UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO 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 the fiscal year ended June 1, 2019 Commission File No. 001-15141

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	MLHR	NASDAQ-Global Select Market System

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X] No [__]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [__] No [X]

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 [X] No [__]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [__]

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

Large Accelerated Filer [X] Accelerated Filer [__] Non-accelerated Filer [__] Smaller Reporting Company [__] Emerging Growth Company [__]

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

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

Yes [__] No [X]

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 December 1, 2018, was $1,970,278,315 (based on $33.65 per share which was the closing sale price as reported by NASDAQ).

The number of shares outstanding of the registrant's common stock, as of July 25, 2019: Common stock, $.20 par value - 59,060,397 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on October 14, 2019, are incorporated into Part III of this report.

Herman Miller, Inc. Form 10-K
Table of Contents

PART I

Item 1 Business

General Development of Business

Herman Miller's mission statement is *Inspiring Designs to Help People Do Great Things*. To this end, the Company researches, designs, manufactures, and distributes interior furnishings for use in various environments including office, healthcare, educational, and residential settings and provides related services that support organizations and individuals all over the world. Through research, the Company seeks to understand, define and clarify customer needs and problems existing in its markets and to design products, systems and services that serve as innovative solutions to such needs and problems. The Company's products are sold primarily through the following channels: Owned and independent contract furniture dealers, direct customer sales, owned and independent retailers, direct-mail catalogs, and the Company's online stores.

The Company was incorporated in Michigan in 1905. The global design leader has since established Herman Miller Group, a family of brands that collectively offers a variety of products for environments where people live, learn, work, and heal. The family of brands includes Herman Miller®, Design Within Reach®, Geiger®, Maharam®, Nemschoff®, Colebrook Bosson Saunders®, naughtone®, Maars® Living Walls, and HAY®. Herman Miller's 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, all references to "Herman Miller," "we," "our," "Company" and similar references are to Herman Miller, Inc., its predecessors, and controlled subsidiaries. Further information relating to principles of consolidation is provided in Note 1 to the Consolidated Financial Statements included in Item 8 of this report.

Financial Information about Segments

Information relating to segments is provided in Note 14 to the Consolidated Financial Statements included in Item 8 of this report.

Narrative Description of Business

The Company's principal business consists of the research, design, manufacture, selling and distribution of seating products, office furniture systems, other freestanding furniture elements, textiles, home furnishings and related services.

The Company's ingenuity and design excellence create award-winning products and services, which have made the Company a leader in the design and development of furniture, furniture systems, textiles and technology solutions. This leadership is exemplified by the innovative concepts introduced by the company in its broad array of seating products (including Embody®, Aeron®, Mirra2™, Setu®, Sayl®, Verus®, Cosm®, Lino®, Verus®, Celle®, Equa®, Taper™ and Ergon® office chairs) and modular systems (including Canvas Office Landscape®, Locale®, Public Office Landscape®, Layout Studio®, Action Office®, Ethospace®, Arras®, Prospect®, Overlay™ and Resolve®). The company also offers storage (including Meridian® and Tu® products), wood casegoods (including Geiger® products), freestanding furniture products (including Abak™, Intent®, Sense™ and Envelop®), healthcare products (including Palisade™, Compass™, Nala®, Ava® and other Nemschoff® products), the Thrive portfolio of ergonomic solutions, ergonomic and technology support products (including Colebrook Bosson Saunders® products) and the textiles of Maharam Fabric Corporation (Maharam®). The Live Platform™ system of cloud-connected furnishings, applications and dashboards provides data-enabled solutions for the Company's customers.

The Company also offers products for residential settings, including Eames®, Eames (lounge chair configuration)®, Eames (management chair configuration)®, Eames Soft Pad™, HAY®, Nelson™ basic cabinet series, Nelson™ end table, Nelson™ lanterns, Nelson™ marshmallow sofa, Nelson™ miniature chests, Nelson™ platform bench, Nelson™ swag leg group, Nelson™ tray table, Bubble Lamps®, Airia™, Ardea®, Bumper™, Burdick Group™, Everywhere™ tables, Claw™, Caper®, Distil™, Envelope™, Formwork®, Full Round™, H Frame™, I Beam™, Landmark™, Logic Mini™, Logic Power Access Solutions™, Renew™, Rolled Arm™, Scissor™, Sled™, Soft Pad™, Swoop™, Tone™, Twist™, Ward Bennett™ and Wireframe™.

The Company's products are marketed worldwide by its own sales staff, independent dealers and retailers, its owned dealers, via its e-commerce websites and through its owned Design Within Reach ("DWR") and HAY retail studios. Salespeople work with dealers, the architecture and design community, and directly with end-users. Independent dealerships concentrate on the sale of Herman Miller products and some complementary product lines of other manufacturers. It is estimated that approximately 69 percent of the Company's sales in the fiscal year ended June 1, 2019, were made to or through independent dealers. The remaining sales were made directly to end-users, including federal, state and local governments and several business organizations by the Company's own sales staff, its owned dealer network, its retail channels or independent retailers.

The Company is a recognized leader within its industry for the use, development and integration of customer-centered technologies that enhance the reliability, speed and efficiency of our customers' operations. This includes proprietary sales tools, interior design and product specification software; order entry and manufacturing scheduling and production systems; and direct connectivity to the Company's suppliers.

The Company's furniture systems, seating, freestanding furniture, storage, casegood and textile products, and related services are used in (1) institutional environments including offices and related conference, lobby, and lounge areas and general public areas including transportation terminals; (2) health/science environments including hospitals, clinics and other healthcare facilities; (3) industrial and educational settings; and (4) residential and other environments.

Raw Materials
The Company's manufacturing materials are available from a significant number of sources within North America, South America, Europe and Asia. To date, the Company has not experienced any difficulties in obtaining its raw materials. The costs of certain direct materials used in the Company's manufacturing and assembly operations are sensitive to shifts in commodity market prices. In particular, the costs of steel, plastic, aluminum components and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber and resins. Increases in the market prices for these commodities can have an adverse impact on the Company's profitability. Further information regarding the impact of direct material costs on the Company's financial results is provided in Management's Discussion and Analysis in Item 7 of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Patents, Trademarks, Licenses, Etc.
The Company has active utility and design patents in the United States. Many of the inventions covered by these patents also have been patented in a number of foreign countries. Various trademarks, including the name and stylized "Herman Miller" and the "Herman Miller Circled Symbolic M" trademark are registered in the United States and many foreign countries. The Company does not believe that any material part of its business depends 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 such marks, except for the following trademarks: Herman Miller®, Herman Miller Circled Symbolic M®, Maharam®, Geiger®, Design Within Reach®, DWR®, Nemschoff®, Action Office®, Living Office®, Ethospace®, Aeron®, Mirra®, Embody®, Setu®, Sayl®, Cosm®, Eames®, PostureFit®, Meridian®, and Canvas Office Landscape®.

Working Capital Practices
Information concerning the Company's inventory levels relative to its sales volume can be found under the *Executive Overview* section in Item 7 of this report "Management's Discussion and Analysis of Financial Condition and Results of Operations". Beyond this discussion, 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 understanding the Company's business.

Customer Base
The Company estimates that no single dealer accounted for more than 5 percent of the Company's net sales in the fiscal year ended June 1, 2019. The Company estimates that the largest single end-user customer accounted for $129.6 million, $109.8 million and $102.3 million of the Company's net sales in fiscal 2019, 2018, and 2017, respectively. This represents approximately 5 percent of the Company's net sales in fiscal 2019, 2018 and 2017. The Company's 10 largest customers in the aggregate accounted for approximately 18 percent, 19 percent, and 18 percent of net sales in fiscal 2019, 2018, and 2017, respectively.

Backlog of Unfilled Orders
As of June 1, 2019, the Company's backlog of unfilled orders was $394.2 million. At June 2, 2018, the Company's backlog totaled $350.7 million. It is expected that substantially all the orders forming the backlog at June 1, 2019, will be filled during the next fiscal year. Many orders received by the Company 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 does not necessarily indicate the level of net sales for a particular succeeding period.

Government Contracts
Other than standard 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. The Company sells to the U.S. Government both through a General Services Administration ("GSA") Multiple Award Schedule Contract and through competitive bids. The GSA Multiple Award Schedule Contract pricing is principally based upon the Company's commercial price list in effect when the contract is initiated, rather than being determined on a cost-plus-basis. The Company is required to receive GSA approval to apply list price increases during the term of the Multiple Award Schedule Contract period.

Competition
All aspects of the Company's business are highly competitive. From an office furniture perspective, the Company competes largely on design, product and service quality, speed of delivery and product pricing. Although the Company is one of the largest office furniture manufacturers in the world, it competes with manufacturers that have significant resources and sales as well as many smaller companies. The Company's most significant competitors are Haworth, HNI Corporation, Kimball International, Knoll and Steelcase.

The Company also competes in the home furnishings industry, primarily against national, regional and independent home furnishings retailers who market high-craft furniture to end-user customers and the interior design community. These competitors include companies such as Restoration Hardware and Wayfair. Similar to its office furniture product offerings, the Company competes primarily on design, product and service quality, speed of delivery and product pricing in this consumer market.

Research, Design and Development
The Company believes it draws great competitive strength from its research, design and development programs. Through research, the Company seeks to understand, define and clarify customer needs and problems they are trying to solve. The Company designs innovative products and services that address customer needs and solve their problems. The Company uses both internal and independent research resources and independent design resources. Exclusive of royalty payments, the Company spent approximately $58.8 million, $57.1 million and $58.6 million on research and development activities in fiscal 2019, 2018 and 2017, respectively. Generally, royalties are paid to designers of the Company's products as the products are sold and are included in the Design and Research line item within the Consolidated Statements of Comprehensive Income.

Environmental Matters
For over 50 years, respecting the environment has been more than good business practice for the Company - it is the right thing to do. The Company's 10-year sustainability strategy - Earthright - begins with three principles: positive transparency, products as living things and becoming greener together. The Company's goals are focused around the smart use of resources, eco-inspired design and being community driven. Based on current facts known to management, the Company does not believe that existing environmental laws and regulations have had or will have any material effect upon the capital expenditures, earnings or competitive position of the Company. However, there can be no assurance that environmental legislation and technology in this area will not result in or require material capital expenditures or additional costs to our manufacturing process.

Human Resources
The Company considers its employees to be another of its major competitive strengths. The Company stresses individual employee participation and incentives, believing that this emphasis has helped attract and retain a competent and motivated workforce. The Company's human resources group provides employee recruitment, education and development, as well as compensation planning and counseling. Additionally, there have been no work stoppages or labor disputes in the Company's history. As of June 1, 2019, approximately 5 percent of the Company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff and Herman Miller Holdings Limited subsidiaries.

As of June 1, 2019, the Company had approximately 8,000 employees, representing a 4 percent increase as compared with June 2, 2018. In addition to its employee workforce, the Company uses temporary labor to meet uneven demand in its manufacturing operations.

Information about International Operations

The Company's sales in international markets are made primarily to office/institutional customers. Foreign sales consist mostly of office furniture products such as Aeron®, Mirra®, Sayl®, Setu®, Layout Studio®, Imagine Desking System®, Ratio®, other seating and storage products and ergonomic accessories such as the Flo® monitor arm. The Company conducts business in the following major international markets: Canada, Europe, the Middle East, Africa, Latin America and the Asia/Pacific region.

The Company's products currently sold in international markets are manufactured by wholly owned subsidiaries in the United States, the United Kingdom, China, Brazil and India. Sales are made through wholly owned subsidiaries or branches in Canada, Japan, Korea, Mexico, Australia, Singapore, China (including Hong Kong), India and Brazil. The Company's products are offered in Canada, Europe, the Middle East, Africa, Latin America and the Asia/Pacific region through dealers.

Additional information with respect to operations by geographic area appears in Note 14 of the Consolidated Financial Statements included in Item 8 of this report. 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. Refer to Item 7A, *Quantitative and Qualitative Disclosures about Market Risk*, for further discussion regarding the Company's foreign exchange risk.

Available Information

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are made available free of charge through the “Investors” section of the Company's internet website at *www.hermanmiller.com*, as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The Company's filings with the SEC are also available for the public to read via the SEC's internet website at www.sec.gov. You may read and copy any materials we file with the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face; others, either unforeseen or currently deemed less significant, may also have a negative impact on our Company. If any of the following occurs, our business, operating results, cash flows, and financial condition could be materially adversely affected.

We may not be successful in implementing and managing our growth strategy.

We have established a growth strategy for the business based on a changing and evolving world. Through this strategy we are focused on taking advantage of the changing composition of the office floor plate, the greater desire for customization from our customers, new technologies and trends towards urbanization.

To that end, we intend to grow in certain targeted ways. First, we will unlock the power of *One Herman Miller* by building an agile, collaborative, globally-connected organization fit for continuous evolution. This will also include simplifying and tailoring our go-to-market approach, as well as continuing to lead in product innovation across all businesses. Second, we intend to build a customer-centric, digitally enabled business model by leveraging our deep understanding of customer journeys to deliver inspired products and frictionless customer experiences. Inclusive of this will be to drive step-change in our data, analytics, marketing, and brand capabilities, as well as to strengthen our core technology backbone. Third, we intend to accelerate profitable growth by strengthening and evolving our core contract business, driving outsized growth in our international business, and expanding our retail business. Finally, we believe it is a business imperative to reinforce our commitment to our people, planet and communities in a more integrated way than ever before. Beyond simply being the right thing to do, we are confident that elevating our focus on positive social and environmental business practices will positively impact our customers and enhance returns for our shareholders over the long term.

While we have confidence that our strategic plan reflects opportunities that are appropriate and achievable and that we have anticipated and will manage the associated risks, there is the possibility that the strategy may not deliver the projected results due to inadequate execution, incorrect assumptions, sub-optimal resource allocation, or changing customer requirements.

To meet these goals, we believe we will be required to continually invest in the research, design, and development of new products and services, and there is no assurance that such investments will have commercially successful results.

Certain growth opportunities may require us to invest in acquisitions, alliances, and the startup of new business ventures. These investments, if available, may not perform according to plan and may involve the assumption of business, operational, or other risks that are new to our business.

Future efforts to expand our business within developing economies, particularly within China and India, may expose us to the effects of political and economic instability. Such instability may impact our ability to compete for business. It may also put the availability and/or value of our capital investments within these regions at risk. These expansion efforts expose us to operating environments with complex, changing, and in some cases, inconsistently-applied legal and regulatory requirements. Developing knowledge and understanding of these requirements poses a significant challenge and failure to remain compliant with them could limit our ability to continue doing business in these locations.

Pursuing our strategic plan in new and adjacent markets, as well as within developing economies, will require us to find effective new channels of distribution. There is no assurance that we can develop or otherwise identify these channels of distribution.

Tariffs imposed by the U.S. government could have a material adverse effect on our results of operations.

The imposition of tariffs by the U.S. government on various products imported from certain countries, as well as countering tariffs on the export of U.S. goods, has and will likely continue to adversely impact the cost of certain of our raw materials and finished goods as well as products that we export to other countries. Accordingly, these tariffs and the possibility of broader trade conflicts stemming from the tariffs could negatively impact our business in the future. The tariffs on imports, most notably imports from China, also impacted the cost of steel in fiscal year 2019, a key commodity that we consume in producing products. Given the significance of steel costs to our direct materials costs, we are closely monitoring escalating trade tensions between the U.S. and China. That said, the potential impact to our direct material costs due to tariffs on Chinese imports is somewhat limited, as purchases of direct materials (mainly component parts and products manufactured by third parties) from China represented an estimated 5% of our consolidated cost of sales for fiscal 2019. Going forward, continued or increased tariffs could negatively impact our gross margin and operating performance. These factors also have the potential to significantly impact global trade and economic conditions in many of the regions where we do business.

Adverse economic and industry conditions could have a negative impact on our business, results of operations, and financial condition.

Customer demand within the contract office furniture industry is affected by various macro-economic factors; general corporate profitability, service sector employment levels, new office construction rates, and existing office vacancy rates are among the most influential factors. History has shown that declines in these measures can have an adverse effect on overall office furniture demand. Additionally, factors and changes specific to our industry, such as developments in technology, governmental standards and regulations, and health and safety issues can influence demand. There are current and future economic and industry conditions that could adversely affect our business, operating results, or financial condition.

Other macroeconomic developments, such as the United Kingdom referendum on European Union membership (commonly known as Brexit) could negatively affect the Company's ability to conduct business in those geographies. The current political and economic uncertainty relating to Brexit brings caution to the Company’s customer base as capital investments are potentially put on hold pending the outcome of the negotiations. Furthermore, concerns exist relating to potential tariffs and customs regulations and the potential for short term logistics disruption as any such changes are implemented. This will impact both the Company's suppliers and customers, including distributors, and could result in product delays and inventory issues. Further uncertainty in the marketplace also bring risk to accounts receivable and could result in delays in collection and greater bad debt expense. There also remains a risk for the value of the British Pound and/or the Euro to further deteriorate, reducing the purchasing power of customers in these regions and potentially undermining the financial health of the Company's suppliers and customers in other parts of the world.

The markets in which we operate are highly competitive and we may not be successful in winning new business.

We are one of several companies competing for new business within the furniture industry. Many of our competitors offer similar categories of products, including office seating, systems and freestanding office furniture, casegoods, storage as well as residential, education and healthcare furniture solutions. Although we believe that our innovative product design, functionality, quality, depth of knowledge, and strong network of distribution partners differentiate us in the marketplace, increased market pricing pressure could make it difficult for us to win new business with certain customers and within certain market segments at acceptable profit margins.

The retail furnishings market is highly competitive. We compete with national and regional furniture retailers and department stores. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. We compete with these and other retailers for customers, suitable retail locations, vendors, qualified employees, and management personnel. Some of our competitors have significantly greater financial, marketing and other resources than we possess. This may result in our competitors being quicker at the following: adapting to changes, devoting greater resources to the marketing and sale of their products, generating greater national brand recognition, or adopting more aggressive pricing and promotional policies, including free shipping offers. In addition, increased catalog mailings and/or digital marketing campaigns by our competitors may adversely affect response rates to our own marketing efforts. As a result, increased competition may adversely affect our future financial performance.

Our business presence outside the United States exposes us to certain risks that could negatively affect our results of operations and financial condition.

We have significant manufacturing and sales operations in the United Kingdom, which represents our largest marketplace outside the United States. We also have manufacturing operations in China, India and Brazil. Additionally, our products are sold internationally through wholly owned subsidiaries or branches in Canada, Japan, Korea, Mexico, Australia, Singapore, China (including Hong Kong), India and Brazil. The Company's products are offered in Europe, the Middle East, Africa, Latin America and the Asia/Pacific region through dealers.

Doing business internationally exposes us to certain risks, many of which are beyond our control and could potentially impact our ability to design, develop, manufacture, or sell products in certain countries. These factors could include, but would not necessarily be limited to:

- Political, social, and economic conditions
- Global trade conflicts and trade policies
- Legal and regulatory requirements
- Labor and employment practices
- Cultural practices and norms
- Natural disasters
- Security and health concerns
- Protection of intellectual property
- Changes in foreign currency exchange rates

In some countries, the currencies in which we import and export products can differ. Fluctuations in the rate of exchange between these currencies could negatively impact our business and our financial performance. Additionally, tariff and import regulations, international tax policies and rates, and changes in U.S. and international monetary policies may have an adverse impact on results of operations and financial condition.

We are subject to risks and costs associated with protecting the integrity and security of our systems and confidential information.

We collect certain customer-specific data, including credit card information, in connection with orders placed through our e-commerce websites, direct-mail catalog marketing program, and retail studios. For these sales channels to function and develop successfully, we and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information and other personal information regarding our customers, securely over public and private networks. Third parties may have or develop the technology or knowledge to breach, disable, disrupt or interfere with our systems or processes or those of our vendors. Although we take the security of our systems and the privacy of our customers' personal information seriously and we believe we take reasonable steps to protect the security and confidentiality of the information we collect, we cannot guarantee that our security measures will effectively prevent others from obtaining unauthorized access to our information and our customers' information. The techniques used to obtain unauthorized access to systems change frequently and are not often recognized until after they have been launched.

Any person who circumvents our security measures could destroy or steal valuable information or disrupt our operations. Any security breach could cause consumers to lose confidence in the security of our information systems, including our e-commerce websites or retail studios and choose not to purchase from us. Any security breach could also expose us to risks of data loss, litigation, regulatory investigations, and other significant liabilities. Such a breach could also seriously disrupt, slow or hinder our operations and harm our reputation and customer relationships, any of which could harm our business.

A security breach includes a third party wrongfully gaining unauthorized access to our systems for the purpose of misappropriating assets or sensitive information, loading corrupting data, or causing operational disruption. These actions may lead to a significant disruption of the Company's IT systems and/or cause the loss of business and business information resulting in an adverse business impact, including: (1) an adverse impact on future financial results due to theft, destruction, loss misappropriation, or release of confidential data or intellectual property; (2) operational or business delays resulting from the disruption of IT systems, and subsequent clean-up and mitigation activities; and (3) negative publicity resulting in reputation or brand damage with customers, partners or industry peers.

In addition, states and the federal government are increasingly enacting laws and regulations to protect consumers against identity theft. Also, as our business expands globally, we are subject to data privacy and other similar laws in various foreign jurisdictions. If we are the target of a cybersecurity attack resulting in unauthorized disclosure of our customer data, we may be required to undertake costly notification procedures. Compliance with these laws will likely increase the costs of doing business. If we fail to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential fines, claims for damages and other remedies, which could harm our business.

A sustained downturn in the economy could adversely impact our access to capital.

The disruptions in the global economic and financial markets of the last decade adversely impacted the broader financial and credit markets, at times reducing the availability of debt and equity capital for the market as a whole. Conditions such as these could re-emerge in the future. Accordingly, our ability to access the capital markets could be restricted at a time when we would like, or need, to access those markets, which could have an adverse impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations, our ability to take advantage of market opportunities and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds of equity financing may be materially and adversely impacted by these market conditions. The extent of any impact would depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit capacity, the cost of financing, and other general economic and business conditions. Our credit agreements contain performance covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, and limits on subsidiary debt and incurrence of liens. Although we believe none of these covenants is currently restrictive to our operations, our ability to meet the financial covenants can be affected by events beyond our control.

Disruptions in the supply of raw and component materials could adversely affect our manufacturing and assembly operations.

We rely on outside suppliers to provide on-time shipments of the various raw materials and component parts used in our manufacturing and assembly processes. The timeliness of these deliveries is critical to our ability to meet customer demand. Any disruptions in this flow of delivery may have a negative impact on our business, results of operations, and financial condition.

Increases in the market prices of manufacturing materials may negatively affect our profitability.

The costs of certain manufacturing materials used in our operations are sensitive to shifts in commodity market prices, include the impact of the U.S. and retaliatory tariffs previously noted. In particular, the costs of steel, plastic, aluminum components, and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber, and resins. Increases in the market prices of these commodities, such as what we experienced earlier in fiscal 2019 for steel, may have an adverse impact on our profitability if we are unable to offset them with strategic sourcing, continuous improvement initiatives or increased prices to our customers.

Disruptions within our dealer network could adversely affect our business.

Our ability to manage existing relationships within our network of independent dealers is crucial to our ongoing success. Although the loss of any single dealer would not have a material adverse effect on the overall business, our business within a given market could be negatively impacted by disruptions in our dealer network caused by the termination of commercial working relationships, ownership transitions, or dealer financial difficulties.

If dealers go out of business or restructure, we may suffer losses because they may not be able to pay for products already delivered to them. Also, dealers may experience financial difficulties, creating the need for outside financial support, which may not be easily obtained. In the past, we have, on occasion, agreed to provide direct financial assistance through term loans, lines of credit, and/or loan guarantees to certain dealers. Those activities increase our financial exposure.

We are unable to control many of the factors affecting consumer spending. Declines in consumer spending on furnishings could reduce demand for our products.

The operations of our Retail segment are sensitive to a number of factors that influence consumer spending, including general economic conditions, consumer disposable income, unemployment, inclement weather, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, inflation, and consumer confidence in future economic conditions. Adverse changes in these factors may reduce consumer demand for our products, resulting in reduced sales and profitability.

A number of factors that affect our ability to successfully implement our retail studio strategy, including opening new locations and closing existing studios, are beyond our control. These factors may harm our ability to increase the sales and profitability of our retail operations.

Approximately 50 percent of the sales within our Retail segment are transacted within our retail studios. Additionally, we believe our retail studios have a direct influence on the volume of business transacted through other channels, including our consumer e-commerce and direct-mail catalog platforms, as many customers utilize these physical spaces to view and experience products prior to placing an order online or through the catalog call center. Our ability to open additional studios or close existing studios successfully will depend upon a number of factors beyond our control, including:

- General economic conditions
- Identification and availability of suitable studio locations
- Success in negotiating new leases and amending or terminating existing leases on acceptable terms
- The success of other retailers in and around our retail locations
- Ability to secure required governmental permits and approvals
- Hiring and training skilled studio operating personnel
- Landlord financial stability

Increasing competition for highly skilled and talented workers could adversely affect our business.

The successful implementation of our business strategy depends, in part, on our ability to attract and retain a skilled workforce. The increasing competition for highly skilled and talented employees could result in higher compensation costs, difficulties in maintaining a capable workforce, and leadership succession planning challenges.

Costs related to product defects could adversely affect our profitability.

We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs, and product liability costs. These expenses relative to product sales vary and could increase. We maintain reserves for product defect-related costs based on estimates and our knowledge of circumstances that indicate the need for such reserves. We cannot, however, be certain that these reserves will be adequate to cover actual product defect-related claims in the future. Any significant increase in the rate of our product defect expenses could have a material adverse effect on operations.

We are subject to risks associated with self-insurance related to health benefits.

We are self-insured for our health benefits and maintain per employee stop loss coverage; however, we retain the insurable risk at an aggregate level. Therefore unforeseen or catastrophic losses in excess of our insured limits could have a material adverse effect on the Company’s financial condition and operating results. See Note 1 of the Consolidated Financial Statements for information regarding the Company’s retention level.

Government and other regulations could adversely affect our business.

Government and other regulations apply to the manufacture and sale of many of our products. Failure to comply with these regulations or failure to obtain approval of products from certifying agencies could adversely affect the sales of these products and have a material negative impact on operating results.

Item 1B Unresolved Staff Comments

None

Item 2 Properties

The Company owns or leases facilities located throughout the United States and several foreign countries. The location, square footage and use of the most significant facilities at June 1, 2019 were as follows:

Owned Locations	Square Footage	Use
Zeeland, Michigan	770,800	Manufacturing, Warehouse, Office
Spring Lake, Michigan	582,800	Manufacturing, Warehouse, Office
Holland, Michigan	357,400	Warehouse
Holland, Michigan	293,100	Manufacturing, Office
Dongguan, China*	269,000	Manufacturing, Office
Holland, Michigan	238,200	Office, Design
Sheboygan, Wisconsin	207,700	Manufacturing, Warehouse, Office
Melksham, United Kingdom	170,000	Manufacturing, Warehouse, Office
Hildebran, North Carolina	93,000	Manufacturing, Office

Leased Locations	Square Footage	Use
Batavia, Ohio**	617,600	Warehouse
Dongguan, China*	429,300	Manufacturing, Office
Hebron, Kentucky**	423,700	Warehouse
Atlanta, Georgia	180,200	Manufacturing, Warehouse, Office
Bangalore, India	104,800	Manufacturing, Warehouse
Yaphank, New York	92,000	Warehouse, Office
New York City, New York	66,600	Office, Retail
Hong Kong, China	54,400	Warehouse
Brooklyn, New York	39,400	Warehouse, Retail
Stamford, Connecticut	35,300	Office, Retail

As of June 1, 2019, the Company leased 39 retail studios (including 36 operating under the DWR brand, 2 under the HAY brand, and a Herman Miller Flagship store in New York) that totaled approximately 400,000 square feet of selling space. The Company also maintains administrative and sales offices and showrooms in various other locations throughout North America, Europe, Asia/Pacific and Latin America. The Company considers its existing facilities to be in good condition and adequate for its design, production, distribution, and selling requirements.

* On March 14, 2018, the Company announced a facilities consolidation plan related to its China Manufacturing facilities. Plans are underway to close and consolidate the owned and leased Dongguan facilities into a new leased facility in Dongguan. The Company expects the facilities consolidation to be completed by the first quarter of fiscal 2020.

** In fiscal 2019, the Company began the transition of its leased Hebron, Kentucky distribution center to a new leased distribution center in Batavia, Ohio. The Company expects the transition to be completed by the second quarter of fiscal 2020.

Item 3 Legal Proceedings

The Company is 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 operations, cash flows and financial condition.

Additional Item: Executive Officers of the Registrant

Certain information relating to Executive Officers of the Company as of June 1, 2019 is as follows:

Name	Age	Year Elected an Executive Officer	Position with the Company
Andrea R. Owen	54	2018	President and Chief Executive Officer
Jeremy Hocking	58	2017	President, International Contract
Gregory J. Bylsma	54	2009	President, North America Contract
Jeffrey M. Stutz	48	2009	Chief Financial Officer
B. Ben Watson	54	2010	Chief Creative Officer
Jacqueline H. Rice	47	2019	General Counsel
John McPhee	56	2015	President, Retail
Kevin Veltman	44	2015	Vice President, Investor Relations & Treasurer
Jeffrey L. Kurburski	52	2018	Chief Technology Officer
Benjamin P.T. Groom	35	2019	Chief Digital Officer
Leander D. LeSure	53	2019	Chief Human Resource Officer
Megan Lyon	39	2019	Chief Strategy Officer

Except as discussed below, each of the named officers has served the Company in an executive capacity for more than five years.

Mr. McPhee joined Herman Miller, Inc. in 2015 in connection with the Company's acquisition of DWR. Prior to that, he served in various roles at DWR including Chief Operating Officer and President from 2010. Mr. McPhee previously held senior management positions with Edelman Leather, Candie's, Inc. and Sam & Libby, Inc.

Mr. Veltman joined Herman Miller, Inc. in 2014 and serves as Vice President - Investor Relations and Treasurer. Prior to joining Herman Miller, he spent 8 years at BISSELL, Inc, most recently as Vice President - Finance.

Ms. Owen joined Herman Miller, Inc. in 2018 and serves as President and Chief Executive Officer. Prior to joining Herman Miller, Ms. Owen spent twenty-five years at The Gap, Inc. where she most recently served as Global President of Banana Republic.

Mr. Groom joined Herman Miller, Inc. in 2019 and serves as Chief Digital Officer. Prior to joining Herman Miller, Mr. Groom spent six years with The Boston Consulting Group where he was a Principal member of the firm's Technology Advantage, Retail and Consumer practices.

Ms. Rice joined Herman Miller, Inc. in 2019 and serves as General Counsel. Prior to joining Herman Miller, Ms. Rice served as Executive Vice President, Chief Risk & Compliance Officer at Target Corporation as well as Senior Counsel and Chief Compliance Officer at General Motors Co.

Mr. LeSure joined Herman Miller, Inc. in 2019 and serves as Chief Human Resources Officer. Prior to joining Herman Miller, Mr. LeSure served as the Chief Human Resources Officer at Getty Images, Inc. He also served in Human Resource Leadership roles at Western Union and American Express.

Ms. Lyon joined Herman Miller, Inc. in 2019 and serves as Chief Strategy Officer. Prior to joining Herman Miller, Ms. Lyon spent eleven years with The Boston Consulting Group where she was a Partner and Managing Director leading the firm's West Coast Consumer and Retail Practice.

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 4 Mine Safety Disclosures

Not applicable

PART II

Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Share Price, Earnings, and Dividends Summary

Herman Miller, Inc. common stock is traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 25, 2019, there were approximately 33,000 record holders, including individual participants in security position listings, of the Company's common stock.

The high and low market prices of the Company's common stock, dividends and diluted earnings per share for each quarterly period during the past two years were as follows:

Per Share and Unaudited	Market Price High (at close)	Market Price Low (at close)	Market Price Close	Earnings Per Share-Diluted	Dividends Declared Per Share
Year ended June 1, 2019:					
First quarter	$ 40.10	$ 32.75	$ 38.30	$ 0.60	$ 0.1975
Second quarter	40.65	31.38	33.86	0.66	0.1975
Third quarter	37.62	28.66	36.89	0.66	0.1975
Fourth quarter	39.70	33.94	35.49	0.78	0.1975
Year	$ 40.65	$ 28.66	$ 35.49	$ 2.70	$ 0.7900
Year ended June 2, 2018:					
First quarter	$ 35.30	$ 29.25	$ 34.00	$ 0.55	$ 0.1800
Second quarter	37.00	32.05	34.55	0.55	0.1800
Third quarter	41.84	33.65	36.75	0.49	0.1800
Fourth quarter	39.20	29.95	32.85	0.53	0.1800
Year	$ 41.84	$ 29.25	$ 32.85	$ 2.12	$ 0.7200

Dividends were declared and paid quarterly during fiscal 2019 and 2018 as approved by the Board of Directors.

On June 26, 2019 the company's board of directors approved an increase in the quarterly dividend up to $0.21 per share. The payment will be made on October 15, 2019 to shareholders of record at the close of business on August 31, 2019. While it is anticipated that the Company will continue to pay quarterly cash dividends, the amount and timing of such dividends is subject to the discretion of the Board depending on the Company's future results of operations, financial condition, capital requirements and other relevant factors.

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the Company's fourth fiscal quarter ended June 1, 2019:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share or Unit	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs [(1)]
3/3/19-3/30/19	11,253	34.95	11,253	$ 268,232,481
3/31/19-4/27/19	60,815	36.61	60,815	$ 266,006,033
4/28/19-6/1/19	47,498	37.56	47,498	$ 264,222,017
Total	119,566		119,566	

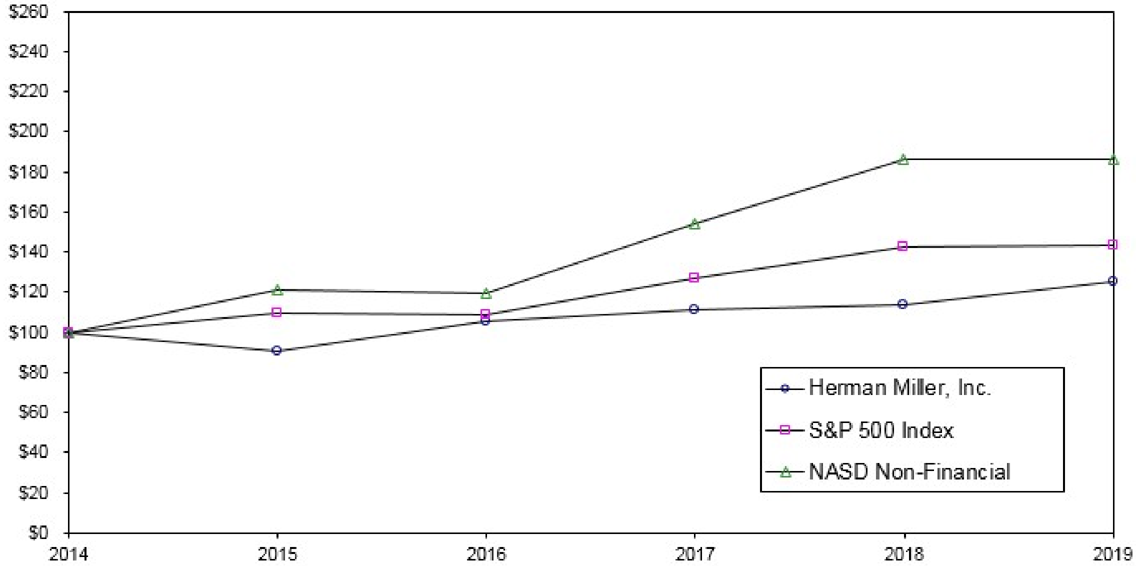
(1) Amounts are as of the end of the period indicated

The Company has two share repurchase plans authorized by the Board of Directors on September 25, 2007 and January 16, 2019, which provide share repurchase authorization of $550.0 million with no specified expiration date. The approximate dollar value of shares available for purchase under the plans at June 1, 2019 was $264.2 million.

During the period covered by this report, the Company did not sell any shares of common stock that were not registered under the Securities Act of 1933.

Stockholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on the Company's common stock with that of the cumulative total return of the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index for the five-year period ended June 1, 2019. The graph assumes an investment of $100 on June 4, 2014 in the Company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.



	2014	2015	2016	2017	2018	2019
Herman Miller, Inc.	$ 100	$ 90	$ 105	$ 111	$ 114	$ 126
S&P 500 Index	$ 100	$ 110	$ 109	$ 127	$ 142	$ 143
NASD Non-Financial	$ 100	$ 121	$ 119	$ 159	$ 187	$ 186

Information required by this item is also contained in Item 12 of this report.

Item 6 Selected Financial Data

Review of Operations

(In millions, except key ratios and per share data)	2019	2018	2017	2016	2015
Operating Results					
Net sales	$ 2,567.2	$ 2,381.2	$ 2,278.2	$ 2,264.9	$ 2,142.2
Gross margin	929.9	873.0	864.2	874.2	791.4
Selling, general, and administrative (1)	649.5	621.0	587.5	585.6	556.6
Design and research	76.9	73.1	73.1	77.1	71.4
Operating earnings	203.5	178.9	191.1	211.5	163.4
Earnings before income taxes	195.1	168.1	177.6	196.6	145.2
Net earnings	160.5	128.7	124.1	137.5	98.1
Net cash provided by operating activities	216.4	166.5	202.1	210.4	167.7
Net cash used in investing activities	(165.0)	(62.7)	(116.3)	(80.8)	(213.6)
Net cash (used in) provided by financing activities	(91.9)	2.5	(74.6)	(106.5)	6.8
Depreciation and amortization	72.1	66.9	58.9	53.0	49.8
Capital expenditures	85.8	70.6	87.3	85.1	63.6
Common stock repurchased plus cash dividends paid	93.5	88.9	63.1	49.0	37.0
Key Ratios					
Sales growth	7.8%	4.5%	0.6 %	5.7%	13.8%
Gross margin (2)	36.2	36.7	37.9	38.6	36.9
Selling, general, and administrative (1) (2)	25.3	26.1	25.8	25.9	26.0
Design and research (2)	3.0	3.1	3.2	3.4	3.3
Operating earnings (2)	7.9	7.5	8.4	9.3	7.6
Net earnings growth (decline)	24.7	3.7	(9.7)	40.2	543.9
After-tax return on net sales (3)	6.3	5.4	5.4	6.1	4.6
After-tax return on average assets (4)	10.5	9.2	9.8	11.3	9.0
After-tax return on average equity (5)	23.2%	20.6%	22.3 %	29.1%	25.0%
Share and Per Share Data					
Earnings per share-diluted	$ 2.70	$ 2.12	$ 2.05	$ 2.26	$ 1.62
Cash dividends declared per share	0.79	0.72	0.68	0.59	0.56
Book value per share at year end (6)	12.23	11.22	9.84	8.76	7.04
Market price per share at year end	35.49	32.85	32.70	31.64	27.70
Weighted average shares outstanding-diluted	59.4	60.3	60.6	60.5	60.1
Financial Condition					
Total assets	$ 1,569.3	$ 1,479.5	$ 1,306.3	$ 1,235.2	$ 1,192.7
Working capital (7)	215.2	231.6	106.2	90.5	110.1
Current ratio (8)	1.5	1.6	1.3	1.2	1.3
Interest-bearing debt and related swap agreements (9)	282.8	265.1	197.8	221.9	290.0
Stockholders' equity	719.2	664.8	587.7	524.7	420.3
Total capital (10)	1,002.0	929.9	785.5	746.6	710.3

(1) Selling, general, and administrative expenses include restructuring and impairment expenses in years that are applicable.
(2) Shown as a percent of net sales.
(3) Calculated as net earnings divided by net sales.
(4) Calculated as net earnings divided by average assets.
(5) Calculated as net earnings divided by average equity.
(6) Calculated as total stockholders' equity divided by common shares of stock outstanding.
(7) Calculated using current assets less non-interest bearing current liabilities.
(8) Calculated using current assets divided by current liabilities.
(9) Amounts shown include the fair market value of the Company's interest rate swap arrangement(s). The net fair value of this/these arrangement(s) was/were $0.9 million at June 1, 2019, $(9.9) million at June 2, 2018, and $(2.1) million at June 3, 2017.
(10) Calculated as interest-bearing debt and related swap agreements plus stockholders' equity.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the issues discussed in Management's Discussion and Analysis in conjunction with the Company's Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Executive Overview

Herman Miller’s mission statement is *Inspiring Designs to Help People Do Great Things.* At present, most customers come to the Company for furnishing interior environments in corporate offices, healthcare settings, higher education institutions and residential spaces. The Company's primary products include furniture systems, seating, storage, freestanding furniture, healthcare environment products, casegoods, textiles and related technologies and services.

More than 100 years of innovative business practices and a commitment to social responsibility have established Herman Miller as a recognized global company. The Company trades on the NASDAQ Global Select Market under the symbol MLHR.

Herman Miller's products are sold internationally through wholly-owned subsidiaries or branches in various countries including the United Kingdom, Canada, Japan, Korea, Mexico, Australia, Singapore, China, Hong Kong, India and Brazil. The Company's products are offered elsewhere in the world primarily through independent dealerships or joint ventures with customers in over 100 countries.

The Company is globally positioned in terms of manufacturing operations. In the United States, manufacturing operations are located in Michigan, Georgia, Wisconsin and North Carolina. In Europe, its manufacturing presence is located in the United Kingdom. Manufacturing operations globally also include facilities located in China, Brazil and India. The Company manufactures products using a system of lean manufacturing techniques collectively referred to as the Herman Miller Performance System (HMPS). For its contract furniture business, Herman Miller strives to maintain efficiencies and cost savings by minimizing the amount of inventory on hand. Accordingly, production is order-driven with direct materials and components purchased as needed to meet demand. The standard manufacturing lead time for the majority of our products is 10 to 20 days. These factors result in a high rate of inventory turns related to our manufactured inventories.

A key element of the Company's manufacturing strategy is to limit fixed production costs by sourcing component parts from strategic suppliers. This strategy has allowed the Company to increase the variable nature of its cost structure, while retaining proprietary control over those production processes that the Company believes provide a competitive advantage. As a result of this strategy, the Company's manufacturing operations are largely assembly-based.

A key element of the Company's growth strategy is to scale the Retail business through the Company's Design Within Reach (DWR), Herman Miller and HAY retail operations. The Retail business provides a channel to bring Herman Miller's iconic and design-centric products to retail customers, along with other proprietary and third party products, with a focus on design. The Company continues to transform its Retail business through the DWR retail studio footprint, which will be complemented by a continued focus on improving margins through the development of exclusive product designs and leveraging additional sales in DWR's contract, catalog and digital channels, as well as the launch of the HAY brand in North America.

The Company is comprised of various operating segments as defined by generally accepted accounting principles in the United States (U.S. GAAP). The operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions. The Company has identified the following reportable segments:

- *North America Contract* — Includes the operations associated with the design, manufacture, and sale of furniture and textile products for work-related settings, including office, education and healthcare environments, throughout the United States and Canada. The business associated with the Company's owned contract furniture dealers is also included in the North America Contract segment. In addition to the Herman Miller brand, this segment includes the operations associated with the design, manufacture and sale of high-craft furniture products and textiles, including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products.

- *International Contract* — Includes the operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings, in the Europe, Middle East and Africa (EMEA), Latin America and Asia-Pacific geographic regions.

- *Retail* — Includes the operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through e-commerce, direct mailing catalogs and DWR and HAY studios.

The Company also reports a corporate category consisting primarily of unallocated corporate expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs.

Core Strengths

The Company relies on the following core strengths in delivering solutions to customers:

- *Portfolio of Leading Brands and Products* - Herman Miller is a globally-recognized, authentic brand known for working with some of the most well known and respected designers in the world. Over the years, it has evolved into Herman Miller Group, a family of brands that collectively offers a variety of products for environments where people live, learn, work and heal. Within the industries in which the Company operates, Herman Miller, DWR, Geiger, Maharam, POSH, Nemschoff, Colbrook Bosson Saunders ("CBS"), HAY, Maars Livings Walls and Naughtone are acknowledged as leading brands that inspire architects and designers to create their best design solutions. This portfolio has enabled Herman Miller to connect with new audiences, channels, geographies and product categories. Leveraging the collective brand equity of the Herman Miller Group across the lines of business is an important element of the Company's business strategy.

- *Problem-Solving Design and Innovation* - The Company is committed to developing research-based functionality and aesthetically innovative new products and has a history of doing so, in collaboration with a global network of leading independent designers. The Company believes its skills and experience in matching problem-solving design with the workplace needs of customers provide the Company with a competitive advantage in the marketplace. An important component of the Company's business strategy is to actively pursue a program of new product research, design and development. The Company accomplishes this through the use of an internal research and engineering staff that engages with third party design resources generally compensated on a royalty basis.

- *Operational Excellence* - The Company was among the first in the industry to embrace the concepts of lean manufacturing. HMPS provides the foundation for all the Company's manufacturing operations. The Company is committed to continuously improving both product quality and production and operational efficiency. The Company has extended this lean process work to its non-manufacturing processes as well as externally to its manufacturing supply chain and distribution channel. The Company believes these concepts hold significant promise for further gains in reliability, quality and efficiency.

- *Omni-Channel Reach* - The Company has built a multi-channel distribution capability that it considers unique. Through contract furniture dealers, direct customer sales, retail studios, e-Commerce, catalogs and independent retailers, the Company serves contract and residential customers across a range of channels and geographies.

- *Global Scale* - In addition to its global omni-channel distribution capability, the Company has a global network of designers, suppliers, manufacturing operations and research and development centers that position the Company to serve contract and residential customers globally. The Company believes that leveraging this global scale will be an important enabler to executing its strategy.

Channels of Distribution

The Company's products and services are offered to most of its customers under standard trade credit terms between 30 and 45 days. For all the items below, revenue is recognized when both title and risk of loss transfers to the customer. The Company's products and services are sold through the following distribution channels:

- *Independent and Owned Contract Furniture Dealers* - Most of the Company's product sales are made to a network of independently owned and operated contract furniture dealerships doing business in many countries around the world. These dealers purchase the Company's products and distribute them to end customers. Many of these dealers also offer furniture-related services, including product installation.

- *Direct Contract Sales* - The Company also sells products and services directly to end customers without an intermediary (e.g., sales to the U.S. federal government). In most of these instances, the Company contracts separately with a dealership or third-party installation company to provide sales-related services.

- *Retail Studios* - At the end of fiscal 2019, the Retail business unit included 39 retail studios (including 36 operating under the DWR brand, 2 under the HAY brand and a Herman Miller Flagship store in New York City). This business also operates three outlet studios. The retail studios are located in metropolitan areas throughout North America.

- *E-Commerce* - The Company sells products through its online stores, in which products are available for sale via the Company's website, hermanmiller.com, global e-commerce platforms, as well as through the dwr.com and us.hay.com online stores. These sites complement our existing methods of distribution and extend the Company's brand to new customers.

- *Direct-Mail Catalogs* - The Company’s Retail business unit utilizes a direct-mail catalog program through its DWR subsidiary. A regular schedule of catalog mailings is maintained throughout the fiscal year and these serve as a key driver of sales across each of DWR’s channels, including retail studios and e-commerce websites.

- *Independent Retailers* - Certain products are sold to end customers through independent retail operations.

Challenges Ahead

Like all businesses, the Company is faced with a host of challenges and risks. The Company believes its core strengths and values, which provide the foundation for its strategic direction, have well prepared the Company to respond to the inevitable challenges it will face in the future. While the Company is confident in its direction, it acknowledges the risks specific to our business and industry. Refer to Item 1A for discussion of certain of these risk factors and Item 7A for disclosures of market risk.

Areas of Strategic Focus

Despite a number of risks and challenges, the Company believes it is well positioned to successfully pursue its mission of inspiring designs to help people do great things. As our business and industry continue to evolve, we are constantly focused on staying ahead of the curve. With the composition of the office floor plate moving toward a broader variety of furnishings, a greater desire for customization from our customers, new technologies, and trends towards urbanization and more seamless transactions in the retail world, we have centered our overall value creation strategy on four key priorities.

Unlock the Power of One Herman Miller - Coming together as a family of complementary brands will help achieve our goals of more actively moving into the consumer marketplace, growing globally and making it easier to do business with us. The Company strives to become more agile, invest in responsive innovation, simplify our go-to-market strategy and continue to lead in product innovation across all of our businesses globally.

Build a Customer-centric, Digitally-enabled Business Model - Building a customer centric and digitally enabled business model is at the forefront of our goal to become easier to do business with us. The Company will leverage its deep understanding of customer journeys to deliver inspired products and a frictionless customer experience. Along with strengthening the core technology backbone, the Company will also drive step-change in data, analytics, marketing and brand capabilities.

Accelerate Profitable Growth - There are identified opportunities for growth ahead in each of the Company’s business segments. We believe we are the only player in our industry with access to meaningful contract and residential growth opportunities on a global scale. At the same time, with our ongoing focus on operational excellence and specific profit improvement initiatives, we are focused on continuous improvement of our cost structure.

Reinforce Our Commitment to Our People, Planet, Communities - With a legacy of corporate social responsibility that is deeply ingrained in our culture, the Company will reinforce its commitment to its people, planet and communities in a more integrated and deliberate way than ever before. The Company will focus on building, developing and retaining world-class talent, shaping an inclusive and diverse workforce and elevating its total societal impact commitment. By viewing the impact of our organization through its total societal impact, we believe we can create value for our shareholders, customers and employees, as well as for the broader communities and environment in which we operate.

The Company believes its strategy continues to respond well to current and future realities in its markets. The Company's strategic priorities are aimed at creating a sustainable and diverse revenue model that puts the customer at the center of everything we do and leverages enabling digital capabilities to fully realize that vision.

Business Overview

The following is a summary of the significant events and items impacting the Company's operations for the year ended June 1, 2019:

- Andi Owen was elected as President and Chief Executive Officer of the Company effective on August 22, 2018, succeeding Brian Walker who retired from the Company in August 2018. Ms. Owen joins Herman Miller after a 25-year career at Gap Inc., where she most recently served as Global President of Banana Republic, leading 11,000 employees in over 600 stores across 27 countries.

- Net sales were $2,567.2 million and orders were $2,614.9 million, representing an increase of 7.8% and 8.6%, respectively, when compared to the prior year. The increase in net sales was driven primarily by strong performance within the North America, International and Retail segments, as well as a reclassification related to the adoption of the new revenue recognition standard (ASC 606). On an organic basis, net sales were $2,583.7 million(*) and orders were $2,628.6 million, representing an increase of 7.1%(*) and 7.7%, respectively, when compared to the prior year.

- Gross margin was 36.2% as compared to 36.7% in the prior year. The decrease in gross margin was driven primarily by the reclassification impact of adopting the new revenue recognition standard (ASC 606) at the beginning of fiscal 2019. Higher commodity costs and the impact of tariffs on Chinese imports also decreased gross margin, but were offset by lower material costs within the North America segment and lower costs within the International segment.

- Operating expenses increased by $32.3 million or 4.7% as compared to the prior year. Operating expenses included special charges, totaling $13.1 million, related mainly to costs associated with the CEO transition, certain business structure realignment costs and third party consulting costs attributable to the Company's profit enhancement initiatives. Operating expenses also included restructuring costs of $10.2 million related to actions involving facilities consolidation, targeted workforce reductions and costs associated with an early retirement program.

- The effective tax rate was 20.3% for fiscal 2019 compared to 25.2% for the prior year. The decrease in the current year effective tax rate was driven primarily by the full year impact of the Tax Cuts and Jobs Act (the "Act") as compared to a partial year impact in fiscal 2018.

- Diluted earnings per share increased $0.58 to $2.70, a 27.4% increase as compared to the prior year. Excluding the impact of restructuring expenses, other special charges, a gain associated with the fair value adjustment of an investment, an inventory step up on the HAY equity method investment and the final adjustment related to the adoption U.S. tax reform, adjusted diluted earnings per share were $2.97(*), a 29.1% increase as compared to the prior year.

- The Company declared cash dividends of $0.79 per share compared to $0.72 per share in the prior year.

- Strategic investments of approximately $72 million were made in HAY and Maars Living Walls.

- Effective in the fourth quarter of fiscal 2019, the Company revised its reportable segments to combine the Specialty reportable segment with the North American Furniture Solutions reportable segment. The newly combined segment is called "North America Contract".

The following summary includes the Company's view on the economic environment in which it operates:

- North America remains generally conducive to continued growth due to recent positive industry order trends as reported by the Business and Institutional Furniture Manufacturers Association ("BIFMA"), GDP growth, service sector employment and architectural billings.

- The Company is monitoring the resolution of various trade policy negotiations between the U.S. and key trading partners as well as the ongoing negotiations concerning the U.K. referendum to exit the European Union.

- The Company is also navigating the impact of global tariffs. In May 2019, the U.S. enacted a 25% tariff rate on certain goods imported by the Company and its suppliers from China. The Company continues to believe that pricing, strategic sourcing actions, and profit optimization initiatives will fully offset the current level of tariffs imposed on imports from China.

The remaining sections of Item 7 include additional analysis of the fiscal year ended June 1, 2019, including discussion of significant variances compared to the prior year period. A detailed review of our fiscal 2018 performance compared to our fiscal 2017 performance is set forth in Part II, Item 7 of our Form 10-K for the fiscal year ended June 2, 2018.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

Reconciliation of Non-GAAP Financial Measures

This report contains references to Organic net sales and Adjusted diluted earnings per share ("EPS"), both of which are non-GAAP financial measures (referred to collectively as the "Adjusted financial measures"). Organic Growth represents the change in sales and orders, excluding the impact of divestitures, currency translation effects, the impact of reclassification related to the new revenue recognition standard (ASC 606), and changes in shipping terms. Adjusted Earnings per Share represents reported diluted earnings per share excluding the impact from the adoption of U.S. Tax Reform, an investment fair value adjustment, amortization of an inventory step up on the HAY equity method investment, restructuring expenses, and other special charges, including related taxes. Restructuring expenses include actions involving facilities consolidation, targeted workforce reductions and costs associated with an early retirement program. Special charges include costs related to the CEO transition, certain business structure realignment costs, and third party consulting costs related to the Company's profit enhancement initiatives.

The Company presents the Adjusted financial measures because we consider them to be important supplemental measures of our performance and believe them to be useful in analyzing ongoing results from operations. The adjusted financial measures are not measurements of our financial performance under GAAP and should not be considered an alternative to Earnings per share - diluted, or the Company's reported Net sales under GAAP. The Adjusted financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. The Company's presentation of the Adjusted financial measures should not be construed as an indication that its future results will be unaffected by unusual or infrequent items. The Company compensates for these limitations by providing prominence of the GAAP results and using the Adjusted financial measures only as a supplement.

The following table reconciles Net sales to Organic net sales by segment for the fiscal years ended:

	June 1, 2019				June 2, 2018			
	North America	International	Retail	**Total**	North America	International	Retail	**Total**
Net Sales, as reported	$ 1,686.5	$ 492.2	$ 388.5	$ 2,567.2	$ 1,589.8	$ 434.5	$ 356.9	$ 2,381.2
% change from PY	6.1%	13.3%	8.9%	7.8%				
Proforma Adjustments								
Dealer Divestitures	—	—	—	—	(0.8)	—	—	(0.8)
Currency Translation Effects [1]	3.8	12.4	0.3	16.5	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	23.9	12.3	—	36.2
Impact of Change in DWR Shipping Terms	—	—	—	—	—	—	(5.0)	(5.0)
Organic net sales	**$ 1,690.3**	**$ 504.6**	**$ 388.8**	**$ 2,583.7**	**$ 1,612.9**	**$ 446.8**	**$ 351.9**	**$ 2,411.6**
% change from PY	**4.8%**	**12.9%**	**10.5%**	**7.1%**				

[1] Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

The following table reconciles EPS to Adjusted EPS for the years indicated:

	June 1, 2019	June 2, 2018
Earnings per Share - Diluted	$ 2.70	$ 2.12
Less: Adjustments Related to Adoption of U.S. Tax Cuts and Jobs Act	(0.02)	(0.05)
Less: Investment fair value adjustment, after tax	(0.03)	—
Add: Special charges, after tax	0.18	0.16
Add: inventory step up on HAY equity method investment, after tax	0.01	—
Add: Restructuring expenses, after tax	0.13	0.07
Adjusted Earnings per Share - Diluted	**$ 2.97**	**$ 2.30**
Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) – Diluted	**59,381,791**	**60,311,305**

Financial Results

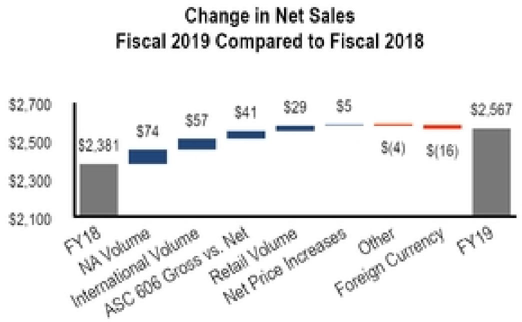
The following is a comparison of our annual results of operations and year-over-year percentage changes for the periods indicated:

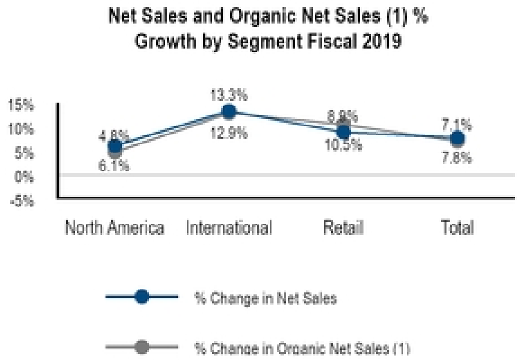
(Dollars in millions)	Fiscal 2019	Fiscal 2018	% Change
Net sales	$ 2,567.2	$ 2,381.2	7.8 %
Cost of sales	1,637.3	1,508.2	8.6 %
Gross margin	929.9	873.0	6.5 %
Operating expenses	726.4	694.1	4.7 %
Operating earnings	203.5	178.9	13.8 %
Net other expenses	8.4	10.8	(22.2)%
Earnings before income taxes	195.1	168.1	16.1 %
Income tax expense	39.6	42.4	(6.6)%
Equity income from nonconsolidated affiliates, net of tax	5.0	3.0	66.7 %
Net earnings	160.5	128.7	24.7 %
Net earnings attributable to noncontrolling interests	—	0.6	(100.0)%
Net earnings attributable to Herman Miller, Inc.	$ 160.5	$ 128.1	25.3 %

The following table presents, for the periods indicated, the components of the Company's Consolidated Statements of Comprehensive Income as a percentage of net sales:

	Fiscal 2019	Fiscal 2018
Net sales	100.0%	100.0%
Cost of sales	63.8	63.3
Gross margin	36.2	36.7
Selling, general and administrative expenses	24.9	25.8
Restructuring and impairment expenses	0.4	0.2
Design and research expenses	3.0	3.1
Total operating expenses	28.3	29.1
Operating earnings	7.9	7.5
Net other expenses	0.3	0.5
Earnings before income taxes	7.6	7.1
Income tax expense	1.5	1.8
Equity income from nonconsolidated affiliates, net of tax	0.2	0.1
Net earnings	6.3	5.4
Net earnings attributable to noncontrolling interests	—	—
Net earnings attributable to Herman Miller, Inc.	6.3	5.4

Net Sales, Orders and Backlog - Fiscal 2019 Compared to Fiscal 2018





Consolidated net sales increased $186.0 million to $2,567.2 million from $2,381.2 million for the fiscal year ended June 1, 2019 compared to the fiscal year ended June 2, 2018. The following items contributed to the change:

- Increased sales volumes within the North America segment of approximately $74 million due to increased demand within the Company's core contract furniture business.
- Increased sales volumes within the International segment of approximately $57 million, which were driven by broad-based growth across the Asia Pacific and Latin America regions.
- Adoption of ASC 606 - Revenue from Contracts with Customers at the beginning of fiscal 2019 led to the reclassification of certain pricing elements from Net sales to Cost of sales, which resulted in an increase in Net sales of $40.5 million compared to the prior year in which revenue was recorded under previous accounting rules.
- Increased sales volumes within the Retail segment of approximately $29 million, which were driven primarily by the introduction of HAY products and growth across the Company's DWR studio, e-commerce and contract channels.
- Incremental list price increases, net of deeper contract price discounting, of approximately $5 million.
- Foreign currency translation had a negative impact on net sales of approximately $16 million.

Consolidated net trade orders for fiscal 2019 totaled $2,614.9 million compared to $2,408.2 million in fiscal 2018, an increase of 8.6 percent. On an organic basis, which excludes the impact of the adoption of ASC 606, as well as foreign currency translation and dealer divestitures, orders increased by 7.7 percent from last fiscal year. The impact of the adoption of ASC 606 increased orders by $35.7 million in the current year and changes in foreign currency for the fiscal year increased orders by approximately $13.7 million as compared to the prior year. Dealer divestitures had a $2.2 million unfavorable impact on current year orders.

The Company's backlog of unfilled orders at the end of fiscal 2019 totaled $394.2 million, a 12.4 percent increase from the fiscal 2018 ending backlog of $350.7 million.

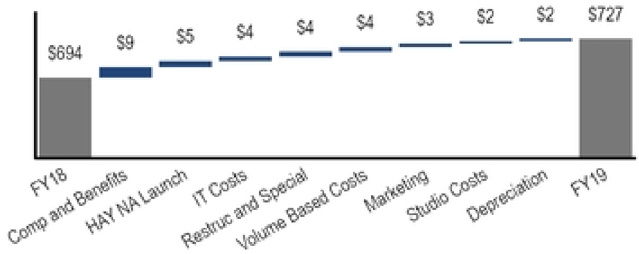
(1) Non-GAAP measurements; see accompanying reconciliations and explanations.

Gross Margin - Fiscal 2019 Compared to Fiscal 2018

Consolidated gross margin was 36.2% for fiscal 2019 as compared to 36.7% for fiscal 2018. The following factors summarize the major drivers of the year-over-year change in gross margin percentage:

- Approximately 60 basis points of the year-over-year decrease in gross margin related to the adoption of the new revenue recognition standard (ASC 606) at the beginning of fiscal 2019. This adoption requires recording certain product pricing elements as expenses within cost of goods sold that were previously classified on a net basis within sales. This reclassification lowers gross margin percentage but has no impact on gross margin dollars.
- Higher commodity costs and the impact of tariffs on Chinese imports drove an unfavorable impact of approximately 30 basis points relative to last fiscal year.
- Higher freight and storage costs within the Retail segment decreased gross margin by approximately 30 basis points as compared to last fiscal year.
- Lower material costs within the North America segment, due primarily to reduced outsourcing, and lower costs within the International segment, due primarily to volume leverage and product mix, increased gross margin by approximately 50 basis points as compared to last fiscal year.

Operating Expenses - Fiscal 2019 Compared to Fiscal 2018



Operating expenses increased by $32.3 million or 4.7% over the prior year. The following factors contributed to the change:

- Compensation and benefit costs increased by approximately $9 million due mainly to employee headcount and wage increases.
- Incremental spend of approximately $5 million related to the marketing, e-commerce and studios associated with the launch of the HAY brand in North America.
- Higher information technology related expenses of approximately $4 million.
- Restructuring and special charges, primarily related to facilities consolidation and costs associated with an early retirement program increased operating expenses by approximately $4 million.
- Sales volume based costs, such as sales commissions and royalties, drove an increase in operating expenses of approximately $4 million.
- Marketing expenses increased by roughly $3 million due primarily to the sales initiatives within the North America and Retail segments.
- Incremental costs related to the continued growth and expansion of DWR retail studios increased operating expenses by approximately $2 million.
- Depreciation expense increased by approximately $2 million and was driven primarily by investment in facilities and information technology systems.

Operating Earnings

Operating earnings in fiscal 2019 were $203.5 million, or 7.9% of sales, an increase of $24.6 million compared to fiscal 2018 operating earnings of $178.9 million, or 7.5% of sales.

Other Expenses and Income

Net other expenses for fiscal 2019 were $8.4 million, a decrease of $2.4 million compared to net other expenses in fiscal 2018 of $10.8 million. The decrease in net other expenses in fiscal 2019 was primarily the result of a gain related to an investment fair value adjustment.

Equity Earnings from Nonconsolidated Affiliates

Equity earnings from nonconsolidated affiliates for fiscal 2019 were $5.0 million, an increase of $2.0 million compared to Equity earnings from nonconsolidated affiliates of $3.0 million in fiscal 2018. This increase was driven by incremental earnings from the Company's investment in Naughtone and HAY.

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was signed into law in the United States. The effects of the Act included the reduction of the federal corporate income tax rate from 35 percent to 21 percent and a new participation exemption system of taxation on foreign earnings, among other provisions.

Securities and Exchange Commission Staff Accounting Bulletin No. 118 allowed the use of provisional amounts if accounting for certain income tax effects of the Act had not been completed by the time the company’s financial statements are issued. A measurement period was provided beginning December 22, 2017 and was not to last longer than one year. During the year ended June 1, 2019, the Company completed its accounting for all the effects of the Act and recorded adjustments to the provisional amounts primarily for the one-time U.S. tax liability on certain undistributed foreign earnings and also an adjustment related to foreign tax credits to increase the income tax benefit from the Act by $1.0 million.

The Company's effective tax rate was 20.3 percent in fiscal 2019, and 25.2 percent in fiscal 2018. The effective tax rate in fiscal 2019 was below the United States statutory rate of 21 percent, primarily due to an increase in the mix of earnings in tax jurisdictions that have rates lower than the United States statutory rate and the research and development tax credit under the Protecting Americans from Tax Hikes ("PATH") Act of 2015.

The effective tax rate in fiscal 2018 was below the statutory rate of 29.1 percent, primarily due to an increase in the mix of earnings in tax jurisdictions that have rates lower than the United States statutory rate, the manufacturing deduction under the American Jobs Creation Act of 2004 (“AJCA”) and the research and development tax credit under the PATH.

For further information regarding income taxes, refer to Note 11 of the Consolidated Financial Statements.

Net Earnings; Earnings per Share

In fiscal 2019 and fiscal 2018, the Company generated net earnings attributable to Herman Miller, Inc. of $160.5 million and $128.1 million, respectively. Diluted earnings per share were $2.70 and $2.12 for fiscal 2019 and fiscal 2018, respectively.

Reportable Operating Segments Results

The business is comprised of various operating segments as defined by generally accepted accounting principles in the United States. These operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions.

Prior to the fourth quarter of fiscal 2019, the Company's reportable segments consisted of North American Furniture Solutions, ELA ("EMEA, Latin America, and Asia Pacific") Furniture Solutions, Specialty and Consumer. Effective in the fourth quarter of fiscal 2019, the Company has revised its reportable segments to combine the Specialty reportable segment with the North American Furniture Solutions reportable segment. The newly combined segment is called "North America Contract". There were no changes to the Company's ELA Furniture Solutions ("ELA") and Consumer segments, but each has been renamed. Effective in the fourth quarter of fiscal 2019, ELA is now named "International Contract" and Consumer is named "Retail". The Specialty segment (Maharam, Geiger, Nemschoff and the Herman Miller Collection) has been combined with the North America Contract segment under a common segment manager as of the fourth quarter fiscal 2019. The change in operating segments reflect the basis of how the Company internally reports and evaluates financial information used to make operating decisions. Prior year results disclosed in the table below have been revised to reflect these changes. Accordingly, fiscal 2018 net sales and operating earnings for the Specialty segment of $305.4 million and $8.9 million, respectively, have been included within the results of the North America Contract reportable segment.

The Company's operating segments can be further described as follows:

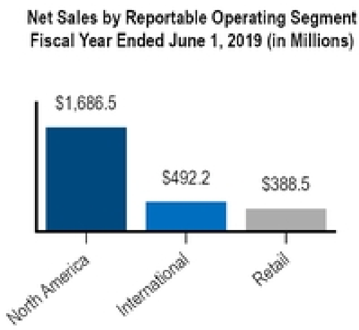
- *North America Contract* — Includes the operations associated with the design, manufacture, and sale of furniture and textile products for work-related settings, including office, education and healthcare environments, throughout the United States and Canada. The business associated with the Company's owned contract furniture dealers is also included in the North America Contract segment. In addition to the Herman Miller brand, this segment includes the operations associated with the design, manufacture and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products.

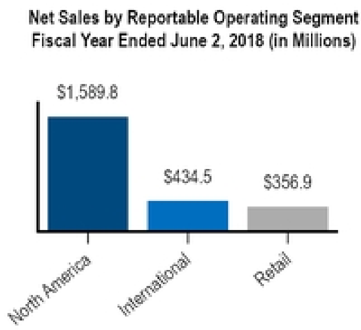
- *International Contract* — Includes the operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings, in the Europe, Middle East and Africa (EMEA), Latin America and Asia-Pacific geographic regions.

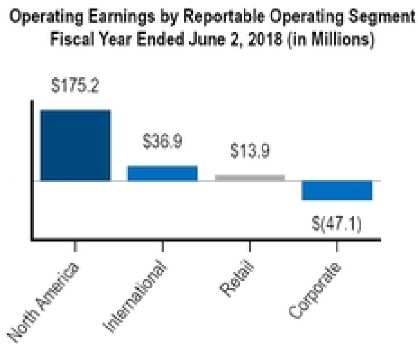
- *Retail* — Includes the operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through e-commerce, direct mailing catalogs and DWR and HAY studios.

- *Corporate* — *C*onsists primarily of unallocated expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs.

The charts below present the relative mix of Net sales and Operating earnings across each of the Company's reportable segments. This is followed by a discussion of the Company's results, by reportable segment.







North America Contract ("North America")

	Fiscal 2019	Fiscal 2018	Change
Net sales	$ 1,686.5	$ 1,589.8	$ 96.7
Gross margin	592.3	565.5	26.8
Gross margin %	35.1%	35.6%	(0.5)%
Operating earnings	189.7	175.2	14.5
Operating earnings %	11.2%	11.0%	0.2 %

Net sales increased 6.1%, or 4.8%(*) on an organic basis, over the prior year due to:

- Increased sales volumes within the North America segment of approximately $74 million due to increased demand within the Company's core contract furniture business; and
- The adoption of ASC 606 - Revenue from Contracts with Customers at the beginning of fiscal 2019 which led to the reclassification of $27.0 million of certain pricing elements from net sales to cost of sales; partially offset by
- The impact of foreign currency translation, which decreased sales by roughly $4 million.

Operating earnings increased $14.5 million, or 8.3%, over the prior year due to:

- Increased gross margin of $26.8 million due to increased sales volumes and decreased gross margin percentage of 50 basis points due mainly to the adoption of ASC 606 and higher commodity and tariff costs, partially offset by profit optimization initiatives and improved material performance; partially offset by
- Increased operating expenses of $12.3 million driven primarily by greater restructuring expenses in the current year related to facilities consolidation and costs associated with an early retirement program. Increases in compensation and benefit costs also contributed to the increase in operating expenses from the comparative period.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

International Contract ("International")

	Fiscal 2019	Fiscal 2018	Change
Net sales	$ 492.2	$ 434.5	$ 57.7
Gross margin	166.9	144.2	22.7
Gross margin %	33.9%	33.2%	0.7%
Operating earnings	57.8	36.9	20.9
Operating earnings %	11.7%	8.5%	3.2%

Net sales increased 13.3%, or 12.9%(*) on an organic basis, over the prior year due to:

- Increased sales volumes within the International segment of approximately $57 million which were driven by broad-based growth across the Asia Pacific and Latin America regions; and
- The adoption of ASC 606 - Revenue from Contracts with Customers at the beginning of fiscal 2019 which led to the reclassification of $13.5 million of certain pricing elements from net sales to cost of sales; partially offset by
- The impact of foreign currency translation which decreased sales by roughly $12 million.

Operating earnings increased $20.9 million, or 56.6%, over the prior year due to:

- Increased gross margin of $22.7 million due mainly to increased sales volumes; and
- Increased gross margin of 70 basis points due mainly to lower overhead costs associated with the benefit from recent restructuring activities in China and lower material costs, driven primarily by volume leverage and product mix; partially offset by
- Decreases to gross margin due to deeper discounting and the adoption of ASC 606.

Retail

	Fiscal 2019	Fiscal 2018	Change
Net sales	$ 388.5	$ 356.9	$ 31.6
Gross margin	170.7	163.3	7.4
Gross margin %	43.9%	45.8%	(1.9)%
Operating earnings	5.3	13.9	(8.6)
Operating earnings %	1.4%	3.9%	(2.5)%

Net sales increased 8.9%, or 10.5%(*) on an organic basis, over the prior year due to:

- Increased sales volumes within the Retail segment of approximately $29 million which were driven primarily by the introduction of HAY products and growth across the Company's DWR studio, e-commerce, and contract channels; and
- Incremental list price increases, net of deeper discounting, which increased net sales by approximately $4 million.

Operating earnings decreased $8.6 million, or 61.9%, over the prior year due to:

- Increased operating expenses of $16.0 million due to incremental marketing, compensation and depreciation expenses that were driven mainly by growth in the segment, new studios and the launch of the HAY brand in North America; offset by
- Increased gross margin of $7.4 million on higher sales volumes but decreased gross margin percentage of 190 basis points due mainly to lower shipping revenue, higher freight and storage costs and a shift in product mix, partially offset by profit optimization initiatives.

Corporate

Corporate unallocated expenses totaled $49.3 million for fiscal 2019, an increase of $2.2 million from fiscal 2018. The increase was driven mainly by increased legal and information technology expenses.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

Liquidity and Capital Resources

The table below presents certain key cash flow and capital highlights for the fiscal years indicated.

	Fiscal Year Ended	
(In millions)	2019	2018
Cash and cash equivalents, end of period	$ 159.2	$ 203.9
Marketable securities, end of period	$ 8.8	$ 8.6
Cash provided by operating activities	$ 216.4	$ 166.5
Cash used in investing activities	$ (165.0)	$ (62.7)
Cash (used in) provided by financing Activities	$ (91.9)	$ 2.5
Pension contributions	$ (0.9)	$ (13.4)
Capital expenditures	$ (85.8)	$ (70.6)
Common stock repurchased	$ (47.9)	$ (46.5)
Long-term debt, end of period	$ 281.9	$ 275.0
Available unsecured credit facilities, end of period [1]	$ 165.0	$ 166.8

(1) Amounts shown are net of outstanding letters of credit, which are applied against the Company's unsecured credit facility.

Cash Flow — Operating Activities

Cash generated from operating activities in fiscal 2019 totaled $216.4 million compared to $166.5 million generated in the prior year.

Changes in working capital balances in fiscal 2019 resulted in a $34.1 million use of cash compared to a $32.8 million use of cash in the prior fiscal year. The cash outflow related to changes in working capital balances was driven primarily by an increase in inventory of $31.9 million and an increase in accounts receivable of $24.8 million. The increase in inventory as of the end of fiscal 2019 as compared to fiscal 2018 was due mainly to growth in demand at DWR, the build out of inventory in the International segment to fulfill demand, and the launch of the HAY brand in North America. The increase in accounts receivable was driven by the timing of customer payments and shipments in the fourth quarter of the fiscal year. These cash outflows were partially offset by an increase in accounts payable of $0.5 million and an increase in accrued liabilities of $22.7 million. This increase in accrued liabilities is primarily related to an increase in accrued compensation related to the early retirement program instituted in fiscal 2019 and an increase in other accruals.

In addition to changes in working capital, changes in pension contributions also impacted cash generated from operating activities. The Company decreased pension contributions by $12.5 million in fiscal 2019 as compared to fiscal 2018.

The Company believes its recorded accounts receivable allowances at the end of the year are adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 1.4 percent and 1.3 percent, at the end of fiscal years 2019 and 2018 respectively.

Cash Flow — Investing Activities

Capital expenditures totaled $85.8 million and $70.6 million in fiscal 2019 and 2018 respectively. The increase in capital expenditures of $15.2 million from fiscal 2018 to fiscal 2019 was driven primarily by an increase in expenditures related to manufacturing assets in West Michigan and Design Within Reach studio build outs.

Cash proceeds from sales of dealers and properties were $0.5 million and $2.1 million in fiscal 2019 and 2018 respectively. Cash proceeds received in fiscal 2019 were primarily due to the disposal of property plant and equipment in the International Contract segment. Cash proceeds received in fiscal 2018 was primarily attributable to the sale of a wholly-owned contract furniture dealership in Vancouver, Canada for initial cash consideration of $2.0 million.

Included in the fiscal 2019 and 2018 investing activities are net cash outflows related to equity investments in non-consolidated entities. The following amounts represent the primary investments that drove the cash outflows:

(In millions)	2019	2018
Maars Holding, B.V	$ 6.1	$ —
HAY A/S*	$ 65.5	$ —
Naughtone Holdings Limited	$ 2.0	$ —
Total Cash Outflow	$ 73.6	$ —

** Formerly known as Nine United Denmark A/S*

Outstanding commitments for future capital purchases at the end of fiscal 2019 were approximately $34.7 million. The Company expects capital spending in fiscal 2020 to be between $105 million and $115 million. The capital spending will be allocated primarily to planned investments in manufacturing assets and retail studio openings.

The Company's net marketable securities transactions for fiscal 2019 yielded a $0.2 million cash outflow. This compares to a zero use of cash in fiscal 2018.

Cash Flow — Financing Activities

Cash used for financing activities was $91.9 million in fiscal 2019 as compared to cash provided by financing activities of $2.5 million in fiscal 2018. During fiscal 2018, the Company borrowed $225.0 million on its revolving line of credit and of these proceeds, $150.0 million was used to repay its Series B Notes. There were no such borrowings in fiscal 2019.

Cash paid for repurchases of common stock was $47.9 million in the current year as compared to $46.5 million in the prior year. Additionally, in fiscal 2019 there was a decrease in cash inflows from the issuance of shares related to stock-based compensation plans. The Company received $12.3 million related to stock-based compensation plans in fiscal 2019 compared to $17.0 million in fiscal 2018.

Cash outflows for dividend payments were $45.6 million and $42.4 million in fiscal 2019 and 2018 respectively.

The Company is the controlling owner of a subsidiary in which there are redeemable noncontrolling equity interests outstanding. Certain minority shareholders in this subsidiary have the right, at certain times, to require the subsidiary to acquire a portion of their ownership interest in those entities at fair value. During fiscal 2019, these minority shareholders exercised certain of these options to require the Company's subsidiary to purchase $10.1 million of the outstanding redeemable noncontrolling interests. By comparison, options exercised by the minority shareholders in fiscal 2018 resulted in purchases totaling $1.0 million. The subsidiary also has an option to acquire a portion of the redeemable noncontrolling interests at fair market value. On July 23, 2019, the subsidiary exercised an option that allowed it to acquire approximately $12.6 million of the remaining $20.6 million of the redeemable noncontrolling equity interests.

The Company is a party to options, that if exercised, would require the Company to purchase an additional 33% of the equity in HAY at fair market value. These options may be exercised during a period commencing from the third quarter of fiscal 2020 and annually thereafter.

Sources of Liquidity

In addition to cash flows from operating activities, the Company has access to liquidity through credit facilities, cash and cash equivalents and short-term investments. These sources have been summarized below. For additional information, see Note 6 to the consolidated financial statements.

(In millions)	June 1, 2019	June 2, 2018
Cash and cash equivalents	$ 159.2	$ 203.9
Marketable securities	$ 8.8	$ 8.6
Availability under revolving lines of credit	$ 165.0	$ 166.8

At the end of fiscal 2019, the Company had cash and cash equivalents of $159.2 million, including foreign cash and cash equivalents of $87.9 million. In addition, the Company had foreign marketable securities of $8.8 million. The foreign subsidiary holding the Company's marketable securities is taxed as a U.S. taxpayer at the Company's election. Consequently, for tax purposes, all U.S. tax impacts for this subsidiary have been recorded. Historically, the Company's intent was to permanently reinvest the remainder of the cash outside the United States. However, the Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, assesses a one-time tax on deferred foreign income upon transition to a participation exemption system of taxation. The Company is considering the impact of the Act and the one-time transition tax on its foreign earnings which are invested in liquidable assets. As a result, the Company may repatriate certain amounts in the future and is assessing the amount of cash that will remain permanently reinvested.

The Company believes cash on hand, cash generated from operations, and borrowing capacity will provide adequate liquidity to fund near term and foreseeable future business operations, capital needs, future dividends and share repurchases, subject to financing availability in the marketplace.

Contingencies

The Company is 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.

Basis of Presentation

The Company's fiscal year ends on the Saturday closest to May 31. The fiscal years ended June 1, 2019 and June 2, 2018 contained 52 weeks, while the fiscal year ended June 3, 2017 contained 53 weeks.

Contractual Obligations

Contractual obligations associated with our ongoing business and financing activities will result in cash payments in future periods. The following table summarizes the amounts and estimated timing of these future cash payments. Further information regarding debt obligations can be found in Note 6 of the Consolidated Financial Statements. Additional information related to operating leases can be found in Note 7 of the Consolidated Financial Statements.

	Payments due by fiscal year				
(In millions)	Total	2020	2021-2022	2023-2024	Thereafter
Long-term debt [1]	$ 275.0	$ —	$ 275.0	$ —	$ —
Estimated interest on debt obligations [1]	73.1	11.8	19.9	17.5	23.9
Operating leases	315.8	51.7	89.7	72.5	101.9
Purchase obligations [2]	73.5	69.6	3.9	—	—
Pension and other post employment benefit plans funding [3]	0.9	0.4	0.1	0.1	0.3
Stockholder dividends [4]	11.6	11.6	—	—	—
Other [5]	15.3	5.4	2.3	1.9	5.7
Total	$ 765.2	$ 150.5	$ 390.9	$ 92.0	$ 131.8

(1) Contractual cash payments on long-term debt obligations are disclosed herein based on the maturity date of the underlying debt. Estimated future interest payments on our outstanding interest-bearing debt obligations are based on interest rates as of June 1, 2019. Actual cash outflows may differ significantly due to changes in interest rates.

(2) Purchase obligations consist of non-cancelable purchase orders and commitments for goods, services, and capital assets.

(3) Pension plan funding commitments are known for a 12-month period for those plans that are funded; unfunded pension and post-retirement plan funding amounts are equal to the estimated benefit payments. As of June 1, 2019, the total projected benefit obligation for our domestic and international employee pension benefit plans was $110.1 million.

(4) Represents the dividend payable as of June 1, 2019. Future dividend payments are not considered contractual obligations until declared.

(5) Other contractual obligations primarily represent long-term commitments related to deferred and supplemental employee compensation benefits, and other post-employment benefits.

Off-Balance Sheet Arrangements — Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds and indemnification provisions. These arrangements are accounted for and disclosed in accordance with Accounting Standards Codification (ASC) Topic 460, "*Guarantees*" as described in Note 13 of the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Our goal is to report financial results clearly and understandably. We follow accounting principles generally accepted in the United States in preparing our Consolidated Financial Statements, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. These policies and disclosures are reviewed at least annually with the Audit Committee of the Board of Directors. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

Revenue Recognition

Most of our products and services are sold through one of six channels: independent and owned contract furniture dealers, direct contract sales, retail studios, e-commerce, direct-mail catalogs, and independent retailers. The Company recognizes revenue when performance obligations, based on the terms of customer contracts, are satisfied. This happens when control of goods and services based on the contract have been conveyed to the customer. Revenue for the sale of products is typically recognized at the point in time when control transfers, generally upon transfer of title and risk of loss to the customer. Revenue for services, including the installation of products by the Company's owned dealers, is recognized over time as the services are provided. The method of revenue recognition may vary, depending on the type of contract with the customer.

The Company's contracts with customers include master agreements and certain other forms of contracts, which do not reach the level of a performance obligation until a purchase order is received from a customer. At the point in time that a purchase order under a contract is received by the Company, the collective group of documents represent an enforceable contract between the Company and the customer. While certain customer contracts may have a duration of greater than a year, all purchase orders are less than a year in duration.

Variable consideration exists within certain contracts that the Company has with customers. When variable consideration is present in a contract with a customer, the Company estimates the amount that should be included in the transaction price utilizing either the expected value method or the most likely amount method, depending on the nature of the variable consideration. These estimates are primarily related to rebate programs which involve estimating future sales amounts and rebate percentages to use in the determination of transaction price. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Adjustments to Net sales from changes in variable consideration related to performance obligations completed in previous periods are not material to the Company's financial statements. Also, the Company has no contracts with significant financing components.

Receivable Allowances

We base our allowances for receivables on known customer exposures, historical credit experience and the specific identification of other potential problems, including the current economic climate. These methods are applied to all major receivables, including trade, lease, and notes receivable. In addition, we follow a policy that consistently applies reserve rates based on the outstanding accounts receivable and historical experience. Actual collections can differ from our historical experience and if economic or business conditions deteriorate significantly, adjustments to these reserves may be required.

The accounts receivable allowance totaled $3.5 million and $2.9 million at June 1, 2019 and June 2, 2018, respectively. As a percentage of gross accounts receivable, these allowances totaled 1.4 percent and 1.3 percent for fiscal 2019 and fiscal 2018, respectively. The year-over-year increase in the allowance is primarily due to increased general and customer-specific reserves in the current year, relative to the prior year.

Goodwill and Indefinite-lived Intangibles

The carrying value of goodwill and indefinite-lived intangible assets as of June 1, 2019 and June 2, 2018, was $381.9 million and $382.2 million, respectively. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently, if changes in circumstances or the occurrence of events suggest that impairment exists. The Company performs the annual goodwill and indefinite-lived intangible assets impairment testing during the fourth quarter of the fiscal year.

The Company completed the required annual goodwill impairment test in the fourth quarter of fiscal 2019, as of March 31, 2019, performing a quantitative and qualitative impairment test for all goodwill reporting units and other indefinite-lived intangible assets. For the reporting units that the Company elected to test qualitatively, as is permitted under *ASU 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, the Company concluded it to be more likely than not that their estimated fair values are greater than their respective carrying values.
In performing the quantitative impairment test, the Company determined that the fair value of the reporting units exceeded the carrying amount and, as such, the reporting units were not impaired and the second step of the impairment test was not necessary.

The Company performed a sensitivity analysis over key valuation assumptions. The carrying value of the Company's Retail reporting unit was $249.9 million as of June 1, 2019. The calculated fair value of the reporting unit was $282.6 million, which represents an excess fair value of $32.7 million or 13%. Due to the level that the reporting unit fair values exceeded the carrying amounts and the results of the sensitivity analysis, the Company may need to record an impairment charge if the operating results of its Retail reporting unit were to decline in future periods.

The test for impairment requires the Company to make several estimates about fair value, most of which are based on projected future cash flows and market valuation multiples. We estimated the fair value of the reporting units using a discounted cash flow analysis and reconciled the sum of the fair values of the reporting units to total market capitalization of the Company, plus a control premium. The control premium represents an estimate associated with obtaining control of the Company in an acquisition. The discounted cash flow analysis used the present value of projected cash flows and a residual value.

The Company employs a market-based approach in selecting the discount rates used in our analysis. The discount rates selected represent market rates of return equal to what the Company believes a reasonable investor would expect to achieve on investments of similar size to the Company's reporting units. The Company believes the discount rates selected in the quantitative assessment are appropriate in that, in all cases, they meet or exceed the estimated weighted average cost of capital for our business as a whole. The results of the impairment test are sensitive to changes in the discount rates and changes in the discount rate may result in future impairment.

In fiscal 2019, the Company performed only quantitative assessments in testing indefinite-lived intangible assets for impairment. The quantitative impairment test is based on the relief from royalty method to determine the fair value of the indefinite-lived intangible assets, which is both a market-based approach and an income-based approach. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. This method involves estimating theoretical future after tax royalty payments based on the Company's forecasted revenues attributable to the trade names. These payments are then discounted to present value utilizing a discount rate that considers the after-corporate tax required rate of return applicable to the asset. The projected revenues reflect the best estimate of management for the trade names; however, actual revenues could differ from our estimates.

The discount rates selected represent market rates of return equal to what the Company believes a reasonable investor would expect to achieve on investments of similar size and type to the indefinite-lived intangible asset being tested. The Company believes the discount rates selected are appropriate in that, in all cases, they exceed the estimated weighted average cost of capital for our business as a whole. The results of the impairment test are sensitive to changes in the discount rates and changes in the discount rate may result in future impairment. The Company performed a sensitivity analysis over key valuation assumptions.

The carrying value of the Company's DWR trade name indefinite-lived intangible asset was $55.1 million as of June 1, 2019. The calculated fair value of the reporting unit was $63.2 million which represents an excess fair value of $8.1 million or 14.6%. If the residual cash flows related to the Company's DWR trade name were to decline in future periods, the Company may need to record an impairment charge.

During fiscal 2017, the Company recognized pre-tax asset impairment expenses totaling $7.1 million associated with the Nemschoff trade name, after which there is no remaining carrying value for this trade name. This impairment expense was incurred due to the fact that the forecasted revenue and profitability of the business did not support the recorded fair value for the trade name. There was no impairment indicated on indefinite-lived intangible assets in fiscal 2019 or fiscal 2018 as a result of our impairment testing.

Long-lived Assets

The Company evaluates other long-lived assets and acquired business units for indicators of impairment when events or circumstances indicate that an impairment risk may be present. The judgments regarding the existence of impairment are based on market conditions, operational performance, and estimated future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded to adjust the asset to its estimated fair value.

Warranty Reserves

The Company stands behind Company products and the promises it makes to customers. From time to time, quality issues arise resulting in the need to incur costs to correct problems with products or services. The Company has established warranty reserves for the various costs associated with these obligations. General warranty reserves are based on historical claims experience and periodically adjusted for business levels. Specific reserves are established once an issue is identified. The valuation of such reserves is based on the estimated costs to correct the problem. Actual costs may vary and may result in an adjustment to these reserves.

Inventory Reserves

Inventories are valued at the lower of cost or net realizable value. The inventories at our West Michigan manufacturing operations are valued using the last-in, first-out (LIFO) method, whereas inventories of certain other subsidiaries are valued using the first-in, first-out (FIFO) method. The Company establishes reserves for excess and obsolete inventory, based on prevailing circumstances and judgment for consideration of current events, such as economic conditions that may affect inventory. The reserve required to record inventory at lower of cost or market may be adjusted in response to changing conditions.

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. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses.

See Note 11 of the Consolidated Financial Statements for information regarding the Company's uncertain tax positions.

The Company has net operating loss (NOL) carryforwards available in certain jurisdictions to reduce future taxable income. The Company also has tax credits available in certain jurisdictions to reduce future tax due. Future tax benefits for NOL carryforwards and tax credits are recognized to the extent that realization of these benefits is considered more likely than not. This determination is based on the expectation that related operations will be sufficiently profitable or various tax planning strategies available to us.

Self-Insurance Reserves

With the assistance of independent actuaries, reserves are established for workers' compensation and general liability exposures. The reserves are established based on expected future claims for incurred losses. The Company also establishes reserves for health, prescription drugs and dental benefit exposures based on historical claims information along with certain assumptions about future trends. The methods and assumptions used to determine the liabilities are applied consistently, although, actual claims experience can vary. The Company also maintains insurance coverage for certain risk exposures through traditional, premium-based insurance policies. The Company's health benefit and auto liability retention levels do not include an aggregate stop loss policy. The Company's retention levels designated within significant insurance arrangements as of June 1, 2019, are as follows:

(In millions)	Retention Level (per occurrence)	
General liability	$	1.00
Auto liability	$	1.00
Workers' compensation	$	0.75
Health benefit	$	0.50

Pension and other Post-Retirement Benefits

The determination of the obligation and expense for pension and other post-retirement benefits depends on certain actuarial assumptions. Among the most significant of these assumptions are the discount rate and expected long-term rate of return on plan assets. We determine these assumptions as follows.

- *Discount Rate* — This assumption is established at the end of the fiscal year based on high-quality corporate bond yields. The Company utilizes the services of an independent actuarial firm to assist in determining the rate. Future expected actuarially determined cash flows for the Company's domestic pension, international pension and post-retirement medical plans are individually discounted at the spot rates under the Mercer Yield Curve to arrive at the plan's obligations as of the measurement date.

- *Expected Long-Term Rate of Return* — The *Company* bases this assumption on our long-term assumed rates of return for equities and fixed income securities, weighted by the allocation of the invested assets of the pension plan. The Company considers likely returns and risk factors specific to the various classes of investments and advice from independent actuaries in establishing this rate. Changes in the investment allocation of plan assets would impact this assumption. A shift to a higher relative percentage of fixed income securities, for example, would result in a lower assumed rate.

While the above assumption represents the long-term market return expectation, actual asset returns can and do differ from year-to-year. Such differences give rise to actuarial gains and losses. In years where actual market returns are lower than the assumed rate, an actuarial loss is generated. Conversely, an actuarial gain results when actual market returns exceed the assumed rate in a given year.

Changes in the discount rate and return on assets can have a significant effect on the expense and obligations related to our pension plans. The Company cannot reasonably predict if adjustments impacting the expense or obligation from changes in these estimates will be significant. Both the June 1, 2019 pension funded status and fiscal 2020 expense are affected by year end fiscal 2019 discount rate and expected return on assets assumptions. Any change to these assumptions will be specific to the time periods noted and may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

As of June 1, 2019, and June 2, 2018, the net actuarial loss associated with the employee pension and post-retirement benefit plans totaled approximately $48 million and $40 million, respectively.

The effect of a 1 percent increase/(decrease) in discount rates and expected return on assets on the projected fiscal 2020 expense and the pension obligation as at June 1, 2019 is shown below:

(In millions)				
Assumption	2020 Expense		June 1, 2019 Obligation	
	U.S.	International	U.S.	International
Discount rate	—	$(1.4) / 1.6	$(0.3) / 0.3	$(19.6) / 25.8
Expected return on assets	—	$(1.0) / 1.0	—	—

For purposes of determining annual net pension expense, the Company uses a calculated method for determining the market-related value of plan assets. Under this method, the Company recognizes the change in fair value of plan assets systematically over a five-year period. Accordingly, a portion of the net actuarial loss is deferred. As of June 1, 2019, the deferred net actuarial loss (i.e., the portion of the total net actuarial loss not subject to amortization) was $3.2 million.

Refer to Note 8 of the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

Stock-Based Compensation

The Company views stock-based compensation as a key component of total compensation for certain employees, non-employee directors and officers. The stock-based compensation programs have included grants of stock options, restricted stock units, performance share units, and employee stock purchases. The Company recognizes expense related to each of these share-based arrangements. The Black-Scholes option pricing model is used in estimating the fair value of stock options issued in connection with compensation programs. This pricing model requires the use of several input assumptions. Among the most significant of these assumptions are the expected volatility of the common stock price and the expected timing of future stock option exercises.

- *Expected Volatility* — This represents a measure, expressed as a percentage, of the expected fluctuation in the market price of the Company's common stock. As a point of reference, a high volatility percentage would assume a wider expected range of market returns for a particular security. All other assumptions held constant, this would yield a higher stock option valuation than a calculation using a lower measure of volatility. In measuring the fair value of the majority of stock options issued during fiscal 2019, we utilized an expected volatility of 27 percent.

- *Expected Term of Options* — This assumption represents the expected length of time between the grant date of a stock option and the date at which it is exercised (option life). The Company assumed an average expected term of 4.4 years in calculating the fair values of the majority of stock options issued during fiscal 2019.

Refer to Note 10 of the Consolidated Financial Statements for further discussion on our stock-based compensation plans.

Contingencies

In the ordinary course of business, the Company encounters matters that raise the potential for contingent liabilities. In evaluating these matters for accounting treatment and disclosure, the Company is required to apply judgment to determine the probability that a liability has been incurred. The Company is also required to measure, if possible, the dollar value of such liabilities in determining whether or not recognition in our financial statements is required. This process involves the use of estimates which may differ from actual outcomes. Refer to Note 13 of the Consolidated Financial Statements for more information relating to contingencies.

New Accounting Standards

Refer to Note 1 of the Consolidated Financial Statements for information related to new accounting standards.

Forward Looking Statements

This information contains 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 the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, employment and general economic conditions, the pace of economic recovery in the U.S and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, the ability to increase prices to absorb the additional costs of raw materials, the financial strength of our dealers and the financial strength of our customers, our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and the implementation of our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., undertakes no obligation to update, amend or clarify forward-looking statements.

Item 7A Quantitative and Qualitative Disclosures About Market Risk

The Company manufactures, markets, and sells its products throughout the world and, as a result, is subject to changing economic conditions, which could reduce the demand for its products.

Direct Material Costs

The Company is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The largest of such costs incurred by the Company are for steel, plastics, textiles, wood particleboard, and aluminum components. The impact from changes in all commodity prices increased the Company's costs by approximately $16 million during fiscal 2019 compared to the prior year. The impact from changes in commodity prices increased the Company's costs by approximately $10 million during fiscal 2018 as compared to fiscal 2017. Note that these changes include the impact of Chinese tariffs on the Company's direct material costs.

The market prices for commodities will fluctuate over time and the Company acknowledges that such changes are likely to impact its costs for key direct materials and assembly components. Consequently, it views the prospect of such changes as an outlook risk to the business.

Foreign Exchange Risk

The Company primarily manufactures its products in the United States, United Kingdom, China and India. It also sources completed products and product components from outside the United States. The Company's completed products are sold in numerous countries around the world. Sales in foreign countries as well as certain expenses related to those sales are transacted in currencies other than the Company's reporting currency, the U.S. dollar. Accordingly, production costs and profit margins related to these sales are effected by the currency exchange relationship between the countries where the sales take place and the countries where the products are sourced or manufactured. These currency exchange relationships can also impact the Company's competitive positions within these markets.

In the normal course of business, the Company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the Company conducts its business are the British pound sterling, euro, Canadian dollar, Japanese yen, Mexican peso, Hong Kong dollar and Chinese renminbi. As of June 1, 2019, the Company had outstanding, thirteen forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Four forward contracts were placed to offset a 21.5 million U.S. dollar-denominated net asset exposure. Two forward contracts were placed to offset a 21 million euro-denominated net asset exposure. One forward contract was placed to offset an 8 million South African rand-denominated net asset exposure. One forward contract was placed to offset an $0.6 million Canadian dollar-denominated net asset exposure. Five forward contracts were placed to offset a 14.0 million U.S.dollar-denominated net liability exposure. One forward contract was placed to offset a 1.5 million euro-denominated net liability exposure.

As of June 2, 2018, the Company had outstanding, thirteen forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Three forward contracts were placed to offset a 18.5 million U.S. dollar-denominated net liability exposure. Two forward contracts were placed to offset a 13.7 million euro-denominated net asset exposure. One forward contract was placed to offset an 10.5 million South African rand-denominated net asset exposure. Five forward contracts were placed to offset a 13.0 million U.S.dollar-denominated net liability exposure. One forward contract was placed to offset a 1.2 million euro-denominated net liability exposure.

The cost of the foreign currency hedges and remeasuring all foreign currency transactions into the appropriate functional currency was a net gain of $0.3 million in fiscal 2019 in contrast to net loss of $0.4 million in fiscal 2018 included in net earnings. These amounts are included in “Other Expenses (Income)” in the Consolidated Statements of Comprehensive Income. Additionally, the cumulative effect of translating the balance sheet and income statement accounts from the functional currency into the United States dollar decreased the accumulated comprehensive loss component of total stockholders' equity by $14.2 million and $2.7 million as of the end of as of the end of fiscal 2019 and 2018, respectively.

Interest Rate Risk

The Company enters into interest rate swap agreements to manage its exposure to interest rate changes and its overall cost of borrowing. The Company's interest rate swap agreement was entered into to exchange variable rate interest payments for fixed rate payments over the life of the agreement without the exchange of the underlying notional amounts. The notional amount of the interest rate swap agreement is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The differential paid or received on the interest rate swap agreement is recognized as an adjustment to interest expense.

These interest rate swap derivative instruments are held and used by the Company as a tool for managing interest rate risk. They are not used for trading or speculative purposes. The counterparties to the swap instruments are large financial institutions that the Company believes are of high-quality creditworthiness. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, such losses are not anticipated.

In September 2016, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of $150.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted indebtedness anticipated to be borrowed on the Company’s revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 1.949 percent fixed interest rate plus applicable margin under the agreement as of the forward start date.

In June 2017, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of $75.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted the Company’s revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 2.387 percent fixed interest rate plus applicable margin under the agreement as of the forward start date.

The fair market value of the effective interest rate swap instruments was a net liability of $1.2 million at June 1, 2019 compared to a net asset of $15.0 million at June 2, 2018. All cash flows related to the Company's interest rate swap instruments are denominated in U.S. dollars. For further information, refer to Notes 6 and 12 of the Consolidated Financial Statements.

Expected cash outflows (notional amounts) over the next five years and thereafter related to debt instruments are as follows.

(In millions)	2020	2021	2022	2023	2024	Thereafter	Total[(1)]
Long-Term Debt - Fixed rate:							
Interest rate = 6.00%	$ —	$ 50.0	$ —	$ —	$ —	$ —	$ 50.0
Interest rate = 1.949%[(2)]	$ —	$ —	$ 150.0	$ —	$ —	$ —	$ 150.0
Interest rate = 2.387%[(2)]	$ —	$ —	$ 75.0	$ —	$ —	$ —	$ 75.0

(1) Amount does not include the recorded fair value of the swap instruments, which totaled a $1.2 million net liability and a $15.0 million net asset at the end of fiscal 2019 and 2018, respectively.
(2) The Company's revolving credit facility has a variable interest rate, but due to the interest rate swaps, the rate on $150.0 million and $75.0 million will be fixed at 1.949% and 2.387%, respectively as demonstrated in the table above.

Herman Miller, Inc.
Consolidated Statements of Comprehensive Income

(In millions, except per share data)	Fiscal Years Ended June 1, 2019	Fiscal Years Ended June 2, 2018	Fiscal Years Ended June 3, 2017
Net sales	$ 2,567.2	$ 2,381.2	$ 2,278.2
Cost of sales	1,637.3	1,508.2	1,414.0
Gross margin	**929.9**	**873.0**	**864.2**
Operating expenses:			
Selling, general and administrative	639.3	615.3	587.5
Restructuring and impairment expenses	10.2	5.7	12.5
Design and research	76.9	73.1	73.1
Total operating expenses	726.4	694.1	673.1
Operating earnings	**203.5**	**178.9**	**191.1**
Other expenses (income):			
Interest expense	12.1	13.5	15.2
Interest and other investment income	(2.1)	(4.4)	(2.2)
Other, net	(1.6)	1.7	0.5
Net other expenses	8.4	10.8	13.5
Earnings before income taxes	**195.1**	**168.1**	**177.6**
Income tax expense	39.6	42.4	55.1
Equity earnings from nonconsolidated affiliates, net of tax	5.0	3.0	1.6
Net earnings	**160.5**	**128.7**	**124.1**
Net earnings attributable to noncontrolling interests	—	0.6	0.2
Net earnings attributable to Herman Miller, Inc.	**$ 160.5**	**$ 128.1**	**$ 123.9**
Earnings per share — basic	$ 2.72	$ 2.15	$ 2.07
Earnings per share — diluted	$ 2.70	$ 2.12	$ 2.05
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	$ (14.2)	$ 2.7	$ (7.2)
Pension and post-retirement liability adjustments	(7.8)	10.4	(12.7)
Unrealized (losses) gains on interest rate swap agreement	(12.3)	7.8	2.1
Unrealized holding gain on available for sale securities	—	—	0.1
Total other comprehensive (loss) income	(34.3)	20.9	(17.7)
Comprehensive income	**126.2**	**149.6**	**106.4**
Comprehensive income attributable to noncontrolling interests	—	0.6	0.2
Comprehensive income attributable to Herman Miller, Inc.	**$ 126.2**	**$ 149.0**	**$ 106.2**

Herman Miller, Inc.
Consolidated Balance Sheets

(In millions, except share and per share data)	June 1, 2019	June 2, 2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 159.2	$ 203.9
Marketable securities	8.8	8.6
Accounts and notes receivable, less allowances of $3.8 in 2019 and $3.3 in 2018	218.0	217.4
Unbilled accounts receivable	34.3	1.9
Inventories, net	184.2	162.4
Prepaid taxes	9.2	9.9
Other	47.6	41.3
Total Current Assets	**661.3**	**645.4**
Property and Equipment:		
Land and improvements	24.2	24.4
Buildings and improvements	267.6	238.6
Machinery and equipment	733.0	700.0
Construction in progress	59.9	57.8
Gross Property and Equipment	**1,084.7**	**1,020.8**
Less: Accumulated depreciation	(736.1)	(689.4)
Net Property and Equipment	**348.6**	**331.4**
Goodwill	303.8	304.1
Indefinite-lived intangibles	78.1	78.1
Other amortizable intangibles, net	41.1	41.3
Other assets	136.4	79.2
Total Assets	**$ 1,569.3**	**$ 1,479.5**
Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 177.7	$ 171.4
Accrued compensation and benefits	85.5	86.3
Accrued warranty	53.1	51.5
Customer deposits	30.7	27.6
Other accrued liabilities	99.1	77.0
Total Current Liabilities	**446.1**	**413.8**
Long-term debt, less current portion	281.9	275.0
Pension and post-retirement benefits	24.5	15.6
Other liabilities	77.0	79.8
Total Liabilities	**829.5**	**784.2**
Redeemable noncontrolling interests	**20.6**	**30.5**
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $0.20 par value (240,000,000 shares authorized, 58,794,148 and 59,230,974 shares issued and outstanding in 2019 and 2018, respectively)	11.7	11.7
Additional paid-in capital	89.8	116.6
Retained earnings	712.7	598.3
Accumulated other comprehensive loss	(94.2)	(61.3)
Key executive deferred compensation	(0.8)	(0.7)
Herman Miller, Inc. Stockholders' Equity	**719.2**	**664.6**
Noncontrolling interests	—	0.2
Total Stockholders' Equity	**719.2**	**664.8**
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	**$ 1,569.3**	**$ 1,479.5**

Herman Miller, Inc.
Consolidated Statements of Stockholders' Equity

(In millions, except share and per share data)	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Key Executive Deferred Compensation	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
May 28, 2016	**$ —**	**59,868,276**	**$ 12.0**	**$ 142.7**	**$ 435.3**	**$ (64.5)**	**$ (1.1)**	**$ 524.4**	**$ 0.3**	**$ 524.7**
Net earnings	—	—	—	—	123.9	—	—	123.9	—	123.9
Other comprehensive loss	—	—	—	—	—	(17.7)	—	(17.7)	—	(17.7)
Stock-based compensation expense	—	—	—	9.1	—	—	—	9.1	(0.1)	9.0
Excess tax benefit for stock-based compensation	—	—	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Exercise of stock options	—	327,299	—	9.4	—	—	—	9.4	—	9.4
Restricted and performance stock units released	—	207,776	—	0.3	—	—	—	0.3	—	0.3
Employee stock purchase plan issuances	—	68,047	—	1.9	—	—	—	1.9	—	1.9
Repurchase and retirement of common stock	—	(765,556)	(0.1)	(23.7)	—	—	—	(23.8)	—	(23.8)
Directors' fees	—	9,982	—	0.3	—	—	—	0.3	—	0.3
Deferred compensation plan	—	—	—	(0.1)	—	—	0.1	—	—	—
Dividends declared ($0.68 per share)	—	—	—	—	(40.9)	—	—	(40.9)	—	(40.9)
Redemption value adjustment	—	—	—	—	1.2	—	—	1.2	—	1.2
June 3, 2017	**$ —**	**59,715,824**	**$ 11.9**	**$ 139.3**	**$ 519.5**	**$ (82.2)**	**$ (1.0)**	**$ 587.5**	**$ 0.2**	**$ 587.7**
Net earnings	—	—	—	—	128.1	—	—	128.1	—	128.1
Other comprehensive income	—	—	—	—	—	20.9	—	20.9	—	20.9
Stock-based compensation expense	—	—	—	7.0	—	—	—	7.0	—	7.0
Exercise of stock options	—	538,259	—	14.6	—	—	—	14.6	—	14.6
Restricted and performance stock units released	—	256,884	0.1	0.2	—	—	—	0.3	—	0.3
Employee stock purchase plan issuances	—	67,335	—	2.0	—	—	—	2.0	—	2.0
Repurchase and retirement of common stock	—	(1,356,156)	(0.3)	(46.2)	—	—	—	(46.5)	—	(46.5)
Directors' fees	—	8,828	—	0.4	—	—	—	0.4	—	0.4
Deferred compensation plan	—	—	—	(0.4)	—	—	0.3	(0.1)	—	(0.1)
Dividends declared ($0.72 per share)	—	—	—	—	(43.2)	—	—	(43.2)	—	(43.2)
Redemption value adjustment	—	—	—	—	(6.2)	—	—	(6.2)	—	(6.2)
Cumulative effect of accounting changes	—	—	—	(0.3)	0.1	—	—	(0.2)	—	(0.2)
June 2, 2018	**$ —**	**59,230,974**	**$ 11.7**	**$ 116.6**	**$ 598.3**	**$ (61.3)**	**$ (0.7)**	**$ 664.6**	**$ 0.2**	**$ 664.8**
Net earnings	—	—	—	—	160.5	—	—	160.5	—	160.5
Other comprehensive loss	—	—	—	—	—	(34.3)	—	(34.3)	—	(34.3)
Stock-based compensation expense	—	—	—	8.4	—	—	—	8.4	(0.2)	8.2
Exercise of stock options	—	347,248	0.1	10.0	—	—	—	10.1	—	10.1
Restricted and performance stock units released	—	468,807	0.1	0.2	—	—	—	0.3	—	0.3
Employee stock purchase plan issuances	—	62,957	—	1.9	—	—	—	1.9	—	1.9
Repurchase and retirement of common stock	—	(1,326,023)	(0.2)	(47.6)	—	—	—	(47.8)	—	(47.8)
Directors' fees	—	10,185	—	0.3	—	—	—	0.3	—	0.3
Deferred compensation plan	—	—	—	—	—	—	(0.1)	(0.1)	—	(0.1)
Dividends declared ($0.79 per share)	—	—	—	—	(46.6)	—	—	(46.6)	—	(46.6)
Cumulative effect of accounting changes	—	—	—	—	0.5	1.4	—	1.9	—	1.9
June 1, 2019	**$ —**	**58,794,148**	**$ 11.7**	**$ 89.8**	**$ 712.7**	**$ (94.2)**	**$ (0.8)**	**$ 719.2**	**$ —**	**$ 719.2**

Herman Miller, Inc.
Consolidated Statements of Cash Flows

(In millions)	Fiscal Years Ended June 1, 2019	June 2, 2018	June 3, 2017
Cash Flows from Operating Activities:			
Net earnings	$ 160.5	$ 128.7	$ 124.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation expense	65.9	60.9	52.9
Amortization expense	6.2	6.0	6.0
Earnings from nonconsolidated affiliates net of dividends received	(2.1)	(0.2)	(1.5)
Investment fair value adjustment	(2.1)	—	—
Loss (gain) on sales of property and dealers	0.8	(0.5)	—
Deferred taxes	0.8	(0.8)	14.8
Pension contributions	(0.9)	(13.4)	(1.1)
Pension and post-retirement expenses	1.2	2.9	0.5
Restructuring and impairment expenses	10.2	5.7	12.5
Stock-based compensation	7.3	7.7	8.7
Increase in long-term liabilities	1.6	3.4	6.2
Changes in current assets and liabilities:			
(Increase) decrease in accounts receivable & unbilled accounts receivable	(24.8)	(33.1)	17.3
Increase in inventories	(31.9)	(12.4)	(29.9)
Increase in prepaid expenses and other	(0.6)	(3.0)	(0.5)
Increase (decrease) in accounts payable	0.5	16.0	(11.2)
(Decrease) increase in accrued liabilities	22.7	(0.3)	0.8
Other	1.1	(1.1)	2.5
Net Cash Provided by Operating Activities	**216.4**	**166.5**	**202.1**
Cash Flows from Investing Activities:			
Net receipts (advances) from notes receivable	1.1	(1.1)	2.4
Marketable securities purchases	(1.9)	(1.0)	(2.0)
Marketable securities sales	1.7	1.0	0.9
Capital expenditures	(85.8)	(70.6)	(87.3)
Proceeds from sales of property and dealers	0.5	2.1	—
Payments of loans on cash surrender value of life insurance	—	—	(15.3)
Proceeds from life insurance policy	—	8.1	—
Purchase of HAY licensing agreement	(4.8)	—	—
Equity investment in non-controlled entities	(73.6)	—	(13.1)
Other, net	(2.2)	(1.2)	(1.9)
Net Cash Used in Investing Activities	**(165.0)**	**(62.7)**	**(116.3)**
Cash Flows from Financing Activities:			
Repayments of long-term debt	—	(150.0)	—
Proceeds from credit facility	—	340.4	794.4
Repayments of credit facility	—	(115.4)	(816.4)
Dividends paid	(45.6)	(42.4)	(39.4)
Common stock issued	12.3	17.0	11.7
Common stock repurchased and retired	(47.9)	(46.5)	(23.7)
Purchase of noncontrolling interests	(10.1)	(1.0)	(1.5)
Other, net	(0.6)	0.4	0.3
Net Cash (Used in) Provided by Financing Activities	**(91.9)**	**2.5**	**(74.6)**
Effect of exchange rate changes on cash and cash equivalents	(4.2)	1.4	0.1
Net Increase In Cash and Cash Equivalents	**(44.7)**	**107.7**	**11.3**
Cash and cash equivalents, Beginning of Year	203.9	96.2	84.9
Cash and Cash Equivalents, End of Year	**$ 159.2**	**$ 203.9**	**$ 96.2**
Other Cash Flow Information			
Interest paid	$ 11.5	$ 16.4	$ 13.4
Income taxes paid, net of cash received	$ 41.0	$ 34.2	$ 35.6

Notes to the Consolidated Financial Statements
Table of Contents

1. 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 controlled domestic and foreign subsidiaries. The consolidated entities are collectively referred to as “the Company.” All intercompany accounts and transactions have been eliminated in the Consolidated Financial Statements.

Description of Business

The Company researches, designs, manufactures, sells, and distributes interior furnishings, for use in various environments including office, healthcare, educational and residential settings and provides related services that support companies all over the world. The Company's products are sold primarily through independent contract office furniture dealers as well as the following channels: owned contract office furniture dealers, direct customer sales, independent retailers, owned retail studios, direct-mail catalogs and the Company's e-commerce platforms.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to May 31. The fiscal years ended June 1, 2019 and June 2, 2018 contained 52 weeks, while the fiscal year ended June 3, 2017 contained 53 weeks.

Foreign Currency Translation

The functional currency for most of the foreign subsidiaries is their local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the United States dollar using fiscal year-end exchange rates and translating revenue and expense accounts using average exchange rates for the period is reflected as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheets.

The financial statement impact of gains and losses resulting from remeasuring foreign currency transactions into the appropriate functional currency resulted in a net gain of $0.3 million and $0.4 million for the fiscal years ended June 1, 2019 and June 2, 2018, respectively, and a net loss of $0.7 million for the fiscal year ended June 3, 2017. These amounts are included in “Other, net” in the Consolidated Statements of Comprehensive Income.

Cash Equivalents

The Company holds cash equivalents as part of its cash management function. Cash equivalents include money market funds and time deposit investments with original maturities of less than three months. The carrying value of cash equivalents, which approximates fair value, totaled $102.8 million and $148.8 million as of June 1, 2019 and June 2, 2018, respectively. All cash equivalents are high-credit quality financial instruments, and the amount of credit exposure to any one financial institution or instrument is limited.

Marketable Securities

The Company maintains a portfolio of marketable securities primarily comprised of mutual funds. These mutual funds are comprised of both equity and fixed income funds. These investments are held by the Company's wholly owned insurance captive and are considered “available-for-sale” securities. Accordingly, they have been recorded at fair value based on quoted market prices. Net unrealized holding gains or losses related to the equity mutual funds are recorded through net income while net unrealized holding gains or losses related to the fixed income mutual funds are recorded through other comprehensive income.

All marketable security transactions are recognized on the trade date. Realized gains and losses on disposal of available-for-sale investments are included in “Interest and other investment income” in the Consolidated Statements of Comprehensive Income. See Note 12 of the Consolidated Financial Statements for additional disclosures of marketable securities.

Accounts Receivable Allowances

Reserves for uncollectible accounts receivable balances are based on known customer exposures, historical credit experience and the specific identification of other potentially uncollectible accounts. Balances are written off against the reserve once the Company determines the probability of collection to be remote. The Company generally does not require collateral or other security on trade accounts receivable.

Concentrations of Credit Risk

The Company's trade receivables are primarily due from independent dealers who, in turn, carry receivables from their customers. The Company monitors and manages the credit risk associated with individual dealers and direct customers where applicable. Dealers are responsible for assessing and assuming credit risk of their customers and may require their customers to provide deposits, letters of credit or other credit enhancement measures. Some sales contracts are structured such that the customer payment or obligation is direct to the Company. In those cases, the Company may assume the credit risk. Whether from dealers or customers, the Company's trade credit exposures are not concentrated with any particular entity.

Inventories

Inventories are valued at the lower of cost or market and include material, labor and overhead. Inventory cost is determined using the last-in, first-out (LIFO) method at manufacturing facilities in Michigan, whereas inventories of the Company's other locations are valued using the first-in, first-out (FIFO) method. The Company establishes reserves for excess and obsolete inventory based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. The reserve required to record inventory at lower of cost or net realizable value may be adjusted in response to changing conditions. Further information on the Company's recorded inventory balances can be found in Note 4 of the Consolidated Financial Statements.

Goodwill and Indefinite-lived Intangible Assets

Goodwill is tested for impairment at the reporting unit level annually, or more frequently, when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. A reporting unit is defined as an operating segment or one level below an operating segment. When testing goodwill for impairment, the Company may first assess qualitative factors. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is performed. The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. If the quantitative testing indicates that goodwill is impaired, the carrying value of goodwill is written down to fair value.

To estimate the fair value of each reporting unit when performing the quantitative testing, the Company utilizes a weighting of the income method and the market method. The income method is based on a discounted future cash flow approach that uses a number of estimates, including revenue based on assumed growth rates, estimated costs and discount rates based on the reporting unit's weighted average cost of capital. Growth rates for each reporting unit are determined based on internal estimates, historical data and external sources. The growth estimates are also used in planning for the Company's long-term and short-term business planning and forecasting. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against comparable market data. The market method is based on financial multiples of companies comparable to each reporting unit and applies a control premium. The carrying value of each reporting unit represents the assignment of various assets and liabilities, excluding corporate assets and liabilities, such as cash, investments and debt.

The Company completed the required annual goodwill impairment test in the fourth quarter of fiscal 2019, as of March 31, 2019, performing a quantitative and qualitative impairment test for all goodwill reporting units and other indefinite-lived intangible assets. For the reporting units that the Company elected to test qualitatively, as is permitted under *ASU 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, the Company concluded it to be more likely than not that their estimated fair values are greater than their respective carrying values.
In performing the quantitative impairment test, the Company determined that the fair value of the reporting units exceeded the carrying amount and, as such, the reporting units were not impaired and the second step of the impairment test was not necessary.

The Company performed a sensitivity analysis over key valuation assumptions. The carrying value of the Company's Retail reporting unit was $249.9 million as of June 1, 2019. The calculated fair value of the reporting unit was $282.6 million, which represents an excess fair value of $32.7 million or 13%. Due to the level that the reporting unit fair values exceeded the carrying amounts and the results of the sensitivity analysis, the Company may need to record an impairment charge if the operating results of its Retail reporting unit were to decline in future periods.

Intangible assets with indefinite useful lives are not subject to amortization and are evaluated annually for impairment, or more frequently, when events or changes in circumstances indicate that the fair value of an intangible asset may not be recoverable. The Company utilizes the relief from royalty methodology to test for impairment. The primary assumptions for the relief from royalty method include revenue forecasts, earnings forecasts, royalty rates and discount rates. The Company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value. The Company's indefinite-lived intangible assets consist of certain trade names valued at approximately $78.1 million as of the end of fiscal 2019 and fiscal 2018. These assets have indefinite useful lives.

In fiscal 2019, the Company performed only quantitative assessments in testing indefinite-lived intangible assets for impairment. The carrying value of the Company's DWR trade name indefinite-lived intangible asset was $55.1 million as of June 1, 2019. The calculated fair value of the DWR trade name was $63.2 million which represents an excess fair value of $8.1 million or 14.6%. If the residual cash flows related to the Company's DWR trade name were to decline in future periods, the Company may need to record an impairment charge.

During fiscal 2017, the Company recognized asset impairment expense totaling $7.1 million associated with the Nemschoff trade name, which was recorded within the North America Contract operating segment. As of the end of fiscal 2017, the carrying value of the Nemschoff trade name was zero. These impairment expenses are recorded in the Restructuring and impairment expenses line item within the Consolidated Statements of Comprehensive Income.

Goodwill and other indefinite-lived assets included in the Consolidated Balance Sheets consist of the following:

(In millions)	Goodwill	Indefinite-lived Intangible Assets	Total Goodwill and Indefinite-lived Intangible Assets
Balance, June 3, 2017	$ 304.5	$ 78.1	$ 382.6
Foreign currency translation adjustments	(0.1)	—	(0.1)
Sale of owned dealer	(0.3)	—	(0.3)
Balance, June 2, 2018	$ 304.1	$ 78.1	$ 382.2
Foreign currency translation adjustments	(0.3)	—	(0.3)
Balance, June 1, 2019	$ 303.8	$ 78.1	$ 381.9

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. Estimated useful lives range from 3 to 10 years for machinery and equipment and do not exceed 40 years for buildings. Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the asset. The Company capitalizes certain costs incurred in connection with the development, testing and installation of software for internal use and cloud computing arrangements. Software for internal use is included in property and equipment and is depreciated over an estimated useful life not exceeding 5 years. Depreciation and amortization expense is included in the Consolidated Statements of Comprehensive Income in the Cost of sales, Selling, general and administrative and Design and research line items.

As of the end of fiscal 2019, outstanding commitments for future capital purchases approximated $34.7 million.

Other Long-Lived Assets

The Company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group, or in some cases, by prices for similar assets. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value.

Amortizable intangible assets within Other amortizable intangibles, net in the Consolidated Balance Sheets consist primarily of patents, trademarks and customer relationships. The customer relationships intangible asset is comprised of relationships with customers, specifiers, networks, dealers and distributors. Refer to the following table for the combined gross carrying value and accumulated amortization for these amortizable intangibles.

	June 1, 2019			
(In millions)	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	$ 20.1	$ 55.2	$ 12.0	$ 87.3
Accumulated amortization	12.5	27.6	6.1	46.2
Net	$ 7.6	$ 27.6	$ 5.9	$ 41.1

	June 2, 2018			
	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	$ 22.4	$ 55.3	$ 7.5	$ 85.2
Accumulated amortization	14.7	23.5	5.7	43.9
Net	$ 7.7	$ 31.8	$ 1.8	$ 41.3

The Company amortizes these assets over their remaining useful lives using the straight-line method over periods ranging from 5 years to 20 years, or on an accelerated basis, to reflect the expected realization of the economic benefits. It is estimated that the weighted-average remaining useful life of patents and trademarks is approximately 6 years and the weighted-average remaining useful life of customer relationships is 7 years.

Estimated amortization expense on existing amortizable intangible assets as of June 1, 2019, for each of the succeeding five fiscal years, is as follows:

(In millions)		
2020	$	6.4
2021	$	6.3
2022	$	6.1
2023	$	5.4
2024	$	5.1

Self-Insurance

The Company is partially self-insured for general liability, workers' compensation and certain employee health and dental benefits under insurance arrangements that provide for third-party coverage of claims exceeding the Company's loss retention levels. The Company's health benefit and auto liability retention levels do not include an aggregate stop loss policy. The Company's retention levels designated within significant insurance arrangements as of June 1, 2019, are as follows:

(In millions)	Retention Level (per occurrence)	
General liability	$	1.00
Auto liability	$	1.00
Workers' compensation	$	0.75
Health benefit	$	0.50

The Company accrues for its self-insurance arrangements, as well as reserves for health, prescription drugs, and dental benefit exposures based on actuarially-determined estimates, which are recorded in “Other liabilities” in the Consolidated Balance Sheets. The value of the liability as of June 1, 2019 and June 2, 2018 was $11.7 million and $11.2 million, respectively. 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, payment lag times and changes in actual experience could cause these estimates to change. The general, auto, and workers' compensation liabilities are managed through the Company's wholly-owned insurance captive.

Redeemable Noncontrolling Interests

Certain minority shareholders in the Company's subsidiary Herman Miller Consumer Holdings, Inc. have the right, at specified times over a period of time, to require the Company to acquire portions of their ownership interest in those entities at fair value. Their interests in these subsidiaries are classified outside permanent equity in the Consolidated Balance Sheets and are carried at the current estimated redemption amounts.

The redemption amounts are estimated based on the fair value of the subsidiary, which is determined based on a weighting of the discounted cash flow and market methods. The discounted cash flow analysis uses the present value of projected cash flows and a residual value. A market-based approach is used to determine the discount rate for the discounted cash flow method. Market multiples for comparable companies are used for the market method of valuation. The fair value of the subsidiary is sensitive to changes in projected revenues and costs, the discount rate and the forward multiples of the comparable companies.

Changes in the estimated redemption amounts of the noncontrolling interests, subject to put options, are reflected at each reporting period with a corresponding adjustment to Retained earnings. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. See Note 16 of the Consolidated Financial Statements for additional information.

Research, Development and Other Related Costs

Research, development, pre-production and start-up costs are expensed as incurred. Research and development ("R&D") costs consist of expenditures incurred during the course of planned research and investigation aimed at discovery of new knowledge useful in developing new products or processes. R&D costs also include the significant enhancement of existing products or production processes and the implementation of such through design, testing of product alternatives or construction of prototypes. R&D costs included in “Design and research” expense in the accompanying Consolidated Statements of Comprehensive Income are $58.8 million, $57.1 million and $58.6 million, in fiscal 2019, 2018, and 2017, respectively.

Royalty payments made to designers of the Company's products as the products are sold are a variable cost based on product sales. These expenses totaled $18.1 million, $16.0 million and $14.5 million in fiscal years 2019, 2018 and 2017 respectively. They are included in Design and research expense in the accompanying Consolidated Statements of Comprehensive Income.

Customer Payments and Incentives

We offer various sales incentive programs to our customers, such as rebates and discounts. Programs such as rebates and discounts are adjustments to the selling price and are therefore characterized as a reduction to net sales.

Revenue Recognition

The Company adopted *ASC 606 - Revenue from Contracts with Customers* at the beginning of fiscal 2019 using the modified retrospective approach. The Company completed its review of the impact of the new standard and identified certain key accounting policy changes that resulted from adopting the new standard. All necessary changes required by the new standard, including those to the Corporation's accounting policies, controls, and disclosures, have been identified and implemented as of the beginning of fiscal 2019. See Note 2 of the Consolidated Financial Statements for further information regarding the Company's revenue recognition accounting policies.

Shipping and Handling Expenses

The Company records shipping and handling related expenses under the caption Cost of sales in the Consolidated Statements of Comprehensive Income.

Cost of Sales

The Company includes material, labor and overhead in cost of sales. Included within these categories are items such as freight charges, warehousing costs, internal transfer costs and other costs of its distribution network.

Selling, General, and Administrative

The Company includes costs not directly related to the manufacturing of its products in the Selling, general, and administrative line item within the Consolidated Statements of Comprehensive Income. Included in these expenses are items such as compensation expense, rental expense, warranty expense and travel and entertainment expense.

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.

The Company's annual effective tax rate is based on income, statutory tax rates and tax planning strategies available in the various jurisdictions the Company operates. Complex tax laws can be subject to different interpretations by the Company and the respective government authorities. Significant judgment is required in evaluating tax positions and determining our tax expense. Tax positions are reviewed quarterly and tax assets and liabilities are adjusted as new information becomes available.

In evaluating the Company's ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all positive and negative evidence. These assumptions require significant judgment about forecasts of future taxable income.

Stock-Based Compensation

The Company has several stock-based compensation plans, which are described in Note 10 of the Consolidated Financial Statements. Our policy is to expense stock-based compensation using the fair-value based method of accounting for all awards granted.

Earnings per Share

Basic earnings per share (EPS) excludes the dilutive effect of common shares that could potentially be issued, due to the exercise of stock options or the vesting of restricted shares and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted-average number of shares outstanding, plus all dilutive shares that could potentially be issued. Refer to Note 9 of the Consolidated Financial Statements for further information regarding the computation of EPS.

Comprehensive Income

Comprehensive income consists of Net earnings, Foreign currency translation adjustments, Unrealized holding gain on available-for-sale securities, Unrealized gains on interest rate swap agreement and Pension and post-retirement liability adjustments. Refer to Note 15 of the Consolidated Financial Statements for further information regarding comprehensive income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Fair Value

The Company classifies and discloses its fair value measurements in one of the following three categories:

- Level 1 — Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 — Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. Financial instrument values are determined using prices for recently traded financial instruments with similar underlying terms and direct or indirect observational inputs, such as interest rates and yield curves at commonly quoted intervals.
- Level 3 — Financial instruments not actively traded on a market exchange and there is little, if any, market activity. Values are determined using significant unobservable inputs or valuation techniques.

See Note 12 of the Consolidated Financial Statements for the required fair value disclosures.

Derivatives and Hedging

The Company calculates the fair value of financial instruments using quoted market prices whenever available. The Company utilizes derivatives to manage exposures to foreign currency exchange rates and interest rate risk. The fair values of all derivatives are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are reported within Other expenses (income): Other, net in the Consolidated Statements of Comprehensive Income, or Accumulated Other Comprehensive Loss within the Consolidated Balance Sheets, depending on the use of the derivative and whether it qualifies for hedge accounting treatment.

Gains and losses on derivatives that are designated and qualify as cash flow hedging instruments are recorded in Accumulated Other Comprehensive Loss, to the extent the hedges are effective, until the underlying transactions are recognized in the Consolidated Statements of Comprehensive Income. Derivatives not designated as hedging instruments are marked-to-market at the end of each period with the results included in Consolidated Statements of Comprehensive Income.

New Accounting Standards

Recently Adopted Accounting Standards

Standard	**Description**	**Date of Adoption**	**Effect on the Financial Statements or Other Significant Matters**
Revenue from Contracts with Customers	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The standard allows for two adoption methods, a full retrospective or modified retrospective approach.	June 3, 2018	The Company adopted the standard effective June 3, 2018 using the modified retrospective method. Refer to Note 2 to the financial statements for further information regarding the adoption of the standard.
Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities	The standard provides guidance for the measurement, presentation and disclosure of financial assets and liabilities. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any change in fair value in net income. The standard does not permit early adoption and at adoption a cumulative-effect adjustment to beginning retained earnings should be recorded.	June 3, 2018	The Company adopted the standard effective June 3, 2018 using the modified retrospective method. As a result, the Company reclassified $0.1 million of net gains on mutual fund equity securities, that were formerly classified as available for sale securities before the adoption of the new standard, from Accumulated other comprehensive loss to Retained earnings. The impact of adoption also resulted in certain disclosure changes. Refer to Note 12 of the financial statements for further information.
Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Early adoption is permitted.	September 2, 2018	The Company early adopted the standard prospectively effective September 2, 2018. The impacts resulting from adoption did not have an impact on the Company’s Financial Statements.
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	This update allows for the reclassification to retained earnings of the tax effects stranded in Accumulated Other Comprehensive Income resulting from The Tax Cuts and Jobs Act. Early adoption is permitted.	September 2, 2018	The Company early adopted the standard effective September 2, 2018 and reclassified $1.5 million from Accumulated other comprehensive loss to Retained earnings related to the tax impact of the Company’s interest rate swap agreements.
Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	This standard changes the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other postretirement benefit plans. Under the new guidance, entities must present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs related to services rendered during the period. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. Early adoption is permitted.	June 3, 2018	The Company retrospectively adopted the standard effective June 3, 2018. Prior to adoption, the Company recorded net periodic benefit costs related to its defined benefit pension and post-retirement medical plans within Selling, general and administrative expenses. As a result of adoption, these costs are recorded within Other, net. The Company retrospectively reclassified these costs in the Condensed Consolidated Statements of Comprehensive Income for the fiscal years ended June 2, 2018 and June 3, 2017 from Selling, general and administrative to Other, net. Refer to Note 8 of the financial statements for further information.

Recently Issued Accounting Standards Not Yet Adopted

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities	This update amends the hedge accounting recognition and presentation with the objectives of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities and simplifying the application of hedge accounting. The update expands the strategies eligible for hedge accounting, relaxes the timing requirements of hedge documentation and effectiveness assessments and permits the use of qualitative assessments on an ongoing basis to assess hedge effectiveness. The new guidance also requires new disclosures and presentation.	June 2, 2019	The Company is currently evaluating the impact of adopting this guidance.
Leases	Under the updated standard a lessee's rights and obligations under most leases, including existing and new arrangements, would be recognized as assets and liabilities, respectively, on the balance sheet. The standard must be adopted under a modified retrospective approach and early adoption is permitted.	June 2, 2019	The Company has assembled a project team and has made significant process towards implementation of the lease accounting standard. The Company will adopt the standard in fiscal 2020 using the modified-retrospective transition approach. The Company has substantially completed its identification of the global lease population and the data migration to a lease integration tool that will support the accounting and disclosure requirements under the standard. Also, the Company will elect the package of practical expedients. The Company is in the process of finalizing its accounting policies and internal control processes related to the new standard. Upon adoption, the Company expects to record lease liabilities and right-of-use assets in the range of $250 million to $300 million.
Measurement of Credit Losses on Financial Instruments	This guidance replaces the existing incurred loss impairment model with an expected loss model and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	May 31, 2020	The Company is currently evaluating the impact of adopting this guidance.
Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement	This update eliminates, adds and modifies certain disclosure requirements for fair value measurements. Early adoption is permitted, and an entity is also permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date.	May 31, 2020	The Company is currently evaluating the impact of adopting this guidance.
Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	This update eliminates, adds and clarifies certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Early adoption is permitted.	May 30, 2021	The Company is currently evaluating the impact of adopting this guidance.

2. Revenue from Contracts with Customers

Impact of Adoption

The Company adopted *ASC 606 - Revenue from Contracts with Customers* at the beginning of fiscal year 2019. The Company completed its review of the impact of the new standard and identified certain key accounting policy changes that resulted from adopting the new standard. These included changes to the identification of performance obligations for commercial contracts in which the Company sells directly to end customers. Under previous accounting rules, which were codified under ASC 605, the Company generally delayed revenue recognition until the products were shipped and installed as the Company had concluded that contracts that contained both products and services represented a single, combined deliverable. However, under ASC 606, the Company has determined that products and services are distinct and as such, represent separate performance obligations. The Company also determined that under ASC 606, certain product pricing elements related to its direct customer sales should be recorded within Cost of sales rather than net within Net sales as had been historical practice under ASC 605.

The Company adopted ASC 606 using the modified retrospective approach and applied the guidance therein to all applicable contracts that were not complete as of the date of adoption. As a result of these changes in accounting, the Company recorded a cumulative adjustment to retained earnings of $1.9 million on the date of adoption. With the change in performance obligations under ASC 606, product revenue recognition is accelerated on certain direct commercial customer sales. As a result, the cumulative adjustment recorded upon the adoption of ASC 606 had the impact of reducing inventory for sales transactions that would have been recognized in a prior period under ASC 606 and recording unbilled receivables for the amounts owed prior to invoicing. Additionally, the cumulative adjustment reflects the change in accrued expenses, including income taxes payable, related to these sales transactions.

The cumulative impact to our Consolidated Balance Sheet as of June 3, 2018 was as follows:

(In millions)	Balance at June 2, 2018	Adjustments due to ASC 606	Balance at June 3, 2018
Balance Sheet			
Assets:			
Unbilled accounts receivable	$ 1.9	$ 11.1	$ 13.0
Inventories, net	162.4	(7.1)	155.3
Liabilities:			
Accrued compensation and benefits	86.3	0.2	86.5
Other accrued liabilities	77.0	1.9	78.9
Equity:			
Retained earnings	598.3	1.9	600.2

In accordance with the modified retrospective adoption rules per ASC 606, the Company has disclosed in the table below the differences in our financial statements due to the adoption of the standard. The "As reported" column represents the financial statement values recorded in accordance with ASC 606, while the "Legacy GAAP" column represents what the financial statement values would have been under ASC 605, had the new standard not been adopted.

	Year Ended June 1, 2019			
(In millions)	As reported	Performance Obligation Change	Gross vs. Net Change	Legacy GAAP
Statement of Comprehensive Income				
Net sales	$ 2,567.2	$ (21.5)	$ (38.0)	$ 2,507.7
Cost of sales	1,637.3	(12.8)	(38.0)	1,586.5
Gross margin	929.9	(8.7)		921.2
Total operating expenses	726.4	(0.1)		726.3
Operating earnings	203.5	(8.6)		194.9
Income tax expense	39.6	(1.5)		38.1
Net earnings	160.5	(7.1)		153.4

(In millions)	As reported		Performance Obligation Change		Gross vs. Net Change	Legacy GAAP	
	As of June 1, 2019						
Balance Sheet							
Assets:							
Unbilled accounts receivable	$	34.3	$	(32.6)		$	1.7
Inventories, net		184.2		17.6			201.8
Liabilities:							
Accrued compensation and benefits		85.5		(0.4)			85.1
Other accrued liabilities		99.1		(5.6)			93.5
Equity:							
Retained earnings		712.7		(8.9)			703.8

There was no impact on Net Cash Provided by Operating Activities within the Company's Consolidated Statement of Cash Flows as a result of adopting ASC 606.

Accounting Policies

The Company recognizes revenue when performance obligations, based on the terms of customer contracts, are satisfied. This happens when control of goods and services based on the contract have been conveyed to the customer. Revenue for the sale of products is typically recognized at the point in time when control transfers, generally upon transfer of title and risk of loss to the customer. Revenue for services, including the installation of products by the Company's owned dealers, is recognized over time as the services are provided. The method of revenue recognition may vary, depending on the type of contract with the customer, as noted in the section Disaggregated Revenue further below.

The Company's contracts with customers include master agreements and certain other forms of contracts, which do not reach the level of a performance obligation until a purchase order is received from a customer. At the point in time that a purchase order under a contract is received by the Company, the collective group of documents represent an enforceable contract between the Company and the customer. While certain customer contracts may have a duration of greater than a year, all purchase orders are less than a year in duration. As of June 1, 2019, all unfulfilled performance obligations are expected to be fulfilled in the next twelve months.

Variable consideration exists within certain contracts that the Company has with customers. When variable consideration is present in a contract with a customer, the Company estimates the amount that should be included in the transaction price utilizing either the expected value method or the most likely amount method, depending on the nature of the variable consideration. These estimates are primarily related to rebate programs which involve estimating future sales amounts and rebate percentages to use in the determination of transaction price. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Adjustments to Net sales from changes in variable consideration related to performance obligations completed in previous periods are not material to the Company's financial statements. Also, the Company has no contracts with significant financing components.

The Company adopted the following accounting policies as a result of adopting the new standard on revenue recognition:

- *Shipping and Handling Activities* - the Company accounts for shipping and handling activities as fulfillment activities and these costs are accrued within Cost of sales at the same time revenue is recognized.

- *Sales Taxes* - the Company does not record revenue for sales tax, value added tax or other taxes that are collected on behalf of government entities. The Company’s revenue is recorded net of these taxes as they are passed through to the relevant government entities.

- *Incremental Costs of Obtaining a Contract* - the Company has recognized incremental costs to obtain a contract as an expense when incurred as the amortization period is less than one year.

- *Significant Financing Component* - the Company has not adjusted the amount of consideration to be received for any significant financing components as the Company’s contracts have a duration of one year or less.

Disaggregated Revenue

The Company's revenue is comprised primarily of sales of products and installation services. Depending on the type of contract, the method of accounting and timing of revenue recognition may differ. Below, descriptions have been provided that summarize the Company's different types of contracts and how revenue is recognized for each.

- *Single Performance Obligation* - these contracts are transacted with customers and include only the product performance obligation. Most commonly, these contracts represent master agreements with independent third-party dealers in which a purchase order represents the customer contract, point of sale transactions through the Retail reportable segment, as well as customer purchase orders for the Maharam subsidiary within the North America Contract reportable segment. For contracts that include a single performance obligation, the Company records revenue at the point in time when title and risk of loss has transferred to the customer.

- *Multiple Performance Obligations* - these contracts are transacted with customers and include more than one performance obligation; products, which are shipped to the customer by the Company and installation and other services, which are primarily fulfilled by independent third-party dealers. For contracts that include multiple performance obligations, the Company records revenue for the product performance obligation at the point in time when control transfers, generally upon transfer of title and risk of loss to the customer. In most cases, the Company has concluded that it is the agent for the installation services performance obligation and as such, the revenue and costs of these services are recorded net within Net sales in the Company's Consolidated Statements of Comprehensive Income.

  In certain instances, entities owned by the Company, rather than independent third-party dealers, perform installation and other services. In these cases, Service revenue is generated by the Company's entities that provide installation services, which include owned dealers, and is recognized by the Company over time as the services are provided. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on relative standalone selling prices.

- *Other* - these contracts are comprised mainly of alliance fee arrangements, whereby the Company earns revenue for allowing other furniture sellers access to its dealer distribution channel, as well as other miscellaneous selling arrangements. Revenue from alliance contracts are recorded at the point in time in which the sale is made by other furniture sellers through the Company's sales channel.

Revenue disaggregated by contract type has been provided in the table below:

(In millions)	Year Ended June 1, 2019
Net Sales:	
Single performance obligation	
Product revenue	$ 2,155.0
Multiple performance obligations	
Product revenue	390.0
Service revenue	12.6
Other	9.6
Total	$ 2,567.2

Revenue disaggregated by product type and reportable segment has been provided in the table below:

(In millions)		Year Ended June 1, 2019
North America Contract:		
Systems	$	564.4
Seating		501.8
Freestanding and storage		384.9
Textiles		113.8
Other		121.6
Total North America Contract	$	1,686.5
International Contract:		
Systems	$	103.6
Seating		276.1
Freestanding and storage		53.0
Other		59.5
Total International Contract	$	492.2
Retail:		
Seating	$	235.6
Freestanding and storage		67.5
Other		85.4
Total Retail	$	388.5
Total	$	2,567.2

Refer to Note 14 of the Consolidated Financial Statements for further information related to our reportable segments.

Contract Assets and Contract Liabilities

The Company records contract assets and contract liabilities related to its revenue generating activities. Contract assets include certain receivables from customers that are unconditional as all performance obligations with respect to the contract with the customer have been completed. These amounts represent trade receivables and they are recorded within the caption "Accounts and notes receivable" in the Consolidated Balance Sheets. The payment terms for the Company's customers differs depending on the type of customer. For third-party dealers and commercial contract customers, standard credit terms apply. Sales transacted through the Company's direct to consumer channels are generally paid for by the customer at point of sale.

Contract assets also include amounts that are conditional because certain performance obligations in the contract with the customer are incomplete as of the balance sheet date. These contract assets generally arise due to contracts with the customer that include multiple performance obligations, both the product that is shipped to the customer by the Company, as well as installation services provided by independent third-party dealers. For these contracts, the Company recognizes revenue upon satisfaction of the product performance obligation. However, the asset is conditional and the customer is not invoiced by the Company until the installation performance obligation is completed. These contract assets are included in the caption "Unbilled accounts receivable" in the Consolidated Balance Sheets until all performance obligations in the contract with the customer have been satisfied.

Contract liabilities represent deposits made by customers before the satisfaction of performance obligation(s) are complete and revenue is recognized. Upon completion of the performance obligation(s) that the Company has with the customer based on the terms of the contract, the liability for the customer deposit is relieved and revenue is recognized. These customer deposits are included within the caption "Customer deposits" in the Consolidated Balance Sheets. During the year ended June 1, 2019, the Company recognized Net sales of $26.9 million related to customer deposits there were included in the balance sheet as of June 2, 2018.

3. Acquisitions and Divestitures

Contract Furniture Dealerships

On July 31, 2017, the Company completed the sale of a wholly-owned contract furniture dealership in Vancouver, Canada for initial cash consideration of $2.0 million. A pre-tax gain of $1.1 million was recognized as a result of the sale within the caption Selling, general and administrative within the Consolidated Statements of Comprehensive Income.

On January 1, 2017, the Company completed the sale of a wholly-owned contract furniture dealership in Pennsylvania in exchange for a $3.0 million note receivable. A pre-tax gain of $0.7 million was recognized as a result of the sale within the caption Selling, general and administrative within the Consolidated Statements of Comprehensive Income. The full balance of the note receivable was paid in the fourth quarter of fiscal 2019.

Maars Holding B.V.

On August 31, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 48.2% of the outstanding equity of Global Holdings Netherlands B.V., which owns 100% of Maars Holding B.V. ("Maars"), a Harderwijk, Netherlands-based worldwide leader in the design and manufacturing of interior wall solutions. The Company acquired its 48.2% ownership interest in Maars for approximately $6.1 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

For the Maars equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of the reporting date and the valuation analysis was completed in the fourth quarter of fiscal 2019 with no differences noted from the preliminary valuation.

Nine United Denmark A/S

On June 7, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 33% of the outstanding equity of Nine United Denmark A/S, d/b/a HAY and subsequently renamed to HAY A/S ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The Company acquired its 33% ownership interest in HAY for approximately $65.5 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

The Company also acquired the rights to the HAY brand in North America under a long-term license agreement for approximately $4.8 million million in cash. This licensing agreement is recorded as an amortizing intangible asset and is being amortized over its 15-year useful life. This asset is recorded within Other amortizable intangibles, net within the Condensed Consolidated Balance Sheets.

For the Hay equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of the reporting date and the valuation analysis was completed in the third quarter of fiscal 2019 with no differences noted from the preliminary valuation.

The Company is a party to options, that if exercised, would require the Company to purchase an additional 33% of the equity in HAY at fair market value. These options may be exercised during a period commencing from the third quarter of fiscal 2020 and annually thereafter.

4. Inventories

(In millions)	June 1, 2019	June 2, 2018
Finished goods and work in process	$ 139.1	$ 124.2
Raw materials	45.1	38.2
Total	$ 184.2	$ 162.4

Inventories valued using LIFO amounted to $26.5 million and $25.5 million as of June 1, 2019 and June 2, 2018, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been $198.0 million and $175.3 million at June 1, 2019 and June 2, 2018, respectively.

5. Investments in Nonconsolidated Affiliates

The Company has certain investments in entities that are accounted for using the equity method (“nonconsolidated affiliates”). The investments are included in Other assets in the Consolidated Balance Sheets and the equity earnings are included in Equity earnings from nonconsolidated affiliates, net of tax in the Consolidated Statements of Comprehensive Income. Refer to the tables below for the investment balances that are included in the Consolidated Balance Sheets and for the equity earnings that are included in the Consolidated Statements of Comprehensive Income.

(in millions)	June 1, 2019	June 2, 2018
Investments in nonconsolidated affiliates	$ 89.0	$ 16.8

(in millions)	June 1, 2019	June 2, 2018	June 3, 2017
Equity earnings from nonconsolidated affiliates	$ 5.0	$ 3.0	$ 1.6

The Company had an ownership interest in seven nonconsolidated affiliates at June 1, 2019. Refer to the Company's ownership percentages shown below:

Ownership Interest	June 1, 2019	June 2, 2018
Kvadrat Maharam Arabia DMCC	50.0%	50.0%
Kvadrat Maharam Pty Limited	50.0%	50.0%
Kvadrat Maharam Turkey JSC	50.0%	50.0%
Danskina B.V.	50.0%	50.0%
Naughtone Holdings Limited*	52.5%	50.0%
Global Holdings Netherlands B.V.	48.2%	—%
HAY A/S	33.0%	—%

**The minority shareholders of Naughtone Holdings Limited have substantive participation rights, including participating in decisions related to hiring, firing, and compensation of executive management, as well as establishing the annual operating budget. As such, the entity is not consolidated.*

Kvadrat Maharam

The Kvadrat Maharam nonconsolidated affiliates are distribution entities that are engaged in selling decorative upholstery, drapery and wall covering products. At June 1, 2019 and June 2, 2018, the Company's investment value in Kvadrat Maharam Pty was $1.8 million and $1.9 million more than the Company's proportionate share of the underlying net assets, respectively. This difference was driven by a step-up in fair value of the investment in Kvadrat Maharam Pty, stemming from the Maharam business combination. This amount is considered to be a permanent basis difference.

Naughtone

In the fourth quarter of fiscal 2019 the Company increased its investment in Naughtone from 50% to 52.5% for approximately $2.0 million. At June 1, 2019, the Company's investment value in Naughtone was $9.8 million more than the Company's proportionate share of the underlying net assets, of which $2.0 million was being amortized over the remaining useful lives of the assets, while $7.8 million was considered a permanent basis difference.

At June 2, 2018, the Company's investment value in Naughtone was $10.2 million more than the Company's proportionate share of the underlying net assets, of which $2.4 million was being amortized over the remaining useful lives of the assets, while $7.8 million was considered a permanent basis difference.

Maars

On August 31, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 48.2% of the outstanding equity of Global Holdings Netherlands B.V., which owns 100% of Maars Holding B.V. ("Maars”), a Harderwijk, Netherlands-based worldwide leader in the design and manufacturing of interior wall solutions. The Company acquired its 48.2% ownership interest in Maars for approximately $6.1 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

For the Maars equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of the reporting date and the valuation analysis was completed in the fourth quarter of fiscal 2019 with no differences noted from the preliminary valuation.

As of the August 31, 2018 acquisition date, the Company's investment value in Maars was $3.1 million more than the Company's proportionate share of the underlying net assets. This amount represented the difference between the price that the Company paid to acquire 48.2% of the outstanding equity and the carrying value of the net assets of Maars. Of this difference, $2.7 million was being amortized over the remaining useful lives of the assets while, $0.4 million was considered a permanent difference.

At June 1, 2019, the Company's investment value in Maars was $2.7 million more than the Company's proportionate share of the underlying net assets, of which $2.3 million was being amortized over the remaining useful lives of the assets, while $0.4 million was considered a permanent basis difference.

HAY

On June 7, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 33% of the outstanding equity of Nine United Denmark A/S, d/b/a HAY and subsequently renamed to HAY A/S ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The Company acquired its 33% ownership interest in HAY for approximately $65.5 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

For the HAY equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of the reporting date and the valuation analysis was completed in the third quarter of fiscal 2019 with no differences noted from the preliminary valuation.

As of the June 7, 2018 acquisition date, the Company's investment value in HAY was $62.9 million more than the Company's proportionate share of the underlying net assets. This amount represented the difference between the price that the company paid to acquire 33% of the outstanding equity and the carrying value of the net assets of HAY. Of this difference, $26.6 million was being amortized over the remaining useful lives of the assets while, $36.3 million was considered a permanent difference.

At June 1, 2019, the Company's investment value in HAY was $56.8 million more than the Company's proportionate share of the underlying net assets, of which $22.6 million was being amortized over the remaining useful lives of the assets, while $34.2 million was considered a permanent basis difference. The change in the permanent basis difference from the acquisition date is due to changes in foreign currency exchange rates.

Transactions with Nonconsolidated Affiliates

Sales to and purchases from nonconsolidated affiliates were as follows for the periods presented below:

(in millions)	June 1, 2019	June 2, 2018	June 3, 2017
Sales to nonconsolidated affiliates	$ 3.9	$ 4.3	$ 4.0
Purchases from nonconsolidated affiliates	$ 23.0	$ 6.8	$ 4.2

Balances due to or due from nonconsolidated affiliates were as follows for the periods presented below:

(in millions)	June 1, 2019	June 2, 2018
Receivables from nonconsolidated affiliates	$ 0.7	$ 0.9
Payables to nonconsolidated affiliates	$ 1.2	$ 1.0

6. Long-Term Debt

Long-term debt consisted of the following obligations:

(In millions)	June 1, 2019	June 2, 2018
Debt securities, 6.0%, due March 1, 2021	$ 50.0	$ 50.0
Syndicated Revolving Line of Credit, due September 2021	225.0	225.0
Construction-Type Lease	6.9	7.0
Supplier financing program	3.1	3.8
Total debt	$ 285.0	$ 285.8
Less: Current debt	(3.1)	(10.8)
Long-term debt	$ 281.9	$ 275.0

The Company's syndicated revolving line of credit provides the Company with up to $400 million in revolving variable interest borrowing capacity and includes an "accordion feature" allowing the Company to increase, at its option and subject to the approval of the participating banks, the aggregate borrowing capacity of the facility by $200 million. The facility expires in September 2021 and outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period if borrowings are outstanding.

On January 3, 2018, the Company borrowed $225.0 million on its existing revolving line of credit. Of these proceeds, $150.0 million was used to repay its Series B senior notes upon maturity, while the rest of the proceeds was designated for general business purposes.

As of June 1, 2019, the total debt outstanding related to borrowings under the syndicated revolving line of credit was $225.0 million. Available borrowings against this facility were $165.0 million due to $10.0 million outstanding letters of credit. As of June 2, 2018, available borrowings against this facility were $166.8 million due to $8.2 million related to outstanding letters of credit.

The unsecured senior revolving credit facility restrict, without prior consent, our borrowings, capital leases and the sale of certain assets. In addition, we have agreed to maintain certain financial performance ratios, which include a maximum leverage ratio covenant, which is measured by the ratio of debt to trailing four quarter adjusted EBITDA (as defined in the credit agreement) and is required to be less than 3.5:1, except that we may elect, under certain conditions, to increase the maximum Leverage Ratio to 4:1 for four consecutive fiscal quarter end dates. The covenants also require a minimum interest coverage ratio, which is measured by the ratio of trailing four quarter EBITDA to trailing four quarter interest expense (as defined in the credit agreement) and is required to be greater than 4:1. Adjusted EBITDA is generally defined in the credit agreement as EBITDA adjusted by certain items which include non-cash share-based compensation, non-recurring restructuring costs and extraordinary items. At June 1, 2019 and June 2, 2018, the Company was in compliance with all of these restrictions and performance ratios.

Supplier Financing Program

The Company has an agreement with a third party financial institution to provide a platform that allows certain participating suppliers the ability to finance payment obligations from the Company. Under this program, participating suppliers may finance payment obligations of the Company, prior to their scheduled due dates, at a discounted price to the third party financial institution.

The Company has lengthened the payment terms for certain suppliers that have chosen to participate in the program. As a result, certain amounts due to suppliers have payment terms that are longer than standard industry practice and as such, these amounts have been excluded from the caption “Accounts payable” in the Consolidated Balance Sheets as the amounts have been accounted for by the Company as a current debt obligation. Accordingly, $3.1 million and $3.8 million have been recorded within the caption “Other accrued liabilities” for the periods ended June 1, 2019 and June 2, 2018, respectively.

Construction-Type Lease

During fiscal 2015, the Company entered into a lease agreement for the occupancy of a new studio facility in Palo Alto, California which runs through fiscal 2026. In fiscal 2017, the Company became the deemed owner of the leased building for accounting purposes as a result of the Company's involvement during the construction phase of the project. The lease is therefore accounted for as a financing transaction and the building and related financing liability were initially recorded at fair value in the Consolidated Balance Sheets within both Construction in progress and Other accrued liabilities. The fair value of the building and financing liability was determined through a blend of an income approach, comparable property sales approach and a replacement cost approach.

During the first quarter of fiscal 2019, the construction was substantially completed, and the property was placed in service. As a result, the Company began depreciating the assets over their estimated useful lives. The Company also reclassified the related financing liability to Long-term debt. Additionally, the Company began allocating its monthly lease payments between land rent, which is recorded as an operating lease expense, interest expense and the reduction of the related lease obligation. The imputed interest rate on the financing liability is 2.9%, the Company's incremental borrowing rate. The carrying value of the building was $6.7 million and the related financing liability was $6.9 million at June 1, 2019. The carrying value of the building and the related financing liability were both $7.0 million at June 2, 2018.

Annual maturities of debt for the five fiscal years subsequent to June 1, 2019 are as shown in the table below.

(In millions)		
2020	$	3.1
2021	$	50.0
2022	$	225.0
2023	$	—
2024	$	—
Thereafter	$	6.9

7. 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 required under operating leases that have non-cancelable lease terms as of June 1, 2019, are as follows:

(In millions)		
2020	$	51.7
2021	$	46.8
2022	$	42.9
2023	$	39.0
2024	$	33.5
Thereafter	$	101.9

Total rental expense charged to operations was $55.9 million, $49.3 million and $45.3 million, in fiscal 2019, 2018 and 2017, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

8. Employee Benefit Plans

The Company maintains retirement benefit plans for substantially all of its employees.

Pension Plans and Post-Retirement Medical Insurance

The Company offers certain employees retirement benefits under domestic defined benefit plans. The Company provides healthcare benefits to employees who retired from service on or before a qualifying date in 1998. As of the qualifying date, the Company discontinued offering post-retirement medical to future retirees. Benefits to qualifying retirees under this plan are based on the employee's years of service and age at the date of retirement. In addition to the domestic pension and retiree healthcare plan, one of the Company's wholly owned foreign subsidiaries has a defined-benefit pension plan based upon an average final pay benefit calculation. The measurement date for the Company's remaining domestic and international pension plans, as well as its post-retirement medical plan, is the last day of the fiscal year.

Benefit Obligations and Funded Status

The following table presents, for the fiscal years noted, a summary of the changes in the projected benefit obligation, plan assets and funded status of the Company's domestic and international pension plans and post-retirement plan:

	Pension Benefits				Post-Retirement Benefits	
	2019		2018		2019	2018
(In millions)	Domestic	International	Domestic	International		
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 1.0	$ 105.9	$ 1.0	$ 113.8	$ 4.0	$ 5.0
Interest cost	—	2.7	0.1	2.7	0.1	0.1
Plan Amendments	—	0.9	—	—	—	—
Foreign exchange impact	—	(6.0)	—	4.2	—	—
Actuarial loss (gain)	0.1	9.7	—	(12.2)	(0.3)	(0.5)
Benefits paid	(0.1)	(4.1)	(0.1)	(2.6)	(0.5)	(0.6)
Benefit obligation at end of year	$ 1.0	$ 109.1	$ 1.0	$ 105.9	$ 3.3	$ 4.0
Change in plan assets:						
Fair value of plan assets at beginning of year	$ —	$ 94.6	$ —	$ 80.5	$ —	$ —
Actual return on plan assets	—	2.5	—	1.2	—	—
Foreign exchange impact	—	(5.1)	—	2.8	—	—
Employer contributions	0.1	0.3	0.1	12.7	0.5	0.6
Benefits paid	(0.1)	(4.1)	(0.1)	(2.6)	(0.5)	(0.6)
Fair value of plan assets at end of year	$ —	$ 88.2	$ —	$ 94.6	$ —	$ —
Funded status:						
Under funded status at end of year	$ (1.0)	$ (20.9)	$ (1.0)	$ (11.3)	$ (3.3)	$ (4.0)
Components of the amounts recognized in the Consolidated Balance Sheets:						
Current liabilities	$ (0.1)	$ —	$ (0.1)	$ —	$ (0.6)	$ (0.6)
Non-current liabilities	$ (0.9)	$ (20.9)	$ (0.9)	$ (11.3)	$ (2.7)	$ (3.4)
Components of the amounts recognized in Accumulated other comprehensive loss before the effect of income taxes:						
Prior service cost	$ —	$ 0.8	$ —	$ —	$ —	$ —
Unrecognized net actuarial loss (gain)	$ 0.3	$ 47.3	$ 0.3	$ 40.8	$ (1.3)	$ (1.1)
Accumulated other comprehensive loss	$ 0.3	$ 48.1	$ 0.3	$ 40.8	$ (1.3)	$ (1.1)

The Company retrospectively adopted *ASU 2017-07 - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* on June 3, 2018. As the Company's pension and post retirement medical plans are frozen and not open to new plan participants, these plans no longer have a service component in net periodic benefit cost. Prior to adoption, the Company recorded net periodic benefit costs related to its defined benefit pension and post-retirement medical plans within Selling, general and administrative expenses. As a result of adoption, these costs are recorded within Other, net. The Company retrospectively reclassified $1.4 million and $0.3 million of net periodic benefit cost in the Consolidated Statements of Comprehensive Income for fiscal years 2018 and 2017, respectively, from Selling, general and administrative to Other, net.

The accumulated benefit obligation for the Company's domestic pension benefit plans totaled $1.0 million as of the end of both fiscal 2019 and fiscal 2018. For its international plans, the accumulated benefit obligation totaled $105.4 million and $102.2 million as of fiscal 2019 and fiscal 2018, respectively. The following table summarizes the totals for pension plans with accumulated benefit obligations in excess of plan assets:

Pension Plans with Accumulated Benefit Obligation in Excess of Plan Assets

(In millions)	2019	2018
Projected benefit obligation	$ 110.1	$ 106.9
Accumulated benefit obligation	$ 106.4	$ 103.1
Fair value of plan assets	$ 88.2	$ 94.6

The following table is a summary of the annual cost of the Company's pension and post-retirement plans:

Components of Net Periodic Benefit Costs and Other Changes Recognized in Other Comprehensive Income (Loss):

	Pension Benefits			Post-Retirement Benefits		
(In millions)	2019	2018	2017	2019	2018	2017
Domestic:						
Interest cost	$ —	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.2
Net periodic benefit cost	$ —	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.2
International:						
Interest cost	$ 2.7	$ 2.7	$ 2.7			
Expected return on plan assets	(4.5)	(5.6)	(4.7)			
Net amortization	2.8	4.2	2.2			
Net periodic benefit cost	$ 1.0	$ 1.3	$ 0.2			

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss):

	Pension Benefits		Post-Retirement Benefits	
(In millions)	2019	2018	2019	2018
Domestic:				
Net actuarial gain	$ 0.1	$ —	$ (0.3)	$ (0.5)
Total recognized in other comprehensive loss	$ 0.1	$ —	$ (0.3)	$ (0.5)
International:				
Net actuarial (gain) loss	$ 11.7	$ (7.7)		
Net amortization	(2.7)	(4.2)		
Total recognized in other comprehensive loss	$ 9.0	$ (11.9)		

The net actuarial loss, included in accumulated other comprehensive loss (pretax), expected to be recognized in net periodic benefit cost during fiscal 2020 is $3.3 million.

Actuarial Assumptions

The weighted-average actuarial assumptions used to determine the benefit obligation amounts and the net periodic benefit cost for the Company's pension and post-retirement plans are as follows:

The weighted-average used in the determination of net periodic benefit cost:						
	2019		2018		2017	
(Percentages)	Domestic	International	Domestic	International	Domestic	International
Discount rate	3.99	2.87	3.53	2.49	3.51	3.43
Compensation increase rate	n/a	3.10	n/a	3.25	n/a	2.95
Expected return on plan assets	n/a	4.80	n/a	6.10	n/a	6.10
The weighted-average used in the determination of the projected benefit obligations:						
Discount rate	3.47	2.39	3.99	2.87	3.53	2.49
Compensation increase rate	n/a	3.20	n/a	3.10	n/a	3.25

The Company uses a full yield curve approach to estimate the interest component of net periodic benefit cost for pension and other postretirement benefits. This method applies the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

In calculating post-retirement benefit obligations for fiscal 2020, a 6.7 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2019, decreasing gradually to 4.3 percent by 2038 and remaining at that level thereafter. For purposes of calculating post-retirement benefit costs, a 7.1 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2019, decreasing gradually to 4.3 percent by 2038 and remaining at that level thereafter.

Changes in assumed health care cost-trend rates is not expected to have a significant impact on the post-employment liability.

Plan Assets and Investment Strategies

The Company's international employee benefit plan assets consist mainly of listed fixed income obligations and common/collective trusts. The Company's primary objective for invested pension plan assets is to provide for sufficient long-term growth and liquidity to satisfy all of its benefit obligations over time. Accordingly, the Company has developed an investment strategy that it believes maximizes the probability of meeting this overall objective. This strategy includes the development of a target investment allocation by asset category in order to provide guidelines for making investment decisions. This target allocation emphasizes the long-term characteristics of individual asset classes as well as the diversification among multiple asset classes. In developing its strategy, the Company considered the need to balance the varying risks associated with each asset class with the long-term nature of its benefit obligations. The Company's strategy moving forward will be to increase the level of fixed income investments as the funding status improves, thereby more closely matching the return on assets with the liabilities of the plans.

The Company utilizes independent investment managers to assist with investment decisions within the overall guidelines of the investment strategy. The target asset allocation at the end of fiscal 2019 and asset categories for the Company's primary international pension plan for fiscal 2019 and 2018 are as follows:

	Targeted Asset Allocation Percentage		Percentage of Plan Assets at Year End	
Asset Category	2019	2018	2019	2018
Fixed income	35	35	33	36
Common collective trusts	65	65	67	64
Total			100	100

(In millions)	International Plan as of June 1, 2019		
Asset Category	Level 1	Level 2	Total
Cash and cash equivalents	$ —	$ —	$ —
Foreign government obligations	—	29.3	29.3
Common collective trusts-balanced	—	58.9	58.9
Total	$ —	$ 88.2	$ 88.2

(In millions)	International Plan as of June 2, 2018		
Asset Category	Level 1	Level 2	Total
Cash and cash equivalents	$ 0.2	$ —	$ 0.2
Foreign government obligations	—	33.4	33.4
Common collective trusts-balanced	—	61.0	61.0
Total	$ 0.2	$ 94.4	$ 94.6

Cash Flows

The Company reviews pension funding requirements to determine the contribution to be made in the next year. Actual contributions will be dependent upon investment returns, changes in pension obligations and other economic and regulatory factors. During fiscal 2019, the Company made total cash contributions of $0.9 million to its benefit plans. In fiscal 2018, the Company made total cash contributions of $13.4 million to its benefit plans.

The following represents a summary of the benefits expected to be paid by the plans in future fiscal years. These expected benefits were estimated based on the same actuarial valuation assumptions used to determine benefit obligations at June 1, 2019.

(In millions)	Pension Benefits Domestic		Pension Benefits International		Post-Retirement Benefits	
2020	$	0.1	$	1.8	$	0.5
2021	$	0.1	$	1.9	$	0.4
2022	$	0.1	$	2.3	$	0.4
2023	$	0.1	$	2.1	$	0.4
2024	$	0.1	$	2.3	$	0.3
2025-2029	$	0.3	$	16.7	$	1.1

Profit Sharing, 401(k) Plan, and Core Contribution

Substantially all of the Company’s domestic employees are eligible to participate in a defined contribution retirement plan, primarily the Herman Miller, Inc. profit sharing and 401(k) plan (the "plan"). Employees under the plan are eligible to begin participating on their date of hire. Until June 4, 2017, the plan provided for discretionary contributions for eligible participants, payable in the Company's common stock, of not more than 6 percent of employees' wages based on the Company's financial performance. Effective June 4, 2017, the Company discontinued the Employer Profit Sharing Contribution and instead, began allocating those funds to other components of pay and retirement. Under the plan the Company matches 100 percent of employee contributions to their 401(k) accounts up to 3 percent of their pay. Effective September 3, 2017, the Company increased the Employer Matching Contribution from 3 percent to 4 percent for all eligible employees. A core contribution of 4 percent is also included for most participants of the plan. There was an additional 1 percent contribution added to the quarterly Core Contribution for the quarter prior to the increased Employer Matching Contribution effective September 3, 2017. The Company’s other defined contribution retirement plans may provide for matching contributions, non-elective contributions and discretionary contributions as declared by management.

The cost of the Herman Miller, Inc. profit sharing contribution during fiscal 2017 was $6.0 million. No profit sharing contribution was made in fiscal 2019 or fiscal 2018. The expense recorded for the Company's 401(k) matching contributions and core contributions was approximately $25.4 million, $24.9 million and $22.8 million in fiscal years 2019, 2018 and 2017, respectively.

9. Common Stock and Per Share Information

The following table reconciles the numerators and denominators used in the calculations of basic and diluted EPS for each of the last three fiscal years:

(In millions, except shares)	2019		2018		2017	
Numerator:						
Numerator for both basic and diluted EPS, Net earnings attributable to Herman Miller, Inc.	$	160.5	$	128.1	$	123.9
Denominator:						
Denominator for basic EPS, weighted-average common shares outstanding		59,011,945		59,681,268		59,871,805
Potentially dilutive shares resulting from stock plans		369,846		630,037		682,784
Denominator for diluted EPS		59,381,791		60,311,305		60,554,589

Equity awards of 218,037 shares, 348,089 shares and 764,154 shares of common stock were excluded from the denominator for the computation of diluted earnings per share for the fiscal years ended June 1, 2019, June 2, 2018 and June 3, 2017, respectively, because they were anti-dilutive. The Company has certain share-based payment awards that meet the definition of participating securities.

Common Stock

The Company has two share repurchase plans authorized by the Board of Directors on September 25, 2007 and January 16, 2019, which provide share repurchase authorization of $550.0 million with no specified expiration date. The approximate dollar value of shares available for purchase under the plans at June 1, 2019 was $264.2 million. During fiscal year 2019, 2018, and 2017, shares repurchased and retired totaled 1,326,023, 1,356,156, and 765,556 shares respectively.

10. Stock-Based Compensation

The Company utilizes equity-based compensation incentives as a component of its employee and non-employee director and officer compensation philosophy. Currently, these incentives consist principally of stock options, restricted stock, restricted stock units and performance share units. The Company also offers a stock purchase plan for its domestic and certain international employees. The Company issues shares in connection with its share-based compensation plans from authorized, but unissued, shares. At June 1, 2019 there were 5,991,307 shares authorized under the various stock-based compensation plans.

Valuation and Expense Information

The Company measures the cost of employee services received in exchange for an award of equity instruments based on their grant-date fair market value. This cost is recognized over the requisite service period.

Certain of the Company's equity-based compensation awards contain provisions that allow for continued vesting into retirement. Stock-based awards are considered fully vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service.

The Company classifies pre-tax stock-based compensation expense primarily within Operating expenses in the Consolidated Statements of Comprehensive Income. Pre-tax compensation expense and the related income tax benefit for all types of stock-based programs was as follows for the periods indicated:

(In millions)	June 1, 2019	June 2, 2018	June 3, 2017
Employee stock purchase program	$ 0.3	$ 0.3	$ 0.3
Stock option plans	(0.4)	2.6	2.0
Restricted stock units	4.6	3.9	3.6
Performance share units	2.8	0.9	2.8
Total	$ 7.3	$ 7.7	$ 8.7
Tax benefit	$ 1.6	$ 2.3	$ 3.1

As of June 1, 2019, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately $7.1 million. The weighted-average period over which this amount is expected to be recognized is 0.96 years.

Employee Stock Purchase Program

Under the terms of the Company's Employee Stock Purchase Plan, 4 million shares of authorized common stock were reserved for purchase by plan participants at 85 percent of the market price. Shares of common stock purchased under the employee stock purchase plan were 62,957, 67,335, and 68,547 for the fiscal years ended 2019, 2018 and 2017 respectively.

Stock Option Plans

The Company grants options to purchase the Company's stock to certain key employees and non-employee directors at a price not less than the market price of the Company's common stock on the date of grant. Under the current award program, all options become exercisable between one and three years from date of grant and expire ten years from date of grant. Most options are subject to graded vesting with the related compensation expense recognized on a straight-line basis over the requisite service period.

In fiscal 2019 there were two separate stock option valuation dates. Therefore the table below has been presented with the assumptions relevant to each valuation date. The Company estimated the fair value of employee stock options on the date of grant using the Black-Scholes model. In determining these values, the following weighted-average assumptions were used for the options granted during the fiscal years indicated:

	2019	2018	2017
Risk-free interest rates [(1)]	2.65-2.70%	1.79%	1.01%
Expected term of options [(2)]	4.4 years	4.6 years	4.0 years
Expected volatility [(3)]	27%	26%	26%
Dividend yield [(4)]	2.18-2.33%	2.23%	2.13%
Weighted-average grant-date fair value of stock options:			
Granted with exercise prices equal to the fair market value of the stock on the date of grant	$ 8.05	$ 6.39	$ 5.50

(1) Represents term-matched, zero-coupon risk-free rate from the Treasury Constant Maturity yield curve, continuously compounded.
(2) Represents historical settlement data, using midpoint scenario with 1-year grant date filter assumption for outstanding options.
(3) The blended volatility approach was used. 90% term-matched historical volatility from daily stock prices and 10% percent weighted average implied volatility from the 90 days preceding the grant date.
(4) Represents the quarterly dividend divided by the three-month average stock price as of the grant date, annualized and continuously compounded.

The following is a summary of the transactions under the Company's stock option plans:

	Shares Under Option	Weighted-Average Exercise Prices	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 2, 2018	1,063,249	$ 30.33	$ 2.9	7.45
Granted at market	156,008	$ 38.23		
Exercised	(347,248)	$ 28.84		
Forfeited or expired	(81,950)	$ 33.94		
Outstanding at June 1, 2019	790,059	$ 32.17	$ 3.0	5.81
Ending vested + expected to vest	790,059	$ 32.17	$ 3.0	5.81
Exercisable at end of period	282,985	$ 28.51	$ 2.0	4.42

The weighted-average remaining recognition period of the outstanding stock options at June 1, 2019 was 1.12 years. The total pre-tax intrinsic value of options exercised during fiscal 2019, 2018 and 2017 was $3.3 million, $5.0 million and $1.3 million, respectively. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the Company's closing stock price as of the end of the period presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date. Total cash received during fiscal 2019 from the exercise of stock options was approximately $10 million.

Restricted Stock Units

The Company grants restricted stock units to certain key employees. This program provides that the actual number of restricted stock units awarded is based on the value of a portion of the participant's long-term incentive compensation divided by the fair value of the Company's stock on the date of grant. The awards generally cliff-vest after a three-year service period, with prorated vesting under certain circumstances and full or partial accelerated vesting upon retirement. Each restricted stock unit represents one equivalent share of the Company's common stock to be awarded, free of restrictions, after the vesting period. Compensation expense related to these awards is recognized over the requisite service period, which includes any applicable performance period. Dividend equivalent awards are credited quarterly. The units do not entitle participants to the rights of stockholders of common stock, such as voting rights, until shares are issued after vesting.

The following is a summary of restricted stock unit transactions for the fiscal years indicated:

	Share Units	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 2, 2018	481,027	$ 32.20	$ 15.8	1.28
Granted	91,304	$ 37.81		
Forfeited	(31,922)	$ 35.94		
Released	(229,128)	$ 31.40		
Outstanding at June 1, 2019	311,281	$ 33.93	$ 11.0	1.10
Ending vested + expected to vest	311,281	$ 33.93	$ 11.0	1.10

The weighted-average remaining recognition period of the outstanding restricted stock units at June 1, 2019, was 0.99 years. The fair value of the share units that vested during the twelve months ended June 1, 2019, was $8.4 million. The weighted average grant-date fair value of restricted stock units granted during 2019, 2018, and 2017 was $37.81, $35.28 and $31.83 respectively.

Performance Share Units

The Company grants performance share units to certain key employees. The number of units initially awarded was based on the value of a portion of the participant's long-term incentive compensation, divided by the fair value of the Company's common stock on the date of grant. Each unit represents one equivalent share of the Company's common stock. The number of common shares ultimately issued in connection with these performance share units is determined based on the Company's financial performance over the related three-year service period or the Company's financial performance based on certain total shareholder return results as compared to a selected group of peer companies. Compensation expense is determined based on the grant-date fair value and the number of common shares projected to be issued and is recognized over the requisite service period.

The following is a summary of performance share unit transactions for the fiscal years indicated:

	Share Units	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 2, 2018	374,560	$ 30.76	$ 12.3	1.01
Granted	207,568	$ 36.37		
Forfeited	(19,093)	$ 35.90		
Released	(239,679)	$ 31.55		
Outstanding at June 1, 2019	323,356	$ 33.48	$ 11.5	1.13
Ending vested + expected to vest	323,356	$ 33.48	$ 11.5	1.13

The weighted-average remaining recognition period of the outstanding performance share units at June 1, 2019, was 1.06 years. The fair value for shares that vested during the twelve months ended June 1, 2019, was $9.3 million. The weighted average grant-date fair value of performance share units granted during 2019, 2018, and 2017 was $36.37, $31.28, and $29.40 respectively.

Herman Miller Consumer Holdings Stock (HMCH) Option Plan

Certain employees were granted options to purchase stock of HMCH at a price not less than the market price of HMCH common stock on the date of grant. For the grants of options under the award program, options are potentially exercisable between one year and five years from date of grant and expire at the end of the window period that follows the fifth anniversary of the grant date. Vesting is based on the performance of HMCH over a period of five years. Certain of these options have been classified as liability awards as the holders have the right to put the underlying shares to the Company immediately upon exercise. Given this, the awards are measured at fair value at the end of each reporting period and compensation expense is adjusted accordingly to reflect the fair value over the requisite service period. The Company estimates the issuance date fair value of HMCH stock options on the date of grant using the Black-Scholes model. In fiscal 2019 the options did not meet their performance targets resulting in cancellation of awards and reversal of the related expense and liability. The expense reversal for these awards was $1.1 million during fiscal 2019 and the related liability for these awards was zero as of the end of fiscal 2019.

The following weighted-average assumptions were used to value the liability associated with HMCH stock options as of June 2, 2018:

	2018
Risk-free interest rates (1)	2.29%
Expected term of options (2)	1.1 years
Expected volatility (3)	35%
Dividend yield	not applicable
Strike price	30.64
Per share value (4)	8.24

(1) Represents the U.S. Treasury yield over the same period as the expected option term.

(2) Represents the period of time that options granted are expected to be outstanding.

(3) Amount is determined based on analysis of historical price volatility of the common stock of peer companies over a period equal to the expected term of the options.

(4) Based on the Black-Scholes formula.

	Shares Under Option	Weighted-Average Exercise Prices		Aggregate Intrinsic Value (in millions)		Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 2, 2018	544,126	$	24.04	$	3.6	1.20
Exercised	(4,861)	$	7.82			
Forfeited	(468,558)	$	24.39			
Outstanding at June 1, 2019	70,707	$	22.80	$	0.5	0.20
Exercisable at end of period	70,707	$	22.80	$	0.5	0.20

The outstanding balance at June 1, 2019 in the preceding table represents fully vested options. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the HMCH market price, less the strike price, as of the end of the period presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date.

Deferred Compensation Plan

The Herman Miller, Inc. Executive Equalization Retirement Plan is a supplemental deferred compensation plan and was made available for salary deferrals and Company contributions beginning in January 2008. The plan is available to a select group of management or highly compensated employees who are selected for participation by the Executive Compensation Committee of the Board of Directors. The plan allows participants to defer up to 50 percent of their base salary and up to 100 percent of their incentive cash bonus. Company contributions to the plan "mirror" the amounts the Company would have contributed to the various qualified retirement plans had the employee's compensation not been above the IRS statutory ceiling ($280,000 in 2019). The Company does not guarantee a rate of return for these funds. Instead, participants make investment elections for their deferrals and Company contributions. Investment options are the same as those available under the Herman Miller Profit Sharing and 401(k) Plan, except for Company stock, which is not an investment option under this plan.

The Nonemployee Officer and Director Deferred Compensation Plan allows the Board of Directors of the Company to defer a portion of their annual director fee. Investment options are the same as those available under the Herman Miller Profit Sharing and 401(k) Plan, including Company stock.

In accordance with the terms of the Executive Equalization Plan and Nonemployee Officer and Director Deferred Compensation Plan, the salary and bonus deferrals, Company contributions and director fee deferrals have been placed in a Rabbi trust. The assets in the Rabbi trust remain subject to the claims of creditors of the Company and are not the property of the participant. Investments in securities other than the Company's common stock are included within the Other assets line item, while investments in the Company's stock are included in the line item Key executive deferred compensation in the Company's Consolidated Balance Sheets. A liability of the same amount is recorded on the Consolidated Balance Sheets within the Other liabilities line item. Investment assets are classified as trading, and accordingly, realized and unrealized gains and losses are recognized within the Company's Consolidated Statements of Comprehensive Income in the Interest and other investment income line item. The associated changes to the liability are recorded as compensation expense within the Selling, general and administrative line item within the Company's Consolidated Statements of Comprehensive Income. The net effect of any change to the asset and corresponding liability is offset and has no impact on Net earnings in the Consolidated Statements of Comprehensive Income.

Director Fees

Company directors may elect to receive their director fees in one or more of the following forms: cash, deferred compensation in the form of shares or other selected investment funds, unrestricted Company stock at the market value at the date of election or stock options that vest in one year and expire in ten years. The exercise price of the stock options granted may not be less than the market price of the Company's common stock on the date of grant. Under the plan, the Board members received the following shares or options in the fiscal years indicated:

	2019	2018	2017
Shares of common stock	10,185	8,828	9,982
Shares through the deferred compensation program	7,619	2,207	2,582

11. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was signed into law in the United States. The effects of the Act included the reduction of the federal corporate income tax rate from 35 percent to 21 percent and a new participation exemption system of taxation on foreign earnings, among other provisions.

In accordance with Staff Accounting Bulletin 118, for the year ended June 2, 2018, the Company recorded a provisional tax benefit of $3.1 million from the impact of the Act, primarily related to the one-time U.S. tax liability on certain undistributed foreign earnings and the remeasurement of current and deferred tax liabilities. Subsequently, as the U.S. Treasury Department issued additional guidance, the Company recorded adjustments to the provisional tax benefit. During the year ended June 1, 2019, the Company completed its accounting for all the effects of the Act and recorded adjustments to the provisional amounts primarily for the one-time U.S. tax liability on certain undistributed foreign earnings and also an adjustment related to foreign tax credits to increase the income tax benefit from the Act by $1.0 million.

The U.S. Treasury Department and the Internal Revenue Service are expected to continue issuing additional guidance related to the Act, which could have a material impact to the provision for income taxes. If applicable, the Company would recognize any adjustments in the provision for income taxes in the period additional guidance is issued.

For tax years beginning after December 31, 2017, the Act subjects a U.S. shareholder to tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company will account for tax expense related to GILTI in the year the tax is incurred.

The components of earnings before income taxes are as follows:

(In millions)	2019	2018	2017
Domestic	$ 136.2	$ 121.6	$ 131.4
Foreign	58.9	46.5	46.2
Total	$ 195.1	$ 168.1	$ 177.6

The provision (benefit) for income taxes consists of the following:

(In millions)	2019	2018	2017
Current: Domestic - Federal	$ 19.0	$ 30.2	$ 28.7
Domestic - State	6.4	4.3	2.3
Foreign	12.9	10.7	11.1
	38.3	45.2	42.1
Deferred: Domestic - Federal	1.0	(4.1)	9.2
Domestic - State	(0.2)	0.1	2.8
Foreign	0.5	1.2	1.0
	1.3	(2.8)	13.0
Total income tax provision	$ 39.6	$ 42.4	$ 55.1

The following table represents a reconciliation of income taxes at the United States statutory rate of 21% for 2019, 29.1% for 2018, and 35% for 2017 with the effective tax rate as follows:

(In millions)	2019	2018	2017
Income taxes computed at the United States Statutory rate	$ 41.0	$ 49.0	$ 62.2
Increase (decrease) in taxes resulting from:			
Remeasurement of U.S. deferred tax assets and liabilities due to the Tax Act	(0.2)	(8.9)	—
U.S. tax liability on undistributed foreign earnings due to the Tax Act	(2.6)	9.0	—
Foreign-derived intangible income	(3.1)	—	—
Global intangible low-taxed income	6.9	—	—
Foreign statutory rate differences	1.9	(4.0)	(5.7)
Manufacturing deduction under the American Jobs Creation Act of 2004	—	(2.7)	(3.4)
State taxes	4.9	3.3	3.8
United Kingdom patent box deduction for research and development	(1.9)	(1.8)	(2.6)
Research and development credit	(3.4)	(2.4)	(1.4)
Foreign tax credit	(5.7)	(2.4)	(0.6)
Other, net	1.8	3.3	2.8
Income tax expense	$ 39.6	$ 42.4	$ 55.1
Effective tax rate	20.3%	25.2%	31.1%

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at June 1, 2019 and June 2, 2018, are as follows:

(In millions)	2019	2018
Deferred tax assets:		
Compensation-related accruals	$ 13.1	$ 15.3
Accrued pension and post-retirement benefit obligations	7.2	6.6
Deferred revenue	6.1	5.6
Inventory related	1.2	1.0
Reserves for uncollectible accounts and notes receivable	0.7	0.6
Other reserves and accruals	8.1	5.2
Warranty	12.3	11.9
State and local tax net operating loss carryforwards and credits	2.5	2.3
Federal net operating loss carryforward	1.4	1.7
Foreign tax net operating loss carryforwards and credits	9.1	10.0
Accrued step rent and tenant reimbursements	4.2	3.8
Other	4.0	3.9
Subtotal	69.9	67.9
Valuation allowance	(10.4)	(10.3)
Total	$ 59.5	$ 57.6
Deferred tax liabilities:		
Book basis in property in excess of tax basis	$ (26.6)	$ (25.5)
Intangible assets	(34.6)	(32.3)
Other	(2.1)	(6.9)
Total	$ (63.3)	$ (64.7)

The future tax benefits of net operating loss (NOL) carry-forwards and foreign tax credits are recognized to the extent that realization of these benefits is considered more likely than not. The Company bases this determination on the expectation that related operations will be sufficiently profitable or various tax planning strategies will enable the Company to utilize the NOL carry-forwards and/or foreign tax credits. To the extent that available evidence about the future raises doubt about the realization of these tax benefits, a valuation allowance is established.

At June 1, 2019, the Company had state and local tax NOL carry-forwards of $25.7 million, the state tax benefit of which is $1.4 million, which have various expiration periods from 1 to 21 years. The Company also had state credits with a state tax benefit of $1.1 million, which expire in 1 to 6 years. For financial statement purposes, the NOL carry-forwards and state tax credits have been recognized as deferred tax assets, subject to a valuation allowance of $1.3 million.

At June 1, 2019, the Company had federal NOL carry-forwards of $6.6 million, the tax benefit of which is $1.4 million, which expire in 10 years. For financial statement purposes, the NOL carry-forwards have been recognized as deferred tax assets.

At June 1, 2019, the Company had federal deferred assets of $2.2 million, the tax benefit of which is $0.5 million, which is related to investments in various foreign joint ventures. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of $0.5 million.

At June 1, 2019, the Company had foreign net operating loss carry-forwards of $41.2 million, the tax benefit of which is $9.1 million, which have expiration periods from 9 years to an unlimited term. For financial statement purposes, the NOL carry-forwards have been recognized as deferred tax assets, subject to a valuation allowance of $7.6 million.

At June 1, 2019, the Company had foreign deferred assets of $5.5 million, the tax benefit of which is $1.0 million, which is related to various deferred taxes in Hong Kong and Brazil as well as buildings in the United Kingdom. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of $1.0 million.

The Company has recorded transition tax on undistributed foreign earnings as required by the Act. No other provision was made for income taxes that may result from future remittances of the undistributed earnings of foreign subsidiaries that are determined to be indefinitely reinvested, which was $223.8 million on June 1, 2019. Determination of the total amount of unrecognized deferred income tax on undistributed earnings of foreign subsidiaries is not practicable.

The components of the Company's unrecognized tax benefits are as follows:

(In millions)		
Balance at June 3, 2017	$	2.8
Increases related to current year income tax positions		0.3
Increases related to prior year income tax positions		0.4
Decreases related to lapse of applicable statute of limitations		(0.3)
Balance at June 2, 2018	$	3.2
Increases related to current year income tax positions		0.4
Increases related to prior year income tax positions		0.1
Decreases related to prior year income tax positions		(0.4)
Decreases related to lapse of applicable statute of limitations		(0.3)
Decreases related to settlements		(1.1)
Balance at June 1, 2019	$	1.9

The Company's effective tax rate would have been affected by the total amount of unrecognized tax benefits had this amount been recognized as a reduction to income tax expense.

The Company recognizes interest and penalties related to unrecognized tax benefits through Income tax expense in its Consolidated Statements of Comprehensive Income. Interest and penalties and the related liability, which are excluded from the table above, were as follows for the periods indicated:

(In millions)	June 1, 2019		June 2, 2018		June 3, 2017	
Interest and penalty expense (income)	$	(0.3)	$	0.1	$	0.2
Liability for interest and penalties	$	0.7	$	1.0		

The Company is subject to periodic audits by domestic and foreign tax authorities. Currently, the Company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of new positions that may be taken on income tax returns, settlement of tax positions and the closing of statutes of limitation. It is not expected that any of the changes will be material to the Company's Consolidated Statements of Comprehensive Income.

During the year, the Company has partially closed the audit of fiscal 2018 with the Internal Revenue Service under the Compliance Assurance Process (CAP). For the majority of the remaining tax jurisdictions, the Company is no longer subject to state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2016.

12. Fair Value of Financial Instruments

The Company's financial instruments consist of cash equivalents, marketable securities, interest rate swaps, accounts and notes receivable, deferred compensation plan, accounts payable, debt, redeemable noncontrolling interests and foreign currency exchange contracts. The Company's financial instruments, other than long-term debt, are recorded at fair value. The fair value of fixed rate debt was based on third-party quotes (Level 2). The carrying value and fair value of the Company's long-term debt, including current maturities, is as follows for the periods indicated:

(In millions)	June 1, 2019	June 2, 2018
Carrying value	$ 285.0	$ 285.8
Fair value	$ 287.8	$ 288.6

The following describes the methods the Company uses to estimate the fair value of financial assets and liabilities, which have not significantly changed in the current period:

Cash equivalents — The Company invests excess cash in short term investments in the form of commercial paper and money market funds. Commercial paper is valued at amortized costs while money market funds are valued using net asset value.

Equity securities — The Company's equity securities primarily include equity mutual funds. The equity mutual fund investments are recorded at fair value using quoted prices for similar securities.

Available-for-sale securities — The Company's available-for-sale marketable securities primarily include fixed income mutual funds and government obligations. These investments are recorded at fair value using quoted prices for similar securities.

Foreign currency exchange contracts — The Company's foreign currency exchange contracts are valued using an approach based on foreign currency exchange rates obtained from active markets. The estimated fair value of forward currency exchange contracts is based on month-end spot rates as adjusted by current market-based activity. These forward contracts are not designated as hedging instruments.

Interest rate swap agreements — The Company's interest rate swap agreements value is determined using a market approach based on rates obtained from active markets. The interest rate swap agreements are designated as a cash flow hedging instrument.

Deferred compensation plan assets — The Company's deferred compensation plan primarily includes various domestic and international mutual funds that are recorded at fair value using quoted prices for similar securities.

Other — The Company's contingent consideration liabilities and redeemable noncontrolling interests are deemed to be level 3 fair value measurements. Refer to Note 16 for further information regarding redeemable noncontrolling interests.

The following table sets forth financial assets and liabilities measured at fair value through net income and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of June 1, 2019 and June 2, 2018:

	Fair Value Measurements					
	June 1, 2019			June 2, 2018		
(In millions) Financial Assets	NAV	Quoted Prices With Other Observable Inputs (Level 2)	Management Estimates (Level 3)	NAV	Quoted Prices With Other Observable Inputs (Level 2)	Management Estimates (Level 3)
Cash equivalents:						
Money market funds	$ 69.5	$ —	$ —	$ 121.0	$ —	$ —
Mutual funds - equity	—	0.9	—	—	0.9	—
Foreign currency forward contracts	—	—	—	—	0.4	—
Deferred compensation plan	—	12.5	—	—	15.1	—
Total	$ 69.5	$ 13.4	$ —	$ 121.0	$ 16.4	$ —
Financial Liabilities						
Foreign currency forward contracts	$ —	$ 1.4	$ —	$ —	$ 0.3	$ —
Contingent consideration	—	—	0.2	—	—	0.5
Total	$ —	$ 1.4	$ 0.2	$ —	$ 0.3	$ 0.5

The following table sets forth financial assets and liabilities measured at fair value through other comprehensive income and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of June 1, 2019 and June 2, 2018.

(In millions)	June 1, 2019		June 2, 2018	
Financial Assets	Quoted Prices with Other Observable Inputs (Level 2)	Management Estimate (Level 3)	Quoted Prices with Other Observable Inputs (Level 2)	Management Estimate (Level 3)
Mutual funds - fixed income	$ 7.9	$ —	$ 7.7	$ —
Interest rate swap agreement	1.0	—	15.0	—
Total	$ 8.9	$ —	$ 22.7	$ —
Financial Liabilities				
Interest rate swap agreement	$ 2.2	—	—	$ —
Total	$ 2.2	$ —	$ —	$ —

The table below presents a reconciliation for liabilities measured at fair value using significant unobservable inputs (Level 3):

(In millions) Contingent Consideration	June 1, 2019	June 2, 2018
Beginning balance	$ 0.5	$ 0.5
Net realized (gains) losses	(0.2)	0.1
Settlements	(0.1)	(0.1)
Ending balance	$ 0.2	$ 0.5

The contingent consideration liabilities represent future payment obligations that relate to business and product line acquisitions. These payments are based on the future performance of the acquired businesses. The contingent consideration liabilities are valued using estimates based on discount rates that reflect the risk involved and the projected sales and earnings of the acquired businesses. The estimates are updated and the liabilities are adjusted to fair value on a quarterly basis.

The following is a summary of the carrying and market values of the Company's fixed income mutual funds and equity mutual funds as of the dates indicated:

	June 1, 2019			June 2, 2018		
(In millions)	Cost	Unrealized Gain/(Loss)	Market Value	Cost	Unrealized Gain/(Loss)	Market Value
Mutual funds - fixed income	$ 7.9	$ —	$ 7.9	$ 7.8	$ (0.1)	$ 7.7
Mutual funds - equity	0.8	0.1	0.9	0.7	0.2	0.9
Total	$ 8.7	$ 0.1	$ 8.8	$ 8.5	$ 0.1	$ 8.6

The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in the Consolidated Statements of Comprehensive Income within "Other, net".

The Company reviews its investment portfolio for any unrealized losses that would be deemed other-than-temporary and requires the recognition of an impairment loss in earnings. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than its cost, the Company's intent to hold the investment, and whether it is more likely than not that the Company will be required to sell the investment before recovery of the cost basis. The Company also considers the type of security, related industry and sector performance, and published investment ratings. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. If conditions within individual markets, industry segments, or macro-economic environments deteriorate, the Company could incur future impairments.

The Company views its equity and fixed income mutual funds as available for use in its current operations. Accordingly, the investments are recorded within Current Assets within the Consolidated Balance Sheets.

On June 3, 2018, as a result of the adoption of *ASU 2016-01 - Financial Instruments*, the Company reclassified net gains on mutual fund equity securities, that were formerly classified as available for sale securities before the adoption of the new standard, from Accumulated other comprehensive loss to Retained earnings. The impact of adoption was $0.1 million which is not material to the Company's financial statements.

Derivative Instruments and Hedging Activities

Foreign Currency Forward Contracts

The Company transacts business in various foreign currencies and has established a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. Under this program, the Company's strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. These foreign currency exposures typically arise from net liability or asset exposures in non-functional currencies on the balance sheets of our foreign subsidiaries. These foreign currency forward contracts generally settle within 30 days and are not used for trading purposes. These forward contracts are not designated as hedging instruments. Accordingly, we record the fair value of these contracts as of the end of the reporting period in the Consolidated Balance Sheets with changes in fair value recorded within the Consolidated Statements of Comprehensive Income. The balance sheet classification for the fair values of these forward contracts is to Other current assets for unrealized gains and to Other accrued liabilities for unrealized losses. The Consolidated Statements of Comprehensive Income classification for the fair values of these forward contracts is to Other expenses (income): Other, net, for both realized and unrealized gains and losses.

The notional amounts of the forward contracts held to purchase and sell U.S. dollars in exchange for other major international currencies were $38.1 million and $37.3 million as of June 1, 2019 and June 2, 2018, respectively. The notional amounts of the foreign currency forward contracts held to purchase and sell British pound sterling in exchange for other major international currencies were £19.2 million and £19.9 million as of June 1, 2019 and June 2, 2018, respectively. The Company also has other forward contracts related to other currency pairs at varying notional amounts.

Interest Rate Swaps

The Company enters into interest rate swap agreements to manage its exposure to interest rate changes and its overall cost of borrowing. The Company's interest rate swap agreements were entered into to exchange variable rate interest payments for fixed rate payments over the life of the agreement without the exchange of the underlying notional amounts. The notional amount of the interest rate swap agreements is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The differential paid or received on the interest rate swap agreements is recognized as an adjustment to interest expense.

The interest rate swaps were designated cash flow hedges at inception and remain an effective accounting hedge as of June 1, 2019. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statement of Stockholders' Equity as a component of Accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings. The interest rate swap agreements are assessed for hedge effectiveness on a quarterly basis.

In September 2016, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of $150.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted indebtedness anticipated to be borrowed on the Company's revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 1.949 percent fixed interest rate plus applicable margin under the agreement as of the forward start date.

In June 2017, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of $75.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted the Company's revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 2.387 percent fixed interest rate plus applicable margin under the agreement as of the forward start date.

The fair value of the Company's two outstanding interest rate swap agreements was a net liability of $1.2 million (comprised of a $1.0 million asset position and a $2.2 million liability position) and an asset of $15.0 million as of June 1, 2019 and June 2, 2018, respectively. The liability and asset fair value were recorded within Other Liabilities and Other Assets within the Consolidated Balance Sheets. Recorded within Other comprehensive loss, net of tax, for the effective portion of the Company's designated cash flow hedges was a net unrealized loss of $12.8 million and a net unrealized gain of $7.5 million for the fiscal years ended June 1, 2019 and June 2, 2018, respectively.

For fiscal 2019, 2018 and 2017, there were no gains or losses recognized against earnings for hedge ineffectiveness.

Effects of Derivatives on the Financial Statements

The effects of derivatives on the consolidated financial statements were as follows for the fiscal years ended 2019 and 2018 (amounts presented exclude any income tax effects):

(In millions)	Balance Sheet Location	June 1, 2019	June 2, 2018
Designated derivatives:			
Interest rate swap	Long-term assets: Other assets	$ 1.0	$ 15.0
Interest rate swap	Long-term liabilities: Other liabilities	$ 2.2	$ —
Non-designated derivatives:			
Foreign currency forward contracts	Current assets: Other	$ —	$ 0.4
Foreign currency forward contracts	Current liabilities: Other accrued liabilities	$ 1.4	$ 0.3

		Fiscal Year		
(In millions)	Statement of Comprehensive Income Location	June 1, 2019	June 2, 2018	June 3, 2017
Gain (loss) recognized on foreign currency forward contracts	Other expenses (income): Other, net	$ 0.3	$ 0.4	$ (1.2)

The gain/(loss) recorded, net of income taxes, in Other comprehensive loss for the effective portion of designated derivatives was as follows for the periods presented below:

	Fiscal Year		
(In millions)	June 1, 2019	June 2, 2018	June 3, 2017
Interest rate swap	$ (12.8)	$ 7.5	$ 2.1

Losses reclassified from Accumulated other comprehensive loss into earnings were $0.5 million and $0.3 million for the fiscal years ended 2019 and 2018, respectively. There were no reclassifications required in fiscal 2017. The net of tax amount expected to be reclassified out of Accumulated other comprehensive loss into earnings during the next twelve months is a $0.3 million gain.

Investments in Equity Securities Without a Readily Determinable Fair Value

In the fourth quarter of fiscal 2019, the Company recorded a gain from a $2.1 million fair value adjustment in an investment in a technology partner, which increased the total carrying value of the investment to $3.6 million as of June 1, 2019. The gain was the result of an observable price change for a similar investment in the same entity.

13. Warranties, Guarantees and Contingencies

Product Warranties

The Company provides coverage to the end-user for parts and labor on products sold under its warranty policy and for other product-related matters. The standard length of warranty is 12 years. However, this varies depending on the product classification. The Company does not sell or otherwise issue warranties or warranty extensions as stand-alone products. Reserves have been established for various costs associated with the Company's warranty program. General warranty reserves are based on historical claims experience and other currently available information and are periodically adjusted for business levels and other factors. Specific reserves are established once an issue is identified with the amounts for such reserves based on the estimated cost of correction. Changes in the warranty reserve for the stated periods were as follows:

(In millions)	2019	2018	2017
Accrual balance, beginning	$ 51.5	$ 47.7	$ 43.9
Accrual for warranty matters	20.7	22.1	22.8
Settlements	(19.1)	(18.3)	(19.0)
Accrual balance, ending	$ 53.1	$ 51.5	$ 47.7

Other Guarantees

The Company is periodically required to provide performance bonds in order to conduct business with certain customers. These arrangements are common and generally have terms ranging between one and three years. The bonds are required to provide assurances to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The performance bonds are provided by various bonding agencies and the Company is ultimately liable for claims that may occur against them. As of June 1, 2019, the Company had a maximum financial exposure related to performance bonds of approximately $5.7 million. The Company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded as of June 1, 2019 and June 2, 2018.

The Company periodically enters into agreements in the normal course of business that may include indemnification clauses regarding service losses. Service losses represent all direct or consequential loss, liability, damages, costs and expenses incurred by the customer or others resulting from services rendered by the Company, the dealer, or certain sub-contractors, due to a proven negligent act. The Company has no history of claims, nor is it aware of circumstances that would require it to perform under these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded as of June 1, 2019 and June 2, 2018.

The Company has entered into standby letter of credit arrangements for the purpose of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of June 1, 2019, the Company had a $10 million financial exposure from these standby letters of credit. The Company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded as of June 1, 2019 and June 2, 2018.

Contingencies

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.

The Company is a party to options, that if exercised, would require the Company to purchase an additional 33% of the equity in HAY at fair market value. These options may be exercised during a period commencing from the third quarter of fiscal 2020.

As of the end of fiscal 2019, outstanding commitments for future purchase obligations approximated $73.5 million.

14. Operating Segments

In fiscal 2018, the Company's reportable segments consisted of North American Furniture Solutions, ELA ("EMEA, Latin America, and Asia Pacific") Furniture Solutions, Specialty and Consumer. Effective in the fourth quarter of fiscal 2019, the Company has revised its reportable segments to combine the Specialty reportable segment with the North American Furniture Solutions reportable segment. The newly combined segment is called "North America Contract". There were no changes to the Company's ELA Furniture Solutions ("ELA") and Consumer segments, but each has been renamed. Effective in the fourth quarter of fiscal 2019, ELA is now named "International Contract" and Consumer is named "Retail". The Specialty segment (Maharam, Geiger, Nemschoff and the Herman Miller Collection) has been combined with the North America Contract segment under a common segment manager as of the fourth quarter fiscal 2019. The change in operating segments reflect the basis of how the Company internally reports and evaluates financial information used to make operating decisions. Prior year results disclosed in the table below have been revised to reflect these changes.

The North America Contract segment includes the operations associated with the design, manufacture, and sale of furniture and textile products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. The business associated with the Company's owned contract furniture dealers is also included in the North America Contract segment. In addition to the Herman Miller brand, this segment includes the operations associated with the design, manufacture and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products. The International Contract segment includes EMEA, Latin America, and Asia-Pacific. International Contract includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, in these aforementioned geographic regions. The Retail segment includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through eCommerce, direct mailing catalogs and Design Within Reach and HAY studios.

The Company also reports a “Corporate” category consisting primarily of unallocated expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs. Management regularly reviews corporate costs and believes disclosing such information provides more visibility and transparency regarding how the chief operating decision maker reviews results of the Company. The accounting policies of the reportable operating segments are the same as those of the Company.

The performance of the operating segments is evaluated by the Company's management using various financial measures. The following is a summary of certain key financial measures for the respective fiscal years indicated:

(In millions)	2019	2018	2017
Net Sales:			
North America Contract	$ 1,686.5	$ 1,589.8	$ 1,574.6
International Contract	492.2	434.5	385.5
Retail	388.5	356.9	318.1
Corporate	—	—	—
Total	$ 2,567.2	$ 2,381.2	$ 2,278.2
Depreciation and Amortization:			
North America Contract	$ 46.8	$ 43.9	$ 37.7
International Contract	10.5	10.2	9.4
Retail	14.1	12.1	10.2
Corporate	0.7	0.7	1.6
Total	$ 72.1	$ 66.9	$ 58.9
Operating Earnings (Losses):			
North America Contract	$ 189.7	$ 175.2	$ 184.1
International Contract	57.8	36.9	36.2
Retail	5.3	13.9	4.8
Corporate	(49.3)	(47.1)	(34.0)
Total	$ 203.5	$ 178.9	$ 191.1
Capital Expenditures:			
North America Contract	$ 52.7	$ 46.0	$ 56.8
International Contract	16.6	11.4	8.5
Retail	16.5	13.2	22.0
Corporate	—	—	—
Total	$ 85.8	$ 70.6	$ 87.3
Total Assets:			
North America Contract	$ 733.6	$ 677.4	$ 691.5
International Contract	356.8	283.4	230.3
Retail	310.0	291.2	276.4
Corporate	168.9	227.5	108.1
Total	$ 1,569.3	$ 1,479.5	$ 1,306.3
Goodwill:			
North America Contract	$ 185.3	$ 185.3	$ 185.6
International Contract	39.7	40.0	40.1
Retail	78.8	78.8	78.8
Corporate	—	—	—
Total	$ 303.8	$ 304.1	$ 304.5

The accounting policies of the reportable operating segments are the same as those of the Company. Additionally, the Company employs a methodology for allocating corporate costs and assets with the underlying objective of this methodology being to allocate corporate costs according to the relative usage of the underlying resources and to allocate corporate assets according to the relative expected benefit. The majority of the allocations for corporate expenses are based on relative net sales. However, certain corporate costs, generally considered the result of isolated business decisions, are not subject to allocation and are evaluated separately from the rest of the regular ongoing business operations.

The Company's product offerings consist primarily of office furniture systems, seating, freestanding furniture, storage and casegoods. These product offerings are marketed, distributed and managed primarily as a group of similar products on an overall portfolio basis. The following is a summary of net sales estimated by product category for the respective fiscal years indicated:

(In millions)	2019	2018	2017
Net Sales:			
Systems	$ 668.0	$ 601.5	$ 639.0
Seating	1,013.5	965.9	894.8
Freestanding and storage	505.4	465.1	428.8
Textiles	113.8	94.3	96.9
Other [(1)]	266.5	254.4	218.7
Total	$ 2,567.2	$ 2,381.2	$ 2,278.2

(1) "Other" primarily consists of uncategorized product sales and service sales.

Sales by geographic area are based on the location of the customer. Long-lived assets consist of long-term assets of the Company, excluding financial instruments, deferred tax assets and long-term intangibles. The following is a summary of geographic information for the respective fiscal years indicated. Individual foreign country information is not provided as none of the individual foreign countries in which the Company operates are considered material for separate disclosure based on quantitative and qualitative considerations.

(In millions)	2019	2018	2017
Net Sales:			
United States	$ 1,865.8	$ 1,737.9	$ 1,690.1
International	701.4	643.3	588.1
Total	$ 2,567.2	$ 2,381.2	$ 2,278.2
Long-lived assets:			
United States	$ 422.1	$ 349.3	$ 328.6
International	52.2	50.5	45.3
Total	$ 474.3	$ 399.8	$ 373.9

The Company estimates that no single dealer accounted for more than 5 percent of the Company's net sales in the fiscal year ended June 1, 2019. The Company estimates that its largest single end-user customer accounted for $129.6 million, $109.8 million and $102.3 million of the Company's net sales in fiscal 2019, 2018 and 2017, respectively. This represents approximately 5 percent, 5 percent and 5 percent of the Company's net sales in fiscal 2019, 2018 and 2017, respectively.

Approximately 5 percent of the Company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff and Herman Miller Holdings Limited subsidiaries.

15. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the years ended June 1, 2019, June 2, 2018 and June 3, 2017:

	Year Ended		
(In millions)	June 1, 2019	June 2, 2018	June 3, 2017
Cumulative translation adjustments at beginning of period	$ (34.1)	$ (36.8)	$ (29.6)
Other comprehensive (loss) income before reclassifications	(14.2)	2.7	(7.2)
Balance at end of period	(48.3)	(34.1)	(36.8)
Pension and other post-retirement benefit plans at beginning of period	(37.2)	(47.6)	(34.9)
Other comprehensive (loss) income before reclassifications (net of tax of $2.0, ($2.9), and $3.7)	(10.0)	5.3	(14.5)
Reclassification from accumulated other comprehensive income - Other, net	2.6	4.2	2.2
Tax (expense) benefit	(0.4)	0.9	(0.4)
Net reclassifications	2.2	5.1	1.8
Net current period other comprehensive (loss) income	(7.8)	10.4	(12.7)
Balance at end of period	(45.0)	(37.2)	(47.6)
Interest rate swap agreement at beginning of period	9.9	2.1	—
Cumulative effect of accounting change	1.5	—	—
Other comprehensive (loss) income before reclassifications (net of tax of $5.3, ($4.0), and ($1.2))	(12.8)	7.5	2.1
Reclassification from accumulated other comprehensive income - Other, net	0.5	0.3	—
Net reclassifications	0.5	0.3	—
Net current period other comprehensive (loss) income	(12.3)	7.8	2.1
Balance at end of period	(0.9)	9.9	2.1
Unrealized Gains on Available-for-sale Securities at beginning of period	0.1	0.1	—
Cumulative effect of accounting change	(0.1)	—	—
Other comprehensive income before reclassifications	—	—	0.1
Balance at end of period	—	0.1	0.1
Total Accumulated other comprehensive loss	$ (94.2)	$ (61.3)	$ (82.2)

16. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests are reported on the Consolidated Balance Sheets in mezzanine equity within the caption Redeemable noncontrolling interests. The Company recognizes changes to the redemption value of redeemable noncontrolling interests as they occur and adjusts the carrying value to equal the redemption value at the end of each reporting period subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The redemption amounts have been estimated based on the fair value of the subsidiary, determined based on a weighting of the discounted cash flow and market methods. This represents a level 3 fair value measurement.

Changes in the Company's Redeemable noncontrolling interests for the years ended June 1, 2019 and June 2, 2018 are as follows:

	Year Ended	
(In millions)	June 1, 2019	June 2, 2018
Balance at beginning of period	$ 30.5	$ 24.6
Purchase of redeemable noncontrolling interests	(10.1)	(1.0)
Net income attributable to redeemable noncontrolling interests	—	0.6
Exercised options	0.2	0.1
Redemption value adjustment	—	6.2
Other adjustments	—	—
Balance at end of period	$ 20.6	$ 30.5

The Company is the controlling owner of a subsidiary in which there are redeemable noncontrolling equity interests outstanding. Certain minority shareholders in this subsidiary have the right, at certain times, to require the subsidiary to acquire a portion of their ownership interest in those entities at fair value. During fiscal 2019, these minority shareholders exercised certain of these options to require the Company's subsidiary to purchase $10.1 million of the outstanding redeemable noncontrolling interests. By comparison, options exercised by the minority shareholders in fiscal 2018 resulted in purchases totaling $1.0 million. The subsidiary also has an option to acquire a portion of the redeemable noncontrolling interests at fair market value. On July 23, 2019, the subsidiary exercised an option that allowed it to acquire approximately $12.6 million of the remaining $20.6 million of the redeemable noncontrolling equity interests.

17. Restructuring and Impairment Activities

North America Contract segment

2019 Restructuring Expense

During the fourth quarter of fiscal 2019, the Company announced restructuring activities associated with our profit improvement initiatives, including costs associated with an early retirement program. The Company also engaged in the consolidation of facilities related to its Nemschoff business. These actions resulted in pre-tax restructuring expenses totaling $7.7 million relating to employee severance related actions of $6.7 million and lease termination and disposal activities of $1.0 million in the fourth quarter. Future estimated restructuring expenses relate to the early retirement program and are estimated at a cost of $1.8 million. The project is expected to generate cost savings of approximately $10 million and is expected to conclude in the second quarter of fiscal 2020.

The table below shows provides an analysis of the North America Contract Segment restructuring cost reserve for the year ended June 1, 2019:

	June 1, 2019		
(In millions)	Severance and Employee-Related	Exit or Disposal Activities	Total
Beginning Balance	$ —	$ —	$ —
Restructuring Costs	6.7	1.0	$ 7.7
Ending Balance	$ 6.7	$ 1.0	$ 7.7

2018 Restructuring Expense

During the first quarter of fiscal 2018, the Company announced restructuring actions involving targeted workforce reductions primarily within the North America Contract segment. These actions related to the Company's cost savings initiatives and resulted in the recognition of restructuring expenses of $1.4 million in the first quarter of fiscal 2018. The restructuring actions were completed, and final payments made in fiscal 2018.

During the second quarter of fiscal 2018, the Company announced further restructuring actions involving targeted workforce reductions primarily within the North America Contract segment. These actions related to the Company's previously announced cost savings initiatives and resulted in the recognition of restructuring expenses of $0.4 million in the second quarter of fiscal 2018. The restructuring actions were completed, and final payments made in fiscal 2018.

International Contract segment

During the fourth quarter of fiscal 2018, the Company announced a facilities consolidation plan related to its International Contract segment. This impacted certain office and manufacturing facilities in the United Kingdom and China. It is currently contemplated that this plan will generate approximately $3 million in annual cost reductions as part of the Company's three-year cost savings initiatives.

During fiscal 2018 the Company recognized restructuring expenses of $3.9 million of which $2.4 million related to workforce reductions and $1.5 million related to the exit and disposal activities as a result of consolidating the United Kingdom office and China manufacturing facilities.

In the fourth quarter of fiscal 2019, the Company recognized restructuring expenses of $0.8 million related to the consolidation of the facilities mentioned above. In fiscal 2019, the Company recognized restructuring and impairment expenses of $2.5 million related to the facilities consolidation plan, comprised primarily of $0.8 million related to an asset impairment recorded against the office building in the United Kingdom that is being vacated and $1.4 million from the consolidation of the Company's manufacturing facilities in China. As the United Kingdom office building and related assets meet the criteria to be designated as assets held for sale, the carrying value of these assets have been classified as current assets and included within "Other" in the Consolidated Balance Sheets for the period ended June 1, 2019. The carrying amount of the assets held for sale was approximately $4.2 million as of June 1, 2019.

The Company expects the International Contract facilities consolidations to be completed by the first quarter of fiscal 2020. It is currently contemplated that this plan will incur an additional estimated $2 million of future restructuring and related special charges.

The following table provides an analysis of the changes in the International Contract segment restructuring costs reserve for the fiscal year ended June 2, 2018 and the fiscal year ended June 1, 2019 :

(In millions)	Severance and Employee-Related	Impairment of Property and Equipment	Exit or Disposal Activities	Total
June 3, 2017	$ —	$ —	$ —	$ —
Restructuring Costs	2.4	—	1.5	$ 3.9
Amounts Paid	(2.4)	—	(1.5)	$ (3.9)
June 2, 2018	$ —	$ —	$ —	$ —
Restructuring Costs	0.3	0.8	1.4	$ 2.5
Amounts Paid	(0.2)	—	(1.3)	$ (1.5)
Charges Against Assets	—	(0.8)	—	$ (0.8)
June 1, 2019	$ 0.1	$ —	$ 0.1	$ 0.2

18. Variable Interest Entities

The Company has long-term notes receivable with certain of its third-party owned dealers that are deemed to be variable interests in variable interest entities. The carrying value of these long-term notes receivable was $1.6 million and $2.5 million as of June 1, 2019 and June 2, 2018, respectively, and represents the Company’s maximum exposure to loss. The Company is not deemed to be the primary beneficiary for any of these variable interest entities as each entity controls the activities that most significantly impact the entity’s economic performance, including sales, marketing, and operations.

19. Quarterly Financial Data (Unaudited)

Set forth below is a summary of the quarterly operating results on a consolidated basis for the years ended June 1, 2019, June 2, 2018, and June 3, 2017.

(In millions, except per share data)	First Quarter (1)	Second Quarter (1)	Third Quarter (1)	Fourth Quarter (1)
2019 Net sales	$ 624.6	$ 652.6	$ 619.0	$ 671.0
Gross margin	225.1	235.6	221.0	248.2
Net earnings attributable to Herman Miller, Inc.	35.8	39.3	39.2	46.2
Earnings per share-basic	0.60	0.66	0.67	0.78
Earnings per share-diluted	0.60	0.66	0.66	0.78
2018 Net Sales	$ 580.3	$ 604.6	$ 578.4	$ 618.0
Gross margin	216.9	222.1	205.8	228.3
Net earnings attributable to Herman Miller, Inc.	33.1	33.5	29.8	31.8
Earnings per share-basic	0.55	0.56	0.50	0.53
Earnings per share-diluted	0.55	0.55	0.49	0.53
2017 Net sales	$ 598.6	$ 577.5	$ 524.9	$ 577.2
Gross margin	230.0	218.0	195.5	220.9
Net earnings attributable to Herman Miller, Inc.	36.3	31.7	22.5	33.4
Earnings per share-basic	0.61	0.53	0.38	0.56
Earnings per share-diluted	0.60	0.53	0.37	0.55

(1) For some line items, the sum of the quarters does not equal the annual balance reflected in the Consolidated Statements of Comprehensive Income due to rounding associated with the calculations on an individual quarter basis.

Management's Report on Internal Control over Financial Reporting

To the Board of Directors and Stockholders of Herman Miller, Inc.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f). The internal control over financial reporting at Herman Miller, Inc., is designed to provide reasonable assurance to our stakeholders that the financial statements of the Company fairly represent its financial condition and results of operations.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of June 1, 2019, based on the original framework in *Internal Control — Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes the Company's internal control over financial reporting was effective as of June 1, 2019.

Ernst & Young LLP has issued an attestation report on the effectiveness of our internal control over financial reporting, which is included herein.

/s/ Andrea R. Owen
Andrea R. Owen
Chief Executive Officer

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Herman Miller, Inc. and subsidiaries' internal control over financial reporting as of June 1, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Herman Miller, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 1, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of June 1, 2019 and June 2, 2018, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 1, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated July 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
July 30, 2019

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries (the Company) as of June 1, 2019 and June 2, 2018, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 1, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 1, 2019 and June 2, 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 1, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 1, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2002

Grand Rapids, Michigan
July 30, 2019

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None

Item 9A Controls and Procedures

(a) Disclosure Controls and Procedures. Under the supervision and with the participation of management, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 1, 2019 and have concluded that as of that date, the Company's disclosure controls and procedures were effective.

(b) Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm. Refer to Item 8 for “Management's Report on Internal Control Over Financial Reporting.” The effectiveness of the Company's internal control over financial reporting has been audited by Ernst and Young LLP, an independent registered accounting firm, as stated in its report included in Item 8.

(c) Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the fourth quarter ended June 1, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

None

PART III

Item 10 Directors, Executive Officers and Corporate Governance

Directors, Executive Officers, Promoters and Control Persons

Information relating to directors and director nominees of the Company is contained under the caption “Director and Executive Officer Information” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, 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.”

Compliance with Section 16(a) of the Exchange Act

Information relating to compliance with Section 16(a) of the Exchange Act is contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, and the information within that section is incorporated by reference.

Code of Ethics

The Company has adopted a Code of Conduct that serves as the code of ethics for the executive officers and senior financial officers and as the code of business conduct for all Company directors and employees. This code is made available free of charge through the “Investors” section of the Company's internet website at *www.hermanmiller.com*. Any amendments to, or waivers from, a provision of this code also will be posted to the Company's internet website.

Corporate Governance

Information relating to the identification of the audit committee, audit committee financial experts, and director nomination procedures of the Company is contained under the captions “Board Committees” and “Corporate Governance and Board Matters — Director Nominations” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference.

Item 11 Executive Compensation

Information relating to executive compensation is contained under the captions “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year-End,” “Option Exercises and Stock Vested,” “Pension Benefits,” “Nonqualified Deferred Compensation,” “Potential Payments Upon Termination, Death, Disability, Retirement or Change in Control,” “Director Compensation,” “Director Compensation Table,” and “Compensation Committee Interlocks and Insider Participation” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference. The information under the caption “Compensation Committee Report” is incorporated by reference, however, such information is not deemed filed with the Commission.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The sections entitled "Voting Securities and Principal Stockholders," "Director and Executive Officer Information," and "Equity Compensation Plan Information" in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference.

Item 13 Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related transactions contained under the captions “Related Party Transactions,” and “Corporate Governance and Board Matters — Determination of Independence of Board Members” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders and the information within these sections is incorporated by reference.

Item 14 Principal Accountant Fees and Services

Information relating to the ratification of the selection of the Company's independent public accountants and concerning the payments to our principal accountants and the services provided by our principal accounting firm set forth under the captions "Ratification of the Audit Committee's selection of Independent Registered Accounting Firm" and “Disclosure of Fees Paid to Independent Auditors” in the Company's definitive Proxy Statement, relating to the Company's 2019 Annual Meeting of Stockholders, and the information within that section is incorporated by reference.

PART IV

Item 15 Exhibits and Financial Statement Schedule

(a) The following documents are filed as a part of this report:

1. Financial Statements

The following Consolidated Financial Statements of the Company are included in this Annual Report on Form 10-K on the pages noted:

2. Financial Statement Schedule

The following financial statement schedule is included in this Annual Report on Form 10-K on the pages noted:

All other schedules required by Form 10-K Annual Report have been omitted because they were not applicable, included in the Notes to the Consolidated Financial Statements, or otherwise not required under instructions contained in Regulation S-X.

3. Exhibits

Reference is made to the Exhibit Index which is included on pages 97-99.

Item 16 Form 10-K Summary

None

EXHIBIT INDEX

(3) Articles of Incorporation and Bylaws

(a) Restated Articles of Incorporation, dated October 8, 2018, is incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K Report dated October 8, 2018 (Commission File No. 001-15141).

(b) Amended and Restated Bylaws, dated April 9, 2019, is incorporated by reference to Exhibit 3 of the Registrant's Form 8-K Report dated April 9, 2019 (Commission File No. 001-15141).

(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 (Commission File No. 001-15141).

(b) Other instruments which define the rights of holders of long-term debt individually represent debt of less than 10% 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.

(c) 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 (Commission File No. 000-05813).

(d) Third Amended and Restated Credit agreement dated as of July 21, 2014 among Herman Miller, Inc. and various lenders is incorporated by reference to Exhibit 10.1 of the Registrant's Report on Form 8-K dated July 22, 2014 (Commission File No. 001-15141).

(10) Material Contracts

(a) Herman Miller, Inc. 2011 Long-Term Incentive Plan, as amended by Sixth Amendment (2019).[1]

(b) Herman Miller, Inc. Nonemployee Officer and Director Deferred Compensation Plan is incorporated by reference to Exhibit 10(b) of the Registrant's Form 10-K Report dated July 26, 2016 (Commission File No. 001-15141).[1]

(c) Form of Change in Control Agreement of the Registrant is incorporated by reference to Exhibit 10(c) of Registrant's Form 10-K Report dated August 1, 2017 (Commission File No. 001-15141).[1]

(d) Herman Miller, Inc. Executive Equalization Retirement Plan is incorporated by reference to Exhibit 10 (d) of the Registrant's Form 10-K Report dated July 28, 2015 (Commission File No. 001-15141).[1]

(e) Form of Herman Miller, Inc., Long-Term Incentive Plan Stock Option Agreement is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(f) Form of Herman Miller, Inc., Long-Term Incentive Restricted Stock Unit Award is incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(g) Form of Herman Miller, Inc. 2011 Long-Term Incentive HMVA Plan Performance Share Unit Award is incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(h) Form of Herman Miller, Inc. 2011 Long-Term Incentive Plan TSR Performance Share Unit Award Agreement is incorporated by reference to Exhibit 10.4 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(i) Form of Herman Miller, Inc. 2011 Long-Term Incentive Plan Conditional Stock Option Award is incorporated by reference to Exhibit 10(p) of the Registrant's 10-K Report dated July 28, 2015 (Commission File No. 001-15141).[1]

(j) Trust Under the Herman Miller, Inc. Nonemployee Officer and Director Compensation Plan is incorporated by reference to Exhibit 10(q) of the Registrant's Form 10-K Report dated July 26, 2016 (Commission File No. 001-15141).[1]

(k) Retirement Agreement dated February 5, 2018 between Herman Miller, Inc. and Brian C. Walker, Chief Executive Officer, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q Report dated April 11, 2018 (Commission File No. 001-15141).[1]

(l) Covenant Agreement dated February 5, 2018 between Herman Miller, Inc. and Brian C. Walker, Chief Executive Officer, is incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q Report dated April 11, 2018 (Commission File No. 001-15141).[1]

(m) Form of Retention Agreement between Herman Miller, Inc. and Jeffrey M. Stutz, Gregory J. Bylsma, Andrew J. Lock, and B. Ben Watson is incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K Report dated February 5, 2018 (Commission File No. 001-15141).[1]

(n) The Share Purchase agreement dated June 7, 2018 between Herman Miller Holdings Limited, Nine United A/S and Holdingselskabet af 1/7 2007 ApS is incorporated by reference to Exhibit 10(v) of Registrant's Form 10-K Report dated July 31, 2018 (Commission File No. 001-15141).[1]

(o) Employment Agreement between Herman Miller, Inc. and Andrea R. Owen, Chief Executive Officer, dated August 3, 2018, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q Report dated October 10, 2018 (Commission File No. 001-15141).[1]

(p) Stock Option Agreement between Herman Miller, Inc. and Andrea Owen is incorporated by reference to Exhibit [10.5] of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141). [1]

(q) Restricted Stock Unit Award Agreement between Herman Miller, Inc. and Andrea Owen is incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(r) HMVA Performance Share Award Agreement between Herman Miller, Inc. and Andrea Owen is incorporated by reference to Exhibit 10.7 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(s) TSR Performance Share Unit Award Agreement between Herman Miller, Inc. and Andrea Owen is incorporated by reference to Exhibit 10.8 of the Registrant's Form 10-Q Report dated January 9, 2019 (Commission File No. 001-15141).[1]

(t) Herman Miller, Inc. 2019 Executive Incentive Cash Bonus Plan dated July 15, 2019 is incorporated by reference to Exhibit 10 of the Registrant's Form 8-K filed July 19, 2019 (Commission File No. 001-15141).[1]

(21) Subsidiaries

(23)(a) Consent of Independent Registered Public Accounting Firm

(24) Power of Attorney (included on the signature page to this Registration Statement)

(31)(a) Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31)(b) Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32)(a) Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(32)(b) Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

(1) Denotes compensatory plan or arrangement.

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.

By /s/ Jeffrey M. Stutz

Jeffrey M. Stutz
Chief Financial Officer (Principal Accounting Officer and Duly Authorized Signatory for Registrant)

Date: July 30, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on, July 30, 2019 by the following persons on behalf of the Registrant in the capacities indicated.

/s/ Michael A. Volkema
Michael A. Volkema
(Chairman of the Board)

/s/ David A. Brandon
David A. Brandon
(Director)

/s/ Douglas D. French
Douglas D. French
(Director)

/s/ Heidi Manheimer
Heidi Manheimer
(Director)

/s/ Mike Smith
Mike Smith
(Director)

/s/ Lisa Kro
Lisa Kro
(Director)

/s/ Mary Vermeer Andringa
Mary Vermeer Andringa
(Director)

/s/ John R. Hoke III
John R. Hoke III
(Director)

/s/ J. Barry Griswell
J. Barry Griswell
(Director)

/s/ Andrea R. Owen
Andrea R. Owen
(President, Chief Executive Officer, and Director)

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
(Chief Financial Officer and Principal Accounting Officer)

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Charges to expenses or net sales	Deductions [3]	Balance at end of period
Year ended June 1, 2019:				
Accounts receivable allowances — uncollectible accounts[1]	$ 2.4	$ 0.6	$ (0.1)	$ 2.9
Accounts receivable allowances — credit memo[2]	$ 0.5	$ —	$ 0.1	$ 0.6
Allowance for possible losses on notes receivable	$ 0.4	$ (0.1)	$ —	$ 0.3
Valuation allowance for deferred tax asset	$ 10.3	$ 0.4	$ (0.3)	$ 10.4
Year ended June 2, 2018:				
Accounts receivable allowances — uncollectible accounts[1]	$ 2.3	$ 0.6	$ (0.5)	$ 2.4
Accounts receivable allowances — credit memo[2]	$ 0.4	$ 0.1	$ —	$ 0.5
Allowance for possible losses on notes receivable	$ 0.9	$ (0.5)	$ —	$ 0.4
Valuation allowance for deferred tax asset	$ 10.0	$ 0.5	$ (0.2)	$ 10.3
Year ended June 3, 2017:				
Accounts receivable allowances — uncollectible accounts[1]	$ 3.4	$ —	$ (1.1)	$ 2.3
Accounts receivable allowances — credit memo [2]	$ 0.4	$ —	$ —	$ 0.4
Allowance for possible losses on notes receivable	$ 0.9	$ —	$ —	$ 0.9
Valuation allowance for deferred tax asset	$ 10.6	$ (0.6)	$ —	$ 10.0

(1) Activity under the "Charges to expense or net sales" column are recorded within selling, general and administrative expenses.
(2) Activity under the "Charges to expenses or net sales" column are recorded within net sales.
(3) Represents amounts written off, net of recoveries and other adjustments. Includes effects of foreign translation.

Herman Miller, Inc. 2011 Long-Term Incentive Plan, as amended by Sixth Amendment (2019)

ARTICLE 1
ESTABLISHMENT AND PURPOSE OF THE PLAN

1.1 Establishment of the Plan. Herman Miller, Inc., a Michigan corporation (the "Company"), hereby establishes an incentive compensation plan known as the "2011 Herman Miller, Inc. Long-Term Incentive Plan" (the "Plan"), as set forth in this document. The Plan permits the granting of stock-based awards to Employees as well as Directors. The Plan was approved by the Company's shareholders on October 10, 2011 (the "Effective Date").

1.2 Purpose of the Plan. The purpose of the Plan is to promote the long-term success of the Company for the benefit of the Company's shareholders, through stock-based compensation, by aligning the personal interests of the Plan Participants with those of its shareholders. The Plan is also designed to allow Plan Participants to participate in the Company's future, as well as to enable the Company to attract, retain and award individuals that qualify as Participants in the Plan.

1.3 Term of Plan. The Plan shall terminate automatically on the tenth (10th) anniversary of the Effective Date and may be terminated earlier by the Board as provided in Article 11.

ARTICLE 2
DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings set forth below:

2.1 "Award" shall mean any award under this Plan of any Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or other Performance-Based Awards or Other Stock-Based Awards.

2.2 "Award Agreement" shall mean an agreement evidencing the grant of an Award under this Plan. Awards under the Plan shall be evidenced by Award Agreements that set forth the details, conditions and limitations for each Award, as established by the Committee and shall be subject to the terms and conditions of the Plan.

2.3 "Award Date" shall mean the date that an Award is made, as specified in an Award Agreement.

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

2.5 "Cause" shall mean:

(a) A material breach by the Participant of those duties and responsibilities of the Participant which (i) do not differ in any material respect from the duties and responsibilities of the Participant during the 90-day period immediately prior to such breach (other than due to Disability), (ii) is demonstrably willful and deliberate on the Participant's part, (iii) is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company, and (iv) is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; or

(b) The commission by the Participant of a felony involving moral turpitude.

2.6 "Change in Control" shall mean:

(a) the acquisition by any individual, entity, or group (including any "person" within the meaning of Section 13(d)(3) of the Exchange Act, hereinafter "Person") of beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 35 percent or more of either (i) the then outstanding shares of Common Stock (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from the Company), (B) any acquisition by the Company, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a reorganization, merger or consolidation involving the Company, if, immediately after such reorganization, merger or consolidation, each of the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this Section 2.6 shall be satisfied; and provided further that, for purposes of clause (B), (i) a Change in Control shall not occur solely because any Person becomes the beneficial owner of 35 percent or more of the Outstanding Company Common Stock or 35 percent or more of the Outstanding Company Voting Securities by reason of an acquisition by the Company of Outstanding Company Common Stock or Outstanding Company Voting Securities that reduces the number of outstanding shares of Outstanding Company Common Stock or Outstanding Company Voting Securities and (ii) if, after such acquisition by the Company, such Person becomes the beneficial owner of any additional shares of Outstanding Company Common Stock or any additional Outstanding Company Voting Securities, such additional beneficial ownership shall constitute a Change in Control;

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason within any 24-month period to constitute at least a majority of such Board; provided, however, that any individual who becomes a director of the Company subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed to have been a member of the Incumbent Board; and provided further, that no individual who was initially elected as a director of the Company as a result of an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall be deemed to have been a member of the Incumbent Board;

(c) consummation of a reorganization, merger or consolidation unless, in any such case, immediately after such reorganization, merger or consolidation, (i) more than 60 percent of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation (the "Surviving Corporation") (or, if applicable, the ultimate parent corporation that beneficially owns all or substantially all of the outstanding voting securities entitled to vote generally in the election of directors of the Surviving Corporation) and more than 60 percent of the combined voting power of the then outstanding securities of the Surviving Corporation (or such ultimate parent corporation) entitled to vote generally in the election of directors is represented by the shares of Outstanding Company Common Stock and the Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such reorganization, merger or consolidation (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such reorganization, merger or consolidation) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan [or related trust] sponsored or maintained by the Company or the corporation resulting from such reorganization, merger or consolidation [or any corporation controlled by the Company] and any Person which beneficially owned, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 35 percent or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 35 percent or more of the then outstanding shares of common stock of such corporation or 35 percent or more of the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such reorganization, merger or consolidation; or

(d) consummation of (i) a plan of complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, immediately after such sale or other disposition, (A) more than 60 percent of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation (the "Surviving Corporation") (or, if applicable, the ultimate parent corporation that beneficially owns all or substantially all of the outstanding voting securities entitled to vote generally in the election of directors of the Surviving Corporation) and more than 60 percent of the combined voting power of the then outstanding securities of the Surviving Corporation (or such ultimate parent corporation) entitled to vote generally in the election of directors is represented by the shares of Outstanding Company Common Stock and the Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such reorganization, merger or consolidation (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such reorganization, merger or consolidation) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan [or related trust] sponsored or maintained by the Company or such corporation [or any corporation controlled by the Company] and any Person which beneficially owned, immediately prior to such sale or other disposition, directly or indirectly, 35 percent or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 35 percent or more of the then outstanding shares of common stock thereof or 35 percent or more of the combined voting power of the then outstanding securities thereof entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors thereof were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale of other disposition.

2.7 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 "Committee" shall mean the Committee, as specified in Article 3, appointed by the Board to administer the Plan.

2.9 “Common Stock” shall mean the Common Stock, $.20 par value per share, of the Company.

2.10 “Director” means a member of the Board.

2.11 “Disability” shall mean:

(a) The inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(b) The receipt of income replacement benefits by a Participant who is an Employee for a period of not less than 3 months under an accident and health plan covering Employees by reason of any medically determinable physical or mental impairment of the Participant which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

2.12 “Employee” means any common law employee of the Company or a Subsidiary.

2.13 “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, as now in effect or as hereafter amended.

2.14 “Fair Market Value” shall mean the closing sales price per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotation System or any successor system then in use (“NASDAQ”). If no sale of shares of Common Stock is reflected on the NASDAQ on a date, “Fair Market Value” shall be determined on the next preceding day on which there was a sale of shares of Common Stock reflected on NASDAQ. If shares of Common Stock are not traded on a national securities exchange or through any other nationally recognized quotation service, “Fair Market Values” shall be determined by the Board of Directors for the Committee acting in good faith, in either case pursuant to any method consistent with the Code.

2.15 “Full Value Award” shall mean any Award under the Plan other than an Option or Stock Appreciation Right.

2.16 “Good Reason” shall mean without the Participant’s express written consent, the occurrence of any of the following events with respect to a Participant that is an Employee after a Change in Control:

(a) any of (i) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant’s position(s), duties, responsibilities or status with the Company immediately prior to such Change in Control, (ii) a change in any material adverse respect in the Participant’s reporting responsibilities, titles or offices with the Company as in effect immediately prior to such Change in Control or (iii) any removal or involuntary termination of the Participant from any position held by the Participant with the Company immediately prior to such Change in Control or any failure to re-elect the Participant to any position with the Company held by the Participant immediately prior to such Change in Control;

(b) a reduction by the Company in the Participant’s rate of annual base salary or annual target bonus as in effect immediately prior to such Change in Control or as the same may be increased from time to time thereafter;

(c) any requirement of the Company that the Participant be based at a location in excess of 50 miles from the facility which is the Participant’s principal business office at the time of the Change in Control; or

(d) a reduction of at least 5% in the aggregate benefits provided to the Participant and the Participant’s dependents under the Company’s employee benefit plans (including, without limitation, retirement, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel, accident insurance plans and programs) in which the Participant is participating immediately prior to such Change in Control.

2.17 “Incentive Stock Option” or “ISO” shall mean an option to purchase shares of Common Stock granted under Article 6, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

2.18 “Insider” shall mean an employee who is an officer (as defined in Rule 16a-1(f) of the Exchange Act) or director of the Company, or holder of more than ten percent (10%) of its outstanding shares of Common Stock.

2.19 “Nonemployee Director” shall have the meaning set forth in Rule 16b-3(b)(3), as promulgated by the Securities and Exchange Commission (the “SEC”) under the Exchange Act.

2.20 “Nonqualified Stock Option” or “NQSO” shall mean an option to purchase shares of Common Stock, granted under Article 6, which is not an Incentive Stock Option.

2.21 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.22 "Other Stock-Based Award" shall mean an Award under Article 10 of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock.

2.23 "Participant" means a Director or an Employee who holds an outstanding Award under the Plan. The term also includes an individual who is a former Director or Employee to the extent the context would so require.

2.24 "Performance-Based Award" shall mean an Award of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or Other Stock-Based Awards made subject to the achievement of performance goals specified by the Committee under the terms of Article 9.

2.25 "Performance Shares" shall mean an Award granted under Article 9 of this Plan evidencing the right to receive Common Stock or cash of an equivalent value at the end of a specified performance period.

2.26 "Permitted Transferee" shall mean (i) the spouse, children or grandchildren of a Participant (each an "Immediate Family Member"), (ii) a trust or trusts for the exclusive benefit of the Participant and/or one or more Immediate Family Members, or (iii) a partnership or limited liability company whose only partners or members are the Participant and/or one or more Immediate Family Members.

2.27 "Prior Plan" shall mean the Herman Miller, Inc. Long-Term Incentive Plan, as amended.

2.28 "Retirement" shall mean the termination of employment with the Company or a Subsidiary of a Participant that is an Employee in the manner set forth in the Participant's Award Agreement.

2.29 "Restricted Stock" shall mean an Award granted to a Participant under Article 8 of this Plan.

2.30 "Restricted Stock Unit" shall mean a bookkeeping entry representing the equivalent of one (1) share of Common Stock awarded to a Participant under Article 8 of this Plan.

2.31 "Stock Appreciation Right" or "SAR" shall mean a right granted to a Participant under Article 7 of this Plan.

2.32 "Subsidiary" shall mean any corporation in which the Company owns directly, or indirectly through subsidiaries, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.

2.33 "Termination of Service" shall mean the termination of a Participant's employment with the Company or a Subsidiary, and with respect to a Participant that is not an Employee, the termination of that person's service as a Director. A Participant employed by a Subsidiary shall also be deemed to incur a Termination of Service if the Subsidiary ceases to be a Subsidiary and the Participant does not immediately thereafter become an Employee of the Company or another Subsidiary.

ARTICLE 3
ADMINISTRATION

3.1 Committee Composition. The Plan shall be administered by a Committee designated by the Board consisting of not less than three (3) directors who shall be appointed from time to time by the Board, each of whom shall qualify as a Nonemployee Director. Without limiting the generality of the foregoing, the Committee may be the Compensation Committee of the Board or a subcommittee thereof if the Compensation Committee of the Board or such subcommittee satisfies the foregoing requirements.

3.2 Committee Authority. Subject to the Company's Articles of Incorporation, Bylaws, and the provisions of this Plan, the Committee shall have full authority to grant Awards, including the following:

(a) To select those Employees to whom Awards may be granted under the Plan and, based upon recommendations of the Board or a committee of the Board, those non-Employee Directors to whom Awards may be granted under the Plan;

(b) To determine whether and to what extent Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or other Performance-Based Awards, and Other Stock-Based Awards, or any combination thereof are to be granted under the Plan;

(c) To determine the number of shares of Common Stock to be covered by each Award;

(d) To determine the terms and conditions of any Award Agreement, including, but not limited to, the Option Price, SAR Price, any vesting restriction or limitation, any vesting schedule or acceleration thereof, any performance conditions or any forfeiture restrictions or waiver thereof, regarding any Award and the shares Common Stock relating thereto, based on such factors as the Committee shall determine in its sole discretion;

(e) To determine whether, to what extent and under what circumstances grants of Awards are to operate on a tandem basis and/or in conjunction with or apart from other cash compensation arrangement made by Company other than under the terms of this Plan;

(f) To determine under what circumstances an Award may be settled in cash, Common Stock, or a combination thereof; and

(g) To determine to what extent and under what circumstances shares of Common Stock and other amounts payable with respect to an Award shall be deferred, provided that any such deferrals shall be made in a manner that complies with Section 409A of the Code.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (including any Award Agreement) and to otherwise supervise the administration of the Plan. A majority of the Committee shall constitute a quorum, and the acts of a majority of a quorum at any meeting, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee. The interpretation and construction by the Committee of any provisions of the Plan or any Award granted under the Plan shall be final and binding upon the Company, the Board and Participants, including their respective heirs, executors and assigns. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or an Award granted hereunder.

3.3 Forfeiture. The Committee may reserve the right in an Award Agreement to cause a forfeiture of the gain realized by a Participant with respect to an Award on an account of actions taken by, or failed to be taken by, that Participant in violation or breach of or in conflict with any (a) agreement between the Company and each Participant, or (b) any Company policy or procedure (including the Code of Business Conduct and Ethics and the Code of Ethics for Senior Financial Officers), or (c) any other obligation of such Participant to the Company as and to the extent specified in such Award Agreement. The Committee may terminate an outstanding Award if the Participant is terminated for Cause as defined in the Plan or the applicable Award Agreement or for "cause" as defined in any other agreement between the Company and such Participant, as applicable.

3.4 Recoupment. Any Award granted pursuant to the Plan shall be subject to mandatory repayment by the Participant to the Company to the extent the Participant is, or in the future becomes, subject to (a) any Company "clawback," recoupment or compensation recovery policy that is adopted to comply with the requirements of any applicable law, rule or regulation, or otherwise, or (b) any law, rule or regulation which imposes mandatory recoupment under circumstances set forth in such law, rule or regulation.

3.5 No Repricing. Subject to any adjustments that may be made under Article 13 of the Plan, the Company may not, without obtaining shareholder approval; (a) amend the terms of outstanding Options or SARs to reduce the exercise price of such outstanding Options or SARs; (b) cancel outstanding Options or SARs in exchange for Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs; or (c) cancel outstanding Options or SARs with an exercise price above the current stock price in exchange for cash or other securities.

ARTICLE 4
COMMON STOCK SUBJECT TO THE PLAN

4.1 General. Subject to adjustment as provided in Section 4.2 and Article 14, the maximum aggregate number of shares of Common Stock which may be issued under this Plan shall not exceed 7,509,751 shares, which may be either unauthorized and unissued Common Stock or issued Common Stock reacquired by the Company ("Plan Shares"). Determinations as to the number of Plan Shares that remain available for issuance under the Plan shall be made in accordance with this Article 4 and Article 14 and with such rules and procedures as the Committee shall determine from time to time.

4.2 Share Usage.

(a) General. Shares of Common Stock subject to an Award shall be counted as used as of the Award Date.

(b) Counting of Shares Subject to Awards. Any shares of Common Stock that are subject to Awards shall be counted against the share issuance limit set forth in Section 4.1 as (i) two (2) shares of Common Stock for everyone (1) share of Common Stock subject to a Full Value Award, and (ii) one (1) share of Common Stock for everyone (1) share of Common Stock subject to any Award that is not a Full Value Award. If the number of shares of Common Stock subject to an Award is variable as of the Award Date, the number of shares of Common Stock to be counted against the share issuance limit set forth in Section 4.1, prior to the settlement of the Award, shall be the maximum number of shares of Common Stock that can be received under that Award.

(c) Conditions Under Which Shares Subject to Awards Become Available for Future Awards. Any shares of Common Stock subject to an Award under the Plan which thereafter terminate by expiration, forfeiture, cancellation, or otherwise, without the issuance of such shares, including Awards that are settled in cash in lieu of shares of Common Stock, shall be available again for issuance under the Plan. Each share of Common Stock that again becomes available for issuance under the Plan under the preceding sentence shall increase the total number of shares available for grant by (i) two (2) shares if such share is subject to a Full Value Award and (ii) one (1) share if such share was subject to any Award that is not a Full Value Award.

(d) Conditions Under Which Shares Subject to Awards Are Not Available for Future Awards. The number of shares of stock available for issuance under the Plan shall not be increased by the number of shares of Common Stock (i) tendered by the Participant or withheld by the Company in payment of the purchase price of an Option, (ii) tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award, (iii) purchased by the Company with proceeds received from the exercise of an Option, (iv) subject to an SAR that are not issued in connection with the stock settlement of that SAR upon its exercise, (v) subject to the cancellation of an SAR granted in tandem with an Option upon the exercise of the Option and (vi) subject to the cancellation of an Option granted in tandem with an SAR upon the exercise of the SAR.

4.3 Award Limits. Notwithstanding any provision in the Plan to the contrary,

(i) the maximum number of shares of Common Stock that may be subject to any Full Value Award granted under the Plan to any one Participant during any fiscal year of the Company may not exceed 250,000 shares (as adjusted from time to time in accordance with the provisions of the Plan);

(ii) the maximum number of shares of Common Stock that may be subject to any Award granted under the Plan that is not a Full Value Award to any one Participant during any fiscal year of the Company may not exceed 500,000 shares (as adjusted from time to time in accordance with the provisions of the Plan); and

(iii) the maximum number of shares of Common Stock that may be subject to any Award granted under the Plan to any individual non-Employee Director during any fiscal year of the Company may not exceed 40,000 shares (as adjusted from time to time in accordance with the provisions of the Plan).

ARTICLE 5
ELIGIBILITY

The persons who shall be eligible to receive Awards under the Plan shall be such Employees and non-Employee Directors as the Committee shall select from time to time. In making such selections as to Employees, the Committee shall consider the nature of the services rendered by such employees, their present and potential contribution to the Company's success and the success of the particular Subsidiary or division of the Company by which they are employed, and such other factors as the Committee in its discretion shall deem relevant. In making such selections as to non-Employee Directors, the Committee shall consider such factors as the Committee in its discretion shall deem relevant. Participants may hold more than one Award, but only on the terms and subject to the restrictions set forth in the Plan and their respective Award Agreements. The Committee may delegate its power to one or more of the Company's Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer or General Counsel to determine the participation eligibility of new Participants who are not officers under Section 16 of the Securities and Exchange Act of 1934 and whose fiscal year total direct compensation (consisting of base salary, annual incentive and long-term incentive) is less than $500,000 ("Designated Participants") and the performance criteria for each such Designated Participant, in which case such Company executives shall exercise the delegated power in accordance with this Article 5.

ARTICLE 6
STOCK OPTIONS

6.1 Options. Options may be granted alone or in addition to other Awards granted under this Plan. Each Option granted under this Plan shall be either an Incentive Stock Option (ISO) or a Nonqualified Stock Option (NQSO).

6.2 Grants. The Committee shall have the authority to grant to any Participant one or more Incentive Stock Options, Nonqualified Stock Options, or both types of Options, provided that Incentive Stock Options shall not be granted to any non-Employee Director. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof which does not qualify shall constitute a separate Nonqualified Stock Option.

6.3 Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422. An Incentive Stock Option shall not be granted to an individual who, on the date of grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company. The aggregate Fair Market Value, determined on the Award Date of the shares of Common Stock with respect to which one or more Incentive Stock Options (or other incentive stock options within the meaning of Section 422 of the Code, under all other option plans of the Company) that are exercisable for the first time by a Participant during any calendar year shall not exceed the $100,000 limitation imposed by Section 422(d) of the Code.

6.4 Terms of Options. Options granted under the Plan shall be evidenced by Award Agreements in such form as the Committee shall, from time to time approve, which Agreement shall comply with and be subject to the following terms and conditions:

(a) Participant's Agreement. Each Participant who is an employee shall agree to remain in the continuous employ of the Company for a period of at least twelve (12) months from the Award Date or until Retirement, if Retirement occurs prior to twelve (12) months from the date of the Option.

(b) Option Price. The Option Price per share of Common Stock purchasable under an Option shall be determined by the Committee at the time of grant but shall be not less than one hundred percent (100%) of the Fair Market Value of one (1) share of Common Stock on the Award Date.

(c) Option Term. The term of each Option shall be fixed by the Committee, but no Option shall be exercisable more than ten (10) years after the date the Option is granted.

(d) Exercisability. Except as provided in Article 11 and Article 14, (i) no Option shall be exercisable either in whole or in part prior to the first anniversary of the Award Date and (ii) Options that vest solely by the passage of time shall not vest in full in less than three (3) years from the Award Date (but may vest pro-rata during such period). Thereafter, an Option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the Award Agreement.

(e) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under subsection (d) above, Options may be exercised in whole or in part at any time during the term of the Option, by giving notice of exercise specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price in such form as the Committee may accept. If and to the extent determined by the Committee in its sole discretion at or after grant, payment in full or in part may also be made in the form of Common Stock owned by the Participant (and for which the Participant has good title free and clear of any liens and encumbrances) or Restricted Stock, or by reduction in the number of shares issuable upon such exercise based, in each case, on the Fair Market Value of the Common Stock on the last trading date preceding payment as determined by the Committee (without regard to any forfeiture restrictions applicable to Restricted Stock). No shares of stock shall be issued until payment has been made. A Participant shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the person exercising such option has given written notice of exercise, has paid for such shares as provided herein, and, if requested, has given the representation described in Section 15.1 of the Plan. Notwithstanding anything to the contrary in this Section 6.4(e), but subject to the other terms and conditions of the Plan, the Committee may, but shall not be required to, provide that an Option (other than an Incentive Stock Option) shall be deemed exercised automatically prior to the expiration or termination of the Option without any notice to or from the Participant. Upon any such automatic exercise, the exercise price and applicable withholding taxes shall, unless the Committee provides otherwise, be paid in the form of a reduction in the number of shares issuable upon such exercise.

(f) Transferability of Options. No Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, provided, however, the Committee may, in its discretion, authorize all or a portion of a Nonqualified Stock Option to be granted to an optionee to be on terms which permit transfer by such optionee to a Permitted Transferee, provided that (i) there may be no consideration for any such transfer (other than the receipt of or interest in a family partnership or limited liability company), (ii) the stock option agreement pursuant to which such options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 6.4(f), and (iii) subsequent transfers of transferred options shall be prohibited except those in accordance with Section 6.4(i). Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The events of termination of service of Sections 6.4(g), (h) and (i) hereof, and the tax withholding obligations of Section 15.3 shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the Permitted Transferee only to the extent, and for the periods specified in Sections 6(g), (h), and (i). The Company shall not be obligated to notify Permitted Transferee(s) of the expiration or termination of any option. Further, all Options shall be exercisable during the Participant's lifetime only by such Participant and, in the case of a Nonqualified Stock Option, by a Permitted Transferee. The designation of a person entitled to exercise an Option after a person's death will not be deemed a transfer.

(g) Termination of Options. Any Option that is not exercised within whichever of the exercise periods specified in Article 11 is applicable shall terminate upon expiration of such exercise period.

(h) Purchase and Settlement Provisions. The Committee may at any time offer to purchase an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made. In addition, if an Award Agreement so provides at the Award Date or is thereafter amended to so provide, the Committee may require that all or part of the shares of Common Stock to be issued with respect to the exercise of an Option, in an amount not greater than the Fair Market Value of the shares that is in excess of the aggregate Option Price, take the form of Performance Shares or Restricted Stock, which shall be valued on the date of exercise on the basis of the Fair Market Value of such Performance Shares or Restricted Stock determined without regard to the deferral limitations and/or forfeiture restrictions involved.

ARTICLE 7
STOCK APPRECIATION RIGHTS

7.1 Awards of Stock Appreciation Rights or "SARs." A SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (a) the Fair Market Value of one (1) share of Common Stock on the date of exercise over (b) the per-share exercise price of such SAR (the "SAR Price") as determined by the Committee. SARs may be granted in tandem with all or part of an Option granted under the Plan or at any subsequent time during the term of such Option, in combination with all or any part of any other Award or without regard to any Option or other Award; provided that a SAR that is granted subsequent to the Award Date of a related Option must have a SAR Price that is no less than the Fair Market Value of one (1) share of Common Stock on the Award Date of such SAR.

7.2 Terms of SARs. Stock Appreciation Rights granted under the Plan shall be evidenced by an Award Agreement in such form as the Committee shall, from time to time approve, which Agreement shall comply with and be subject to the following terms and conditions:

(a) Participant's Agreement. Each Participant who is an employee shall agree to remain in the continuous employ of the Company for a period of at least twelve (12) months from the Award Date or until Retirement, if Retirement occurs prior to twelve (12) months from the date of the Award.

(b) SAR Price. The SAR Price per share of Common Stock shall be determined by the Committee at the time of grant but shall not be less than one hundred percent (100%) of the Fair Market Value of one (1) share of Common Stock on the Award Date.

(c) Term. The term of each SAR shall be fixed by the Committee, but no SAR shall be exercisable more than ten (10) years after the date the SAR is granted.

(d) Exercisability and Settlement. The Committee shall determine, on the Award Date, the time or times at which and the circumstances under which a SAR may be exercised, in whole or in part (including based on the achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following Termination of Employment or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which shares of Common Stock shall be delivered or deemed to be delivered to a Participant, regardless of whether a SAR shall be granted in tandem or in combination with any other Award, and any and all other terms and conditions of any SAR. Notwithstanding the foregoing, except as provided in Article 11 and Article 14, (i) no SAR shall be exercisable either in whole or in part prior to the first anniversary of the Award Date, and (ii) SARs that vest solely by the passage of time shall not vest in full in less than three (3) years from the Award Date (but may vest pro rata during such period).

7.3 Transferability. SARs shall be subject to the transfer conditions of Options set forth in Section 6.4(f) above.

ARTICLE 8
RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1 Awards of Restricted Stock and Restricted Stock Units. Shares of Restricted Stock and Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the time or times at which, grants of Restricted Stock or Restricted Stock Units will be made, the number of shares to be awarded, the price (if any) to be paid by the Participant, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof (a "Restriction Period"), and all other terms and conditions of the Awards. The Committee may condition the grant of Restricted Stock or Restricted Stock Units upon the achievement of specific business objectives, measurements of individual or business unit or Company performances, or such other factors as the Committee may determine. The provisions of Restricted Stock or Restricted Stock Unit Awards need not be the same with respect to each

Participant, and such Awards to individual Participants need not be the same in subsequent years. Notwithstanding the foregoing, and except for Awards of Restricted Stock or Restricted Stock Units granted to non-Employee Directors or as provided in Article 11 and Article 14: (a) Restricted Stock and Restricted Stock Units that vest solely by the passage of time shall not vest in full in less than three (3) years from the Award Date (but may vest pro-rata during such period), and (b) Restricted Stock and Restricted Stock Units that vest upon the achievement of performance goals shall not vest, in full, in less than one (1) year from the Award Date.

8.2 Awards and Certificates. A prospective Participant selected to receive a Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has executed an Award Agreement evidencing the Award and has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) Acceptance. Awards under this Article 8 must be accepted within a period of thirty (30) days (or such shorter period as the Committee may specify at grant) after the Award Date, by executing an Award Agreement and by paying whatever price (if any) the Committee has designated for such shares of Restricted Stock or Restricted Stock Units.

(b) Legend for Restricted Stock Awards. To the extent that ownership of Restricted Stock is evidenced by a book-entry registration or a similar registration, such registration shall be notated to evidence that restrictions imposed on such Award of Restricted Stock under this Plan and the applicable Award Agreement. If the Company issues, in the name of the Participant to whom the Restricted Stock has been granted, a stock certificate in respect of such shares of Restricted Stock such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the 2011 Herman Miller, Inc. Long-Term Incentive Plan and related Award Agreement entered into between the registered owner and the Company, dated _______. Copies of such Plan and Agreement are on file in the offices of the Company, 855 East Main Avenue, Zeeland, Michigan 49464."

(c) Custody. The Committee may require that the stock certificates evidencing shares of Restricted Stock be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Stock, the Participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Award.

8.3 Rights of Holders of Restricted Stock. Unless the Committee otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such shares of Restricted Stock and the right to receive any dividends declared or paid with respect to such shares of Restricted Stock. Unless the Committee otherwise provides in an Award Agreement, dividends paid on Restricted Stock which vest or are earned based upon the achievement of performance goals shall not vest unless such performance goals for such Restricted Stock are achieved. All stock distributions, if any, received by a Participant with respect to Restricted Stock as a result of any stock split, stock dividend, combination of stock, or other similar transaction shall be subject to the vesting conditions and restrictions applicable to such Restricted Stock.

8.4 Rights of Holders of Restricted Stock Units. Holders of Restricted Stock Units shall have no rights as shareholders of the Company, including the right to receive cash or dividend payments or distributions attributable to the shares of Common Stock subject to such Restricted Stock Units, or to direct the voting of the shares of Common Stock subject to such Restricted Stock Units. The Committee may provide in an Award Agreement evidencing a grant of Restricted Stock Units that the holder of such Restricted Stock Units shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding shares of Common Stock, a cash payment for each such Restricted Stock Unit which is equal to the per-share dividend paid on such shares of Common Stock. Such Award Agreement also may provide that a cash payment shall be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of a share of Common Stock on the date that such cash dividend is paid. Such cash payments paid in connection with Restricted Stock Units which vest or are earned based upon the achievement of performance goals shall not vest unless such performance goals for such Restricted Stock Units are achieved. A holder of Restricted Stock Units shall have no rights other than those of a general unsecured creditor of the Company. Restricted Stock Units shall represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

8.5 Delivery of Shares. Upon the expiration or termination of the Restriction Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to Restricted Stock or Restricted Stock Units settled in shares of Common Stock shall lapse, and, unless otherwise provided in the applicable Award Agreement, a book entry or direct registration or a share certificate evidencing ownership of such shares of Common Stock shall be issued, free of all such restrictions, to the Participant or such Participant's beneficiary or estate, as the case may be.

ARTICLE 9
PERFORMANCE-BASED AWARDS

9.1 Performance-Based Awards. The Committee, at any time, and from time to time, may grant Performance-Based Awards to a Participant in such amounts and upon such terms as the Committee shall determine. Each grant of a Performance-Based Award shall have an initial value or target number of shares of Common Stock that is established by the Committee. The Committee shall establish (a) performance goals in its discretion which, depending on the extent to which they are achieved, shall determine the value and/or number of shares subject to a Performance-Based Award that will be paid out to the Participant, and (b) the Performance Period, which shall mean the period of time during which the performance goals must be achieved in order to determine the degree of payout after vesting with respect to any such Performance-Based Award.

9.2 Form of Payment and Timing of Performance-Based Awards. Payment of earned Performance-Based Awards shall be as determined by the Committee and as evidenced in the applicable Award Agreement. Earned Performance-Based Awards may be paid in shares of Common Stock and shall be payable, to the extent earned, at the close of the applicable Performance Period, or as soon as reasonably practicable after the Committee has determined that the performance goal or goals have been achieved. Any shares of Common Stock paid out under such Awards may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement.

9.3 Performance-Based Awards. The grant, exercise and/or settlement of Performance-Based Awards shall be contingent upon the achievement of pre-established performance goals and other terms set forth in this Section 9.3.

(a) Performance Goals Generally. The performance goals for Performance-Based Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each such criteria, as specified by the Committee, consistent with this Section 9.3. The Committee may determine that such Awards shall be granted, exercised and/or settled upon the achievement of any single performance goal or that two (2) or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Awards. Performance goals may differ for Awards granted among Participants.

(b) Performance Measures. The performance goals for Performance-Based Awards shall be limited to the following "Performance Measures," with or without adjustment:

(1) adjusted earnings;
(2) return on equity (which includes adjusted return on equity);
(3) earnings per share growth (which includes adjusted earnings per share growth);
(4) basic earnings per common share;
(5) diluted earnings per common share;
(6) adjusted earnings per common share;
(7) net income;
(8) adjusted earnings before interest and taxes;
(9) earnings before interest, taxes, depreciation and amortization;
(10) operating cash flow;
(11) EVA® performance under the Company's EVA® Management System Technical Manual;
(12) operations and maintenance expense;
(13) total shareholder return;
(14) operating income;
(15) revenue;
(16) strategic business objectives, consisting of one or more objectives based upon meeting specified cost targets, business expansion goals, new growth opportunities, market penetrations, and goals relating to the acquisitions or divestitures, or goals relating to capital-raising and capital management.
(17) common share price; and
(18) any combination of the foregoing.

The Committee also shall have the authority to provide for accelerated vesting of any Performance-Based Award based on the achievement of the Performance Measures specified in this Article 9.

(c) Evaluation of Performance. The Committee may provide in any Performance-Based Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period: (a) a Change in Control; (b) a declaration and distribution of stock dividends or stock splits; (c) mergers, consolidations or reorganizations; (d) acquisitions or dispositions of material business units; (e) extraordinary, non-core, non-operating or non-recurring items; (f) infrequently occurring or extraordinary gains or losses; and (g) any restructuring.

(d) Adjustment of Awards. The Committee shall have the sole discretion to adjust Awards, either on a formula or discretionary basis, or on any combination thereof. In the event that applicable laws or regulations change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

ARTICLE 10
OTHER STOCK-BASED AWARDS

10.1 Other Awards. Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, Common Stock ("Other Stock-Based Awards"), may be granted either alone or in addition to other Awards under this Plan. Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period. The provisions of Other Stock-Based Awards need not be the same with respect to each Participant and such Awards to individual Participants need not be the same in subsequent years.

10.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article 9 shall be set forth in an Award Agreement and shall be subject to the following terms and conditions:

(a) Nontransferability. Subject to the provisions of this Plan and the Award Agreement, shares of Common Stock subject to Awards made under this Article 10 may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of this Plan and the Award Agreement, the recipient of an Award under this Article 10 shall be entitled to receive on a deferred stock basis, dividends or other distributions with respect to the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article 10 and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) Waiver of Limitation. In the event of the Participant's Disability or death, the Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article 10.

(e) Price. Common Stock issued or sold under this Article 10 may be issued or sold for no cash consideration or such consideration as the Committee shall determine and specify in the Award Agreement.

ARTICLE 11
TREATMENT OF AWARDS UPON AND SUBSEQUENT TO TERMINATION OF SERVICE

11.1 Termination of Service for Reasons other than Retirement, Disability or Death. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service for any reason other than Retirement or on account of Disability or death, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of such Termination of Service shall not have been fully exercised, be exercisable, in whole or in part, at any time and within a period of three (3) months following Termination of Service, subject to prior expiration of the term of such Option and/or SAR.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited.

(c) Performance-Based Awards. Any Performance-Based Awards held by the Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited.

11.2 Termination of Service for Disability. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service by reason of Disability, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of such Termination of Service and shall not have been fully exercised, be exercisable in whole or in part, for a period of five (5) years following such Termination of Service, subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. If the Participant dies after Disability, the Participant's Options and/or SAR's shall be exercisable in accordance with Section 11.4 below.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by a Participant as of the date of his or her Disability shall become immediately vested as of such date.

(c) Performance Shares. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months that the Participant was employed by the Company or a Subsidiary, beginning on the Award Date and ending on the date of the Participant's Termination of Service, and the denominator of which shall be the number of full calendar months during the Performance Period. The Participant's actual number of shares subject to the Award shall vest, in full, at the end of the Performance Period.

11.3 Termination of Service for Retirement. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service by reason of Retirement, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant for a period of less than twelve (12) consecutive months after the Award Date shall be deemed vested by multiplying the number of shares subject to the Award by a fraction, the numerator of which is the number of full calendar months of employment or service subsequent to the date of the Award, and the denominator of which is twelve (12). Conditioned upon Participant's compliance with the noncompete covenant set forth in the Award Agreement, each Option and SAR held by the Participant for a period of twelve (12) consecutive months or greater after the Award Date shall continue to vest in accordance with the stated vesting period, provided that such period not exceed five (5) years from the Participant's Termination of Service. Conditioned upon Participant's compliance with the noncompete covenant set forth in the Award Agreement, the Participant shall have the right to exercise such Option and/or SAR, to the extent vested, following the expiration of the noncompete covenant and prior to the fifth (5th) anniversary of the Participant's Termination of Service, subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. If the Participant dies after such Retirement, the Participant's Options and/or SAR's shall be exercisable in accordance with Section 11.4 below.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant for a period of less than twelve (12) consecutive months after the Award Date shall be deemed vested by multiplying the number of shares subject to the Award by a fraction, the numerator of which is the number of full calendar months of employment or service subsequent to the date of the Award, and the denominator of which is twelve (12). Any shares of Restricted Stock or Restricted Stock Units held by the Participant for a period of twelve (12) consecutive months or greater after the Award Date shall be deemed vested in full. Conditioned upon Participant's compliance with the noncompete covenant set forth in the Award Agreement, the shares subject to the Restricted Stock or Restricted Stock Units shall be distributable to the Participant following the expiration of the noncompete covenant.

(c) Performance-Based Awards. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months of employment or service that the Participant was employed by the Company or a Subsidiary, beginning on the Award Date and ending on the date of the Participant's Termination of Service, and the denominator of which is twelve (12). Any Performance-Based Awards held by the Participant for a period of twelve (12) consecutive months or greater after the Award Date shall be deemed vested in full. If the Award is conditioned upon Participant's compliance with a noncompete covenant set forth in the Award Agreement, the Participant's actual number of shares subject to the Award shall vest, in full, at the end of the later of the Performance Period or the expiration of the noncompete covenant.

11.4 Termination of Service for Death. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service due to death, Awards under this Plan, shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of death and shall not have been fully exercised, be exercisable, in whole or in part, by the personal representative or the estate of the Participant, or Permitted Transferee or by any person or persons who shall have acquired the Option directly from the Participant or Permitted Transferee by bequest or inheritance, only under the following circumstances and during the following periods: (i) if the Participant dies while employed by or in the service of the Company, at any time within five (5) years after the date of death, or (ii) if the Participant dies during the extended exercise period following Termination of Service specified in Sections 11.2 and 11.3, at any time within the longer of such extended period or one (1) year after death, subject, however, in any case, to the prior expiration of the term of the Option and/or SAR and any other limitation on the exercise of such Option and/or SAR in effect at the date of exercise.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant at the date of death while employed by or in the service of the Company shall become immediately vested as of the date of death.

(c) Performance-Based Awards. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months of employment or service subsequent to the Award Date, and the denominator of which shall be the number of full calendar months during the Performance Period. The Participant's actual number of shares subject to the Award shall vest, in full, at the end of the Performance Period.

ARTICLE 12
TERMINATION OR AMENDMENT OF THE PLAN

The Board may at any time amend, discontinue or terminate this Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any applicable regulatory requirement); provided, however, that, unless otherwise required by law, the rights of a Participant with respect to Awards granted prior to such amendment, discontinuance or termination, may not be impaired without the consent of such Participant and, provided further, without the approval of the Company's shareholders, no amendment may be made which would (i) increase the aggregate number of shares of Common Stock that may be issued under this Plan (except by operation of Article 14); (ii) change the definition of employees eligible to receive Awards under this Plan; or (iii) otherwise materially increase the benefits to Participants under the Plan. The Committee may amend the terms of any Award previously granted, prospectively or retroactively, but, subject to Article 14, no such amendment or other action by the Committee shall impair the rights of any Participant without the Participant's consent. Awards may not be granted under the Plan after the Termination Date, but Awards granted prior to such date shall remain in effect or become exercisable pursuant to their respective terms and the terms of this Plan.

ARTICLE 13
UNFUNDED PLAN

This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

ARTICLE 14
ADJUSTMENT PROVISIONS

14.1 Antidilution. If the number of outstanding shares of Common Stock is increased or decreased or the shares of Common Stock are changed into or exchanged for a different number of shares or kind of capital stock or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse stock split, spin-off, combination of stock, exchange of stock, stock dividend or other distribution payable in capital stock, or other increase or decrease in shares of Common Stock effected without receipt of consideration by the Company, the number and kinds of shares of stock for which grants of Awards may be made under the Plan, including the share limits set forth in Article 4, shall be adjusted proportionately and accordingly by the Committee so that the proportionate interest of the Participant in such Award immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Price payable with respect to shares that are subject to the unexercised portion of such outstanding Options or SARs, as applicable, but shall include a corresponding proportionate adjustment in the per share Option Price or SAR Price, as the case may be. Notwithstanding the foregoing, in the event of any distribution to the Company's shareholders of securities of any other entity or other asset (including an extraordinary dividend, but excluding a non-extraordinary dividend, declared and paid by the Company) without receipt of consideration by the Company, the Board or the Committee shall, in such manner as the Board or the Committee deems appropriate, adjust (a) the number and kind of shares of stock subject to outstanding Awards and/or (b) the aggregate and per share Option Price of outstanding Options and the aggregate and per share SAR Price of outstanding Stock Appreciation Rights as required to reflect such distribution.

14.2 Reorganization in Which the Company is the Surviving Entity Which Does Not Constitute a Change in Control. If the Company is the surviving entity in any reorganization, merger or consolidation of the Company with one or more entities which does not constitute a Change in Control, any Option, SAR, Restricted Stock or Restricted Stock Unit granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to such Option, SAR, Restricted Stock or Restricted Stock Unit would have been entitled immediately following such transaction, with a corresponding, proportionate adjustment of the per share Option Price or SAR Price so that the aggregate Option Price or SAR Price thereafter shall be the same as the aggregate Option Price or SAR Price of the shares of Common Stock remaining subject to the Option or SAR as in effect immediately prior to such transaction. Subject to the contrary language in an Award Agreement, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Participant as a result of such transaction. In the event of any transaction referred to in this Section 14.2, Performance-Based Awards shall be adjusted (including any adjustment to the performance goals or Performance Measures applicable to such Awards deemed appropriate by the

Committee) so as to apply to the securities that a holder of the number of shares of Common Stock subject to the Performance-Based Awards would have been entitled to receive immediately following such transaction.

In connection with a transaction under this Section 14.2 or transaction involving the acquisition by the Company of the equity interests of another enterprise, the Committee shall have the right to cause the Company to assume awards previously granted under a compensatory plan by another business entity that is a party to such transaction and to substitute Awards under the Plan for such awards. The number of shares of Common Stock available for issuance under the Plan pursuant to Section 4.1 shall be increased by the number of shares of Common Stock subject to any such assumed awards and substitute awards. Shares available for issuance under a shareholder-approved plan of a business entity that is a party to such transaction (as appropriately adjusted, if necessary, to reflect such transaction) may be used for Awards under the Plan and shall not reduce the number of Plan Shares otherwise available for issuance under the Plan, subject to applicable rules of NASDAQ or of any stock exchange on which the Common Stock is listed.

14.3 Change in Control in Which Awards Are Not Assumed. Except as otherwise provided in the applicable Award Agreement, upon the occurrence of a Change in Control in which outstanding Awards are not being assumed or continued, the following provisions shall apply to such Awards:

(a) for Awards other than Performance-Based Awards,

(i) all outstanding Restricted Stock and Restricted Stock Units shall be deemed to have vested and the shares of Common Stock subject thereto shall be delivered immediately prior to the occurrence of such Change in Control, and fifteen (15) days prior to the scheduled consummation of such Change in Control, all outstanding Options and SARs shall become immediately exercisable and shall remain exercisable for a period of fifteen (15) days; or

(ii) the Committee may elect, in its sole discretion, to cancel any outstanding awards of Options, SARs, Restricted Stock and Restricted Stock Units and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Committee acting in good faith), in the case of Restricted Stock and Restricted Stock Units (for shares of Common Stock subject thereto) equal to the formula or fixed price per share paid or payable to holders of shares of Common Stock pursuant to such Change in Control and, in the case of Options or SARs, equal to the product of the number of shares of Common Stock subject to such Options or SARs (the "Award Stock") multiplied by the amount, if any, by which (x) the formula or fixed price per share paid or payable to holders of shares of Common Stock pursuant to such transaction exceeds (y) the Option Price or SAR Price applicable to such Award Stock.

(b) For Performance-Based Awards, if less than half of the Performance Period has lapsed, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares assuming target performance has been achieved (or into Unrestricted Stock if no further restrictions apply). If at least half the Performance Period has lapsed, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares based on actual performance to date (or into Unrestricted Stock if no further restrictions apply). If actual performance is not determinable, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares assuming target performance has been achieved, based on the discretion of the Committee (or into Unrestricted Stock if no further restrictions apply).

(c) Other Equity-Based Awards shall be governed by the terms of the applicable Award Agreement.

With respect to the Company's establishment of an exercise window, (a) any exercise of an Option or SAR during the fifteen (15)-day period referred above shall be conditioned upon the consummation of the applicable Change in Control and shall be effective only immediately before the consummation thereof, and (B) upon consummation of any Change in Control, the Plan and all outstanding but unexercised Options and SARs shall terminate. The Committee shall send notice of an event that shall result in such termination to all Participants or Permitted Transferees who hold Options and SARs not later than the time at which the Company gives notice thereof to its shareholders.

14.4 Change in Control in which Awards are Assumed or the Company is the Surviving Entity. If a Change in Control occurs and the Company is the surviving entity and any adjustments necessary to preserve the intrinsic value of the Participant's outstanding Awards have been made, or the Company's successor at the time of the Change in Control irrevocably assumes the Company's obligations under this Plan or replaces the Participants' outstanding Awards having substantially the same intrinsic value and having terms and conditions no less favorable to the Participant than those applicable to the Participants' Awards immediately prior to the Change in Control, then such Awards or their replacement awards shall become immediately exercisable, in full, only if within two years after the Change in Control the Participant's employment:

(a) is terminated without Cause;

(b) terminates with "Good Reason"; or

(c) terminates under circumstances that entitle the Participant to accelerated exercisability under any individual employment agreement between the Participant and the Company, a Subsidiary, or any successor thereof.

14.5 Adjustments by Committee. Any adjustments pursuant to this Article 14 will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments. Only cash payments will be made in lieu of fractional shares.

ARTICLE 15
GENERAL PROVISIONS

15.1 Legend. The Committee may require each person purchasing shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.2 No Right to Employment. Neither this Plan nor the grant of any Award hereunder shall give any Participant that is an Employee or other employee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall there be a limitation in any way on the right of the Company or any Subsidiary by which an employee is employed to terminate his or her employment at any time.\

15.3 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any Federal, state or local taxes required by law to be withheld. Unless otherwise prohibited by the Committee, each Participant may satisfy any such withholding tax obligation by any of the following means or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold from the shares otherwise issuable to the Participant a number of shares having a Fair Market Value as of the "Tax Date" up to the amount of the withholding tax obligation; or (c) delivering to the Company unencumbered shares owned by the Participant having a Fair Market Value, as of the Tax Date, up to the amount of the withholding tax obligation. The "Tax Date" shall be the date that the amount of tax to be withheld is determined.

15.4 No Assignment of Benefits. No Option, Award or other benefit payable under this Plan shall, except as otherwise specifically transfer, provided by law, be subject in any manner to anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, attach, sell, transfer, assign, pledge, encumber or charge, any such benefits shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person.

15.5 Governing Law. This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws and in the courts of the state of Michigan.

15.6 Application of Funds. The proceeds received by the Company from the sale of shares of Common Stock pursuant to Awards granted under this Plan will be used for general corporate purposes.

15.7 Rights as a Shareholder. Except as otherwise provided in an Award Agreement, a Participant shall have no rights as a shareholder of the Company until he or she becomes the holder of record of Common Stock.

15.8 Section 409A of the Code. The Company intends to administer this Plan in order to comply with Section 409A of the Code, or an exemption to Section 409A of the Code, with regard to Awards that constitute nonqualified deferred compensation within the meaning of Section 409A of the Code. To the extent that the Company determines that a Participant would be subject to the additional twenty percent (20%) tax imposed on certain nonqualified deferred compensation plans pursuant to Section 409A of the Code as a result of any provision of any Award granted under the Plan, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Committee.

EXHIBIT 21

HERMAN MILLER, INC., SUBSIDIARIES

The Company's principal subsidiaries are as follows.

Name	Ownership	Jurisdiction of Incorporation
Colebrook Bosson & Saunders Products Limited	100% Company	England, U.K.
Colebrook Bosson Saunders, Pty. Ltd.	100% Company	Australia
Design Within Reach, Inc.	95% Company	Delaware
Geiger International, Inc.	100% Company	Delaware
Hemiri, S.A. de C.V.	100% Company	Mexico
Herman Miller Asia (Pte.) Ltd.	100% Company	Singapore
Herman Miller (Aust.) Proprietary Limited	100% Company	Australia
Herman Miller B.V.	100% Company	Netherlands
Herman Miller Canada, Inc.	100% Company	Canada
Herman Miller Consumer Co.	95% Company	Michigan
Herman Miller Consumer Corporation Canada	95% Company	Canada
Herman Miller Consumer Holdings, Inc.	95% Company	Michigan
Herman Miller do Brasil, Ltda.	100% Company	Brazil
Herman Miller (Dongguan) Furniture Co., Ltd.	100% Company	China
Herman Miller Finance Company (Hong Kong) LImited	100% Company	Hong Kong
Herman Miller Furniture (India) Pvt. Ltd.	100% Company	India
Herman Miller Global Customer Solutions (Hong Kong) Limited	100% Company	Hong Kong
Herman Miller Global Customer Solutions, Inc.	100% Company	Michigan
Herman Miller Global Holdings Luxembourg S.à r.l.	100% Company	Luxembourg
Herman Miller Holdings Limited	100% Company	England, U.K.
Herman Miller International Finance Luxembourg S.à r.l.	100% Company	Luxembourg
Herman Miller Japan, Ltd.	100% Company	Japan
Herman Miller Korea LLC	100% Company	Korea
Herman Miller Limited	100% Company	England, U.K.
Herman Miller Mexico S.A. de C.V.	100% Company	Mexico
Herman Miller (Ningbo) Furniture Co. Ltd.	100% Company	China
Herman Miller Servicios S. de R.L. de C.V.	100% Company	Mexico
HM Delaware LLC	100% Company	Delaware
HMI Liquidating Company	100% Company	Michigan
Maharam Fabric Corporation	100% Company	New York
Meridian Incorporated	100% Company	Michigan
Milsure Insurance, Ltd.	100% Company	Barbados
Nemschoff, Inc.	100% Company	Wisconsin
POSH Office Systems (Hong Kong) Limited	100% Company	Hong Kong
Sun Hing POSH Holdings Limited	100% Company	Hong Kong

Exhibit 23(a) - Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements Nos. 333-04367, 333-42506, 333-04365, 333-122282, 333-04369, 333-122283, 333-179138, 333-201706 and 333-220893 on Form S-8 and No. 333-220892 on Form S-3 of Herman Miller, Inc. of our reports dated July 30, 2019, with respect to the consolidated financial statements and schedule of Herman Miller, Inc. and the effectiveness of internal control over financial reporting of Herman Miller, Inc. included in this Annual Report (Form 10-K) for the fiscal year ended June 1, 2019.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
July 30, 2019

Exhibit 31(a)

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "REGISTRANT")

I, Andrea R. Owen, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 1, 2019, of Herman Miller, Inc;

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2019

/s/ Andrea R. Owen
Andrea R. Owen
Chief Executive Officer

Exhibit 31(b)

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE "REGISTRANT")

I, Jeffrey M. Stutz, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 1, 2019, of Herman Miller, Inc;

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2019

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
Chief Financial Officer

Exhibit 32(a)

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Andrea R. Owen, Chief Executive Officer of the Company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

(1) The Annual Report on Form 10-K for the period ended June 1, 2019, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2019

/s/ Andrea R. Owen
Chief Executive Officer

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

Exhibit 32(b)

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Jeffrey M. Stutz, Chief Financial Officer of the Company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

(1) The Annual Report on Form 10-K for the period ended June 1, 2019, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2019

/s/ Jeffrey M. Stutz
Chief Financial Officer

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