GENESCO

Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarter Ended July 30, 2005

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

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☑ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

Common Shares Outstanding August 27, 2005 – 22,746,844

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Genesco Inc.
and Subsidiaries

Consolidated Balance Sheets
In Thousands, except share amounts

	July 30, 2005	January 29, 2005	July 31, 2004 (as restated, see Note 2)
Assets			
Current Assets			
Cash and cash equivalents	**$ 38,848**	$ 60,068	$ 15,286
Accounts receivable, net of allowances of $1,677 at July 30, 2005, $2,166 at January 29, 2005 and $3,519 at July 31, 2004	**17,762**	17,906	17,449
Inventories	**270,688**	207,197	263,377
Deferred income taxes	**3,898**	2,699	6,859
Prepaids and other current assets	**19,849**	18,049	13,401
Total current assets	**351,045**	305,919	316,372
Property and equipment:			
Land	**4,972**	4,972	4,971
Buildings and building equipment	**14,663**	14,565	14,175
Computer hardware, software and equipment	**57,840**	54,445	51,271
Furniture and fixtures	**61,982**	58,679	55,933
Construction in progress	**8,015**	6,085	5,703
Improvements to leased property	**169,207**	158,692	151,062
Property and equipment, at cost	**316,679**	297,438	283,115
Accumulated depreciation	**(143,363)**	(128,768)	(118,118)
Property and equipment, net	**173,316**	168,670	164,997
Deferred income taxes	**617**	329	1,606
Goodwill	**96,561**	97,223	97,556
Trademarks	**47,634**	47,633	47,543
Other intangibles, net of accumulated amortization of $3,150 at July 30, 2005, $1,954 at January 29, 2005 and $772 at July 31, 2004	**5,436**	6,632	7,814
Other noncurrent assets	**9,340**	9,165	9,650
Total Assets	**$ 683,949**	$ 635,571	$ 645,538

Genesco Inc.
and Subsidiaries

Consolidated Balance Sheets
In Thousands, except share amounts

	July 30, 2005	January 29, 2005	July 31, 2004 (as restated, see Note 2)
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	**$114,837**	$ 65,599	$ 104,468
Accrued employee compensation	**15,337**	21,836	12,570
Accrued other taxes	**8,571**	10,162	7,314
Accrued income taxes	**-0-**	5,312	325
Other accrued liabilities	**26,338**	22,640	19,659
Current portion — long-term debt	**-0-**	-0-	13,000
Provision for discontinued operations	**3,677**	4,125	1,234
Total current liabilities	**168,760**	129,674	158,570
Long-term debt	**151,250**	161,250	189,250
Pension liability	**23,406**	28,328	27,799
Deferred rent and other long-term liabilities	**45,571**	42,576	42,321
Provision for discontinued operations	**1,631**	1,678	1,234
Total liabilities	**390,618**	363,506	419,174
Commitments and contingent liabilities			
Shareholders' Equity			
Non-redeemable preferred stock	**7,229**	7,474	7,502
Common shareholders' equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
July 30, 2005 - 23,231,418/22,742,954			
January 29, 2005 - 22,925,857/22,437,393			
July 31, 2004 - 22,461,925/21,973,461	**23,231**	22,926	22,462
Additional paid-in capital	**115,583**	109,005	100,615
Retained earnings	**191,934**	176,819	139,326
Accumulated other comprehensive loss	**(26,789)**	(26,302)	(25,684)
Treasury shares, at cost	**(17,857)**	(17,857)	(17,857)
Total shareholders' equity	**293,331**	272,065	226,364
Total Liabilities and Shareholders' Equity	**$683,949**	$635,571	$ 645,538

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

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Genesco Inc.
and Consolidated Subsidiaries

Consolidated Statements of Earnings
In Thousands, except per share amounts

	Three Months Ended		Six Months Ended	
	July 30, 2005	July 31, 2004 (as restated, see Note 2)	July 30, 2005	July 31, 2004 (as restated, see Note 2)
Net sales	**$275,168**	$ 245,939	**$561,253**	$ 471,465
Cost of sales	**136,210**	124,050	**275,742**	238,898
Selling and administrative expenses	**124,948**	112,011	**252,204**	211,349
Restructuring and other, net	**177**	(160)	**3,044**	(92)
Earnings from operations	**13,833**	10,038	**30,263**	21,310
Interest expense, net				
Interest expense	**2,821**	2,899	**5,877**	4,934
Interest income	**(253)**	(3)	**(605)**	(156)
Total interest expense, net	**2,568**	2,896	**5,272**	4,778
Earnings before income taxes from continuing operations	**11,265**	7,142	**24,991**	16,532
Income taxes	**4,499**	2,317	**9,799**	5,901
Earnings from continuing operations	**6,766**	4,825	**15,192**	10,631
Provision for discontinued operations, net	**-0-**	(21)	**65**	(21)
Net Earnings	**$ 6,766**	$ 4,804	**$ 15,257**	$ 10,610
Basic earnings per common share:				
Continuing operations	**$ .29**	$ .22	**$ .67**	$ .48
Discontinued operations	**$ .00**	$ .00	**$ .00**	$ .00
Net earnings	**$ .29**	$ .22	**$ .67**	$ .48
Diluted earnings per common share:				
Continuing operations	**$ .27**	$ .20	**$ .60**	$ .45
Discontinued operations	**$ .00**	$ .00	**$ .01**	$ .00
Net earnings	**$ .27**	$ .20	**$ .61**	$ .45

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

Genesco Inc.
and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
In Thousands

	Three Months Ended		Six Months Ended	
	July 30, 2005	July 31, 2004 (as restated, see Note 2)	July 30, 2005	July 31, 2004 (as restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	**$ 6,766**	$ 4,804	**$ 15,257**	$ 10,610
Tax benefit of stock options exercised	**454**	822	**1,500**	1,095
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation	**8,439**	8,034	**16,887**	14,786
Provision for legal settlement	**-0-**	-0-	**2,571**	-0-
Deferred income taxes	**53**	(758)	**(522)**	(309)
Provision for losses on accounts receivable	**(11)**	8	**(16)**	88
Impairment of long-lived assets	**173**	319	**337**	319
Loss on retirement of debt	**74**	-0-	**74**	-0-
Provision for discontinued operations	**-0-**	34	**(106)**	34
Other	**786**	727	**1,420**	1,192
Effect on cash of changes in working capital and other assets and liabilities, net of acquisitions:				
Accounts receivable	**(237)**	(2,913)	**160**	(3,449)
Inventories	**(53,603)**	(47,305)	**(63,492)**	(61,373)
Prepaids and other current assets	**(2,053)**	775	**(1,799)**	1,905
Accounts payable	**30,699**	25,165	**44,284**	23,902
Other accrued liabilities	**138**	(1,786)	**(12,123)**	(1,141)
Other assets and liabilities	**2,076**	2,141	**(1,100)**	3,807
Net cash provided by (used in) operating activities	**(6,246)**	(9,933)	**3,332**	(8,534)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	**(10,846)**	(10,421)	**(23,144)**	(17,829)
Acquisitions, net of cash acquired	**-0-**	(1,261)	**-0-**	(168,783)
Proceeds from sale of property and equipment	**1**	2	**1**	2
Net cash used in investing activities	**(10,845)**	(11,680)	**(23,143)**	(186,610)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of long-term debt	**(10,000)**	-0-	**(10,000)**	-0-
Payments of capital leases	**(77)**	(133)	**(190)**	(186)
Change in overdraft balances	**2,310**	11,485	**4,954**	13,608
Revolver borrowings, net	**-0-**	12,000	**-0-**	16,000
Dividends paid	**(69)**	(73)	**(142)**	(146)
Long-term borrowings	**-0-**	-0-	**-0-**	100,000
Options exercised	**1,398**	2,084	**3,969**	2,965
Deferred financing costs	**-0-**	-0-	**-0-**	(3,360)
Net cash provided by (used in) financing activities	**(6,438)**	25,363	**(1,409)**	128,881
Net Cash Flow	**(23,529)**	3,750	**(21,220)**	(66,263)
Cash and cash equivalents at beginning of period	**62,377**	11,536	**60,068**	81,549
Cash and cash equivalents at end of period	**$ 38,848**	$ 15,286	**$ 38,848**	$ 15,286
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	**$ 3,519**	$ 3,391	**$ 5,173**	$ 4,108
Income taxes	**9,398**	6,422	**15,535**	14,654

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

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Genesco Inc.
and Subsidiaries

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 31, 2004	**$ 7,580**	**$22,212**	**$ 96,612**	**$128,862**	**$(25,164)**	**$(17,857)**		**$212,245**
Net earnings	-0-	-0-	-0-	48,249	-0-	-0-	$48,249	48,249
Dividends paid	-0-	-0-	-0-	(292)	-0-	-0-	-0-	(292)
Exercise of stock options	-0-	667	8,448	-0-	-0-	-0-	-0-	9,115
Issue shares – Employee Stock Purchase Plan	-0-	25	327	-0-	-0-	-0-	-0-	352
Tax benefit of stock options exercised	-0-	-0-	3,264	-0-	-0-	-0-	-0-	3,264
Loss on foreign currency forward contracts (net of tax benefit of $0.6 million)	-0-	-0-	-0-	-0-	(905)	-0-	(905)	(905)
Gain on interest rate swaps (net of tax of $0.1 million)	-0-	-0-	-0-	-0-	157	-0-	157	157
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	101	-0-	101	101
Minimum pension liability adjustment (net of tax benefit of $0.6 million)	-0-	-0-	-0-	-0-	(491)	-0-	(491)	(491)
Other	(106)	22	354	-0-	-0-	-0-	-0-	270
Comprehensive income							$47,111	
Balance January 29, 2005	**7,474**	**22,926**	**109,005**	**176,819**	**(26,302)**	**(17,857)**		**272,065**
Net earnings	-0-	-0-	-0-	15,257	-0-	-0-	15,257	15,257
Dividends paid	-0-	-0-	-0-	(142)	-0-	-0-	-0-	(142)
Exercise of stock options	-0-	295	4,675	-0-	-0-	-0-	-0-	4,970
Tax benefit of stock options exercised	-0-	-0-	1,500	-0-	-0-	-0-	-0-	1,500
Loss on foreign currency forward contracts (net of tax benefit of $0.4 million)	-0-	-0-	-0-	-0-	(660)	-0-	(660)	(660)
Gain on interest rate swaps (net of tax of $0.2 million)	-0-	-0-	-0-	-0-	264	-0-	264	264
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	(91)	-0-	(91)	(91)
Other	(245)	10	403	-0-	-0-	-0-	-0-	168
Comprehensive income*							$14,770	
Balance July 30, 2005	**$ 7,229**	**$23,231**	**$115,583**	**$191,934**	**$(26,789)**	**$(17,857)**		**$293,331**

* Comprehensive income was $6.3 million and $4.8 million for the second quarter ended July 30, 2005 and July 31, 2004, respectively. Comprehensive income was $10.1 million for the six month period ended July 31, 2004.

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

Genesco Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The consolidated financial statements contained in this report 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 January 28, 2006 ("Fiscal 2006") and of the fiscal year ended January 29, 2005 ("Fiscal 2005"). 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 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* and *Dockers* brands and the operation at July 30, 2005 of 1,672 *Jarman, Journeys, Journeys Kidz, Johnston & Murphy, Underground Station, Hat World, Lids, Hat Zone, Cap Connection and Head Quarters* retail footwear and headwear stores.

Principles of Consolidation

All subsidiaries are included in the 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.

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 definite-lived long-lived assets.

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 9 to the Company's 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 circumstance 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.

Note 1
Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Included in cash and cash equivalents at July 30, 2005 and January 29, 2005 are cash equivalents of $21.8 million and $51.3 million, respectively. Cash equivalents are highly-liquid debt 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 30, 2005 and January 29, 2005, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $22.6 million and $17.6 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. One customer accounted for 16% of the Company's trade receivables balance and another customer accounted for 11% as of July 30, 2005 and no other customer accounted for more than 5% of the Company's trade receivables balance as of July 30, 2005.

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 depreciation expense in the Consolidated Statements of Earnings.

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. This Statement 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.

Note 1
Summary of Significant Accounting Policies, Continued

Postretirement 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.

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 $0.9 million and $1.2 million for the second quarter of Fiscal 2006 and 2005, respectively, and $2.1 million and $2.4 million for the first six months of Fiscal 2006 and 2005, 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.

Note 1
Summary of Significant Accounting Policies, Continued

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 Statements of Earnings.

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 $6.3 million and $6.1 million for the second quarter of Fiscal 2006 and 2005, respectively, and $14.1 million and $11.9 million for the first six months of Fiscal 2006 and 2005, 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 Consolidated Balance Sheets included prepaid assets for direct response advertising costs of $0.6 million and $1.2 million at July 30, 2005 and January 29, 2005.

**Note 1
Summary of Significant Accounting Policies, Continued**

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.

Cooperative Advertising

Cooperative advertising funds are made available to all of the Company's retail 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 retail 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 $0.5 million and $0.5 million for the second quarter of Fiscal 2006 and 2005, respectively, and $1.0 million and $1.2 million for the first six months of Fiscal 2006 and 2005, respectively. During the first six months of Fiscal 2006 and 2005, 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.

Note 1
Summary of Significant Accounting Policies, Continued

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.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $1.2 million and $0.6 million for the second quarter of Fiscal 2006 and 2005, respectively, and $2.3 million and $1.1 million for the first six months of Fiscal 2006 and 2005, respectively. During the first six months of Fiscal 2006 and 2005, 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 8).

Note 1
Summary of Significant Accounting Policies, Continued

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 30, 2005 consists of $27.0 million of cumulative minimum pension liability adjustments, net of tax, cumulative net losses of $0.2 million on foreign currency forward contracts, net of tax, cumulative net gains of $0.4 million on interest rate swaps, net of tax, and a foreign currency translation adjustment of less than $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 10).

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.

Note 1
Summary of Significant Accounting Policies, Continued

Stock Incentive Plans

As of July 30, 2005, the Company had two fixed stock incentive plans. Under the new 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 granted options to management personnel 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. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations. In April 2005, 36,764 shares of restricted stock granted to the chairman, president and chief executive officer of the Company in April 2002 vested and their fair value was charged against income as compensation cost. With this vesting, the Company’s only outstanding, unvested restricted stock consists of shares granted to non-employee directors under the 1996 Stock Incentive Plan. Compensation cost of $0.1 million, $0.1 million, $0.2 million and $0.2 million, net of tax, for each of the second quarters and first six months of Fiscal 2006 and 2005, respectively, has been charged against income for restricted stock incentive plans. No other stock incentive plan compensation is reflected in net earnings, as all other awards under the fixed stock incentive plans were options with an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for all of the Company’s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by SFAS No. 123 “Accounting for Stock-Based Compensation” (as amended by SFAS No. 148), the Company’s net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	**July 30, 2005**	July 31, 2004	**July 30, 2005**	July 31, 2004
Net earnings, as reported	**$ 6,766**	$ 4,804	**$ 15,257**	$ 10,610
Add: stock-based employee compensation expense included in reported net earnings, net of related tax effects	**52**	101	**156**	219
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(730)**	(634)	**(1,475)**	(1,252)
Pro forma net earnings	**$ 6,088**	$ 4,271	**$ 13,938**	$ 9,577
Earnings per share:				
Basic — as reported	**$ .29**	$ .22	**$ .67**	$ .48
Basic — pro forma	**$ .27**	$ .19	**$ .61**	$ .43
Diluted — as reported	**$ .27**	$ .20	**$ .61**	$ .45
Diluted — pro forma	**$ .24**	$ .18	**$ .56**	$ .41

Note 1
Summary of Significant Accounting Policies, Continued

New Accounting Principles

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment,” which is a revision of SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS No. 123(R) supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and amends SFAS No. 95, “Statement of Cash Flows.” Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the Statements of Earnings based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. The Company’s board of directors has amended the Company’s Employee Stock Purchase Plan 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 and are not required to be reflected in the Consolidated Statements of Earnings.

SFAS No. 123(R) is effective for public companies at the beginning of the first fiscal year beginning after June 15, 2005 (Fiscal 2007 for the Company).

SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A “modified prospective” method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

2. A “modified retrospective” method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures of all prior periods presented.

Note 1
Summary of Significant Accounting Policies, Continued

As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)'s fair value method will have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net earnings and earnings per share in Note 1. The pro forma amounts were calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were $0.5 million and $0.8 million for the second quarter of Fiscal 2006 and 2005, respectively, and $1.5 million and $1.1 million for the first six months of Fiscal 2006 and 2005, respectively.

In November 2004, the EITF reached a consensus on Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Issue addressed when to include contingently convertible debt instruments in diluted earnings per share. The Issue required companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger had been met. The Company's diluted earnings per share calculation for the second quarter and first six months of Fiscal 2006 includes an additional 3.9 million shares and a net after tax interest add back of $0.6 million and $1.2 million, respectively. The Issue was effective for periods ending after December 15, 2004 and required restatement of prior period diluted earnings per share. Earnings per share for the second quarter and first six months of Fiscal 2005 were previously restated.

Note 2
Restatement of Financial Statements

On April 14, 2005, the Company filed its annual report on Form 10-K. In that report, the Company restated its financial statements for fiscal years 2004 and 2003 and the first three quarters of Fiscal 2005. Accordingly, the prior year financial results for the fiscal quarter and six months ended July 31, 2004 reflect the impact of the restatement.

The issue requiring restatement related to the Company's lease-related accounting methods. The Company determined that its methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with U.S. generally accepted accounting principles. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended January 31, 2004 and February 1, 2003, and the first three quarters of Fiscal 2005.

Following is a summary of the effects of these changes on the Company's Consolidated Balance Sheet as of July 31, 2004, as well as on the Company's Consolidated Statements of Earnings and Cash Flows for the three months and six months ended July 31, 2004 (in thousands, except per share amounts):

Consolidated Balance Sheet

	As Previously Reported	Adjustments	As Restated
July 31, 2004:			
Deferred income taxes — current	$ 10,966	$ (4,107)	$ 6,859
Property and equipment, net	148,279	16,718	164,997
Deferred income taxes — non-current	-0-	1,606	1,606
Total assets	631,321	14,217	645,538
Total current liabilities*	169,462	(10,892)	158,570
Deferred income tax liability	4,645	(4,645)	-0-
Deferred rent and other long-term liabilities	9,246	33,075	42,321
Retained earnings	142,647	(3,321)	139,326
Total shareholders' equity	229,685	(3,321)	226,364
Total liabilities and shareholders' equity	$ 631,321	$ 14,217	$ 645,538

* Deferred rent reclassified to other long-term liabilities.

Note 2
Restatement of Financial Statements, Continued

Consolidated Statement of Earnings

		As Previously Reported		Adjustments		As Restated
Three Months Ended July 31, 2004:						
Selling and administrative expenses	$	112,115	$	(104)	$	112,011
Restructuring and other, net		(186)		26		(160)
Earnings from operations		9,960		78		10,038
Earnings before income taxes from continuing operations		7,064		78		7,142
Income taxes		2,289		28		2,317
Earnings from continuing operations		4,775		50		4,825
Net Earnings	$	4,754	$	50	$	4,804
Net earnings per common share — basic	$	0.21	$	0.01	$	0.22
Net earnings per common share — diluted*	$	0.21	$	(0.01)	$	0.20

* Diluted net earnings per share decreased $0.01 per share due to the restatement for EITF Issue No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share” (see Note 8). The lease restatement had no effect on diluted net earnings per share for the quarter ended July 31, 2004.

Consolidated Statement of Earnings

		As Previously Reported		Adjustments		As Restated
Six Months Ended July 31, 2004:						
Selling and administrative expenses	$	211,345	$	4	$	211,349
Restructuring and other, net		(40)		(52)		(92)
Earnings from operations		21,262		48		21,310
Earnings before income taxes from continuing operations		16,484		48		16,532
Income taxes		5,885		16		5,901
Earnings from continuing operations		10,599		32		10,631
Net Earnings	$	10,578	$	32	$	10,610
Net earnings per common share — basic	$	0.48	$	0.00	$	0.48
Net earnings per common share — diluted*	$	0.47	$	(0.02)	$	0.45

* Diluted net earnings per share decreased $0.02 per share due to the restatement for EITF Issue No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share” (see Note 8). The lease restatement had no effect on diluted net earnings per share for the six months ended July 31, 2004.

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Note 2
Restatement of Financial Statements, Continued

Consolidated Statement of Cash Flows

	As Previously Reported	Adjustments	As Restated
Three Months Ended July 31, 2004:			
Net cash used in operating activities	$ (11,002)	1,069	$ (9,933)
Net cash used in investing activities	(10,611)	(1,069)	(11,680)
Six Months Ended July 31, 2004:			
Net cash used in operating activities	$ (10,108)	1,574	$ (8,534)
Net cash used in investing activities	(185,036)	(1,574)	(186,610)

Note 3
Acquisitions

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of 100% of the outstanding common shares of Hat World Corporation ("Hat World") for a total purchase price of approximately $179 million, including adjustments for $12.6 million of net cash acquired, a $1.2 million subsequent working capital adjustment and direct acquisition expenses of $2.8 million. The results of Hat World's operations have been included in the consolidated financial statements since that date. Headquartered in Indianapolis, Indiana, Hat World is a leading specialty retailer of licensed and branded headwear. The Company believes the acquisition has enhanced its strategic development and prospects for growth.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141, "Business Combinations." Accordingly, the total purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at acquisition as follows (amounts in thousands):

	At April 1, 2004
Inventories	$ 33,888
Property and equipment	24,278
Unamortizable intangible assets (indefinite-lived trademarks)	47,324
Amortizable intangibles (primarily lease write-up)	8,586
Goodwill	96,561
Other assets	4,524
Accounts payable	(19,036)
Noncurrent deferred tax liability	(22,828)
Other liabilities	(6,979)
Net Assets Acquired	$166,318

The trademarks acquired include the concept names and are deemed to have an indefinite life. Finite-lived intangibles include a $0.3 million customer list and an $8.3 million asset to reflect the adjustment of acquired leases to market. The weighted average amortization period for the asset to adjust acquired leases to market is 4.2 years. The goodwill related to the Hat World acquisition is not deductible for tax purposes. Goodwill decreased $0.7 million in the second quarter of Fiscal 2006 due to the recognition of a deferred tax asset.

Note 3
Acquisitions, Continued

The following pro forma information presents the results of operations of the Company as if the Hat World acquisition had taken place at the beginning of all periods presented in the table below. Pro forma adjustments have been made to reflect additional interest expense from the $100.0 million in debt associated with the acquisition. The pro forma results of operations include $2.0 million of non-recurring transaction costs incurred by Hat World for the two months ended March 31, 2004.

	Three Months Ended		Six Months Ended	
In thousands, except per share data	**Actual July 30, 2005**	Actual July 31, 2004	**Actual July 30, 2005**	Pro forma July 31, 2004
Net sales	**$ 275,168**	$ 245,939	**$ 561,253**	$ 504,426
Net earnings	**6,766**	4,804	**15,257**	9,160
Net earnings per share:				
Basic	**$ 0.29**	$ 0.22	**$ 0.67**	$ 0.41
Diluted	**$ 0.27**	$ 0.20	**$ 0.61**	$ 0.39

The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the Hat World acquisition occurred at the beginning of all periods presented.

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd., consisting of 18 Cap Connection and Head Quarters stores at July 30, 2005 in Alberta, British Columbia and Ontario, Canada. The purchase price for the Cap Connection business was approximately $1.7 million. Cap Connection is a leading Canadian specialty retailer of headwear.

Note 4
Restructuring and Other Charges and Discontinued Operations

Restructuring and Other Charges

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 are 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 a $2.6 million charge for an anticipated settlement of a previously disclosed class action lawsuit (see Note 9), $0.2 million in retail store asset impairments and $0.1 million related to lease terminations of two Jarman stores.

The Company recorded a pretax credit to earnings of $0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores. In connection with the lease terminations, $30,000 in inventory markdowns are reflected in gross margin on the Consolidated Statements of Earnings.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

In accordance with Company policy, the Company evaluated assets at these identified stores for impairment when a strategic decision was made during the fourth quarter of Fiscal 2004 to pursue the closure of these stores. Assets were 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 Statements of Earnings.

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Total
Balance January 31, 2004 (included in other accrued liabilities)	$ 54	$ 453	$ 507
Charges and adjustments, net	(54)	(453)	(507)
Balance January 29, 2005	**$ -0-**	**$ -0-**	**$ -0-**

**Genesco Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements

**Note 4
Restructuring and Other Charges and Discontinued Operations Continued**

Accrued Provision for Discontinued Operations

In thousands	Facility Shutdown Costs	Other	Total
Balance January 31, 2004	$ 3,021	$ 2	$ 3,023
Additional provisions Fiscal 2005	911	-0-	911
Charges and adjustments, net	1,868	1	1,869
Balance January 29, 2005	5,800	3	5,803
Charges and adjustments, net	(495)	-0-	(495)
Balance July 30, 2005*	5,305	3	5,308
Current provision for discontinued operations	**3,674**	**3**	**3,677**
Total Noncurrent Provision for Discontinued Operations	**$ 1,631**	**$ -0-**	**$ 1,631**

* Includes $5.1 million environmental provision including $3.5 million in current provision for discontinued operations.

Note 5
Inventories

In thousands	July 30, 2005	January 29, 2005
Raw materials	**$ 207**	$ 212
Wholesale finished goods	**28,035**	28,476
Retail merchandise	**242,446**	178,509
Total Inventories	**$270,688**	$207,197

Note 6
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. At July 30, 2005 and January 29, 2005, the Company had approximately $12.6 million and $12.8 million, respectively, of such contracts outstanding. Forward exchange contracts have an average remaining term of approximately four and one-half months. The loss based on spot rates under these contracts at July 30, 2005 was $0.4 million and the gain based on spot rates at January 29, 2005 was $0.1 million. For the six months ended July 30, 2005, the Company recorded an unrealized loss on foreign currency forward contracts of $1.1 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 losses related to forward exchange contracts will be reclassified from accumulated other comprehensive loss into earnings through higher cost of sales over the succeeding year.

Note 6
Derivative Instruments and Hedging Activities, Continued

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 of Fiscal 2005, 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 (3.51% at July 1, 2005, the day the rate was set) for a fixed rate ranging from 2.52% to 3.32%. The aggregate notional amount of the swaps is $65.0 million. Of the three agreements, the swap agreement with a $15.0 million notional amount expires on October 1, 2005, the swap agreement with a $20.0 million notional amount expires on July 1, 2006 and the swap agreement with a $30.0 million notional amount expires on April 1, 2007. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations.

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 30, 2005, the net gain of these interest rate swap agreements was $0.4 million, net of tax, representing the change in fair value of the derivative instruments.

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Genesco Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

Note 7
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 30, 2005	July 31, 2004	July 30, 2005	July 31, 2004
Service cost	**$ 61**	$ 582	**$ 127**	$ 1,124
Interest cost	**1,656**	1,670	**3,326**	3,402
Expected return on plan assets	**(1,920)**	(1,872)	**(3,861)**	(3,769)
Amortization:				
Prior service cost	**-0-**	(35)	**-0-**	(70)
Losses	**1,087**	1,022	**2,329**	2,070
Net amortization	**1,087**	987	**2,329**	2,000
Curtailment gain	**-0-**	(605)	**-0-**	(605)
Net Periodic Benefit Cost	**$ 884**	$ 762	**$ 1,921**	$ 2,152

	Other Benefits			
	Three Months Ended		Six Months Ended	
In thousands	July 30, 2005	July 31, 2004	July 30, 2005	July 31, 2004
Service cost	**$ 37**	$ 44	**$ 74**	$ 88
Interest cost	**44**	24	**88**	48
Expected return on plan assets	**-0-**	-0-	**-0-**	-0-
Amortization:				
Prior service cost	**-0-**	-0-	**-0-**	-0-
Losses	**14**	20	**28**	40
Net amortization	**14**	20	**28**	40
Net Periodic Benefit Cost	**$ 95**	$ 88	**$ 190**	$ 176

Curtailment

The Company's board of directors approved freezing the Company's defined pension benefit plan in the second quarter ended July 31, 2004, effective January 1, 2005. The action resulted in a curtailment gain of $0.6 million in the second quarter ended July 31, 2004 which is reflected in the restructuring and other, net line on the accompanying Statements of Earnings.

Note 8
Earnings Per Share

(In thousands, except per share amounts)	For the Three Months Ended July 30, 2005 Income (Numerator)	Shares (Denominator)	Per-Share Amount	For the Three Months Ended July 31, 2004 Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	$ 6,766			$ 4,825		
Less: Preferred stock dividends	(69)			(73)		
Basic EPS						
Income available to common shareholders	6,697	22,702	$ .29	4,752	21,903	$ .22
Effect of Dilutive Securities						
Options		478			424	
Convertible preferred stock(1)	-0-	-0-		-0-	-0-	
4 1/8% Convertible Subordinated Debentures(2)	617	3,899		616	3,899	
Employees' preferred stock(3)		63			64	
Diluted EPS						
Income available to common shareholders plus assumed conversions	$ 7,314	27,142	$ .27	$ 5,368	26,290	$ .20

(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 30,395, 37,263 and 21,310, respectively.

(2) These debentures are included in diluted earnings per share effective for periods ending after December 15, 2004. The EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" in November 2004. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met and prior periods should be restated. Results for the second quarter of Fiscal 2005 have been restated to include these shares.

(3) 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 the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 — 2003. The Company had repurchased 7.1 million shares as of January 31, 2004. There were 398,300 shares remaining to be repurchased under these authorizations. The board subsequently reduced the repurchase authorization to 100,000 shares in Fiscal 2005 in view of the Hat World acquisition. The Company has not repurchased any shares since Fiscal 2004.

Note 8
Earnings Per Share, Continued

(In thousands, except per share amounts)	For the Six Months Ended July 30, 2005			For the Six Months Ended July 31, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	$ 15,192			$ 10,631		
Less: Preferred stock dividends	(142)			(146)		
Basic EPS						
Income available to common shareholders	15,050	22,613	$ .67	10,485	21,833	$ .48
Effect of Dilutive Securities						
Options		445			412	
Convertible preferred stock(1)	-0-	-0-		-0-	-0-	
4 1/8% Convertible Subordinated Debentures(2)	1,233	3,899		1,227	3,899	
Employees' preferred stock(3)		63			64	
Diluted EPS						
Income available to common shareholders plus assumed conversions	$ 16,283	27,020	$ .60	$ 11,712	26,208	$ .45

(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 30,395, 37,263 and 21,310, respectively.

(2) These debentures are included in diluted earnings per share effective for periods ending after December 15, 2004. The EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" in November 2004. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met and prior periods should be restated. Results for the first six months of Fiscal 2005 have been restated to include these shares.

(3) 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 the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 — 2003. The Company had repurchased 7.1 million shares as of January 31, 2004. There were 398,300 shares remaining to be repurchased under these authorizations. The board subsequently reduced the repurchase authorization to 100,000 shares in Fiscal 2005 in view of the Hat World acquisition. The Company has not repurchased any shares since Fiscal 2004.

Genesco Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

Note 9
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 $6.1 million to $6.3 million, net of insurance recoveries, $3.0 million of which the Company has already paid.

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 responsibility for the IRM and the RIFS and its willingness to implement a remedial alternative with respect to the supply wells (described below) were based upon its judgment that such actions were 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 Consolidated Financial Statements

Note 9
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 $0.7 million to $5.0 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.

Related to all outstanding environmental contingencies, the Company had accrued $5.1 million as of July 30, 2005, $5.5 million as of January 29, 2005 and $2.7 million as of January 31, 2004. 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 Consolidated Balance Sheets.

Insurance Matter

In May 2003, the Company filed a declaratory judgment action in the U.S. District Court for the Middle District of Tennessee against former general liability insurance carriers that underwrote policies covering the Company during periods relevant to the New York State knitting mill matter described above and the matters described above under the caption "Whitehall Environmental Matters." The action sought a determination that the carriers' defense and indemnity obligations under the policies extend to the sites. During the third quarter of Fiscal 2005, the Company and the carriers reached definitive settlement agreements and the Company received cash payments from the carriers totaling approximately $3.0 million in exchange for releases from liability with respect to the two sites. Net of the insurance proceeds, additional pretax provisions totaling approximately $1.0 million for future remediation expenses associated with the New York State knitting mill matter described above and the Whitehall matter described above, are reflected in the loss from discontinued operations for Fiscal 2005.

**Genesco Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements

**Note 9
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 have appealed the summary judgment to the U.S. Court of Appeals for the Federal Circuit, pending which the trial court has stayed the remainder of the case.

California Employment Matter

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 accompanying Consolidated Statements of Earnings for the first six 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. The *Drake* action is stayed pending final resolution of the *Schreiner* action.

Genesco Inc.
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Notes to Consolidated Financial Statements

Note 10
Business Segment Information

The Company currently operates five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear operations; Underground Station Group, comprised of the Underground Station and Jarman retail footwear operations; Hat World, comprised of Hat World, Lids, Hat Zone, Cap Connection and Head Quarters retail headwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Licensed Brands, comprised of Dockers Footwear and Perry Ellis Footwear. The Company plans to introduce Perry Ellis footwear beginning with the Holiday 2005 season. All the Company's segments sell footwear or headwear products to either retail or wholesale markets/customers.

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, Underground Station Group and Hat World sell primarily branded products from other companies while Johnston & Murphy 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, interest expense, interest income, restructuring charges and other, including a $2.6 million charge for a litigation settlement in the first six months of Fiscal 2006.

Three Months Ended July 30, 2005 In thousands	Journeys	Underground Station Group	Hat World	Johnston & Murphy	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

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Genesco Inc.
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Notes to Consolidated Financial Statements

Note 10
Business Segment Information, Continued

Three Months Ended July 31, 2004 In thousands	Journeys	Underground Station Group	Hat World/ Lids	Johnston & Murphy	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 105,785	$ 28,462	$ 57,956	$39,413	$ 14,283	$ 100	$245,999
Intercompany sales	-0-	-0-	-0-	-0-	(60)	-0-	(60)
Net sales to external customers	$ 105,785	$ 28,462	$ 57,956	$39,413	$ 14,223	$ 100	$245,939
Segment operating income (loss)	$ 6,083	$ (1,483)	$ 7,451	$ 1,400	$ 1,311	$ (4,884)	$ 9,878
Restructuring charge	-0-	-0-	-0-	-0-	-0-	160	160
Earnings (loss) from operations	6,083	(1,483)	7,451	1,400	1,311	(4,724)	10,038
Interest expense	-0-	-0-	-0-	-0-	-0-	(2,899)	(2,899)
Interest income	-0-	-0-	-0-	-0-	-0-	3	3
Earnings (loss) before income taxes from continuing operations	$ 6,083	$(1,483)	$ 7,451	$ 1,400	$ 1,311	$ (7,620)	$ 7,142
Total assets	$ 190,223	$ 61,288	$ 223,090	$64,325	$ 21,620	$ 84,992	$645,538
Depreciation	3,109	915	1,848	694	31	1,437	8,034
Capital expenditures	2,338	1,745	3,747	639	13	1,939	10,421

Six Months Ended July 30, 2005 In thousands	**Journeys**	**Underground Station Group**	**Hat World**	**Johnston & Murphy**	**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

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**Genesco Inc.
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Notes to Consolidated Financial Statements

**Note 10
Business Segment Information, Continued**

Six Months Ended July 31, 2004 In thousands	Journeys	Underground Station Group	Hat World/ Lids	Johnston & Murphy	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 220,026	$63,591	$ 76,041	$79,954	$ 32,085	$ 150	$471,847
Intercompany sales	-0-	-0-	-0-	-0-	(382)	-0-	(382)
Net sales to external customers	$ 220,026	$63,591	$ 76,041	$79,954	$ 31,703	$ 150	$471,465
Segment operating income (loss)	$ 15,246	$ 142	$ 9,002	$ 3,785	$ 3,055	$ (10,012)	$ 21,218
Restructuring charge	-0-	-0-	-0-	-0-	-0-	92	92
Earnings (loss) from operations	15,246	142	9,002	3,785	3,055	(9,920)	21,310
Interest expense	-0-	-0-	-0-	-0-	-0-	(4,934)	(4,934)
Interest income	-0-	-0-	-0-	-0-	-0-	156	156
Earnings (loss) before income taxes from continuing operations	$ 15,246	$ 142	$ 9,002	$ 3,785	$ 3,055	$ (14,698)	$ 16,532
Total assets	$ 190,223	$61,288	$ 223,090	$64,325	$ 21,620	$ 84,992	$645,538
Depreciation	6,170	1,806	2,428	1,388	62	2,932	14,786
Capital expenditures	5,168	3,085	5,075	1,507	21	2,973	17,829

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

Forward Looking Statements

This discussion and the notes to the 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.
- Weakness in consumer demand and increased distribution costs due to increased fuel prices.
- Effects on local consumer demand or on the national economy related to Hurricane Katrina.
- Fashion trends that affect the sales or product margins of the Company's retail product offerings.
- Changes in the timing of the holidays or in the onset of seasonal weather affecting demand or period to period sales comparisons.
- Changes in buying patterns by significant wholesale customers.
- Disruptions in product availability 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 and to renew leases in existing stores on schedule and at acceptable expense levels.
- Variations from expected pension-related charges caused by conditions in the financial markets, and
- The outcome of litigation and environmental matters involving the Company, including those discussed in Note 9 to the Consolidated Financial Statements.

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 results, 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 1,654 retail footwear and headwear stores throughout the United States and Puerto Rico and 18 headwear stores in Canada as of July 30, 2005. The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers brand to over 950 retail accounts in the United States, including a number of leading department, discount, and specialty stores. On April 1, 2004, the Company acquired Hat World Corporation ("Hat World"), a leading retailer of licensed and branded headwear. On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta — based Cap Connection Ltd., a leading Canadian specialty retailer of headwear, operating 18 stores at July 30, 2005. See "Significant Developments."

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

The Journeys retail footwear stores sell footwear and accessories primarily for 13 — 22 year old men and women. The stores average approximately 1,700 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages four to eleven. These stores average approximately 1,400 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 1,600 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 2006, four Jarman stores were closed and two Jarman stores were converted to Underground Station stores. During Fiscal 2005, 20 Jarman stores were closed and twelve Jarman stores were converted to Underground Station stores.

Hat World 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 700 square feet and are located in malls, airports, street level stores and factory outlet stores nationwide 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 1,300 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. 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 expects to sell footwear under the Perry Ellis license primarily to department and specialty stores across the country.

Summary of Operating Results

The Company's net sales increased 11.9% during the second quarter of Fiscal 2006 compared to the second quarter of Fiscal 2005. The increase was driven primarily by the addition of new stores and a 6% increase in comparable store sales for all concepts. Gross margin increased as a percentage of net sales during the second quarter of Fiscal 2006 primarily due to improved gross margins in the Journeys, Underground Station, Hat World and Johnston & Murphy businesses. Selling and administrative expenses decreased as a percentage of net sales during the second quarter of Fiscal 2006 due to decreased expenses in Underground Station, Johnston & Murphy and Licensed Brands businesses. Operating income increased as a percentage of net sales during the second quarter of Fiscal 2006 due to improved operating income in Underground Station, Hat World and Johnston & Murphy businesses.

Strategy

The Company's strategy is to seek long-term 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. 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, Underground Station and Hat World) 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. 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. 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.

Significant Developments

Hurricane Katrina

The Company has 11 stores that will be impacted for an extended period of time as a result of Hurricane Katrina. The Company has not been able to assess the extent of damage to these stores. Management believes that the Company's maximum uninsured exposure is approximately $1.0 million, which does not include business lost during the period of time the stores are closed. These stores had sales of $7.2 million and operating income of $1.1 million for the twelve months ended July 30, 2005.

Restatement of Financial Statements

On April 14, 2005, the Company filed its annual report on Form 10-K. In that report, the Company restated its financial statements for fiscal years 2004 and 2003 and the first three quarters of Fiscal

2005. Accordingly, the prior year financial results for the fiscal quarter and six months ended July 31, 2004 reflect the impact of the restatement.

The issue requiring restatement related to the Company's lease-related accounting methods. The Company determined that its methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with generally accepted accounting principles. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended January 31, 2004 and February 1, 2003, and the first three quarters of Fiscal 2005.

See Note 2 to the Consolidated Financial Statements for a summary of the effects of this restatement on the Company's Consolidated Balance Sheet as of July 31, 2004, as well as the Company's Consolidated Statements of Earnings and Cash Flows for the three months and six months ended July 31, 2004.

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd. The purchase price for the Cap Connection business was approximately $1.7 million. At July 30, 2005, the Company operated 18 Cap Connection and Head Quarters stores in Alberta, British Columbia and Ontario, Canada.

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of Hat World Corporation for a total purchase price of approximately $179 million, including adjustments for $12.6 million of net cash acquired, a $1.2 million subsequent working capital adjustment and direct acquisition expenses of $2.8 million. Hat World is a leading specialty retailer of licensed and branded headwear operating under the Hat World, Lids and Hat Zone names. The Company believes the acquisition has enhanced its strategic development and prospects for growth. The Company funded the acquisition and associated expenses with a $100.0 million, five-year term loan and the balance from cash on hand.

Restructuring and Other Charges

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 are 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 a $2.6 million charge for an anticipated settlement of a previously disclosed class action lawsuit (see Note 9), $0.2 million in retail store asset impairments and $0.1 million related to lease terminations of two Jarman stores.

The Company recorded a pretax credit to earnings of $0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores. In connection with the lease terminations, $30,000 in inventory markdowns are reflected in gross margin on the Consolidated Statements of Earnings.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

Results of Operations — Second Quarter Fiscal 2006 Compared to Fiscal 2005

The Company's net sales in the second quarter ended July 30, 2005 increased 11.9% to $275.2 million from $245.9 million in the second quarter ended July 31, 2004. Gross margin increased 14.0% to $139.0 million in the second quarter this year from $121.9 million in the same period last year and increased as a percentage of net sales from 49.6% to 50.5%. Selling and administrative expenses in the second quarter this year increased 11.5% from the second quarter last year but decreased as a percentage of net sales from 45.5% to 45.4%. 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 30, 2005 were $11.3 million compared to $7.1 million for the second quarter ended July 31, 2004. Pretax earnings for the second quarter ended July 30, 2005 included restructuring and other charges of $0.2 million, primarily for retail store asset impairments and lease terminations of two Jarman stores. These lease terminations are the continuation of a plan previously announced by the Company in Fiscal 2004. Pretax earnings for the second quarter ended July 31, 2004 included a restructuring and other credit of $0.2 million, primarily for the gain on the curtailment of the Company's defined benefit pension plan, offset by retail store asset impairments and lease terminations of four Jarman stores.

Net earnings for the second quarter ended July 30, 2005 were $6.8 million ($0.27 diluted earnings per share) compared to $4.8 million ($0.20 diluted earnings per share) for the second quarter ended July 31, 2004. The Company recorded an effective income tax rate of 39.9% in the second quarter this year compared to 32.4% in the same period last year. Income taxes for the second quarter last year included a favorable tax settlement of $0.4 million.

Journeys

	Three Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 118,928**	$ 105,785	12.4%
Operating loss	**$ 6,951**	$ 6,083	14.3%
Operating margin	**5.8%**	5.8%	

Net sales from Journeys increased 12.4% for the second quarter ended July 30, 2005 compared to the same period last year. The increase reflects primarily a 6% increase in comparable store sales and a 4% increase in average Journeys 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). Footwear unit comparable sales also increased 9% for the second quarter ended July 30, 2005. The average price per pair of shoes decreased 3% in the second quarter of Fiscal 2006, reflecting changes in product mix, while unit sales increased 16% during the same period. The strong comparable sales performance was primarily driven by continued growth in comparable unit sales. Journeys operated 711 stores at the end of the second quarter of Fiscal 2006, including 41 Journeys Kidz stores, compared to 680 stores at the end of the second quarter last year, including 41 Journeys Kidz stores.

Journeys operating income for the second quarter ended July 30, 2005 was up 14.3% to $7.0 million compared to $6.1 million for the second quarter ended July 31, 2004. The increase was due to increased net sales, reflecting increased comparable store sales, and to increased gross margin as a percentage of net sales, primarily reflecting changes in product mix and decreased markdowns as a percentage of net sales.

Underground Station Group

	Three Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 32,186**	$ 28,462	13.1%
Operating loss	**$ (681)**	$ (1,483)	54.1%
Operating margin	**(2.1)%**	(5.2)%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) increased 13.1% for the second quarter ended July 30, 2005 compared to the same period last year. Comparable store sales were up 9% for the Underground Station Group, 12% for Underground Station stores and 1% for Jarman retail stores. Footwear unit comparable sales were up 8% in the Underground Station stores. The strong comparable sales performance was primarily driven by continued increases in average selling prices and continued growth in unit comparable sales. The average price per pair of shoes increased 3% in the second quarter of Fiscal 2006, primarily reflecting lower markdowns and changes in product mix, and unit sales increased 9% during the same period. Underground Station Group operated 226 stores at the end of the second quarter of Fiscal 2006, including 168 Underground Station stores. The Underground Station Group operated 230 stores at the end of the second quarter last year, including 148 Underground Station stores.

Underground Station Group operating loss for the second quarter ended July 30, 2005 was $(0.7) million compared to $(1.5) million for the second quarter last year. The decreased operating loss was due to increased net sales, to increased gross margin as a percentage of net sales, primarily reflecting lower markdowns and changes in product mix, and to decreased expenses as a percentage of net sales.

Hat World

	Three Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 69,055**	$ 57,956	19.2%
Operating income	**$ 9,258**	$ 7,451	24.3%
Operating margin	**13.4%**	12.9%	

Net sales from Hat World increased 19.2% for the second quarter ended July 30, 2005 compared to the same period last year. The increase reflects primarily a 16% increase in average Hat World stores operated and a 4% increase in comparable store sales. Hat World's comparable store sales increase was primarily driven by the strength of its core and fashion Major League Baseball products. Hat World operated 593 stores at the end of the second quarter of Fiscal 2006, including 18 stores in Canada, compared to 519 stores at the end of the second quarter last year, including 17 stores in Canada.

Hat World operating income for the second quarter ended July 30, 2005 increased 24.3% to $9.3 million compared to $7.5 million for the second quarter ended July 31, 2004. This increase was due to increased net sales, reflecting increased average stores operated and increased comparable store sales, and to increased gross margin as a percentage of net sales, primarily reflecting the strength of certain product categories and decreased stock shortages.

Johnston & Murphy

	Three Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 41,008**	$ 39,413	4.0%
Operating income	**$ 2,418**	$ 1,400	72.7%
Operating margin	**5.9%**	3.6%	

Johnston & Murphy net sales increased 4.0% to $41.0 million for the second quarter ended July 30, 2005 from $39.4 million for the second quarter ended July 31, 2004, reflecting primarily a 9% increase in comparable store sales for Johnston & Murphy retail operations offset by a 4% decrease in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 6% in the second quarter of Fiscal 2006 while the average price per pair of shoes decreased 9% for the same period primarily due to changes in product mix. Retail operations accounted for 76.6% of Johnston & Murphy segment sales in the second quarter this year, up from 74.6% in the second quarter last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 11% (15% in the Johnston and Murphy Shops) in the second quarter this year primarily due to changes in product mix, while unit sales increased 17% during the same period. The store count for Johnston & Murphy retail operations at the end of the second quarter of Fiscal 2006 and 2005 included 142 Johnston & Murphy stores and factory stores.

Johnston & Murphy operating income for the second quarter ended July 30, 2005 increased to $2.4 million from $1.4 million or 72.7% compared to the same period last year, primarily due to increased net sales, to increased gross margin as a percentage of net sales, reflecting improvements in sourcing and decreased markdowns, and to decreased expenses as a percentage of net sales.

Licensed Brands

	Three Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 13,916**	$ 14,223	(2.2)%
Operating income	**$ 1,018**	$ 1,311	(22.3)%
Operating margin	**7.3%**	9.2%	

Licensed Brands' net sales, primarily consisting of sales of Dockers® branded footwear sold under a license from Levi Strauss & Co., decreased 2.2% to $13.9 million for the second quarter ended July 30, 2005, from $14.2 million for the second quarter ended July 31, 2004. Unit sales for Dockers Footwear decreased 2% while the average price per pair of shoes was flat compared to the second quarter last year. The sales decrease reflected a change in merchandising strategy of a key customer and other customers pursuing private label initiatives at the expense of branded product offerings. The Company expects continued near-term pressure on sales of Dockers Footwear due to the impact of these changes in customers' merchandising strategies.

Licensed Brands' operating income for the second quarter ended July 30, 2005 decreased 22.3% from $1.3 million for the second quarter ended July 31, 2004 to $1.0 million, primarily due to decreased net sales and to decreased gross margin as a percentage of net sales, reflecting increased closeout sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the second quarter ended July 30, 2005 were $5.1 million compared to $4.7 million for the second quarter ended July 31, 2004. This 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. Last year's second quarter included a $0.2 million restructuring and other credit, primarily for the gain on the curtailment of the Company's defined benefit pension plan, offset by retail store asset impairments and lease terminations of four Jarman stores. Excluding the listed items in both periods, corporate expenses were up 1% in the second quarter this year compared to the second quarter last year.

Interest expense decreased 2.7% from $2.9 million in the second quarter ended July 31, 2004 to $2.8 million for the second quarter ended July 30, 2005, primarily due to lower outstanding debt in the second quarter this year as a result of the Company paying $22.0 million early on the $100.0 million term loan. There were no borrowings under the Company's revolving credit facility during the three months ended July 30, 2005 and there was an average of $8.2 million of borrowings under the Company's revolving credit facility during the three months ended July 31, 2004.

Interest income increased from $3,000 for the second quarter ended July 31, 2004 to $0.3 million for the second quarter ended July 30, 2005 due to the increase in average short-term investments.

Results of Operations — Six Months Fiscal 2006 Compared to Fiscal 2005

The Company's net sales in the six months ended July 30, 2005 increased 19.0% to $561.3 million from $471.5 million in the six months ended July 31, 2004. The sales increase included Hat World sales of $131.2 million in the first six months this year compared to $76.0 million in the first six months last year. Hat World was acquired April 1, 2004 and last year's first six months only included four months of sales. Gross margin increased 22.8% to $285.5 million in the first six months this year from $232.6 million in the same period last year and increased as a percentage of net sales from 49.3% to 50.9%. Selling and administrative expenses in the first six months this year increased 19.3% from the first six months last year and increased as a percentage of net sales from 44.8% to 44.9%. 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 30, 2005 were $25.0 million compared to $16.5 million for the six months ended July 31, 2004. 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 9), retail store asset impairments and lease terminations of two Jarman stores. These lease terminations are the continuation of a plan previously announced by the Company in Fiscal 2004. Pretax earnings for the six months ended July 31, 2004 included a restructuring and other credit of $0.1 million, primarily for the gain on the curtailment of the Company's defined benefit pension plan, offset by retail store asset impairments and lease terminations of ten Jarman stores.

Net earnings for the six months ended July 30, 2005 were $15.3 million ($0.61 diluted earnings per share) compared to $10.6 million ($0.45 diluted earnings per share) for the six months ended July 31, 2004. The Company recorded an effective income tax rate of 39.2% in the first six months this year compared to 35.7% in the same period last year. Income taxes for the first six months ended July 31, 2004 included a favorable tax settlement of $0.5 million.

Journeys

	Six Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 247,772**	$ 220,026	12.6%
Operating income	**$ 20,719**	$ 15,246	35.9%
Operating margin	**8.4%**	6.9%	

Net sales from Journeys increased 12.6% for the first six months ended July 30, 2005 compared to the same period last year. The increase reflects primarily a 7% increase in comparable store sales and a 4% increase in average Journeys 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). Footwear unit comparable sales also increased 10% for the first six months ended July 30, 2005. The average price per pair of shoes decreased 3% in the first six months of Fiscal 2006, reflecting changes in product mix, while unit sales increased 16% during the same period driven by fashion athletic, Euro casuals, board sport shoes, and women's fashion footwear. The strong comparable sales performance was primarily driven by continued growth in comparable unit sales.

Journeys operating income for the six months ended July 30, 2005 was up 35.9% to $20.7 million compared to $15.2 million for the six months ended July 31, 2004. The increase was due to increased net sales, reflecting increased comparable store sales, to increased gross margin as a percentage of net sales, primarily reflecting changes in product mix, and to decreased expenses as a percentage of net sales.

Underground Station Group

	Six Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 72,022**	$ 63,591	13.3%
Operating income	**$ 1,935**	$ 142	NM
Operating margin	**2.7%**	0.2%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) increased 13.3% for the six months ended July 30, 2005 compared to the same period last year. Comparable store sales were up 9% for the Underground Station Group, 12% for Underground Station stores and 2% for Jarman retail stores. Footwear unit comparable sales were up 7% in the Underground Station stores. The strong comparable sales performance was primarily driven by continued increases in average selling prices and continued growth in unit comparable sales. The average price per pair of shoes increased 4% in the first six months of Fiscal 2006, primarily reflecting changes in product mix and lower markdowns as a percentage of net sales, and unit sales increased 8% during the same period.

Underground Station Group operating income for the first six months ended July 30, 2005 increased to $1.9 million compared to $0.1 million in the first six months ended July 31, 2004. The increase was due to increased net sales, to increased gross margin as a percentage of net sales, primarily reflecting changes in product mix and lower markdowns as a percentage of net sales, and to decreased expenses as a percentage of net sales.

Hat World

	Six Months Ended*		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 131,202**	$ 76,041	NM
Operating income	**$ 14,740**	$ 9,002	NM
Operating margin	**11.2%**	11.8%	

* The Company acquired Hat World on April 1, 2004. Results for the six month period ended July 31, 2004 are for the period April 1, 2004 — July 31, 2004.

Hat World comparable store sales increased 5% for the first six months ended July 30, 2005. Hat World's comparable store sales increase was primarily driven by an increased number of units sold and higher selling prices.

Johnston & Murphy

	Six Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 82,516**	$ 79,954	3.2%
Operating income	**$ 4,948**	$ 3,785	30.7%
Operating margin	**6.0%**	4.7%	

Johnston & Murphy net sales increased 3.2% to $82.5 million for the six months ended July 30, 2005 from $80.0 million for the six months ended July 31, 2004, reflecting primarily a 6% increase in comparable store sales for Johnston & Murphy retail operations and a 2% increase in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 4% in the first six months of Fiscal 2006 while the average price per pair of shoes decreased 2% for the same period. Retail operations accounted for 74.9% of Johnston & Murphy segment sales in the first six months this year, up from 74.6% in the first six months last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 7% (10% in the Johnston and Murphy Shops) in the first six months this year primarily due to changes in product mix, while unit sales increased 9% during the same period.

Johnston & Murphy operating income for the six months ended July 30, 2005 increased 30.7% compared to the same period last year, primarily due to increased net sales, to increased gross margin as a percentage of net sales, reflecting improvements in sourcing and a healthier product mix resulting in less promotional selling, and to decreased expenses as a percentage of net sales.

Licensed Brands

	Six Months Ended		
	July 30, 2005	July 31, 2004	% Change
	(dollars in thousands)		
Net sales	**$ 27,608**	$ 31,703	(12.9)%
Operating income	**$ 1,764**	$ 3,055	(42.3)%
Operating margin	**6.4%**	9.6%	

Licensed Brands' net sales, primarily consisting of sales of Dockers® branded footwear sold under a license from Levi Strauss & Co., decreased 12.9% to $27.6 million for the six months ended July 30, 2005, from $31.7 million for the six months ended July 31, 2004. Unit sales for Dockers Footwear decreased 13% while the average price per pair of shoes was flat compared to the first six months last year. The sales decrease reflected some product quality issues, a change in merchandising strategy of a key customer and other customers pursuing private label initiatives at the expense of branded product offerings.

Licensed Brands' operating income for the six months ended July 30, 2005 decreased 42.3% from $3.1 million for the six months ended July 31, 2004 to $1.8 million, primarily due to decreased net sales, to decreased gross margin as a percentage of net sales, reflecting increased closeout sales, and to increased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the six months ended July 30, 2005 were $13.8 million compared to $9.9 million for the six months ended July 31, 2004. This year's first six months included $3.0 million in restructuring and other charges, primarily for the anticipated settlement of a previously announced class action lawsuit, retail store asset impairments and lease terminations of four Jarman stores. Last year's first six months included a $0.1 million restructuring and other credit, primarily for the gain on the curtailment of the Company's defined benefit pension plan, offset by retail store asset impairments and lease terminations of ten Jarman stores. Excluding the listed items in both periods, the increase in corporate expenses in the first six months this year is attributable primarily to higher bonus accruals and increased audit department costs resulting from additional work to comply with the Sarbanes-Oxley legislation and related regulations.

Interest expense increased 19.1% from $4.9 million in the six months ended July 31, 2004 to $5.9 million for the six months ended July 30, 2005, primarily due to the additional $100.0 million term loan, which was used to purchase Hat World and was included in only four months of last year's first six months versus the full six months this year, and to the increase in bank activity fees as a result of new stores added due to the acquisition of Hat World offset by less revolver borrowings in the first six months this year versus the first six months last year. There were no borrowings under the Company's revolving credit facility during the six months ended July 30, 2005 and there was an average of $4.1 million of borrowings under the Company's revolving credit facility during the six months ended July 31, 2004.

Interest income increased from $0.2 million for the first six months ended July 31, 2004 to $0.6 million for the first six months ended July 30, 2005 due to the increase in average short-term investments.

Liquidity and Capital Resources

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

	July 30, 2005	July 31, 2004
	(dollars in millions)	
Cash and cash equivalents	**$ 38.8**	$ 15.3
Working capital	**$ 182.3**	$ 157.8
Long-term debt (includes current maturities)	**$ 151.3**	$ 202.3

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 provided by operating activities was $3.3 million in the first six months of Fiscal 2006 compared to cash used in operating activities of $8.5 million in the first six months of Fiscal 2005. The $11.9 million increase in cash flow from operating activities from last year reflects primarily an increase in cash flow from changes in accounts payable of $20.4 million and an increase in cash flow from a $4.6 million increase in net earnings offset by a decrease in cash flow from an $11.0 million change in other accrued liabilities. The $20.4 million increase in cash flow from accounts payable was due to changes in buying patterns. The $11.0 million decrease in cash flow from other accrued liabilities was due to increased bonus payments and tax payments in the first six months of Fiscal 2006.

The $63.5 million increase in inventories at July 30, 2005 from January 29, 2005 levels reflects seasonal increases in retail inventory and inventory purchased to support the net increase of 54 stores in the first six months this year.

Accounts receivable at July 30, 2005 decreased $0.2 million compared to January 29, 2005.

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

	Six Months Ended	
	July 30, 2005	July 31, 2004
	(in thousands)	
Accounts payable	$ 44,284	$ 23,902
Accrued liabilities	(12,123)	(1,141)
	$ 32,161	$ 22,761

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 used 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 2006.

There were no revolving credit borrowings during the first six months ended July 30, 2005 and there was an average of $4.1 million of revolving credit borrowings during the first six months ended July 31, 2004, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures for the first six months of Fiscal 2006. On April 1, 2004, the Company entered into a new credit agreement with ten banks, providing for a $100.0 million, five-year term loan and a $75.0 million five-year revolving credit facility.

The Company’s contractual obligations over the next five years have increased from January 29, 2005. Operating lease obligations increased to $650 million from $606 million due to new store openings. Purchase obligations increased to $254 million from $208 million due to seasonal increases in purchases of retail inventory. These increases to contractual obligations were offset by a decrease to long-term debt of $10 million from $161 million at January 29, 2005 to $151 million at July 30, 2005.

Capital Expenditures

Total capital expenditures in Fiscal 2006 are expected to be approximately $56.3 million. These include expected retail capital expenditures of $49.3 million to open approximately 65 Journeys stores, ten Journeys Kidz stores, five Johnston & Murphy stores, 25 Underground Station stores and at least 90 Hat World stores and to complete 68 major store renovations, including five conversions of Jarman stores to Underground Station stores. The amount of capital expenditures in Fiscal 2006 for other purposes are expected to be approximately $7.0 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 2006. The Company plans to borrow under its credit facility from time to time, particularly in the fall, to support seasonal working capital requirements. The approximately $3.7 million of costs associated with the prior restructurings and 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.

In total, the Company’s board of directors has authorized the repurchase, from time to time, of up to 7.5 million shares of the Company’s common stock. There were 398,300 shares remaining to be repurchased under these authorizations as of January 29, 2005. The board reduced the repurchase authorization to 100,000 shares in Fiscal 2005 as a result of the Hat World acquisition. Any purchases would be funded from available cash and borrowings under the revolving credit facility. The Company has repurchased a total of 7.1 million shares at a cost of $71.3 million under a series of authorizations since Fiscal 1999. The Company did not repurchase any shares during the first six months of Fiscal 2006.

There were $11.0 million of letters of credit outstanding at July 30, 2005, leaving availability under the revolving credit facility of $64.0 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 30, 2005.

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 $283,000.

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 9 to the Company’s Consolidated Financial Statements. The Company has made accruals for certain of these contingencies, including approximately $0.9 million reflected in Fiscal 2005 and $1.8 million reflected in Fiscal 2004. 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 $65.0 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 $65.0 million balance remaining on the term loan. The aggregate notional amount of the swaps is $65.0 million. At July 30, 2005, the net gain on these interest rate swaps was $0.4 million. As of July 30, 2005, a 1% adverse change in the three month LIBOR interest rate would increase the Company's interest expense on the $65.0 million term loan by approximately $0.1 million on an annual basis.

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 30, 2005. As a result, the Company considers the interest rate market risk implicit in these investments at July 30, 2005 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 30, 2005, the Company had $12.6 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 loss on contracts outstanding at July 30, 2005 was $0.4 million based on current spot rates. As of July 30, 2005, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately $1.3 million.

Accounts Receivable — The Company's accounts receivable balance at July 30, 2005 is concentrated in its two wholesale businesses, which sell primarily to department stores and independent retailers across the United States. One customer accounted for 16% of the Company's trade accounts receivable balance and another customer accounted for 11% as of July 30, 2005. 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 30, 2005, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2006 would not be material. However, fluctuations in foreign currency exchange rates could have a material effect on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2006.

New Accounting Principles

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the Statements of Earnings based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. The Company's board of directors has amended the Company's Employee Stock Purchase Plan 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 and are not required to be reflected in the Consolidated Statements of Earnings.

SFAS No. 123(R) is effective for public companies at the beginning of the first fiscal year beginning after June 15, 2005 (Fiscal 2007 for the Company).

SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosure of all prior periods presented.

As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)'s fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net earnings and earnings per share in Note 1. The pro forma amounts were calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were $0.5 million and $0.8 million for the second quarter of Fiscal 2006 and 2005, respectively, and $1.5 million and $1.1 million for the first six months of Fiscal 2006 and 2005, respectively.

In November 2004, the EITF reached a consensus on Issue No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share.” The Issue addressed when to include contingently convertible debt instruments in diluted earnings per share. The Issue required companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger had been met. The Company’s diluted earnings per share calculation for the second quarter and first six months of Fiscal 2006 includes an additional 3.9 million shares and a net after tax interest add back of $0.6 million and $1.2 million, respectively. The Issue was effective for periods ending after December 15, 2004 and required restatement of prior period diluted earnings per share. Earnings per share for the second quarter and first six months of Fiscal 2005 were previously restated.

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. The Company’s management, including its chief executive officer and its chief financial officer, have reviewed and evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, the Company’s chief executive officer and chief financial officer have concluded that as of July 30, 2005, the Company’s disclosure controls and procedures effectively and timely provide them with material information relating to the Company and its consolidated subsidiaries required to be disclosed in the reports the Company files or submits under the Exchange Act.

(b) Changes in internal control over financial reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act).

There have been no changes in the Company’s internal control over financial reporting during the quarter ended July 30, 2005 that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

During the quarter ended July 30, 2005, the Company continued to evaluate processes and implement changes to enhance the effectiveness of internal controls surrounding information systems security and program changes and inventory purchase pricing relating to one of the Company’s business units.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

California Employment Matter

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 accompanying Consolidated Statements of Earnings for the first six 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. The *Drake* action is stayed pending final resolution of the *Schreiner* action.

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

At the Company's annual meeting of shareholders held on June 22, 2005, shares representing a total of 22,790,679 votes were outstanding and entitled to vote. At the meeting, shareholders of the Company:

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

	Votes "For"	Votes "Withheld"
Leonard L. Berry	20,259,478	527,325
William F. Blaufuss, Jr.	20,258,557	528,246
Robert V. Dale	20,259,363	527,440
Matthew C. Diamond	20,259,789	527,014
Marty G. Dickens	19,825,712	961,091
Ben T. Harris	20,318,118	468,685
Kathleen Mason	17,279,266	3,507,537
Hal N. Pennington	19,476,629	1,310,174
William A. Williamson, Jr.	19,416,683	1,370,120

2) approved the Genesco Inc. 2005 Equity Incentive Plan by a vote of 12,337,288 for and 5,652,488 against, with 154,670 abstentions and 2,642,357 broker non-votes; and

3) ratified the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending January 28, 2006 by a vote of 20,647,374 for and 127,812 against, with 11,617 abstentions and no broker non-votes.

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Item 6. Exhibits

(a) Exhibits

(10)a. Amended and Restated Genesco Employee Stock Purchase Plan dated August 24, 2005.

(10)b. Genesco Inc. 2005 Equity Incentive Plan. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed June 28, 2005 (File No. 1-3083).

(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.

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 8, 2005

EXHIBIT (10)a.

AMENDED AND RESTATED
GENESCO EMPLOYEE STOCK PURCHASE PLAN
(AS AMENDED EFFECTIVE OCTOBER 1, 2005)

ARTICLE I.
INTRODUCTION

1.1 ESTABLISHMENT OF PLAN

Genesco Inc., a Tennessee corporation ("Genesco") with principal offices located in Nashville, Tennessee, adopts the following employee stock purchase plan for its eligible employees, effective on October 1, 1995, as amended effective October 1, 2005, subject to Section 3.1. This Plan shall be known as the Genesco Employee Stock Purchase Plan.

1.2 PURPOSE

The purpose of this Plan is to provide an opportunity for eligible employees of the Employer to become shareholders in Genesco. It is believed that broad-based employee participation in the ownership of the business will help to achieve the unity of purpose conducive to the continued growth of the Employer and to the mutual benefit of its employees and shareholders.

1.3 QUALIFICATION

This Plan is intended to be an employee stock purchase plan which qualifies for favorable Federal income tax treatment under Section 423 of the Code and is intended to comply with the provisions thereof, including the requirement of Section 423(b)(5) of the Code that all Employees granted options to purchase Shares under the Plan have the same rights and privileges with respect to such options.

1.4 RULE 16b-3 COMPLIANCE

This Plan is intended to comply with Rule 16b-3 under the Securities Exchange Act of 1934, and should be interpreted in accordance therewith.

ARTICLE II.
DEFINITIONS

As used herein, the following words and phrases shall have the meanings specified below:

2.1 CLOSING MARKET PRICE

The last sale price of the Shares as reported on the New York Stock Exchange on the date specified or, if no sales occurred on such day, on the most recent day when sales occurred; but if there should be any material alteration in the present system of reporting sales prices of such

Shares, or if such Shares should no longer be listed on the New York Stock Exchange, the market value of the Shares as of a particular date shall be determined in such a method as shall be specified by the Plan Administrator.

2.2 CODE

The Internal Revenue Code of 1986, as amended from time to time.

2.3 CONTRIBUTION ACCOUNT

The account established on behalf of a Participant to which shall be credited the amount of the Participant's contribution, pursuant to Article V.

2.4 EMPLOYEE

Each employee of an Employer (a) who is not a Highly Compensated employee as described in Code Section 414(q), (b) who is not a Statutory Insider, and (c) whose customary employment by the Employer is greater than 20 hours per week and greater than five months per year.

2.5 EMPLOYER

Genesco or any corporation (i) which is a Subsidiary of Genesco, (ii) which is authorized by the Board of Directors to adopt this Plan with respect to its Employees, and (iii) which adopts this Plan. The term "Employer" shall include any corporation into which an Employer may be merged or consolidated or to which all or substantially all of its assets may be transferred, provided such corporation does not affirmatively disavow this Plan.

2.6 EXERCISE DATE

The last trading date of the Plan Year on the New York Stock Exchange.

2.7 EXERCISE PRICE

The price per share of the Shares to be charged to Participants at the Exercise Date, as determined in Section 6.3.

2.8 FIVE-PERCENT SHAREHOLDER

An Employee who owns five percent or more of the total combined voting power or value of all classes of stock of Genesco or any Subsidiary thereof. In determining this five percent test, shares of stock which the Employee may purchase under outstanding options, as well as stock attributed to the Employee under Section 424(d) of the Code, shall be treated as stock owned by the Employee in the numerator, but shares of stock which may be issued under options shall not be counted in the total of outstanding shares in the denominator.

2.9 GRANT DATE

The first trading day on the New York Stock Exchange on or after October 1 of each year.

2.10 PARTICIPANT

Any Employee of an Employer who has met the conditions for eligibility as provided in Article IV and who has elected to participate in the Plan.

2.11 PLAN

The Genesco Employee Stock Purchase Plan.

2.12 PLAN ADMINISTRATOR

The committee composed of one or more individuals to whom authority is delegated by Genesco's board of directors to administer the Plan. The Plan Administrator shall initially be the Compensation Committee of Genesco's board of directors.

2.13 PLAN YEAR

The Plan Year shall be coterminous with the fiscal year of Genesco. The enrollment year shall be the first day of October and ending on the last day of September in the following calendar year. The initial enrollment year commenced on October 1, 1995.

2.14 SHARES

Those shares of common stock of Genesco which are reserved pursuant to Section 6.1 for issuance upon the exercise of options granted under this Plan.

2.15 STATUTORY INSIDER

Any individual subject to Section 16(a) of the Securities Exchange Act of 1934, as amended, and any other person so designated by resolution of the Board of Directors.

2.16 SUBSIDIARY

Any corporation (other than Genesco) in an unbroken chain of corporations beginning with Genesco if, at the time of the granting of the option, each of the corporations other than the last corporation in the chain owns stock possessing 50% or more of the combined voting power of all classes of stock in one of the other corporations in such chain.

ARTICLE III.
SHAREHOLDER APPROVAL

3.1 SHAREHOLDER APPROVAL OF PLAN

If the Plan is not approved by the shareholders of Genesco before October 1, 1995, it shall not take effect.

3.2 SHAREHOLDER APPROVAL FOR CERTAIN AMENDMENTS

Without the approval of the shareholders of Genesco, no amendment to this Plan shall:

(i) increase the number of Shares reserved under the Plan, other than as provided in Section 10.3;

(ii) make participation in the Plan available to any person who is not an Employee; or

(iii) make participation in the Plan available to employees or any corporation other than Genesco or any Subsidiary which adopts the Plan.

Approval by shareholders must comply with applicable provisions of the corporate charter and bylaws of Genesco, and with Tennessee law prescribing the method and degree of shareholder approval required for issuance of corporate stock or options.

ARTICLE IV.
ELIGIBILITY AND PARTICIPATION

4.1 CONDITIONS

Each Employee shall become eligible to become a Participant on October 1, 1995 or any October 1 thereafter if such Employee has been employed by the Employer for a continuous period of at least six months prior to such date. No Employee who is a Five-Percent Shareholder shall be eligible to participate in the Plan. Notwithstanding anything to the contrary contained herein, no individual who is not an Employee shall be granted an option to purchase Shares under the Plan.

4.2 APPLICATION FOR PARTICIPATION

Each Employee who becomes eligible to participate shall be furnished a summary of the Plan and an enrollment form. If such Employee elects to participate hereunder, he shall complete such form and file it with his Employer no later than the next September 15. The completed enrollment form shall indicate the amount of Employee contribution authorized by the Employee. If no new enrollment form is filed by a Participant in advance of any Plan Year after the initial Plan Year, that Participant shall be deemed to have elected to continue to participate with the same contribution previously elected (subject to the limit of 15% of base pay).

4.3 DATE OF PARTICIPATION

All Employees who elect to participate shall be enrolled in the Plan commencing with the first paydate after the October 1 following their submission of the enrollment form. Upon becoming a Participant, the Participant shall be bound by the terms of this Plan, including any amendments whenever made.

ARTICLE V.
CONTRIBUTION ACCOUNT

5.1 EMPLOYEE CONTRIBUTIONS

The enrollment form signed by each Participant shall authorize the Employer to deduct from the Participant's compensation an after-tax amount in an exact number of dollars during each payroll period which may not be less than five dollars ($5.00) nor more than 15% of the Participant's base pay on the October 1 on which his enrollment is effective. The term "base pay" shall be determined before subtracting any of the Employee's contributions to the Genesco 401(k) plan and the Flexible Spending Accounts Plan. The dollar amount deducted on each paydate shall be credited to the Participant's Contribution Account. No interest will accrue on any contributions or on the balance in a Participant's Contribution Account. The Company's obligations to Participants with respect to the Contributions under the Plan are unfunded and unsecured and Participants, their heirs and Legal Representatives are unsecured general creditors with no legal rights or claims to any particular assets of the Company.

5.2 MODIFICATION OF CONTRIBUTION RATE

No change shall be permitted in a Participant's amount of withholding except upon October 1, and then only if the Participant files a new enrollment form with the Employer at least 15 days in advance of such date designating the desired withholding rate; except that a Participant may notify the Employer at any time (except during the period from September 15 through September 30) that he wishes to discontinue his contributions. This notice shall be in writing and on such forms as provided by the Employer and shall become effective as of a date provided on the form not more than 30 days following its receipt by the Employer. If a Participant discontinues his or her participation in the Plan, the Participant may withdraw his or her account balance or leave the account balance in the Plan and his or her election to purchase for such enrollment year shall remain in effect. If the election to purchase is not subsequently withdrawn and the Participant does not terminate employment, the account balance will be applied to the purchase of Shares on the Exercise Date.

5.3 WITHDRAWAL OF CONTRIBUTIONS

A Participant may elect to withdraw the balance of his Contribution Account at any time during the Plan Year prior to the Exercise Date (except during the period from September 15 through September 30). The option granted to a Participant shall be canceled upon his withdrawal of the balance in his Contribution Account. The election to withdraw must be in writing on such forms as may be provided by the Employer. No further contributions may be made with respect to a Plan Year in which a withdrawal occurs.

ARTICLE VI.
ISSUANCE AND EXERCISE OF OPTIONS

6.1 RESERVED SHARES OF STOCK

Genesco has reserved 1,000,000 Shares for issuance upon exercise of the options granted under this Plan. Subject to adjustment pursuant to Section 10.3, the aggregate number of Shares which may be purchased by Participants pursuant to options granted under the Plan shall not exceed the number of Shares reserved hereunder. Shares may, however, be originally issued by Genesco or purchased by Genesco on the open market, in the discretion of the Plan Administrator.

6.2 ISSUANCE OF OPTIONS

On the Grant Date each Participant shall be deemed to receive an option to purchase a number of Shares at an Exercise Price determined as provided in this Article VI.

6.3 DETERMINATION OF EXERCISE PRICE

The Exercise Price of the options granted under this Plan for any Plan Year shall be ninety-five percent (95%) of the Closing Market Price of the Shares on the Exercise Date.

6.4 PURCHASE OF SHARES

On an Exercise Date, all of the options which were granted on the previous Grant Date and which have not subsequently been canceled pursuant to the provisions of the Plan shall be automatically exercised. The Contribution Account of each Participant shall be used to purchase the number of whole Shares determined by dividing the Exercise Price into the balance of the Participant's Contribution Account. Any money remaining in a Participant's Contribution Account representing a fractional share shall remain in his Contribution Account to be used in the next Plan Year along with new contributions in the next Plan Year; provided, however, that if the Participant does not enroll for the next Plan Year, the balance remaining shall be returned to him in cash.

6.5 TERMS OF OPTIONS

Options granted under this Plan shall be subject to such amendment or modification as the Plan Administrator shall deem necessary to comply with any applicable law or regulation, including but not limited to Section 423 of the Code, and shall contain such other provisions as the Plan Administrator shall from time to time approve and deem necessary.

6.6 LIMITATIONS ON OPTIONS

The options granted hereunder are subject to the following limitations:

(a) The maximum number of Shares which may be purchased by any Participant on an Exercise Date shall be equal to the lesser of

  (i) 2,000 shares, or

(ii) $10,000 divided by the Closing Market Price on the Grant Date in that Plan Year.

The maximum number of Shares as determined above shall be adjusted upon the occurrence of an event described in Section 10.3.

(b) No option may be granted to a Participant if immediately after the option is granted the Participant would be a Five-Percent Shareholder.

(c) No Participant may assign, transfer or otherwise alienate any options granted to him under this Plan, otherwise than by will or the laws of descent and distribution, and such options may be exercised during the Participant's lifetime only by him.

6.7 PRO-RATA REDUCTION OF OPTIONED SHARES

If the total number of Shares to be purchased under option by all Participants on an Exercise Date exceeds the number of Shares remaining authorized for issuance under Section 6.1, a pro-rata allocation of the Shares available for issuance will be made among the Participants in proportion to their respective Contribution Account balances on the Exercise Date, and any money remaining in the Contribution Accounts shall be returned to the Participants.

6.8 STATE SECURITIES LAWS

Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue Shares to any Participant if to do so would violate any State securities law applicable to the sale of Shares to such Participant. In the event that the Company refrains from issuing Shares to any Participant in reliance on this Section, the Company shall return to such Participant the amount in such Participant's Contribution Account that would otherwise have been applied to the purchase of Shares.

ARTICLE VII.
TERMINATION OF PARTICIPATION

7.1 TERMINATION OF EMPLOYMENT

Any Employee whose employment with the Employer is terminated during the Plan Year for any reason except death, disability or retirement at or after age 55 shall cease being a Participant immediately. The balance of that Participant's Contribution Account shall be paid to such Participant as soon as practical after his termination. The options granted to such Participant shall be canceled as of the date of termination.

7.2 DEATH

If a Participant should die while employed by the Employer, no further contributions on behalf of the deceased Participant shall be made. The legal representative of the deceased Participant may elect to withdraw the balance in such Participant's Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Plan Year during which the Participant died (except during the period from September 15 through September 30). In the event that no election to withdraw is made on or before the September 15 preceding the Exercise Date, the balance accumulated in the deceased Participant's Contribution Account shall be used to purchase Shares in accordance with Section 6.4. Any money remaining which is insufficient to purchase a whole Share shall be paid to the legal representative.

7.3 RETIREMENT

If a Participant should retire from the employment of the Employer at or after attaining age 55, no further contributions on behalf of the retired Participant shall be made. The Participant may elect to withdraw the balance in his Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Plan Year during which the Participant retired (except during the period from September 15 through September 30). In the event that no election to withdraw is made on or before the September 15 preceding the Exercise Date, the balance accumulated in the retired Participant's Contribution Account shall be used to purchase Shares in accordance with Section 6.4, and any money remaining which is insufficient to purchase a whole Share shall be paid to the retired Participant.

7.4 DISABILITY

If a Participant should terminate employment with the Employer on account of disability, as determined by reference to the definition of "disability" in the Employer's long-term disability plan, no further contributions on behalf of the disabled Participant shall be made. The Participant may elect to withdraw the balance in his Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Plan Year during which the Participant became disabled (except during the period from September 15 through September 30). In the event no election to withdraw is made on or before the September 15 preceding the Exercise Date, the balance accumulated in the disabled Participant's Contribution Account shall be used to purchase Shares in accordance with Section 6.4, and any money remaining which is insufficient to purchase a whole Share shall be paid to the disabled Participant.

ARTICLE VIII.
OWNERSHIP OF SHARES

8.1 SHARE OWNERSHIP; FORM

The Shares purchased by a Participant on an Exercise Date shall, for all purposes, be deemed to have been issued and/or sold at the close of business on such Exercise Date. Prior to that time, none of the rights or privileges of a shareholder of Genesco shall inure to the Participant with respect to such Shares. All the Shares purchased under the Plan shall be delivered by the Company in the manner determined by the Plan Administrator.

The Plan Administrator, in its sole discretion, may determine that the Shares shall be delivered by (i) issuing and delivering to the Participant a certificate for the number of Shares purchased by such Participant on an Exercise Date, (ii) issuing and delivering a certificate or certificates for the number of Shares purchased by all Participants on an Exercise Date to a member firm of the New York Stock Exchange which is also a member of the National Association of Securities Dealers, as selected by the Plan Administrator from time to time, which Shares shall be maintained by such member firm in separate brokerage accounts for each Participant or (iii) issuing and delivering a certificate or certificates for the number of Shares purchased by all Participants on an Exercise Date to a bank or trust company or affiliate thereof, as selected by the Plan Administrator from time to time, which Shares shall be maintained by such Bank or trust company or affiliate in separate accounts for each Participant. Each certificate or account, as the case may be, may be in the name of the Participant or, if the Participant designates on the form prescribed by the Plan Administrator, in the Participant's name jointly with another individual, with the right of survivorship. Such designation may be changed by filing notice thereof.

8.2 PREMATURE SALE OF SHARES

If a Participant (or former Participant) sells or otherwise disposes of any Shares obtained under this Plan prior to two years after the Grant Date of the option under which such shares were obtained, that Participant (or former Participant) must notify the Employer immediately in writing concerning such disposition.

8.3 TRANSFER OF OWNERSHIP

A Participant who purchases Shares under this Plan shall be transferred at such time substantially all of the rights of ownership of such Shares in accordance with the Treasury Regulations promulgated under Section 423 of the Code as in effect on the effective date of this restatement of the Plan. Such rights of ownership shall include the right to vote, the right to receive declared dividends, the right to share in the assets of the Employer in the event of liquidation, the right to inspect the Employer's books and the right to pledge or sell such Shares subject to the restrictions in the Plan.

ARTICLE IX.
ADMINISTRATION AND AMENDMENT

9.1 ADMINISTRATION

The Plan Administrator shall (i) administer the Plan and keep records of the Contribution Account balance of each Participant, (ii) interpret the Plan, and (iii) determine all questions arising as to eligibility to participate, amount of contributions permitted, determination of the Exercise Price, and all other matters of administration. The Plan Administrator shall have such duties, powers and discretionary authority as may be necessary to discharge the foregoing duties, and may delegate any or all of the foregoing duties to any individual or individuals (including officers of Genesco or other Employees who are Participants). The Board of Directors shall have the right at any time and without notice to remove or replace any individual or committee of individuals serving as Plan Administrator. All determinations by the Plan Administrator shall be conclusive and binding on all persons. Any rules, regulations, or procedures that may be necessary for the proper administration or functioning of this Plan that are not covered in this Plan document shall be promulgated and adopted by the Plan Administrator.

9.2 AMENDMENT

The board of directors of Genesco may at any time amend the Plan in any respect, including termination of the Plan, without notice to Participants. If the Plan is terminated, all options outstanding at the time of termination shall be immediately canceled and the balance in each Participant's Contribution Account shall be paid to that Participant. Notwithstanding the foregoing, no amendment of the Plan as described in Article III shall become effective until and unless such amendment is approved by the shareholders of Genesco.

ARTICLE X.
MISCELLANEOUS

10.1 EXPENSES

The Employer will pay all expenses of administering this Plan that may arise in connection with the Plan.

10.2 NO CONTRACT OF EMPLOYMENT

Nothing in this Plan shall be construed to constitute a contract of employment between an Employer and any Employee or to be an inducement for the employment of any Employee. Nothing contained in this Plan shall be deemed to give any Employee the right to be retained in the service of an Employer or to interfere with the right of an Employer to discharge any Employee at any time, with or without cause, regardless of the effect which such discharge may have upon him as a Participant of the Plan.

10.3 ADJUSTMENT UPON CHANGES IN SHARES

The aggregate number of Shares reserved for purchase under the Plan as provided in Section 6.1, and the calculation of the Exercise Price as provided in Section 6.3, shall be adjusted by the Plan Administrator (subject to direction by the Board of Directors) in an equitable manner to reflect changes in the capitalization of Genesco, including, but not limited to, such changes as result from merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, combination of shares, exchange of shares and change in corporate structure. If any adjustment under this Section 10.3 would create a fractional share or a right to acquire a fractional share, such fractional share shall be disregarded and the number of shares available under the Plan and the number of shares covered under any options granted pursuant to the Plan shall be the next lower number of shares, rounding all fractions downward.

10.4 EMPLOYER'S RIGHTS

The rights and powers of any Employer shall not be affected in any way by its participation in this Plan, including but not limited to the right or power of any Employer to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

10.5 LIMIT ON LIABILITY

No liability whatever shall attach to or be incurred by any past, present or future shareholders, officers or directors, as such, or Genesco or any Employer, under or by reason of any of the terms, conditions or agreements contained in this Plan or implied therefrom, and any and all liabilities of any and all rights and claims against Genesco, an Employer, or any shareholder, officer or director as such, whether arising at common law or in equity or created by statute or constitution or otherwise, pertaining to this Plan, are hereby expressly waived and released by every Participant as a part of the consideration for any benefits under this Plan; provided, however, no waiver shall occur, solely by reason of this Section 10.5, of any right which is not susceptible to advance waiver under applicable law.

10.6 GENDER AND NUMBER

For the purposes of the Plan, unless the contrary is clearly indicated, the use of the masculine gender shall include the feminine, and the singular number shall include the plural and vice versa.

10.7 GOVERNING LAW

The validity, construction, interpretation, administration and effect of this Plan, and any rules or regulations promulgated hereunder, including all rights or privileges of any Participants hereunder, shall be governed exclusively by and in accordance with the laws of the State of Tennessee, except that the Plan shall be construed to the maximum extent possible to comply with Section 423 of the Code and the Treasury regulations promulgated thereunder.

10.8 HEADINGS

Any headings or subheadings in this Plan are inserted for convenience of reference only and are to be ignored in the construction of any provisions hereof.

10.9 SEVERABILITY

If any provision of this Plan is held by a court to be unenforceable or is deemed invalid for any reason, then such provision shall be deemed inapplicable and omitted, but all other provisions of this Plan shall be deemed valid and enforceable to the full extent possible under applicable law.

IN WITNESS WHEREOF, Genesco Inc. has adopted this amended and restated Plan effective October 1, 2005.

Date: August 24, 2005

GENESCO INC.

By: /s/ Hal N. Pennington

Name: Hal N. Pennington
Title: Chairman, President & CEO

ATTEST:

/s/ Roger G. Sisson

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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 8, 2005

/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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 8, 2005

/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 30, 2005, 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
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Hal N. Pennington
Chief Executive Officer
September 8, 2005

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 30, 2005, 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
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James S. Gulmi
Chief Financial Officer
September 8, 2005