UNITED STATES
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 the quarterly period ended July 2, 2016

or

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

Commission File Number: 001-13057

Ralph Lauren Corporation

(Exact name of registrant as specified in its charter)

Delaware	**13-2622036**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
650 Madison Avenue, New York, New York	**10022**
(Address of principal executive offices)	*(Zip Code)*

(212) 318-7000
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	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 ☑

At August 5, 2016, 56,377,202 shares of the registrant's Class A common stock, $.01 par value, and 25,881,276 shares of the registrant's Class B common stock, $.01 par value, were outstanding.

RALPH LAUREN CORPORATION

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RALPH LAUREN CORPORATION

CONSOLIDATED BALANCE SHEETS

	July 2, 2016	April 2, 2016
	(millions) (unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 457	$ 456
Short-term investments	619	629
Accounts receivable, net of allowances of $223 million and $254 million	338	517
Inventories	1,242	1,125
Income tax receivable	60	58
Prepaid expenses and other current assets	286	268
Total current assets	3,002	3,053
Property and equipment, net	1,565	1,583
Deferred tax assets	116	119
Goodwill	930	918
Intangible assets, net	240	244
Other non-current assets	265	296
Total assets	$ 6,118	$ 6,213
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 90	$ 116
Accounts payable	192	151
Income tax payable	22	33
Accrued expenses and other current liabilities	992	898
Total current liabilities	1,296	1,198
Long-term debt	602	597
Non-current liability for unrecognized tax benefits	77	81
Other non-current liabilities	577	593
Commitments and contingencies (Note 13)		
Total liabilities	2,552	2,469
Equity:		
Class A common stock, par value $.01 per share; 101.5 million and 101.0 million shares issued; 56.4 million and 57.0 million shares outstanding	1	1
Class B common stock, par value $.01 per share; 25.9 million shares issued and outstanding	—	—
Additional paid-in-capital	2,259	2,258
Retained earnings	5,952	6,015
Treasury stock, Class A, at cost; 45.1 million and 44.0 million shares	(4,454)	(4,349)
Accumulated other comprehensive loss	(192)	(181)
Total equity	3,566	3,744
Total liabilities and equity	$ 6,118	$ 6,213

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions, except per share data) (unaudited)	
Net sales	$ 1,514	$ 1,577
Licensing revenue	38	41
Net revenues	1,552	1,618
Cost of goods sold[(a)]	(657)	(652)
Gross profit	895	966
Selling, general, and administrative expenses[(a)]	(815)	(822)
Amortization of intangible assets	(6)	(6)
Impairment of assets	(19)	(8)
Restructuring charges	(86)	(34)
Total other operating expenses, net	(926)	(870)
Operating income (loss)	(31)	96
Foreign currency gains (losses)	2	(1)
Interest expense	(3)	(4)
Interest and other income, net	1	2
Equity in losses of equity-method investees	(2)	(3)
Income (loss) before income taxes	(33)	90
Income tax benefit (provision)	11	(26)
Net income (loss)	$ (22)	$ 64
Net income (loss) per common share:		
Basic	$ (0.27)	$ 0.74
Diluted	$ (0.27)	$ 0.73
Weighted average common shares outstanding:		
Basic	83.3	86.5
Diluted	83.3	87.5
Dividends declared per share	$ 0.50	$ 0.50
[(a)] Includes total depreciation expense of:	$ (72)	$ (68)

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended	
	July 2, 2016	**June 27, 2015**
	(millions) (unaudited)	
Net income (loss)	$ (22)	$ 64
Other comprehensive income (loss), net of tax:		
Foreign currency translation gains (losses)	(9)	19
Net losses on cash flow hedges	(2)	(8)
Other comprehensive income (loss), net of tax	(11)	11
Total comprehensive income (loss)	$ (33)	$ 75

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions) (unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (22)	$ 64
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	78	74
Deferred income tax expense (benefit)	3	(18)
Equity in losses of equity-method investees	2	3
Non-cash stock-based compensation expense	18	32
Non-cash impairment of assets	19	8
Non-cash restructuring-related inventory charges	54	3
Excess tax benefits from stock-based compensation arrangements	—	(6)
Other non-cash charges, net	10	1
Changes in operating assets and liabilities:		
Accounts receivable	174	265
Inventories	(168)	(229)
Prepaid expenses and other current assets	(23)	12
Accounts payable and accrued liabilities	142	114
Income tax receivables and payables	(21)	(9)
Deferred income	(2)	(3)
Other balance sheet changes, net	(21)	21
Net cash provided by operating activities	243	332
Cash flows from investing activities:		
Capital expenditures	(78)	(68)
Purchases of investments	(144)	(329)
Proceeds from sales and maturities of investments	182	325
Acquisitions and ventures	(1)	(3)
Change in restricted cash deposits	—	(2)
Net cash used in investing activities	(41)	(77)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	944	1,238
Repayments of short-term debt	(970)	(1,317)
Payments of capital lease obligations	(7)	(5)
Payments of dividends	(41)	(43)
Repurchases of common stock, including shares surrendered for tax withholdings	(115)	(169)
Proceeds from exercise of stock options	3	15
Excess tax benefits from stock-based compensation arrangements	—	6
Net cash used in financing activities	(186)	(275)
Effect of exchange rate changes on cash and cash equivalents	(15)	10
Net increase (decrease) in cash and cash equivalents	1	(10)
Cash and cash equivalents at beginning of period	456	500
Cash and cash equivalents at end of period	$ 457	$ 490

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except per share data and where otherwise indicated)
(Unaudited)

1. Description of Business

Ralph Lauren Corporation ("RLC") is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. RLC's long-standing reputation and distinctive image have been consistently developed across an expanding number of products, brands, sales channels, and international markets. RLC's brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Denim & Supply Ralph Lauren, Chaps, and Club Monaco, among others. RLC and its subsidiaries are collectively referred to herein as the "Company," "we," "us," "our," and "ourselves," unless the context indicates otherwise.

The Company classifies its businesses into three segments: Wholesale, Retail, and Licensing. The Company's wholesale sales are made principally to major department stores and specialty stores around the world. The Company also sells directly to consumers through its integrated retail channel, which includes its retail stores, concession-based shop-within-shops, and e-commerce operations around the world. In addition, the Company licenses to unrelated third parties for specified periods the right to operate retail stores and/or to use its various trademarks in connection with the manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

2. Basis of Presentation

Interim Financial Statements

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and are unaudited. In the opinion of management, these consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading.

This report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended April 2, 2016 (the "Fiscal 2016 10-K").

Basis of Consolidation

These unaudited interim consolidated financial statements present the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company, including all entities in which the Company has a controlling financial interest and is determined to be the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2017 will end on April 1, 2017 and will be a 52-week period ("Fiscal 2017"). Fiscal year 2016 ended on April 2, 2016 and was a 53-week period ("Fiscal 2016"). The first quarter of Fiscal 2017 ended on July 2, 2016 and was a 13-week period. The first quarter of Fiscal 2016 ended on June 27, 2015 and was also a 13-week period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for bad debt, customer returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; fair value measurements; accounting for income taxes and related uncertain tax positions; valuation of stock-based compensation awards and related estimated forfeiture rates; reserves for restructuring activity; and accounting for business combinations, among others.

Reclassifications

Certain reclassifications have been made to the prior period's financial information in order to conform to the current period's presentation.

Seasonality of Business

The Company's business is typically affected by seasonal trends, with higher levels of wholesale sales in its second and fourth fiscal quarters and higher retail sales in its second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting the Retail segment. In addition, fluctuations in sales, operating income, and cash flows in any fiscal quarter may be affected by other events affecting retail sales, such as changes in weather patterns. Accordingly, the Company's operating results and cash flows for the three-month period ended July 2, 2016 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2017.

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized across all segments of the business when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability is reasonably assured.

Revenue within the Company's Wholesale segment is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Estimates for operational chargebacks are based on actual customer notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on at least a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Retail store and concession-based shop-within-shop revenue is recognized net of estimated returns at the time of sale to consumers. E-commerce revenue from sales of products ordered through the Company's e-commerce sites is recognized upon delivery of the shipment to its customers. Such revenue is also reduced by an estimate of returns.

Gift cards issued by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company recognizes income for unredeemed gift cards when the likelihood of redemption by a customer is remote and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property.

Revenue from licensing arrangements is recognized when earned in accordance with the terms of the underlying agreements, generally based upon the higher of (i) contractually guaranteed minimum royalty levels or (ii) actual sales and royalty data, or estimates thereof, received from the Company's licensees.

The Company accounts for sales taxes and other related taxes on a net basis, excluding such taxes from revenue.

Shipping and Handling Costs

The costs associated with shipping goods to customers are reflected as a component of selling, general, and administrative ("SG&A") expenses in the consolidated statements of operations. Shipping costs were $9 million during each of the three-month periods ended July 2, 2016 and June 27, 2015. The costs of preparing merchandise for sale, such as picking, packing, warehousing, and order charges ("handling costs") are also included in SG&A expenses. Handling costs were $41 million during each of the three-month periods ended July 2, 2016 and June 27, 2015. Shipping and handling costs billed to customers are included in revenue.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shares by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock. Diluted net income (loss) per common share adjusts basic net income (loss) per common share for the dilutive effects of outstanding stock options, restricted stock, restricted stock units ("RSUs"), and any other potentially dilutive instruments, only in the periods in which such effects are dilutive under the treasury stock method.

The weighted-average number of common shares outstanding used to calculate basic net income (loss) per common share is reconciled to shares used to calculate diluted net income (loss) per common share as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Basic shares	83.3	86.5
Dilutive effect of stock options, restricted stock, and RSUs	— [(a)]	1.0
Diluted shares	83.3	87.5

[(a)] Incremental shares of 1.0 million attributable to outstanding stock options, restricted stock, and RSUs were excluded from the computation of diluted shares for the three months ended July 2, 2016, as such shares would not be dilutive as a result of the net loss incurred during the period.

All earnings per share amounts have been calculated using unrounded numbers. Options to purchase shares of the Company's Class A common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding RSUs that are issuable only upon the achievement of certain service and/or performance goals. Performance-based RSUs are included in the computation of diluted shares only to the extent that the underlying performance conditions (and applicable market condition modifiers, if any) (i) have been satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of July 2, 2016 and June 27, 2015, there were 2.9 million and 2.6 million, respectively, additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based RSUs that were excluded from the diluted shares calculations. Additionally, in June 2016, the Company entered into an accelerated share repurchase program (the "ASR Program," as defined in Note 14). As of July 2, 2016, the additional shares yet to be delivered to the Company under the ASR Program would be anti-dilutive, and therefore were excluded from the diluted shares calculation.

Accounts Receivable

In the normal course of business, the Company extends credit to wholesale customers that satisfy defined credit criteria. Accounts receivable is recorded at carrying value, which approximates fair value, and is presented in the Company's consolidated balance sheets net of certain reserves and allowances. These reserves and allowances consist of (i) reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances (see the *Revenue Recognition* section above for further discussion of related accounting policies) and (ii) allowances for doubtful accounts.

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances is presented below:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Beginning reserve balance	$ 240	$ 240
Amount charged against revenue to increase reserve	132	150
Amount credited against customer accounts to decrease reserve	(165)	(181)
Foreign currency translation	—	1
Ending reserve balance	$ 207	$ 210

An allowance for doubtful accounts is determined through an analysis of accounts receivable aging, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions, among other factors. The Company's allowance for doubtful accounts was $16 million and $14 million as of July 2, 2016 and April 2, 2016, respectively. The change in the allowance for doubtful accounts was not material during either of the three-month periods ended July 2, 2016 and June 27, 2015.

Concentration of Credit Risk

The Company sells its wholesale merchandise primarily to major department and specialty stores around the world, and extends credit based on an evaluation of each customer's financial capacity and condition, usually without requiring collateral. In the Company's wholesale business, concentration of credit risk is relatively limited due to the large number of customers and their dispersion across many geographic areas. However, the Company has three key wholesale customers that generate significant sales volume. During Fiscal 2016, the Company's sales to its largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 11% of its total net revenues, and the Company's sales to its three largest wholesale customers (including Macy's) accounted for approximately 24% of total net revenues. As of July 2, 2016, these three key wholesale customers constituted approximately 29% of total gross accounts receivable.

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. The Company also holds retail inventory that is sold in its own stores and e-commerce sites directly to consumers. Substantially all of the Company's inventories are comprised of finished goods, which are stated at the lower of cost or estimated realizable value, with cost primarily determined on a weighted-average cost basis. Inventory held by the Company totaled $1.242 billion, $1.125 billion, and $1.270 billion as of July 2, 2016, April 2, 2016, and June 27, 2015, respectively.

Derivative Financial Instruments

The Company records all derivative financial instruments on its consolidated balance sheets at fair value. For derivative instruments that qualify for hedge accounting, the effective portion of changes in their fair value is either (i) offset against the changes in fair value of the related hedged assets, liabilities, or firm commitments through earnings or (ii) recognized in equity as a component of accumulated other comprehensive income (loss) ("AOCI") until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge against changes in fair value or cash flows and net investments, respectively.

Each derivative instrument that qualifies for hedge accounting is expected to be highly effective at reducing the risk associated with the exposure being hedged. For each derivative instrument that is designated as a hedge, the Company formally documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item, and the risk exposure, as well as how hedge effectiveness will be assessed prospectively and retrospectively over the instrument's term. To assess hedge effectiveness, the Company generally uses regression analysis, a statistical method, to compare the change in the fair value of the derivative instrument to the change in fair value or cash flows of the related hedged item. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed and documented by the Company on at least a quarterly basis.

As a result of its use of derivative instruments, the Company is exposed to the risk that counterparties to such contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. The Company's established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of its counterparties' creditworthiness. The Company also enters into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with its derivative instruments. In the event of default or termination (as such terms are defined within the respective master netting arrangement), these arrangements allow the Company to net-settle amounts payable and receivable related to multiple derivative transactions with the same counterparty. The master netting arrangements specify a number of events of default and termination, including, among others, the failure to make timely payments.

The fair values of the Company's derivative instruments are recorded on its consolidated balance sheets on a gross basis. For cash flow reporting purposes, proceeds received or amounts paid upon the settlement of a derivative instrument are classified in the same manner as the related item being hedged, primarily within cash flows from operating activities.

Cash Flow Hedges

The Company enters into forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions, intercompany royalty payments made by certain of its international operations, and other foreign currency-denominated operational cash flows. To the extent forward foreign currency exchange contracts are designated as cash flow hedges and are highly effective in offsetting changes in the value of the hedged items, the related gains or losses are initially deferred in equity as a component of AOCI and are subsequently recognized in the consolidated statements of operations as follows:

- *Forecasted Inventory Transactions* — recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold to a third party.

- *Intercompany Royalties* — recognized within foreign currency gains (losses) generally in the period in which the related payments being hedged occur.

To the extent that a derivative instrument designated as a cash flow hedge is not considered effective, any change in its fair value relating to such ineffectiveness is immediately recognized in earnings within foreign currency gains (losses). If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are immediately recognized in earnings within foreign currency gains (losses). Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative instrument previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the originally-documented hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within foreign currency gains (losses).

Hedge of a Net Investment in a Foreign Operation

Changes in the fair value of a derivative instrument or the carrying value of a non-derivative instrument that is designated as a hedge of a net investment in a foreign operation are reported in the same manner as a translation adjustment, to the extent it is effective. In assessing the effectiveness of a derivative financial instrument that is designated as a hedge of a net investment, the Company uses a method based on changes in spot rates to measure the impact of foreign currency exchange rate changes on both its foreign subsidiary net investment and the related hedging instrument. If the notional amount of the instrument designated as the hedge of a net investment is greater than the portion of the net investment being hedged, hedge ineffectiveness is recognized immediately in earnings within foreign currency gains (losses). To the extent the instrument remains effective, changes in its value are recorded in equity as foreign currency translation gains (losses), a component of AOCI, and are recognized in earnings within foreign currency gains (losses) only upon the sale or liquidation of the hedged net investment.

Fair Value Hedges

Changes in the fair value of a derivative instrument that is designated as a fair value hedge, along with offsetting changes in the fair value of the related hedged item attributable to the hedged risk, are recorded in earnings. Hedge ineffectiveness is recorded in earnings to the extent that the change in the fair value of the hedged item does not offset the change in the fair value of the hedging instrument.

Undesignated Hedges

All of the Company's undesignated hedges are entered into to hedge specific economic risks, particularly foreign currency exchange rate risk related to foreign currency-denominated balances. Changes in the fair value of undesignated derivative instruments are immediately recognized in earnings within foreign currency gains (losses).

See Note 12 for further discussion of the Company's derivative financial instruments.

Refer to Note 3 of the Fiscal 2016 10-K for a summary of all of the Company's significant accounting policies.

4. Recently Issued Accounting Standards

Improvements to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects related to how share-based payments are accounted for and presented in the financial statements, including the accounting for forfeitures and tax-effects related to share-based payments at settlement, and the classification of excess tax benefits and shares surrendered for tax withholdings in the statement of cash flows. ASU 2016-09 is effective for the Company beginning in its fiscal year 2018, with early adoption permitted. The adoption methodology (i.e., prospective, retrospective, or modified-retrospective) varies by amendment. The Company is currently in the process of evaluating the impact that ASU 2016-09 will have on its consolidated financial statements and related disclosures.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 requires that, among other changes to current practice, a lessee's rights and obligations under almost all leases, including existing and new arrangements, be recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. ASU 2016-02 is effective for the Company beginning in its fiscal year 2020, with early adoption permitted, and must be adopted using a modified retrospective approach which requires application of the guidance at the beginning of the earliest comparative period presented. The Company is currently in the process of evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and related disclosures, but expects that it will result in a significant increase to its long-term assets and liabilities.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that will supersede most existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that an entity expects to be entitled to upon transferring control of goods or services to a customer, as opposed to when risks and rewards transfer to a customer under existing revenue recognition guidance.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers — Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 is effective for the Company beginning in its fiscal year 2019. The FASB also issued several additional ASUs to amend and clarify certain topics within ASU 2014-09. ASU 2014-09 may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. The Company is currently in the process of evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

5. Property and Equipment

Property and equipment, net consists of the following:

	July 2, 2016	April 2, 2016
	(millions)	
Land and improvements	$ 17	$ 17
Buildings and improvements	474	460
Furniture and fixtures	721	727
Machinery and equipment	371	359
Capitalized software	472	460
Leasehold improvements	1,253	1,248
Construction in progress	209	216
	3,517	3,487
Less: accumulated depreciation	(1,952)	(1,904)
Property and equipment, net	$ 1,565	$ 1,583

6. Other Assets and Liabilities

Prepaid expenses and other current assets consist of the following:

	July 2, 2016	April 2, 2016
	(millions)	
Other taxes receivable	$ 113	$ 112
Prepaid rent expense	41	37
Derivative financial instruments	21	16
Tenant allowances receivable	13	13
Prepaid samples	13	9
Restricted cash	12	17
Prepaid advertising and marketing	9	7
Other prepaid expenses and current assets	64	57
Total prepaid expenses and other current assets	$ 286	$ 268

Other non-current assets consist of the following:

	July 2, 2016	April 2, 2016
	(millions)	
Non-current investments	$ 149	$ 187
Restricted cash	34	29
Security deposits	31	32
Derivative financial instruments	11	6
Other non-current assets	40	42
Total other non-current assets	$ 265	$ 296

Accrued expenses and other current liabilities consist of the following:

	July 2, 2016	April 2, 2016
	(millions)	
Accrued inventory	$ 197	$ 176
Accrued operating expenses	182	186
Other taxes payable	156	139
Accrued payroll and benefits	149	149
Restructuring reserve	107	40
Accrued capital expenditures	55	65
Deferred income	48	50
Dividends payable	41	41
Derivative financial instruments	27	26
Capital lease obligations	22	21
Other accrued expenses and current liabilities	8	5
Total accrued expenses and other current liabilities	$ 992	$ 898

Other non-current liabilities consist of the following:

	July 2, 2016	April 2, 2016
	(millions)	
Capital lease obligations	$ 264	$ 266
Deferred rent obligations	217	222
Derivative financial instruments	26	33
Deferred tax liabilities	13	17
Deferred compensation	8	8
Other non-current liabilities	49	47
Total other non-current liabilities	$ 577	$ 593

7. Impairment of Assets

During the three months ended July 2, 2016, the Company recorded non-cash impairment charges of $19 million, primarily to write off certain fixed assets related to its domestic and international stores and shop-within-shops in connection with the Way Forward Plan (see Note 8).

During the three months ended June 27, 2015, the Company recorded non-cash impairment charges of $8 million, primarily to write off certain fixed assets related to its domestic and international stores and shop-within-shops in connection with the Global Reorganization Plan (see Note 8).

8. Restructuring Charges

A description of significant restructuring activities and related costs is included below.

Way Forward Plan

On June 2, 2016, the Company's Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). The Company plans to refocus on its core brands and evolve its product, marketing, and shopping experience to increase desirability and relevance. It also intends to evolve its operating model to enable sustainable, profitable sales growth by significantly reducing supply chain lead times, improving its sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, the Company plans to rightsize its cost structure and implement a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening the Company's leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan will result in a reduction in workforce and the closure of certain stores, and is expected to be substantially completed by the end of Fiscal 2017.

In connection with the Way Forward Plan, the Company currently expects to incur total estimated charges of up to $400 million, comprised of cash-related restructuring charges of approximately $300 million and non-cash charges of approximately $100 million. The Company also expects to incur an additional non-cash charge of up to $150 million associated with the reduction of inventory out of current liquidation channels in line with its Way Forward Plan. The Company's assessment of restructuring-related activities is still ongoing and incremental charges beyond this range may be incurred.

A summary of the charges recorded in connection with the Way Forward Plan during the three months ended July 2, 2016 is as follows:

	Three Months Ended July 2, 2016
	(millions)
Cash-related restructuring charges:	
Severance and benefit costs	$ 77
Lease termination and store closure costs	2
Other cash charges	2
Total cash-related restructuring charges	81
Non-cash charges:	
Impairment of assets (see Note 7)	19
Inventory-related charges[(a)]	54
Total non-cash charges	73
Total charges	$ 154

[(a)] Includes charges of $50 million associated with the reduction of inventory out of current liquidation channels. Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

A summary of the activity in the restructuring reserve related to the Way Forward Plan is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at April 2, 2016	$ —	$ —	$ —	$ —
Additions charged to expense	77	2	2	81
Cash payments charged against reserve	(7)	—	—	(7)
Balance at July 2, 2016	$ 70	$ 2	$ 2	$ 74

Global Reorganization Plan

On May 12, 2015, the Company's Board of Directors approved a reorganization and restructuring plan comprised of the following major actions: (i) the reorganization of the Company from its historical channel and regional structure to an integrated global brand-based operating structure, which will streamline the Company's business processes to better align its cost structure with its long-term growth strategy; (ii) a strategic store and shop-within-shop performance review conducted by region and brand; (iii) a targeted corporate functional area review; and (iv) the consolidation of certain of the Company's luxury lines (collectively, the "Global Reorganization Plan"). Actions associated with the Global Reorganization Plan resulted in a reduction in workforce and the closure of certain stores and shop-within-shops.

A summary of the charges recorded in connection with the Global Reorganization Plan during the three-month periods ended July 2, 2016 and June 27, 2015, as well as the cumulative charges recorded since its inception, is as follows:

	Three Months Ended		
	July 2, 2016	**June 27, 2015**	**Cumulative Charges**
		(millions)	
Cash-related restructuring charges:			
Severance and benefit costs	$ 5	$ 32	$ 69
Lease termination and store closure costs	—	1	8
Other cash charges[(a)]	—	1	14
Total cash-related restructuring charges	5	34	91
Non-cash charges:			
Impairment of assets (see Note 7)	—	8	27
Accelerated stock-based compensation expense[(b)]	—	—	9
Inventory-related charges[(c)]	—	3	20
Total non-cash charges	—	11	56
Total charges	$ 5	$ 45	$ 147

(a) Other cash charges primarily consisted of consulting fees recorded in connection with the Global Reorganization Plan.

(b) Accelerated stock-based compensation expense, which is recorded within restructuring charges in the consolidated statements of operations, was recorded in connection with vesting provisions associated with certain separation agreements.

(c) Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

Actions associated with the Global Reorganization Plan are now complete and no additional charges are expected to be incurred in relation to this plan.

A summary of current period activity in the restructuring reserve related to the Global Reorganization Plan is as follows:

	Severance and Benefit Costs	**Lease Termination and Store Closure Costs**	**Other Cash Charges**	**Total**
		(millions)		
Balance at April 2, 2016	$ 31	$ 6	$ 3	$ 40
Additions charged to expense	5	—	—	5
Cash payments charged against reserve	(10)	—	(2)	(12)
Balance at July 2, 2016	$ 26	$ 6	$ 1	$ 33

9. Income Taxes

Effective Tax Rate

The Company's effective tax rate, which is calculated by dividing each fiscal period's income tax benefit (provision) by pretax income (loss), was 32.8% and 29.0% during the three-month periods ended July 2, 2016 and June 27, 2015, respectively. The effective tax rates in both periods presented were lower than the U.S. federal statutory income tax rate of 35% as a result of the proportion of earnings generated in lower taxed foreign jurisdictions versus the U.S. In addition, the effective tax rate for the three months ended July 2, 2016 was lower than the statutory income tax rate due to additional income tax reserves largely associated with an anticipated tax settlement, partially offset by state income tax reserve releases. The effective tax rate for the three months ended June 27, 2015 was also lower than the statutory income tax rate due to the reversal of certain tax reserves as a result of the expiration of statues of limitations, partially offset by additional tax reserves largely associated with the conclusion of a tax examination.

Uncertain Income Tax Benefits

The Company classifies interest and penalties related to unrecognized tax benefits as part of its provision for income taxes. The total amount of unrecognized tax benefits, including interest and penalties, was $77 million and $81 million as of July 2, 2016 and April 2, 2016, respectively, and is included within non-current liability for unrecognized tax benefits in the consolidated balance sheets. The net reduction of $4 million in unrecognized tax benefits, including interest and penalties, primarily related to state reserve releases of $3 million, settlement payments of $2 million, and other reductions of $3 million, partially offset by an increase of $4 million relating to an income tax matter currently under consideration at appeals with the Internal Revenue Service.

The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was $59 million and $60 million as of July 2, 2016 and April 2, 2016, respectively.

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, settlements of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits, excluding interest and penalties, could be reduced by approximately $9 million during the next twelve months due to an anticipated settlement by the Company and the Internal Revenue Service of an income tax matter currently under consideration at appeals for its fiscal years ended April 2, 2011 and March 31, 2012 and the potential conclusion of a federal income tax audit for its fiscal years ended March 30, 2013 and March 29, 2014. However, changes in the occurrence, expected outcomes, and timing of such events could cause the Company's current estimate to change materially in the future.

The Company files a consolidated U.S. federal income tax return, as well as tax returns in various state, local, and foreign jurisdictions. The Company is generally no longer subject to examinations by the relevant tax authorities for years prior to its fiscal year ended April 1, 2006.

10. Debt

Debt consists of the following:

	July 2, 2016	April 2, 2016
	(millions)	
$300 million 2.125% Senior Notes[a]	$ 303	$ 301
$300 million 2.625% Senior Notes[b]	299	296
Commercial paper notes	90	90
Borrowings outstanding under credit facilities	—	26
Total debt	692	713
Less: short-term debt	90	116
Total long-term debt	$ 602	$ 597

(a) During Fiscal 2016, the Company entered into an interest rate swap contract which it designated as a hedge against changes in the fair value of its fixed-rate 2.125% Senior Notes (see Note 12). Accordingly, the carrying value of the 2.125% Senior Notes as of July 2, 2016 and April 2, 2016 reflects adjustments of $4 million and $2 million, respectively, for the change in fair value attributable to the benchmark interest rate. The carrying value of the 2.125% Senior Notes is also net of unamortized debt issuance costs and discount of $1 million as of both July 2, 2016 and April 2, 2016.

(b) During Fiscal 2016, the Company entered into an interest rate swap contract which it designated as a hedge against changes in the fair value of its fixed-rate 2.625% Senior Notes (see Note 12). Accordingly, the carrying value of the 2.625% Senior Notes as of July 2, 2016 and April 2, 2016 reflects adjustments of $1 million and $2 million, respectively, for the change in fair value attributable to the benchmark interest rate. The carrying value of the 2.625% Senior Notes is also net of unamortized debt issuance costs and discount of $2 million as of both July 2, 2016 and April 2, 2016.

Senior Notes

In September 2013, the Company completed a registered public debt offering and issued $300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). The 2.125% Senior Notes were issued at a price equal to 99.896% of their principal amount. The proceeds from this offering were used for general corporate purposes, including repayment of the Company's previously outstanding €209 million principal amount of 4.5% Euro-denominated notes, which matured on October 4, 2013.

In August 2015, the Company completed a second registered public debt offering and issued an additional $300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes"). The 2.625% Senior Notes were issued at a price equal to 99.795% of their principal amount. The proceeds from this offering were used for general corporate purposes.

The Company has the option to redeem the 2.125% Senior Notes and 2.625% Senior Notes (collectively, the "Senior Notes"), in whole or in part, at any time at a price equal to accrued and unpaid interest on the redemption date, plus the greater of (i) 100% of the principal amount of the series of Senior Notes to be redeemed or (ii) the sum of the present value of Remaining Scheduled Payments, as defined in the supplemental indentures governing such Senior Notes (together with the indenture governing the Senior Notes, the "Indenture"). The Indenture contains certain covenants that restrict the Company's ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of the Company's property or assets to another party. However, the Indenture does not contain any financial covenants.

Commercial Paper

In May 2014, the Company initiated a commercial paper borrowing program (the "Commercial Paper Program") that allowed it to issue up to $300 million of unsecured commercial paper notes through private placement using third-party broker-dealers. In May 2015, the Company expanded its Commercial Paper Program to allow for a total issuance of up to $500 million of unsecured commercial paper notes.

Borrowings under the Commercial Paper Program are supported by the Global Credit Facility, as defined below. Accordingly, the Company does not expect combined borrowings outstanding under the Commercial Paper Program and Global Credit Facility to exceed $500 million. Commercial Paper Program borrowings may be used to support the Company's general working capital and corporate needs. Maturities of commercial paper notes vary, but cannot exceed 397 days from the date of issuance. Commercial paper notes issued under the Commercial Paper Program rank equally with the Company's other forms of unsecured indebtedness. As of July 2, 2016, the Company had $90 million in borrowings outstanding under its Commercial Paper Program, with a weighted-average annual interest rate of 0.44% and a weighted-average remaining term of 4 days.

Revolving Credit Facilities

Global Credit Facility

In February 2015, the Company entered into an amended and restated credit facility (which was further amended in March 2016) that provides for a $500 million senior unsecured revolving line of credit through February 11, 2020 (the "Global Credit Facility") under terms and conditions substantially similar to those previously in effect. The Global Credit Facility is also used to support the issuance of letters of credit and the maintenance of the Commercial Paper Program. Borrowings under the Global Credit Facility may be denominated in U.S. Dollars and other currencies, including Euros, Hong Kong Dollars, and Japanese Yen. The Company has the ability to expand its borrowing availability under the Global Credit Facility to $750 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Global Credit Facility. As of July 2, 2016, there were no borrowings outstanding under the Global Credit Facility and the Company was contingently liable for $8 million of outstanding letters of credit.

The Global Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances, or guarantees; engage in transactions with affiliates; and make certain investments. The Global Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio") of no greater than 3.75 as of the date of measurement for the four most recent consecutive fiscal quarters. Adjusted Debt is defined generally as consolidated debt outstanding plus four times consolidated rent expense for the four most recent consecutive fiscal quarters. Consolidated EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense, (iv) consolidated rent expense, (v) restructuring and other non-recurring expenses, and (vi) acquisition-related costs. As of July 2, 2016, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under the Company's Global Credit Facility.

Pan-Asia Credit Facilities

Certain of the Company's subsidiaries in Asia have uncommitted credit facilities with regional branches of JPMorgan Chase (the "Banks") in China and South Korea (the "Pan-Asia Credit Facilities"). These credit facilities are subject to annual renewal and may be used to fund general working capital and corporate needs of the Company's operations in the respective countries. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Pan-Asia Credit Facilities do not contain any financial covenants. The Company's Pan-Asia Credit Facilities by country are as follows:

- China Credit Facility — provides Ralph Lauren Trading (Shanghai) Co., Ltd. with a revolving line of credit of up to 100 million Chinese Renminbi (approximately $15 million) through April 6, 2017, and may also be used to support bank guarantees. As of July 2, 2016, bank guarantees supported by this facility were not material.
- South Korea Credit Facility — provides Ralph Lauren (Korea) Ltd. with a revolving line of credit of up to 47 billion South Korean Won (approximately $41 million) through October 31, 2016.

During the first quarter of Fiscal 2017, the Company repaid $26 million in borrowings that were previously outstanding under the Pan-Asia Credit Facilities. As of July 2, 2016, there were no borrowings outstanding under the Pan-Asia Credit Facilities.

Refer to Note 13 of the Fiscal 2016 10-K for additional disclosure of the terms and conditions of the Company's debt and credit facilities.

11. Fair Value Measurements

U.S. GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy for a particular asset or liability depends on the inputs used in its valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally-derived (unobservable). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology based on quoted prices for similar assets or liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.

- Level 3 — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

The following table summarizes the Company's financial assets and liabilities that are measured and recorded at fair value on a recurring basis, excluding accrued interest components:

	July 2, 2016	April 2, 2016
	(millions)	
Financial assets recorded at fair value:		
Corporate bonds — non-U.S.[(a)]	$ 8	$ 8
Derivative financial instruments[(b)]	32	22
Total	$ 40	$ 30
Financial liabilities recorded at fair value:		
Derivative financial instruments[(b)]	$ 53	$ 59
Total	$ 53	$ 59

(a) Based on Level 1 measurements.

(b) Based on Level 2 measurements.

To the extent the Company invests in bonds, such investments are classified as available-for-sale and recorded at fair value in its consolidated balance sheets based upon quoted prices in active markets.

The Company's derivative financial instruments are recorded at fair value in its consolidated balance sheets and are valued using pricing models that are primarily based on market observable external inputs, including spot and forward currency exchange rates, benchmark interest rates, and discount rates consistent with the instrument's tenor, and consider the impact of the Company's own credit risk, if any. Changes in counterparty credit risk are also considered in the valuation of derivative financial instruments.

The Company's cash and cash equivalents, restricted cash, and time deposits are recorded at carrying value, which approximates fair value based on Level 1 measurements.

The Company's debt instruments are recorded at their carrying values in its consolidated balance sheets, which may differ from their respective fair values. The fair values of the Senior Notes are estimated based on external pricing data, including available quoted market prices, and with reference to comparable debt instruments with similar interest rates, credit ratings, and trading frequency, among other factors. The fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities are estimated using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's outstanding borrowings. Due to their short-term nature, the fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities approximate their carrying values for the periods presented.

The following table summarizes the carrying values and the estimated fair values of the Company's debt instruments:

	July 2, 2016		April 2, 2016	
	Carrying Value	Fair Value[(a)]	Carrying Value	Fair Value[(a)]
	(millions)			
$300 million 2.125% Senior Notes	$ 303 [(b)]	$ 306	$ 301 [(b)]	$ 306
$300 million 2.625% Senior Notes	299 [(b)]	313	296 [(b)]	308
Commercial paper notes	90	90	90	90
Borrowings outstanding under credit facilities	—	—	26	26

(a) Based on Level 2 measurements.

(b) See Note 10 for discussion of the carrying values of the Company's Senior Notes as of July 2, 2016 and April 2, 2016.

Unrealized gains or losses resulting from changes in the fair value of the Company's debt do not result in the realization or expenditure of cash, unless the debt is retired prior to its maturity.

Non-financial Assets and Liabilities

The Company's non-financial assets, which primarily consist of goodwill, other intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial instruments are assessed for impairment and, if applicable, written down to and recorded at fair value, considering external market participant assumptions.

During the three-month periods ended July 2, 2016 and June 27, 2015, the Company recorded non-cash impairment charges to reduce the carrying values of certain long-lived store and shop-within-shop assets to their fair values. The fair values of these assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amount and timing of the stores' and shop-within-shops' net future discounted cash flows based on historical experience, current trends, and market conditions.

The following table summarizes the impairment charges recorded during the three-month periods ended July 2, 2016 and June 27, 2015:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Aggregate carrying value of long-lived assets written down to fair value	$ 19	$ 8
Impairment charges (see Note 7)	(19)	(8)

No goodwill impairment charges were recorded during either of the three-month periods ended July 2, 2016 or June 27, 2015.

12. Financial Instruments

Derivative Financial Instruments

The Company is exposed to changes in foreign currency exchange rates, primarily relating to certain anticipated cash flows and the value of the reported net assets of its international operations, as well as changes in the fair value of its fixed-rate debt attributed to changes in the benchmark interest rate. Consequently, the Company uses derivative financial instruments to manage and mitigate such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of July 2, 2016 and April 2, 2016:

	Notional Amounts		Derivative Assets				Derivative Liabilities			
Derivative Instrument[(a)]	July 2, 2016	April 2, 2016	July 2, 2016		April 2, 2016		July 2, 2016		April 2, 2016	
			Balance Sheet Line[(b)]	Fair Value	Balance Sheet Line[(b)]	Fair Value	Balance Sheet Line[(b)]	Fair Value	Balance Sheet Line[(b)]	Fair Value
	(millions)									
Designated Hedges:										
FC — Inventory purchases	$ 492	$ 532	[(e)]	$ 8	PP	$ 1	AE	$ 5	AE	$ 14
FC — Other[(c)]	194	210	—	—	—	—	[(f)]	23	AE	9
IRS — Fixed-rate debt	600	600	ONCA	5	ONCA	2	—	—	ONCL	2
CCS — NI	615	630	—	—	—	—	ONCL	18	ONCL	31
Total Designated Hedges	$ 1,901	$ 1,972		$ 13		$ 3		$ 46		$ 56
Undesignated Hedges:										
FC — Other[(d)]	$ 581	$ 541	[(g)]	$ 19	[(g)]	$ 19	[(h)]	$ 7	AE	$ 3
Total Hedges	$ 2,482	$ 2,513		$ 32		$ 22		$ 53		$ 59

(a) FC = Forward foreign currency exchange contracts; IRS = Interest rate swap contracts; CCS = Cross-currency swap contracts; NI = Net investment hedges.

(b) PP = Prepaid expenses and other current assets; AE = Accrued expenses and other current liabilities; ONCA = Other non-current assets; ONCL = Other non-current liabilities.

(c) Primarily includes designated hedges of foreign currency-denominated intercompany royalty payments and other operational exposures.

(d) Primarily includes undesignated hedges of foreign currency-denominated intercompany loans and other intercompany balances.

(e) $6 million included within prepaid expenses and other current assets and $2 million included within other non-current assets.

(f) $17 million included within accrued expenses and other current liabilities and $6 million included within other non-current liabilities.

(g) $15 million included within prepaid expenses and other current assets and $4 million included within other non-current assets as of both periods presented.

(h) $5 million included within accrued expenses and other current liabilities and $2 million included within other non-current liabilities.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, even though they are subject to master netting arrangements. However, if the Company were to offset and record the asset and liability balances of all of its derivative instruments on a net basis in accordance with the terms of each of its master netting arrangements, spread across eight separate counterparties, the amounts presented in the consolidated balance sheets as of July 2, 2016 and April 2, 2016 would be adjusted from the current gross presentation as detailed in the following table:

Derivative Instrument	July 2, 2016			April 2, 2016		
	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount
	(millions)					
Derivative assets	$ 32	$ (27)	$ 5	$ 22	$ (11)	$ 11
Derivative liabilities	$ 53	$ (27)	$ 26	$ 59	$ (11)	$ 48

The Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties. Refer to Note 3 for further discussion of the Company's master netting arrangements.

The following tables summarize the pretax impact of the effective portion of gains and losses from the Company's designated derivative instruments on its consolidated financial statements for the three-month periods ended July 2, 2016 and June 27, 2015:

Derivative Instrument	Gains (Losses) Recognized in OCI Three Months Ended July 2, 2016	 June 27, 2015
	(millions)	
Designated Cash Flow Hedges:		
FC — Inventory purchases	$ 11	$ (2)
FC — Other	(16)	1
	$ (5)	$ (1)
Designated Hedges of Net Investments:		
CCS[(a)]	$ 13	$ (12)
Total Designated Hedges	$ 8	$ (13)

Derivative Instrument	Gains (Losses) Reclassified from AOCI to Earnings Three Months Ended July 2, 2016	 June 27, 2015	Location of Gains (Losses) Reclassified from AOCI to Earnings
	(millions)		
Designated Cash Flow Hedges:			
FC — Inventory purchases	$ 3	$ 7	Cost of goods sold
FC — Other	(5)	—	Foreign currency gains (losses)
	$ (2)	$ 7	

(a) Amounts recognized in OCI would be recognized in earnings only upon the sale or liquidation of the hedged net investment.

As of July 2, 2016, it is expected that $13 million of net losses deferred in AOCI related to derivative instruments will be recognized in earnings over the next twelve months. No material gains or losses relating to ineffective cash flow hedges were recognized during any of the fiscal periods presented.

The following table summarizes the pretax impact of gains and losses from the Company's undesignated derivative instruments on its consolidated financial statements for the three-month periods ended July 2, 2016 and June 27, 2015:

	Gains (Losses) Recognized in Earnings		
	Three Months Ended		
Derivative Instrument	July 2, 2016	June 27, 2015	Location of Gains (Losses) Recognized in Earnings
	(millions)		
Undesignated Hedges:			
FC — Other	$ (8)	$ 4	Foreign currency gains (losses)
Total Undesignated Hedges	$ (8)	$ 4	

Risk Management Strategies

Forward Foreign Currency Exchange Contracts

The Company enters into forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of its international operations, and other foreign currency-denominated operational and intercompany balances and cash flows. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, and the Hong Kong Dollar, the Company hedges a portion of its foreign currency exposures anticipated over a two-year period. In doing so, the Company uses forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period.

Interest Rate Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which it designated as hedges against changes in the respective fair values of its fixed-rate 2.125% Senior Notes and its fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of $300 million and swap the fixed interest rates on the Company's 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread. Changes in the fair values of the Interest Rate Swaps were offset by changes in the fair values of the 2.125% Senior Notes and 2.625% Senior Notes attributed to changes in the benchmark interest rate, with no resulting ineffectiveness recognized in earnings during any of the fiscal periods presented.

Cross-Currency Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-floating rate cross-currency swap contracts, with notional amounts of €280 million and €274 million, which it designated as hedges of its net investment in certain of its European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the Interest Rate Swaps described above) for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps, economically convert the Company's $300 million fixed-rate 2.125% and $300 million fixed-rate 2.625% obligations to €280 million and €274 million floating-rate Euro-denominated liabilities, respectively. No material gains or losses related to the ineffective portion, or the amount excluded from effectiveness testing, were recognized in interest expense within the consolidated statements of operations during any of the fiscal periods presented.

See Note 3 for further discussion of the Company's accounting policies relating to its derivative financial instruments.

Investments

As of July 2, 2016, the Company's short-term investments consisted of $611 million of time deposits and $8 million of non-U.S. corporate bonds, and its non-current investments consisted of $149 million of time deposits. As of April 2, 2016, the Company's short-term investments consisted of $621 million of time deposits and $8 million of non-U.S. corporate bonds, and its non-current investments consisted of $187 million of time deposits. The Company's non-current investments as of both July 2, 2016 and April 2, 2016 have maturities of one to two years.

No significant realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded during any of the fiscal periods presented.

Refer to Note 3 of the Fiscal 2016 10-K for further discussion of the Company's accounting policies relating to its investments.

13. Commitments and Contingencies

Customs Audit

In September 2014, one of the Company's international subsidiaries received a pre-assessment notice from the relevant customs officials concerning the method used to determine the dutiable value of imported inventory. The notice communicated the customs officials' assertion that the Company should have applied an alternative duty method, which could result in up to $46 million in incremental duty and non-creditable value-added tax, including $11 million in interest and penalties. The Company believes that the alternative duty method claimed by the customs officials is not applicable to the Company's facts and circumstances and is vigorously contesting their asserted methodology.

In October 2014, the Company filed an appeal of the pre-assessment notice in accordance with the standard procedures established by the relevant customs authorities. In response to the filing of the Company's appeal of the pre-assessment notice, the review committee instructed the customs officials to reconsider their assertion of the alternative duty method and conduct a re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In December 2015, the Company received the results of the re-audit conducted and a customs audit assessment notice in the amount of $34 million, which the Company recorded within restructuring and other charges in its consolidated statements of operations during the third quarter of Fiscal 2016. Although the Company disagrees with the assessment notice, in order to secure the Company's rights, the Company was required to pay the assessment amount and then subsequently file an appeal with the customs authorities. The Company continues to maintain its original filing position and will vigorously contest any other proposed methodology asserted by the customs officials. Should the Company be successful in its merits, a full refund for the amounts paid plus interest will be required to be paid by the customs authorities. If the Company is unsuccessful in its current appeal with the customs authorities, it may further appeal this decision within the courts. At this time, while the Company believes that the customs officials' claims are not meritorious and that the Company should prevail, the outcome of the appeals process is subject to risk and uncertainty.

Other Matters

The Company is involved, from time to time, in litigation, other legal claims, and proceedings involving matters associated with or incidental to its business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation and exportation of its products, taxation, unclaimed property, and employee relations. The Company believes at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on its consolidated financial statements. However, the Company's assessment of any current litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

In the normal course of business, the Company enters into agreements that provide general indemnifications. The Company has not made any significant indemnification payments under such agreements in the past, and does not currently anticipate incurring any material indemnification payments.

14. Equity

Summary of Changes in Equity

A reconciliation of the beginning and ending amounts of equity is presented below:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Balance at beginning of period	$ 3,744	$ 3,891
Comprehensive income (loss)	(33)	75
Dividends declared	(41)	(43)
Repurchases of common stock, including shares surrendered for tax withholdings	(115) [(a)]	(169)
Stock-based compensation	18	32
Shares issued and tax benefits (shortfalls) recognized pursuant to stock-based compensation arrangements	(7)	21
Balance at end of period	$ 3,566	$ 3,807

[(a)] Includes $10 million of Class A common stock yet to be delivered to the Company under its ASR Program (as defined below), which was recorded as a reduction to additional paid-in capital in the Company's consolidated balance sheet as of July 2, 2016.

Common Stock Repurchase Program

In June 2016, as part of its common stock repurchase program, the Company entered into an accelerated share repurchase program with a third-party financial institution under which it made an upfront payment of $100 million in exchange for an initial delivery of 0.9 million shares of its Class A common stock, representing 90% of the total shares ultimately expected to be delivered over the program's term (the "ASR Program"). The initial shares received, which had an aggregate cost of $90 million based on the June 20, 2016 closing share price, were immediately retired and recorded as an increase to treasury stock. As of July 2, 2016, $10 million, representing the difference between the upfront $100 million payment and the $90 million cost of the initial share delivery, was recorded as a reduction to additional paid-in capital in the Company's consolidated balance sheet.

At the ASR Program's conclusion, the financial institution may be required to deliver additional shares of Class A common stock to the Company, or, under certain circumstances, the Company may be required to, at its election, deliver shares of its Class A common stock or make a cash payment to the financial institution. Final settlement of the ASR Program is expected to occur during the second quarter of Fiscal 2017, with the number of shares to be delivered, or the amount of any cash payment to be made, determined based on the volume-weighted average price per share of the Company's Class A common stock over the term of the ASR Program, less an agreed-upon discount.

A summary of the Company's repurchases of Class A common stock under its common stock repurchase program, including the ASR Program, is as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Cost of shares repurchased	$ 90 [(a)]	$ 150
Number of shares repurchased	0.9	1.1

[(a)] Excludes $10 million of Class A common stock yet to be delivered to the Company under its ASR Program.

As of July 2, 2016, the remaining availability under the Company's Class A common stock repurchase program was $200 million, reflecting the May 11, 2016 approval by the Company's Board of Directors to expand the program by up to an additional $200 million of Class A common stock repurchases, partially offset by the $100 million payment made under the ASR Program. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

In addition, during each of the three-month periods ended July 2, 2016 and June 27, 2015, 0.2 million shares of Class A common stock, at a cost of $15 million and $19 million, respectively, were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan"), and its Amended and Restated 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan").

Repurchased and surrendered shares are accounted for as treasury stock at cost and held in treasury for future use.

Dividends

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. The first quarter Fiscal 2017 dividend of $0.50 per share was declared on June 21, 2016, was payable to stockholders of record at the close of business on July 1, 2016, and was paid on July 15, 2016. Dividends paid amounted to $41 million and $43 million during the three-month periods ended July 2, 2016 and June 27, 2015, respectively.

15. Accumulated Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss), net of tax, accumulated in equity:

	Foreign Currency Translation Gains (Losses)[(a)]	Net Unrealized Gains (Losses) on Cash Flow Hedges[(b)]	Net Unrealized Losses on Defined Benefit Plans[(c)]	Total Accumulated Other Comprehensive Income (Loss)
		(millions)		
Balance at March 28, 2015	$ (193)	$ 43	$ (15)	$ (165)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	19	(1)	—	18
Amounts reclassified from AOCI to earnings	—	(7)	—	(7)
Other comprehensive income (loss), net of tax	19	(8)	—	11
Balance at June 27, 2015	$ (174)	$ 35	$ (15)	$ (154)
Balance at April 2, 2016	$ (157)	$ (12)	$ (12)	$ (181)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(9)	(3)	—	(12)
Amounts reclassified from AOCI to earnings	—	1	—	1
Other comprehensive loss, net of tax	(9)	(2)	—	(11)
Balance at July 2, 2016	$ (166)	$ (14)	$ (12)	$ (192)

(a) OCI before reclassifications to earnings related to foreign currency translation gains (losses) includes an income tax provision of $4 million for the three months ended July 2, 2016, and includes an income tax benefit of $4 million for the three-month period ended June 27, 2015. OCI before reclassifications to earnings for the three-month periods ended July 2, 2016 and June 27, 2015 include a gain of $8 million (net of a $5 million income tax provision) and a loss of $7 million (net of a $5 million income tax benefit), respectively, related to the effective portion of changes in the fair values of the Cross-Currency Swaps designated as hedges of the Company's net investment in certain of its European subsidiaries (see Note 12).

(b) OCI before reclassifications to earnings related to net unrealized gains (losses) on cash flow hedges is net of an income tax benefit of $2 million for the three months ended July 2, 2016. The tax effect on OCI before reclassifications to earnings for the three months ended June 27, 2015 was immaterial. The tax effects on amounts reclassified from AOCI to earnings are presented in a table below.

(c) Activity is presented net of taxes, which were immaterial for both periods presented.

The following table presents reclassifications from AOCI to earnings for cash flow hedges, by component:

	Three Months Ended		Location of Gains (Losses) Reclassified from AOCI to Earnings
	July 2, 2016	June 27, 2015	
	(millions)		
Gains (losses) on cash flow hedges[a]:			
FC — Inventory purchases	$ 3	$ 7	Cost of goods sold
FC — Other	(5)	—	Foreign currency gains (losses)
Tax effect	1	—	Provision for income taxes
Net of tax	$ (1)	$ 7	

(a) FC = Forward foreign currency exchange contracts.

16. Stock-based Compensation

The Company's stock-based compensation awards are currently issued under the 2010 Incentive Plan, which was approved by its stockholders on August 5, 2010. However, any prior awards granted under the 1997 Incentive Plan remain subject to the terms of that plan. Any awards that expire, are forfeited, or are surrendered to the Company in satisfaction of taxes are available for issuance under the 2010 Incentive Plan.

Refer to Note 19 of the Fiscal 2016 10-K for a detailed description of the Company's stock-based compensation awards, including information related to vesting terms, service and performance conditions, and payout percentages.

Impact on Results

A summary of total stock-based compensation expense recorded within SG&A expenses and the related income tax benefits recognized during the three-month periods ended July 2, 2016 and June 27, 2015 is as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Compensation expense	$ 18	$ 32
Income tax benefit	$ (6)	$ (12)

The Company issues its annual grants of stock-based compensation awards in the first half of each fiscal year. Due to the timing of the annual grants and other factors, including the composition of the retirement-eligible employee population, stock-based compensation expense recognized during the three-month period ended July 2, 2016 is not indicative of the level of compensation expense expected to be incurred for the full Fiscal 2017.

Stock Options

A summary of stock option activity under all plans during the three months ended July 2, 2016 is as follows:

	Number of Options
	(thousands)
Options outstanding at April 2, 2016	2,418
Granted	—
Exercised	(55)
Cancelled/Forfeited	(100)
Options outstanding at July 2, 2016	2,263

Restricted Stock Awards and Service-based RSUs

The fair values of restricted stock awards granted to non-employee directors are determined based on the fair value of the Company's Class A common stock on the date of grant. The weighted-average grant date fair value of restricted stock awards granted, which entitle holders to receive cash dividends in connection with the payments of dividends on the Company's Class A common stock, was $131.40 per share during the three months ended June 27, 2015. No such awards were granted during the three months ended July 2, 2016.

The fair values of service-based RSUs granted to certain of the Company's senior executives, as well as to certain of its other employees, are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards not entitled to accrue dividend equivalents while outstanding. The weighted-average grant date fair values of service-based RSU awards granted were $82.54 and $128.92 per share during the three-month periods ended July 2, 2016 and June 27, 2015, respectively.

A summary of restricted stock and service-based RSU activity during the three months ended July 2, 2016 is as follows:

	Number of Shares	
	Restricted Stock	Service-based RSUs
	(thousands)	
Nonvested at April 2, 2016	14	490
Granted	—	584
Vested	—	(138)
Forfeited	—	(50)
Nonvested at July 2, 2016	14	886

Performance-based RSUs

The fair values of the Company's performance-based RSUs that are not subject to a market condition in the form of a total shareholder return ("TSR") modifier are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for those securities that are not entitled to dividend equivalents. The weighted-average grant date fair values of performance-based RSUs that do not contain a TSR modifier granted during the three-month periods ended July 2, 2016 and June 27, 2015 were $85.59 and $128.97 per share, respectively.

The fair values of the Company's performance-based RSUs with a TSR modifier are determined on the date of grant using a Monte Carlo simulation valuation model. This pricing model uses multiple simulations to evaluate the probability of the Company achieving various stock price levels to determine its expected TSR performance ranking. No such awards were granted during the three-month periods ended July 2, 2016 and June 27, 2015.

A summary of performance-based RSU activity during the three months ended July 2, 2016 is as follows:

	Number of Shares	
	Performance-based RSUs — without TSR Modifier	Performance-based RSUs — with TSR Modifier
	(thousands)	
Nonvested at April 2, 2016	691	142
Granted	389	—
Change due to performance/market condition achievement	(14)	(25)
Vested	(216)	(49)
Forfeited	(60)	(5)
Nonvested at July 2, 2016	790	63

17. Segment Information

The Company has three reportable segments based on its business activities and organization: Wholesale, Retail, and Licensing. These segments offer a variety of products through different channels of distribution. The Wholesale segment consists of apparel, accessories, home furnishings, and related products which are sold to major department stores, specialty stores, golf and pro shops, and the Company's licensed and franchised retail stores in the U.S. and overseas. The Retail segment consists of the Company's integrated worldwide retail operations, which sell products through its retail stores, concession-based shop-within-shops, and e-commerce sites, which are purchased from the Company's licensees and suppliers. The Licensing segment generates revenues from royalties earned on the sale of the Company's apparel, home, and other products internationally and domestically through licensing alliances. The licensing agreements grant the licensees rights to use the Company's various trademarks in connection with the manufacture and sale of designated products in specified geographical areas for specified periods.

The accounting policies of the Company's segments are consistent with those described in Notes 2 and 3 of the Fiscal 2016 10-K. Sales and transfers between segments are generally recorded at cost and treated as transfers of inventory. All intercompany revenues, including such sales between segments, are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon operating income before restructuring charges and certain other one-time items, such as legal charges, if any. Certain corporate overhead expenses related to global functions, most notably the Company's executive office, information technology, finance and accounting, human resources, and legal departments, largely remain at corporate as unallocated expenses. Additionally, other costs that cannot be allocated to the segments based on specific usage are also maintained at corporate, including corporate advertising and marketing expenses, depreciation and amortization of corporate assets, and other general and administrative expenses resulting from corporate-level activities and projects.

Net revenues and operating income (loss) for each of the Company's reportable segments are as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Net revenues:		
Wholesale	$ 607	$ 642
Retail	907	935
Licensing	38	41
Total net revenues	$ 1,552	$ 1,618

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Operating income (loss):		
Wholesale[a]	$ 133	$ 137
Retail[b]	63	110
Licensing	34	36
	230	283
Unallocated corporate expenses	(175)	(153)
Unallocated restructuring charges[c]	(86)	(34)
Total operating income (loss)	$ (31)	$ 96

[a] During the three-month period ended July 2, 2016, the Company recorded non-cash inventory-related charges and asset impairment charges of $10 million and $1 million, respectively, in connection with the Way Forward Plan. During the three-month period ended June 27, 2015, the Company recorded non-cash asset impairment charges of $3 million in connection with the Global Reorganization Plan. See Notes 7 and 8 for additional information.

[b] During the three-month period ended July 2, 2016, the Company recorded non-cash inventory-related charges and asset impairment charges of $44 million and $18 million, respectively, in connection with the Way Forward Plan. During the three-month period ended June 27, 2015, the Company recorded non-cash inventory-related charges and asset impairment charges of $3 million and $5 million, respectively, in connection with the Global Reorganization Plan. See Notes 7 and 8 for additional information.

[c] The three-month periods ended July 2, 2016 and June 27, 2015 included certain unallocated restructuring charges (see Note 8), which are detailed below:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Unallocated restructuring charges:		
Wholesale-related	$ (15)	$ (8)
Retail-related	(15)	(11)
Licensing-related	(2)	(1)
Corporate operations-related	(54)	(14)
Total unallocated restructuring charges	$ (86)	$ (34)

Depreciation and amortization expense for the Company's segments is as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Depreciation and amortization:		
Wholesale	$ 17	$ 15
Retail	37	39
Unallocated corporate	24	20
Total depreciation and amortization	$ 78	$ 74

Net revenues by geographic location of the reporting subsidiary are as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Net revenues[a]:		
The Americas[b]	$ 961	$ 1,079
Europe[c]	380	333
Asia[d]	211	206
Total net revenues	$ 1,552	$ 1,618

(a) Net revenues for certain of the Company's licensed operations are included within the geographic location of the reporting subsidiary which holds the respective license.

(b) Includes the U.S., Canada, and Latin America. Net revenues earned in the U.S. during the three-month periods ended July 2, 2016 and June 27, 2015 were $910 million and $1.029 billion, respectively.

(c) Includes the Middle East.

(d) Includes Australia and New Zealand.

18. Additional Financial Information

Cash Interest and Taxes

Cash paid for interest and income taxes is as follows:

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Cash paid for interest	$ 4	$ 2
Cash paid for income taxes	$ 17	$ 43

Non-cash Transactions

Non-cash investing activities included capital expenditures incurred but not yet paid of $55 million and $52 million for the three-month periods ended July 2, 2016 and June 27, 2015, respectively. Additionally, during the three months ended July 2, 2016, the Company recorded capital lease assets and corresponding capital lease obligations of $4 million within its consolidated balance sheet.

There were no other significant non-cash investing or financing activities for any of the fiscal periods presented.

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

Special Note Regarding Forward-Looking Statements

Various statements in this Form 10-Q, or incorporated by reference into this Form 10-Q, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases, and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "we believe," "is or remains optimistic," "currently envisions," and similar words or phrases and involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed in or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others:

- the loss of key personnel, including Mr. Ralph Lauren, or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition;
- our ability to successfully implement our long-term growth strategy, which entails evolving our operating model to enable sustainable, profitable sales growth by significantly reducing supply chain lead times, employing best-in-class sourcing, and capitalizing on our repositioning initiatives in certain brands, regions, and merchandise categories;
- our ability to achieve anticipated operating enhancements and/or cost reductions from our restructuring plans, which could include the potential sale, discontinuance, or consolidation of certain of our brands;
- the impact to our business resulting from potential costs and obligations related to the early termination of our long-term, non-cancellable leases;
- our efforts to improve the efficiency of our distribution system and to continue to enhance, upgrade, and/or transition our global information technology systems and our global e-commerce platform;
- our ability to secure our facilities and systems and those of our third-party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses, or similar Internet or email events;
- our exposure to currency exchange rate fluctuations from both a transactional and translational perspective, and risks associated with increases in the costs of raw materials, transportation, and labor;
- our ability to continue to maintain our brand image and reputation and protect our trademarks;
- the impact to our business resulting from the United Kingdom's referendum vote to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to global stock markets and currency exchange rates;
- the impact of the volatile state of the global economy, stock markets, and other global economic conditions on us, our customers, our suppliers, and our vendors and on our ability and their ability to access sources of liquidity;
- the impact to our business resulting from changes in consumers' ability or preferences to purchase premium lifestyle products that we offer for sale and our ability to forecast consumer demand, which could result in either a build-up or shortage of inventory;
- changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors, and consolidations, liquidations, restructurings, and other ownership changes in the retail industry;
- a variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products, tariffs, and other trade barriers which our international operations are subject to and other risks associated with our international operations, such as compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments, and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labor restrictions, and related laws that may reduce the flexibility of our business;
- the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world, as well as from any terrorist action, retaliation, and the threat of further action or retaliation;

- our ability to continue to expand or grow our business internationally and the impact of related changes in our customer, channel, and geographic sales mix as a result;

- changes in our tax obligations and effective tax rates;

- changes in the business of, and our relationships with, major department store customers and licensing partners;

- our intention to introduce new products or enter into or renew alliances and exclusive relationships;

- our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock;

- our ability to open new retail stores, concession shops, and e-commerce sites in an effort to expand our direct-to-consumer presence;

- our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations;

- the potential impact to the trading prices of our securities if our Class A common stock share repurchase activity and/or cash dividend rate differs from investors' expectations;

- our ability to maintain our credit profile and ratings within the financial community; and

- the potential impact on our operations and on our suppliers and customers resulting from natural or man-made disasters.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is included in our Annual Report on Form 10-K for the fiscal year ended April 2, 2016 (the "Fiscal 2016 10-K"). There are no material changes to such risk factors other than as set forth in Part II, Item 1A — "*Risk Factors*" of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In this Form 10-Q, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2017 will end on April 1, 2017 and will be a 52-week period ("Fiscal 2017"). Fiscal year 2016 ended on April 2, 2016 and was a 53-week period ("Fiscal 2016"). The first quarter of Fiscal 2017 ended on July 2, 2016 and was a 13-week period. The first quarter of Fiscal 2016 ended on June 27, 2015 and was also a 13-week period.

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the accompanying consolidated financial statements and footnotes to help provide an understanding of our results of operations, financial condition, and liquidity. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, current trends and outlook, and a summary of our financial performance for the three-month period ended July 2, 2016. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.

- *Results of operations.* This section provides an analysis of our results of operations for the three-month period ended July 2, 2016 as compared to the three-month period ended June 27, 2015.

- *Financial condition and liquidity.* This section provides a discussion of our financial condition and liquidity as of July 2, 2016, which includes (i) an analysis of our financial condition as compared to the prior fiscal year-end; (ii) an analysis of changes in our cash flows for the three-month period ended July 2, 2016 as compared to the three-month period ended June 27, 2015; (iii) an analysis of our liquidity, including the availability under our commercial paper borrowing program and credit facilities, common stock repurchases, payments of dividends, and our outstanding debt and covenant compliance; and (iv) a description of material changes in our contractual and other obligations since April 2, 2016, if any.

- *Market risk management.* This section discusses any significant changes in our risk exposures related to foreign currency exchange rates, interest rates, and our investments since April 2, 2016.

- *Critical accounting policies.* This section discusses any significant changes in our critical accounting policies since April 2, 2016. Critical accounting policies typically require significant judgment and estimation on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 3 of the Fiscal 2016 10-K.

- *Recently issued accounting standards.* This section discusses the potential impact on our reported results of operations and financial condition of certain accounting standards that have been recently issued or proposed.

OVERVIEW

Our Business

Our Company is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. Our long-standing reputation and distinctive image have been consistently developed across an expanding number of products, brands, sales channels, and international markets. Our brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Denim & Supply Ralph Lauren, Chaps, and Club Monaco, among others.

We classify our businesses into three segments: Wholesale, Retail, and Licensing. Our Wholesale business, which represented approximately 45% of our Fiscal 2016 net revenues, consists of sales made principally to major department stores and specialty stores around the world. Our Retail business, which represented approximately 53% of our Fiscal 2016 net revenues, consists of sales made directly to consumers through our integrated retail channel, which includes our retail stores, concession-based shop-within-shops, and our e-commerce operations around the world. Our Licensing business, which represented approximately 2% of our Fiscal 2016 net revenues, consists of royalty-based arrangements under which we license to unrelated third parties for specified periods the right to operate retail stores and/or to use our various trademarks in connection with the manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings. Approximately 37% of our Fiscal 2016 net revenues were earned outside of the U.S. See Note 17 to the accompanying consolidated financial statements for a summary of net revenues and operating income by reportable segment, as well as net revenues by geographic location.

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth fiscal quarters and higher retail sales in our second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our Retail segment. In addition, fluctuations in net sales, operating income, and cash flows in any fiscal quarter may be affected by other events impacting retail sales, such as changes in weather patterns. Accordingly, our operating results and cash flows for the three-month period ended July 2, 2016 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2017.

Current Trends and Outlook

The global economy continues to be in a heightened state of uncertainty, as productivity growth in both advanced and emerging countries remains low. Certain worldwide events, including political unrest, acts of terrorism, disease epidemics, monetary policy changes, and currency and commodity price volatility, as well as the United Kingdom's recent referendum vote to exit the European Union, commonly referred to as "Brexit," continue to impact consumer confidence and the global economy as a whole, as well as the world's stock markets. While certain geographic regions are withstanding these pressures better than others, the level of consumer travel and spending on discretionary items remains constrained in certain markets, with trends likely to continue at least throughout 2016. Additionally, consumers are increasingly spending more of their discretionary income on "experiences," such as dining and entertainment, over consumer goods. Consequently, consumer retail traffic remains relatively weak and inconsistent, which has led to increased competition and a desire to offset traffic declines with increased levels of conversion. Certain of our operations have experienced, and have been impacted by, these dynamics, with variations across the geographic regions and businesses in which we operate.

Additionally, given the lack of comparable precedent, the full extent of Brexit's impact on the global economy and our business is unclear at this time. However, Brexit has already caused significant volatility and uncertainty in global stock markets and currency exchange rates, which could continue as the United Kingdom negotiates its potential exit from the European Union. A withdrawal could, among other outcomes, significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe.

If the current economic conditions and challenging industry trends continue or worsen, the constrained level of worldwide consumer spending and modified consumption behavior may continue to have a negative effect on our sales, inventory levels, and operating margin for the remainder of Fiscal 2017. Furthermore, our results have been, and are expected to continue to be, impacted by foreign exchange rate fluctuations. We have initiated various operating strategies to mitigate these challenges, and remain optimistic about our future growth prospects. Accordingly, we continue to invest in our longer-term growth initiatives, including our restructuring activities, as described within "*Recent Developments*" below, while continually monitoring macroeconomic risks and remaining focused on disciplined expense management. Although we continue to expect that the dilutive effects of investments that we are making in our business will create operating margin pressure in the near-term, we expect that these initiatives will create longer-term shareholder value. We will continue to monitor these risks and evaluate and adjust our operating strategies and foreign currency and cost management opportunities to mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting the value of our brand.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A — "*Risk Factors*" in our Fiscal 2016 10-K, as well as Part II, Item 1A — "*Risk Factors*" of this Form 10-Q.

Summary of Financial Performance

Operating Results

During the three months ended July 2, 2016, we reported net revenues of $1.552 billion, a net loss of $22 million, and net loss per diluted share of $0.27, as compared to net revenues of $1.618 billion, net income of $64 million, and net income per diluted share of $0.73 during the three months ended June 27, 2015. The comparability of our operating results has been affected by charges incurred in connection with our restructuring plans, as discussed further below.

Our operating performance for the three months ended July 2, 2016 reflected a decline in net revenues of 4.1% on a reported basis and 4.2% on a constant currency basis, as defined within "*Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition*" below. The decline in reported net revenues for the three months ended July 2, 2016 reflected lower net revenues from our domestic wholesale and retail businesses, partially offset by higher net revenues from our European wholesale business. Our gross profit percentage declined by 210 basis points to 57.6% during the three months ended July 2, 2016, primarily driven by higher non-cash inventory-related charges recorded in connection with our restructuring plans during the first quarter of Fiscal 2017 as compared to the comparable prior year period, partially offset by increased profitability driven by favorable geographic mix, lower levels of promotional activity within certain geographic regions, and lower sourcing costs. Selling, general, and administrative ("SG&A") expenses as a percentage of net revenues increased by 180 basis points to 52.5% during the three months ended July 2, 2016, primarily due to operating deleverage on lower net revenues and increased investments in our stores, facilities, and infrastructure consistent with our longer-term initiatives.

Net income declined by $86 million during the three months ended July 2, 2016 as compared to the three months ended June 27, 2015, primarily due to a $127 million decrease in operating income, partially offset by a $37 million decline in our provision for income taxes. Net income per diluted share declined by $1.00 per share during the three months ended July 2, 2016 as compared to the three months ended June 27, 2015, primarily due to lower net income, partially offset by lower weighted-average diluted shares outstanding.

Our operating results during the three-month periods ended July 2, 2016 and June 27, 2015 were negatively impacted by charges of $159 million and $45 million, respectively, recorded in connection with our restructuring plans, which had an after-tax effect of reducing net income by $112 million, or approximately $1.33 per diluted share, and $31 million, or approximately $0.36 per diluted share, respectively.

Financial Condition and Liquidity

We ended the first quarter of Fiscal 2017 in a net cash and investments position (cash and cash equivalents plus short-term and non-current investments, less total debt) of $533 million, as compared to $559 million as of the end of Fiscal 2016. The decline in our net cash and investments position at July 2, 2016 as compared to April 2, 2016 was primarily due to our use of cash to support Class A common stock repurchases of $115 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $78 million in capital expenditures, and to make cash dividend payments of $41 million, as well as the unfavorable effect of exchange rate changes on cash and cash equivalents of $15 million, partially offset by our operating cash flows of $243 million.

We generated $243 million of cash from operations during the three months ended July 2, 2016, compared to $332 million during the three months ended June 27, 2015. The decrease in our operating cash flows primarily related to a net unfavorable change related to our operating assets and liabilities, including our working capital, partially offset by an increase in net income before non-cash charges during the three months ended July 2, 2016 as compared to the prior fiscal year period.

Our equity declined to $3.566 billion as of July 2, 2016 compared to $3.744 billion as of April 2, 2016, primarily attributable to our share repurchase activity, dividends declared, and comprehensive loss, partially offset by the net impact of stock-based compensation arrangements during the three months ended July 2, 2016.

Recent Developments

Way Forward Plan

On June 2, 2016, our Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). We plan to refocus on our core brands and evolve our product, marketing, and shopping experience to increase desirability and relevance. We also intend to evolve our operating model to enable sustainable, profitable sales growth by significantly reducing supply chain lead times, improving our sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, we plan to rightsize our cost structure and implement a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening our leadership team and creating a more nimble organization by moving from an average of nine to six layers of management.

The Way Forward Plan will result in a reduction in workforce and the closure of certain stores. When substantially completed by the end of Fiscal 2017, we expect to achieve approximately $180 million to $220 million of annualized expense savings associated with the Way Forward Plan.

In connection with the Way Forward Plan, we currently expect to incur total estimated charges of up to $400 million, comprised of cash-related restructuring charges of approximately $300 million and non-cash charges of approximately $100 million. We also expect to incur an additional non-cash charge of up to $150 million associated with the reduction of inventory out of current liquidation channels in line with our Way Forward Plan. Our assessment of restructuring-related activities is still ongoing and incremental charges beyond this range may be incurred. See Notes 7 and 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Global Reorganization Plan

On May 12, 2015, our Board of Directors approved a reorganization and restructuring plan comprised of the following major actions: (i) the reorganization of the Company from its historical channel and regional structure to an integrated global brand-based operating structure, which will streamline our business processes to better align our cost structure with our long-term growth strategy; (ii) a strategic store and shop-within-shop performance review conducted by region and brand; (iii) a targeted corporate functional area review; and (iv) the consolidation of certain of our luxury lines (collectively, the "Global Reorganization Plan"). The Global Reorganization Plan has resulted in a reduction in workforce and the closure of certain stores and shop-within-shops. Actions associated with the Global Reorganization Plan were substantially completed during Fiscal 2016 and are expected to result in improved operational efficiencies by reducing annual operating expenses by approximately $125 million.

Since its inception, we have recorded total cumulative charges of $147 million in connection with the Global Reorganization Plan. Actions associated with the Global Reorganization Plan are now complete and no additional charges are expected to be incurred in relation to this plan. See Notes 7 and 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Global Reorganization Plan.

Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition

The comparability of our operating results for the three-month periods ended July 2, 2016 and June 27, 2015 has been affected by certain events, including:

- Charges incurred in connection with our restructuring plans, as summarized below (references to "Notes" are to the notes to the accompanying consolidated financial statements):

	Three Months Ended	
	July 2, 2016	June 27, 2015
	(millions)	
Impairment of assets (see Note 7)	$ (19)	$ (8)
Restructuring charges (see Note 8)	(86)	(34)
Inventory-related charges (see Note 8)[a]	(54)	(3)
Total charges	$ (159)	$ (45)

[a] Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

Since we are a global company, the comparability of our operating results reported in U.S. Dollars is also affected by foreign currency exchange rate fluctuations because the underlying currencies in which we transact change in value over time compared to the U.S. Dollar. These rate fluctuations can have a significant effect on our reported results. As such, in addition to financial measures prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"), our discussions often contain references to constant currency measures, which are calculated by translating the current-year and prior-year reported amounts into comparable amounts using a single foreign exchange rate for each currency. We present constant currency financial information, which is a non-U.S. GAAP financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework to assess how our businesses performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. The constant currency performance measures should be viewed in addition to, and not in lieu of or superior to, our operating performance measures calculated in accordance with U.S. GAAP. Reconciliations between this non-U.S. GAAP financial measure and the most directly comparable U.S. GAAP measure are included in the "Results of Operations" section where applicable.

Our "Results of Operations" discussion that follows includes the significant changes in operating results arising from these items affecting comparability. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users should consider the types of events and transactions that have affected operating trends.

RESULTS OF OPERATIONS

Three Months Ended July 2, 2016 Compared to Three Months Ended June 27, 2015

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended			
	July 2, 2016	June 27, 2015	$ Change	% / bps Change
	(millions, except per share data)			
Net revenues	$ 1,552	$ 1,618	$ (66)	(4.1%)
Cost of goods sold[(a)]	(657)	(652)	(5)	0.8%
Gross profit	895	966	(71)	(7.4%)
Gross profit as % of net revenues	*57.6%*	*59.7%*		*(210 bps)*
Selling, general, and administrative expenses[(a)]	(815)	(822)	7	(0.8%)
SG&A expenses as % of net revenues	*52.5%*	*50.7%*		*180 bps*
Amortization of intangible assets	(6)	(6)	—	3.6%
Impairment of assets	(19)	(8)	(11)	132.6%
Restructuring charges	(86)	(34)	(52)	149.9%
Operating income (loss)	(31)	96	(127)	(132.4%)
Operating income (loss) as % of net revenues	*(2.0%)*	*6.0%*		*(800 bps)*
Foreign currency gains (losses)	2	(1)	3	NM
Interest expense	(3)	(4)	1	(5.3%)
Interest and other income, net	1	2	(1)	(40.5%)
Equity in losses of equity-method investees	(2)	(3)	1	(36.4%)
Income (loss) before income taxes	(33)	90	(123)	(136.8%)
Income tax benefit (provision)	11	(26)	37	(141.6%)
Effective tax rate[(b)]	*32.8%*	*29.0%*		*380 bps*
Net income (loss)	$ (22)	$ 64	$ (86)	(134.9%)
Net income (loss) per common share:				
Basic	$ (0.27)	$ 0.74	$ (1.01)	(136.5%)
Diluted	$ (0.27)	$ 0.73	$ (1.00)	(137.0%)

(a) Includes total depreciation expense of $72 million and $68 million for the three-month periods ended July 2, 2016 and June 27, 2015, respectively.

(b) Effective tax rate is calculated by dividing the income tax benefit (provision) by income (loss) before income taxes.

NM Not meaningful.

Net Revenues. Net revenues decreased by $66 million, or 4.1%, to $1.552 billion for the three months ended July 2, 2016 from $1.618 billion for the three months ended June 27, 2015. On a constant currency basis, net revenues decreased by $68 million, or 4.2%.

Net revenues for our three business segments, as well as a discussion of the changes in each segment's net revenues from the comparable prior year period, are provided below:

	Three Months Ended		$ Change	Foreign Exchange Impact	$ Change	% Change	
	July 2, 2016	June 27, 2015	As Reported		Constant Currency	As Reported	Constant Currency
			(millions)				
Net Revenues:							
Wholesale	$ 607	$ 642	$ (35)	$ (2)	$ (33)	(5.4%)	(5.1%)
Retail	907	935	(28)	4	(32)	(3.0%)	(3.4%)
Licensing	38	41	(3)	—	(3)	(8.3%)	(8.5%)
Total net revenues	$ 1,552	$ 1,618	$ (66)	$ 2	$ (68)	(4.1%)	(4.2%)

Wholesale net revenues — Net revenues decreased $35 million, or 5.4%, during the three months ended July 2, 2016 as compared to the three months ended June 27, 2015, including net unfavorable foreign currency effects of $2 million, primarily related to the weakening of the Euro and the Canadian Dollar against the U.S. Dollar. On a constant currency basis, net revenues decreased by $33 million, or 5.1%.

The $35 million net decline in Wholesale net revenues was driven by a $77 million, or 15.0%, net decrease related to our business in the Americas, reflecting lower sales across all of our major apparel and accessories businesses, particularly our womenswear business, due in part to a decline in traffic, which contributed to a more competitive retail environment. This decline was partially offset by a $41 million, or 33.8%, net increase related to our European business, reflecting increased sales across all of our major apparel and accessories businesses largely due to the timing of shipments.

Retail net revenues — Net revenues decreased $28 million, or 3.0%, during the three months ended July 2, 2016 as compared to the three months ended June 27, 2015, including net favorable foreign currency effects of $4 million, primarily related to the strengthening of the Japanese Yen, partially offset by the weakening of the Korean Won and the Canadian Dollar, all against the U.S. Dollar. On a constant currency basis, net revenues decreased by $32 million, or 3.4%.

The $28 million net decline in Retail net revenues was driven by:

- a $46 million net decline in consolidated comparable store sales, including net favorable foreign currency effects of $5 million. Our total comparable store sales decreased by $51 million on a constant currency basis, primarily driven by lower sales from certain of our domestic retail stores. The following table summarizes our comparable store sales percentages on both a reported and constant currency basis.

	As Reported	Constant Currency
E-commerce comparable store sales	(6%)	(7%)
Comparable store sales excluding e-commerce	(6%)	(7%)
Total comparable store sales	(6%)	(7%)

Comparable store sales refer to the growth of sales in stores that are open for at least one full fiscal year. Sales for stores that are closed during a fiscal year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater), or generally closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until such stores have been in their new location or in their newly renovated state for at least one full fiscal year. Sales from our e-commerce sites are included within comparable store sales for those geographies that have been serviced by the related site for at least one full fiscal year. Consolidated comparable store sales information includes our Ralph Lauren stores (including concession-based shop-within-shops), factory stores, Club Monaco stores and e-commerce sites, and certain Ralph Lauren e-commerce sites. We use an integrated omni-channel strategy to operate our retail business, in which our e-commerce operations are interdependent with our physical stores.

This decline was partially offset by:

- an $18 million, or 11%, net increase in non-comparable store sales, including net unfavorable foreign currency effects of $1 million. On a constant currency basis, non-comparable store sales increased by $19 million, or 12%, primarily driven by new global store openings within the past twelve months, which more than offset the impact of store closings.

Our global average store count increased by 66 stores and concession shops during the three months ended July 2, 2016 compared with the three months ended June 27, 2015, due to new global store openings, primarily in Asia and Europe, partially offset by store closures.The following table details our retail store presence as of the periods presented:

	July 2, 2016	June 27, 2015
Stores:		
Freestanding stores	485	467
Concession shops	598	558
Total stores	1,083	1,025

In addition to our stores, our Retail segment sells products online through our various e-commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others.

Licensing revenues — Net revenues decreased $3 million, or 8.3%, during the three months ended July 2, 2016 as compared to the three months ended June 27, 2015. On a constant currency basis, net revenues decreased by 8.5%.

Gross Profit. Gross profit decreased by $71 million, or 7.4%, to $895 million for the three months ended July 2, 2016 from $966 million for the three months ended June 27, 2015. Gross profit during the three-month periods ended July 2, 2016 and June 27, 2015 reflected non-cash inventory-related charges of $54 million and $3 million, respectively, recorded in connection with our restructuring plans. Gross profit as a percentage of net revenues declined by 210 basis points to 57.6% for the three months ended July 2, 2016 from 59.7% for the three months ended June 27, 2015. This decline was primarily driven by higher non-cash inventory-related charges recorded in connection with our restructuring plans during the three months ended July 2, 2016 as compared to the comparable prior year period and unfavorable foreign currency effects, partially offset by increased profitability driven by favorable geographic mix, lower levels of promotional activity within certain geographic regions, and lower sourcing costs.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net revenues to fluctuate from period to period.

Selling, General, and Administrative Expenses. SG&A expenses primarily include compensation and benefits, advertising and marketing, distribution, bad debt, information technology, facilities, legal, and other costs associated with finance and administration. SG&A expenses decreased by $7 million, or 0.8%, to $815 million for the three months ended July 2, 2016 from $822 million for the three months ended June 27, 2015. This decrease included a net unfavorable foreign currency effect of $4 million, primarily related to the strengthening of the Japanese Yen, partially offset by the weakening of the Korean Won, both against the U.S. Dollar. SG&A expenses as a percentage of net revenues increased to 52.5% for the three months ended July 2, 2016 from 50.7% in the three months ended June 27, 2015. The 180 basis point increase was primarily due to operating deleverage on lower net revenues, as previously discussed, and an increase in operating expenses in support of the continued investment in, and expansion of, our retail businesses (which typically carry higher operating expense margins) through new store and concession shop openings (as previously discussed); increased investments in our facilities and infrastructure; and investments in new business initiatives. These increases were partially offset by our operational discipline and savings associated with our restructuring activities.

The $7 million net decline in SG&A expenses was driven by:

	Three Months Ended July 2, 2016 Compared to Three Months Ended June 27, 2015
	(millions)
SG&A expense category:	
Marketing and advertising expenses	$ (9)
Consulting fees	(4)
Depreciation expense	4
Other	2
Total change in SG&A expenses	$ (7)

During the remainder of Fiscal 2017, we continue to expect a certain amount of operating expense deleverage due to lower net revenues and the continued investment in our long-term strategic growth initiatives, including retail store expansion, department store renovations, and continued investment in our infrastructure, partially offset by anticipated cost savings related to our restructuring activities (see "*Recent Developments*").

Amortization of Intangible Assets. Amortization of intangible assets remained flat at $6 million during the three-month periods ended July 2, 2016 and June 27, 2015.

Impairment of Assets. During the three months ended July 2, 2016, we recorded non-cash impairment charges of $19 million, primarily to write off certain fixed assets related to our domestic and international stores and shop-within-shops in connection with the Way Forward Plan. During the three months ended June 27, 2015, we recorded non-cash impairment charges of $8 million, primarily to write off certain fixed assets related to our domestic and international stores and shop-within-shops in connection with the Global Reorganization Plan. See Note 7 to the accompanying consolidated financial statements.

Restructuring Charges. During the three months ended July 2, 2016, we recorded restructuring charges of $86 million in connection with the Way Forward Plan and Global Reorganization Plan, consisting of severance and benefit costs, lease termination and store closure costs, and other cash charges. During the three months ended June 27, 2015, we recorded restructuring charges of $34 million in connection with the Global Reorganization Plan, consisting of severance and benefit costs, lease termination and store closure costs, and other cash charges. See Note 8 to the accompanying consolidated financial statements.

Operating Income (Loss). We reported an operating loss of $31 million for the three months ended July 2, 2016, as compared to operating income of $96 million for the three months ended June 27, 2015. Our operating results during the three-month periods ended July 2, 2016 and June 27, 2015 were negatively impacted by charges of $159 million and $45 million, respectively, recorded in connection with our restructuring plans. The $127 million decline in operating income also included a net unfavorable foreign currency effect of $7 million, primarily related to the weakening of the Euro and the Canadian Dollar, partially offset by the strengthening of the Japanese Yen, all against the U.S. Dollar. Operating loss as a percentage of net revenues was 2.0% for the three months ended July 2, 2016, reflecting an 800 basis point decline from the comparable prior year period. This decline was primarily driven by the decrease in our gross profit margin and the increase in restructuring charges and impairment of assets, as well as the increase in SG&A expenses as a percentage of net revenues, all as previously discussed.

Operating income (loss) and margin for each of our three reportable segments are provided below:

	Three Months Ended					
	July 2, 2016		June 27, 2015			
	Operating Income (Loss)	Operating Margin	Operating Income (Loss)	Operating Margin	$ Change	Margin Change
	(millions)		(millions)		(millions)	
Segment:						
Wholesale	$ 133	21.9%	$ 137	21.3%	$ (4)	60 bps
Retail	63	6.9%	110	11.8%	(47)	(490 bps)
Licensing	34	89.6%	36	88.6%	(2)	100 bps
	230		283		(53)	
Unallocated corporate expenses	(175)		(153)		(22)	
Unallocated restructuring charges	(86)		(34)		(52)	
Total operating income (loss)	$ (31)	(2.0%)	$ 96	6.0%	$ (127)	(800 bps)

Wholesale operating margin increased by 60 basis points, primarily due to the favorable impact of 210 basis points related to increased profitability in our core wholesale business, largely driven by lower sourcing costs and improved performance of our international operations due in part to favorable product mix, and a decrease in SG&A expenses as a percentage of net revenues, partially offset by the impact of a more competitive domestic retail environment. This increase in operating margin was partially offset by the unfavorable impact of 130 basis points related to higher non-cash charges recorded in connection with our restructuring plans during the three months ended July 2, 2016 as compared to the comparable prior year period, as well as unfavorable foreign currency effects of 20 basis points.

Retail operating margin declined by 490 basis points, primarily due to the unfavorable impact of 610 basis points related to higher non-cash charges recorded in connection with our restructuring plans during the three months ended July 2, 2016 as compared to the comparable prior year period, as well as unfavorable foreign currency effects of 60 basis points. This decline in operating margin was partially offset by the favorable impact of 180 basis points related to increased profitability in our core retail business, largely driven by lower sourcing costs and improved performance of our international operations due in part to lower levels of promotional activity, partially offset by the impact of a more competitive domestic retail environment and an increase in SG&A expenses as a percentage of net revenues.

Licensing operating margin improved by 100 basis points due to a decrease in SG&A expenses as a percentage of net revenues.

Unallocated corporate expenses increased by $22 million to $175 million during the three months ended July 2, 2016 from $153 million during the three months ended June 27, 2015. The increase in unallocated corporate expenses was primarily due to higher compensation-related costs of $14 million, higher depreciation and amortization expense of $4 million, and higher other operating expenses of $7 million. These increases were partially offset by a decline in consulting fees of $3 million.

Unallocated restructuring charges increased by $52 million to $86 million during the three months ended July 2, 2016 from $34 million during the three months ended June 27, 2015, as previously discussed above and in Note 8 to the accompanying consolidated financial statements.

Non-operating Expense, net. Non-operating expense, net is comprised of net foreign currency gains (losses), interest expense, interest and other income, net, and equity in losses from our equity-method investees. Non-operating expense, net decreased by $4 million to $2 million for the three months ended July 2, 2016 from $6 million for the three months ended June 27, 2015. The decline in non-operating expense, net was largely driven by higher net foreign currency gains, largely related to the net favorable revaluation and settlement of foreign currency-denominated intercompany receivables and payables, inclusive of the impact of forward foreign currency exchange contracts, as compared to the prior fiscal year period (foreign currency gains (losses) do not result from the translation of the operating results of our foreign subsidiaries to U.S. Dollars).

Income Tax Benefit (Provision). The income tax benefit (provision) represents federal, foreign, state and local income taxes. We reported an income tax benefit of $11 million for the three months ended July 2, 2016, as compared to an income tax provision of $26 million for the three months ended June 27, 2015. The $37 million decline in the income tax provision was due to the decrease in pretax income and an increase in our reported effective tax rate of 380 basis points, to 32.8% for the three months ended July 2, 2016 from 29.0% for the three months ended June 27, 2015. The higher effective tax rate for the three months ended July 2, 2016 was primarily due to the absence of income tax benefits resulting from the expiration of statutes of limitations during the three months ended June 27, 2015, partially offset by additional income tax reserves largely associated with an anticipated tax settlement. The effective tax rate differs from the statutory tax rate due to the effect of state and local taxes, tax rates in foreign jurisdictions, and certain nondeductible expenses. Our effective tax rate will change from period to period based on various factors including, but not limited to, the geographic mix of earnings, the timing and amount of foreign dividends, enacted tax legislation, state and local taxes, tax audit findings and settlements, and the interaction of various global tax strategies.

Net Income (Loss). We reported a net loss of $22 million for the three months ended July 2, 2016, as compared to net income of $64 million for the three months ended June 27, 2015. The $86 million decline in net income was primarily due to the decrease in operating income, partially offset by the reduction in our provision for income taxes, as previously discussed. Our operating results during the three-month periods ended July 2, 2016 and June 27, 2015 were negatively impacted by charges of $159 million and $45 million, respectively, recorded in connection with our restructuring plans, which had an after-tax effect of reducing net income by $112 million and $31 million, respectively.

Net Income (Loss) per Diluted Share. We reported a net loss per diluted share of $0.27 for the three months ended July 2, 2016, as compared to net income per diluted share of $0.73 for the three months ended June 27, 2015. The $1.00 per share decline was due to lower net income, as previously discussed, partially offset by lower weighted-average diluted shares outstanding during the three months ended July 2, 2016 driven by our share repurchases over the last twelve months. Net income (loss) per diluted share for the three-month periods ended July 2, 2016 and June 27, 2015 was negatively impacted by approximately $1.33 per share and $0.36 per share, respectively, as a result of charges recorded in connection with our restructuring plans, as previously discussed.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The following table presents our financial condition as of July 2, 2016 and April 2, 2016:

	July 2, 2016	April 2, 2016	$ Change
		(millions)	
Cash and cash equivalents	$ 457	$ 456	$ 1
Short-term investments	619	629	(10)
Non-current investments[(a)]	149	187	(38)
Short-term debt	(90)	(116)	26
Long-term debt[(b)]	(602)	(597)	(5)
Net cash and investments[(c)]	$ 533	$ 559	$ (26)
Equity	$ 3,566	$ 3,744	$ (178)

(a) Recorded within other non-current assets in our consolidated balance sheets.

(b) See Note 10 to the accompanying consolidated financial statements for discussion of the carrying value of our long-term debt as of July 2, 2016 and April 2, 2016.

(c) "Net cash and investments" is defined as cash and cash equivalents, plus short-term and non-current investments, less total debt.

The decline in our net cash and investments position at July 2, 2016 as compared to April 2, 2016 was primarily due to our use of cash to support Class A common stock repurchases of $115 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $78 million in capital expenditures, and to make cash dividend payments of $41 million, as well as the unfavorable effect of exchange rate changes on cash and cash equivalents of $15 million, partially offset by our operating cash flows of $243 million.

The decline in equity was attributable to our share repurchase activity, dividends declared, and comprehensive loss, partially offset by the net impact of stock-based compensation arrangements during the three months ended July 2, 2016.

Cash Flows

The following table details our cash flows for the three-month periods ended July 2, 2016 and June 27, 2015:

	Three Months Ended		
	July 2, 2016	June 27, 2015	$ Change
		(millions)	
Net cash provided by operating activities	$ 243	$ 332	$ (89)
Net cash used in investing activities	(41)	(77)	36
Net cash used in financing activities	(186)	(275)	89
Effect of exchange rate changes on cash and cash equivalents	(15)	10	(25)
Net increase (decrease) in cash and cash equivalents	$ 1	$ (10)	$ 11

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased to $243 million during the three months ended July 2, 2016, as compared to $332 million during the three months ended June 27, 2015. The $89 million net decrease in cash provided by operating activities was primarily due to a net unfavorable change related to our operating assets and liabilities, including our working capital, partially offset by an increase in net income before non-cash charges. The net decrease related to our working capital was primarily driven by unfavorable changes in our (i) accounts receivable, largely driven by the year-over-year decline in net revenues and the timing of cash collections, and (ii) prepaid expenses and other current assets, primarily related to the timing of payments. These decreases to our working capital were partially offset by (i) a decline in our inventory levels, largely driven by our inventory management initiatives, lower sourcing costs, and the timing of inventory receipts, and (ii) a favorable change in our accounts payable and accrued liabilities, primarily related to the timing of payments.

Net Cash Used in Investing Activities. Net cash used in investing activities was $41 million during the three months ended July 2, 2016, as compared to $77 million during the three months ended June 27, 2015. The $36 million net decrease in cash used in investing activities was primarily driven by a $42 million increase in proceeds from sales and maturities of investments, less cash used to purchase investments. During the three months ended July 2, 2016, we made net investment sales of $38 million, as compared to net investment purchases of $4 million during the three months ended June 27, 2015.

The above decrease in cash used in investing activities was partially offset by a $10 million increase in capital expenditures. During the three months ended July 2, 2016, we spent $78 million on capital expenditures, as compared to $68 million during the three months ended June 27, 2015. Our capital expenditures during the three months ended July 2, 2016 primarily related to our global retail store expansion, department store renovations, enhancements to our global information technology systems, and further development of our infrastructure.

Net Cash Used in Financing Activities. Net cash used in financing activities was $186 million during the three months ended July 2, 2016, as compared to $275 million during the three months ended June 27, 2015. The $89 million net decrease in cash used in financing activities was primarily driven by:

- a $53 million decrease in cash used to repay debt, less proceeds from debt issuances. During the three months ended July 2, 2016, we issued $944 million of commercial paper notes, which was offset by an equal amount of commercial paper repayments. Additionally, we repaid $26 million of borrowings previously outstanding under our credit facilities. On a comparative basis, during the three months ended June 27, 2015, we made net repayments of $79 million related to our commercial paper note issuances and repayments; and

- a $54 million decrease in cash used to repurchase shares of our Class A common stock. During the three months ended July 2, 2016, we used $100 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional $15 million in shares of Class A common stock were surrendered or withheld in satisfaction of withholding taxes in connection with the vesting of awards under our long-term stock incentive plans. On a comparative basis, during the three months ended June 27, 2015, we used $150 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional $19 million in shares of Class A common stock were surrendered or withheld for taxes.

Sources of Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, our available cash and cash equivalents and short-term investments, availability under our credit facilities, our issuances of commercial paper notes, and other available financing options.

During the three months ended July 2, 2016, we generated $243 million of net cash flows from our operations. As of July 2, 2016, we had $1.076 billion in cash, cash equivalents, and short-term investments, of which $1.040 billion were held by our subsidiaries domiciled outside the U.S. We are not dependent on foreign cash to fund our domestic operations and do not expect to repatriate these balances to meet our domestic cash needs. However, if our plans change and we choose to repatriate any funds to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

The following table presents our total availability, borrowings outstanding, and remaining availability under our credit facilities and Commercial Paper Program as of July 2, 2016:

Description[a]	July 2, 2016 Total Availability	July 2, 2016 Borrowings Outstanding	July 2, 2016 Remaining Availability
		(millions)	
Global Credit Facility and Commercial Paper Program[b]	$ 500	$ 98 [c]	$ 402
Pan-Asia Credit Facilities	56	—	56

(a) As defined in Note 10 to the accompanying consolidated financial statements.

(b) Borrowings under the Commercial Paper Program are supported by the Global Credit Facility. Accordingly, we do not expect combined borrowings outstanding under the Commercial Paper Program and the Global Credit Facility to exceed $500 million.

(c) Comprised of $90 million of borrowings outstanding under the Commercial Paper Program, which are classified as short-term debt within the consolidated balance sheet, and $8 million of outstanding letters of credit for which we were contingently liable under the Global Credit Facility as of July 2, 2016.

We believe that our Global Credit Facility is adequately diversified with no undue concentration in any one financial institution. In particular, as of July 2, 2016, there were nine financial institutions participating in the Global Credit Facility, with no one participant maintaining a maximum commitment percentage in excess of 20%. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the participating regional branches of JPMorgan Chase (the "Banks"), subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. We have no reason to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Global Credit Facility and the Pan-Asia Credit Facilities in the event of our election to draw funds in the foreseeable future.

Our sources of liquidity are used to fund our ongoing cash requirements, including working capital requirements, global retail store and e-commerce development and expansion, construction and renovation of shop-within-shops, investment in infrastructure, including technology, acquisitions, joint ventures, payment of dividends, debt repayments, common stock repurchases, settlement of contingent liabilities (including uncertain tax positions), and other corporate activities, including our restructuring actions. We believe that our existing sources of cash, the availability under our credit facilities, and our ability to access capital markets will be sufficient to support our operating, capital, and debt service requirements for the foreseeable future, the ongoing development of our businesses, and our plans for further business expansion.

See Note 10 to the accompanying consolidated financial statements and Note 13 of the Fiscal 2016 10-K for detailed disclosure of the terms and conditions of our credit facilities.

Common Stock Repurchase Program

As of July 2, 2016, the remaining availability under our Class A common stock repurchase program was $200 million, reflecting the May 11, 2016 approval by our Board of Directors to expand the program by up to an additional $200 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our common stock repurchase program, including discussion of the accelerated share repurchase program that we entered into in June 2016.

Dividends

Since 2003, we have maintained, and intend to continue to maintain, a regular quarterly cash dividend program on our common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on our results of operations, cash requirements, financial condition, and other factors that the Board of Directors may deem relevant.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our quarterly cash dividend program.

Debt and Covenant Compliance

In September 2013, we completed a registered public debt offering and issued $300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). In August 2015, we completed a second registered public debt offering and issued an additional $300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes").

The indenture and supplemental indentures governing the 2.125% Senior Notes and 2.625% Senior Notes (as supplemented, the "Indenture") contain certain covenants that restrict our ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of our property or assets to another party. However, the Indenture does not contain any financial covenants.

The Global Credit Facility contains a number of covenants, as described in Note 10 to the accompanying consolidated financial statements. As of July 2, 2016, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under our Global Credit Facility. The Pan-Asia Credit Facilities do not contain any financial covenants.

See Note 10 to the accompanying consolidated financial statements and Note 13 of the Fiscal 2016 10-K for additional information relating to our debt and covenant compliance.

Contractual and Other Obligations

There have been no material changes to our contractual and other obligations as disclosed in our Fiscal 2016 10-K, other than those which occur in the ordinary course of business. Refer to the "*Financial Condition and Liquidity — Contractual and Other Obligations*" section of the MD&A in our Fiscal 2016 10-K for detailed disclosure of our contractual and other obligations as of April 2, 2016.

MARKET RISK MANAGEMENT

As discussed in Note 15 of the Fiscal 2016 10-K and Note 12 to the accompanying consolidated financial statements, we are exposed to a variety of risks, including changes in foreign currency exchange rates relating to foreign currency-denominated balances, certain anticipated cash flows from our international operations, and possible declines in the value of reported net assets of our foreign operations, as well as changes in the fair value of our fixed-rate debt relating to changes in interest rates. Consequently, at times, in the normal course of business, we employ established policies and procedures, including the use of derivative financial instruments, to manage such risks. We do not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, we are exposed to the risk that counterparties to our contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, we have a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. Our established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of the creditworthiness of our counterparties. We also enter into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with our derivative instruments. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty risk with respect to our derivative contracts as of July 2, 2016. However, we do have in aggregate $7 million of derivative instruments in net asset positions with three creditworthy financial institutions.

Foreign Currency Risk Management

We manage our exposure to changes in foreign currency exchange rates through the use of forward foreign currency exchange contracts. See Note 12 to the accompanying consolidated financial statements for a summary of the notional amounts and fair values of our forward foreign currency exchange contracts outstanding as of July 2, 2016.

Forward Foreign Currency Exchange Contracts

We enter into forward foreign currency exchange contracts as hedges to reduce our risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of our international operations, and other foreign currency-denominated operational and intercompany balances and cash flows. As part of our overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, and the Hong Kong Dollar, we hedge a portion of our foreign currency exposures anticipated over a two-year period. In doing so, we use forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period.

Our foreign exchange risk management activities are governed by our Company's established policies and procedures. These policies and procedures provide a framework that allows for the management of currency exposures while ensuring the activities are conducted within our established guidelines. Our policies include guidelines for the organizational structure of our risk management function and for internal controls over foreign exchange risk management activities, including, but not limited to, authorization levels, transaction limits, and credit quality controls, as well as various measurements for monitoring compliance. We monitor foreign exchange risk using different techniques, including a periodic review of market values and sensitivity analyses.

Cross-Currency Swap Contracts

During Fiscal 2016, we entered into two pay-floating rate, receive-floating rate cross-currency swaps, with notional amounts of €280 million and €274 million, which we designated as hedges of our net investment in certain of our European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps (as defined below), economically convert our $300 million fixed-rate 2.125% and $300 million fixed-rate 2.625% obligations to €280 million and €274 million floating-rate Euro-denominated liabilities, respectively.

See Note 3 to the accompanying consolidated financial statements for further discussion of our foreign currency exposures, and the types of derivative instruments used to hedge those exposures.

Interest Rate Risk Management

During Fiscal 2016, we entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which we designated as hedges against changes in the respective fair values of our fixed-rate 2.125% Senior Notes and our fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of $300 million and swap the fixed interest rates on our 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on 3-month LIBOR plus a fixed spread.

Investment Risk Management

As of July 2, 2016, we had cash and cash equivalents on-hand of $457 million, consisting of deposits in interest bearing accounts and investments in money market funds and time deposits with original maturities of 90 days or less. Our other significant investments included $619 million of short-term investments, consisting of time deposits and corporate bonds with original maturities greater than 90 days; $46 million of restricted cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters; and $149 million of investments with maturities greater than one year, consisting of time deposits.

We actively monitor our exposure to changes in the fair value of our global investment portfolio in accordance with our established policies and procedures, which include monitoring both general and issuer-specific economic conditions, as discussed further below. Our investment objectives include capital preservation, maintaining adequate liquidity, diversification to minimize liquidity and credit risk, and achievement of maximum returns within the guidelines set forth in our investment policy. See Note 12 to the accompanying consolidated financial statements for further detail of the composition of our investment portfolio as of July 2, 2016.

We evaluate investments held in unrealized loss positions, if any, for other-than-temporary impairment on a quarterly basis. This evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. We consider the following factors: (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness, and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) anticipated future economic conditions and market forecasts, (v) our intent and ability to retain our investment for a period of time sufficient to allow for recovery of market value, and (vi) an assessment of whether it is more likely than not that we will be required to sell our investment before recovery of market value. No material realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded in any of the fiscal periods presented.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 3 of the Fiscal 2016 10-K. Our estimates are often based on complex judgments, assessments of probability, and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same set of facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "*Critical Accounting Policies*" section of the MD&A in our Fiscal 2016 10-K.

There have been no significant changes in the application of our critical accounting policies since April 2, 2016.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 4 to the accompanying consolidated financial statements for a description of certain recently issued or proposed accounting standards which may impact our consolidated financial statements in future reporting periods.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

For a discussion of the Company's exposure to market risk, see "*Market Risk Management*" presented in Part I, Item 2 — MD&A of this Form 10-Q and incorporated herein by reference.

Item 4. ***Controls and Procedures.***

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

The Company carried out an evaluation based on criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13(a)-15(e) and 15(d)-15(e) of the Securities and Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level as of July 2, 2016. Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended July 2, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Global Operating and Financial Reporting System Implementation

We are in the process of implementing a global operating and financial reporting information technology system, SAP, as part of a multi-year plan to integrate and upgrade our systems and processes. The implementation of this global system is scheduled to continue in phases over the next several years. We substantially completed the migration of our North America operations to SAP during the Company's fiscal year ended March 28, 2015, and we are currently in the process of executing the migration of our European operations to SAP, which is expected to be completed during Fiscal 2018.

As the phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see Item 1A — "*Risk Factors — Risks and uncertainties associated with the implementation of information systems may negatively impact our business*" in the Fiscal 2016 10-K.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

Reference is made to the information disclosed under Item 3 — "*Legal Proceedings*" in the Fiscal 2016 10-K.

Item 1A. *Risk Factors.*

Reference is made to the information disclosed under Part I, Item 1A — "*Risk Factors*" in the Fiscal 2016 10-K, which contains a detailed discussion of certain risk factors that could materially adversely affect the Company's business, operating results, and/or financial condition. The following information amends, updates, and should be read in conjunction with the risk factors and information disclosed in the Fiscal 2016 10-K.

Our ability to conduct business in international markets may be affected by legal, regulatory, political, and economic risks.

Our ability to capitalize on growth in new international markets and to maintain our current level of operations in our existing international markets is subject to certain risks associated with operating in various international locations. These include, but are not limited to:

- the burdens of complying with a variety of foreign laws and regulations, including trade, labor, and product safety trading restrictions;
- compliance with U.S. and other country laws relating to foreign operations, including, but not limited to, the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business, and the U.K. Bribery Act, which prohibits U.K. and related companies from any form of bribery;
- unexpected changes in laws, judicial processes, or regulatory requirements;
- adapting to local customs and culture; and
- new tariffs or other barriers in certain international markets.

We are also subject to general political and economic risks in connection with our international operations, including:

- political instability and terrorist attacks;
- changes in diplomatic and trade relationships; and
- general economic fluctuations in specific countries or markets.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the U.S., the European Union, Asia, or other countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, results of operations, and financial condition. Changes in regulatory, geopolitical, social, economic, or monetary policies and other factors, including those which may result from the United Kingdom's recent referendum vote to exit the European Union as discussed below or the outcome of the 2016 U.S. presidential election, if any, may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices.

In June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, commonly referred to as "Brexit." If passed into law, negotiations will commence to determine the United Kingdom's future relationship with the European Union, including terms of trade. Such negotiations will likely be complex and protracted, and there can be no assurance regarding the terms or timing of any such arrangements. A withdrawal could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. The United Kingdom's vote to exit the European Union could also result in similar referendums or votes in other European countries in which we do business. The uncertainty surrounding the terms of the United Kingdom's withdrawal and its consequences could adversely impact consumer and investor confidence, and the level of consumer purchases of discretionary items and luxury retail products, including our products. Any of these effects, among others, could materially adversely affect our business, results of operations, and financial condition.

Brexit has also caused significant volatility and uncertainty in global stock markets and currency exchange rates. Such volatility could continue as the United Kingdom negotiates its potential exit from the European Union. For a discussion of risks related to currency exchange fluctuations, see Item 1A — "*Risk Factors — Our business is exposed to domestic and foreign currency fluctuations*" in the Fiscal 2016 10-K.

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

(a) Sales of Unregistered Securities

Shares of the Company's Class B Common Stock may be converted immediately into Class A Common Stock on a one-for-one basis by the holder. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A Common Stock issued by the Company in such conversions are exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended.

No shares of the Company's Class B common stock were converted into Class A common stock during the fiscal quarter ended July 2, 2016.

(b) Not Applicable

(c) Stock Repurchases

The following table sets forth the repurchases of shares of the Company's Class A common stock during the fiscal quarter ended July 2, 2016:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs[(a)]
				(millions)
April 3, 2016 to April 30, 2016	1,738 [(b)]	$ 95.21	—	$ 100
May 1, 2016 to May 28, 2016	79,960 [(b)]	86.56	—	300
May 29, 2016 to July 2, 2016	1,018,248 [(c)]	96.09	935,551	200
	1,099,946		935,551	

(a) On May 11, 2016, the Company's Board of Directors approved an expansion of the program that allows it to repurchase up to an additional $200 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

(b) Represents shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

(c) Includes 82,697 shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

Item 5. ***Other Information.***

Amendments to the Employment Agreement of Stefan Larsson

On August 9, 2016, the Company entered into an amendment to the employment agreement, dated as of September 25, 2015, between the Company and Stefan Larsson (the "Larsson Amendment"). Pursuant to the Larsson Amendment, the Company will pay for temporary housing in New York City for Mr. Larsson through June 1, 2017, provided that beginning on October 1, 2016, this benefit shall be capped at $35,000 per month.

The foregoing description of the Larsson Amendment is qualified in its entirety by the Larsson Amendment, which is attached hereto as Exhibit 10.1.

Item 6. ***Exhibits.***

3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-24733) filed June 10, 1997).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Form 8-K filed August 16, 2011).
3.3	Third Amended and Restated By-laws of the Company (filed as Exhibit 3.1 to the Form 8-K filed February 5, 2014).
10.1*	Amendment No. 1 to the Employment Agreement, effective as of August 9, 2016, between the Company and Stefan Larsson †
10.2	Employment Agreement, dated June 8, 2016, between the Company and Jane Nielsen (filed as Exhibit 10.1 to the Form 8-K filed June 10, 2016) †
10.3	Employment Separation Agreement and Release, dated June 30, 2016, between the Company and Robert L. Madore (filed as Exhibit 10.1 to the Form 8-K filed July 1, 2016) †
10.4*	Amended and Restated 2010 Long-Term Incentive Plan, amended as of August 11, 2016 †
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification Chief Executive Officer pursuant to 17 CFR 240.13a-14(a).
31.2*	Certification of Chief Financial Officer pursuant to 17 CFR 240.13a-14(a).
32.1*	Certification of 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at July 2, 2016 and April 2, 2016, (ii) the Consolidated Statements of Operations for the three-month periods ended July 2, 2016 and June 27, 2015, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the three-month periods ended July 2, 2016 and June 27, 2015, (iv) the Consolidated Statements of Cash Flows for the three-month periods ended July 2, 2016 and June 27, 2015, and (v) the Notes to the Consolidated Financial Statements.

Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

***** Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

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.

RALPH LAUREN CORPORATION

By: /s/ ROBERT L. MADORE

Robert L. Madore

Corporate Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 11, 2016

EXHIBIT 10.1

AMENDMENT NO. 1
to the
EMPLOYMENT AGREEMENT

AMENDMENT ("Amendment No. 1") dated August 9, 2016, and made effective as of that date (the "Effective Date"), by and between Ralph Lauren Corporation, a Delaware corporation (the "Company"), and Stefan Larsson (the "Executive").

WHEREAS, the Executive currently serves as the President and Chief Executive Officer of the Company pursuant to an Employment Agreement by and between the Company and the Executive dated September 25, 2015 (the "Employment Agreement"); and

WHEREAS, the Company and the Executive wish to amend the Employment Agreement in certain respects;

NOW, THEREFORE, intending to be bound, the parties hereby agree as follows.

1. The Section entitled "Temporary Living" in Exhibit 2 attached to the Employment Agreement is amended to read in its entirety as follows, effective as of the Effective Date:

> "Temporary Living: The Company will pay for temporary housing in New York City through no later than June 1, 2017, provided that beginning October 1, 2016, this benefit shall be capped at thirty-five thousand dollars ($35,000.00) per month. Housing will be arranged for you by our Relocation Department consistent with your position and the size of your family, subject to the aforementioned cap."

2. Except as amended and/or modified by this Amendment No. 1, the Employment Agreement is hereby ratified and confirmed and all other terms of the Employment Agreement shall remain in full force and effect, unaltered and unchanged by this Amendment No. 1.

IN WITNESS WHEREOF, the Company has caused this Amendment No. 1 to be duly executed and the Executive has hereunto set his hand on the date first set forth above, as of the Effective Date.

RALPH LAUREN CORPORATION

By: /s/ Joel Fleishman

Joel Fleishman
Chairman of the Compensation &
Organizational Development Committee

EXECUTIVE

/s/ Stefan Larsson

Stefan Larsson

EXHIBIT 10.4

RALPH LAUREN CORPORATION

AMENDED AND RESTATED 2010 LONG-TERM STOCK INCENTIVE PLAN

As amended through August 11, 2016

SECTION 1. *PURPOSE AND HISTORY.* The purposes of this Amended and Restated Ralph Lauren Corporation 2010 Long-Term Stock Incentive Plan are to promote the interests of the Ralph Lauren Corporation and its stockholders by (i) attracting and retaining exceptional directors, officers and other employees and third party service providers of the Company and its Subsidiaries, as defined below; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company. The Plan was originally adopted by the Company's Board of Directors on June 17, 2010 and originally approved by the Company's stockholders on August 5, 2010, and subsequently re-approved by the Company's stockholders on August 8, 2013.

SECTION 2. *DEFINITIONS.* As used in the Plan, the following terms shall have the meanings set forth below:

"*Affiliate*" shall mean (i) any Person that, directly or indirectly, is controlled by, or controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

"*Award*" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Performance Award, Other Stock-Based Award or Performance Compensation Award.

"*Award Agreement*" shall mean any agreement, contract, or other instrument or document, in any form (written or electronic) as determined by the Committee (including, without limitation, a Board or Committee resolution, an employment agreement, a notice, a certificate or a letter), evidencing any Award or the terms and conditions thereof, which may, but need not, be executed or acknowledged by a Participant.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Company or an Affiliate having "cause" to terminate a Participant's employment or service, as defined in any employment or consulting agreement between the Participant and the Company or an Affiliate in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of "Cause" contained therein): (A) failure by the Participant to perform the duties of the Participant to the Company or an Affiliate (other than due to his or her Disability), provided that such conduct shall not constitute Cause unless and until such failure by Participant to perform his or her duties has not been cured to the satisfaction of the Company, in its sole discretion, within fifteen (15) days after notice of such failure has been given by the Company to Participant; (B) an act of fraud, embezzlement, theft, breach of fiduciary duty, dishonesty, or any other misconduct or any violation of law (other than a traffic violation) committed by the Participant; (C) any action by the Participant causing damage to or misappropriation of the Company's assets; (D) the Participant's wrongful disclosure of confidential information of the Company or any of its Affiliates; (E) the Participant's breach of (x) any non-competition, non-solicitation, non-disparagement or other restrictive covenants to which he or she is subject under any employment or consulting agreement or otherwise, and/or (y) the Participant's duty of loyalty; (F) the Participant's breach of any employment policy of the Company, including, but not limited to, conduct relating to falsification of business records, violation of the Company's code of business conduct & ethics, harassment, creation of a hostile work environment, excessive absenteeism, insubordination, violation of the Company's policy on drug & alcohol use, or violent acts or threats of violence; (G) performance by the Participant of his or her employment duties in a manner deemed by the Committee, in its sole discretion, to be grossly negligent; or (H) the commission of any act by the Participant, whether or not performed in the workplace, which subjects or, if publicly known, would be likely to subject the Company to public ridicule or embarrassment, or would likely be detrimental or damaging to the Company's reputation, goodwill, or relationships with its customers, suppliers, vendors, licensees or employees. Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

"*Change in Control*" shall mean the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any "person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act other than Permitted Holders; (ii) any person or group is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all Shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50 percent of the total voting power of the voting stock of the Company, including by way of merger, consolidation or otherwise; provided, however, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by the Company or any Affiliate, (II) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliate, (III) any acquisition by one or more of the Permitted Holders, or (IV) any acquisition which complies with clauses (A), (B) and (C) of subsection (v) below; (iii) during any period of twelve (12) consecutive months, Present and/or New Directors cease for any reason to constitute a majority of the Board; (iv) the Permitted Holders' beneficial ownership of the total voting power of the voting stock of the Company falls below 30 percent and either Ralph Lauren is not nominated for a position on the Board, or he stands for election to the Board and is not elected; (v) the consummation of a reorganization, recapitalization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), if immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the "Parent Company"), is represented by the Shares that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the shares of voting stock of the Company were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power was among the holders of the Shares that were outstanding immediately prior to the Business Combination, (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company, or one or more Permitted Holders), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company) and (C) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination; or (vi) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"*Committee*" shall mean either (i) the Board or (ii) a committee of the Board designated by the Board to administer the Plan and composed of not less two directors, each of whom is required to be a "Non-Employee Director" (within the meaning of Rule 16b-3) and an "outside director" (within the meaning of Section 162(m) of the Code) to the extent Rule 16b-3 and Section 162(m) of the Code, respectively, are applicable to the Company and the Plan. If at any time such a committee has not been so designated, the Board shall constitute the Committee.

"*Company*" shall mean the Ralph Lauren Corporation, together with any successor thereto.

"*Disability*" shall mean that as a result of a Participant's incapacity due to physical or mental illness, the Participant shall have been (or the Committee reasonably determines that the Participant is reasonably likely to be) absent and unable to perform the duties of the Participant's position on a full-time basis for an entire period of six consecutive months.

"*Effective Date*" shall mean the date on which this Plan is approved by the Stockholders of the Company at the Company's 2010 annual meeting of Stockholders.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" shall mean, (A) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (B) with respect to the Shares, as of any date, (i) the mean between the high and low sales prices of the Shares (provided that the Committee may in its discretion use the closing sales price) as reported on the New York Stock Exchange for such date (or if not then trading on the New York Stock Exchange, the mean between the high and low sales price of the Shares (provided that the Committee may in its discretion use the closing sales price) on the stock exchange or over-the-counter market on which the Shares are principally trading on such date), or if, there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"*Full Value Award*" shall mean an Award which is other than in the form of an Option or Stock Appreciation Right, and that is settled by the issuance of Shares.

"*Good Reason*" shall mean in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Participant having "good reason" to terminate his or her employment or service, as defined in any employment or consulting agreement between the Participant and the Company or an Affiliate in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of "good reason" contained therein), Good Reason shall not apply to such Participant.

"*Incentive Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

"*Negative Discretion*" shall mean the discretion authorized by the Plan to be applied by the Committee to eliminate or reduce the size of a Performance Compensation Award; PROVIDED that the exercise of such discretion would not cause the Performance Compensation Award to fail to qualify as "performance-based compensation" under Section 162(m) of the Code. By way of example and not by way of limitation, in no event shall any discretionary authority granted to the Committee by the Plan including, but not limited to, Negative Discretion, be used to (a) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained; or (b) increase a Performance Compensation Award above the maximum amount payable under Sections 4(a) or 11(d)(vi) of the Plan. Notwithstanding anything herein to the contrary, in no event shall Negative Discretion be exercised by the Committee with respect to any Option or Stock Appreciation Right (other than an Option or Stock Appreciation Right that is intended to be a Performance Compensation Award under Section 11 of the Plan).

"*New Directors*" shall mean any directors whose election by the Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors of the Company who, at the time of such vote, were either Present Directors or New Directors but excluding any such individual whose initial assumption of office occurs solely as a result of an actual or threatened proxy contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

"*Non-Qualified Stock Option*" shall mean a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

"*Option*" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

"*Other Stock-Based Award*" shall mean any right granted under Section 10 of the Plan.

"*Participant*" shall mean any Person eligible to receive an Award under Section 5 of the Plan and selected by the Committee to receive an Award under the Plan.

"*Performance Award*" shall mean any right granted under Section 9 of the Plan.

"*Performance Compensation Award*" shall mean any Award designated by the Committee as a Performance Compensation Award pursuant to Section 11 of the Plan.

"*Performance Criteria*" shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under the Plan. The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance of the Company (and/or one or more Subsidiaries, Affiliates, divisions or operational and/or business units, product lines, brands, business segments, administrative departments or any combination of the foregoing) and shall be limited to the following: (a) net earnings or net income (before or after taxes); (b) basic or diluted EPS (before or after taxes); (c) net revenue or net revenue growth; (d) gross revenue or gross revenue growth, or gross profit or gross profit growth; (e) net operating profit (before or after taxes); (f) return measures (including, but not limited to, return on investment, assets, capital, employed capital, invested capital, equity, or sales); (g) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), which may but are not required to be measured on a per share basis; (h) earnings before or after taxes, interest, depreciation and/or amortization; (i) gross or net operating margins; (j) productivity ratios; (k) share price (including, but not limited to, growth measures and total stockholder return); (l) expense targets or cost reduction goals; (m) general and administrative expense savings; (n) operating efficiency; (o) objective measures of customer satisfaction; (p) working capital targets; (q) measures of economic value added or other "value creation" metrics; (r) inventory control; (s) enterprise value; (t) customer retention; (u) competitive market metrics; (v) employee retention; (w) timely completion of new product rollouts; (x) timely launch of new facilities; (y) objective measures of personal targets, goals or completion of projects (including but not limited to succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions or capital-raising transactions, expansions of specific business operations and meeting divisional or project budgets); (z) royalty income; (aa) same store sales (comparable sales), comparisons of continuing operations to other operations; (bb) market share; (cc) new store openings (gross or net), store remodelings; (dd) cost of capital, debt leverage year-end cash position or book value; (ee) strategic objectives, development of new product lines and related revenue, sales and margin targets, franchisee growth and retention, menu design and growth, co-branding or international operations; or (ii) any combination of the foregoing. Any one or more of the Performance Criteria may be stated as a percentage of another Performance Criterion, or used on an absolute or relative basis to measure the performance of the Company, Subsidiary and/or Affiliate as a whole or any divisions or operational and/or business units, product lines, brands, business segments, or administrative departments of the Company, Subsidiary and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Criteria may be compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of Performance Goals pursuant to the Performance Criteria specified in this paragraph. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Criteria without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

"*Performance Formula*" shall mean, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the Performance Period.

"*Performance Goals*" shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter (but only to the extent the exercise of such authority after the first 90 days of a Performance Period would not cause the Performance Compensation Awards granted to any Participant for the Performance Period to fail to qualify as "performance-based compensation" under Section 162(m) of the Code), in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code in order to prevent the dilution or enlargement of the rights of Participants based on the following events: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) items that are unusual or infrequently occurring as described in the Financial Accounting Standards Board Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (f) acquisitions or divestitures, (g) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, (h) foreign exchange gains and losses, and (i) a change in the Company's fiscal year. To the extent such inclusions or exclusions affect Awards to Participants, they shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

"*Performance Period*" shall mean the one or more periods of time of at least one year in duration, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Compensation Award.

"*Permitted Holders*" shall mean, as of the date of determination, (i) any and all of Ralph Lauren, his spouse, his siblings and their spouses, and descendants of any of them (whether natural or adopted) (collectively, the "Lauren Group") and (ii) any trust established and maintained primarily for the benefit of any member of the Lauren Group and any entity controlled by any member of the Lauren Group.

"*Person*" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

"*Plan*" shall mean this Amended and Restated Ralph Lauren Corporation 2010 Long-Term Stock Incentive Plan.

"*Present Directors*" shall mean individuals who at the beginning of any one year period were members of the Board.

"*Prior Plan*" shall mean the Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan, as amended.

"*Restricted Stock*" shall mean any Share granted under Section 8 of the Plan.

"*Restricted Stock Unit*" shall mean any unit granted under Section 8 of the Plan.

"*Rule 16b-3*" shall mean Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"*SEC*" shall mean the Securities and Exchange Commission or any successor thereto and shall include the Staff thereof.

"*Shares*" shall mean the shares of Class A Common Stock of the Company, $.01 par value, or such other securities of the Company (i) into which such common shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (ii) as may be determined by the Committee pursuant to Section 4(b).

"*Stock Appreciation Right*" shall mean any right granted under Section 7 of the Plan.

"*Subsidiary*" shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

"*Substitute Awards*" shall have the meaning specified in Section 4(c).

"*Third Party Service Provider*" means any consultant, agent, advisor, or independent contractor who is a natural person and who renders services to the Company, a Subsidiary, or an Affiliate, that (a) are not in connection with the offer and sale of the Company's securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 3. *EFFECTIVE DATE AND ADMINISTRATION*.

(a) The Plan shall be effective as of the Effective Date. The expiration date of the Plan, on and after which date no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of the Plan shall continue to apply to such Awards.

(b) The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant and designate those Awards which shall constitute Performance Compensation Awards; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award (subject to Section 162(m) of the Code with respect to Performance Compensation Awards) shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret, administer reconcile any inconsistency, correct any default and/or supply any omission in the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) establish and administer Performance Goals and certify whether, and to what extent, they have been attained; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any stockholder.

(d) The mere fact that a Committee member shall fail to qualify as a "Non-Employee Director" or "outside director" within the meaning of Rule 16b-3 and Code Section 162(m), respectively, shall not invalidate any award made by the Committee which award is otherwise validly made under the Plan.

(e) No member of the Board, the Committee or any employee or agent of the Company (each such person, an "Indemnifiable Person") shall be liable for any action taken or omitted to be taken or any determination made with respect to the Plan or any Award hereunder (unless constituting fraud or a willful criminal act or omission). Each

Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company's approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, and the Company shall advance to such Indemnifiable Person any such expenses promptly upon written request (which request shall include an undertaking by the Indemnifiable Person to repay the amount of such advance if it shall ultimately be determined as provided below that the Indemnifiable Person is not entitled to be indemnified); provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person's fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Certificate of Incorporation or By Laws. The foregoing right of indemnification shall not be exclusive of or otherwise supersede any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company's Amended and Restated Certificate of Incorporation or By Laws, as a matter of law, individual indemnification agreement or contract or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

(f) With respect to any Performance Compensation Award granted under the Plan, the Plan shall be interpreted and construed in accordance with Section 162(m) of the Code.

(g) Notwithstanding the foregoing, the Committee may delegate, in a manner consistent with Section 157(c) of the Delaware General Corporation Law (or other applicable law), to one or more officers of the Company (i) the authority to grant awards to Participants who are not officers or directors of the Company subject to Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Code or (ii) the authority to make certain determinations permitted or required to be made by the Committee under the Plan (including, without limitation, determinations relating to the existence of Cause or Disability).

(h) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. Any such actions by the Board shall be subject to the applicable rules of the New York Stock Exchange or any other securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted. In any such case, the Board shall have all the authority granted to the Committee under the Plan.

SECTION 4. *SHARES AVAILABLE FOR AWARDS.*

(a) *SHARES AVAILABLE.* Subject to adjustment as provided in Section 4(b), the aggregate number of Shares with respect to which Awards may be granted under the Plan shall be the sum (such sum, the "Absolute Share Limit") of (a) the original amount reserved under the Plan (i.e., the sum of (i) the number of Shares remaining available for issuance as of August 5, 2010 under the Prior Plan that were not subject to outstanding awards under the Prior Plan plus (ii) 3,000,000), plus (b) 1,700,000, plus (c) 910,000; the maximum number of Shares with respect to which Awards may be granted to any Participant who is a director of the Company but not an employee of the Company in any fiscal year may not exceed 25,000; the maximum number of Shares with respect to which Options and Stock Appreciation Rights may be granted to any Participant in any fiscal year shall be 1,000,000 and the maximum number of Shares which may be paid to a Participant in the Plan in connection with the settlement of any Award(s) designated as "Performance Compensation Awards" in respect of a single Performance Period shall be 1,000,000 or, in the event such Performance Compensation Award is paid in cash, the equivalent cash value thereof. In addition, of the Shares reserved for issuance under the Plan pursuant to this Section 4(a), no more than the Absolute Share Limit may be issued pursuant to Incentive Stock Options. If, after the Effective Date of the Plan, any Shares covered by an Award granted under the Plan or an award granted under the Prior Plan, or to which such an Award relates, are forfeited, or if an Award granted under the Plan (or an award granted under the Prior Plan) has expired, terminated or been canceled for any reason whatsoever (other than by reason of exercise or vesting), then the

Shares covered by such Award (or award granted under the Prior Plan) shall again be, or shall become, Shares with respect to which Awards may be granted hereunder. In addition, Shares delivered (either directly or by means of attestation or withholding) in full or partial payment of any tax withholding obligation, shall be deducted from the number of Shares delivered to the Participant pursuant to such Award (or award granted under the Prior Plan) for purposes of determining the number of Shares acquired pursuant to the Plan; provided, that notwithstanding the foregoing, in no event shall any of the following Shares again be made available for issuance in respect of Awards under the Plan: (i) Shares not issued or delivered as a result of the net settlement of an outstanding Stock Appreciation Right or Option; (ii) Shares used to pay the exercise price, strike price or withholding taxes in respect of an outstanding Stock Appreciation Right or Option; or (iii) Shares repurchased on the open market with the proceeds of the exercise price of an Option.

(b) *ADJUSTMENTS.* Notwithstanding any provisions of the Plan to the contrary, in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee in its discretion to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) which may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including without limitation adjusting any or all of the limitations in Section 4(a) of the Plan), (iii) the terms of any outstanding Award, including, without limitation, (1) the number of Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate (2) the grant or exercise price with respect to any Award or (3) any applicable performance measures (including, without limitation, Performance Criteria and Performance Goals), (iv) if deemed appropriate, make provision for a payment in cash, Shares, other securities or other property, or any combination thereof, to the holder of an outstanding Award in consideration for the cancellation of such Award which, in the case of Options and Stock Appreciation Rights shall equal the excess if any, of the Fair Market Value of the Shares (which if applicable may be based upon the price per Share received or to be received by other stockholders of the Company in such event) subject to such Options or Stock Appreciation Rights over the aggregate exercise price or strike price of such Options or Stock Appreciation Rights (it being understood that, in such event, any Option or SAR having a per Share exercise price or strike price equal to, or in excess of, the Fair Market Value of a Share subject thereto may be canceled and terminated without any payment or consideration therefor), and (v) accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time (which shall not be required to be more than ten (10) days) for Participants to exercise outstanding Awards prior to the occurrence of such event (and any such Award not so exercised shall terminate upon the occurrence of such event);

PROVIDED, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto)), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. Any adjustment in Incentive Stock Options under this Section 4(b) (other than any cancellation of Incentive Stock Options) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 4(b) shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Any such adjustment shall be conclusive and binding for all purposes.

(c) *SUBSTITUTE AWARDS.* Subject to Section 12(b), Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its Affiliates or a company acquired by the Company or with which the Company combines ("Substitute Awards"). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan.

(d) *SOURCES OF SHARES DELIVERABLE UNDER AWARDS.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares, Shares purchased on the open market, or by private purchase, or a combination of the foregoing. Following the Effective Date, no further awards shall be granted under any Prior Plan.

(e) *FULL VALUE AWARDS.* Except with respect to a maximum of five percent (5%) of the Shares authorized under the Plan, any Full Value Awards that vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any Full Value Awards that vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months. The vesting of Full Value Awards may only be accelerated upon (i) death, Disability, retirement or other termination of employment or service of the Participant or (ii) a Change in Control.

SECTION 5. *ELIGIBILITY.* Any director, officer or employee of, or Third Party Service Provider to, the Company or any of its Subsidiaries (including any prospective director, officer, employee or Third Party Service Provider) shall be eligible to be designated a Participant.

SECTION 6. *STOCK OPTIONS.*

(a) *GRANT.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, the exercise price therefor and the conditions and limitations applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, or to grant Non-Qualified Stock Options, or to grant both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. All Options when granted under the Plan are intended to be Non-Qualified Stock Options, unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Non-Qualified Stock Option appropriately granted under the Plan; provided that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Non-Qualified Stock Options.

(b) *EXERCISE PRICE.* The Committee shall establish the exercise price at the time each Option is granted, which exercise price shall be set forth in the applicable Award Agreement, but shall be no less than the Fair Market Value of a Share at the date of grant.

(c) *EXERCISE.* Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable after the tenth anniversary of the grant date. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable. Options with an exercise price equal to or greater than the Fair Market Value per Share as of the date of grant are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(d) *PAYMENT.*

(i) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate exercise price therefor is received by the Company. Such payment may be made (x) in cash, or its equivalent or (y) by tendering to the Company Shares valued at Fair Market Value at the time the Option is exercised, which are not the subject of any pledge or other security interest or which have such other characteristics, if any, as may be determined by the Committee, or (z) subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the aggregate exercise price, or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender is at least equal to such aggregate exercise price.

(ii) Wherever in this Plan or any Award Agreement a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(e) *NOTIFICATION UPON DISQUALIFYING DISPOSITION OF AN INCENTIVE STOCK OPTION*. Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he or she makes a disqualifying disposition of any Shares acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of any Shares acquired pursuant to any Incentive Stock Option before the later of (A) two years after the Date of Grant of the Incentive Stock Option or (B) one year after the date of exercise of the Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession, as agent for the applicable Participant, of any Shares acquired pursuant to the exercise of an Incentive Stock Option until the end of the period described in the preceding sentence, subject to complying with any instructions from such Participant as to the sale of such Shares.

SECTION 7. *STOCK APPRECIATION RIGHTS.*

(a) *GRANT.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right Award, the strike price thereof (which shall be no less than the Fair Market Value of a Share at the date of grant) and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights with a strike price equal to or greater than the Fair Market Value per Share as of the date of grant are intended to qualify as "performance-based compensation" under Section 162(m) of the Code. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or at a later time.

(b) *EXERCISE AND PAYMENT.* A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the strike price thereof. The Committee shall determine whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

(c) *OTHER TERMS AND CONDITIONS.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right; PROVIDED, HOWEVER, that no Stock Appreciation rights shall be exercisable after the tenth anniversary of the date of its grant. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of Stock Appreciation Rights granted or exercised prior to such determination as well as Stock Appreciation Rights granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

SECTION 8. *RESTRICTED STOCK AND RESTRICTED STOCK UNITS.*

(a) *GRANT.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Shares of Restricted Stock and Restricted Stock Units shall be granted, the number of Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) *TRANSFER RESTRICTIONS.* Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except, in the case of Restricted Stock, as provided in the Plan or the applicable Award Agreements. Upon the grant of Restricted Stock, the Committee shall cause a stock certificate registered in the name of the Participant to be issued or shall cause Shares to be registered in the name of the Participant and held in book-entry form subject to the Company's directions. The Committee may also require that certificates issued in respect of Shares of Restricted Stock be registered in the name of the Participant and deposited by such Participant, together with a stock power endorsed in blank, with the Company. Upon the lapse of the restrictions applicable to such Shares of Restricted Stock, the Company shall deliver such certificates to the Participant or the Participant's legal representative. Subject to the restrictions set forth in this Section 8 and the applicable Award Agreement, the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including without limitation the right to vote such Restricted Stock. To the extent Shares of Restricted Stock are forfeited, any stock certificates issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such Shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company.

(c) *PAYMENT.* Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a Share. Restricted Stock Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. Dividends paid on any Shares of Restricted Stock may be paid directly to the Participant, withheld by the Company subject to vesting of the Restricted Shares pursuant to the terms of the applicable Award Agreement, or may be reinvested in additional Shares of Restricted Stock or in additional Restricted Stock Units, as determined by the Committee in its sole discretion.

(d) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards and vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards and vest upon the attainment of performance goals (whether or not combined with other conditions) shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Awards of Shares of Restricted Stock and/or Restricted Stock Units that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change in Control.

SECTION 9. *PERFORMANCE AWARDS.*

(a) *GRANT.* The Committee shall have sole and complete authority to determine the Participants who shall receive a "Performance Award," which shall consist of a right which is (i) denominated in cash or Shares, (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

(b) *TERMS AND CONDITIONS.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award.

(c) *PAYMENT OF PERFORMANCE AWARDS.* Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with procedures established by the Committee, on a deferred basis.

(d) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Performance Awards that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Performance Awards that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change in Control.

SECTION 10. *OTHER STOCK-BASED AWARDS.*

(a) *GENERAL.* The Committee shall have authority to grant to Participants an "Other Stock-Based Award," which shall consist of any right which is (i) not an Award described in Sections 6 through 9 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan; provided that any such rights must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award, including the price, if any, at which securities may be purchased pursuant to any Other Stock-Based Award granted under this Plan.

(b) *DIVIDEND EQUIVALENTS.* In the sole and complete discretion of the Committee, an Award, whether made as an Other Stock-Based Award under this Section 10 or as an Award granted pursuant to Sections 6 through 9 hereof, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis; provided, that no dividend equivalents shall be payable in respect of outstanding (i) Options or Stock Appreciation Rights or (ii) unearned Performance Compensation Awards or other unearned Awards subject to performance conditions (other than or in addition to the passage of time) (although dividend equivalents may be accumulated in respect of unearned Awards and paid after such Awards are earned and become payable or distributable).

(c) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any "Other Stock-Based Awards" that are Full Value Awards and vest solely on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting that is any more rapid than annual pro rata vesting over a three (3) year period, and any "Other Stock-Based Awards" that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of "Other Stock-Based Awards" that are Full Value Awards may only be accelerated for (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change in Control.

SECTION 11. *PERFORMANCE COMPENSATION AWARDS.*

(a) *GENERAL.* The Committee shall have the authority, at the time of grant of any Award described in Sections 6 through 10 (other than Options and Stock Appreciation Rights granted with an exercise price or strike price, as the case may be, equal to or greater than the Fair Market Value per Share on the date of grant), to designate such Award as a Performance Compensation Award in order to qualify such Award as "performance-based compensation" under Section 162(m) of the Code.

(b) *ELIGIBILITY.* The Committee will, in its sole discretion, designate within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code) which Participants will be eligible to receive Performance Compensation Awards in respect of such Performance Period. However, designation of a Participant eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle the Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this Section 11. Moreover, designation of a Participant eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant eligible to receive an Award hereunder in any subsequent Performance Period and designation of one Person as a Participant eligible to receive an Award hereunder shall not require designation of any other Person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(c) *DISCRETION OF COMMITTEE WITH RESPECT TO PERFORMANCE COMPENSATION AWARDS.* With regard to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) is(are) to apply to the Company and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence of this Section 11(c) and record the same in writing.

(d) *PAYMENT OF PERFORMANCE COMPENSATION AWARDS*

(i) *CONDITION TO RECEIPT OF PAYMENT.* Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period.

(ii) *LIMITATION.* A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (1) the Performance Goals for such period are achieved; and (2) the Performance Formula as applied against such Performance Goals determines that all or some portion of such Participant's Performance Award has been earned for the Performance Period.

(iii) *CERTIFICATION.* Following the completion of a Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply Negative Discretion, if and when it deems appropriate.

(iv) *NEGATIVE DISCRETION.* In determining the actual size of an individual Performance Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion if, in its sole judgment, such reduction or elimination is appropriate.

(v) *TIMING OF AWARD PAYMENTS.* The Awards granted for a Performance Period shall be paid to Participants as soon as administratively possible following completion of the certifications required by this Section 11.

(vi) *MAXIMUM AWARD PAYABLE.* Notwithstanding any provision contained in this Plan to the contrary, the maximum Performance Compensation Award payable to any one Participant under the Plan for a Performance Period is 1,000,000 Shares or, in the event the Performance Compensation Award is paid in cash, the equivalent cash value thereof on the last day of the Performance Period to which such Award relates. Furthermore, any Performance Compensation Award that has been deferred shall not (between the date as of which the Award is deferred and the payment date) increase (A) with respect to Performance Compensation Award that is payable in cash, by a measuring factor for each fiscal year greater than a reasonable rate of interest set by the Committee or (B) with respect to a Performance Compensation Award that is payable in Shares, by an amount greater than the appreciation of a Share from the date such Award is deferred to the payment date.

(e) *MINIMUM VESTING REQUIREMENTS.* Notwithstanding the foregoing, (i) except as provided in Section 4(e), any Performance Compensation Awards that are Full Value Awards and vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months; and (ii) the vesting of Performance Compensation Awards that are Full Value Awards may only be accelerated upon (A) death, Disability, retirement or other termination of employment or service of the Participant or (B) a Change in Control.

SECTION 12. *AMENDMENT AND TERMINATION.*

(a) *AMENDMENTS TO THE PLAN.* The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided that (a) no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan; and provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary, and (b) no material revision to the Plan shall be made without stockholder approval. A "material revision" shall include, without limitation: (i) a material increase in the number of Shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction); (ii) an expansion of the types of Awards available under the Plan; (iii) a material expansion of the class of employees, directors or other service providers eligible to participate in the Plan; (iv) a material extension of the term of the Plan; (v) a material change to the method of determining the exercise price of Options or strike price of Stock Appreciation Rights granted under the Plan; and (vi) the deletion or limitation of any provision prohibiting repricing of Options or Stock Appreciation Rights.

(b) *AMENDMENTS TO AWARDS.* The Committee may, to the extent consistent with the terms of any applicable Award Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award Agreement, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary; and provided, further, that, without stockholder approval, except as otherwise permitted under Section 4(b), (i) no amendment or modification may reduce the exercise price of any Option or the strike price of any Stock Appreciation Right, (ii) the Committee may not cancel any outstanding Option or Stock Appreciation Right and replace it with a new Option or Stock Appreciation Right (with a lower exercise price or strike price, as the case may be) or other Award or cash in a manner which would either (A) be reportable on the Company's proxy statement as Options or Stock Appreciation Rights which have been "repriced" (as such term is used in Item 402 of Regulation S-K promulgated under the Exchange Act), or (B) cause any Option or Stock Appreciation Right to fail to qualify for equity accounting treatment and (iii) the Committee may not take any other action which is considered a "repricing" for purposes of the stockholder approval rules of any applicable stock exchange on which the securities of the Company are listed.

(c) *ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS.* The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including, without limitation, the actions described in Section 4(b) hereof) in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, rules, rulings, regulations, or other requirements of any governmental body or securities exchange or inter-deal quotation system, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) *FORFEITURE EVENTS.* For purposes of this Section 12(d), a "named executive officer" means a Participant who is a named executive officer of the Company (as defined for purposes of the executive compensation disclosure rules of the Exchange Act). The Committee may specify in an Award that a named executive officer's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment, in the reasonable discretion of the Committee, upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of the named executive officer's employment for cause, material violation of material written policies of the Company, or breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the named executive officer, as determined by the Committee in its reasonable discretion. In addition, with respect to an Award, if, as a result of a named executive officer's intentional misconduct or gross negligence, as determined by the Committee in its reasonable discretion, the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Committee may, in its reasonable discretion, require the named executive officer to promptly reimburse the Company for the amount of any payment (whether in cash, Shares, other securities or other property) previously received by the named executive officer pursuant to any Award (or otherwise forfeit to the Company any outstanding Award) that was earned or accrued (or exercised or settled) during the twelve (12) month period following the earlier of the first public issuance or filing with the United States SEC of any financial document embodying such financial reporting requirement that required such accounting restatement.

SECTION 13. *CHANGE IN CONTROL.* In the event that a Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason, in each case on or within 12 months
following the date of a Change in Control, any outstanding Awards then held by such affected Participant which are unexercisable or otherwise unvested shall automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such termination of employment; provided, that in the event the vesting or exercisability of any Award would otherwise be subject to the achievement of performance conditions, a portion of any such Award that shall become fully vested and immediately exercisable shall be based on (a) actual performance through the date of termination as determined by the Committee or (b) if the Committee determines that measurements of actual performance cannot be reasonably assessed, the assumed achievement of target performance as determined by the Committee.

SECTION 14. *GENERAL PROVISIONS*.

(a) *NONTRANSFERABILITY*.

(i) Each Award, and each right under any Award, shall be exercisable only by the Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative.

(ii) No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(iii) Notwithstanding the foregoing, the Committee may in the applicable Award Agreement evidencing an Option granted under the Plan or at any time thereafter in an amendment to an Award Agreement provide that Options granted hereunder which are not intended to qualify as Incentive Stock Options may be transferred by the Participant to whom such Option was granted (the "Grantee") without consideration, subject to such rules as the Committee may adopt to preserve the purposes of the Plan, to:

(A) the Grantee's spouse, children or grandchildren (including adopted and stepchildren and grandchildren) (collectively, the "Immediate Family");

(B) a trust solely for the benefit of the Grantee and his or her Immediate Family; or

(C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family members;

(each transferee described in clauses (A), (B) and (C) above is hereinafter referred to as a "Permitted Transferee"); PROVIDED that the Grantee gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Grantee in writing that such a transfer would comply with the requirements of the Plan and any applicable Award Agreement evidencing the option.

The terms of any option transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in the Plan or in an Award Agreement to an optionee, Grantee or Participant shall be deemed to refer to the Permitted Transferee, except that (a) Permitted Transferees shall not be entitled to transfer any Options, other than by will or the laws of descent and distribution; (b) Permitted Transferees shall not be entitled to exercise any transferred Options unless there shall be in effect a registration statement on an appropriate form covering the shares to be acquired pursuant to the exercise of such Option if the Committee determines that such a registration statement is necessary or appropriate, (c) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Grantee under the Plan or otherwise and (d) the consequences of termination of the Grantee's employment by, or services to, the Company under the terms of the Plan and applicable Award Agreement shall continue to be applied with respect to the Grantee, following which the Options shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

(b) *NO RIGHTS TO AWARDS*. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

(c) *SHARE CERTIFICATES.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan (or, if applicable, a notice evidencing a book entry notation) pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates, as applicable, make appropriate reference to such restrictions.

(d) *WITHHOLDING.*

(i) A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Awards to defray or offset any tax arising from the grant, vesting, exercise or payments of any Award.

(ii) Without limiting the generality of clause (i) above, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares owned by the Participant (which are not subject to any pledge or other security interest) with a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the option a number of Shares with a Fair Market Value equal to such withholding liability.

(iii) Notwithstanding any provision of this Plan to the contrary, in connection with the transfer of an Option to a Permitted Transferee pursuant to Section 14(a) of the Plan, the Grantee shall remain liable for any withholding taxes required to be withheld upon the exercise of such Option by the Permitted Transferee.

(e) *409A OF THE CODE.* Notwithstanding any provision of the Plan to the contrary, it is intended that the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties. Notwithstanding any provision of the Plan to the contrary and only to the extent required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code, if any Participant is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments in respect of any Award that are "deferred compensation" subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of Participant's "separation from service" (as defined in Section 409A of the Code) or, if earlier, Participant's date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. With respect to any Award that is considered "deferred compensation" subject to Section 409A of the Code, references in the Plan to "termination of employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A of the Code. Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered "deferred compensation" subject to Section 409A of the Code) would be accelerated upon the occurrence of (i) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code or (ii) a Disability, no such acceleration shall be permitted unless the Disability also satisfies the definition of "Disability" pursuant to Section 409A of the Code. For purposes of Section 409A of the Code, each of the payments that may be made in respect of any Award granted under the Plan is designated as separate payments.

(f) *AWARD AGREEMENTS.* Each Award hereunder shall be evidenced by an Award Agreement which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including but not limited to the effect on such Award of the death, Disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.

(g) *NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Stock, Shares and other types of Awards provided for hereunder (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *NO RIGHT TO EMPLOYMENT.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *NO RIGHTS AS STOCKHOLDER.* Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(j) *GOVERNING LAW.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of New York.

(k) *SEVERABILITY.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) *OTHER LAWS.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws.

(m) *NO TRUST OR FUND CREATED.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(n) *NO FRACTIONAL SHARES.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(o) *PAYMENTS TO PERSONS OTHER THAN PARTICIPANTS.* If the Committee or the senior human resource officer of the Company shall find that any Person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such Person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee or the senior human resource officer of the Company so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such Person, or any other Person deemed by the Committee to be a proper recipient on behalf of such Person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(p) *RELATIONSHIP TO OTHER BENEFITS.* No payment or benefit under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company or any Subsidiary except as otherwise specifically provided in such other plan.

(q) *HEADINGS.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 15. *TERM OF THE PLAN*.

(a) *EXPIRATION DATE.* No Award shall be granted under the Plan on or after the tenth anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the tenth anniversary of the Effective Date.

(b) *SECTION 162(M) REAPPROVAL.* The provisions of the Plan regarding Performance Compensation Awards shall be disclosed and reapproved by stockholders of the Company no later than the first stockholder meeting that occurs in the fifth year following the year that stockholders previously approved such provisions, in order for Performance Compensation Awards granted after such time to be exempt from the deduction limitations of Section 162(m) of the Code. Nothing in this Section 15(b), however, shall affect the validity of Performance Compensation Awards granted after such time if such stockholder approval has not been obtained.

EXHIBIT 12.1

RALPH LAUREN CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended	Fiscal Years Ended[a]				
	July 2, 2016	April 2, 2016	March 28, 2015	March 29, 2014	March 30, 2013	March 31, 2012
	(millions)					
Earnings, as defined:						
Income (loss) before income taxes	$ (33)	$ 552	$ 987	$ 1,096	$ 1,089	$ 1,015
Add:						
Equity in losses of equity-method investees	2	11	11	9	10	9
Fixed charges	42	178	172	170	162	164
Subtract:						
Income attributable to noncontrolling interests	—	—	—	—	1	—
Earnings available to cover fixed charges	**$ 11**	**$ 741**	**$ 1,170**	**$ 1,275**	**$ 1,260**	**$ 1,188**
Fixed Charges:						
Interest expense	$ 3	$ 21	$ 17	$ 19	$ 19	$ 22
Interest component of rent expense	39	157	155	151	143	142
Total fixed charges	**$ 42**	**$ 178**	**$ 172**	**$ 170**	**$ 162**	**$ 164**
Ratio of earnings to fixed charges[b]	**0.3**	**4.2**	**6.8**	**7.5**	**7.8**	**7.3**

(a) Fiscal 2016 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks.

(b) All ratios shown in the above table have been calculated using unrounded numbers.

EXHIBIT 31.1

CERTIFICATION

I, Stefan Larsson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ralph Lauren Corporation;

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

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

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

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

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

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

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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.

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

   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.

/s/ STEFAN LARSSON

Stefan Larsson
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 11, 2016

EXHIBIT 31.2

CERTIFICATION

I, Robert L. Madore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ralph Lauren Corporation;

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

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

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

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

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

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

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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.

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

   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.

/s/ ROBERT L. MADORE

Robert L. Madore
Corporate Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 11, 2016

EXHIBIT 32.1

Certification of Stefan Larsson 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 Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 2, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefan Larsson, 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 result of operations of the Company.

/s/ STEFAN LARSSON

Stefan Larsson

August 11, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**Certification of Robert L. Madore 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 Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 2, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Madore, 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 result of operations of the Company.

/s/ ROBERT L. MADORE

Robert L. Madore

August 11, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.