

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
--- 1934

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

For Fiscal Year Ended May 31, 1997

Commission File No. 0-5813

Herman Miller, Inc.

-----  
(Exact name of registrant as specified in its charter)

Michigan

38-0837640

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

855 East Main Avenue  
PO Box 302  
Zeeland, Michigan

49464-0302

-----  
(Address of principal  
executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (616) 654 3000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.20 Par Value

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(Title of Class)

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 ☐ .  
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to  
this Form 10-K. ☒ .  
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The aggregate market value of the voting stock held by "nonaffiliates" of the  
registrant (for this purpose only, the affiliates of the registrant have been  
assumed to be the executive officers and directors of the registrant and their  
associates) as of August 4, 1997, was approximately \$2,271,116,618 (based on  
\$49.25 per share which was the closing sale price in the over-the-counter  
market as reported by NASDAQ).

The number of shares outstanding of the registrant's common stock, as of August  
4, 1997:  
Common stock, \$.20 par value--46,114,043 shares outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of  
Shareholders to be held on October 1, 1997, are incorporated into Part III of  
this report.

## PART 1

## Item 1 BUSINESS

## (a) General Development of Business

The company is engaged primarily in the design, manufacture, and sale of furniture systems and furniture, and related products and services, for offices, and, to a lesser extent, for health-care facilities and other uses. Through research, the company seeks to define and clarify customer needs and problems existing in its markets and to design, through innovation where feasible, products and systems as solutions to such problems.

Herman Miller, Inc., was incorporated in Michigan in 1905. One of the company's major plants and its corporate offices are located at 855 East Main Avenue, PO Box 302, Zeeland, Michigan, 49464-0302, and its telephone number is (616) 654 3000. Unless otherwise noted or indicated by the context, the term "company" includes Herman Miller, Inc., its predecessors and subsidiaries.

## (b) Financial Information About Industry Segments

A dominant portion (more than 90 percent) of the company's operations is in a single industry segment-the design, manufacture, and sale of office furniture systems and furniture, and related products and services. Accordingly, no separate industry segment information is presented.

## (c) Narrative Description of Business

The company's principal business consists of the research, design, development, manufacture, and sale of furniture systems and furniture, and related products and services. Most of these systems and products are coordinated in design so that they may be used both together and interchangeably. The company's products and services are purchased primarily for offices, and, to a lesser extent, health-care facilities and other uses.

The company is a leader in design and development of furniture and furniture systems. This leadership is exemplified by the innovative concepts introduced by the company in its modular systems known as Action Office, Q System, and Ethospace. Action Office, the company's series of three freestanding office partition and furnishing systems, is believed to be the first such system to be introduced and nationally marketed and as such popularized the "open plan" approach to office space utilization. Ethospace interiors is a system of movable full- and partial-height walls, with panels and individual wall segments that interchangeably attach to wall framework. It includes wall-attached work surfaces and storage/display units, electrical distribution, lighting, organizing tools, and freestanding components. The company also offers a broad array of seating (including Aeron, Equa and Ergon office chairs), storage (including Meridian filing products), and freestanding furniture products.

The company's products are marketed worldwide by its own sales staff. These sales persons work with dealers, the design and architectural community, as well as directly with end users. Seeking and strengthening the various distribution channels within the marketplace is a major focus of the company. Independent dealerships concentrate on the sale of Herman Miller products and a few complementary product lines of other manufacturers. Approximately 74.4 percent of the company's sales (in the fiscal year ended May 31, 1997) were made to or through independent dealers. The remaining sales (25.6 percent) were made directly to end-users, including federal, state, and local governments, and several major corporations, by either the company's own sales staff or its owned dealer network, Coro.

The company's furniture systems, seating, storage, and freestanding furniture products, and related services are used in (1) office/institution environments including offices and related conference, lobby and lounge areas, and general public areas including transportation terminals; (2) health/science environments including hospitals and other health care facilities; (3) clinical, industrial, and educational laboratories; and (4) other environments.

#### New Product and Industry Segment Information

During the past 12 months, the company has not made any public announcement of, or otherwise made public information about, a new product or a new industry segment which would require the investment of a material amount of the company's assets or which would otherwise result in a material cost.

#### Raw Materials

The company's manufacturing materials are available from a significant number of sources within the United States, Canada, Europe, and the Far East. To date, the company has not experienced any difficulties in obtaining its raw materials. The raw materials used are not unique to the industry nor are they rare.

#### Patents, Trademarks, Licenses, Etc.

The company has approximately 109 active United States utility patents on various components used in its products and approximately 72 active United States design patents. Many of the inventions covered by the United States patents also have been patented in a number of foreign countries. Various trademarks, including the name and style "Herman Miller," and the (TM) trademark, are registered in the United States and many foreign countries. The company does not believe that any material part of its business is dependent on the continued availability of any one or all of its patents or trademarks, or that its business would be materially adversely affected by the loss of any thereof except the "Herman Miller," "Action Office," "Aeron," "Ambi," "Ergon," "Equa," "Ethospace," (and (TM)) trademarks.

#### Seasonal Nature of Business

The company does not consider its business to be seasonal in nature.

#### Working Capital Practices

The company does not believe that it or the industry in general has any special practices or special conditions affecting working capital items that are significant for an understanding of the company's business.

#### Customer Base

No single dealer, excluding the company's owned dealer network, Coro, accounted for more than 3.0 percent of the company's net sales in the fiscal year ended May 31, 1997. For fiscal 1997, the largest single end-user customer accounted for approximately 7.4 percent of the company's net sales with the 10 largest of such customers accounting for approximately 13.0 percent of the company's sales. The company does not believe that its business is dependent on any single or small number of customers, the loss of which would have a materially adverse effect upon the company.

## Backlog of Orders

As of May 31, 1997, the company's backlog of unfilled orders was \$203.1 million. At June 1, 1996, the company's backlog totaled \$156.6 million. It is expected that substantially all the orders forming the backlog at May 31, 1997, will be filled during the current fiscal year. Many orders received by the company are filled from existing raw material inventories and are reflected in the backlog for only a short period while other orders specify delayed shipments and are carried in the backlog for up to one year. Accordingly, the amount of the backlog at any particular time is not necessarily indicative of the level of net sales for a particular succeeding period.

## Government Contracts

Other than standard price reduction and other provisions contained in contracts with the United States government, the company does not believe that any significant portion of its business is subject to material renegotiation of profits or termination of contracts or subcontracts at the election of various government entities.

## Competition

All aspects of the company's business are highly competitive. The principal methods of competition utilized by the company include design, product and service quality, speed of delivery, and product pricing. The company believes that it is the largest publicly held office furniture manufacturer in the United States. However, in several of the markets served by the company, it competes with over 400 smaller companies and with several manufacturers that have significantly greater resources and sales. Price competition remained relatively stable in 1995 through 1997.

## Research, Design and Development

One of the competitive strengths of the company is its research, design and development programs. Accordingly, the company believes that its research and design activities are of significant importance. Through research, the company seeks to define and clarify customer needs and problems and to design, through innovation where feasible, products and services as solutions to these customer needs and problems. The company utilizes both internal and independent research and design resources. Exclusive of royalty payments, approximately \$25.7 million, \$24.5 million, and \$31.3 million was spent by the company on design and research activities in 1997, 1996, and 1995, respectively. Royalties are paid to designers of the company's products as the products are sold and are not included in research and development costs as they are considered to be a variable cost of the product.

## Environmental Matters

The company does not believe, based on existing facts known to management, that existing environmental laws and regulations have had or will have any material effects upon the capital expenditures, earnings, or competitive position of the company. Further, the company continues to rigorously reduce, recycle, and reuse the solid wastes generated by its manufacturing processes. Its accomplishments and these efforts have been widely recognized.

## Human Resources

The company considers another of its major competitive strengths to be its human resources. The company stresses individual employee participation and incentives, and believes that this emphasis has helped to attract and retain a capable work force. The company has a human resources group to provide employee recruitment, education and development, and compensation planning and counseling. There have been no work stoppages or labor disputes in the company's history, and its relations with its employees are considered good. Approximately 545 of the company's employees are represented by collective bargaining agents, most of whom are employees of its Integrated Metal Technology, Inc., and Herman Miller, Limited (U.K.) subsidiaries. As such, these subsidiaries are parties to collective bargaining agreements with these employees.

As of May 31, 1997, the company employed 7,108 full-time and 317 part-time employees, representing a 2.1 percent increase in full-time employees and a 35.4 percent decrease in part-time employees compared with June 1, 1996. In addition to its employee work force, the company uses purchased labor to meet uneven demand in its manufacturing operations.

## (d) Information About International Operations

The company's sales in international markets primarily are made to office/institution customers. Foreign sales mostly consist of office furniture products such as Ethospace and Action Office systems, seating, and storage products. The company segments its internal operations into the following major markets: Canada, Europe, Latin America, and the Asia/Pacific region. In certain other foreign markets, the company's products are offered through licensing of foreign manufacturers on a royalty basis.

At the present time, the company's products sold in international markets are manufactured by wholly owned subsidiaries in the United States, United Kingdom, Mexico, and Italy. Sales are made through wholly owned subsidiaries in Australia, Canada, France, Germany (prior to sale), Italy, Japan, Mexico, the Netherlands, and the United Kingdom. The company's products are offered in the Middle East through dealers.

In several other countries, the company licenses manufacturing and selling rights. Historically, these licensing arrangements have not required a significant investment of funds or personnel by the company, and, in the aggregate, have not produced material net income for the company.

Additional information with respect to operations by geographic area appears in the note "Segment Information" of the Notes to Consolidated Financial Statements set forth on page 42. Fluctuating exchange rates and factors beyond the control of the company, such as tariff and foreign economic policies, may affect future results of international operations.

## Item 2 PROPERTIES

The company owns or leases facilities which are located throughout the United States and several foreign countries, including Australia, Canada, France, Germany, Italy, Japan, Mexico, and the United Kingdom. The location, square footage, and use of the most significant facilities at May 31, 1997, were as follows:

## ADDITIONAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information relating to Executive Officers of the company is as follows:

Name	Age	Year Elected an Executive Officer	Position with the Company
James E. Christenson	50	1989	Executive Vice President, Legal Services
Andrew C. McGregor	47	1988	Executive Vice President, President, Herman Miller Choices
Gary S. Miller	47	1984	Senior Vice President, Product Services
David E. Nelson	67	1996	Chairman of the Board
Christopher A. Norman	49	1996	Executive Vice President, President, Miller SQA, Inc.
Michael A. Volkema	41	1995	President and Chief Executive Officer
Brian C. Walker	35	1996	Executive Vice President, Financial Services, Chief Financial Officer, and Treasurer

Except as discussed in this paragraph, each of the named officers has served the company in an executive capacity for more than five years. From February 1995 to May 1995, Mr. Volkema was president and chief executive officer of Coro, Inc., and prior to May 1993 to September 1994, was president and chairman of the board of Meridian, Inc. Mr. Nelson was vice president, customer support, at Asea Brown Boveri. Mr. Norman has served as the president of Miller SQA for the past five years. Mr. Walker was the vice president of finance for Herman Miller, Inc., from May 1995 to March 1996, vice president of finance and management information systems of Milcare, Inc., from July 1994 to May 1995, and vice president of finance for Herman Miller Europe from December 1991 to July 1994.

## PART II

Item 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED  
SHAREHOLDER MATTERS

## SHARE PRICE, EARNINGS, AND DIVIDENDS SUMMARY

Herman Miller, Inc., common stock is quoted in the NASDAQ-National Market System (NASDAQ-NMS Symbol: MLHR). As of August 4, 1997, there were approximately 17,000 shareholders of record of the company's common stock.

Per Share and Unaudited	Market Price High	Market Price Low	Market Price Close	Per Share Earnings	Per Share Dividends
YEAR ENDED MAY 31, 1997					
First quarter	19.125	14.938	18.763	.32	.065
Second quarter	23.750	18.500	23.500	.37	.065
Third quarter	34.000	22.531	32.875	.28	.065
Fourth quarter	37.313	28.875	35.750	.58	.073
Year	37.313	14.938	35.750	1.55	.268
YEAR ENDED JUNE 1, 1996					
First quarter	13.250	10.750	13.125	.24	.065
Second quarter	16.000	12.750	15.875	.10	.065
Third quarter	17.063	13.813	16.094	.23	.065
Fourth quarter	16.125	13.766	15.438	.34	.065
Year	17.063	10.750	15.438	.91	.260

## Item 6 SELECTED FINANCIAL DATA

## REVIEW OF OPERATIONS

(In Thousands Except Per Share Data)	1997	1996	1995	1994	1993
<b>OPERATING RESULTS</b>					
Net Sales	\$1,495,885	\$1,283,931	\$1,083,050	\$953,200	\$855,673
Gross Margin	533,924	434,946	378,269	337,138	298,501
Selling, General, and Administrative	359,601	316,024	303,621	245,189	230,219
Design and Research Expense	29,140	27,472	33,682	30,151	24,513
Operating Income	130,683	74,935	9,066	61,798	43,769
Income (Loss) Before Income Taxes	125,883	70,096	4,039	63,473	42,354
Net Income (Loss)	74,398	45,946	4,339	40,373	22,054
Cash Flow from Operating Activities	218,170	124,458	29,861	69,764	82,588
Depreciation and Amortization	47,985	45,009	39,732	33,207	31,600
Capital Expenditures	54,470	54,429	63,359	40,347	43,387
Common Stock Repurchased plus Cash Dividends Paid	110,425	38,116	13,600	38,461	21,157
<b>KEY RATIOS</b>					
Sales Growth	16.5	18.5	13.6	11.4	6.3
Gross Margin (1)	35.7	33.9	34.9	35.4	34.9
Selling, General, and Administrative (1)	24.0	24.6	28.0	25.7	26.9
Design & Research Expense (1)	1.9	2.1	3.1	3.2	2.9
Operating Income (1)	8.7	5.8	0.8	6.5	5.1
Net Income Growth	61.9	958.9	(89.3)	83.1	255.9
After-Tax Return on Net Sales	5.0	3.6	0.4	4.2	2.6
After-Tax Return on Average Assets	10.3	6.8	0.7	7.9	4.6
After-Tax Return on Average Equity	25.0	15.4	1.5	13.9	7.8
<b>COMMON SHARE DATA</b>					
Earnings per Share	\$1.55	\$ .91	\$ .09	\$ .80	\$ .44
Cash Dividends Declared per Share	.27	.26	.26	.26	.26
Book Value per Share at Year End	5.97	6.13	5.79	5.87	5.68
Market Price per Share at Year End	35.75	15.44	10.84	12.44	12.81
Average Shares and Equivalents Outstanding	48,062	50,258	49,584	50,510	49,986
<b>FINANCIAL CONDITION</b>					
Total Assets	\$755,587	\$694,911	\$659,012	\$533,746	\$484,342
Working Capital	100,253	115,878	39,575	50,943	62,711
Current Ratio	1.35	1.53	1.15	1.29	1.43
Interest-Bearing Debt	127,369	131,710	144,188	70,017	39,877
Shareholders' Equity	287,062	308,145	286,915	296,325	283,942
Total Capital	414,431	439,855	431,103	366,342	323,819
Interest-Bearing Debt to Total Capital	30.7	29.9	33.4	19.1	12.3

(1) Shown as a percent of net sales.



(Graph)

NET SALES  
IN MILLIONS OF DOLLARS

1993	856
1994	953
1995	1,084
1996	1,284
1997	1,496

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The issues discussed in management's discussion and analysis should be read in conjunction with the company's consolidated financial statements and the related footnotes.

## FORWARD-LOOKING STATEMENTS

This discussion and analysis of financial condition and results of operations, as well as other sections of our Annual Report, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and about the company itself. Words such as "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plan," "projects," "should," variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. Furthermore, Herman Miller undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

## OVERVIEW

We had another very good year in 1997. This year followed a very strong recovery in 1996, after a year of disappointing results, leadership changes, and restructuring in 1995. We established new performance records in each of the past eight quarters. In 1997, we set new records for net sales, net income, earnings per share, and cash flow.

The exceptional operating performance in 1997 enabled us to return \$110.4 million to our shareholders in the form of cash dividends and share repurchases. In March of this year, we announced a 2-for-1 stock split and increased our quarterly dividend 11.5 percent to \$.0725 per share. We created value for our shareholders and employee-owners through share-price appreciation and dividends. During 1997, a share of Herman Miller stock appreciated 131.6 percent (based on share price) for a total return of 135.0 percent (including dividends) versus 29.5 percent for the S&P 500 as a whole.

(graph)

TOTAL RETURN TO SHAREHOLDERS  
AS A PERCENT

	S&P 500	Herman Miller
1993	11.56%	37.61%
1994	4.25%	-0.90%
1995	20.16%	-9.72%
1996	28.55%	43.11%
1997	29.54%	134.95%

Our fiscal 1997 financial results reflect the following:

- - Accelerated demand for office furniture in the United States
- - Increased domestic market share
- - Turnaround efforts in our international business
- - Improved manufacturing productivity
- - Stringent cost containment
- - Improved management of working capital

## REVIEW OF OPERATIONS

## NET SALES AND EARNINGS PER SHARE

One of management's key goals is to increase net sales 15 percent per annum. We exceeded this goal in both 1997 and 1996. Net sales increased 16.5 percent in 1997 to a record \$1.49 billion. Net sales increased 18.5 percent and 13.6 percent in the two previous years.

Management also set a net income growth goal of 15 percent per annum, excluding unusual charges. Net income grew 50.0 percent in 1997 to a record \$84.8 million, or \$1.77 per share, excluding the loss on the sale of the German manufacturing operations. Net income grew 74.2 percent in 1996 to \$56.5 million, or \$1.13 per share, excluding the patent litigation settlement, following a decline of 19.7 percent in 1995, excluding the restructuring charges.

## DOMESTIC OPERATIONS

The United States office furniture industry is enjoying increased sales and strong demand. The Business and Institutional Furniture Manufacturers Association ("BIFMA") reported that United States sales increased approximately 10.7 percent in the 12 months ended May 31, 1997, after increasing 4.8 percent in 1996 and 9.2 percent in 1995. We believe the accelerated demand in recent years is due to secular changes affecting work environments. In particular, new and emerging work styles and the rapid deployment of technology are causing companies to rethink completely their approach to work environments. In addition, the fast-growing high-tech and service sectors of the economy have a high concentration of knowledge workers. These companies and their employees have a higher demand for office furniture that enhances productivity and provides a safe and healthy work environment.

(graph)

DOMESTIC SALES GROWTH  
AS A PERCENT

	BIFMA	Herman Miller
1993	7.7%	7.9%
1994	6.9%	10.6%
1995	9.2%	10.1%
1996	4.8%	16.7%
1997	10.7%	19.2%

During each of the past three years, our domestic sales have increased at a faster rate than the overall industry. As shown in the graph, our domestic sales grew 19.2 percent, 16.7 percent, and 10.1 percent in 1997, 1996, and 1995, respectively. The increased market share is attributable to:

- - An industry trend of consolidation
- - Our domestic business strategy announced in fiscal 1996
- - A superior product offering in the systems, seating, and filing and storage segments

Over the past 10 years, the combined market share of the five largest manufacturers increased from 41 to 56 percent. This trend is due to both acquisitions and internal growth. Over this same period, our market share increased from seven to 11 percent. This trend reflects our customers' desires to do business with companies that can supply a broad range of value-creating products and services.

During 1996, we began to implement a new management and business structure to enable us to focus on two broad customer categories: those with complex needs and those with convenience

needs. A key component of this strategy is the development of a seamless distribution network and service business. Over the past three years, our newest venture, Coro, Inc., has completed the acquisition of several privately owned dealers. These dealers, along with privately owned dealers certified by Coro, will be the foundation of a network of local service organizations. Excluding these acquisitions, which were immaterial on an individual basis, our domestic sales increase would have been 16.4 percent in 1997 and 13.7 percent in 1996.

Our Miller SQA (SQA stands for Simple, Quick, and Affordable) business unit is focused on our effort to serve customers who seek speed and convenience. We believe the new products developed for this segment, including Q System and Limerick seating, coupled with our electronic selling platform, are enabling us to reach customers we have not previously served.

The accelerated demand for office furniture in the United States reflects the need to efficiently integrate technology into the workspace. Today, this integration is most effectively achieved through the use of office furniture systems. Action Office, our series of three freestanding office partition and furnishing systems, is believed to be the first such system introduced and marketed nationally. We believe our Ethospace system, and recently introduced Q System product lines provide superior technology integration capabilities. In 1997, sales of these product lines grew at a faster rate than our total net sales.

During fiscal 1995 and 1994, we invested a significant amount of research and design resources in the complete renewal of our seating lines. This renewal included updating our Equa and Ergon product lines and adding two new award-winning products, Aeron and Ambi seating. We believe based on market demand that these investments have resulted in the strongest work-chair product offering in the industry.

We had significant unit volume increases in each of our core product segments in 1997. Excluding the impact of acquisitions, our domestic sales growth was primarily due to unit volume increases. We did not increase list prices in 1997, and discounts from list were comparable to the prior year. Discounts increased from 1995 to 1996, which resulted in slightly lower net prices to customers. Changes in price had an immaterial impact on 1995.

#### INTERNATIONAL OPERATIONS AND EXPORTS FROM THE UNITED STATES

One of the key objectives for 1997 was to establish a strategy and action plan for our international business that would improve profitability and provide for an appropriate return on our investment. While sales growth was modest in 1997, our turnaround efforts in Mexico, Canada, and Germany improved our operating results.

In 1997, sales from international operations and exports from the United States increased 4.6 percent. The year-over-year growth in sales from international operations and exports from the United States was primarily due to strong growth in the United Kingdom and Canada, offset by the decision to restructure our German operations in the third quarter.

(graph)

INTERNATIONAL NET SALES  
IN MILLIONS OF DOLLARS

1993	122
1994	141
1995	189
1996	240
1997	251

The growth in 1996 and 1995 reflected unit volume growth and the impact of acquisitions. Excluding the impact of acquisitions, 1996 and 1995 net sales increased 9.2 percent and 15.3 percent, respectively.

Excluding the loss on the disposal of our German manufacturing operations, our international operations earned \$1.3 million in comparison to losses of \$8.0 million in 1996 and \$2.9 million in 1995. The most significant improvements were in our Mexican and Canadian operations.

The improvement in our Mexican operation was primarily due to improved gross margins and operating expense reductions implemented in the fourth quarter of 1996 and first quarter of 1997. Gross margins, as a percent of sales, improved from 17.9 percent in 1996 to 35.1 percent in 1997. The improvement was principally due to increased control over project pricing. The increased profitability in our Canadian operation was due to a 29.0 percent increase in sales and the completion of our efforts to integrate an acquisition concluded in fiscal 1996.

During the second quarter of fiscal 1997, declining sales and continuing losses at our German subsidiary led us, in accordance with our accounting policies, to assess the realizability of the subsidiary's long-lived assets. At that time, estimates of expected future cash flows under various options to improve our operating results in Germany were evaluated to determine if any potential impairment existed. Although none of the options was developed to the extent required to enable us to reach a decision and plan for implementation, based on the results of our various evaluations of potential impairment, we determined at the enterprise level, the goodwill and intangibles associated with the acquisition were no longer recoverable. As a result, a pretax charge of \$5.5 million (\$4.5 million, or \$.10 per share after tax) was recorded for the write-offs of the goodwill and brand-name assets of the subsidiary.

During the third quarter of fiscal 1997, we authorized and committed the company to a plan to restructure the manufacturing component of our German operations. The plan involved closing the manufacturing facility in Germany which was expected to be completed in fiscal 1998. Based on the most current information available at that time, we believed that closing the facility was the most viable option. As a result, we recorded a pretax restructuring charge of \$13.7 million (\$5.4 million, or \$.11 per share after tax).

During the fourth quarter of fiscal 1997, we were able to sell the German manufacturing operations. The sale had the effect of reducing both the pretax restructuring costs recorded in the third quarter by \$4.7 million and the anticipated tax benefit by \$5.2 million. In the end, the sale reduced our exposure to future employment liabilities and maximized the employees' chances for continued employment.

In summary, after adjusting for the effects of the sale, the divestiture of the company's investments in its German manufacturing operations resulted in a pretax loss of \$14.5 million (\$10.4 million, or \$.22 per share after tax) in 1997.

Our Italian operations continue to be unprofitable. During the fourth quarter, external consultants were engaged to perform a stringent review of the operational costs and processes of the Italian operations. At this time, management does not believe the outcome of this review will result in recommendations that would have a material negative effect on the financial statements.

The 1996 loss included pretax charges for the discontinuation of two product lines in Europe (\$1.6 million) and provisions for unrealizable barter receivables in Mexico (\$2.5 million). In addition, a charge of approximately \$1.0 million was recorded to reserve for deferred tax assets associated with our Mexican operations.

#### GROSS MARGIN

In 1997, we achieved four consecutive quarters of improved gross margins, after declines in each of the two previous years. In 1997, gross margins improved as we continued to benefit from the manufacturing and logistical changes implemented during 1995. These changes resulted in increased throughput and decreased fixed and semifixed manufacturing costs. These improvements were coupled with a favorable product mix, value enhancement engineering initiatives, and, to a lesser extent, the previously discussed improvement in Mexico.

(graph)

#### GROSS MARGIN AS A PERCENT

1993	34.9%
1994	35.4%
1995	34.9%
1996	33.9%
1997	35.7%

Gross margins in 1996 were comparable to the second half of 1995. Cost benefits from the manufacturing and logistics changes implemented in 1995 were offset by additional price discounts to customers. The decline in 1995 was primarily attributable to a decline in the third quarter as a result of a 3.5 percent increase in raw material prices. Raw material prices were stable in both 1996 and 1997.

In 1995, the company implemented two restructuring initiatives and recorded \$31.9 million in pretax restructuring charges. The first initiative reconfigured the company's manufacturing and logistical operations. The reconfiguration enabled the company to develop the capability to process and direct-ship customer orders in their entirety rather than in stages, which requires additional warehousing and transportation between stages. The manufacturing changes also included transferring production of the company's wood casegoods product line to Geiger International and closing our manufacturing facility in North Carolina.

The manufacturing improvements were the primary factor enabling us to reduce the days sales outstanding in the sum of accounts receivable and inventory to 63.3 days, compared with 75.6 days and 91.2 days at the end of 1996 and 1995, respectively. The manufacturing improvements have also enabled us to reduce the time required between the receipt of a customer's order and the shipment of the product. This enables us to respond more quickly to changes in demand.

#### OPERATING EXPENSES

At the end of 1995, we set a goal of reducing our operating expenses as a percent of net sales to 25 percent by the end of 1998. We define operating expenses as selling, general, administrative, and research and design expenses. In 1997, the total of these expense categories was 26.0 percent of sales compared with 26.7 percent in 1996 and 30.0 percent in 1995. Please note that the 1995 percentage excludes the \$12.0 million pretax charge recorded for patent litigation costs.

(graph)

#### OPERATING EXPENSES

##### AS A PERCENT OF NET SALES

1993	29.8%
1994	28.9%
1995	29.9%
1996	26.7%
1997	26.0%

The improvement in 1997 was the result of stringent cost containment coupled with the continuous redeployment of costs and people to our strategic priorities.

The reduction in 1996 was due to restructuring initiatives implemented in 1995. The restructuring included reductions in administrative and staff employment, elimination of nonessential consulting contracts and other programs, and discontinuation of a product development program at our healthcare subsidiary, Milcare.

We are pleased with our improved operating expense ratio and are confident that we can reach our goal of 25.0 percent by the end of 1998. We plan to obtain future reductions in operating expenses through continued cost containment, changes to systemic business processes, and improvements in international operations.

Selling, general, and administrative expenses including design and research expenses, increased \$45.2 million from \$343.5 million in 1996, to \$388.7 million in 1997. The increase is primarily attributable to acquisitions and new ventures (\$10.7 million), a 4.0 percent year-over-year increase in compensation and benefits, and increases in compensation costs that vary with profitability and sales.

Research and development costs, excluding royalty payments, were \$25.7 million in 1997, compared with \$24.5 million in 1996 and \$31.3 million in 1995. Royalty payments made to designers of the company's product as the products are sold are not included in research and development costs as they are considered to be a variable cost of the product. As a percentage of net sales, research and development costs were 1.7 percent in 1997, 1.9 percent in 1996, and 2.9

percent in 1995. New product design and development has been, and continues to be, a key business strategy. The small decrease in research and development, as percent of sales, in 1997 reflects continued efforts to improve the efficiency of our processes and the timing of major projects. The decrease from 1995 to 1996 reflects a discontinued product development program at Milcare and the completion of several programs to renew our seating offering. In 1996, we introduced three new award-winning product lines. In 1997, we introduced our award-winning Systems Bridge product line. The Systems Bridge enhances a customer's current furniture system's (both ours and the competition's) ability to integrate power and technology into the work space. We expect to introduce several new products over the next 18 to 24 months.

#### PATENT LITIGATION SETTLEMENT AND OTHER CONTINGENCIES

In 1992, Haworth, Inc. ("Haworth") filed a lawsuit against the company, alleging that the electrical systems used in creation of the company's products infringed one or more of Haworth's patents. In 1996, the company and Haworth agreed to terms of a settlement. We continue to believe, based upon written opinion of counsel, that our products did not infringe Haworth's patents and we would, more likely than not, have prevailed on the merits. However, based on the mounting legal costs, distraction of management focus, and the uncertainty present in any litigation, we concluded settlement was in the best interest of our shareholders. The settlement included a one time cash payment of \$44.0 million in exchange for a complete release. The companies also exchanged limited covenants not to sue with respect to certain existing and potential patent designs. We simultaneously reached a settlement with one of our suppliers, who agreed to pay the company \$11.0 million and, over the next seven years, to rebate a percentage of its sales to Herman Miller that are in excess of current levels. These rebates are recorded when earned. Accordingly, we recorded a net litigation settlement expense of \$16.5 million after applying previously recorded reserves and the settlement with the supplier.

The company for a number of years has sold various products to the United States Government under General Services Administration (GSA) multiple award schedule contracts. The GSA is permitted to audit the company's compliance with the GSA contracts. As a result of its audits, the GSA has asserted a refund claim under the 1982 contract for approximately \$2.7 million and has other contracts under audit review. Management has been notified that the GSA has referred the 1988 contract to the Justice Department for consideration of a potential civil False Claims Act case. Management disputes the audit result for the 1982 contract and does not expect resolution of that matter to have a material adverse effect on the company's consolidated financial statements. Management does not have information that would indicate a substantive basis for a civil False Claims Act case under the 1988 contract.

We are not aware of any other litigation or threatened litigation that would have a material impact on the company's financial statements.

#### INCOME TAXES

The effective tax rate was 40.9 percent in 1997, compared to 34.5 percent in 1996 and a benefit of 7.4 percent in 1995. The higher tax rate reflects the tax law change effective in 1997 that reduced the benefit of the Corporate Owned Life Insurance Program. During the third and fourth quarters of 1997, provisions were recorded for the potential cost of unwinding this program. The tax rate was also negatively impacted by the loss on the sale of the German manufacturing operations, which provided a tax benefit that was lower than our statutory rate. The 1996 effective tax rate reflects the improved operating performance in the company's domestic operations. The 1996 effective tax rate was benefited by the completion of a sale and leaseback of the company's Roswell, Georgia, facility and the sale of excess land to its captive insurance company. The completion of these transactions resulted in the recognition of certain deferred tax assets that were reserved for in previous periods. The net tax benefit in 1995 was due to relatively



small pretax earnings in domestic operations as a result of the restructuring initiatives and poor operating results. In addition, the company generated a net tax benefit from its corporate-owned life insurance program and, to a lesser extent, improved operating results in the United Kingdom and Japan allowed net operating loss carryforwards to be used. Management expects its effective tax rate for 1998 to be in the range of 37.0 to 39.0 percent.

#### LIQUIDITY AND CAPITAL RESOURCES CASH FLOW AND DEBT FINANCING

(Dollars In Thousands)	1997	1996	1995
Cash and cash equivalents	\$106,161	\$57,053	\$16,488
Cash from operating activities	\$218,170	\$124,458	\$29,861
Days sales in accounts receivable and inventory	63.3	75.6	91.2
Capital expenditures	\$54,470	\$54,429	\$63,359
Interest-bearing debt to total capital	30.7%	29.9%	33.4%

The improved cash flow from operations reflects our increased profitability and a reduction in the cash used for working capital items. As previously mentioned, the working capital improvements are a result of the manufacturing and logistical reconfiguration implemented over the last two years and other operational improvements.

(graph)

#### CASH FLOW FROM OPERATING ACTIVITIES IN MILLIONS OF DOLLARS

1993	83
1994	70
1995	30
1996	124
1997	218

The 1997 capital expenditures were primarily spent for a new facility at Meridian, new product development, and machinery and equipment to improve operational performance and expand capacity.

We expect capital expenditures, net of asset sales, to increase to \$60-\$70 million in 1998. The largest expenditures planned in 1998 are for new product development and investments in information systems. We are planning for investments in information technology that will enable us to reach our long-term cost structure and operational performance goals and network our service organizations and independent dealers. The cost of these investments is estimated to be \$50-\$60 million, and is expected to be made over the next two to four years. An analysis has also been performed of the work necessary to assure that the information systems will be able to deal with the advent of the year 2000. The cost associated with the year 2000 modification will be expensed in the period incurred. We believe these costs will not be material to any fiscal year.

During 1996, we began to redeploy cash invested in nonproductive or nonessential assets. We are currently in the process of selling the facilities and land at our Grandville, Michigan, and Roswell, Georgia, sites. The net book value of these sites is approximately \$13.5 million, and we anticipate a selling price in excess of current net book value. The Grandville site is no longer needed and will not be replaced. The Georgia facility will be replaced by a new facility. The

facility will enable us to consolidate the operations currently performed on our owned site with operations performed at two leased locations.

As previously discussed, in 1997, we purchased a privately owned United States dealer as part of our service strategy. This local service organization was acquired for approximately \$9.7 million. We expect to invest between \$15 million and \$30 million in acquiring additional local and regional service operations in 1998.

At the end of 1997, our cash and cash equivalents were significantly higher than in previous periods. We intend to use the cash and cash equivalents to repurchase shares of the company's common stock, to fund acquisitions related to the service strategy, and to fund future capital expenditures. We believe the cash and cash equivalents, combined with cash flow from operating activities, will be adequate to fund operations, capital expenditures, acquisitions, and dividends. If necessary, the company has \$100 million in available committed credit facilities and \$90 million in informal credit lines.

We have established a target capital structure with a debt-to-total-capital ratio of 30 to 35 percent. Cash in excess of requirements for capital expenditures, acquisitions, and dividends will be used to fund the repurchase of the company's common stock subject to market conditions.

#### COMMON STOCK TRANSACTIONS

(Dollars In Thousands)	1997	1996	1995
Shares acquired	4,071,081	1,720,790	68,400
Cost of shares acquired	\$97,962	\$25,101	\$732
Cost per share acquired	\$24.06	\$14.59	\$10.70
Shares issued	763,443	1,463,546	521,226
Cost per share issued	\$16.21	\$12.95	\$10.75
Cash dividends	\$12,593	\$12,999	\$12,869
Dividends per share	\$.27	\$.26	\$.26

(graph)

#### TOTAL CASH RETURNED TO SHAREHOLDERS IN MILLIONS OF DOLLARS

1993	21
1994	38
1995	14
1996	37
1997	110

The Board of Directors first authorized the company to repurchase its common stock in 1984 and has periodically renewed its authorization. Management and the Board of Directors believe the share repurchase program is an excellent means of returning value to our shareholders and preventing dilution from employee ownership programs. As a result, at the May 1997 Board of Directors' meeting, the Board authorized the company to repurchase an additional 2.0 million shares. At May 31, 1997, we had approximately 2,836,000 remaining shares under the July 1996 and May 1997 repurchase authorizations.

On March 18, 1997, the Board of Directors approved a 2-for-1 stock split effected in the form of a 100 percent dividend to shareholders of record on March 31, 1997, payable on April 15, 1997. The distribution increased the number of shares outstanding from 23,657,000 to 47,314,000. All

share and per share data, including stock plan information, are restated to reflect the split. The Board of Directors also approved an increase in the cash dividend from \$.065 per share to \$.0725 per share for shareholders of record on May 31, 1997.

#### ECONOMIC VALUE ADDED

One of our primary goals is to create economic value for shareholders and employee-owners. To aid and support the accomplishment of that objective, we have created and installed a performance measurement and compensation system called "Economic Valued Added" (EVA). EVA is an internal measurement of operating and financial performance that extensive independent market research has shown more closely correlates with shareholder value than any other performance measure.

(graph)

EVA

IN MILLIONS OF DOLLARS

1993	-28
1994	-1
1995	-13
1996	10
1997	40

Simply put, EVA is what remains of profits after taxes once a charge for the capital employed in the business is deducted. As an operating discipline, the main advantage of EVA is that it focuses management's attention on the balance sheet as well as on the income statement.

Herman Miller is effectively competing for scarce capital resources. Management's task is to put this scarce resource to work and earn the best possible return for our shareholders. This means investing in projects that earn a return greater than the cost of sourcing the funds from our investors. As long as we are making investments that earn a return higher than the cost of capital, then our investors should earn a return in excess of their expectations and our stock is likely to command a premium in the marketplace.

A critical feature of the new EVA measurement system was linking it to incentive compensation. In 1997, the incentive compensation plans of corporate officers, vice presidents, and directors at each of the business units were linked to the EVA concept. Under the terms of the EVA plan, focus is shifted from budget performance to long-term continuous improvements in shareholder value. The EVA target is raised each year by an improvement factor, so that increasingly higher EVA targets must be attained in order to earn the same level of incentive pay. The improvement is set by the Board of Directors for a period of three years. During 1997, we trained 85 percent of our employee-owners in the EVA concept and developed decision tools and incentive plans that are aligned with our overall EVA goals.

## CALCULATION OF ECONOMIC VALUE ADDED

(Dollars In Thousands)	1997	1996	1995
Operating income	\$130,683	\$74,935	\$9,066
Adjust for:			
Divestiture/patent litigation/restructuring	14,500	16,535	43,900
Interest expense on noncapitalized leases(1)	4,509	4,316	4,215
Goodwill amortization	4,725	4,115	1,272
Other	5,093	3,071	1,121
Increase in reserves	18,649	6,548	506
Capitalized design and research	2,819	1,984	3,450
	-----	-----	-----
Adjusted operating profit	180,978	111,504	63,530
Cash taxes(2)	(72,091)	(34,561)	(18,317)
	-----	-----	-----
Adjusted operating profit after taxes	108,887	76,943	45,213
Weighted average capital employed(3)	617,727	605,438	532,760
Weighted average cost of capital(4)	11%	11%	11%
	-----	-----	-----
Cost of capital	67,950	66,598	58,604
	-----	-----	-----
Economic value added	\$40,937	\$10,345	(\$13,391)
	-----	-----	-----

- (1) Imputed interest as if the total non-cancelable lease payments were capitalized.
- (2) The reported current tax provision is adjusted for the statutory tax impact of interest income and expense.
- (3) Total assets less non-interest bearing liabilities plus the LIFO, doubtful accounts and notes receivable reserves, warranty reserve, amortized goodwill, loss on sale of the German manufacturing operations, patent litigation settlement costs, restructuring costs, and capitalized design and research expense. Design and research is capitalized and amortized over 5 years.
- (4) Management's estimate of the weighted-average of the minimum equity and debt returns required by the providers of capital.

(R)EVA is a registered trademark of Stern, Stewart & Co.

## Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## QUARTERLY FINANCIAL DATA

Summary of the quarterly operating results on a consolidated basis:

May 31, 1997; June 1, 1996; June 3, 1995  
(In Thousands Except Per Share Data)  
Unaudited

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1997	Net sales	\$342,484	\$377,137	\$365,060	\$411,204
	Gross margin	118,272	134,300	131,933	149,419
	Net income	15,586	17,852	13,535	27,425
	Net income per share	\$.32	\$.37	\$.28	\$.58
1996	Net sales	\$301,088	\$328,393	\$312,915	\$341,535
	Gross margin	102,879	112,653	103,415	115,999
	Net income	12,014	4,955	11,900	17,077
	Net income per share	\$.24	\$.10	\$.23	\$.34
1995	Net sales	\$252,831	\$279,077	\$259,950	\$291,192
	Gross margin	91,011	99,358	88,881	99,019
	Net income	7,937	1,443	4,259	(9,300)
	Net income per share	\$.16	\$.03	\$.09	\$ (.19)

## CONSOLIDATED STATEMENTS OF INCOME

May 31, 1997; June 1, 1996; June 3, 1995 (In Thousands Except Per Share Data)	1997	1996	1995
NET SALES	\$1,495,885	\$1,283,931	\$1,083,050
COST OF SALES	961,961	848,985	704,781
	-----	-----	-----
GROSS MARGIN	533,924	434,946	378,269
	-----	-----	-----
Operating Expenses:			
Selling, general, and administrative	359,601	316,024	303,621
Design and research	29,140	27,472	33,682
Patent litigation settlement	--	16,515	--
Loss on divestiture/restructuring charges	14,500	--	31,900
	-----	-----	-----
TOTAL OPERATING EXPENSES	403,241	360,011	369,203
	-----	-----	-----
OPERATING INCOME	130,683	74,935	9,066
	-----	-----	-----
Other Expenses:			
Interest expense	8,843	7,910	6,299
Interest income	(8,926)	(6,804)	(6,154)
Loss on foreign exchange	1,687	1,614	3,067
Other, net	3,196	2,119	1,815
	-----	-----	-----
NET OTHER EXPENSES	4,800	4,839	5,027
	-----	-----	-----
INCOME BEFORE INCOME TAXES	125,883	70,096	4,039
Income Taxes	51,485	24,150	(300)
	-----	-----	-----
NET INCOME	\$74,398	\$45,946	\$4,339
	-----	-----	-----
NET INCOME PER SHARE	\$1.55	\$ .91	\$ .09
	-----	-----	-----

The accompanying notes are an integral part of these statements.

## CONSOLIDATED BALANCE SHEETS

May 31, 1997, and June 1, 1996 (In Thousands Except Share and Per Share Data)	1997	1996
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$106,161	\$57,053
Accounts receivable, less allowances of \$12,943 in 1997 and \$10,423 in 1996	179,242	170,116
Inventories	53,877	65,730
Prepaid expenses and other	46,584	42,006
TOTAL CURRENT ASSETS	385,864	334,905
Property and Equipment:		
Land and improvements	26,936	27,386
Buildings and improvements	156,002	159,353
Machinery and equipment	346,653	328,690
Construction in progress	25,991	20,679
Less accumulated depreciation	555,582	536,108
NET PROPERTY AND EQUIPMENT	290,355	267,343
Notes Receivable, less allowances of \$8,489 in 1997 and \$4,415 in 1996	47,431	39,212
Other Assets	57,065	52,029
TOTAL ASSETS	\$755,587	\$694,911
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Unfunded checks	\$25,730	\$2,867
Current portion of long-term debt	173	317
Notes payable	17,109	21,148
Accounts payable	76,975	59,208
Accrued liabilities	165,624	135,487
TOTAL CURRENT LIABILITIES	285,611	219,027
Long-Term Debt, less current portion above	110,087	110,245
Other Liabilities	72,827	57,494
TOTAL LIABILITIES	468,525	386,766
Shareholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	--	--
Common stock, \$.20 par value (60,000,000 shares authorized, 46,030,822 and 49,398,460 shares issued and outstanding in 1997 and 1996)	9,207	4,934
Additional paid-in capital	--	14,468
Retained earnings	292,237	303,578
Cumulative translation adjustment	(10,863)	(11,633)
Key executive stock programs	(3,519)	(3,202)
TOTAL SHAREHOLDERS' EQUITY	287,062	308,145
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$755,587	\$694,911

The accompanying notes are an integral part of these balance sheets.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In Thousands Except Share and Per Share Data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Key Exec. Stock Programs	Total Shareholders' Equity
BALANCE MAY 28, 1994	\$4,918	\$16,649	\$279,161	\$ (3,460)	\$(943)	\$296,325
Net income	--	--	4,339	--	--	4,339
Cash dividends (\$.26 per share)	--	--	(12,869)	--	--	(12,869)
Exercise of stock options	23	2,353	--	--	--	2,376
Common stock issued pursuant to employee stock purchase plan	26	2,592	--	--	--	2,618
Common stock issued	4	396	--	--	--	400
Repurchase and retirement of 68,400 shares of common stock	(7)	(725)	--	--	--	(732)
Stock grants earned	--	--	--	--	207	207
Stock grants issued	3	299	--	--	(361)	(59)
Key executive stock purchase assistance plan	--	--	--	--	(2,165)	(2,165)
Current year translation adjustment	--	--	--	(3,525)	--	(3,525)
BALANCE JUNE 3, 1995	\$4,967	\$21,564	\$270,631	\$ (6,985)	\$(3,262)	\$286,915
Net income	--	--	45,946	--	--	45,946
Cash dividends (\$.26 per share)	--	--	(12,999)	--	--	(12,999)
Exercise of stock options	79	9,817	--	--	31	9,927
Common stock issued pursuant to employee stock purchase plan	18	2,258	--	--	--	2,276
Repurchase and retirement of 1,720,790 shares of common stock(172)	--	(26,006)	--	--	1,077	(25,101)
Common stock issued for acquisitions	43	6,425	--	--	--	6,468
Stock grants earned	--	--	--	--	284	284
Stock grants forfeited	(8)	(639)	--	--	647	--
Stock grants issued	7	1,049	--	--	(1,467)	(411)
Key executive stock purchase assistance plan	--	--	--	--	(512)	(512)
Current year translation adjustment	--	--	--	(4,648)	--	(4,648)
BALANCE JUNE 1, 1996	\$4,934	\$14,468	\$303,578	\$ (11,633)	\$(3,202)	\$308,145
Net income	--	--	74,398	--	--	74,398
Cash dividends (\$.27 per share)	--	--	(12,593)	--	--	(12,593)
Exercise of stock options	63	9,049	--	--	--	9,112
Common stock issued pursuant to employee stock purchase plan	14	2,637	--	--	--	2,651
Repurchase and retirement of 4,071,081 shares of common stock	(553)	(29,374)	(68,414)	--	379	(97,962)
Stock dividend	4,732	--	(4,732)	--	--	--
Directors fees	1	225	--	--	--	226
Stock grants earned	--	--	--	--	387	387
Stock grants issued	16	2,995	--	--	(1,776)	1,235
Key executive stock purchase assistance plan	--	--	--	--	693	693
Current year translation adjustment	--	--	--	770	--	770
BALANCE MAY 31, 1997	\$9,207	\$--	\$292,237	\$ (10,863)	\$(3,519)	\$287,062

The accompanying notes are an integral part of these statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

May 31, 1997; June 1, 1996; and June 3, 1995 (In Thousands)	1997	1996	1995
Cash Flows from Operating Activities:			
Net Income	\$74,398	\$45,946	\$4,339
Adjustments to reconcile net income to net cash provided by operating activities	143,772	78,512	25,522
NET CASH PROVIDED BY OPERATING ACTIVITIES	218,170	124,458	29,861
Cash Flows from Investing Activities:			
Notes receivable repayments	449,405	455,973	428,375
Notes receivable issued	(460,956)	(454,261)	(436,434)
Property and equipment additions	(54,470)	(54,429)	(63,359)
Proceeds from sales of property and equipment	5,336	13,486	105
Net cash paid for acquisitions	(9,743)	(5,101)	(17,721)
Other, net	1,548	(212)	(8,705)
NET CASH USED FOR INVESTING ACTIVITIES	(68,880)	(44,544)	(97,739)
Cash Flows from Financing Activities:			
Short-term debt borrowings	236,627	517,862	303,309
Short-term debt repayments	(239,417)	(579,613)	(270,475)
Long-term debt borrowings	--	270,985	60,000
Long-term debt repayments	(186)	(222,772)	(20,246)
Dividends paid	(12,463)	(13,015)	(12,868)
Common stock issued	11,989	12,203	5,394
Common stock repurchased and retired	(97,962)	(25,101)	(732)
Capital lease obligation repayments	(116)	(250)	(263)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(101,528)	(39,701)	64,119
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,346	352	(2,454)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,108	40,565	(6,213)
Cash and Cash Equivalents, Beginning of Year	57,053	16,488	22,701
CASH AND CASH EQUIVALENTS, END OF YEAR	\$106,161	\$57,053	\$16,488

The accompanying notes are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The following is a summary of significant accounting and reporting policies not reflected elsewhere in the accompanying financial statements.

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of Herman Miller, Inc., and its wholly owned domestic and foreign subsidiaries (the "company"). All significant intercompany accounts and transactions have been eliminated.

**DESCRIPTION OF BUSINESS** The company is engaged in the design, manufacture, and sale of furniture and furniture systems for offices, and, to a lesser extent, for healthcare facilities. The company's products are sold primarily to or through independent contract office furniture dealers. Accordingly, accounts and notes receivable in the accompanying balance sheets principally are amounts due from the dealers.

**FISCAL YEAR** The company's fiscal year ends on the Saturday closest to May 31. The years ended May 31, 1997, and June 1, 1996, each contained 52 weeks. The year ended June 3, 1995, contained 53 weeks.

**FOREIGN CURRENCY TRANSLATION** The functional currency for most foreign subsidiaries is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates and revenue and expense accounts using average exchange rates for the period are included as a separate component of shareholders' equity. The U.S. dollar is used as the functional currency for subsidiaries in highly inflationary foreign economies, and the financial results are translated using a combination of current and historical exchange rates, and the resulting translation adjustments are included along with gains or losses arising from remeasuring all foreign currency transactions into the functional currency in determining net income.

**CASH EQUIVALENTS** The company invests in certain debt and equity securities as part of its cash management function. Due to the relative short-term maturities and high liquidity of these securities (consisting primarily of Euro overnight investments), they are included in the accompanying consolidated balance sheets as cash equivalents at market value and totaled \$85.1 million and \$58.1 million as of May 31, 1997, and June 1, 1996, respectively. The company's cash equivalents are considered "available for sale." As of May 31, 1997, the market value approximated the securities' cost. All cash and cash equivalents are high-credit quality financial instruments, and the amount of credit exposure to any one financial institution or instrument is limited.

**PROPERTY, EQUIPMENT, AND DEPRECIATION** Property and equipment are stated at cost. The cost is depreciated over the estimated useful lives of the assets using the straight-line method. The average useful lives of the assets are 32 years for buildings and seven years for all other property and equipment.

**NOTES RECEIVABLE** The notes receivable are primarily from certain independent contract office furniture dealers. The notes are collateralized by the assets of the dealers and bear interest based on the prevailing prime rate. Interest income relating to these notes was \$4.8, \$3.9, and \$3.9 million in 1997, 1996, and 1995, respectively.

**LONG-LIVED ASSETS** The company assesses the recoverability of its long-lived assets whenever events or circumstances such as current and projected future operating losses or changes in the business climate indicate that the carrying amount may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are independent and identifiable cash flows. The company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows (undiscounted and without interest charges) expected to result from the use of the asset. If the carrying amount of the asset exceeds the expected future cash flows, the company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value. The estimation of fair value is made by discounting the expected future cash flows at the rate the company uses to evaluate similar potential investments based on the best information available at that time. If the assets being tested for recoverability were acquired in a purchase business combination, the goodwill that arose in that transaction is included in the asset group's carrying values on a pro-rata basis using the relative fair values.

In situations where goodwill and intangible balances remain after applying the impairment measurements to business unit asset groupings under Statement of Financial Accounting Standards (SFAS) No. 121, the company assesses the recoverability of the remaining balances at the enterprise level under the provisions of APB Opinion 17. Applying these provisions, when the estimated undiscounted future operating income (before interest and amortization) for individual business units is not sufficient to recover the remaining carrying value over the remaining amortization period, the company recognizes an impairment loss for the excess.

Excluding the impairment incurred in connection with the divestiture of the company's German manufacturing operations (see Acquisitions and Divestitures note), such provisions were not significant in 1997, 1996, or 1995.

Intangible assets included in other assets consist mainly of goodwill, patents, and other acquired intangibles, and are carried at cost, less applicable amortization of \$12.1 and \$9.5 million in 1997 and 1996, respectively. These assets are amortized using the straight-line method over periods of five to 15 years.

**UNFUNDED CHECKS** As a result of maintaining a consolidated cash management system, the company utilizes controlled disbursement bank accounts. These accounts are funded as checks are presented for payment, not when checks are issued. The resulting book overdraft position is included in current liabilities as unfunded checks.

**SELF-INSURANCE** The company is partially self-insured for general liability, workers' compensation, and certain employee health benefits. The general and workers' compensation liabilities are managed through a wholly owned insurance captive; the related liabilities are included in the accompanying financial statements. The company's policy is to accrue amounts equal to the actuarially determined liabilities. The actuarial valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical costs, and changes in actual experience could cause these estimates to change in the near term.

**RESEARCH, DEVELOPMENT, ADVERTISING, AND OTHER RELATED COSTS** Research, development, advertising materials, preproduction and start-up costs are expensed as incurred. Research and development costs consist of expenditures incurred during the course of planned search and investigation aimed at discovery of new knowledge that will be useful in developing new products or processes, or significantly enhancing existing products or production processes, and the implementation of such through design, testing of product alternatives, or construction of

prototypes. Royalty payments made to designers of the company's products as the products are sold are not included in research and development costs, as they are considered to be a variable cost of the product. Research and development costs, included in design and research expense in the accompanying statements of income, were \$25.7, \$24.5, and \$31.3 million in 1997, 1996, and 1995, respectively.

**INCOME TAXES** Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

**REVENUE RECOGNITION** Revenues are recorded when product is shipped and invoiced or performance of services is complete.

**USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEW ACCOUNTING STANDARDS** In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." The new standard simplifies the computation of earnings per share (EPS) and increases comparability to international standards. Under SFAS No. 128, primary EPS is replaced by "Basic" EPS, which excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. "Diluted" EPS, which is computed similarly to fully diluted EPS, reflects the potential dilution that could occur if securities and other contracts to issue common stock were exercised or converted into common stock.

The company is required to adopt the new standard in its third quarter of fiscal 1998 financial statements. All prior-period EPS information (including interim EPS) is required to be restated at that time. Early adoption is not permitted. Pro forma EPS, as if the company had adopted SFAS No. 128 at the beginning of each fiscal year are as follows:

	For the Fiscal Year Ended		
	1997	1996	1995
Basic EPS	\$1.57	\$ .92	\$ .09
Diluted EPS	\$1.55	\$ .91	\$ .09

## ACQUISITIONS AND DIVESTITURES

During 1997, 1996, and 1995, the company made several acquisitions, all of which were recorded using the purchase method of accounting. Accordingly, the purchase price of these acquisitions has been allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of the acquisition. The cost of the acquisitions in excess of net identifiable assets acquired has been recorded as goodwill.

During 1997 and 1996, the company purchased various privately owned United States dealers. These companies were acquired for approximately \$21.4 million. The consideration included 212,662 shares of Herman Miller common stock and approximately \$15.0 million in cash, which resulted in approximately \$14.0 million of goodwill.

During 1995, the company purchased Geneal GmbH, a privately held office furniture company in Essen, Germany. The company also purchased a division of B&B Italia, a privately owned office furniture company in Milan, Italy. In addition, the company purchased various privately owned United States and Canadian dealers. These companies were acquired for approximately \$21.2 million, which resulted in approximately \$9.0 million in goodwill.

The results of the acquisitions were not material to the company's consolidated operating results.

During the second quarter of fiscal 1997, declining sales and continuing losses at the company's German subsidiary led the company, in accordance with its accounting policies, to assess the realizability of the subsidiary's long-lived assets. At that time, estimates of expected future cash flows under various options to improve the company's operating results in Germany were evaluated to determine if any potential impairment existed. Although none of the options was developed to the extent required to enable the company to reach a decision and plan for implementation, based on the results of its various evaluations of potential impairment, the company determined at the enterprise level, the goodwill and intangibles associated with the acquisition were no longer recoverable. As a result, a pretax charge of \$5.5 million (\$4.5 million, or \$.10 per share after tax) was recorded for the write-off of the goodwill and brand-name assets of the subsidiary.

During the third quarter of fiscal 1997, management authorized and committed the company to a plan to restructure the manufacturing component of its German operations. The plan involved closing the manufacturing facility in Germany and was expected to be completed in fiscal 1998. Based on the most current information available at that time, management believed that closing the facility was the most viable option. As a result, the company recorded a pretax restructuring charge of \$13.7 million (\$5.4 million, or \$.11 per share after tax).

During the fourth quarter of fiscal 1997, the company sold the German manufacturing operations. The sale had the effect of reducing both the pretax restructure costs recorded in the third quarter by \$4.7 million and the anticipated tax benefit by \$5.2 million.

In summary, after adjusting for the effects of the sale, the divestiture of the company's investments in its German manufacturing operations resulted in a pretax loss of \$14.5 million (\$10.4 million, or \$.22 per share after tax) for fiscal 1997.

## INVENTORIES

(In Thousands)	1997	1996
Finished products	\$23,552	\$24,787
Work in process	8,074	10,896
Raw materials	22,251	30,047
	-----	-----
	\$53,877	\$65,730
	-----	-----

Inventories are valued at the lower of cost or market and include material, labor, and overhead. The inventories of Herman Miller, Inc., are valued using the last-in, first-out (LIFO) method. The inventories of the company's subsidiaries are valued using the first-in, first-out method. Inventories valued using the LIFO method amounted to \$27.5 and \$30.7 million at May 31, 1997, and June 1, 1996, respectively.

If all inventories had been valued using the first-in, first-out method, inventories would have been \$15.6 and \$16.4 million higher than reported at May 31, 1997, and June 1, 1996, respectively.

## PREPAID EXPENSES AND OTHER

(In Thousands)	1997	1996
Current deferred income taxes	\$26,382	\$21,006
Other	20,202	21,000
	-----	-----
	\$46,584	\$42,006
	-----	-----
ACCRUED LIABILITIES		
(In Thousands)	1997	1996
Compensation and employee benefits	\$80,778	\$54,124
Restructuring reserves	3,704	7,493
Income taxes	15,802	13,942
Warranty reserves	11,048	6,510
Other taxes	12,395	11,931
Other	41,897	41,487
	-----	-----
	\$165,624	\$135,487
	-----	-----
OTHER LIABILITIES		
(In Thousands)	1997	1996
Postretirement benefits	\$22,982	\$20,522
Other	49,845	36,972
	-----	-----
	\$72,827	\$57,494
	-----	-----
NOTES PAYABLE		
(In Thousands)	1997	1996
Non-U.S. dollar currencies	\$17,109	\$21,148

The following information relates to short-term borrowings in 1997:

(Dollars In Thousands)	Domestic	Foreign
Weighted-average interest rate at May 31, 1997	--	6.4%
Weighted-average interest rate at June 1, 1996	--	6.9%
Weighted-average interest rate during 1997	--	5.3%
Unused short-term credit lines	\$6,000	\$38,621

In addition to the company's formal short-term credit lines shown above, the company has available informal lines of credit totaling \$90 million.

## LONG-TERM DEBT

(In Thousands)	1997	1996
Series A senior notes, 6.37%, due March 5, 2006	\$70,000	\$70,000
Series B senior notes, 6.08%, due March 5, 2001	15,000	15,000
Series C senior notes, 6.52%, due March 5, 2008	15,000	15,000
Finance lease obligation	10,000	10,000
Other	260	562
	-----	-----
	\$110,260	\$110,562
Less current portion	173	317
	-----	-----
	\$110,087	\$110,245
	-----	-----

During the third quarter of 1996, the company entered into a private placement of \$100.0 million of senior notes with seven insurance companies. The Series A, B, and C notes have interest-only payments until March 5, 2000, March 5, 2001, and March 5, 2004, respectively.

The company has available an unsecured revolving credit loan that provides for a \$100.0 million line of credit. The loan permits borrowings in multi-currencies and matures on February 28,

2002. Outstanding borrowings bear interest, at the option of the company, at rates based on the prime rate, certificates of deposit, LIBOR, or negotiated rates. Interest is payable periodically throughout the period a borrowing is outstanding. During 1997, the company had no borrowings. During 1996, the company borrowed at a negotiated rate of 6.0 percent.

Provisions of the senior notes and the unsecured senior revolving credit loan limit, without prior consent, the company's borrowings, long-term leases, and sale of certain assets. In addition, the company has agreed to maintain certain financial performance ratios. At May 31, 1997, the company was in compliance with all of these provisions.

During May 1996, the company entered into an agreement for the sale and leaseback of its Roswell, Georgia, facility. The company has an early buyout option at the end of two-and-one-half years at an amount equal to approximately 103.03 percent of the lessor's cost. The company also has a purchase option at the end of five years at an amount equal to the facility's then fair market value. If the purchase option is not exercised, the lease automatically renews for an additional 30 months. The company has guaranteed a residual value of 59.0 percent of the lessor's cost. The lease has been accounted for as a financing lease in accordance with SFAS No. 98. The book value and accumulated depreciation of the facility are approximately \$13.9 million and \$6.7 million, respectively.

Annual maturities of long-term debt for the five years subsequent to May 31, 1997, (in millions) are as follows: 1998--\$.2; 1999--\$.1; 2000--\$10.0; 2001--\$25.0; 2002--\$.0; thereafter--\$75.0.

#### OPERATING LEASES

The company leases real property and equipment under agreements that expire on various dates. Certain leases contain renewal provisions and generally require the company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum rental payments (in millions) required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of May 31, 1997, are as follows: 1998--\$15.1; 1999--\$11.8; 2000--\$9.5; 2001--\$7.7; 2002--\$6.3; thereafter--\$11.1.

Total rental expense charged to operations was \$20.9, \$23.9, and \$18.0 million in 1997, 1996, and 1995, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

#### DOMESTIC RESTRUCTURING CHARGES

In the fiscal year ended June 3, 1995, the company recorded \$31.9 million in pretax restructuring charges, which reduced net income by \$20.3 million, or \$.41 per share. A charge of \$15.5 million was taken in the second quarter of fiscal 1995 to account for the closure of certain of the company's manufacturing and logistics facilities prior to the relocation of their production activities to other U.S. Herman Miller facilities. In addition, the charge also included the costs associated with the closure of and discontinuance of wood casegoods manufacturing in the Sanford, North Carolina, facility and the transfer of products produced there to Geiger International of Atlanta, Georgia, a respected contract provider of quality wood casegoods. The \$16.4 million charge recorded in the fourth quarter of fiscal 1995 included charges in the United States for reductions in employment and the discontinuation of a product development program at the company's healthcare subsidiary, Milcare.

The \$31.9 million total pretax restructuring charge consisted of facilities and equipment write-offs (\$15.5 million), termination benefits (\$14.1 million), and other exit costs associated with the



restructuring (\$2.3 million). Approximately 535 employees were terminated or took voluntary early retirement as a result of the facility closing and job elimination process. The closure of the manufacturing and logistics facilities was substantially complete at the end of fiscal 1995. The job elimination process was completed in July 1995.

Amounts paid or charged against these reserves during fiscal 1997 were as follows:

	June 1, 1996	Costs Paid	May 31, 1997
(In Thousands)	Balance	or Charged	Balance
Facilities and equipment	\$5,330	\$2,575	\$2,755
Termination benefits	1,885	1,015	870
Other exit costs	278	199	79
	-----	-----	-----
	\$7,493	\$3,789	\$3,704
	-----	-----	-----

#### EMPLOYEE BENEFIT PLANS

The company maintains plans which provide retirement benefits for substantially all employees.

**PENSION PLANS** The principal domestic plan is a noncontributory defined benefit pension plan. Benefits under this plan are based upon an employee's years of service and the average earnings for the five highest consecutive years of service during the 10 years immediately preceding retirement. Domestically, the company's policy is to fund its plan to the maximum amount currently deductible for federal income tax purposes, which equals or exceeds the minimum amount required by the Employee Retirement Income Security Act.

One of Herman Miller, Inc.'s wholly owned foreign subsidiaries has a defined benefit pension plan which is similar to the principal domestic plan. This plan is included in the information presented below.

Net pension cost included the following components:  
(In Thousands)

	1997	1996	1995
Service cost benefits earned during the year	\$9,620	\$8,688	\$8,276
Interest cost on projected benefit obligation	12,683	10,588	9,239
Return on assets:			
Actual	(40,365)	(27,468)	(13,391)
Deferred gain	29,357	18,582	5,767
Net amortization	(514)	(224)	106
Cost of early retirement incentive program	--	479	1,700
	-----	-----	-----
Net pension cost	\$10,781	\$10,645	\$11,697
	-----	-----	-----

The following table presents a reconciliation of the funded status of the plans and the amount recorded in the accompanying balance sheets:

(In Thousands)	1997	1996
Plan assets at fair market value	\$184,178	\$145,678
Actuarial present value of benefit obligations:		
Vested benefits	(127,143)	(102,236)
Nonvested benefits	(1,531)	(2,271)
Accumulated benefit obligation	(128,674)	(104,507)
Effect of projected future salary increases	(60,069)	(53,618)
Projected benefit obligation	(188,743)	(158,125)
Projected benefit obligation in excess of plan assets at fair market value	(4,565)	(12,447)
Unrecognized net asset from date of adoption of SFAS No. 87	(2,506)	(3,051)
Unrecognized net gain from past experience different from that assumed, and changes in assumptions	(18,019)	(1,013)
Unrecognized prior service cost	(229)	(218)
Accrued pension cost included in accrued and other liabilities	\$ (25,319)	\$(16,729)

The assumptions used in the determination of net pension cost were as follows:

	1997	1996	1995
Discount rate	7.5%	7.5%	7.5%
Rate of salary progression	5.0%	5.0%	5.0%
Long-term rate of return on assets	7.5%	7.5%	7.5%

Plan assets consist primarily of listed common stocks, mutual funds, and corporate obligations. Plan assets at May 31, 1997, and June 1, 1996, included 655,344 shares of Herman Miller, Inc., common stock.

In connection with the 1995 restructuring, the company offered an early retirement incentive program to eligible participants. The results of this program are reflected in the net cost and funded status of the pension plan and postretirement benefits.

PROFIT SHARING PLAN Herman Miller, Inc., and three of its subsidiaries have a trusted profit sharing plan that covers substantially all employees who have completed one year of employment. The plan provides for discretionary contributions (payable in the company's common stock) of not more than 6.0 percent of pretax income of the participating companies, or such other lesser amounts as may be established by the Board of Directors. The cost of the plan charged against operations was \$6.6, \$4.5, and \$2.6 million in 1997, 1996, and 1995, respectively.

POSTRETIREMENT BENEFITS In addition to providing pension and profit sharing benefits, the company provides healthcare and life insurance benefits for certain retired employees.

The components of net postretirement benefit cost were as follows:

(In Thousands)	1997	1996	1995
Service cost	\$1,132	\$1,140	\$986
Interest cost on accumulated benefit obligation	1,653	1,496	1,305
Cost of early retirement program	--	--	400
Net amortization	(44)	(39)	(44)
Net postretirement benefit cost	\$2,741	\$2,597	\$2,647

The following table presents a reconciliation of the plan's funded status with amounts recognized in the accompanying balance sheets:

(In Thousands)	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$(9,622)	\$(8,823)
Fully eligible, active plan participants	(223)	(202)
Other active plan participants	(14,622)	(13,212)
Unrecognized prior service cost	(981)	(1,031)
Unrecognized net loss	2,359	2,250
	-----	-----
Accrued postretirement benefit obligation	\$(23,089)	\$(21,018)
	-----	-----

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 7.5 percent for May 31, 1997, and June 1, 1996.

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., healthcare cost trend rate) is 7.5 percent for 1998 and is assumed to decrease gradually to 6.0 percent for 2001 and remain at that level thereafter. A 1.0 percent increase in this annual trend rate would have increased the accumulated postretirement benefit obligation at May 31, 1997, by \$.8 million, with an immaterial effect on 1997 postretirement benefit cost.

#### COMMON STOCK AND PER SHARE INFORMATION

On March 18, 1997, the Board of Directors approved a 2-for-1 stock split effected in the form of a 100 percent dividend to shareholders of record on March 31, 1997, payable on April 15, 1997. The distribution increased the number of shares outstanding from 23,657,000 to 47,314,000. All share and per share data, including stock plan information, are restated to reflect the split. The Board of Directors also approved an increase in the cash dividend from \$.065 to \$.0725 per share for shareholders of record on May 31, 1997.

Earnings per share of common stock have been computed using the weighted-average number of outstanding common shares and common share equivalents to the extent they are dilutive during each of the three years in the period ended May 31, 1997 (48,062,100 in 1997; 50,257,470 in 1996; 49,584,114 in 1995).

#### STOCK PLANS

Under the terms of the company's 1987 Employee Stock Purchase Plan, 4.1 million shares of authorized common stock were reserved for purchase by plan participants at 85.0 percent of the market price. At May 31, 1997, 1,888,126 shares remained available for purchase through the plan, and there were 5,102 employees eligible to participate in the plan, of which 1,539 or 30.2 percent, were participants. During 1997, 1996, and 1995, employees purchased 118,798, 178,444 and 264,026 shares, respectively.

The company has stock option plans under which options are granted to employees and nonemployee officers and directors at a price not less than the market price of the company's common stock on the date of grant. All options become exercisable one year from date of grant and expire ten years from date of grant. At May 31, 1997, there were 150 employees and 11 nonemployee officers and directors eligible, all of whom were participants in the plans. At May 31, 1997, there were 1,390,942 shares available for future options.

A summary of shares subject to options follows:

	1997 Shares	1997 Weighted- Average Exercise Prices	1996 Shares	1996 Weighted- Average Exercise Prices	1995 Shares
Outstanding at beginning of year:	2,431,920	12.95	2,578,700	11.97	2,239,350
Granted	169,000	31.00	807,800	15.14	834,560
Exercised	(551,322)	11.56	(786,340)	11.78	(242,800)
Terminated	(35,500)	15.47	(168,240)	12.78	(252,410)
	-----		-----		-----
Outstanding at end of year	2,014,098	14.54	2,431,920	12.95	2,578,700
	-----		-----		-----
Exercisable at end of year	1,885,098	13.35	1,680,720	11.96	1,796,740
	-----		-----		-----
Weighted-average fair market value of options granted		8.84		4.16	

A summary of stock options outstanding at May 31, 1997, follows:

Range of Exercise Price	Outstanding Stock Options			Exercisable Stock Options	
	Shares (In Thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares (In Thousands)	Weighted-Average Exercise Price
\$9.31-\$13.56	1,070	5.93 years	\$11.67	1,070	\$11.67
\$14.56-\$35.75	944	8.47 years	\$17.78	815	\$15.56
Total	2,014	7.12 years	\$14.54	1,885	\$13.35

The company accounts for its employee stock purchase plan and its stock option plans under APB Opinion 25; therefore, no compensation costs are recognized when employees purchase stock or when stock options are authorized, granted, or exercised. If compensation costs had been computed under SFAS No. 123, "Accounting for Stock-Based Compensation," the company's net income and earnings per share would have been reduced by approximately \$1.1 million, or \$.02 per share in 1997, and \$2.4 million, or \$.05 per share in 1996.

For purposes of computing compensation costs of stock options granted, the fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: 5.93% to 6.35% and 5.70% to 6.19% risk-free interest rates in 1997 and 1996, respectively; three-year expected lives in 1997 and 1996; 31% expected volatility in 1997 and 1996; and .5% expected dividend yields in 1997 and 1996. Black-Scholes is a widely accepted stock option pricing model; however, the ultimate value of stock options granted will be determined by the actual lives of options granted and future price levels of the company's common stock.

#### KEY EXECUTIVE AND DIRECTOR STOCK PROGRAMS

**RESTRICTED STOCK GRANTS** The company has granted restricted common shares to certain key employees. Shares were awarded in the name of the employee, who has all rights of a shareholder, subject to certain restrictions on transferability and a risk of forfeiture. The forfeiture provisions on the awards expire annually, over a period not to exceed six years, as certain financial goals are achieved. During fiscal 1997, 50,738 shares were granted under the company's long-term incentive plan, 7,200 shares were forfeited, and the forfeiture provisions expired on 32,431 shares. As of May 31, 1997, 117,278 shares remained subject to forfeiture provisions and restrictions on transferability.

The remaining shares subject to forfeiture provisions have been recorded as unearned stock grant compensation and are included as a separate component of shareholders' equity under the caption Key Executive Stock Programs. The unearned compensation is being charged to selling, general, and administrative expense over the five-year vesting period and was \$.4, \$.3, and \$.2 million in 1997, 1996, and 1995, respectively.

**KEY EXECUTIVE STOCK PURCHASE ASSISTANCE PLAN** In October 1994, the company adopted a key executive stock purchase assistance plan whereby the company may extend credit to officers and key executives to purchase the company's stock through the exercise of options or on the open market. These loans are secured by the shares acquired and are repayable under full recourse promissory notes. The sale or transfer of shares is restricted for five years after the loan

is fully paid. The plan provides for the key executives to earn repayment of a portion of the notes, based on meeting annual performance objectives as set forth by the Executive Compensation Committee of the Board of Directors. The notes bear interest at 7.0 percent per annum. Interest is payable annually and principal is due on various dates through September 1, 2007. As of May 31, 1997, the notes outstanding relating to the exercise of options were \$.5 million and are included as a separate component of shareholders' equity under the caption Key Executive Stock Programs. Notes outstanding related to open-market purchases were \$1.5 million and are recorded in other assets. Compensation expense related to earned repayment was \$3.9 million in 1997, \$1.7 million in 1996, and immaterial in 1995.

**DIRECTOR FEES** During fiscal 1997, the Board of Directors approved a plan that allows the Board members to elect to receive their director fees in the form of unrestricted company stock at the then fair market value rather than in cash. In fiscal 1997, the Board members received 4,968 shares of the company's stock under the plan.

#### INCOME TAXES

Pretax income consisted of the following:

(In Thousands)	1997	1996	1995
Domestic	\$141,742	\$77,169	\$13,418
Foreign	(15,859)	(7,073)	(9,379)
	-----	-----	-----
	\$125,883	\$70,096	\$4,039
	-----	-----	-----

The provision (credit) for income taxes consisted of the following:

(In Thousands)	1997	1996	1995
Current: Domestic--Federal	\$66,003	\$15,725	\$18,104
Domestic--State	4,957	1,615	935
Foreign	(2,287)	(527)	(1,580)
	-----	-----	-----
	\$68,673	\$16,813	\$17,459
Deferred: Domestic--Federal	(15,938)	6,115	(15,137)
Domestic--State	(677)	50	(1,951)
Foreign	(573)	1,172	(671)
	-----	-----	-----
	(17,188)	7,337	(17,759)
	-----	-----	-----
Total income tax provision	\$51,485	\$24,150	\$ (300)
	-----	-----	-----

The following table represents a reconciliation of income taxes at the United States statutory rate with the effective tax rate as follows:

(In Thousands)	1997	1996	1995
Income taxes computed at the United States statutory rate of 35%	\$44,059	\$24,534	\$1,414
Increase (decrease) in taxes resulting from:			
Corporate-owned life insurance	1,854	(3,302)	(1,842)
Changes in valuation allowance	--	(2,762)	--
Additional reserves provided	--	2,834	--
State taxes, net	2,782	1,082	(660)
Foreign net operating losses	--	--	735
Other	2,790	1,764	53
	-----	-----	-----
	\$51,485	\$24,150	\$ (300)
	-----	-----	-----

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at May 31, 1997, and June 1, 1996, are presented below:

(In Thousands)	1997	1996
Deferred tax assets:		
Foreign net operating loss carryforwards	\$10,791	\$22,475
Book over tax loss on sale of fixed assets	6,045	3,506
Compensation related accruals	13,813	11,164
Restructuring charge accruals	1,668	2,774
Accrued postretirement benefit obligation	8,044	7,410
Reserves for inventory	5,295	2,213
Reserve for uncollectible accounts and notes receivable	5,212	2,551
Other	25,540	16,348
Valuation allowance	(10,791)	(22,475)
	-----	-----
	\$65,617	\$ 45,966
	-----	-----
Deferred tax liabilities:		
Book basis in property in excess of tax basis	\$ (19,429)	\$(17,058)
Prepaid employee benefits	(2,239)	(3,037)
Other	(8,904)	(8,014)
	-----	-----
	\$ (30,572)	\$(28,109)
	-----	-----

The company has foreign net operating loss carryforwards, the tax benefit of which is \$10.8 million, of which \$8.8 million expires at various dates through 2006, and of which \$2.0 million has unlimited expiration. For financial statement purposes, the tax benefit of the foreign net operating loss carryforward has been recognized as a deferred tax asset, subject to a valuation allowance.

Changes in the valuation allowance during 1996 reflect the utilization of the company's capital loss carryforwards which served to offset capital gains recognized on the sale and leaseback of the Roswell, Georgia, facility (see the Long-Term Debt note for a description of the lease) and on certain excess land sold to the company's captive insurance company. In addition, the allowance reflects changes in the net operating loss carryforwards at the company's foreign subsidiaries, which in 1997 primarily reflects the divestiture of the German manufacturing operations.

The company has not provided for United States income taxes on undistributed earnings of foreign subsidiaries totaling \$40.0 million. Recording of deferred income taxes on these undistributed earnings is not required, since these earnings have been permanently reinvested. These amounts would be subject to possible U.S. taxation only if remitted as dividends. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the company's financial instruments included in current assets and current liabilities approximates their fair value due to their short-term nature. The fair value of the notes receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of May 31, 1997, and June 1, 1996, the fair value of the notes receivable approximated the carrying value. The company intends to hold these notes to maturity and has recorded allowances to reflect the terms negotiated for carrying value purposes. As of May 31, 1997, and June 1, 1996, the carrying value approximated the fair value of the company's long-term debt.

## FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The company utilizes derivative financial instruments to manage its exposure to foreign currency volatility at the transactional level. The majority of these contracts relate to major currencies such as the Japanese yen, the Australian dollar, and the British pound. The exposure to credit risk is minimal, since the counterparties are major financial institutions. The market risk exposure is essentially limited to currency rate movements. The gains or losses arising from these financial instruments are applied to offset exchange gains or losses on related hedged exposures. Realized gains or losses in 1997 and 1996 were not material to the company's results of operations. At May 31, 1997, and June 1, 1996, the company had no outstanding derivative financial instruments.

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table presents a reconciliation of net income to net cash provided by operating activities:

(In Thousands)	1997	1996	1995
Depreciation and amortization	\$47,985	\$45,009	\$39,732
Restructuring charges	14,500	--	31,900
Provision for losses on accounts and notes receivable	7,302	4,635	1,405
Loss on sales of property and equipment	1,575	120	1,077
Deferred taxes	(17,188)	7,337	(17,759)
Other liabilities	17,070	1,468	6,587
Stock grants earned	387	284	207
Changes in current assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	(11,735)	4,295	(39,901)
Inventories	11,130	11,042	(9,239)
Prepaid expenses and other	(4,096)	(5,009)	(3,912)
Increase (decrease) in liabilities:			
Accounts payable	15,296	627	8,674
Accrued liabilities	61,546	8,704	6,751
Total changes in current assets and liabilities	72,141	19,659	(37,627)
Total adjustments	\$143,772	\$78,512	\$25,522

Cash payments for interest and income taxes were as follows:

(In Thousands)	1997	1996	1995
Interest paid	\$8,759	\$7,458	\$6,296
Income taxes paid	\$53,185	\$13,883	\$16,095

## CONTINGENCIES

In fiscal 1992, Haworth, Inc. ("Haworth") filed a lawsuit against the company, alleging that the electrical systems used in creation of the company's products infringed one or more of Haworth's patents. In fiscal 1996, the company and Haworth agreed to terms of a settlement. The company continues to believe, based upon written opinion of counsel, that its products did not infringe Haworth's patents and that it was more likely than not to prevail on the merits. However, based on the mounting legal costs, distraction of management focus, and the uncertainty present in any litigation, the company concluded settlement was in the best interest of its shareholders. The settlement included a one time cash payment of \$44.0 million in exchange for a complete release. The companies also exchanged limited covenants not to sue with respect to certain existing and potential patent designs. Herman Miller simultaneously reached a settlement with one of its



suppliers, who agreed to pay the company \$11.0 million and, over the next seven years, to rebate a percentage of its sales to Herman Miller that are in excess of current levels. The \$11.0 million, plus interest, will be paid in annual installments over seven years and, the rebates will be recorded when earned. Accordingly, the company recorded a net litigation settlement expense of \$16.5 million after applying previously recorded reserves and the settlement with the supplier.

The company, for a number of years, has sold various products to the United States Government under General Services Administration (GSA) multiple award schedule contracts. The GSA is permitted to audit the company's compliance with the GSA contracts. As a result of its audits, the GSA has asserted a refund claim under the 1982 contract for approximately \$2.7 million and has other contracts under audit review. Management has been notified that the GSA has referred the 1988 contract to the Justice Department for consideration of a potential civil False Claims Act case. Management disputes the audit result for the 1982 contract and does not expect resolution of the matter to have a material adverse effect on the company's consolidated financial statements. Management does not have information that would indicate a substantive basis for a civil False Claims Act case under the 1988 contract.

The company is also involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially affect the company's consolidated financial statements.

#### SEGMENT INFORMATION

The company operates on a worldwide basis in a single industry consisting of the design, manufacture, and sale of office furniture systems, products, and related services. The following information is presented with respect to the company's operations in different geographic areas for the fiscal years ended May 31, 1997, June 1, 1996, and June 3, 1995. Transfers between geographic areas represent the selling price of sales to affiliates, which is generally based on cost plus a markup. Net income of foreign operations and exports includes royalty income from licensee sales and reflects the gain or loss on foreign currency exchange. The cash and cash equivalents accounts of the company are considered to be corporate assets. All other assets have been identified with domestic or foreign operations. No single customer accounted for more than 10.0 percent of consolidated net sales.

(In Thousands)

	United States	Foreign Operations and Exports	Adjustments and Eliminations	Consolidated
1997				
Sales to unaffiliated customers	\$1,244,645	\$251,240	\$ --	\$1,495,885
Transfers between geographic areas	23,723	15,732	(39,455)	--
Net sales	\$1,268,368	\$266,972	\$(39,455)	\$1,495,885
Net income (loss)	\$83,497	\$(9,099)	\$ --	\$74,398
Identifiable assets	\$554,044	\$95,382	\$ --	\$649,426
Corporate assets				106,161
Total assets				\$755,587
1996				
Sales to unaffiliated customers	\$1,043,850	\$240,081	\$ --	\$1,283,931
Transfers between geographic areas	34,667	13,176	(47,843)	--
Net sales	\$1,078,517	\$253,257	\$(47,843)	\$1,283,931
Net income (loss)	\$53,977	\$ (8,031)	\$ --	\$45,946
Identifiable assets	\$532,371	\$105,487	\$ --	\$637,858
Corporate assets				57,053
Total assets				\$694,911
1995				
Sales to unaffiliated customers	\$894,455	\$188,595	\$ --	\$1,083,050
Transfers between geographic areas	55,206	5,186	(60,392)	--
Net sales	\$949,661	\$193,781	\$(60,392)	\$1,083,050
Net income (loss)	\$7,265	\$ (2,926)	\$ --	\$4,339
Identifiable assets	\$550,666	\$91,858	\$ --	\$642,524
Corporate assets				16,488
Total assets				\$659,012

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Herman Miller, Inc.:

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. (a Michigan corporation) and subsidiaries as of May 31, 1997, and June 1, 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended May 31, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herman Miller, Inc., and subsidiaries as of May 31, 1997, and June 1, 1996, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1997, in conformity with generally accepted accounting principles.

Arthur Andersen LLP  
Grand Rapids, Michigan  
June 26, 1997

## MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The consolidated financial statements of Herman Miller, Inc., and subsidiaries were prepared by, and are the responsibility of, management. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts that are based on management's best estimates and judgments.

The company maintains systems of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the company's books and records, that policies and procedures are adhered to, and that assets are protected from unauthorized use. The systems of internal accounting controls are supported by written policies and guidelines and are complemented by a staff of internal auditors and by the selection, training, and development of professional financial managers.

The consolidated financial statements have been audited by the independent public accounting firm Arthur Andersen LLP, whose appointment is ratified annually by shareholders at the annual shareholders' meeting. The independent public accountants conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Financial Audit Committee of the Board of Directors, composed solely of directors from outside the company, regularly meets with the independent public accountants, management, and the internal auditors to satisfy itself that they are properly discharging their responsibilities. The independent public accountants have unrestricted access to the Financial Audit Committee, without management present, to discuss the results of their audit and the quality of financial reporting and internal accounting control.

Michael A. Volkema, President and Chief Executive Officer  
Brian C. Walker, Executive Vice President, Financial Services, and Chief  
Financial Officer  
June 26, 1997

## Item 9 DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No changes in, or disagreements with, accountants referenced in Item 304 of Regulation S-K occurred during the 24-month period ended May 31, 1997.

## PART III

## Item 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

## Directors of Registrant

Information relating to directors and director nominees of the registrant is contained under the caption "Director and Executive Officer Information," in the company's definitive Proxy Statement, dated August 25, 1997, relating to the company's 1997 Annual Meeting of Shareholders and the information within that section is incorporated by reference. Information relating to Executive Officers of the company is included in Part I hereof entitled "Executive Officers of the Registrant."

There are no family relationships between or among the above-named executive officers. There are no arrangements or understandings between any of the above-named officers pursuant to which any of them was named an officer.

## Item 11 EXECUTIVE COMPENSATION

Information relating to management remuneration is contained under the tables and discussions on pages 10-12 in the company's definitive Proxy Statement, dated August 25, 1997, relating to the company's 1997 Annual Meeting of Shareholders, and the information within those sections is incorporated by reference.

## Item 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The sections entitled "Voting Securities and Principal Shareholders" and "Director and Executive Officer Information" in the definitive Proxy Statement, dated August 25, 1997, relating to the company's 1997 Annual Meeting of Shareholders and the information within those sections is incorporated by reference.

## Item 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions contained under the captions "Director and Executive Officer Information" and "Compensation of Board Members and Non-Employee Officers" in the definitive Proxy Statement, dated August 25, 1997, relating to the company's 1997 Annual Meeting of Shareholders is incorporated by reference.

## PART IV

Item 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND  
REPORTS ON FORM 8-K

## (a) 1. Financial Statements

The following consolidated financial statements of the company are included in this Form 10-K on the pages noted:

Page Number in  
the Form 10-K  
-----

Consolidated Statements of Income	23
Consolidated Balance Sheets	24
Consolidated Statements of Shareholders' Equity	25
Consolidated Statements of Cash Flows	26
Notes to Consolidated Financial Statements	27
Report of Independent Public Accountants	44
Management's Report on Financial Statements	45

## (a) 2. Financial Statement Schedule

The following financial statement schedule and related Report of Independent Public Accountants on the Financial Statement Schedule are included in this Form 10-K on the pages noted:

Page Number in  
the Form 10-K  
-----

Report of Independent Public Accountants on Financial Statement Schedule	49
Consent of Independent Public Accountants	50

Schedule II- Valuation and Qualifying Accounts and Reserves for the Years Ended May 31, 1997; June 1, 1996; and June 3, 1995	52
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All other schedules required by Form 10-K Annual Report have been omitted because they were inapplicable, included in the notes to consolidated financial statements, or otherwise not required under instructions contained in Regulation S-X.

(a) 3. Exhibits

Reference is made to the Exhibit Index which is found on pages 53 through 55 of this Form 10-K Annual Report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the year ended May 31, 1997.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and Board of Directors of Herman Miller, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Herman Miller, Inc., and subsidiaries included in this Form 10-K, and have issued our report thereon dated June 26, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed at Item 14(a)2 above is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP  
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Grand Rapids, Michigan  
June 26, 1997



## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Herman Miller, Inc.:

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement File Numbers 33-5810, 33-43234, 33-43235, 33-45812, 2-84202, 33-04369, 33-04367, and 33-04365 and Form S-3 Registration Statement File Number 33-19525.

/s/ Arthur Andersen LLP

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Grand Rapids, Michigan  
August 27, 1997

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HERMAN MILLER, INC.

/s/ Michael A. Volkema	and /s/ Brian C. Walker
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By Michael A. Volkema	Brian C. Walker
(President and Chief Executive Officer)	(Chief Financial Officer)

Date: August 27, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on August 27, 1997, by the following persons on behalf of the Registrant in the capacities indicated. Each Director of the Registrant, whose signature appears below, hereby appoints Michael A. Volkema as his attorney-in-fact, to sign in his name and on his behalf, as a Director of the Registrant, and to file with the Commission any and all amendments to this Report on Form 10-K.

/s/ David L. Nelson	/s/ Michael A. Volkema
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David L. Nelson	Michael A. Volkema
(Chairman of the Board)	(President, Chief Executive Officer and Director)

/s/ William K. Brehm	/s/ E. David Crockett
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William K. Brehm	E. David Crockett
(Director)	(Director)

/s/ James R. Carreker	/s/ Lord Griffiths of Fforestfach
-----	-----
James R. Carreker	Lord Griffiths of Fforestfach
(Director)	(Director)

/s/ Richard H. Ruch	/s/ C. William Pollard
-----	-----
Richard H. Ruch	C. William Pollard
(Director)	(Director)

/s/ Charles D. Ray	/s/ Ruth A. Reister
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Charles D. Ray	Ruth A. Reister
(Director)	(Director)

/s/ H. Harold Chandler
-----
J. Harold Chandler
(Director)

## HERMAN MILLER, INC., AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
(In Thousands)

Column A	Column B	Column C		Column D		Column E
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Description	Balance at beginning of period	Additions charged to costs and expenses	Increased net operating losses	Uncollectible accounts written off (net) (1)	Losses Utilized (2)	Balance at end of period
Year ended May 31, 1997:						
Allowance for possible losses on accounts receivable	\$10,423	\$4,809	\$--	\$2,289	\$--	\$12,943
Allowance for possible losses on notes receivable	\$4,415	\$4,074	\$--	\$--	\$--	\$8,489
Valuation allowance for deferred tax asset	\$22,475	\$--	\$1,034	\$--	\$12,718	\$10,791
Year ended June 1, 1996:						
Allowance for possible losses on accounts receivable	\$7,180	\$3,816	\$--	\$573	\$--	\$10,423
Allowance for possible losses on notes receivable	\$2,627	\$2,573	\$--	\$785	\$--	\$4,415
Valuation allowance for deferred tax asset	\$25,237	\$--	\$3,856	\$--	\$6,618	\$22,475
Year ended June 3, 1995:						
Allowance for possible losses on accounts receivable	\$6,742	\$405	\$--	\$(33)	\$--	\$7,180
Allowance for possible losses on notes receivable	\$2,159	\$1,000	\$--	\$532	\$--	\$2,627
Valuation allowance for deferred tax asset	\$21,488	\$--	\$7,253	\$--	\$3,504	\$25,237

(1) Includes effects of foreign currency translation.

(2) Includes utilization of capital and net operating losses. In 1997,  
this includes the write-off related to the German divestiture.

## HERMAN MILLER, INC., AND SUBSIDIARIES

## Exhibit Index

## Page

- (3) Articles of Incorporation and Bylaws
- (a) Articles of Incorporation are incorporated by reference to Exhibit 3(a) and 3(b) of the Registrant's 1986 Form 10-K Annual Report.
  - (b) Certificate of Amendment to the Articles of Incorporation, dated October 15, 1987, are incorporated by reference to Exhibit 3(b) of the Registrant's 1988 Form 10-K Annual Report.
  - (c) Certificate of Amendment to the Articles of Incorporation, dated May 10, 1988, are incorporated by reference to Exhibit 3(c) of the Registrant's 1988 Form 10-K Annual Report.
  - (d) Amended and Restated Bylaws, dated January 6, 1997, are incorporated by reference to Exhibit 3(d) of the Registrant's 1997 Form 10-K Annual Report. 56-69
- (4) Instruments Defining the Rights of Security Holders
- (a) Specimen copy of Herman Miller, Inc., common stock is incorporated by reference to Exhibit 4(a) of Registrant's 1981 Form 10-K Annual Report.
  - (b) Note Purchase Agreement dated March 1, 1996, is incorporated by reference to Exhibit 4(b) of the Registrant's 1996 Form 10-K Annual Report.
  - (c) Other instruments which define the rights of holders of long-term debt individually represent debt of less than 10 percent of total assets. In accordance with item 601(b)(4)(iii)(A) of regulation S-K, the Registrant agrees to furnish to the Commission copies of such agreements upon request.
  - (d) Dividend Reinvestment Plan for Shareholders of Herman Miller, Inc., dated January 6, 1997, is incorporated by reference to Exhibit 4(d) of the Registrant's 1997 Form 10-K Annual Report. 70-78
- (10) Material Contracts
- (a) Description of Officers Executive Incentive Plan is incorporated by reference to Exhibit 10(e) of the Registrant's 1981 Form 10-K Annual Report. \*
  - (b) Officers' Supplemental Retirement Income Plan is incorporated by reference to Exhibit 10(f) of the Registrant's 1986 Form 10-K Annual Report. \*

## Exhibit Index (continued)

- (c) Officers' Salary Continuation Plan is incorporated by reference to Exhibit 10(g) of the Registrant's 1982 Form 10-K Annual Report.  
\*
- (d) Herman Miller, Inc., Plan for Severance Compensation after Hostile Takeover is incorporated by reference to Exhibit 10(f) of the Registrant's 1986 Form 10-K Annual Report.  
\*
- (e) Amended Herman Miller, Inc., Plan for Severance Compensation after Hostile Takeover, dated January 17, 1990, is incorporated by reference to Exhibit 10(n) of the Registrant's 1990 Form 10-K Annual Report. \*
- (f) Herman Miller, Inc., 1994 Key Executive Stock Purchase Assistant Plan, dated October 6, 1994, is incorporated by reference to Appendix C of the Registrant's 1994 Proxy Statement. \*
- (g) Incentive Share Grant Agreement, dated October 4, 1995, between the company and Michael A. Volkema is incorporated by reference to Exhibit 10(g) of the Registrant's 1996 Form 10-K Annual Report. \*
- (h) Incentive Share Grant Agreement, dated May 15, 1996, between the company and Michael A. Volkema is incorporated by reference to Exhibit 10(h) of the Registrant's 1996 Form 10-K Annual Report. \*
- (i) Termination and Mutual Release Agreement, dated March 27, 1996, between the company and Hansjorg Broser is incorporated by reference to Exhibit 10(i) of the Registrant's 1996 Form 10K Annual Report. \*
- (j) Herman Miller, Inc., Long-Term Incentive Plan, dated October 6, 1994, is incorporated by reference to Exhibit 4 of the Registrant's May 22, 1996, Form S-8 Registration No. 33-04369\*
- (k) Herman Miller, Inc., 1994 Nonemployee Officer and Director Stock Option Plan, dated October 6, 1994, is incorporated by reference to Exhibit 4 of the Registrant's May 22, 1996, Form S-8 Registration No. 33-04367 \*
- (l) Herman Miller, Inc., Key Executive Deferred Compensation Plan and form of Deferred Compensation Agreement, dated February 28, 1997, is incorporated by reference to Exhibit 10(l) of the Registrant's 1997 Form 10-K Annual Report.

79-98

(m) Consulting Agreement, dated October 2, 1996, between the company and Dr. Alan Fern is incorporated by reference to Exhibit 10(m) of the registrant's 1997 Form 10-K Annual Report. 99-100

\* denotes compensatory plan or arrangement.

(11) Computation of Per Share Earnings. 101  
(22) Subsidiaries. 102

(27) Financial Data Schedule (exhibit available upon request)

B Y L A W S  
OF  
HERMAN MILLER, INC.  
A MICHIGAN CORPORATION

ARTICLE I  
OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be as specified in the Articles of Incorporation or such other place as determined by the Board of Directors upon filing proper notice thereof with the State of Michigan. The Corporation shall keep records containing the names and addresses of all shareholders, the number, class and series of shares held by each, and the dates when they respectively became holders of record thereof, at its registered office or at the office of its transfer agent.

Section 2. Other Offices. The business of the Corporation may be transacted in such locations other than the registered office, within or outside the State of Michigan, as the Board of Directors may from time to time determine, or as the business of the Corporation may require.

ARTICLE II  
CAPITAL STOCK

Section 1. Stock Certificates. Certificates representing shares of the Corporation shall be in such form as is approved by the Board of Directors. Certificates shall be signed by the chairman of the Board of Directors, vice chairman of the Board of Directors, president or a vice president, and may also be signed by another officer of the Corporation. The certificate may be sealed with the seal of the Corporation, or a facsimile thereof. The signatures of the officers may be facsimiles. If an officer who has signed, or whose facsimile signature has been placed upon, a certificate ceases to be such officer before the certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of issue.

Section 2. Replacement of Lost or Destroyed Certificates. If a stock certificate is lost or destroyed, no new certificate shall be issued in place thereof until the Corporation has received from the registered holder such assurances, representations, warranties and/or guarantees as the Board of Directors, in its sole discretion, shall deem advisable, and until the Corporation receives sufficient indemnification protecting it against any claim that may be made on account of such lost or destroyed certificate, or the issuance of any new certificate in place thereof, including an indemnity bond in such amount and with sureties, if any, as the Board of Directors, in its sole discretion, deems advisable.

Section 3. Transfer of Shares. Shares of stock of the Corporation shall be transferable only upon the books of the Corporation. The old certificates shall be surrendered to the Corporation by delivery thereof to the person in charge of the stock transfer books of the Corporation or to such other person as the Board of Directors may designate, properly endorsed for transfer, and such certificates shall be canceled before a new certificate is issued. The Corporation shall be entitled to treat the person in whose name any share, right or option is registered as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim with

respect thereto, regardless of any notice thereof, except as may be specifically required by the laws of the State of Michigan.

Section 4. Rules Governing Stock Certificates. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration of certificates of stock, and may appoint a transfer agent and/or a registrar of transfer, and may require all such certificates to bear the signature of such transfer agent and/or of such registrar of transfers.

Section 5. Record Date for Share Dividends, Distributions and Other Actions. For the purpose of determining shareholders entitled to receive payment of a share dividend or distribution, or allotment of a right, or for the purpose of any other action, the Board of Directors may fix a record date which shall not precede the date on which the resolution fixing the record date is adopted by the Board. The date shall not be more than sixty (60) days before the payment of the share dividend or distribution or allotment of a right or other action. If a record date is not fixed, the record date shall be the close of business on the day on which the resolution of the Board relating to the corporate action is adopted.

Section 6. Dividends. The Board of Directors, in its discretion, may from time to time declare and direct payment of dividends or other distributions upon the Corporation's outstanding shares. Dividends may be paid in money or other property, subject to the limitations of the Michigan Business Corporation Act.

Section 7. Acquisition of Shares. Subject to the limitations of the Michigan Business Corporation Act, the Board of Directors may authorize the Corporation to acquire its own shares, and shares so acquired shall constitute authorized but unissued shares, except that shares of the Corporation acquired by it may be pledged as security for the payment of the purchase price of the shares and, until the purchase price is paid by the Corporation, such shares are not canceled and do not constitute authorized but unissued shares. In such event, the acquired and pledged shares shall not be voted directly or indirectly at any meeting or otherwise, shall not be counted in determining the total number of issued shares entitled to vote at any given time, and, upon payment of the purchase price, are canceled and constitute authorized but unissued shares.

Section 8. Redemption of Control Shares. Control shares acquired in a control share acquisition, with respect to which no acquiring person statement has been filed with the Corporation, shall, at any time during the period ending sixty (60) days after the last acquisition of control shares or the power to direct the exercise of voting power of control shares by the acquiring person, be subject to redemption by the Corporation. After an acquiring person statement has been filed with the Corporation and after the meeting at which the voting rights of the control shares acquired in a control share acquisition are submitted to the shareholders, the shares shall be subject to redemption by the Corporation unless the shares are accorded full voting rights by the shareholders as provided in Section 798 of the Michigan Business Corporation Act. Redemptions of shares pursuant to this bylaw shall be at the fair value of the shares pursuant to procedures adopted by the Board of Directors of the Corporation.

The terms "control shares," "control share acquisition," "acquiring person statement," "acquiring person," and "fair value," as used in this bylaw, shall have the meanings ascribed to them, respectively, in Chapter 7B (known as the Stacey, Bennett and Randall shareholder equity act) of the Michigan Business Corporation Act.



ARTICLE III  
SHAREHOLDERS

Section 1. Place of Meetings. Meetings of shareholders shall be held at the registered office of the Corporation or at such other place, within or outside the State of Michigan, as may be determined from time to time by the Board of Directors, provided however, if a meeting of shareholders is to be held at a place other than the registered office of the Corporation, the notice of the meeting shall designate such place.

Section 2. Annual Meeting. Annual meetings of shareholders for election of directors and for such other business as may come before the meeting shall be held at a date designated by the Board of Directors within five months after the end of each fiscal year of the Corporation. If the annual meeting is not held on the date so designated, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient.

Section 3. Special Meetings. Special meetings of shareholders may be called by the chairman or vice chairman of the Board, the president or the secretary and shall be called by one of them pursuant to resolution therefor by the Board of Directors, or upon receipt by them of a request in writing, stating the purpose or purposes thereof, and signed by any five of the directors.

Section 4. Record Date for Notice and Vote. For the purpose of determining shareholders entitled to notice of and to vote at a meeting of shareholders or an adjournment of a meeting, the Board of Directors may fix a record date which shall not precede the date on which the resolution fixing the record date is adopted by the Board. The date shall be not more than sixty (60) nor less than ten (10) days before the date of the meeting. If a record date is not fixed, the record date for determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice is given or, if no notice is given, the day next preceding the day on which the meeting is held. When a determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders has been made as provided in this Section 4, the determination applies to any adjournment of the meeting, unless the Board fixes a new record date under this section for the adjourned meeting.

For the purpose of determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, the Board of Directors may fix a record date which shall not precede the date on which the resolution fixing the record date is adopted by the Board and shall be not more than ten (10) days after the Board resolution. If a record date is not fixed and prior action by the Board is required with respect to the corporate action to be taken without a meeting, the record date shall be the close of business on the day on which the resolution of the Board is adopted. If a record date is not fixed and prior action by the Board is not required, the record date shall be the first date on which a signed written consent is delivered to the Corporation as provided in Section 407 of the Michigan Business Corporation Act.

Section 5. Notice of Shareholder Meetings. Written notice of the time, place and purposes of any meeting of shareholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each shareholder of record entitled to vote at the meeting. Such notice may be given either by delivery in person to such shareholders or by mailing such notice to shareholders at their addresses as the same appear on the stock books of the Corporation.

A shareholder's attendance at a meeting, in person or by proxy, constitutes a waiver of the shareholder's objection to lack of notice or defective notice of the meeting unless, at the beginning of the meeting, the shareholder objects to holding the meeting or transacting business

at the meeting, and constitutes a waiver of the shareholder's objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 6. Voting Lists. The Corporation's officer or agent having charge of its stock transfer books shall prepare and certify a complete list of the shareholders entitled to vote at a shareholders' meeting or any adjournment thereof, which list shall be arranged alphabetically within each class and series, and shall show the address of and number of shares held by each shareholder. The list shall be produced at the time and place of the meeting of shareholders and be subject to inspection by any shareholder at any time during the meeting. The list shall be prima facie evidence as to who are the shareholders entitled to examine the list or to vote at the meeting. If for any reason the requirements with respect to the shareholder list specified in this Section 6 of Article III have not been complied with, any shareholder, either in person or by proxy, who in good faith challenges the existence of sufficient votes to carry any action at the meeting, may demand that the meeting be adjourned and the same shall be adjourned until the requirements are complied with, provided however, that failure to comply with such requirements does not affect the validity of any action taken at the meeting before such demand is made.

Section 7. Voting. Except as may otherwise be provided in the Articles of Incorporation or bylaws of the Corporation, each shareholder entitled to vote at a meeting of shareholders, or to express consent or dissent without a meeting, shall be entitled to one (1) vote, in person or by proxy, for each share of stock entitled to vote held by such shareholder, provided however, no proxy shall be voted after three (3) years from its date unless such proxy provides for a longer period. A vote may be cast either orally or in writing as announced or directed by the chairperson of the meeting prior to the taking of the vote. When an action other than the election of directors is to be taken by vote of the shareholders, it shall be authorized by a majority of the votes cast by the holders of shares entitled to vote thereon, unless a greater vote is required by express requirement of the Michigan Business Corporation Act or of the Articles of Incorporation, in which case such express provision shall govern and control the decision of such question. Except as otherwise expressly required by the Articles of Incorporation, directors shall be elected by a plurality of the votes cast at an election.

Section 8. Quorum. Except as may otherwise be provided in the Articles of Incorporation, shares entitled to cast a majority of the votes at a meeting constitute a quorum. Meetings at which less than a quorum is represented may be adjourned by a vote of a majority of the shares present to a further date without further notice other than the announcement at such meeting, and, when the quorum shall be present upon such adjourned date, any business may be transacted which might have been transacted at the meeting as originally called. Shareholders present in person or by proxy at any meeting of shareholders may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 9. Conduct of Meetings. The chairman of the Board of Directors or the chairman's designee shall call meetings of the shareholders to order and shall act as chairman of such meetings. The secretary of the Corporation shall act as secretary of all meetings of shareholders but, in the absence of the secretary at any meeting of shareholders or the secretary's inability or election not to act as secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 10. Inspector of Elections. The Board of Directors may, in advance of a meeting of shareholders, appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, or an appointed inspector fails to appear or act, the person presiding at the meeting of shareholders may and, on request of a shareholder entitled to vote thereat, shall appoint one or more persons to fill such vacancy or vacancies, or to act as inspector. The inspector(s) shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all shareholders.

Section 11. Notification of Nominations. Nominations for the election of directors may be made by the Board of Directors or by a shareholder entitled to vote in the election of directors. A shareholder entitled to vote in the election of directors, however, may make such a nomination only if written notice of such shareholder's intent to do so has been given, either by personal delivery or by United States mail, postage prepaid, and received by the Corporation (a) with respect to an election to be held at an annual meeting of shareholders, not later than sixty (60) days in advance of the date of such meeting, and (b) with respect to an election to be held at a special meeting of shareholders called for that purpose, not later than the close of business on the tenth (10th) day following the date on which notice of the special meeting was first mailed to the shareholders by the Corporation.

Each shareholder's notice of intent to make a nomination shall set forth:

(a) the names and addresses of the shareholder who intends to make the nomination and of the person or persons to be nominated;

(b) a representation that the shareholder (i) is a holder of record of stock of the Corporation entitled to vote at such meeting, (ii) will continue to hold such stock through the date on which the meeting is held, and (iii) intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

(c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareholder;

(d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated by the Board of Directors; and

(e) the consent of each nominee to serve as a director of the Corporation if so elected.

The chairman of the meeting may refuse to acknowledge the nomination of any person nominated by a shareholder whose nomination is not made in compliance with the foregoing procedure.

Section 12. Notification of Other Shareholder Proposals. The Board of Directors of the Corporation shall submit for consideration and vote by the shareholders, at any meeting of the shareholders, only those proposals that are first brought before the meeting by or at the direction of the Board of Directors, or by any shareholder entitled to vote at such meeting (a) who submits to the Corporation a timely Notice of Proposal in accordance with the requirements of this Section 12 and the proposal is a proper subject for action by shareholders under Michigan law, or (b) whose proposal is included in the Corporation's proxy materials in compliance with all the requirements set forth in the applicable rules and regulations in the Securities and Exchange Commission.

Each shareholder's Notice of Proposal shall set forth:

(a) The name and address of the shareholder submitting the proposal, as they appear on the Corporation's books and records;

(b) A representation that the shareholder (i) is a holder of record of stock of the Corporation entitled to vote at such meeting, (ii) will continue to hold such stock through the date on which the meeting is held, and (iii) intends to appear in person or by proxy at the meeting to submit the proposal for shareholder vote;

(c) A brief description of the proposal desired to be submitted to the meeting for shareholder vote and the reasons for conducting such business at the meeting; and

(d) A description of any financial or other interest of such shareholder in the proposal.

A Notice of Proposal must be given, either by personal delivery or by United States mail, postage prepaid, and received by the Corporation not less than thirty (30) days prior to the date of the originally scheduled meeting, regardless of any adjournments thereof to a later date; provided that, if less than forty (40) days' notice of the shareholder meeting is given by the Corporation, the Notice of Proposal must be received by the Corporation not later than the close of business on the tenth (10th) day following the date on which the notice of the scheduled meeting was first mailed to the shareholders.

The secretary of the Corporation shall notify a shareholder in writing whether his or her Notice of Proposal has been made in accordance with all the requirements of this Section 12. The chairman of the meeting may refuse to acknowledge the proposal of any shareholder not made in compliance with all such requirements.

#### ARTICLE IV DIRECTORS

Section 1. Authority and Size of Board. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The number of directors of the Corporation (exclusive of directors to be elected by the holders of any one or more series of the preferred stock voting separately as a class or classes) that shall constitute the Board of Directors shall be eleven (11), unless otherwise determined from time to time by resolution adopted by the affirmative vote of:

(a) At least eighty percent (80%) of the Board of Directors,  
and

(b) A majority of the Continuing Directors (as defined in Article IX of the Articles of Incorporation).

Section 2. Classification of Board and Filling of Vacancies. Subject to applicable law, the directors shall be divided into three (3) classes, each class to be as nearly equal in number as possible. The directors of the first class shall hold office until the annual meeting of stockholders to be held in 1984 and until their respective successors are duly elected and qualified or their resignation or removal. The directors of the second class shall hold office until the annual meeting of stockholders to be held in 1985 and until their respective successors are duly elected and qualified or their resignation or removal. The directors of the third class shall hold office until the annual meeting of stockholders to be held in 1986 and until their respective successors are duly elected and qualified or their resignation or removal. Subject to the foregoing and to the last sentence of this first paragraph of Section 2 of Article IV, at each annual meeting of stockholders, commencing at the annual meeting to be held in 1984, the successors to the class of directors whose term shall then expire shall be elected to hold office until the third succeeding annual meeting and until their successors shall be duly elected and qualified or their resignation or removal. Any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the number of directors, may be filled only by the Board of Directors, acting by vote of a majority of the Continuing Directors and at least eighty percent (80%) of the Board of Directors, and any directors so chosen shall hold office until the next annual meeting of stockholders and until their respective successors shall be duly elected and qualified or their resignation or removal. No decrease in the number of directors shall shorten the term of any incumbent director. No person shall be elected as a director (a) after he or she attains age seventy (70) or (b) for a term which expires later than the annual meeting of stockholders at or before which such person attains age seventy (70).

Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation (a) the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders and vacancies created with respect to any directorship of the directors so elected may be filled in the manner specified by such preferred stock, and (b) this Section 2 of Article IV shall be deemed to be construed and/or modified so as to permit the full implementation of the terms and conditions relating to election of directors of any series of preferred stock that has been or may be designated by the Board of Directors.

Section 3. Resignation and Removal of Directors. A director may resign by written notice to the Corporation, which resignation is effective upon its receipt by the Corporation or at a subsequent time as set forth in the written notice of resignation. Notwithstanding any other provisions of the Articles of Incorporation or the Bylaws of the Corporation, any one or more directors of the Corporation may be removed at any time, with or without cause, but only by either (a) the affirmative vote of a majority of the Continuing Directors and at least eighty percent (80%) of the Board of Directors, or (b) the affirmative vote, at a meeting of the stockholders called for that purpose, of the holders of at least eighty percent (80%) of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class.

Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of preferred stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provision of this Section 3 of Article IV shall not apply with respect to the director or directors elected by such holders of preferred stock.

Section 4. Place of Meetings and Records. The directors shall hold their meetings and maintain the minutes of the proceedings of meetings of shareholders, Board of Directors, and committees, if any, and keep the books and records of account for the Corporation in such place or places, within or outside the State of Michigan, as the Board may from time to time determine.

Section 5. Annual Meetings of Directors. The newly elected directors shall hold their first meeting, without notice other than this bylaw, at the same place and immediately after the annual meeting of the shareholders at which they are elected, or the time and place of such meeting may be fixed by consent in writing of all the directors.

Section 6. Regular Meetings of the Board. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board or by the chairman or vice chairman of the Board of Directors, or the president. Any notice given of a regular meeting need not specify the business to be transacted or the purpose of the meeting.

Section 7. Special Meetings of the Board. Special meetings of the Board may be called by the chairman or vice chairman of the Board of Directors or the president on at least two (2) days' notice to each director by mail or overnight courier or twenty-four (24) hours' notice either personally, by telephone, by telegram, by facsimile or by electronic or digital transmission. Special meetings shall be called by any one of them in like manner and on like notice on the written request of any two (2) directors. The notice need not specify the business to be transacted or the purpose of the special meeting. The notice shall specify the place of the special meeting.

Section 8. Meeting Attendance or Participation as Waiver of Notice. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless he or she at the beginning of the meeting, or upon his or her arrival, objects to the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

Section 9. Meeting Participation by Means of Communication Equipment. Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or of such committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can communicate with the other participants, and participation in a meeting pursuant to this paragraph shall constitute presence in person at such meeting.

Section 10. Quorum and Vote. At all meetings of the Board or a committee thereof, a majority of the members of the Board of Directors then in office or members of such committee, but not less than two (2) (if there are at least two members of the Board or such committee) shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which there is a quorum shall be the act of the Board of Directors or the committee. If a quorum shall not be present at any meeting of the Board of Directors or a committee, the members present may adjourn the meeting from time to time and to another place without notice other than announcement at the meeting until a quorum shall be present.

Section 11. Action Without Meeting. Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if, before or after the action, all members of the Board of Directors then in office or of such committee consent thereto in writing. Such written

consent shall be filed with the minutes of the proceedings of the Board of Directors or committee. The consent has the same effect as a vote of the Board of Directors or such committee for all purposes.

Section 12. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member of any committee. In the absence or in the event of the disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. A committee and each member thereof shall serve at the pleasure of the Board.

Any committee, to the extent provided in the resolution of the Board or in these Bylaws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. No committee, however, shall have the power or authority to amend the Articles of Incorporation or Bylaws of the Corporation, adopt an agreement of merger or share exchange, recommend to the shareholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the shareholders a dissolution of the Corporation or a revocation of a dissolution, or fill vacancies in the Board of Directors. The committee shall not have the power or authority to declare a distribution, dividend or authorize the issuance of shares unless such power is granted to such committee by specific resolution of the Board of Directors. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The committees shall keep regular minutes of their proceedings and report the same to the Board when required. If a committee is designated as an Executive Committee, its members shall consist of the Chief Executive Officer, and such other directors as shall be designated by the Board of Directors.

Section 13. Compensation. By affirmative vote of a majority of directors in office, and irrespective of the personal interest of any of them, the Board of Directors may establish reasonable compensation for directors for services to the Corporation as directors, officer, or members of committees. Directors may be paid a fixed sum for attendance at each meeting of the Board or of a committee, or an annual salary or retainer, or issued shares of company common stock or any combination of the above. Directors may also be reimbursed for reasonable expenses incurred in attending each meeting of the Board or meeting of a committee.

Section 14. Directors Emeritus. A director who has served the Corporation with distinction and who has retired from the Board may be elected a Director Emeritus by the affirmative vote of a majority of the full Board of Directors. A Director Emeritus shall be elected for life, subject only to his or her resignation or removal by vote of a majority of the full Board of Directors. A Director Emeritus shall not have any of the responsibilities or liabilities of a director, or any of a director's rights, powers, privileges or compensation. Reference in these Bylaws to "directors" shall not mean or include Directors Emeritus.

Section 15. Evaluation of Certain Offers. The Board of Directors shall not approve, adopt or recommend any offer of any person or entity, other than the Corporation, to make a tender or exchange offer for any capital stock of the Corporation, to merge or consolidate the Corporation with any other entity or to purchase or otherwise acquire all or substantially all of the assets or business of the Corporation unless and until the Board of Directors shall have first evaluated the offer and determined that the offer would be in compliance with all applicable laws and that the

offer is in the best interests of the Corporation and its stockholders. In connection with its evaluation as to compliance with laws, the Board of Directors may seek and rely upon an opinion of legal counsel independent from the offeror and it may test such compliance with laws in any state or federal court or before any state or federal administrative agency which may have appropriate jurisdiction. In connection with its evaluation as to the best interests of the Corporation and its stockholders, the Board of Directors shall consider all factors which it deems relevant, including without limitation:

(a) The adequacy and fairness of the consideration to be received by the Corporation and/or its stockholders under the offer considering historical trading prices of the Corporation's stock, the price that might be achieved in a negotiated sale of the Corporation as a whole, premiums over trading prices which have been proposed or offered with respect to the securities of other companies in the past in connection with similar offers and the future prospects for this Corporation and its business;

(b) The potential social and economic impact of the offer and its consummation on this Corporation, its employees, customers and vendors; and

(c) The potential social and economic impact of the offer and its consummation on the communities in which the Corporation and any subsidiaries operate or are located.

#### ARTICLE V OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of a president, a treasurer, and a secretary, all of whom shall be elected by the Board of Directors. In addition, the Board of Directors may elect a chairman of the Board of Directors, a vice chairman of the Board of Directors, one or more vice presidents (the number thereof to be determined by the Board of Directors) and such assistant secretaries and assistant treasurers as desired. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. None of the officers of the Corporation, other than the chairman, the vice chairman, and the president need be directors. The officers shall be elected at the first meeting of the Board of Directors after each annual meeting of Shareholders and may be elected at any other meeting. Any two or more offices may be held by the same person, but an officer shall not execute, acknowledge or verify any instrument in more than one capacity if the instrument is required by law to be executed, acknowledged or verified by two or more officers.

Section 2. Other Officers and Agents. The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. The Board may, by specific resolution, empower the chairman, the president or the Executive Committee, if such a committee has been designated by the Board, to appoint such officers or agents.

Section 3. Removal. The chairman, vice chairman and president may be removed at any time, with or without cause, but only by the affirmative vote of a majority of the whole Board of Directors. All vice presidents, the secretary and the treasurer may be removed at any time, with or without cause, by the president or by majority vote of directors present at any meeting. Any assistant secretary or assistant treasurer, or subordinate officer or agent appointed pursuant to Section 2 of this Article, may be removed at any time, with or without cause, by majority vote of



directors present at any meeting, by the president, or by any committee or other officer empowered so to do by resolution of the Board.

Section 4. Chairman and Vice Chairman. The chairman of the Board of Directors shall preside at all meetings of the Board of Directors and at all meetings of shareholders. The chairman shall also perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

If the chairman dies or is unable to perform the duties of the chairman for any other reason, the vice chairman shall preside at all meetings of the shareholders and at all meetings of the Board of Directors. The vice chairman shall not succeed to any of the other rights, powers or duties of the chairman. The vice chairman shall also perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 5. President. The president shall be the chief executive officer of the corporation, shall have general supervision, direction and control of the business of the Corporation and shall have the general powers and duties of management usually vested in or incident to the office of the president and chief executive officer of a corporation. The president shall be a member of the Executive Committee, if such a committee is designated by the Board of Directors. In the absence or inability to act of the chairman and vice chairman of the Corporation, the president shall preside at all meetings of the shareholders and all meetings of the Board of Directors. The president shall also have such other powers and duties as from time to time may be assigned to him or her by the Board of Directors. Except as the Board of Directors shall authorize the execution thereof in some other manner, the president shall execute bonds, mortgages and other contracts in behalf of the Corporation and shall cause the seal to be affixed to any instrument requiring it. If the president dies or becomes unable to perform the duties of this office for any other reason, the Board of Directors shall appoint a successor to be the president of the Corporation.

Section 6. Vice Presidents. Each vice president shall have such powers and shall perform such duties as shall be assigned to him or her by the Board of Directors, and may be designated by such special title as the Board of Directors shall approve.

Section 7. Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. The treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the president, taking proper vouchers for such disbursements. The treasurer shall render to the president and Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his or her transactions as treasurer and of the financial condition of the financial condition of the Corporation. In general, the treasurer shall perform all the duties incident to the office of treasurer and such other duties as may be assigned to him or her by the Board of Directors of the president.

Section 8. Secretary. The secretary shall give, or cause to be given, notice of all meetings of shareholders and directors required by law or by these Bylaws, and all other notices so required. If the secretary is absent or refuses or neglects, so to do, any such notice may be given by any person directed to do so by the chairman or vice chairman of the Board of Directors, the president, or by the directors upon whose written request the meeting is called as provided in these Bylaws. Unless otherwise directed by the Board of Directors, the secretary shall record all the proceedings of the meetings of the Corporation and of the directors in one or more books to

be kept for that purpose, and shall perform all duties incident to the office of the secretary and such other duties as may be assigned to him or her by the directors, the chairman of the Board of Directors, or the president. The secretary shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the directors, the chairman of the Board of Directors, or the president, and attest the same.

Section 9. Assistant Treasurers and Assistant Secretaries. Assistant treasurers and assistant secretaries, if any shall be elected, shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the treasurer or the secretary, respectively, or by the president or the Board of Directors.

Section 10. Salaries. The salaries and other compensations of the officers shall be fixed from time to time by or under the direction of the Board of Directors. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he or she is also a director of the Corporation.

Section 11. Bonds. If the Board of Directors shall so require, the treasurer, any assistant treasurer and any other officer or agent of the Corporation shall give bond to the Corporation in such amount and with such surety as the Board of Directors may deem sufficient, conditioned upon the faithful performance of their respective duties and offices and any other conditions approved by the Board of Directors.

#### ARTICLE VI CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and delivery any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation, and no evidences of indebtedness shall be issued in its name, unless authorized by a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

Section 3. Checks. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

#### ARTICLE VII MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of this Corporation shall end on the Saturday nearest the 31st day of May in each year.

Section 2. Notices. Whenever any written notice is required to be given under the provisions of any law, the Articles of Incorporation for this Corporation, or by these Bylaws, it shall not be construed or interpreted to mean personal notice, unless expressly so stated, and any notice so required shall be deemed to be sufficient if given in writing by facsimile, overnight

courier or first class mail, by depositing the same in a United States Post Office box, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Shareholders not entitled to vote shall not be entitled to receive notice of any meetings, except as otherwise provided by law or these Bylaws.

Section 3. Waiver of Notice. Whenever any notice is required to be given under the provisions of any law, or the Articles of Incorporation for this Corporation, or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 4. Voting of Securities. Securities of another corporation, foreign or domestic, standing in the name of this Corporation, which are entitled to vote shall be voted, in person or by proxy, by the chairman of the Board or the president of this Corporation or by such other or additional persons as may be designated by the Board of Directors.

Section 5. Seal. The corporate seal of the Corporation shall be in such form as may be authorized and adopted by the Board of Directors. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE VIII INDEMNIFICATION

Directors and officers of the Corporation shall be indemnified as of right to the fullest extent now or hereafter permitted by law in connection with any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (whether brought by or in the name of the Corporation, a subsidiary or otherwise and whether formal or informal) in which a director or officer is a witness or which is brought against a director or officer in his or her capacity as a director, officer, employee, agent or fiduciary of the Corporation or of any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which the director or officer was serving at the request of the Corporation. Persons who are not directors or officers of the Corporation may be similarly indemnified in respect of such service to the extent authorized at any time by the Board of Directors of the Corporation. The Corporation may purchase and maintain insurance to protect itself and any such director, officer or other person against any liability asserted against him or her and incurred by him or her in respect of such service whether or not the Corporation would have the power to indemnify him or her against such liability by law or under the provisions of this Article. The provisions of this Article shall be applicable to actions, suits or proceedings, whether arising from acts or omissions occurring before or after the adoption hereof, and to directors, officers and other persons who have ceased to render such service, and shall inure to the benefit of the heirs, executors and administrators of the directors, officers and other persons referred to in this Article. The right of indemnity provided pursuant to this Article shall not be exclusive and the Corporation may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve. Any agreement for indemnification of any director, officer, employee or other person may provide indemnification rights which are broader or otherwise different from those set forth in, or provided pursuant to, or in accordance with, this Article. Any amendment, alteration, modification, repeal or adoption of any provision in these Bylaws inconsistent with this Article VIII shall not adversely affect any indemnification right or protection of a director, officer, employee or other person of the Corporation existing at the time of such amendment, alteration, modification, repeal or adoption.

ARTICLE IX  
AMENDMENTS

These Bylaws may be added to, altered, amended or repealed and new and other bylaws may be made, altered or added to by a vote of a majority of the members of the Board of Directors then in office at any regular or special meeting of the Board, and without prior notices of intent to do so, except that neither Section 1, 2 or 3 of Article IV shall be amended unless such amendment is adopted by the affirmative vote of a majority of the Continuing Directors and at least eighty percent (80%) of the Board of Directors, and these Bylaws may also be added to, altered, amended or repealed and new or other bylaws made and adopted by vote of the holders of a majority of the voting shares of capital stock issued and outstanding at any annual or special meeting, unless a greater plurality is required by law or by the Articles of Incorporation, if notice of the proposed alteration or repeal of the bylaw to be made is contained in the notice of such meeting.

The foregoing Bylaws, adopted by the Board of Directors of Herman Miller, Inc. on March 18, 1986, have been restated in their entirety to incorporate amendments adopted by the Board of Directors on November 17, 1987, December 22, 1987, May 10, 1988, July 11, 1990, and October 4, 1990, and January 6, 1997.

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Secretary

[HERMAN MILLER LOGO]

Dividend Reinvestment Plan  
for Shareholders  
of Herman Miller, Inc.

Administered by  
First Chicago Trust  
Company of New York

To Our Shareholders:

We are pleased to offer you the opportunity to reinvest your Herman Miller dividends and to invest voluntary cash payments, in additional shares of Herman Miller common stock.

Our plan provides a convenient and economical way to increase your investment in Herman Miller. Participation in the plan is entirely voluntary and you may join or withdraw at any time.

Please read the complete description of the plan contained in this brochure to determine whether the plan meets your investment needs. If you decide to participate, simply complete, sign, and return the enclosed authorization card to First Chicago Trust Company, the administrators of the plan.

Michael A. Volkema  
President and Chief Executive Officer

#### DIVIDEND REIMBURSEMENT PLAN

The Dividend Reimbursement Plan offers you, as a shareholder of Herman Miller, an opportunity to buy additional shares of Herman Miller common stock automatically with your common stock cash dividends. In addition, the Plan permits you to buy still more shares with voluntary cash payments. The Plan is administered by First Chicago Trust Company of New York.

#### ELIGIBILITY

Any registered shareholder of Herman Miller may participate.

#### HOW THE PLAN WORKS

To join the Plan you need only complete, sign, and mail the card enclosed with this notice. Be sure to sign exactly as your name appears on the card. (All joint owners must sign.)

The card authorizes First Chicago, as your agent, to receive your cash dividends automatically and to use them, together with any voluntary cash payments you may choose to make, for the purchase of shares of Herman Miller common stock.

You will receive a statement each time shares are purchased for you, showing the total shares credited to your account under the Plan, the dividend and/or the amount of any cash payment invested, the number of shares purchased, and the price per share for that period.

As the number of shares you hold grows, dividends paid on the increased number of shares are automatically reinvested, as long as you continue in the Plan.

YOU MAY, AT ANY TIME, ELECT TO RECEIVE DIVIDENDS IN CASH UPON WRITTEN NOTICE TO FIRST CHICAGO. UNLESS YOU INSTRUCT OTHERWISE, FIRST CHICAGO WILL RETAIN CUSTODY OF ALL SHARES CREDITED TO YOUR PLAN ACCOUNT. TO BE EFFECTIVE FOR A GIVEN DIVIDEND PAYMENT, YOUR NOTICE MUST BE RECEIVED BY FIRST CHICAGO BEFORE THE RECORD DATE FOR THAT PAYMENT.

#### VOLUNTARY CASH PAYMENTS

As a participant, you may make a voluntary cash payment when joining the Plan by enclosing it with the card. Thereafter, voluntary cash payments should be accompanied by the form provided with your statement of account. These payments should be made by check or money order payable to "First Chicago--Herman Miller." Voluntary cash payments to the plan must be at least \$25 and there is a \$60,000 maximum limit per calendar year.

Voluntary investments may also be made through automatic monthly deductions from your checking or savings account with a \$1.00 transaction fee subtracted from the amount drawn from your bank account prior to each investment. The minimum monthly deduction is \$25. The combined amount of automatic monthly deductions and voluntary cash investments cannot exceed \$60,000 per calendar year. Only participants with accounts at U.S. banks and financial institutions may authorize automatic monthly deductions. Once automatic monthly deductions are initiated, funds will be drawn from your account three business days prior to each investment date.

Your voluntary cash payments will be invested beginning on or about the 15th day of each month following receipt by First Chicago and dividends ordinarily paid on the 15th day of January, April, July, and October will be concurrently invested.

No interest will be paid on funds held by First Chicago pending investment.

You can obtain a refund of any voluntary cash payment sent to First Chicago if a written request for such a refund is received by First Chicago not less than 48 hours before the next scheduled investment.

It is entirely up to you whether you wish to buy additional shares of common stock with voluntary cash payments. If you do purchase additional shares, you do not have to send in the same amount each time.

#### WHEN THE PLAN STARTS

You can sign up for the Plan at any time. If your signed card is received by First Chicago before the record date for a dividend payment, the Plan will go into effect for you with that payment.

#### COST OF THE PLAN TO YOU

There are no brokerage commissions, fees, or service charges connected with the purchase of shares with reinvested dividends under the Plan. These costs are paid by Herman Miller on your behalf.

For each voluntary cash investment and automatic monthly deduction invested, you pay your proportionate share of brokerage commissions on the shares purchased, plus a service charge equal to 5 percent of the amount invested (with a \$3.00 maximum on the service charge). An additional \$1.00 transaction fee will be subtracted from the amount of any automatic monthly deduction. These charges will be deducted prior to investment.

If you sell shares held in your Plan account, you pay any brokerage commissions, a service fee, and any other costs of sale.

#### INCOME TAX INFORMATION

Even though your dividends will be reinvested, they are subject to income taxes as if they were paid to you in cash. In addition, the Internal Revenue Service has ruled that the amount of brokerage commissions paid by Herman Miller on your behalf is to be treated as dividend income to you. The service has further ruled that the amount paid for brokerage commission is includable in your cost basis of shares purchased. An information return will be sent to you and the IRS at year end, which will show the amount paid on your behalf.

#### FRACTIONAL SALES

When you are a participant in the Plan, the entire amount of your dividend and any voluntary cash payment is invested. If the total amount is not equal to an exact number of full shares, the proper fraction of a share is credited to your account along with the full shares. A fractional share participates proportionately in all subsequent dividends.

#### ISSUANCE OF STOCK CERTIFICATES

Shares bought under the Plan will be held for you by First Chicago without charge. Stock certificates for full shares, credited to your account, will be delivered to you upon written request.

#### DEPOSIT OF STOCK CERTIFICATES

For safekeeping purposes, you may deposit with First Chicago any Herman Miller common stock certificates now or hereafter registered in your name for credit under the Plan. Thereafter, such shares will be treated in the same manner as shares purchased through the Plan. There is no charge for this custodial service, and by making the deposit, you will be relieved of the responsibility for loss, theft, or destruction of the certificates.



If you wish to deposit your common stock certificates, you must mail them along with a written request for deposit to First of Chicago. The certificates should not be endorsed. To insure against loss resulting from mailing certificates, First Chicago will provide mail insurance free of charge to you. To be eligible for certificate mailing insurance, certificates must be mailed in brown, preaddressed return envelopes supplied by First Chicago, which can be obtained by contacting them as noted in this brochure. Certificates mailed in this manner will be insured for up to \$25,000, current market value, provided they are mailed first class. First Chicago will promptly send you a statement confirming each deposit of your common stock certificates. First Chicago must be notified of any lost certificate claim within thirty (30) calendar days of the date the certificates were mailed. To submit such a claim, you must be a participant in the Plan or a current record holder of common stock. In the latter case, you must enroll in the Plan at the time the insurance claim is processed. The maximum insurance protection provided is \$25,000 and the coverage is available only when the certificate(s) are sent in accordance with the guidelines described above.

Insurance covers the replacement of shares of stock, but in no way protects against any loss resulting from fluctuations in the value of such shares from the time the certificates are mailed until such time as a replacement can be effected.

If you choose not to use the brown preaddressed envelope provided by First Chicago, certificates should be mailed to the address listed below and insured for possible mail loss for 2 percent of the market value, with a minimum of \$20.00; this amount represents the replacement cost that will be charged to you if your certificates are lost.

#### VOTING

You can vote full shares acquired under the Plan whether the shares are held by First Chicago or by you. Fractional shares will not be voted.

#### SALE OF PLAN SHARES

You may at any time, including upon withdrawal from the Plan, request the sale of all or any full shares held by First Chicago in your Plan account. Any such request may be made either by writing to First Chicago or calling 1 800 446 2617. First Chicago will make every effort to process all sales orders on the day the orders are received, provided that instructions are received before 1:00 p.m. Eastern Time on a business day during which First Chicago and the relevant securities market are open. The proceeds from such sale, less any brokerage commissions, a service fee, and any other costs of sales, will be remitted to you. Each sale request will be processed and a check for the net proceeds will be mailed as promptly as possible after First Chicago receives such sale request.

## TO DISCONTINUE

You may terminate your participation in the Plan at any time either by writing to First Chicago or calling First Chicago at 1 800 446 2617. Terminations made after the record date for a dividend may not be effective as to that stock purchase.

Upon discontinuing, unless you instruct First Chicago otherwise, you will receive a stock certificate for the number of full shares credited to your Plan account and a check for the fraction of a share, valued at the then current market price of the stock less any brokerage commission, any service fee, and any other cost of sale. If you prefer, First Chicago will sell all or part of the shares that are held for you under the Plan, and send you a check for the proceeds less any applicable brokerage commissions, a service fee, and any other costs of sale.

## CORRESPONDENCE

Any notices, questions, or other communications regarding the Plan should be addressed to:

First Chicago Trust Company of New York  
Dividend Reinvestment Plan  
PO Box 2598  
Jersey City, NJ 07303-2598

Be sure to include a reference to Herman Miller, Inc.

Telephone

Shareholder customer service, including sale of shares: 1 800 446 2617.

Normal hours: 8:00 a.m. - 10:00 p.m., Eastern time each business day  
8:00 a.m. - 3:30 p.m., Eastern time, Saturdays

Customer Service Representatives are available:  
8:30 a.m. - 7:00 p.m., Eastern time, each business day

Foreign language translation service is available in over 140 foreign languages as part of our shareholder service to better support the needs of Herman Miller's worldwide shareholder base.

INTERNET: Messages forwarded on the Internet will be responded to within one business day. The First Chicago Internet address is:  
[HTTP://www.fctc.com](http://www.fctc.com):

E-MAIL: First Chicago Trust's E-Mail address is: [fctc@em.fcncbd.com](mailto:fctc@em.fcncbd.com)

TDD: 1-201-222-4955 Telecommunications device for the hearing impaired

FOR COMPLETE DETAILS PLEASE READ THE TERMS AND CONDITIONS.

## TERMS AND CONDITIONS

1. First Chicago Trust Company of New York ("First Chicago"), acting as agent for each participant in the Dividend Reinvestment Plan, will apply all voluntary cash payments (\$25 minimum, \$60,000 maximum per calendar year) received from such participant, to the purchase of additional shares of Herman Miller, Inc. ("Herman Miller") common stock for such participant, and either:
  - a. pay the participant any cash dividends payable on all of the shares of Herman Miller common stock now or hereafter registered in the name of the participant and on all of the shares of Herman Miller common stock held by First Chicago for the account of the participant, or
  - b. apply all of any cash dividends payable to the participant to the purchase of additional full and fractional shares of Herman Miller common stock.

Those purchases may be made on any securities exchange where such shares are traded, in the over-the-counter market, or by negotiated transactions and may be subject to such terms of price, delivery, etc., to which First Chicago may agree. Neither Herman Miller nor any participant shall have any authority or power to direct the time or price at which shares may be purchased, or the selection of the broker or dealer through or from whom purchases are to be made. Any voluntary cash payment will be refunded if the participant's written request for a refund is received by First Chicago not less than 48 hours before the next succeeding investment.

2. Voluntary cash payments prior to the 15th day of any month will be be invested beginning on such day or the next succeeding business day. In the months in which the dividends are paid, voluntary cash payments and dividends will be invested concurrently on the dividend payment date (or the next business day if such date is not a business day). The price per share purchased for each participant's account shall be the average price of all shares purchased for that month. For purchasers with voluntary cash investments only, such average price shall include brokerage commissions and any other costs of purchase. First Chicago will hold the total shares purchased for all participants in its name or the name of its nominee and will have no responsibility for the value of such shares after their purchase.
3. First Chicago will make every effort to invest voluntary cash payments and any dividends it receives promptly on each investment date, and in no event later than 30 days from such date except where required under any applicable Federal securities laws or regulations.

A service charge of 5 percent of any voluntary cash investment, up to a maximum charge of \$3.00, will be deducted prior to the purchase of shares. In the case of automatic monthly deductions only, an additional \$1.00 transaction fee will be subtracted from the amount withdrawn from the participant's bank account prior to each investment.

4. A statement describing cash dividends and/or voluntary cash payments received, the number of shares purchased, the price per share, and total shares accumulated under the Plan will be mailed to each participant by First Chicago as soon as practicable after completion of each investment for a participant's account.

5. Each participant may obtain, without charge, a certificate or certificates for all or part of the full shares credited to the participant's account at any time by making a request in writing or by telephone to First Chicago.

Participants who wish to do so may deposit certificates registered in their names for credit as shares held under the Plan. There is no charge for such deposits.

First Chicago provides insurance coverage on up to \$25,000 current market value of certificates mailed by shareholders to First Chicago for safekeeping in the participant's account in certain instances as described above.

6. Participation in the Plan may be terminated by a participant at any time by written or telephone instructions to that effect to First Chicago. Such instructions will be processed as promptly as possible after receipt. If a notice to terminate is received by First Chicago on or after the record date for a dividend payment, First Chicago in its sole discretion, may either pay such dividend in cash or reinvest it in shares on behalf of the terminating participant. If such dividend is reinvested, First Chicago may sell the shares purchased and remit the proceeds to the participant, less any brokerage commission, any service fee, and any other costs of the sale. First Chicago may terminate a participant's participation in the Plan upon mailing a notice to terminate to the participant at the participant's address as it appears on First Chicago's records. Upon termination (unless otherwise instructed by the participant), a participant will receive certificates for the full shares of common stock credited to the participant's account. Upon withdrawal of shares from the Plan (whether or not a participant has requested termination), a participant may instruct First Chicago to sell all or part of such shares. Such sale may, but need not, be made by purchase of the shares for the account of other participants and any such transaction shall be deemed to have been made at the then current market price less any brokerage commission, a service fee, and any other costs of sale. Fractional shares credited to a terminating account will be paid by check at the then current market price less any brokerage commission, any service fee, and any other costs of sale. All sale instructions received by First Chicago will be processed promptly thereafter (except where deferral is necessary under applicable federal or state laws or regulations).
7. A participant will have the sole right to vote full shares credited to the participant's account under the Plan on the record date for a vote. Proxies with respect to shares of common stock sent to a participant by First Chicago, as Transfer Agent, will include the number of full shares held for the participant under the Plan.,

8. Any stock dividends or split shares of common stock distributed on shares held by First Chicago for a participant will be credited to the participant's account. In the event that Herman Miller makes available to its shareholders rights to subscribe to additional shares, debentures, or other securities, the full shares held for a participant under the Plan will be added to other shares held by the participant in calculating the number of rights to be issued to such participant.
9. The fact that dividends are reinvested does not relieve participants of liability for income taxes that may be payable on such dividends. Dividends paid on the accumulated shares and the amount of brokerage commissions paid on behalf of a participant by Herman Miller, will be included in the Form 1099 DIV, a copy of which will be sent to the Internal Revenue Service and to each participant.
10. First Chicago shall not be liable under the Plan for any act done in good faith or for any good faith omission to act including, without limitation, any claims for liability 1) arising out of failure to terminate an individual's participation in the Plan upon the participant's death prior to receipt of notice in writing of such death, and 2) with respect to the prices at which shares are purchased or sold for participant's accounts and the time such purchases or sales are made.
11. The terms and conditions of the Plan and its operation shall be governed by the laws of the State of New York.
12. The Tax Equity and Fiscal Responsibility Act 1982 imposes certain reporting obligations upon brokers and other middlemen. As a result, First Chicago is required to report to the IRS and to the participant any sales of stock by it on behalf of the participant.

## KEY EXECUTIVE DEFERRED COMPENSATION PLAN

## 1. PURPOSE.

The purposes of the Herman Miller Key Executive Deferred Compensation Plan (the "Plan") are (i) to provide key executives of Herman Miller, Inc. or any of its affiliates or subsidiaries (the "Company") the opportunity to acquire an equity interest in the Company, (ii) to attract and retain well-qualified individuals, and (iii) to align the interests of management and the shareholders of the Company. The Plan shall permit employees selected by the Committee, in the manner set forth in Section 3 of the Plan, to participate in the Plan ("Participants") to defer receipt of all or a portion of the Participant's EVA Cash Incentive. A Participant's interest under the Plan shall be expressed in Stock Units equivalent to shares of the Company's Common Stock, par value \$.20 per share ("Shares"). The Plan may be adopted by any of the Company's affiliates or subsidiaries with the consent of the Board of Directors of the Company (the "Board").

## 2. TERM AND PLAN YEAR.

The Plan shall be effective when adopted by the Board. The Plan shall remain in effect until terminated by the Board. The issuance of Shares under the Plan may be conditioned upon the effectiveness of a registration statement covering the Shares. The Plan Year shall be the period beginning on the first day of the Company's fiscal year and ending on the last day of its fiscal year.

## 3. ELIGIBILITY AND PARTICIPATION.

Within 15 days after the Plan becomes effective and annually thereafter, on or before the thirtieth (30th) day preceding the first day of each Plan Year, the Executive Compensation Committee of the Board (the "Committee") will determine those key executives who are eligible to become Participants. At the same time, the Committee will establish the limits which shall apply to each Participant's participation (the "Limits"). These Limits shall be: (i) the maximum percentage of the EVA Cash Incentive which may be deferred by each Participant; (ii) the maximum amount of EVA Cash Incentive which will be subject to a Premium Percentage for each Participant; and, (iii) the amount of the Premium Percentage for each Participant. An eligible key executive will become a Participant by submitting a Deferral Election within 30 days after the Plan becomes effective and thereafter prior to the first day of the Plan Year. A key employee's eligibility to submit a Deferral Election, and the annual Limits shall not carry over from year to year. Each key executive must have his or her eligibility to submit a Deferral Election and the Limits determined annually by the Committee.

## 4. DEFERRAL OF EVA CASH INCENTIVE.

(a) DEFERRAL ELECTIONS: Subject to the Limits established by the Committee, each eligible key executive may elect to defer the payment of all or part of any EVA Cash Incentive which otherwise would be paid for a Plan Year. The Deferral Elections (i) must be in writing, (ii) must designate the percentage (not less than 15%) of the EVA Cash Incentive to be deferred for the Plan Year (the "Deferral Percentage"), (iii) must specify the year of payment, and (iv) must designate the type of payment in accordance with Section 7 ("Payment Election"). The Deferral Percentage may change from Plan

Year to Plan Year; however, the Deferral Percentage for a particular Plan Year may not be changed after the beginning of the Plan Year to which the election relates. The Payment Election may be changed, but not later than 24 months prior to the date the payment is to commence. Except in the initial year of the Plan, each Deferral Election must be received by the Committee prior to the first day of the Plan Year for which the EVA Cash Incentive will be paid. Provided that the key executive is again determined to be eligible to participate with identical participation Limits, a Deferral Election will continue in effect for subsequent Plan Years unless the Deferral Percentage is changed or revoked, in writing, on or before the first day of the next Plan Year.

(b) CREDITING DEFERRAL AMOUNTS TO ACCOUNTS: Amounts deferred pursuant to Section 4(a) ("Deferrals") shall be credited in Stock Units as of the last day of the month in which such amount would have been paid in cash to a bookkeeping reserve account maintained by the Company ("Stock Unit Account"). The Stock Unit Account shall consist of a Basic Account and a Premium Account. The number of Stock Units credited to a Participant's Basic Account shall equal one hundred percent (100%) of the Deferral, divided by the Fair Market Value (as defined in Section 10 hereof) of a Share on the last day of the month in which such Deferral would have been paid but for the Deferral Election pursuant to Section 4(a). The number of Stock Units credited to a Participant's Premium Account shall equal the Premium Percentage applicable to the Participant, multiplied by the Deferral, divided by the Fair Market Value of a Share on the last day of the month in which such Deferral would have been paid but for the Deferral Election pursuant to Section 4(a). Such calculations shall be carried to three decimal places.

(c) The value of the Stock Units credited to the Participant's Stock Unit Account shall constitute the Participant's entire benefit under this Plan.

#### 5. ADDITIONS TO DEFERRED ACCOUNTS.

As of each dividend payment date, with respect to Shares, there shall be credited to each Participant's Stock Unit Account certain Dividend Units which will be an additional number of Stock Units equal to (i) the per-share dividend payable with respect to a Share on such date multiplied by (ii) the number of Stock Units held in the Stock Unit Account as of the close of business on the first business day prior to such dividend payment date and, if the dividend is payable in cash or property other than Shares, divided by (iii) the Fair Market Value of a Share on such business day. For purposes of this Section 5, the term dividend shall include all dividends, whether normal or special, and whether payable in cash, Shares or other property. The calculation of additional Stock Units shall be carried to three decimal places.

#### 6. VESTING OF ACCOUNTS.

(a) BASIC ACCOUNTS: All Stock Units credited to a Participant's Basic Account (and the Dividend Units attributable thereto) pursuant to this Plan shall be at all times fully vested and nonforfeitable.

(b) PREMIUM ACCOUNTS: All Stock Units credited to a Participant's Premium Account pursuant to this Plan (and the Dividend Units attributable thereto) shall become thirty-three and one-third percent (33 1/3%) vested and nonforfeitable on the first day of the Plan Year next following the date the Stock Units are credited to the Participant's Premium Account, provided that the Participant is then an employee of the Company's Premium Account. An additional thirty-three and one third percent (33 1/3%) will become vested and nonforfeitable on the first day of each Plan Year thereafter, provided that the Participant

is then an employee of the Company. In the event that the Participant dies, becomes disabled, retires at the normal retirement age (determined by the Committee) or terminates employment for any reason within twenty-four (24) months following a Change of Control (as defined in the Company's Plan for Severance Compensation After Hostile Takeover, as Amended and Restated), all unvested Stock Units and Dividend Units will immediately become one hundred percent (100%) vested and nonforfeitable. Additionally, the Committee, in its sole discretion, may accelerate a Participant's vested percentage if it determines that such action would be in the best interest of the Company.

#### 7. PAYMENT OF ACCOUNTS.

(a) TIME OF DISTRIBUTION: Payment of the vested Stock Units to a Participant shall commence in January of the year of payment specified by the Participant in the Deferral Election. In the event of the death of the Participant before the Participant's Stock Unit Account has been fully distributed, an immediate lump sum distribution of the Stock Unit Account shall be made to the Participant's Beneficiary or Beneficiaries in the proportions designated by such Participant.

(b) FORM OF DISTRIBUTION: The total number of vested whole Stock Units in a Participant's Stock Unit Account shall be paid to the Participant in an equal number of whole Shares. If installment payments are elected, the number of Shares to be paid shall be determined initially by dividing the number of vested Stock Units in the Stock Unit Account by the number of installment payments to be paid rounded to the nearest number of whole Stock Units; each subsequent installment payment shall be determined by dividing the number of then vested Stock Units remaining in the Stock Unit Account by the number of installments remaining to be paid and rounding to the nearest number of whole Stock Units. The Company shall issue and deliver to the Participant Share certificates for payment of Stock Units as soon as practicable following the date on which the Stock Units, or any portion thereof, become payable.

(c) TYPE OF DISTRIBUTION: Distributions will be made from the Stock Unit Account of a Participant in whichever of the following methods the Participant elects at the time of the deferral election:

(ii) A single sum.

(iii) Annual installments over a period not to exceed 10 years, as the Participant shall elect.

If all or any portion of the Stock Unit Account is to be distributed in installments, the portion of the Participant's Stock Unit Account being held for future distribution shall continue to be credited with additional Dividend Units as provided in Section 5.

#### 8. SHARES SUBJECT TO THE PLAN.

Shares that may be issued under the Plan shall be acquired by the Company in open-market transactions, consistent with all applicable rules and regulations regarding the repurchase of securities.



#### 9. ADJUSTMENTS AND REORGANIZATION.

In the event of any stock dividend, stock split, combination or exchange of Shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting Shares or the price of Shares, such proportionate adjustments, if any, as the Committee in its sole discretion may deem appropriate to reflect such change shall be made with respect to the aggregate number of Shares that may be issued under the Plan, and each Stock Unit or Dividend Unit held in the Stock Unit Accounts. Any adjustments described in the preceding sentence shall be carried to three decimal places.

#### 10. FAIR MARKET VALUE.

Fair Market Value of a Share for all purposes under the Plan shall mean, for any particular date, (i) for any period during which the Share shall be listed for trading on a national securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the closing price per Share on such exchange or the NASDAQ as of the close of such trading day or (ii) for any period during which the Share shall not be listed for trading on a national securities exchange or NASDAQ, the market price per Share as determined by a qualified appraiser selected by the Board. If Fair Market Value is to be determined on a day when the markets are not open, Fair Market Value on that day shall be the Fair Market Value on the most recent preceding day when the markets were open.

#### 11. TERMINATION OR AMENDMENT OF PLAN.

(a) IN GENERAL: The Board may, at any time by resolution, terminate, suspend or amend this Plan. If the Plan is terminated by the Board, no deferrals may be credited after the effective date of such termination, but previously credited Stock Units and Dividend Units shall remain in effect in accordance with the terms and conditions of the Plan.

(b) WRITTEN CONSENTS: No amendment may adversely affect the right of any Participant to have Dividend Units credited to a Stock Unit Account or to receive any Shares pursuant to the payout of such accounts, unless such Participant consents in writing to such amendment.

#### 12. COMPLIANCE WITH LAWS.

(a) The obligations of the Company to issue any Shares under this Plan shall be subject to all applicable laws, rules and regulations and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board.

(b) Subject to the provisions of Section 11, the Board may take such changes in the design and administration of this Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority.

#### 13. MISCELLANEOUS.

(a) UNFUNDED PLAN: Nothing contained in this Plan and no action taken pursuant to the provisions hereof shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and Participant, the Participant's designee

or any other person. The Plan shall be unfunded with respect to the Company's obligation to pay any amounts due, and a Participant's rights to receive any payment with respect to any Stock Unit Account shall be not greater than the rights of an unsecured general creditor of the Company.

The Company may establish a Rabbi Trust to accumulate Shares to fund the obligations of the Company pursuant to this Plan. Payment from the Rabbi Trust of amounts due under the terms of this Plan shall satisfy the obligation of the Company to make such payment. In no event shall any Participant be entitled to receive payment of an amount from the Company that the Participant received from the Rabbi Trust.

(b) ASSIGNMENT; ENCUMBRANCES: The right to have amounts credit to a Stock Unit Account and the right to receive payment with respect to such Stock Unit Account under this Plan are not assignable or transferable and shall not be subject to any encumbrances, liens, pledges, or charges of the Participant or to claims of the Participant's creditors. Any attempt to assign, transfer, hypothecate or attach any rights with respect to or derived from any Stock Unit shall be null and void and of no force and effect whatsoever.

(c) DESIGNATION OF BENEFICIARIES: A Participant may designate in writing a beneficiary or beneficiaries to receive any distribution under the Plan which is made after the Participant's death; provided, however, that if at the time any such distribution is due, there is no designation of a beneficiary in force or if any person (other than a trustee or trustees) as to whom a beneficiary designation was in force at the time of such Participant's death shall have died before the payment became due and the Participant has failed to provide such beneficiary designation for any person or persons to take in lieu of such deceased person, the person or persons entitled to receive such distribution (or part thereof, as the case may be) shall be the participant's executor or administrator.

(d) ADMINISTRATION: The Committee shall administer the Plan, including the adoption of rules or the preparation of forms to be used in its operation, and to interpret and apply the provisions hereof as well as any rules which it may adopt. In addition, the Committee may appoint other individuals, firms or organizations to act as agent of the Company carrying out administrative duties under the Plan. Except as may be provided in a Rabbi Trust, the decisions of the Committee, including, but not limited to, interpretations and determinations of amounts due under this Plan, shall be final and binding on all parties.

(e) GOVERNING LAW: The validity, construction and effect of the Plan and any actions taken or relating to the Plan, shall be determined in accordance with the laws of the State of Michigan without regard to its conflict of law rules, and applicable federal law.

(f) RIGHTS AS A SHAREHOLDER: A Participant shall have no rights as a stockholder with respect to a Stock Unit until the Participant actually becomes a holder of record of Shares distributed with respect thereto.

(h) NOTICES: All notices or other communications made or given pursuant to this Plan shall be in writing and shall be sufficiently made or given if hand delivered, or if mailed by certified mail, addressed to the Participant at the address contained in the records of the Company or to the Company at its principal office, as applicable.

## DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1997, by and between HERMAN MILLER, INC., a Michigan corporation (the "Company"), and \_\_\_\_\_, an employee of the Company ("Employee").

## WITNESSETH

A. The Committee of the Company's Key Executive Deferred Compensation Plan (the "Plan") has determined that Employee is eligible to be a Participant in the Plan. Employee has elected to participate in the Plan and has submitted a Deferral Election, a copy of which is attached to this Agreement as Appendix I.

B. Pursuant and subject to the terms and conditions of the Plan, the terms of Employee's Deferral Election and the Limits applicable to Employee's participation in the Plan (attached as Appendix II to this Agreement), the Company and Employee have agreed upon the deferral of certain compensation payable by the Company to Employee and desire to set forth that understanding fully and completely in writing.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, the Company and Employee agree:

1. DEFERRAL OF EVA CASH INCENTIVE. Employee agrees to defer that percentage of EVA Cash Incentive, otherwise payable by the Company, at the rate set forth in the attached Deferral Election applicable to the Plan Year designated in the Deferral Election (the "Deferral Percentage"). The amount of Employee's EVA Cash Incentive for a Plan Year, multiplied by the prevailing Deferral Percentage for that Plan Year, constitutes the Deferred Cash Amount. The Deferral Percentage may not be changed after the beginning of the Plan Year to which the election relates, and the Deferral Percentage may not be for less than 15% of that year's EVA Cash Incentive.

2. CREDITING DEFERRAL AMOUNTS TO ACCOUNTS. The Company shall credit the Deferred Cash Amounts in Stock Units, as of the last day of the month in which such Deferred Cash Amount would have been paid in cash, to a bookkeeping reserve account maintained by the Company ("Stock Unit Account"). The Stock Unit Account shall include a Basic Account and a Premium Account.

(a) BASIC ACCOUNT. The number of Stock Units credited to Employee's Basic Account shall equal one hundred percent (100%) of the Deferred Cash Amount, divided by the Fair Market Value (as defined in Paragraph 7 hereof) of a Share on the last day of the month in which such deferral amount would have been paid but for the Deferral Election.

(b) PREMIUM ACCOUNT. The number of Stock Units credited to Employee's Premium Account shall equal the Premium Percentage (as designated in Appendix II) applicable to Employee, multiplied by the Deferred Cash Amount (subject to the maximum amount of EVA Cash Incentive that is subject to a Premium Percentage, as specified in Appendix II), divided by the Fair Market Value of a Share on the last day of the month in which such deferral amount would have been paid but for the Deferral Election.

Such calculations shall be carried to three decimal places. The value of the Stock Units credited to Employee's Stock Unit Account shall constitute Employee's entire benefit under the Plan.

3. ADDITIONS TO DEFERRED ACCOUNTS. As of each dividend payment date with respect to Shares, Dividend Units shall be credited to Employee's Stock Unit Account equal to (i) the per-share Dividend payable with respect to a Share on such date, multiplied by (ii) the number of Stock Units held in the Stock Unit Account as of the close of business on the first business day prior to such Dividend payment date and, if the Dividend is payable in cash or property other than Shares, divided by (iii) the Fair Market Value of a Share on such business day. For purposes of this Agreement, "Dividend" shall include all dividends, whether normal or special, and whether payable in cash, Shares or other property. The calculation of Dividend Units shall be carried to three decimal places.

4. VESTING OF ACCOUNTS.

(a) BASIC ACCOUNT VESTING. All Stock Units credited to Employee's Basic Account (and the Dividend Units attributable thereto) shall be at all times fully vested and nonforfeitable.

(b) PREMIUM ACCOUNT VESTING. Commencing on the first day of the Plan Year immediately following the Plan Year for which Stock Units are credited to Employee's Premium Account ("Initial Vesting Date") and on the first and second anniversary of the Initial Vesting Date (each a "Vesting Date"), all Stock Units credited to Employee's Premium Account (and the Dividend Units attributable thereto) shall become thirty-three and one-third percent (33 1/3%) vested and nonforfeitable, provided that Employee is employed by the Company as of the applicable Vesting Date. In the event that Employee dies, becomes disabled, retires at the normal retirement age specified in the Company's qualified retirement plan or terminates employment for any reason within twenty-four (24) months following a Change of Control (as defined in the Plan), all unvested Stock Units and Dividend Units will immediately become one hundred percent (100%) vested and nonforfeitable. Additionally, the Committee, in its sole discretion, may accelerate an Employee's vested percent if it determines that such action would be in the best interest of the Company.

5. PAYMENT OF ACCOUNTS.

(a) TIME OF DISTRIBUTION. Payment of the vested Stock Units to Employee shall commence in January of the year of payment specified in the Deferral Election. In the event of the death of Employee before the Stock Unit Account has been fully distributed, an immediate lump sum distribution of the Stock Unit Account shall be made to Employee's Beneficiary or Beneficiaries in the proportions designated by Employee.

(b) FORM OF DISTRIBUTION: The total number of vested whole Stock Units in Employee's Stock Unit Account shall be paid to Employee in an equal number of whole Shares. If installment payments are elected in Employee's Deferral Election, the number of Shares to be paid shall be determined initially by dividing the number of vested Stock Units in the Stock Unit Account by the number of installment payments to be paid, rounded to the nearest number of whole Stock Units; each subsequent installment payment shall be determined by dividing the number of then vested Stock Units remaining in the Stock Unit Account by the number of installments remaining to be paid and rounding to the nearest number of whole Stock Units. The Company shall issue and deliver to Employee Share certificates for payment of Stock Units as soon as practicable following the date on which the Stock Units, or any portion thereof, become payable. If all or any portion of the Stock Unit Account is to be distributed in installments, the portion of Employee's Stock Unit Account being held for future distribution shall continue to be credited with additional Dividend Units as provided in Paragraph 3 of this Agreement.

6. ADJUSTMENTS AND REORGANIZATION. In the event of any stock dividend, stock split, combination or exchange of Shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash Dividends) of Company assets to shareholders, or any other change affecting Shares or the price of Shares, such proportionate adjustments, if any, as the Committee in its sole discretion may deem appropriate to reflect such change shall be made with respect to each Stock Unit or Dividend Unit held in the Stock Unit Accounts. Any adjustments described in the preceding sentence shall be carried to three decimal places.

7. FAIR MARKET VALUE. Fair Market Value of a Share for all purposes under the Plan and this Agreement shall mean, for any particular date, (i) for any period during which the Shares shall be listed for trading on a national securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the closing price per Share on such exchange or the NASDAQ as of the close of such trading day, or (ii) for any period during which the Shares shall not be listed for trading on a national securities exchange or NASDAQ, the market price per Share as determined by a qualified appraiser selected by the Board. If Fair Market Value is to be determined on a day when the markets are not open, Fair Market Value on that day shall be the Fair Market Value on the most recent preceding day when the markets were open.

8. COMPLIANCE WITH LAWS. The obligations of the Company to issue Shares under the Plan shall be subject to all applicable laws, rules and regulations and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board. Subject to the provisions of Section 11 of the Plan, the Board may take such changes in the design and administration of this Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority.

9. SUBJECT TO PLAN. This Agreement is subject to the terms and provisions of the Plan, as amended from time to time, to which reference is made. The terms defined in this Agreement shall have the meanings set forth in the Plan or in this Agreement. If any inconsistency exists between the provisions of this Agreement and the Plan, the Plan shall govern.

## 10. MISCELLANEOUS.

(a) UNFUNDED PLAN. Nothing contained in this Agreement or the Plan and no action taken pursuant to the provisions of the Agreement or the Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and Employee, the Employee's designee or any other person. The Plan shall be unfunded with respect to the Company's obligation to pay any amounts due, and Employee's rights to receive any payment with respect to any Stock Unit Account shall be not greater than the rights of an unsecured general creditor of the Company. The Company may establish a Rabbi Trust to accumulate Shares to fund the obligations of the Company pursuant to this Agreement and the Plan.

(b) ASSIGNMENT; ENCUMBRANCES. The right to have amounts credited to a Stock Unit Account and the right to receive payment with respect to such Stock Unit Account under this Agreement shall not be assignable or transferable and shall not be subject to any encumbrances, liens, pledges, or charges of Employee or to claims of Employee's creditors. Any attempt to assign, transfer, hypothecate or attach any rights with respect to or derived from any Stock Unit or Shares held in a Stock Unit Account shall be null and void and of no force and effect whatsoever.

(c) DESIGNATION OF BENEFICIARIES. Employee may designate in writing a beneficiary or beneficiaries to receive any distribution under this Agreement and the Plan which is made after Employee's death; provided, however, that if at the time any such distribution is due, there is no designation of a beneficiary in force or if any person (other than a trustee or trustees) as to whom a beneficiary designation was in force at the time of Employee's death shall have died before the payment became due and Employee has failed to provide such beneficiary designation for any person or persons to take in lieu of such deceased person, the person or persons entitled to receive such distribution (or part thereof, as the case may be) shall be the Employee's executor or administrator.

(d) GOVERNING LAW; AMENDMENT. The validity, construction and effect of this Agreement shall be determined in accordance with the laws of the State of Michigan without regard to its conflict of law rules and applicable federal law. This Agreement may not be amended except by written instrument signed by Employee and the Company.

(e) RIGHTS AS A SHAREHOLDER. Employee shall have no rights as a shareholder with respect to a Stock Unit until Employee actually becomes a holder of record of Shares distributed with respect thereto.

(f) NOTICES. All notices or other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered, or if mailed by certified mail, addressed to Employee at the address contained in the records of the Company or to the Company at its principal office, as applicable.

IN WITNESS WHEREOF, this Agreement has been executed the date first written above.

EMPLOYEE: \_\_\_\_\_

\_\_\_\_\_  
(SIGNATURE)

HERMAN MILLER, INC.

BY \_\_\_\_\_

ITS \_\_\_\_\_

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DEFERRAL ELECTION  
FOR THE HERMAN MILLER, INC.  
KEY EXECUTIVE DEFERRED COMPENSATION PLAN (THE "PLAN")

The undersigned employee ("Employee") hereby elects the following, pursuant to the terms of the attached Agreement and the Plan:

1. Deferral Percentage. The following percentage of my EVA Cash Incentive ("Deferred Percentage"), for the Plan Year specified below, shall be deferred and paid in accordance with the Agreement and the Plan: 50% (NOT LESS THAN 15%).

2. Plan Year. This Deferral Election shall apply to the year ending: 1997, ("Plan Year") and each subsequent Plan Year, unless this Deferral Election is modified or revoked, in writing. No modification or revocation shall be effective for a Plan Year after the first day of that Plan Year.

3. Year of Payment. Payment of my Stock Unit Account shall commence in January of 2011.

4. Type of Payment. Payment of my Stock Unit Account shall be made as follows (check one):

- a. Lump Sum
- - x b. Annual Installments over a period of 5 years (not to exceed 10).
  -

Dated: February 28, 1997

EMPLOYEE: Michael A. Volkema

-----  
(signature)

APPENDIX I



## PARTICIPATION LIMITS

THE HERMAN MILLER, INC. KEY EXECUTIVE  
DEFERRED COMPENSATION PLAN

The following Limits shall apply to Employee's Deferral Election and the attached Agreement:

- |  |      |
|--|------|
| 1. Maximum Deferral Percentage. The Maximum Percentage of EVA Cash Incentive which may be deferred by Employee:                            | 100% |
| 2. Maximum Amount Subject to Premium Percentage. The Maximum Amount of EVA Cash Incentive that shall be subject to the Premium Percentage: | 50%  |
| 3. Premium Percentage.   | 30%  |

## APPENDIX II

DEFERRAL ELECTION  
FOR THE HERMAN MILLER, INC.  
KEY EXECUTIVE DEFERRED COMPENSATION PLAN (THE "PLAN")

The undersigned employee ("Employee") hereby elects the following, pursuant to the terms of the attached Agreement and the Plan:

1. Deferral Percentage. The following percentage of my EVA Cash Incentive ("Deferred Percentage"), for the Plan Year specified below, shall be deferred and paid in accordance with the Agreement and the Plan: 50% (NOT LESS THAN 15%).

2. Plan Year. This Deferral Election shall apply to the year ending: 1997, ("Plan Year") and each subsequent Plan Year, unless this Deferral Election is modified or revoked, in writing. No modification or revocation shall be effective for a Plan Year after the first day of that Plan Year.

3. Year of Payment. Payment of my Stock Unit Account shall commence in January of 2011.

4. Type of Payment. Payment of my Stock Unit Account shall be made as follows (check one):

☒ a. Lump Sum

---

☐ b. Annual Installments over a period of      year(s) (not to exceed 10).

---

Dated: February 28, 1997

EMPLOYEE: Brian C. Walker

-----  
(signature)

APPENDIX I

## PARTICIPATION LIMITS

THE HERMAN MILLER, INC. KEY EXECUTIVE  
DEFERRED COMPENSATION PLAN

The following Limits shall apply to Employee's Deferral Election and the attached Agreement:

- |    |   |      |
|----|---|------|
| 1. | Maximum Deferral Percentage. The Maximum Percentage of EVA Cash Incentive which may be deferred by Employee:                            | 100% |
| 2. | Maximum Amount Subject to Premium Percentage. The Maximum Amount of EVA Cash Incentive that shall be subject to the Premium Percentage: | 50%  |
| 3. | Premium Percentage  | 30%  |

## APPENDIX II

DEFERRAL ELECTION  
FOR THE HERMAN MILLER, INC.  
KEY EXECUTIVE DEFERRED COMPENSATION PLAN (THE "PLAN")

The undersigned employee ("Employee") hereby elects the following, pursuant to the terms of the attached Agreement and the Plan:

1. Deferral Percentage. The following percentage of my EVA Cash Incentive ("Deferred Percentage"), for the Plan Year specified below, shall be deferred and paid in accordance with the Agreement and the Plan: 50% (NOT LESS THAN 15%).

2. Plan Year. This Deferral Election shall apply to the year ending: 1997, ("Plan Year") and each subsequent Plan Year, unless this Deferral Election is modified or revoked, in writing. No modification or revocation shall be effective for a Plan Year after the first day of that Plan Year.

3. Year of Payment. Payment of my Stock Unit Account shall commence in January of 2003.

4. Type of Payment. Payment of my Stock Unit Account shall be made as follows (check one):

☒ a. Lump Sum

---

☐ b. Annual Installments over a period of      year(s) (not to exceed 10).

---

-----

Dated: February 28, 1997

EMPLOYEE: Christopher A. Norman

-----  
(signature)

APPENDIX I

## PARTICIPATION LIMITS

THE HERMAN MILLER, INC. KEY EXECUTIVE  
DEFERRED COMPENSATION PLAN

The following Limits shall apply to Employee's Deferral Election and the attached Agreement:

- |  |      |
|--|------|
| 1. Maximum Deferral Percentage. The Maximum Percentage of EVA Cash Incentive which may be deferred by Employee:                            | 100% |
| 2. Maximum Amount Subject to Premium Percentage. The Maximum Amount of EVA Cash Incentive that shall be subject to the Premium Percentage: | 50%  |
| 3. Premium Percentage.   | 30%  |

## APPENDIX II

DEFERRAL ELECTION  
FOR THE HERMAN MILLER, INC.  
KEY EXECUTIVE DEFERRED COMPENSATION PLAN (THE "PLAN")

The undersigned employee ("Employee") hereby elects the following, pursuant to the terms of the attached Agreement and the Plan:

1. Deferral Percentage. The following percentage of my EVA Cash Incentive ("Deferred Percentage"), for the Plan Year specified below, shall be deferred and paid in accordance with the Agreement and the Plan: 50% (NOT LESS THAN 15%).

2. Plan Year. This Deferral Election shall apply to the year ending: 1997, ("Plan Year") and each subsequent Plan Year, unless this Deferral Election is modified or revoked, in writing. No modification or revocation shall be effective for a Plan Year after the first day of that Plan Year.

3. Year of Payment. Payment of my Stock Unit Account shall commence in January of 2002.

4. Type of Payment. Payment of my Stock Unit Account shall be made as follows (check one):

- x    a.    Lump Sum  
---  
---    b.    Annual Installments over a period of      year(s) (not to  
         exceed 10).                                        -----

Dated: February 28, 1997

EMPLOYEE: Gary S. Miller

-----  
(signature)

APPENDIX I

## PARTICIPATION LIMITS

THE HERMAN MILLER, INC. KEY EXECUTIVE  
DEFERRED COMPENSATION PLAN

The following Limits shall apply to Employee's Deferral Election and the attached Agreement:

- |    |   |      |
|----|---|------|
| 1. | Maximum Deferral Percentage. The Maximum Percentage of EVA Cash Incentive which may be deferred by Employee:                            | 100% |
| 2. | Maximum Amount Subject to Premium Percentage. The Maximum Amount of EVA Cash Incentive that shall be subject to the Premium Percentage: | 50%  |
| 3. | Premium Percentage.   | 30%  |

## APPENDIX II

DEFERRAL ELECTION  
FOR THE HERMAN MILLER, INC.  
KEY EXECUTIVE DEFERRED COMPENSATION PLAN (THE "PLAN")

The undersigned employee ("Employee") hereby elects the following, pursuant to the terms of the attached Agreement and the Plan:

1. Deferral Percentage. The following percentage of my EVA Cash Incentive ("Deferred Percentage"), for the Plan Year specified below, shall be deferred and paid in accordance with the Agreement and the Plan: 50% (NOT LESS THAN 15%).

2. Plan Year. This Deferral Election shall apply to the year ending: 1997, ("Plan Year") and each subsequent Plan Year, unless this Deferral Election is modified or revoked, in writing. No modification or revocation shall be effective for a Plan Year after the first day of that Plan Year.

3. Year of Payment. Payment of my Stock Unit Account shall commence in January of 2010.

4. Type of Payment. Payment of my Stock Unit Account shall be made as follows (check one):

a. Lump Sum

---

x

---

b. Annual Installments over a period of 4 years (not to exceed 10).

Dated: February 28, 1997

EMPLOYEE: Andrew C. McGregor

-----  
(signature)

APPENDIX I



## PARTICIPATION LIMITS

THE HERMAN MILLER, INC. KEY EXECUTIVE  
DEFERRED COMPENSATION PLAN

The following Limits shall apply to Employee's Deferral Election and the attached Agreement:

- |    |   |      |
|----|---|------|
| 1. | Maximum Deferral Percentage. The Maximum Percentage of EVA Cash Incentive which may be deferred by Employee:                            | 100% |
| 2. | Maximum Amount Subject to Premium Percentage. The Maximum Amount of EVA Cash Incentive that shall be subject to the Premium Percentage: | 50%  |
| 3. | Premium Percentage.   | 30%  |

## APPENDIX II

August 2, 1996

Dr. Alan Fern  
3605 Raymond  
Chevy Chase, MD 20815

Dear Alan

CONSULTING AGREEMENT

I wish to confirm the following provisions for the Consulting Agreement between Herman Miller, Inc., and you which will become effective on Wednesday, October 2, 1996, which will be the date of your official retirement from the Herman Miller Board of Directors.

- A. Term of Agreement--The agreement will be effective for two years beginning October 2, 1996, and renewable thereafter on a quarterly basis based on agreement between Herman Miller, Inc., and you.
- B. Reporting Relationship--During the term of this agreement, you will report directly to the chairman of the Board.
- C. Compensation--During the term of this agreement, you will be compensated with an annual retainer of \$50,000 per year which will be paid quarterly with the first payment being made on October 2, 1996. Herman Miller, Inc., will also be responsible for your travel and other business expenses incurred in connection with your consulting duties.
- D. Consulting Agreements--The priority of consulting assignments will be established by the chairman of the Board and the chief executive officer. The following is a list of initial assignments.
  - 1. Analysis of HMI Archival Collections--This will involve an analysis with subsequent recommendations to the Board of Directors as to the appropriate long-term management and disposition of the HMI archival collections.
  - 2. Library of Congress Charles Eames Exhibit--This will involve the oversight of the Charles Eames Exhibition which will begin in 1997 with joint sponsorship by Vitra, IBM, and Herman Miller. During this assignment you will serve as the representative of the Board of Directors.

page 2

3. Evaluation of the Herman Miller Design Foundation--This will involve an analysis with recommendations to the Board of Directors as to the future benefits and required investments for the foundation to become successful in the future. This will also include an analysis of other alternatives to accomplish comparable objectives.
4. Participation in HMI Design Reviews of both HMI Products and Services--This will involve participation in design reviews as arranged by the chairman of the Board with subsequent comments and recommendations being made to the full Board of Directors.
5. Formal Reports to the Board--The intent of this consulting agreement is that you will make a formal report in person to the Board of Directors on an annual basis or whenever appropriate as scheduled by the chairman of the Board.

In summary, the intent of this agreement is that you will be spending approximately the same number of days of consulting as the time commitment which you previously committed as a member of the Board of Directors for the preparation time and attendance at Board meetings and Board committee meetings. It is understood that if the time requirements are significantly greater as assignments change, the compensation will be adjusted by agreement between the chairman and you.

Best regards

David L. Nelson  
Chairman of the Board

## HERMAN MILLER, INC., AND SUBSIDIARIES

Exhibit 11  
Statement Regarding Computation of Per Share Earnings  
(Dollars in Thousands Except Per Share Data)

	May 31, 1997(b)	June 1, 1996(b)	June 3, 1995(a)
	-----	-----	-----
NET INCOME APPLICABLE TO COMMON SHARES	\$74,398	\$45,946	\$4,339
	=====	=====	=====
Weighted Average Common Shares Outstanding	47,313,886	50,003,120	49,441,276
Net Common Shares Issuable Upon Exercise of Certain Stock Options	748,214	254,350	142,838
	-----	-----	-----
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING AS ADJUSTED	48,062,100	50,257,470	49,584,114
	=====	=====	=====
NET INCOME PER SHARE	\$1.55	\$.91	\$.09
	=====	=====	=====

Earnings per share on a fully diluted basis are not significantly different from reported primary amounts.

(a) Represents a 53-week period

(b) Represents a 52-week period

## HERMAN MILLER, INC., SUBSIDIARIES

## Subsidiaries

The Company's principal subsidiaries are as follows:

Name	Ownership	Jurisdiction of Incorporation
Coro, Inc.	100% Company	Michigan
Herman Miller (Australia) Pty., Ltd.	100% Company	Australia
Herman Miller B.V. (Netherlands)	100% Company	Netherlands
Herman Miller Canada, Inc.	100% Company	Canada
Herman Miller Ltd. Niederlassung Deutschland, Inc.	100% Company	Germany
Herman Miller Et Cie	100% Company	France
Herman Miller Italia S.p.A.	100% Company	Italy
Herman Miller Japan, Ltd.	100% Company	Japan
Herman Miller Limited	100% Company	England, U.K.
Herman Miller Mexico S.A. de C.V.	100% Company	Mexico
Herman Miller Transportation Company	100% Company	Michigan
Integrated Metal Technology, Inc.	100% Company	Michigan
Meridian Incorporated	100% Company	Michigan
Milcare, Inc.	100% Company	Michigan
Milsure Insurance Limited	100% Company	Barbados
Miller SQA, Inc.	100% Company	Michigan
Powder Coat Technology, Inc.	100% Company	Michigan
The Resource Alliance, Inc.	100% Company	Canada

YEAR	
	MAY-31-1997
	JUN-02-1996
	MAY-31-1997
	106161
	0
	192185
	12943
	53877
	385864
	555582
	290355
	755587
285611	
	0
0	
	0
	9207
	277855
755587	
	1495885
1495885	
	961961
	961961
391896	
7302	
8843	
125883	
	51485
74398	
	0
	0
	0
	74398
	1.55
	1.55