty G. Dickens	21,841,892	304,472
Ben T. Harris	21,875,990	270,374
Kathleen Mason	15,661,306	6,485,058
Hal N. Pennington	21,152,246	994,118
William A. Williamson, Jr.	21,149,508	996,856

2) ratified the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending February 3, 2007 by a vote of 22,085,643 for and 51,535 against, with 9,186 abstentions and no broker non-votes.

Item 6. Exhibits

(a) Exhibits

(31.1) Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32.1) Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURE

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

Genesco Inc.

/s/ James S. Gulmi
James S. Gulmi
Chief Financial Officer
September 7, 2006

Exhibit 31.1

Certification of Chief Executive Officer

I, Hal N. Pennington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2006

/s/ Hal N. Pennington
Hal N. Pennington
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

I, James S. Gulmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2006

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending July 29, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hal N. Pennington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Hal N. Pennington
Hal N. Pennington
Chief Executive Officer
September 7, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending July 29, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Gulmi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James S. Gulmi
James S. Gulmi
Chief Financial Officer
September 7, 2006