

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended July 2, 2005
OR

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

For the transition period from.....to.....
Commission File Number: 0-10345

CACHE, INC.

(Exact name of registrant as specified in its Charter)

Florida

59-1588181

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

1440 Broadway, New York, New York 10018

(Address of principal executive offices) (zip code)

212-575-3200

(Registrant's telephone number, including area code)

(Former name, address and former fiscal year, if changed since last report)

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 preceeding 12 months (or for such shorter period than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01	15,742,553
-----	-----
Class of Stock Outstanding	Outstanding at August 10, 2005

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CACHE, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

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CACHE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	July 2,	January 1,	June 26, 2004
ASSETS	2005	2005	As re-
stated, see	2005	2005	Note 10
	----	----	-----
<s>	<C>	<C>	<C>
Current assets:			
Cash and equivalents	\$ 17,166,000	\$ 16,848,000	
\$ 16,673,000			
Marketable securities	25,964,000	25,874,000	
23,960,000			

Receivables, net 4,895,000	3,511,000	6,545,000
Inventories 27,491,000	30,165,000	32,296,000
Deferred income taxes 750,000	662,000	567,000
Prepaid expenses and other current assets 776,000	1,141,000	1,948,000
	-----	-----
Total current assets 74,545,000	78,609,000	84,078,000

Equipment and leasehold improvements, net 47,118,000	39,589,000	49,502,000
Other assets 832,000	856,000	832,000
	-----	-----
Total assets \$114,966,000	\$128,967,000	\$132,028,000
	=====	=====
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable \$ 11,588,000	\$ 11,370,000	\$ 17,055,000
Income taxes payable 199,000	---	---
Accrued compensation 2,865,000	1,427,000	1,927,000
Accrued liabilities 9,073,000	9,487,000	11,627,000
	-----	-----
Total current liabilities 23,725,000	22,284,000	30,609,000
Other liabilities 11,442,000	14,557,000	13,556,000
Deferred income taxes, net 973,000	2,246,000	3,023,000

Commitments and contingencies

STOCKHOLDERS' EQUITY

Common stock, par value \$.01; authorized, 20,000,000 shares; 15,726,553, 15,655,053 and 15,634,178 shares issued and outstanding	157,000	157,000
156,000		
Additional paid-in capital	34,988,000	34,705,000
34,379,000		
Retained earnings	54,735,000	49,978,000
44,291,000		
	-----	-----
Total stockholders' equity	89,880,000	84,840,000
78,826,000		
	-----	-----
Total liabilities and stockholders' equity	\$128,967,000	\$132,028,000
\$114,966,000		
	=====	=====
=====		

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See accompanying Notes to Condensed Consolidated Financial Statements.

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CACHE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWENTY-SIX WEEKS ENDED
(Unaudited)

	July 2, 2005	June 26, 2004
	-----	-----
<s>	<c>	<c>
Net sales	\$129,763,000	\$119,281,000
Cost of sales, including occupancy and buying costs	72,264,000	64,444,000
	-----	-----

Gross profit	57,499,000	54,837,000
	-----	-----
Expenses		
Store operating expenses	41,871,000	35,337,000
General and administrative expenses	8,160,000	7,247,000
	-----	-----
Total expenses	50,031,000	42,584,000
	-----	-----
Operating income	7,468,000	12,253,000
Interest income	400,000	202,000
Other income, net	---	20,000
	-----	-----
Income before income taxes	7,868,000	12,475,000
Income tax provision	3,111,000	4,865,000
	-----	-----
Net income	\$ 4,757,000	\$ 7,610,000
	=====	=====
Basic earnings per share	\$0.30	\$0.49
	=====	=====
Diluted earnings per share	\$0.30	\$0.48
	=====	=====
Basic weighted average shares outstanding	15,700,000	15,536,000
	=====	=====
Diluted weighted average shares outstanding	15,830,000	15,986,000
	=====	=====

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See accompanying Notes to Condensed Consolidated Financial Statements.

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CACHE, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE THIRTEEN WEEKS ENDED
 (Unaudited)

	July 2, 2005	June 26, 2004	
	-----	-----	
<S> Net sales	<C> \$ 66,970,000	<C> \$ 62,087,000	
Cost of sales, including occupancy and buying costs		36,604,000	32,938,000
	-----	-----	
Gross profit	30,366,000	29,149,000	
	-----	-----	
Expenses			
Store operating expenses	21,278,000	18,448,000	
General and administrative expenses	4,371,000	3,599,000	
	-----	-----	
Total expenses	25,649,000	22,047,000	
	-----	-----	
Operating income	4,717,000	7,102,000	
Interest income	243,000	107,000	
Other income, net	---	20,000	
	-----	-----	
Income before income taxes	4,960,000	7,229,000	
Income tax provision	1,960,000	2,868,000	
	-----	-----	
Net income	\$ 3,000,000	\$ 4,361,000	
	=====	=====	

Basic earnings per share	\$0.19	\$0.28
	=====	=====
Diluted earnings per share	\$0.19	\$0.27
	=====	=====
Basic weighted average shares outstanding	15,712,000	15,634,000
	=====	=====
Diluted weighted average shares outstanding	15,950,000	16,100,000
	=====	=====

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See accompanying Notes to Condensed Consolidated Financial Statements.

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CACHE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED
(Unaudited)

	July 2, 2005	June 26, 2004 As restated, see Note 10
CASH FLOWS FROM OPERATING ACTIVITIES:		

<S>	<C>	<C>
Net income	\$ 4,757,000	\$ 7,610,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,606,000	3,621,000
(Decrease) increase in deferred income taxes	(872,000)	472,000
Deferred rent, net	(599,000)	(488,000)
Change in assets and liabilities:		
Decrease (increase) in receivables	3,034,000	(281,000)
Decrease (increase) in inventories	2,131,000	(767,000)

Decrease in prepaid expenses and other current assets	807,000	463,000
Decrease in accounts payable	(5,685,000)	(2,774,000)
Increase in income taxes payable	---	1,544,000
Decrease in accrued liabilities and accrued compensation	(1,057,000)	(758,000)

Net cash provided by operating activities	7,122,000	8,642,000
---	-----------	-----------

CASH FLOWS FROM INVESTING ACTIVITIES:

Maturities of marketable securities	15,971,000	8,495,000
Purchases of marketable securities	(16,061,000)	(12,709,000)
Purchases of equipment and leasehold improvements (9,412,000)	(6,973,000)	

Net cash used in investing activities	(7,063,000)	(13,626,000)
---------------------------------------	-------------	--------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from the issuance of common stock	283,000	4,729,000
Other, net	(24,000)	41,000

Net cash provided by financing activities	259,000	4,770,000
---	---------	-----------

Net increase (decrease) in cash and equivalents	318,000	(214,000)
---	---------	-----------

Cash and equivalents, at beginning of period	16,848,000	16,887,000
--	------------	------------

Cash and equivalents, at end of period	\$ 17,166,000	\$ 16,673,000
--	---------------	---------------

Supplemental disclosure of cash flow information:

Income taxes paid	\$ 3,410,000	\$ 2,563,000
Income tax benefit from stock option exercises	36,000	1,345,000

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See accompanying Notes to Condensed Consolidated Financial Statements.

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CACHE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

References to the "Company," "we," "us," or "our" means Cache, Inc., together with its wholly-owned subsidiaries, except as expressly indicated or unless the context otherwise requires. We operate two chains of women's apparel specialty stores of which 259 stores are operated under the trade name "Cache" and 38 stores are operated under the trade name "Lillie Rubin", as of July 2, 2005.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States. However, in the opinion of our management, all known adjustments necessary for a fair presentation of the results of the interim periods have been made. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may materially differ from these estimates.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 1, 2005, which are included in the Company's Annual Report on Form 10-K with respect to such period filed with the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated. The January 1, 2005 condensed consolidated balance sheet amounts are derived from the Company's audited consolidated financial statements.

The Company's Fiscal Year ("Fiscal Year" or "Fiscal") refers to the 52 or 53 weeks, as applicable, ending the Saturday nearest to December 31. The year ended December 31, 2005 ("Fiscal 2005") is a 52 week year as compared to the years ended January 1, 2005 ("Fiscal 2004") and December 27, 2003 ("Fiscal 2003"), that are a 53 and 52 week years, respectively.

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in the 2004 10-K.

2. COMMON STOCK SPLIT

On June 18, 2004, we completed a three-for-two stock split for holders of record on May 21, 2004. All share amounts have been retroactively restated to reflect the stock split.

3. STOCK BASED COMPENSATION

We periodically grant stock options to our employees, and we account for these stock options in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). We have also adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). In accordance with the provisions of SFAS No. 148 and APB No. 25, we have not recognized compensation expense related to stock options. If the options are granted to employees below fair market value, compensation expense is recognized. If we would have elected to recognize compensation expense based on the fair value of options at grant date, as prescribed by SFAS No. 148, our net income and earnings per share would have been reduced to the pro forma amounts indicated in the following table:

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<table>

	13 Weeks Ended		26 Weeks Ended		
	July 2, 2005	June 26, 2004	July 2, 2005	June 26, 2004	
<s>	<c>	<c>	<c>	<c>	
Net income:					
As reported	\$ 3,000,000	\$ 4,361,000	\$ 4,757,000	\$	
7,610,000					
Deduct: Total stock based employee compensation expense determined under fair					

value based method, net of taxes (213,000)	(249,000)	(106,000)	(497,000)	
Pro forma net income 7,397,000	\$ 2,751,000	\$ 4,255,000	\$ 4,260,000	\$
Basic earnings per share:				
As reported	\$0.19	\$0.28	\$0.30	\$0.49
Pro forma	\$0.18	\$0.27	\$0.27	\$0.48
Diluted earnings per share:				
As reported	\$0.19	\$0.27	\$0.30	\$0.48
Pro forma	\$0.17	\$0.26	\$0.27	\$0.46

</table>

There were 105,000 option grants in the 26 week period ended July 2, 2005. For the 26 week period ended June 26, 2004, stock options totaling 105,000 were granted.

The weighted average fair value of the Company's stock options was calculated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for grants in their respective periods. For the second quarter of 2005: no dividend yield; expected volatility of 54%; risk free interest rate of 4.00%; and expected life of 5.0 years. For the second quarter of 2004: no dividend yield; expected volatility of 71%; risk free interest rate of 3.64%; and expected life of 5.0 years.

4. BASIC AND DILUTED EARNINGS

In accordance with SFAS No. 128, "Earnings Per Share", basic earnings per share has been computed based upon the weighted average of common shares outstanding. Diluted earnings per share gives effect to outstanding stock options.

Earnings per common share has been computed as follows:

<table>

	13 Weeks Ended		26 Weeks Ended	
	July 2, 2005	June 26, 2004	July 2, 2005	June 26, 2004
<s>	<c>	<c>	<c>	<c>

Net income	\$ 3,000,000	\$ 4,361,000	\$ 4,757,000	\$	
7,610,000					
Basic weighted number of average shares outstanding	15,712,000	15,634,000	15,700,000		
15,536,000					
Incremental shares from assumed issuances of stock options	238,000	466,000	130,000	450,000	
Diluted weighted average number of shares outstanding	15,950,000	16,100,000	15,830,000		
15,986,000					
Net income per share - Basic		\$0.19	\$0.28	\$0.30	\$0.49
- Diluted	\$0.19	\$0.27	\$0.30	\$0.48	

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Options to purchase 1,567,750 common shares with exercise prices ranging from \$1.73 to \$15.17 per share were outstanding at July 2, 2005, and options to purchase 1,758,625 common shares with exercise prices ranging from \$1.73 to \$15.17 per share were outstanding at June 26, 2004 and, in each case, were included in the computation of diluted earnings per share for the 26 and 13 week periods ended July 2, 2005 and June 26, 2004, respectively.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB published SFAS No. 123R, pursuant to which all forms of share-based payments to employees, including employee stock options, would be treated as compensation and recognized in the income statement. SFAS No. 123R is effective beginning the first quarter of Fiscal 2006. The Company currently accounts for stock options under APB No. 25. The Company is continuing to evaluate the full impact of SFAS No. 123R for its adoptions in the first quarter of Fiscal 2006.

In December 2004, the FASB published Statement of Financial Accounting Standards No. 151, "Inventory Costs" ("SFAS No. 151"), an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4, which clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials

(spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company has determined that SFAS No. 151 will not have a material impact on its condensed consolidated results of operations, financial position or cash flows.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections-A Replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. The Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not believe that the adoption of SFAS 154 will have a significant effect on its financial statements.

FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"), was issued in March 2005. This interpretation will be effective for the Company in the fourth quarter of 2005 and clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. The Company does not believe that the adoption of FIN 47 will have a significant effect on its financial statements.

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6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

<table>

July 2, 2005	January 1, 2005	June 26, 2004
-----	-----	-----

<S>	<C>	<C>	<C>	<C>
Leasehold improvements		\$ 48,553,000	\$ 45,349,000	\$ 40,052,000
Furniture, fixtures and equipment		48,144,000	45,049,000	40,404,000
		-----	-----	-----
		96,697,000	90,398,000	80,456,000
Less: accumulated depreciation and amortization		47,195,000	43,280,000	40,867,000
		-----	-----	-----
		\$ 49,502,000	\$ 47,118,000	\$ 39,589,000
		=====	=====	=====

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7. ACCRUED LIABILITIES

<S>	<C>	<C>	<C>
	July 2, 2005	January 1, 2005	June 26, 2004
	-----	-----	-----
Operating expenses	\$ 2,733,000	\$ 3,315,000	\$ 2,357,000
Taxes, other than income taxes	1,124,000	2,185,000	1,652,000
Group insurance	558,000	509,000	513,000
Sales return reserve	443,000	832,000	435,000
Leasehold additions	945,000	928,000	1,129,000
Other customer deposits	3,684,000	3,858,000	2,987,000
	-----	-----	-----
	\$ 9,487,000	\$ 11,627,000	\$ 9,073,000
	=====	=====	=====

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8. BANK DEBT

During November 2002, the Company reached an agreement with its bank to extend the maturity of the Amended Revolving Credit Facility until November 30, 2005. Pursuant to the newly Amended Revolving Credit Facility, \$17,500,000 is available until expiration at November 30, 2005. The amounts outstanding thereunder bear interest at a maximum per annum rate equal to the bank's prime rate. The agreement contains selected financial and other covenants. Effective upon the occurrence of an Event of Default under the Amended Revolving Credit

Facility, the Company grants to the bank a security interest in the Company's inventory and certain receivables. The Company has, at all times, been in compliance with all loan covenants.

There have been no borrowings against the line of credit during fiscal 2005 and fiscal 2004. There were outstanding letters of credit of \$3.0 million, \$3.1 million and \$739,000, pursuant to the Revolving Credit Facility, at July 2, 2005, January 1, 2005 and June 26, 2004, respectively.

9. CONTINGENCIES

The Company is exposed to a number of asserted and unasserted potential claims. Management does not believe it is reasonably possible that resolution of these matters will result in a material loss. We have not provided any third party financial guarantees as of and for the twenty-six week period ended July 2, 2005.

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10. RESTATEMENT OF BALANCE SHEET AND STATEMENT OF CASH FLOWS

Subsequent to the issuance of the condensed consolidated financial statements for the period ended June 26, 2004, we determined that our lease incentives should have been classified within other liabilities rather than equipment and leaseholds on the condensed consolidated balance sheet and lease incentives received in the condensed consolidated statement of cash flows changed from cash flows used in investing activities to cash flows provided by operating activities. In addition, we determined that several marketable securities were misclassified as cash and equivalents at June 26, 2004.

As a result, the condensed consolidated balance sheet and the condensed consolidated statement of cash flows as of and for the twenty-six week period ended June 26, 2004 have been restated to reflect the lease incentives within other liabilities, rather than within equipment and leaseholds on the condensed consolidated balance sheet and from cash flows used in investing activities to cash flows provided by operating activities in the condensed consolidated statement of cash flows changed. The Company restated marketable securities to reflect a reduction in investing activity. A summary of the effect of the restatement on the condensed consolidated balance sheet and condensed consolidated cash flow provided by (used in) operating and investing activities is as follows:

<table>

As Previously

	Reported -----	As Restated -----
<S>	<C>	<C>
For the twenty-six weeks ended June 26, 2004:		
Cash flow provided by operating activities (\$2,766,000 lease restatement impact)	\$ 5,876,000	\$ 8,642,000
Cash flow used in investing activities (\$2,766,000 lease and \$4,773,000 investment restatement impact)	(6,087,000)	(13,626,000)
As of June 26, 2004:		
Cash and Cash equivalents	21,446,000	16,673,000
Marketable securities	19,187,000	23,960,000
Equipment and leasehold improvements	29,310,000	39,589,000
Other liabilities	1,163,000	11,442,000

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

----- OF OPERATIONS -----

Except for the historical information and current statements contained in this Form 10-Q, certain matters discussed herein, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward looking statements that involve risks and uncertainties, including, without limitation, the effect of economic and market conditions and competition, the ability to open new stores and expand into new markets, and risks relating to foreign importing operations, which would cause actual results to differ materially.

RESULTS OF OPERATIONS -----

The following table sets forth our results of operations for the 13 and 26 week periods ended July 2, 2005 and June 26, 2004, expressed as a percentage of net sales.

<table>

	13 Weeks Ended		26 Weeks Ended	
	-----		-----	
	July 2,	June 26,	July 2,	June 26,
	2005	2004	2005	2004
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	54.7	53.1	55.7	54.0
Gross profit	45.3	46.9	44.3	46.0
Store operating expenses		31.8	29.7	32.3
General and administrative expenses		6.5	5.8	6.3
Operating income	7.0	11.4	5.8	10.3
Other income	0.4	0.2	0.3	0.2
Income before income taxes		7.4	11.6	6.1
Income tax provision		2.9	4.6	2.4
Net income	4.5	7.0	3.7	6.4

</table>

We use a number of key indicators of financial condition and operating performance to evaluate the performance of our business, some of which are set forth in the following table:

<table>

	13 Weeks Ended		26 Weeks Ended	
	-----		-----	
	July 2,	June 26,	July 2,	June 26,
	2005	2004	2005	2004
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total store count at end of period		297	269	297
Net sales growth	7.9%	10.5%	8.8%	14.4%
Comparable store sales growth		5.0%	3.0%	3.0%
Net sales per average square foot		\$114	\$119	\$222
Total square footage (in thousands)		600	549	600

</table>

Net sales

- -----

Net sales increased to \$129.8 million from \$119.3 million, an increase of \$10.5

million or 8.8%, over the prior year 26 week period. Comparable store sales (sales for stores open at least one year or more) increased \$3.5 million or 3%, during the 26 week period. Net sales from new stores and non-comparable stores were \$7.0 million, during the current 26 week period.

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Net sales increased to \$67.0 million from \$62.1 million, an increase of \$4.9 million, or 7.9%, over the same 13 week period last year. This reflects \$2.8 million of additional net sales as a result of 5% increase in comparable store sales. Net sales increased \$2.1 million as a result of additional sales from non-comparable stores, during the current 13 week period.

Gross profit

- -----

Gross profit increased to \$57.5 million from \$54.8 million, an increase of \$2.7 million or 4.9%, over the prior year 26 week period. This increase was primarily due to higher net sales. As a percentage of net sales, gross profit decreased to 44.3% from 46.0%. The decrease in gross profit as a percentage of net sales was primarily due to greater promotional activity and increased occupancy costs related to our store expansion program and was partially offset by higher initial markup.

Gross profit increased to \$30.4 million from \$29.1 million, an increase of \$1.2 million, or 4.0%, over the same 13 week period last year. This increase was primarily due to higher net sales. As a percentage of net sales, gross profit decreased to 45.3% from 46.9%. The decrease in gross profit as a percentage of net sales was primarily due to the same factors as for the 26 week period.

Store operating expenses

- -----

Store operating expenses increased to \$41.9 million from \$35.3 million, an increase of \$6.5 million or 18.5%, over the prior year 26 week period. This increase is primarily attributable to the increase in the number of stores open. As a percentage of net sales, store operating expenses increased to 32.3% from 29.6% for the 26 week period, primarily due to higher payroll, depreciation, insurance and advertising expenses.

Store operating expenses increased to \$21.3 million from \$18.4 million, an increase of \$2.8 million or 15.3% over the same 13 week period last year. This increase is primarily due to an increase in the number of stores open. As a percentage of sales, store operating expenses increased to 31.8% from 29.7%

primarily due to the same factors as for the 26 week period.

General and administrative expenses

- -----

General and administrative expenses increased to \$8.2 million from \$7.2 million, an increase of \$913,000 or 12.6%, over the same 13 week period last year. As a percentage of net sales, general and administrative expenses increased to 6.3% from 6.1%, primarily due higher payroll and professional fees and were partially offset by lower incentive bonus accruals, as compared to last year.

General and administrative expenses increased to \$4.4 million from \$3.6 million, an increase of \$772,000 or 21.5%, above the same 13 week period last year. As a percentage of net sales, general and administrative expenses increased to 6.5% from 5.8% for the 13 week period, primarily due to the same factors as for the 26 week period.

Income taxes

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Income taxes decreased to \$3.1 million from \$4.9 million, as compared to the 26 week period last year. The decrease was primarily attributable to lower taxable income in fiscal 2005. The estimated effective tax rate for fiscal 2005 and fiscal 2004 were 39.5% and 39.0%, respectively, including state and local income taxes.

Income taxes decreased to \$2.0 million from \$2.9 million, as compared to the same 13 week period last year. The effective rate decreased from 39.7% to 39.5%.

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Interest Income

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Interest income increased to \$400,000 from \$202,000, an increase of \$198,000 over the prior period, primarily due to higher average cash balances, as well as higher interest rates.

Interest income increased to \$243,000 from \$107,000 in the same 13 week period last year for the same reasons as the 26 week period.

Net income

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As a result of the factors discussed above, net income decreased to \$4.8 million from \$7.6 million for the prior year 26 week period.

Net income decreased to \$3.0 million from \$4.4 million below the same 13 week period last year.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are primarily for working capital, the construction of new stores, the remodeling of existing stores, and to improve and enhance our information technology systems. Due to the seasonality of our business, we have historically realized a significant portion of our cash flows from operating activities during the second half of the fiscal year. Most recently, our cash requirements have been met primarily through cash and cash equivalents on hand during the first half of the year, and through cash flows from operating activities during the second half of the year. We expect to continue to meet our cash requirements primarily through cash flows from operating activities, existing cash and cash equivalents, and short-term investments. In addition, we have available a \$17.5 million revolving credit facility (the "credit facility") with Bank of America Retail Finance, although we have not had outstanding borrowings under the credit facility for several years. At July 2, 2005, we had working capital of \$56.4 million, cash and cash equivalents of \$17.2 million, short-term investments of \$26.0 million, and no third party debt outstanding.

The following table sets forth our cash flows for the period indicated:

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	Twenty-six weeks ended	
	July 2, 2005	June 26, 2004
	<C>	<C>
Net cash from operating activities.....	\$7,122,000	\$8,642,000
Net cash from investing activities.....	(7,063,000)	(13,626,000)
Net cash from financing activities.....	259,000	4,770,000
Net increase (decrease) in cash and cash equivalents..	\$318,000	(\$214,000)
	=====	=====

</table>

During the twenty-six weeks ended July 2, 2005, we increased our cash and cash equivalents by \$0.3 million, primarily due to net income of \$4.8 million, depreciation of \$4.6 million and decreases in receivables of \$3.0 million and inventories of \$2.1 million, which were partially offset by accounts payable repayments of \$5.7 million and expenditures for our new store expansion and remodeling program totaled \$7.0 million.

We plan to open approximately 20 to 25 new stores during fiscal 2005. Five new stores were opened in the first quarter and four new stores opened in second quarter. We anticipate opening the remaining new stores during the balance of 2005. We renovated three existing stores in the first quarter and seven existing stores in the second quarter. We spent \$7.0 million through July 2, 2005 and expect to spend an additional \$8 million to \$10 million in 2005, for both new store and existing store construction and remodeling.

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Inflation

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We do not believe that our sales revenue or operating results have been materially impacted by inflation during the past three fiscal years. There can be no assurance, however, that our sales revenue or operating results will not be impacted by inflation in the future.

Off-Balance Sheet Arrangements

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We do not have any off-balance sheet arrangements or transactions with unconsolidated, limited purpose entities. In the normal course of its business, we enter into operating leases for store locations and utilize letters of credit principally for the importation of merchandise. We do not have any undisclosed material transactions or commitments involving related persons or entities.

Critical Accounting Policies and Estimates

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Our accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements in our fiscal 2004 10-K. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates

and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, actual results will differ from those estimates. We evaluate our estimates and judgments on an ongoing basis and predicate those estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results will differ from these under different assumptions or conditions.

Our management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of the Consolidated Financial Statements.

Inventories. Our inventories are valued at lower of cost or market using the retail inventory method. Under the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, it is recognized that the use of RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain significant management judgments including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Management believes that our RIM provides an inventory valuation which results in a carrying value at the lower of cost or market.

Finite-lived assets. We evaluate the fair value and future benefits of finite-lived assets whenever events and changes in circumstances suggest. We perform an analysis of the anticipated undiscounted future net cash flows of the related finite-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections of our strategies change, the conclusion regarding impairment may differ from the current estimates.

Revenue recognition. Sales are recognized at the "point of sale," which occurs when merchandise is sold in an "over-the-counter" transaction or upon receipt by a customer. Sales of merchandise via our website are recognized at the time of delivery to the customer. Our customers have the right to return merchandise. Sales are reported net of actual and estimated returns. We maintain a reserve for potential product returns and record, as a reduction to sales, a provision for estimated product returns, which is determined based on historical experience.

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Amounts billed to customers for shipping and handling fees are included in net sales at the time of shipment. Costs incurred for shipping and handling are included in cost of sales.

Income Taxes. Temporary differences arising from differing treatment of income and expense items for tax and financial reporting purposes result in deferred tax assets and liabilities that are recorded on the balance sheet. These balances, as well as income tax expense, are determined through management's estimations, interpretation of tax law for multiple jurisdictions and tax planning. If our actual results differ from estimated results due to changes in tax laws, new store locations or tax planning, our effective tax rate and tax balances could be affected. As such these estimates may require adjustment in the future as additional facts become known or as circumstances change.

Seasonality. We experience seasonal and quarterly fluctuations in net sales and operating income. Quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, fashion trends and shifts in timing of certain holidays. Our business is subject to seasonal influences, characterized by highest sales during the fourth quarter (October, November and December) and lowest sales during the third quarter (July, August and September).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the following types of market risk-fluctuations in the purchase price of merchandise, as well as other goods and services: the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to our inventory turn rate and its historical ability to pass through the impact of any generalized changes in its cost of goods sold to its customers through pricing adjustments, commodity and other product risks are not expected to be material. We purchase substantially all merchandise in U.S. dollars.

Our exposure to market risk for changes in interest rates relates to cash, cash equivalents and marketable securities. As of July 2, 2005, our cash, cash equivalents and marketable securities consisted primarily of funds invested in money market accounts, which bear interest at a variable rate, U.S. treasury instruments and tax exempt municipal bonds rated AA or better, which bear interest at a fixed rate. Due to the average maturity and the conservative nature of our investment portfolio, we believe a sudden change in interest rates would not have a material effect on the value of our investment portfolio. As the interest rates on a material portion of our cash, cash equivalents and marketable securities are variable, a change in interest rates earned on our

investment portfolio would impact interest income along with cash flows, but would not materially impact the fair market value of the related underlying instruments.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), designed to provide reasonable assurance that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, regulations and forms. The Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on their evaluation, the Chief Executive Officer and the Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance of achieving the Company's control objectives.

Changes in Internal Control over Financial Reporting

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We also maintain a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). No changes in our internal control over financial reporting occurred during the quarter ended July 2, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

11.1 Calculation of Basic and Diluted Earnings per Common Share.

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

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Signatures

Pursuant to the requirement of section 13 or 15 (d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 10, 2005

CACHE, INC.

BY: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive

Officer)

BY: /s/ Margaret Feeney

Margaret Feeney
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT 11.1
CALCULATION OF BASIC AND DILUTED EARNINGS PER COMMON SHARE
(In thousands except per share data)

	13 WEEKS ENDED		26 WEEK PERIOD	
	July 2, 2005	June 26, 2004	July 2, 2005	June 26, 2004
<s> EARNINGS PER SHARE	<c>	<c>	<c>	<c>
Net Income Applicable to Common Stockholders	\$ 3,000,000	\$ 4,361,000	\$ 4,757,000	\$ 7,610,000
	=====	=====	=====	=====
 BASIC EARNINGS PER SHARE				
Weighted Average Number of Common Shares Outstanding	15,712,000	15,634,000	15,700,000	15,536,000
	=====	=====	=====	=====

Basic Earnings Per Share	\$0.19	\$0.28	\$0.30	\$0.49
=====	=====	=====	=====	=====

DILUTED EARNINGS PER SHARE

Weighted Average Number of Common Shares Outstanding	15,712,000	15,634,000	15,700,000	
15,536,000				

Assuming Conversion of Outstanding Stock Options	1,549,000	1,765,000	1,524,000	1,765,000
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Less Assumed Repurchase of Common Stock Pursuant to the Treasury Stock Method	(1,311,000)	(1,299,000)	(1,394,000)	
(1,315,000)				
=====	=====	=====	=====	=====

Weighted Average Number of Common Shares Outstanding	15,950,000	16,100,000	15,830,000	
15,986,000				
=====	=====	=====	=====	=====

Diluted Earnings Per Share	\$0.19	\$0.27	\$0.30	\$0.48
=====	=====	=====	=====	=====

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EXHIBIT 31.1
CERTIFICATION

I, Brian Woolf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cache, Inc. (Cache),

2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Cache as of, and for, the periods presented in this quarterly report;
4. Cache's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Cache, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this quarterly 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 Cache's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any changes in Cache's internal control over financial reporting that occurred during Cache's second quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. Cache's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Cache's auditors and the audit committee of Cache's Board of Directors;

- 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 Cache'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 Cache's internal control over financial reporting.

August 10, 2005

By: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive
Officer)

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EXHIBIT 31.2
CERTIFICATION

I, Margaret Feeney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cache, Inc. (Cache),
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Cache as of, and for, the periods presented in this quarterly report;
4. Cache's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over

financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Cache, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this quarterly 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 Cache's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any changes in Cache's internal control over financial reporting that occurred during Cache's second quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. Cache's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Cache's auditors and the audit committee of Cache's Board of Directors;
- 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 Cache'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 Cache's internal control over financial reporting.

August 10, 2005

By: /s/ Margaret Feeney

Margaret Feeney
Executive Vice President and

Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT 32.1
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to and solely for the purposes of, 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in the capacity and on the date indicated below that:

1. The Quarterly Report of Cache, Inc. on Form 10-Q for the period ending July 2, 2005 as filed with Securities and Exchange Commission on the date hereof (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 Cache, Inc.

August 10, 2005

BY: /s/ Brian Woolf

Brian Woolf
Chairman and Chief
Executive Officer
(Principal Executive
Officer)

August 10, 2005

By: /s/ Margaret Feeney

Margaret Feeney

Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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-----END PRIVACY-ENHANCED MESSAGE-----