FORM 10-Q

WILLIAMS SONOMA INC - WSM

Filed: September 08, 2017 (period: July 30, 2017)

Quarterly report with a continuing view of a company's financial position

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 30, 2017.

or

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

For the transition period from _________ to _________

Commission File Number: 001-14077

WILLIAMS-SONOMA, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-2203880**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3250 Van Ness Avenue, San Francisco, CA	**94109**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (415) 421-7900

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 ☐

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 ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 27, 2017, 85,103,703 shares of the registrant's Common Stock were outstanding.

WILLIAMS-SONOMA, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JULY 30, 2017

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ITEM 1. FINANCIAL STATEMENTS

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

In thousands, except per share amounts	Thirteen Weeks Ended July 30, 2017	Thirteen Weeks Ended July 31, 2016	Twenty-six Weeks Ended July 30, 2017	Twenty-six Weeks Ended July 31, 2016
E-commerce net revenues	$ 630,793	$ 599,683	$1,211,303	$1,175,917
Retail net revenues	570,813	559,346	1,101,810	1,080,929
Net revenues	1,201,606	1,159,029	2,313,113	2,256,846
Cost of goods sold	778,895	748,490	1,494,642	1,453,790
Gross profit	422,711	410,539	818,471	803,056
Selling, general and administrative expenses	341,127	327,263	674,413	656,255
Operating income	81,584	83,276	144,058	146,801
Interest (income) expense, net	483	167	380	99
Earnings before income taxes	81,101	83,109	143,678	146,702
Income taxes	28,184	31,324	51,206	55,320
Net earnings	$ 52,917	$ 51,785	$ 92,472	$ 91,382
Basic earnings per share	$ 0.61	$ 0.58	$ 1.07	$ 1.02
Diluted earnings per share	$ 0.61	$ 0.58	$ 1.06	$ 1.01
Shares used in calculation of earnings per share:				
Basic	86,429	89,039	86,696	89,169
Diluted	86,848	89,736	87,238	90,098

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

In thousands	Thirteen Weeks Ended July 30, 2017	Thirteen Weeks Ended July 31, 2016	Twenty-six Weeks Ended July 30, 2017	Twenty-six Weeks Ended July 31, 2016
Net earnings	$52,917	$51,785	$92,472	$91,382
Other comprehensive income (loss):				
Foreign currency translation adjustments	3,390	(3,005)	1,824	2,203
Change in fair value of derivative financial instruments, net of tax (tax benefit) of $(422), $376, $(185) and $(392)	(1,166)	1,058	(511)	(1,107)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax (tax benefit) of $(2), $12, $3 and $119	7	(38)	(9)	(340)
Comprehensive income	$55,148	$49,800	$93,776	$92,138

See Notes to Condensed Consolidated Financial Statements.

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WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts	July 30, 2017	January 29, 2017	July 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	$ 103,109	$ 213,713	$ 111,122
Accounts receivable, net	78,735	88,803	98,053
Merchandise inventories, net	1,072,976	977,505	962,943
Prepaid catalog expenses	23,830	23,625	27,097
Prepaid expenses	73,662	52,882	68,300
Other assets	12,066	10,652	11,589
Total current assets	1,364,378	1,367,180	1,279,104
Property and equipment, net	929,331	923,283	908,562
Deferred income taxes, net	130,212	135,238	134,721
Other assets, net	55,939	51,178	51,177
Total assets	$2,479,860	$2,476,879	$2,373,564
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 429,700	$ 453,710	$ 391,597
Accrued salaries, benefits and other liabilities	100,550	130,187	103,040
Customer deposits	287,698	294,276	283,779
Borrowings under revolving line of credit	115,000	—	125,000
Income taxes payable	35,582	23,245	1,670
Other liabilities	51,540	59,838	53,331
Total current liabilities	1,020,070	961,256	958,417
Deferred rent and lease incentives	196,982	196,188	193,819
Other long-term obligations	74,284	71,215	66,516
Total liabilities	1,291,336	1,228,659	1,218,752
Commitments and contingencies – See Note F			
Stockholders' equity			
Preferred stock: $.01 par value; 7,500 shares authorized; none issued	—	—	—
Common stock: $.01 par value; 253,125 shares authorized; 85,754, 87,325 and 88,738 shares issued and outstanding at July 30, 2017, January 29, 2017 and July 31, 2016, respectively	858	873	888
Additional paid-in capital	556,702	556,928	542,711
Retained earnings	640,368	701,702	622,608
Accumulated other comprehensive loss	(8,599)	(9,903)	(9,860)
Treasury stock, at cost: 12, 20 and 23 shares as of July 30, 2017, January 29, 2017 and July 31, 2016, respectively	(805)	(1,380)	(1,535)
Total stockholders' equity	1,188,524	1,248,220	1,154,812
Total liabilities and stockholders' equity	$2,479,860	$2,476,879	$2,373,564

See Notes to Condensed Consolidated Financial Statements.

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WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands	Twenty-six Weeks Ended July 30, 2017	Twenty-six Weeks Ended July 31, 2016
Cash flows from operating activities:		
Net earnings	$ 92,472	$ 91,382
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	90,048	83,369
Loss on disposal/impairment of assets	845	1,520
Amortization of deferred lease incentives	(12,680)	(12,550)
Deferred income taxes	(8,937)	(10,472)
Tax benefit related to stock-based awards	14,511	21,864
Excess tax benefit related to stock-based awards	—	(4,727)
Stock-based compensation expense	22,829	27,476
Other	102	(866)
Changes in:		
Accounts receivable	10,658	(19,021)
Merchandise inventories	(92,711)	18,221
Prepaid catalog expenses	(205)	1,822
Prepaid expenses and other assets	(26,918)	(22,724)
Accounts payable	(37,092)	(71,614)
Accrued salaries, benefits and other liabilities	(36,036)	(12,867)
Customer deposits	(6,795)	(13,500)
Deferred rent and lease incentives	12,635	21,534
Income taxes payable	12,409	(65,399)
Net cash provided by operating activities	35,135	33,448
Cash flows from investing activities:		
Purchases of property and equipment	(82,727)	(77,877)
Other	44	363
Net cash used in investing activities	(82,683)	(77,514)
Cash flows from financing activities:		
Borrowings under revolving line of credit	115,000	125,000
Repurchases of common stock	(93,361)	(76,166)
Payment of dividends	(68,197)	(67,571)
Tax withholdings related to stock-based awards	(14,117)	(24,635)
Excess tax benefit related to stock-based awards	—	4,727
Proceeds related to stock-based awards	—	1,532
Other	—	(47)
Net cash used in financing activities	(60,675)	(37,160)
Effect of exchange rates on cash and cash equivalents	(2,381)	(1,299)
Net decrease in cash and cash equivalents	(110,604)	(82,525)
Cash and cash equivalents at beginning of period	213,713	193,647
Cash and cash equivalents at end of period	$ 103,109	$111,122

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A. FINANCIAL STATEMENTS - BASIS OF PRESENTATION

These financial statements include Williams-Sonoma, Inc. and its wholly owned subsidiaries ("we," "us" or "our"). The Condensed Consolidated Balance Sheets as of July 30, 2017 and July 31, 2016, the Condensed Consolidated Statements of Earnings, the Condensed Consolidated Statements of Comprehensive Income for the thirteen and twenty-six weeks then ended, and the Condensed Consolidated Statements of Cash Flows for the twenty-six weeks then ended, have been prepared by us, without audit. In our opinion, the financial statements include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at the balance sheet dates and the results of operations for the thirteen and twenty-six weeks then ended. Intercompany transactions and accounts have been eliminated. The balance sheet as of January 29, 2017, presented herein, has been derived from our audited Consolidated Balance Sheet included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017.

The results of operations for the thirteen and twenty-six weeks ended July 30, 2017 are not necessarily indicative of the operating results of the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017.

New Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards. In addition, in March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The FASB also issued ASU 2016-10, *Identifying Performance Obligations and Licensing* in April 2016, which amends certain aspects of ASU 2014-09 for identifying performance obligations and the implementation guidance on licensing. These ASUs are effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. We are currently assessing the impact of these ASUs on our Consolidated Financial Statements and related internal controls over financial reporting. Although we do not expect that the adoption of these standards will result in a material change to our Consolidated Financial Statements, the adoption will result in a change in the timing of revenue recognition for certain merchandise shipped to the customer, a change in the timing of recognizing breakage income related to our gift cards, as well as a change in timing of recognizing advertising expense related to direct response advertising.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than short-term leases). This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. We are currently assessing the impact of this ASU on our Consolidated Financial Statements, but expect that it will result in a substantial increase in our long-term assets and liabilities.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies the accounting for share-based payment transactions (including the accounting for income taxes and forfeitures, among other areas). The ASU requires entities to, among other things, recognize all excess tax benefits and deficiencies in the income statement, as a benefit or expense within income taxes, in the period in which they occur. The ASU also allows an entity to make an accounting policy election to either estimate expected forfeitures or account for them as they occur. We adopted this ASU in the first quarter of fiscal 2017, and as a result, we no longer classify excess tax benefits related to stock-based awards as a financing cash inflow and an operating cash outflow. These classification requirements were adopted prospectively and, as such, our Condensed Consolidated Statement of Cash Flows for the twenty-six weeks ended July 31, 2016 has not been retrospectively adjusted. We continue to estimate expected forfeitures.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other than Inventory*. The amendments remove the prohibition against the recognition of current and deferred income tax effects of intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. We do not expect the adoption of this ASU to have a material impact on our financial condition, results of operations or cash flows.

NOTE B. BORROWING ARRANGEMENTS

Credit Facility
We have a $500,000,000 unsecured revolving line of credit ("credit facility") that may be used to borrow revolving loans or request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to $250,000,000, at such lenders' option, to provide for a total of $750,000,000 of unsecured revolving credit. As of July 30, 2017, we were in compliance with our financial covenants under the credit facility and, based on current projections, we expect to remain in compliance throughout the next 12 months. The credit facility matures on November 19, 2019, at which time all outstanding borrowings must be repaid and all outstanding letters of credit must be cash collateralized.

We may elect interest rates calculated at (i) Bank of America's prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent, or a rate based on LIBOR plus one percent) plus a margin based on our leverage ratio or (ii) LIBOR plus a margin based on our leverage ratio. During the second quarter of fiscal 2017, we had borrowings of $70,000,000 under the credit facility. For year-to-date fiscal 2017, we borrowed $115,000,000 (at a weighted average interest rate of 2.24%), all of which was outstanding as of July 30, 2017. During the second quarter of fiscal 2016, we borrowed $25,000,000 under the credit facility. For year-to-date fiscal 2016, we borrowed $125,000,000 (at a weighted average interest rate of 1.47%), all of which was outstanding as of July 31, 2016. Additionally, as of July 30, 2017, $12,771,000 in issued but undrawn standby letters of credit was outstanding under the credit facility. The standby letters of credit were issued to secure the liabilities associated with workers' compensation and other insurance programs.

Letter of Credit Facilities
We have three unsecured letter of credit reimbursement facilities for a total of $70,000,000. On August 25, 2017, we renewed all three of our letter of credit facilities for an aggregate of $70,000,000, and extended each of these facilities' maturity dates until August 25, 2018. The letter of credit facilities contain covenants that are consistent with our unsecured revolving line of credit. Interest on unreimbursed amounts under the letter of credit facilities accrues at the lender's prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent) plus 2.0%. As of July 30, 2017, an aggregate of $5,303,000 was outstanding under the letter of credit facilities, which represents only a future commitment to fund inventory purchases to which we had not taken legal title. The latest expiration possible for any future letters of credit issued under the facilities is January 22, 2019.

NOTE C. STOCK-BASED COMPENSATION

Equity Award Programs
Our Amended and Restated 2001 Long-Term Incentive Plan (the "Plan") provides for grants of incentive stock options, nonqualified stock options, stock-settled stock appreciation rights (collectively, "option awards"), restricted stock awards, restricted stock units (including those that are performance-based), deferred stock awards (collectively, "stock awards") and dividend equivalents up to an aggregate of 32,310,000 shares. As of July 30, 2017, there were approximately 5,970,000 shares available for future grant. Awards may be granted under the Plan to our officers, employees and non-employee members of the board of directors (the "Board") or those of any of our subsidiaries. Shares issued as a result of award exercises or releases are primarily funded with the issuance of new shares.

Option Awards
Annual grants of option awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. The exercise price of these option awards is not less than 100% of the closing price of our stock on the day prior to the grant date. Option awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain option awards contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event.

Stock Awards
Annual grants of stock awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. Stock awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain performance-based awards, which have variable payout conditions based on predetermined financial targets, vest three years from the date of grant. Certain stock awards and other agreements contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event. Stock awards granted to non-employee Board members generally vest in one year. Non-employee Board members automatically receive stock awards on the date of their initial election to the Board and annually thereafter on the date of the annual meeting of stockholders (so long as they continue to serve as a non-employee Board member).

Stock-Based Compensation Expense
During the thirteen and twenty-six weeks ended July 30, 2017, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses, of $13,012,000 and $22,829,000, respectively. During the thirteen and twenty-six weeks ended July 31, 2016, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses, of $11,744,000 and $27,476,000, respectively.

Stock-Settled Stock Appreciation Rights
A stock-settled stock appreciation right is an award that allows the recipient to receive common stock equal to the appreciation in the fair market value of our common stock between the grant date and the conversion date for the number of shares converted.

The following table summarizes our stock-settled stock appreciation right activity during the twenty-six weeks ended July 30, 2017:

	Shares
Balance at January 29, 2017 (100% vested)	411,710
Granted	—
Converted into common stock	(51,021)
Cancelled	—
Balance at July 30, 2017 (100% vested)	360,689

Restricted Stock Units
The following table summarizes our restricted stock unit activity during the twenty-six weeks ended July 30, 2017:

	Shares
Balance at January 29, 2017	2,232,486
Granted	1,375,135
Released	(602,297)
Cancelled	(582,556)
Balance at July 30, 2017	2,422,768
Vested plus expected to vest at July 30, 2017	1,772,666

NOTE D. EARNINGS PER SHARE

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding and common stock equivalents for the period. Common stock equivalents consist of shares subject to stock-based awards with exercise prices less than or equal to the average market price of our common stock for the period, to the extent their inclusion would be dilutive.

The following is a reconciliation of net earnings and the number of shares used in the basic and diluted earnings per share computations:

In thousands, except per share amounts	Net Earnings	Weighted Average Shares	Earnings Per Share
Thirteen weeks ended July 30, 2017			
Basic	$ 52,917	86,429	$ 0.61
Effect of dilutive stock-based awards		419	
Diluted	$ 52,917	86,848	$ 0.61
Thirteen weeks ended July 31, 2016			
Basic	$ 51,785	89,039	$ 0.58
Effect of dilutive stock-based awards		697	
Diluted	$ 51,785	89,736	$ 0.58
Twenty-six weeks ended July 30, 2017			
Basic	$ 92,472	86,696	$ 1.07
Effect of dilutive stock-based awards		542	
Diluted	$ 92,472	87,238	$ 1.06
Twenty-six weeks ended July 31, 2016			
Basic	$ 91,382	89,169	$ 1.02
Effect of dilutive stock-based awards		929	
Diluted	$ 91,382	90,098	$ 1.01

Stock-based awards of 1,638,306 and 1,048,547 were excluded from the computation of diluted earnings per share for the thirteen and twenty-six weeks ended July 30, 2017, respectively, as their inclusion would be anti-dilutive. Stock-based awards of 909,000 and 627,000 were excluded from the computation of diluted earnings per share for the thirteen and twenty-six weeks ended July 31, 2016, respectively, as their inclusion would be anti-dilutive.

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NOTE E. SEGMENT REPORTING

We have two reportable segments, e-commerce and retail. The e-commerce segment has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation and Mark and Graham, which sell our products through our e-commerce websites and direct mail catalogs. Our e-commerce merchandise strategies are operating segments, which have been aggregated into one reportable segment, e-commerce. The retail segment, which includes our franchise operations, has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm and Rejuvenation, which sell our products through our retail stores. Our retail merchandise strategies are operating segments, which have been aggregated into one reportable segment, retail. Management's expectation is that the overall economic characteristics of each of our operating segments will be similar over time based on management's judgment that the operating segments have had similar historical economic characteristics and are expected to have similar long-term financial performance in the future.

These reportable segments are strategic business units that offer similar products for the home. They are managed separately because the business units utilize two distinct distribution and marketing strategies. Based on management's best estimate, our operating segments include allocations of certain expenses, including advertising and employment costs, to the extent they have been determined to benefit both channels. These operating segments are aggregated at the channel level for reporting purposes due to the fact that our brands are interdependent for economies of scale and we do not maintain fully allocated income statements at the brand level. As a result, material financial decisions related to the brands are made at the channel level. Furthermore, it is not practicable for us to report revenue by product group.

We use operating income to evaluate segment profitability. Operating income is defined as earnings (loss) before net interest income (expense) and income taxes. Unallocated costs before interest and income taxes include corporate employee-related costs, occupancy expenses (including depreciation expense), administrative costs and third-party service costs, primarily in our corporate administrative and systems departments. Unallocated assets include corporate cash and cash equivalents, prepaid expenses, the net book value of corporate facilities and related information systems, deferred income taxes and other corporate long-lived assets.

Income taxes are calculated at an entity level and are not allocated to our reportable segments.

Segment Information

In thousands	E-commerce	Retail	Unallocated	Total
Thirteen weeks ended July 30, 2017				
Net revenues[1]	$ 630,793	$ 570,813	$ —	$1,201,606
Depreciation and amortization expense	6,788	22,385	15,925	45,098
Operating income (loss)	135,139	34,592	(88,147)	81,584
Capital expenditures	8,119	23,288	19,167	50,574
Thirteen weeks ended July 31, 2016				
Net revenues[1]	$ 599,683	$ 559,346	$ —	$1,159,029
Depreciation and amortization expense	7,989	21,339	12,801	42,129
Operating income (loss)	132,733	33,217	(82,674)	83,276
Capital expenditures	4,593	25,127	20,008	49,728
Twenty-six weeks ended July 30, 2017				
Net revenues[1]	$1,211,303	$1,101,810	$ —	$2,313,113
Depreciation and amortization expense	13,755	44,727	31,566	90,048
Operating income (loss)[2]	267,143	56,306	(179,391)	144,058
Assets[3]	672,522	1,129,925	677,413	2,479,860
Capital expenditures	10,989	39,785	31,953	82,727
Twenty-six weeks ended July 31, 2016				
Net revenues[1]	$1,175,917	$1,080,929	$ —	$2,256,846
Depreciation and amortization expense	15,603	42,088	25,678	83,369
Operating income (loss)[2]	264,278	63,342	(180,819)	146,801
Assets[3]	627,532	1,051,184	694,848	2,373,564
Capital expenditures	8,442	38,879	30,556	77,877

1 Includes net revenues related to our international operations (including our operations in Canada, Australia, the United Kingdom and our franchise businesses) of approximately $80.6 million and $80.0 million for the thirteen weeks ended July 30, 2017 and July 31, 2016, respectively, and $150.0 million and $149.7 million for the twenty-six weeks ended July 30, 2017 and July 31, 2016, respectively.

2 Includes $5.7 million and $13.2 million of severance-related charges for the twenty-six weeks ended July 30, 2017 and July 31, 2016, respectively, primarily in our corporate functions, which is recorded in selling, general and administrative expenses within the unallocated segment.

3 Includes long-term assets related to our international operations of approximately $61.9 million and $60.7 million as of July 30, 2017 and July 31, 2016, respectively.

NOTE F. COMMITMENTS AND CONTINGENCIES

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. These disputes, which are not currently material, are increasing in number as our business expands and our company grows. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. In view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our Consolidated Financial Statements taken as a whole.

NOTE G. STOCK REPURCHASE PROGRAM AND DIVIDENDS

Stock Repurchase Program
During the thirteen weeks ended July 30, 2017, we repurchased 1,160,381 shares of our common stock at an average cost of $47.41 per share for a total cost of approximately $55,011,000. During the twenty-six weeks ended July 30, 2017, we repurchased 1,924,924 shares of our common stock at an average cost of $48.50 per share for a total cost of approximately $93,361,000. As of July 30, 2017, we held treasury stock of $805,000 that represents the cost of shares available for issuance intended to satisfy future stock-based award settlements in certain foreign jurisdictions.

During the thirteen weeks ended July 31, 2016, we repurchased 665,517 shares of our common stock at an average cost of $53.38 per share for a total cost of approximately $35,527,000. During the twenty-six weeks ended July 31, 2016, we repurchased 1,393,146 shares of our common stock at an average cost of $54.67 per share for a total cost of approximately $76,166,000.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

Dividends
We declared cash dividends of $0.39 and $0.37 per common share during the thirteen weeks ended July 30, 2017 and July 31, 2016, respectively. We declared cash dividends of $0.78 and $0.74 per common share during the twenty-six weeks ended July 30, 2017 and July 31, 2016, respectively. Our quarterly cash dividend may be limited or terminated at any time.

NOTE H. DERIVATIVE FINANCIAL INSTRUMENTS

We have retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and operations throughout Asia and Europe, which expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies. We do not enter into such contracts for speculative purposes. The assets or liabilities associated with the derivative instruments are measured at fair value and recorded in either other current or long-term assets or other current or long-term liabilities. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on whether the derivative instrument is designated as a hedge and qualifies for hedge accounting in accordance with the FASB Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*.

Cash Flow Hedges
We enter into foreign currency forward contracts designated as cash flow hedges (to sell Canadian dollars and purchase U.S. dollars) for forecasted inventory purchases in U.S. dollars by our foreign subsidiaries. These hedges have terms of up to 18 months. All hedging relationships are formally documented, and the forward contracts are designed to mitigate foreign currency exchange risk on hedged transactions. We record the effective portion of changes in the fair value of our cash flow hedges in other comprehensive income ("OCI") until the earlier of when the hedged forecasted inventory purchase occurs or the respective contract reaches maturity. Subsequently, as the inventory is sold to the customer, we reclassify amounts previously recorded in OCI to cost of goods sold. Changes in the fair value of the forward contract related to interest charges (or forward points) are excluded from the assessment and measurement of hedge effectiveness and are recorded immediately in selling, general and administrative expenses. Based on the rates in effect as of July 30, 2017, we expect to reclassify a net pre-tax loss of approximately $634,000 from OCI to cost of goods sold over the next 12 months.

We also enter into non-designated foreign currency forward contracts (to sell Australian dollars and purchase U.S. dollars) to reduce the exchange risk associated with our assets and liabilities denominated in a foreign currency. Any foreign exchange gains or losses related to these contracts are recognized in selling, general and administrative expenses.

As of July 30, 2017 and July 31, 2016, we had foreign currency forward contracts outstanding (in U.S. dollars) with notional values as follows:

In thousands	July 30, 2017	July 31, 2016
Contracts designated as cash flow hedges	$ 24,600	$ 28,450
Contracts not designated as cash flow hedges	$ 48,000	$ 44,000

Hedge effectiveness is evaluated prospectively at inception, on an ongoing basis, as well as retrospectively using regression analysis. Any measureable ineffectiveness of the hedge is recorded in selling, general and administrative expenses. No gain or loss was recognized for cash flow hedges due to hedge ineffectiveness and all hedges were deemed effective for assessment purposes for the thirteen and twenty-six weeks ended July 30, 2017 and July 31, 2016.

The effect of derivative instruments in our Condensed Consolidated Financial Statements during the thirteen and twenty-six weeks ended July 30, 2017 and July 31, 2016, pre-tax, was as follows:

In thousands	Thirteen Weeks Ended July 30, 2017	Thirteen Weeks Ended July 31, 2016	Twenty-six Weeks Ended July 30, 2017	Twenty-six Weeks Ended July 31, 2016
Net gain (loss) recognized in OCI	$ (1,588)	$ 1,434	$ (696)	$ (1,499)
Net gain (loss) reclassified from OCI into cost of goods sold	$ (9)	$ 50	$ 12	$ 459
Net foreign exchange gain (loss) recognized in selling, general and administrative expenses:				
Instruments designated as cash flow hedges[1]	$ 47	$ (13)	$ 55	$ 10
Instruments not designated or de-designated	$ —	$ 309	$ 341	$ (3,033)

1 Changes in fair value of the forward contract related to interest charges (or forward points).

The fair values of our derivative financial instruments are presented below according to their classification in our Condensed Consolidated Balance Sheets. All fair values were measured using Level 2 inputs as defined by the fair value hierarchy described in Note I.

In thousands	July 30, 2017	July 31, 2016
Derivatives designated as cash flow hedges:		
Other current assets	$ —	$ 309
Other current liabilities	$ (704)	$ (695)
Other long-term liabilities	$ (90)	$ —
Derivatives not designated as hedging instruments:		
Other current assets	$ 6	$ 9

We record all derivative assets and liabilities on a gross basis. They do not meet the balance sheet netting criteria as discussed in ASC 210, *Balance Sheet*, because we do not have master netting agreements established with our derivative counterparties that would allow for net settlement.

NOTE I. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy established by ASC 820, *Fair Value Measurement*, which defines three levels of inputs that may be used to measure fair value, as follows:

- Level 1: inputs which include quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs which include observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and
- Level 3: inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The fair values of our cash and cash equivalents are based on Level 1 inputs, which include quoted prices in active markets for identical assets.

Foreign Currency Derivatives and Hedging Instruments
We use the income approach to value our derivatives using observable Level 2 market data at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the assets and liabilities, which include interest rates and credit risk ratings. We use mid-market pricing as a practical expedient for fair value measurements. Key inputs for currency derivatives are the spot rates, forward rates, interest rates and credit derivative market rates.

The counterparties associated with our foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration, therefore, we do not consider counterparty concentration and non-performance to be material risks at this time. Both we and our counterparties are expected to perform under the contractual terms of the instruments. None of the derivative contracts entered into are subject to credit risk-related contingent features or collateral requirements.

Property and Equipment
We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure these assets at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. The fair value is based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital.

There were no transfers between Level 1, 2 or 3 categories during the thirteen and twenty-six weeks ended July 30, 2017 or July 31, 2016.

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NOTE J. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income (loss) by component, net of tax, are as follows:

In thousands	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 29, 2017	$ (9,957)	$ 54	$ (9,903)
Foreign currency translation adjustments	(1,566)	—	(1,566)
Change in fair value of derivative financial instruments	—	655	655
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]	—	(16)	(16)
Other comprehensive income (loss)	(1,566)	639	(927)
Balance at April 30, 2017	(11,523)	693	(10,830)
Foreign currency translation adjustments	3,390		3,390
Change in fair value of derivative financial instruments		(1,166)	(1,166)
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]		7	7
Other comprehensive income (loss)	3,390	(1,159)	2,231
Balance at July 30, 2017	$ (8,133)	$ (466)	$ (8,599)

Balance at January 31, 2016	$ (11,480)	$ 864	$ (10,616)
Foreign currency translation adjustments	5,208	—	5,208
Change in fair value of derivative financial instruments	—	(2,165)	(2,165)
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]	—	(302)	(302)
Other comprehensive income (loss)	5,208	(2,467)	2,741
Balance at May 1, 2016	(6,272)	(1,603)	(7,875)
Foreign currency translation adjustments	(3,005)	—	(3,005)
Change in fair value of derivative financial instruments	—	1,058	1,058
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]	—	(38)	(38)
Other comprehensive income (loss)	(3,005)	1,020	(1,985)
Balance at July 31, 2016	$ (9,277)	$ (583)	$ (9,860)

[1] Refer to Note H for additional disclosures about reclassifications out of accumulated other comprehensive income and their corresponding effects on the respective line items in the Condensed Consolidated Statements of Earnings.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or are proven incorrect, could cause our business and results of operations to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to: our beliefs regarding the resolution of current lawsuits, claims and proceedings; our stock repurchase program; our expectations regarding our cash flow hedges and foreign currency risks; our planned use of cash; our compliance with the financial covenants contained in our credit facilities; our belief that our cash on-hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months; our beliefs regarding our exposure to foreign currency exchange rate fluctuations; and our beliefs regarding seasonal patterns associated with our business, as well as statements of belief and statements of assumptions underlying any of the foregoing. You can identify these and other forward-looking statements by the use of words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "continue," or the negative of such terms, or other comparable terminology. The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading "Risk Factors" in this document and our Annual Report on Form 10-K for the fiscal year ended January 29, 2017, and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

OVERVIEW

Williams-Sonoma, Inc. is a specialty retailer of high-quality products for the home. These products, representing distinct merchandise strategies – Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation, and Mark and Graham – are marketed through e-commerce websites, direct mail catalogs and 635 stores. We have retail and/or e-commerce businesses in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, and ship our products to customers worldwide. Our catalogs reach customers throughout the U.S. and Australia. In addition, we have unaffiliated franchisees that operate stores and/or e-commerce websites in the Middle East, the Philippines, Mexico and South Korea.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources for the thirteen weeks ended July 30, 2017 ("second quarter of fiscal 2017"), as compared to the thirteen weeks ended July 31, 2016 ("second quarter of fiscal 2016") and the twenty-six weeks ended July 30, 2017 ("year-to-date fiscal 2017"), as compared to the twenty-six weeks ended July 31, 2016 ("year-to-date fiscal 2016"), should be read in conjunction with our Condensed Consolidated Financial Statements and the notes thereto.

All explanations of changes in operational results are discussed in order of their magnitude.

Second Quarter of Fiscal 2017 Financial Results
Net revenues in the second quarter of fiscal 2017 increased by $42,577,000, or 3.7%, compared to the second quarter of fiscal 2016, with comparable brand revenue growth of 2.8%. The increase in net revenues was driven by a 5.2% increase in our e-commerce net revenues (primarily driven by West Elm, Williams Sonoma, Rejuvenation, Mark and Graham and our company-owned international operations), and a 2.1% increase in retail net revenues (primarily driven by West Elm and Pottery Barn), with particular strength in furniture. Net revenue growth in the second quarter of fiscal 2017 also included a 2.7% increase in store leased square footage compared to the second quarter of fiscal 2016 primarily due to 9 net new stores.

In Pottery Barn, our largest brand, comparable brand revenues increased 1.2% in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. This growth was driven by our new furniture collections along with strength in decorative accessories, entertaining and textiles. In Williams Sonoma, comparable brand revenues increased 1.9% in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. This increase was driven by a strong summer season led by our outdoor categories, strong performance in our exclusive product offerings and continued growth in Williams Sonoma Home. In West Elm, comparable brand revenues increased 10.1% in the second quarter of fiscal 2017 on top of 15.8% in the second quarter of fiscal 2016. This growth was driven by furniture and our outdoor collections. In Pottery Barn Kids, comparable brand revenues declined 3.9% in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. Strength in our back-to-school, textile and furniture businesses was more than offset by lower in-stock inventory positions in certain key categories. In PBteen, comparable brand revenues increased 0.2% in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016, with improvement across all major categories. We saw particular strength in key furniture, textile and accessory categories, as well as our back to school and dorm offerings. Our newer businesses, Rejuvenation and Mark and Graham, delivered growth of over 25% in the second quarter of fiscal 2017.

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In the second quarter of fiscal 2017, diluted earnings per share was $0.61 versus $0.58 in the second quarter of fiscal 2016. We also returned $89,019,000 to our stockholders through stock repurchases and dividends.

NET REVENUES

Net revenues consist of e-commerce net revenues and retail net revenues. E-commerce net revenues include sales of merchandise to customers through our e-commerce websites and our catalogs, as well as shipping fees. Retail net revenues include sales of merchandise to customers at our retail stores and to our franchisees, as well as shipping fees on any products shipped to our customers' homes. Shipping fees consist of revenue received from customers for delivery of merchandise to their homes. Revenues are presented net of sales returns and other discounts.

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
In thousands	July 30, 2017	% Total	July 31, 2016	% Total	July 30, 2017	% Total	July 31, 2016	% Total
E-commerce net revenues	$ 630,793	52.5%	$ 599,683	51.7%	$1,211,303	52.4%	$1,175,917	52.1%
Retail net revenues	570,813	47.5%	559,346	48.3%	1,101,810	47.6%	1,080,929	47.9%
Net revenues	$1,201,606	100.0%	$1,159,029	100.0%	$2,313,113	100.0%	$2,256,846	100.0%

Net revenues in the second quarter of fiscal 2017 increased by $42,577,000, or 3.7%, compared to the second quarter of fiscal 2016, with comparable brand revenue growth of 2.8%. The increase in net revenues was driven by a 5.2% increase in our e-commerce net revenues (primarily driven by West Elm, Williams Sonoma, Rejuvenation, Mark and Graham and our company-owned international operations), and a 2.1% increase in retail net revenues (primarily driven by West Elm and Pottery Barn), with particular strength in furniture. Net revenue growth in the second quarter of fiscal 2017 also included a 2.7% increase in store leased square footage compared to the second quarter of fiscal 2016 primarily due to 9 net new stores.

Net revenues for year-to-date fiscal 2017 increased by $56,267,000 or 2.5%, compared to year-to-date fiscal 2016, with comparable brand revenue growth of 1.5%. The increase in net revenues was driven by a 3.0% increase in our e-commerce net revenues (primarily driven by West Elm, Williams Sonoma and Rejuvenation) and a 1.9% increase in our retail net revenues (primarily driven by West Elm and Pottery Barn), with particular strength in furniture. Net revenue growth for year-to-date fiscal 2017 also included a 2.7% increase in store leased square footage compared to year-to-date fiscal 2016 primarily due to 9 net new stores.

Comparable Brand Revenue

Comparable brand revenue includes retail comparable store sales and e-commerce sales, as well as shipping fees, sales returns and other discounts associated with current period sales. Comparable stores are defined as permanent stores where gross square footage did not change by more than 20% in the previous 12 months and which have been open for at least 12 consecutive months without closure for seven or more consecutive days. Outlet comparable store net revenues are included in their respective brands. Sales to our international franchisees are excluded from comparable brand revenue as their stores and e-commerce websites are not operated by us. Sales from certain operations are also excluded until such time that we believe those sales to be meaningful to evaluating performance. Additionally, comparable brand revenue growth for newer concepts is not separately disclosed until such time that we believe those sales to be meaningful to evaluating the performance of the brand.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
Comparable brand revenue growth (decline)	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Pottery Barn	1.2%	(4.8%)	(0.1%)	(2.4%)
Williams Sonoma	1.9%	0.0%	2.5%	1.7%
West Elm	10.1%	15.8%	8.1%	17.4%
Pottery Barn Kids	(3.9%)	0.1%	(4.8%)	0.9%
PBteen	0.2%	(5.2%)	(6.3%)	(2.1%)
Total[1]	2.8%	0.6%	1.5%	2.5%

1 Total comparable brand revenue growth includes the results of Rejuvenation and Mark and Graham.

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RETAIL STORE DATA

	Store Count					Average Leased Square Footage Per Store	
	April 30, 2017	Openings	Closings	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
Williams Sonoma	233	1	—	234	241	6,600	6,600
Pottery Barn	199	6	(1)	204	201	13,800	13,800
West Elm	99	2	—	101	89	13,200	13,300
Pottery Barn Kids	89	—	(1)	88	89	7,400	7,500
Rejuvenation	8	—	—	8	6	8,800	9,000
Total	628	9	(2)	635	626	10,100	10,000
Store selling square footage at period-end						3,998,000	3,894,000
Store leased square footage at period-end						6,428,000	6,262,000

COST OF GOODS SOLD

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
In thousands	July 30, 2017	% Net Revenues	July 31, 2016	% Net Revenues	July 30, 2017	% Net Revenues	July 31, 2016	% Net Revenues
Cost of goods sold[1]	$778,895	64.8%	$748,490	64.6%	$1,494,642	64.6%	$1,453,790	64.4%

[1] Includes total occupancy expenses of $168,359,000 and $164,702,000 for the second quarter of fiscal 2017 and the second quarter of fiscal 2016, respectively, and $335,852,000 and $326,721,000 for year-to-date fiscal 2017 and year-to-date fiscal 2016, respectively.

Cost of goods sold includes cost of goods, occupancy expenses and shipping costs. Cost of goods consists of cost of merchandise, inbound freight expenses, freight-to-store expenses and other inventory related costs such as shrinkage, damages and replacements. Occupancy expenses consist of rent, depreciation and other occupancy costs, including common area maintenance, property taxes and utilities. Shipping costs consist of third-party delivery services and shipping materials.

Our classification of expenses in cost of goods sold may not be comparable to other public companies, as we do not include non-occupancy related costs associated with our distribution network in cost of goods sold. These costs, which include distribution network employment, third-party warehouse management and other distribution related administrative expenses, are recorded in selling, general and administrative expenses.

Within our reportable segments, the e-commerce channel does not incur freight-to-store or store occupancy expenses, and typically operates with lower markdowns and inventory shrinkage than the retail channel. However, the e-commerce channel incurs higher customer shipping, damage and replacement costs than the retail channel.

Second Quarter of Fiscal 2017 vs. Second Quarter of Fiscal 2016
Cost of goods sold increased by $30,405,000, or 4.1%, in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. Cost of goods sold as a percentage of net revenues increased to 64.8% in the second quarter of fiscal 2017 from 64.6% in the second quarter of fiscal 2016. This increase was driven by lower selling margins primarily resulting from reduced shipping income, partially offset by the leverage of occupancy costs.

In the e-commerce channel, cost of goods sold as a percentage of net revenues increased in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016 driven by lower selling margins primarily resulting from reduced shipping income, partially offset by a reduction in occupancy costs.

In the retail channel, cost of goods sold as a percentage of net revenues decreased in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016 primarily driven by higher selling margins.

Year-to-Date Fiscal 2017 vs. Year-to-Date Fiscal 2016
Cost of goods sold increased by $40,852,000, or 2.8%, year-to-date fiscal 2017 compared to year-to-date fiscal 2016. Cost of goods sold as a percentage of net revenues increased to 64.6% year-to-date fiscal 2017 from 64.4% year-to-date fiscal 2016. This increase was driven by lower selling margins primarily resulting from reduced shipping income.

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In the e-commerce channel, cost of goods sold as a percentage of net revenues decreased year-to-date fiscal 2017 compared to year-to-date fiscal 2016 primarily driven by a reduction in occupancy costs, partially offset by lower selling margins primarily resulting from reduced shipping income.

In the retail channel, cost of goods sold as a percentage of net revenues increased year-to-date fiscal 2017 compared to year-to-date fiscal 2016 primarily driven by higher occupancy costs to support our growth and operational initiatives.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
In thousands	July 30, 2017	% Net Revenues	July 31, 2016	% Net Revenues	July 30, 2017	% Net Revenues	July 31, 2016	% Net Revenues
Selling, general and administrative expenses	$341,127	28.4%	$327,263	28.2%	$674,413	29.2%	$656,255	29.1%

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution and manufacturing facilities, customer care centers, supply chain operations (buying, receiving and inspection) and corporate administrative functions. These costs include employment, advertising, third-party credit card processing and other general expenses.

We experience differing employment and advertising costs as a percentage of net revenues within the retail and e-commerce channels due to their distinct distribution and marketing strategies. Employment costs represent a greater percentage of net revenues within the retail channel as compared to the e-commerce channel. However, advertising expenses are higher within the e-commerce channel than in the retail channel.

Second Quarter of Fiscal 2017 vs. Second Quarter of Fiscal 2016

Selling, general and administrative expenses increased by $13,864,000, or 4.2%, in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. Selling, general and administrative expenses as a percentage of net revenues increased to 28.4% in the second quarter of fiscal 2017 compared to 28.2% in the second quarter of fiscal 2016. This increase as a percentage of net revenues was primarily due to higher digital advertising costs as a result of our focus on new customer acquisition, partially offset by a decrease in general expenses.

In the e-commerce channel, selling, general and administrative expenses as a percentage of net revenues increased in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016 primarily driven by higher digital advertising costs, partially offset by the leverage of employment costs and lower general expenses.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues increased in the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016 primarily driven by an increase in employment costs to support our growth initiatives, partially offset by a decrease in general expenses.

Year-to-Date Fiscal 2017 vs. Year-to-Date Fiscal 2016

Selling, general and administrative expenses increased by $18,158,000, or 2.8%, year-to-date fiscal 2017 compared to year-to-date fiscal 2016. Selling, general and administrative expenses as a percentage of net revenues increased to 29.2% year-to-date fiscal 2017 compared to 29.1% year-to-date fiscal 2016. This increase as a percentage of net revenues was primarily due to higher digital advertising costs as a result of our focus on new customer acquisition, partially offset by a decrease in severance-related charges within the unallocated segment ($5,705,000 year-to-date fiscal 2017 compared to $13,221,000 year-to-date fiscal 2016) and a decrease in general expenses.

In the e-commerce channel, selling, general and administrative expenses as a percentage of net revenues increased year-to-date fiscal 2017 compared to year-to-date fiscal 2016 primarily driven by higher digital advertising costs, partially offset by the leverage of employment costs and general expenses.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues increased year-to-date fiscal 2017 compared to year-to-date fiscal 2016 primarily driven by an increase in employment costs to support our growth initiatives, partially offset by a decrease in general expenses.

INCOME TAXES

The effective tax rate was 35.6% for year-to-date fiscal 2017 and 37.7% for year-to-date fiscal 2016. The decrease in the effective tax rate for year-to-date fiscal 2017 was primarily driven by the overall mix and level of earnings, as well as the improved profitability across our international operations, which are taxed at a lower tax rate, partially offset by an unfavorable impact from the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

LIQUIDITY AND CAPITAL RESOURCES

As of July 30, 2017, we held $103,109,000 in cash and cash equivalents, the majority of which was held in demand deposit accounts and money market funds, of which $62,577,000 was held by our foreign subsidiaries. As is consistent within our industry, our cash balances are seasonal in nature, with the fourth quarter historically representing a significantly higher level of cash than other periods.

In fiscal 2017, we plan to use our cash resources to fund our inventory and inventory related purchases, advertising and marketing initiatives, property and equipment purchases, stock repurchases and dividend payments. In addition to our cash balances on hand, we have a $500,000,000 unsecured revolving line of credit ("credit facility") that may be used to borrow revolving loans or to request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to $250,000,000, at such lenders' option, to provide for a total of $750,000,000 of unsecured revolving credit. For year-to-date fiscal 2017, we borrowed $115,000,000 under the credit facility, all of which was outstanding as of July 30, 2017. For year-to-date fiscal 2016, we borrowed $125,000,000 under the credit facility, all of which was outstanding as of July 31, 2016.

As of July 30, 2017, issued but undrawn standby letters of credit totaling $12,771,000 were outstanding under the credit facility. Additionally, as of July 30, 2017, we had three unsecured letter of credit reimbursement facilities for a total of $70,000,000, of which $5,303,000 was outstanding. These letter of credit facilities represent only a future commitment to fund inventory purchases to which we had not taken legal title. We are currently in compliance with all of our financial covenants under the credit facility and the three unsecured letter of credit reimbursement facilities and, based on our current projections, we expect to remain in compliance throughout the next 12 months. We believe our cash on hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months.

Cash Flows from Operating Activities
For year-to-date fiscal 2017, net cash provided by operating activities was $35,135,000 compared to $33,448,000 for year-to-date fiscal 2016. For year-to-date fiscal 2017, net cash provided by operating activities was primarily attributable to net earnings adjusted for non-cash items, partially offset by merchandise inventories, accounts payable and accrued salaries, benefits and other liabilities. Net cash provided by operating activities increased compared to year-to-date fiscal 2016 primarily due to a decrease in payments related to income taxes and accounts payable, partially offset by an increase in merchandise inventories.

Cash Flows from Investing Activities
For year-to-date fiscal 2017, net cash used in investing activities was $82,683,000 compared to $77,514,000 for year-to-date fiscal 2016, and was primarily attributable to purchases of property and equipment. Net cash used in investing activities increased compared to year-to-date fiscal 2016 primarily due to an increase in purchases of property and equipment.

Cash Flows from Financing Activities
For year-to-date fiscal 2017, net cash used in financing activities was $60,675,000 compared to $37,160,000 for year-to-date fiscal 2016. For year-to-date fiscal 2017, net cash used in financing activities was primarily attributable to repurchases of common stock and the payment of dividends, partially offset by borrowings under our revolving line of credit. Net cash used in financing activities increased compared to year-to-date fiscal 2016 primarily due to an increase in repurchases of common stock.

Stock Repurchase Program and Dividends
See Note G to our Condensed Consolidated Financial Statements, *Stock Repurchase Program and Dividends,* within Item 1 of this Quarterly Report on Form 10-Q for further information.

Critical Accounting Policies
Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ significantly from these estimates. During the second quarter of fiscal 2017, there have been no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017.

Seasonality
Our business is subject to substantial seasonal variations in demand. Historically, a significant portion of our revenues and net earnings have been realized during the period from October through January, and levels of net revenues and net earnings have typically been lower during the period from February through September. We believe this is the general pattern associated with the retail industry. In preparation for and during our holiday selling season, we hire a substantial number of additional temporary employees, primarily in our retail stores, customer care centers and distribution facilities, and incur significant fixed catalog production and mailing costs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which include significant deterioration of the U.S. and foreign markets, changes in U.S. interest rates, foreign currency exchange rate fluctuations, and the effects of economic uncertainty which may affect the prices we pay our vendors in the foreign countries in which we do business. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk
Our revolving line of credit has a variable interest rate which, when drawn upon, subjects us to risks associated with changes in that interest rate. As of July 30, 2017, we had borrowings of $115,000,000 outstanding under the credit facility. A hypothetical increase or decrease of one percentage point on our existing variable rate debt instrument would not materially affect our results of operations or cash flows.

In addition, we have fixed and variable income investments consisting of short-term investments classified as cash and cash equivalents, which are also affected by changes in market interest rates. As of July 30, 2017, our investments, made primarily in demand deposit accounts and money market funds, are stated at cost and approximate their fair values.

Foreign Currency Risks
We purchase a significant amount of inventory from vendors outside of the U.S. in transactions that are denominated in U.S. dollars. Approximately 1% of our international purchase transactions are in currencies other than the U.S. dollar, primarily the euro. Any foreign currency impact related to these international purchase transactions was not significant to us during the second quarter of fiscal 2017 or the second quarter of fiscal 2016. Since we pay for the majority of our international purchases in U.S. dollars, however, a decline in the U.S. dollar relative to other foreign currencies would subject us to risks associated with increased purchasing costs from our vendors in their effort to offset any lost profits associated with any currency devaluation. We cannot predict with certainty the effect these increased costs may have on our financial statements or results of operations.

In addition, our retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and our operations throughout Asia and Europe, expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. While the impact of foreign currency exchange rate fluctuations was not material to us in the second quarter of fiscal 2017 or the second quarter of fiscal 2016, we have continued to see volatility in the exchange rates in the countries in which we do business. As we continue to expand globally, the foreign currency exchange risk related to our foreign operations may increase. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies (see Note H to our Condensed Consolidated Financial Statements).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures
As of July 30, 2017, an evaluation was performed by management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely discussions regarding required disclosures, and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting
There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is contained in Note F to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 29, 2017 for a description of the risks and uncertainties associated with our business. There were no material changes to such risk factors in the current quarterly reporting period.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information as of July 30, 2017 with respect to shares of common stock we repurchased during the second quarter of fiscal 2017 under our $500,000,000 stock repurchase authorization. For additional information, please see Note G to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

Fiscal period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
May 1, 2017 – May 28, 2017	249,732	$ 51.22	249,732	$ 359,435,000
May 29, 2017 – June 25, 2017	294,882	$ 47.69	294,882	$ 345,373,000
June 26, 2017 – July 30, 2017	615,767	$ 45.73	615,767	$ 317,217,000
Total	1,160,381	$ 47.41	1,160,381	$ 317,217,000

[1] Excludes shares withheld for employee taxes upon vesting of stock-based awards.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Exhibit Description
3.1	Amended and Restated Bylaws of Williams-Sonoma, Inc., effective May 31, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 2, 2017, File No. 001-14077)
10.1+*	Form of Williams-Sonoma, Inc. 2001 Long Term Incentive Plan Retention Restricted Stock Unit Award Agreement for Grants to Employees
31.1*	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2*	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
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.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

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SIGNATURE

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

WILLIAMS-SONOMA, INC.

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Date: September 8, 2017

Exhibit 10.1

WILLIAMS–SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR GRANTS TO EMPLOYEES (“AGREEMENT”)

Name:	**Employee ID:**
Grant Date:	**Grant Number:**
Number of RSUs:	**Grant Date FMV:**

1. **Award.** Williams-Sonoma, Inc. (the “Company”), has awarded you the number of Restricted Stock Units indicated above (“Award”). Each Restricted Stock Unit entitles you to receive one share of Common Stock of the Company upon the terms and subject to the conditions set forth in the Company’s 2001 Long-Term Incentive Plan (the “Plan”) and this Award. Prior to the distribution of any shares, this Award represents an unsecured obligation, payable only from the general assets of the Company.

   Except as specified herein, shares of Common Stock will be issued to you or, in case of your death, your beneficiary designated in accordance with the procedures specified by the Administrator on or shortly following the Vesting Date. If at the time of your death, there is not an effective beneficiary designation on file or you are not survived by your designated beneficiary, the shares will be issued to the legal representative of your estate or other beneficiary as determined under applicable law.

2. **Vesting.** Subject to any acceleration provisions contained in the Plan or this Agreement, the Restricted Stock Units subject to this Award will vest as follows:

   > Vesting of this Award is conditioned upon the Company achieving positive net cash provided by operating activities for fiscal [INSERT FISCAL YEAR OF GRANT] as provided on the Company’s final audited consolidated statements of cash flows for fiscal [INSERT FISCAL YEAR OF GRANT], subject to adjustments, if any, as set forth in resolutions of the Compensation Committee of the Board, dated [INSERT DATE] (the “Performance Goal”) and as certified by the Compensation Committee of the Board. If the Performance Goal has been achieved, 50% of this Award will vest on each anniversary of the Grant Date over two years (“Vesting Dates”), subject to your continued employment with the Company or one of its affiliates through each relevant Vesting Date.

   Subject to the provisions of Sections 6, 13 and 14, shares of Common Stock will be issued in payment of the Award as soon as practicable upon or after each Vesting Date (but in each such case no later than sixty (60) days following the Vesting Date), net of shares of Common Stock withheld by the Company to satisfy the minimum statutorily required federal, state, foreign and local tax withholding obligations, as provided in Section 10. You will have no right to receive shares under this Award unless and until the Restricted Stock Units vest.

3. **Termination Of Employment.**

   (a) If you cease to be employed due to your death or Disability (as defined below), then as of the first business day of the month following the date of termination of your employment, you will vest in the number of unvested Restricted Stock Units equal to the Pro Rata Number (as defined below). In such event, the Pro Rata Number of shares underlying the remaining Restricted Stock Units shall be delivered as of the first business day of the month following the date of termination of your employment, subject to the provisions of Sections 6, 13 and 14 below. The “Pro Rata Number” is defined as:

   > 50% of the number of Restricted Stock Units subject to this Award multiplied by a fraction, the numerator of which is the number of full calendar months you continued employment with the Company from the most recently completed Vesting Date (or from the Grant Date for ceases of employment within twelve months of the Grant Date) through and including your termination date, and the denominator of which is 12.

"Disability" is defined as any one or more of the following: (i) your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than twelve (12) months; (ii) you are, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Company's accident and health plan covering the Company's employees; or (iii) you have been determined to be totally disabled by the Social Security Administration.

(b) If you cease to be employed due to your Retirement (as defined below), then as of the first business day of the month following the date of termination of your employment, you will become immediately vested in any Restricted Stock Units that have not previously vested. In such event, all shares underlying any remaining Restricted Stock Units shall be delivered as of the first business day of the month following the date of termination of your employment, subject to the provisions of Sections 6, 13 and 14 below.

"Retirement" is defined as your termination of employment for a reason other than Disability or death subsequent to your having attained age 70 and having been employed by the Company or one of its affiliate for at least 15 years. Notwithstanding the preceding sentence, a termination will not be considered a Retirement if you are terminated for "Cause" by the Company or one of its affiliates. For this purpose, "Cause" shall be defined as (i) embezzlement, theft or misappropriation by you of any property of any of the Company or its affiliates; (ii) your breach of any fiduciary duty to the Company or its affiliates; (iii) your failure or refusal to comply with laws or regulations applicable to the Company or its affiliates and their businesses or the policies of the Company and its affiliates governing the conduct of its employees or directors; (iv) your gross incompetence in the performance of your job duties; (v) commission by you of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) your failure to perform duties consistent with a commercially reasonable standard of care; (vii) your failure or refusal to perform your job duties or to perform specific directives of your supervisor or designee, or the senior officers or Board of Directors of the Company; or (viii) any gross negligence or willful misconduct by you resulting in loss to the Company or its affiliates, or damage to the reputation of the Company or its affiliates.

(c) If you cease to be employed other than due to a termination described in (a) or (b) above, and except as provided otherwise in a Company plan or individual agreement covering you, all then unvested Restricted Stock Units (including dividend equivalents, if any) awarded hereby shall immediately terminate without notice to you and shall be forfeited. For the purposes of this Agreement, termination of employment shall be considered to be the last day of your active service for the Company and its affiliates and such termination of employment date shall not be extended by any notice of termination period (or garden leave) required under applicable local law.

4. **No Employment Agreement.** Neither the Award nor the delivery to you of this Agreement or any other document relating to the Restricted Stock Units will confer on you the right to continued employment with or other service to the Company or any Parent or Subsidiary. You agree that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued employment or service for the vesting period, for any period, or at all, and will not interfere in any way with your right or the right of the Company (or the Parent or Subsidiary employing or retaining you) to terminate your employment or other service relationship at any time, with or without cause or notice provided compliant with applicable local law.

5. **Dividend Equivalents.** During the period beginning on the Grant Date as indicated above and ending on the date that the Restricted Stock Unit is settled or terminates, whichever occurs first, you will accrue cash payments based on the cash dividend that would have been paid on the Restricted Stock Unit had the Restricted Stock Unit been an issued and outstanding share of Common Stock on the record date for the dividend. Such accrued dividends will vest and become payable upon the same terms and at the same time as the Restricted Stock Units to which they relate, including any delay in payment to which the related Restricted Stock Units may be subject pursuant to Sections 6 and 13 and will be paid in cash. Dividend equivalent payments will be net of federal, state, foreign and local withholding taxes to the extent such withholding is required.

6. **Deferral.** If permitted by the Administrator, the issuance of the Common Stock issuable with respect to this Award may be deferred upon such terms and conditions as determined by the Administrator, subject to the Administrator's determination that any such right of deferral or any term thereof complies with applicable laws or regulations in effect from time to time. If you are located outside the U.S., you will not be permitted to elect to defer the settlement of your Restricted Stock Units.

7. **Nontransferable.** You may not sell, assign, pledge, encumber or otherwise transfer any interest in the Restricted Stock Units or the right to receive dividend equivalents thereon.

8. **Other Restrictions.** The issuance of Common Stock under this Award is subject to compliance by the Company and you with all applicable legal requirements applicable thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed at the time of issuance. The Company may delay the issuance of shares of Common Stock under this Award to ensure at the time of issuance there is a registration statement for the shares in effect under the Securities Act of 1933.

9. **Additional Provisions.** This Award is subject to the provisions of the Plan. Capitalized terms not defined in this Award are used as defined in the Plan. If the Plan and this Award are inconsistent, the provisions of the Plan will govern, except as specifically provided herein. Interpretations of the Plan and this Award by the Committee are binding on you and the Company.

10. **Tax Withholding.** You acknowledge that, regardless of any action taken by the Company or, if different, your employer, the ultimate liability for any or all income tax, social insurance contributions, payroll tax or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items") is and remains your responsibility and may exceed the amount withheld by the Company or your employer. You further acknowledge that the Company and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award and (2) do not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

    You agree that the Company may satisfy such withholding by any or a combination of the following methods: (i) by requiring you to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to you; (iii) by the Company withholding a number of shares issuable in respect of the Award having a fair market value equal to the amount of Tax-Related Items that the Company determines it or your employer is required to withhold; and/or (iv) arranging for the Company's designated broker (if any, or any broker acceptable to the Company) to sell shares having a fair market value equal to the amount of Tax-Related Items that the Company determines it is required to withhold (and, in the case of using the Company's designated broker, you authorize such sale by accepting the terms of this Award). If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, you are deemed to have been issued the full number of shares subject to the vested Award, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

    If the Tax-Related Items are not satisfied for any reason or if you otherwise fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the shares pursuant to this Award.

11. **Address for Notices.** Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Stock Plan Administrator, at 3250 Van Ness Avenue, San Francisco, CA 94109 USA, or at such other address as the Company may hereafter designate in writing.

12. **Non-accrual of Rights.** In accepting your Award, you acknowledge that:

- the Plan is established voluntarily by the Company; it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Award Agreement;
- the grant of your Award is voluntary and occasional and does not create any contractual or other right to receive future grants of awards, or benefits in lieu of awards, even if awards have been granted in the past;
- all decisions with respect to future Awards under the Plan, if any, will be at the sole discretion of the Company;
- you are voluntarily participating in the Plan;
- the Award and the shares of Common Stock subject to the Award are not intended to replace any pension rights or compensation;
- the Award and the shares of Common Stock subject to the Award, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- the future value of the shares of Common Stock subject to your Award is unknown, indeterminable and cannot be predicted with certainty;
- no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the termination of your employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment or service agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any such claim against the Company or any Subsidiary, waive your ability, if any, to bring any such claim, and release the Company and all Subsidiaries from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- unless otherwise provided in the Plan or determined by the Company in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and
- you acknowledge and agree that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award, the payment of dividend equivalents or the subsequent sale of any shares of Common Stock acquired upon settlement.

13. **409A Settlement Provisions.** ***Please note Sections 13 and 14 are applicable only to U.S. taxpayers.*** Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with your Retirement or other termination of employment (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) you are a "specified employee" within the meaning of Section 409A at the time of such termination and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to you on or within the six (6) month period following your termination of employment, then the payment of such accelerated Restricted Stock Units otherwise payable to you during such six (6) month period will accrue and will be paid to you on the date six (6) months and one (1) day following the date of your termination of employment, unless you die following your termination of employment, in which case, the Restricted Stock Units will be paid in shares of Common Stock to your estate as soon as practicable following your death. It is the intent of this Agreement to comply with, or be exempt from, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or shares of Common Stock issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be exempt. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

14. **Transactions.**

(a) **Section 409A Change of Control.** In the event of a Transaction that qualifies as a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the Company's assets, each within the meaning of Section 409A (each, a "409A Change of Control"):

(i) **Following Share Deferral**. If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A:

(x) **Vested Deferred Shares**. With respect to the then-vested but deferred shares of Common Stock subject to this Award, if the Award is not assumed or substituted for as provided in Section 17 of the Plan, your shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated, within sixty (60) days of the consummation of the Transaction (or, if required for compliance with Section 409A, in accordance with the applicable deferral election and the provisions hereof that apply thereunder), subject to Section 13 hereof.

(y) **Unvested Restricted Stock Units**. With respect to then-unvested Restricted Stock Units subject to this Award, if such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, and your shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated, within sixty (60) days of the consummation of the Transaction (or, if required for compliance with 409A, in accordance with the applicable deferral election and the provisions hereof that apply thereunder), subject to Section 13 hereof.

If the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest (or remain outstanding if already vested) in accordance with the terms of this Agreement and the Plan and be delivered to you in accordance with the applicable deferral election and the provisions hereof that apply thereunder (subject to Section 13 hereof).

(ii) **Retirement Eligibility**. If this Award is subject to Section 409A by reason of your Retirement eligibility or any other reason, and you have not elected to defer receipt of your shares of Common Stock, then with respect to then-unvested Restricted Stock Units subject to this Award:

(x) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, and all the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you as soon as practicable following the date on which such Transaction is consummated, within sixty (60) days of the consummation of the Transaction (or, if required for compliance with Section 409A, on the same dates specified under the terms of this Agreement including, but not limited to, Sections 2 and 3 hereof), subject to Section 13 hereof.

(y) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof).

(iii) **Following Both Share Deferral and Retirement Eligibility**. If your Award is subject to Section 409A by reason of your Retirement eligibility and you have elected to defer receipt of your shares of Common Stock, such that this Award is subject to Section 409A, the provisions of Section 14(a)(i) ("Section 409A Change of Control – Following Share Deferral") shall apply.

(iv) **No Deferral or Retirement Eligibility**. If you are not eligible for Retirement such that your Award is not subject to Section 409A and have not elected to defer receipt of your shares of Common Stock, and this Award is otherwise exempt from Section 409A, the then-unvested Restricted Stock Units subject to this Award will be treated pursuant to Section 17 of the Plan, subject to the provisions of Section 13 hereof.

(b) **Non-Section 409A Change of Control.** In the event of a Transaction that does not qualify as a 409A Change of Control:

(i) **Following Share Deferral.** If you have elected to defer receipt of your shares of Common Stock such that this Award is subject to Section 409A:

(x) **Vested Deferred Shares**. With respect to the then-vested but deferred shares of Common Stock subject to this Award, regardless of whether such portion of the Award is or is not assumed or substituted for as provided in Section 17 of the Plan, the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified in your deferral election and the provisions hereof that apply thereunder (subject to Section 13 hereof).

(y) **Unvested Restricted Stock Units**. With respect to then-unvested Restricted Stock Units subject to this Award:

(1) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, but the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified in your deferral election and the provisions hereof that apply thereunder (subject to Section 13 hereof), in each case regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction.

(2) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and be delivered to you in accordance with the applicable deferral election and the provisions hereof that apply thereunder (subject to Section 13 hereof).

(ii) **Retirement Eligibility**. If this Award is subject to Section 409A by reason of your Retirement eligibility or any other reason, and you have not elected to defer receipt of your shares of Common Stock, then with respect to then-unvested Restricted Stock Units subject to this Award:

(x) If such portion of the Award is not assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award will vest 100% immediately prior to its termination pursuant to Section 17 of the Plan, but the shares of Common Stock (or the per share consideration received by a majority of the holders of such Common Stock in such Transaction) payable to you in connection with this portion of the Award will be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof), regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction.

(y) If such portion of the Award is assumed or substituted for as provided in Section 17 of the Plan, such portion of the Award shall continue to vest in accordance with the terms of this Agreement and the Plan and, regardless of any acceleration of the vesting of such Restricted Stock Units which may occur in connection with the Transaction, be delivered to you on the same dates specified under the terms of this Agreement (including, but not limited to Sections 2, 3 and 13 hereof).

(iii) **Following Both Share Deferral and Retirement Eligibility**. If this Award is subject to Section 409A by reason of your Retirement eligibility and you have elected to defer receipt of your shares of Common Stock, such that this Award is subject to Section 409A, the provisions of Section 14(b)(i) ("Non-Section 409A Change of Control – Following Share Deferral") shall apply.

(iv) **No Deferral or Retirement Eligibility**. If you are not eligible for Retirement such that your Award is not subject to Section 409A and have not elected to defer receipt of your shares of Common Stock, and this Award is otherwise exempt from Section 409A, the then-unvested Restricted Stock Units subject to this Award will be treated pursuant to Section 17 of the Plan, subject to the provisions of Section 13 hereof.

15. **Governing Law and Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of California without regard to the conflict of law provisions, as provided in the Plan. Further, for purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

16. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. **Severability and Waiver.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable. Further, you acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Plan participant.

18. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

19. **No Advice.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of Common Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

20. **Language.** If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

21. **Country-Specific Appendix.** Notwithstanding any provisions in this Agreement or the Plan, the grant of Restricted Stock Units shall be subject to any special terms and conditions as set forth in the Appendix to this Agreement for your country of residence. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

Revised for grants on or after April 22, 2014

APPENDIX TO WILLIAMS–SONOMA, INC. 2001 LONG-TERM INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

ADDITIONAL TERMS AND PROVISIONS
FOR EMPLOYEES OUTSIDE THE UNITED STATES

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Awards granted to you under the Plan if you presently reside in **or subsequently transfer to one of the countries listed below**. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you do not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or you sell shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to see appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, the information contained herein may not be applicable to you.

The following provision regarding data privacy is applicable to all employees located outside the U.S.

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and its Subsidiaries hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock pursuant to this Award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan, including any deferral election thereunder. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status (if any) or service and career with the Company or your employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

AUSTRALIA

Terms and Conditions

Australian Securities Laws. If the Company determines in its sole discretion that issuing shares to you at vesting is not permitted or not feasible under Australian securities regulations, the Company will cancel your Award without compensation or benefits in lieu of the Award. Also, if you acquire shares of Common Stock under the Plan and resell them in Australia, you may be required to comply with certain Australian securities law disclosure requirements.

CANADA

Terms and Conditions

Form of Settlement. Awards granted to employees resident in Canada shall be paid in shares only. In no event shall any of such Awards be paid in cash, notwithstanding any discretion contained in the Plan to the contrary.

Termination of Service. This provision replaces Section 3 of the Agreement:

In the event of the termination of your service for any reason (whether or not in breach of local labor laws) other than death, Disability or Retirement, all unvested Awards shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Awards will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination of service from the Company or your employer, or (2) the date your service terminates, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer providing service for purposes of the Awards.

Authorization of Release and Transfer Necessary Personal Information. This provision supplements the data privacy consent provision above:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, any Subsidiary or Affiliate and the administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Subsidiary or Affiliate to record such information and to keep such information in your employee file.

French Language Provision. The following provisions will apply if you are a resident of Quebec:

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la redaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procedures judiciaries intentées, directement ou indirectement, relativement a la présente convention.

CHINA

Terms and Conditions

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the sale of the shares issued upon the vesting of the Awards to China. You further understand that, under local law, such repatriation of your cash proceeds may need to be effectuated through a special exchange control account established by the Company, Subsidiary or Affiliate or your employer, and you hereby consent and agree that any proceeds from the sale of any shares issued upon the vesting of the Awards you acquire may be transferred to such special account prior to being delivered to you. If the proceeds from the sale of your shares are converted to local currency, you acknowledge that the Company is under no obligation to secure any exchange conversion rate, and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions in China. You agree to bear the risk of any exchange conversion rate fluctuation between the date the Awards vest and the date of conversion of the proceeds from the sale of the shares issued upon vesting to local currency. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FRANCE

Terms and Conditions

Not French-Qualified Award. Your Awards are not intended to be French tax qualified.

Consent to Receive Information in English. By accepting the Awards, you confirm having read and understood the Plan and the Agreement, which were provided in the English language. You accept the terms of those documents accordingly.

En acceptant cette attribution gratuite d'actions, vous confirmez avoir lu et comprenez le Plan et ce Contrat, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Vous acceptez les dispositions de ces documents en connaissance de cause.

INDIA

Notifications

Exchange Control Information. You understand that you must repatriate any proceeds from the sale of shares acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. You will receive a foreign inward remittance certificate ("FIRC") from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or your employer requests proof of repatriation.

Tax Information. To determine the taxable amount of income from your Award, the Company or your employer may obtain a valuation from a Merchant Banker in India. Neither the Company nor your employer is under any obligation to obtain a valuation at a particular price nor are they required to obtain a valuation more frequently than every 180 days.

INDONESIA

Notifications

Exchange Control Information. If you remit proceeds from the sale of shares into Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US$10,000 or more, a description of the transaction must be included in the report. Although the bank through which the transaction is made is required to make the report, you must complete a "Transfer Report Form." The Transfer Report Form will be provided to you by the bank through which the transaction is made.

ITALY

Terms and Conditions

Authorization to Release and Transfer Necessary Personal Information. This provision replaces in its entirety the data privacy consent provision above:

You understand that your employer (the "Employer") and/or the Company may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of shares held and the details of all Restricted Stock Units or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You are aware that providing the Company with your Data is necessary for the performance of this Agreement and that your refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.

The Controller of personal data processing is Williams-Sonoma Italy S.r.l., and, pursuant to D.lgs 196/2003, its representative in Italy is with registered offices at Via Ruini, 12—Montevarchi (Arezzo), Italy. You understand that the Data may be transferred to the Company or any of its Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom shares acquired pursuant to the vesting of the Restricted Stock Units or cash from the sale of such shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in Italy or elsewhere, including outside of the European Union and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. The processing activity, including the transfer of your personal data abroad, outside of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require your consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. You understand that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2003.

You understand that Data will be held only as long as is required by law or as necessary to implement, administer and manage your participation in the Plan. You understand that pursuant to art. 7 of D.lgs 196/2003, you have the right, including but not limited to, access, delete, update, request the rectification of your Data and cease, for legitimate reasons, the Data processing. Furthermore, you are aware that your Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address

Plan Document Acknowledgment. In accepting the Restricted Stock Units, you acknowledge that you have received a copy of the Plan and the Award Agreement and have reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understand and accept all provisions of the Plan and the Award Agreement, including this Appendix. You further acknowledge that you have read and specifically and expressly approve the following paragraphs of the Agreement: Termination of Employment, Tax Withholding, Governing Law and Venue and Imposition of Other Requirements.

Notifications

Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; and (b) any foreign investments (including shares acquired under the Plan and/or cash proceeds from the sale of shares). You exempt from the formalities in (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on your behalf.

KUWAIT

There are no country specific provisions.

PHILIPPINES

Terms and Conditions

Settlement of Restricted Stock Units and Sale of Shares. Due to local regulatory requirements, your Award will be settled in cash, not shares, equal to the Fair Market Value of shares on the Vesting Date(s).

PORTUGAL

Notifications

Exchange Control Information. If you receive shares upon vesting, the acquisition of the shares should be reported to the Banco de Portugal for statistical purposes. If the shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary should submit the report on your behalf. If the shares are not deposited with a commercial bank or financial intermediary in Portugal, you are responsible for submitting the report to the Banco de Portugal.

SINGAPORE

Notifications

Securities Law Information. The Awards are being granted in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) ("SFA") pursuant to which it is exempt from the prospectus and registration requirements under the SFA.

Director Notification Obligation. If you are a director, associate director or shadow director of the Company's Singapore Subsidiary or Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Subsidiary or Affiliate in writing when you receive an interest in the Company or any parent, Subsidiary or Affiliate (e.g., Awards or shares). In addition, you must notify the Company's Singapore Subsidiary or Affiliate when you sell shares or shares of any parent, Subsidiary or Affiliate (including when you sell shares issued upon vesting and settlement of the Award). These notifications must be made within two days of acquiring or disposing of any interest in the Company or any parent, Subsidiary or Affiliate. In addition, a notification of your interests in the Company or any parent, Subsidiary or Affiliate must be made within two days of becoming a director.

Exit Tax. You will be taxed on a "deemed exercise basis" if you cease employment with your current employer (*i.e.*, Company's Singapore affiliate) and (i) you are neither a Singapore citizen nor Singapore permanent resident, or (ii) you are a Singapore permanent resident leaving Singapore permanently. Where the "deemed exercise rule" applies, you will be deemed to have derived a gain (the "deemed gain") with regard to any of your Awards that are outstanding and not vested as of the date you cease employment (to the extent such rights are not forfeited upon employment cessation). The deemed gain is equal to the market price of the Company's shares of Common Stock on the later of one month before the date you cease employment and the date of grant of the Awards. If your Awards later vest and the actual open market price of the shares on the date of vesting is lower than the deemed gain, you may apply to the Inland Revenue Authority of Singapore (the "IRAS") for a refund of the difference within four years from the year of assessment following the year in which the "deemed exercise rule" is applied in accordance with its requirements.

THAILAND

Notifications

Exchange Control Information. When you sell shares issued at vesting, you must repatriate all cash proceeds to Thailand and then convert such proceeds to Thai Baht or deposit them in a foreign currency bank account in Thailand within 360 days of repatriation. If the repatriated amount is US$20,000 or more, you are required to report the inward remittance to the Bank of Thailand on a foreign exchange transaction form.

TURKEY

Settlement of Restricted Stock Units and Sale of Shares. Due to local regulatory requirements, your Award will be settled in cash, not shares, equal to the Fair Market Value of shares on the Vesting Date(s).

UNITED KINGDOM

Terms and Conditions

Tax and National Insurance Contributions Acknowledgment. The following provisions supplement Section 10 of the Agreement:

You agree that if you do not pay or your employer (the "Employer") or the Company does not withhold from you the full amount of Tax-Related Items that you owe due to the vesting of the Award, or the release or assignment of your Award for consideration, or the receipt of any other benefit in connection with the Award (the "Taxable Event") within 90 days after the end of the UK tax year following the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the end of the UK tax year following the Taxable Event. You agree that the loan will bear interest at the HMRC's official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares issued upon vesting and settlement of the Awards or from the cash proceeds from the sale of shares or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares to you unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are an officer or executive director and Tax-Related Items are not collected from or paid by you within 90 days of the end of the UK tax year following the Taxable Event, the amount of any uncollected Tax-Related Items may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means authorized in the Agreement.

VIETNAM

Terms and Conditions

Settlement of Restricted Stock Units and Sale of Shares. Due to local regulatory requirements, your Award will be settled in cash, not shares, equal to the Fair Market Value of shares on the Vesting Date(s). Notwithstanding the foregoing provision, the Company may, in its discretion, allow non Vietnamese nationals to receive shares at vesting provided the shares and the proceeds from the sale of shares are not brought into Vietnam.

Exchange Control Consent. All cash proceeds received at settlement of the Award must be immediately repatriated to Vietnam. Such repatriation of proceeds may need to be effectuated through a special exchange control account established by the Company, its parent, Subsidiary or Affiliate. By accepting the Award, you consent and agree that the cash proceeds may be transferred to such special account prior to being delivered to you.

CERTIFICATION

I, Laura J. Alber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Williams-Sonoma, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2017

By: /s/ Laura J. Alber
Laura J. Alber
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Julie P. Whalen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Williams-Sonoma, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2017

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Exhibit 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
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 on Form 10-Q for the period ended July 30, 2017 of Williams-Sonoma, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laura J. Alber, 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, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Laura J. Alber
Laura J. Alber
Chief Executive Officer

Date: September 8, 2017

Exhibit 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
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 on Form 10-Q for the period ended July 30, 2017 of Williams-Sonoma, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Julie P. Whalen, 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, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Date: September 8, 2017