UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended May 29, 2021
or

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

For the transition period from to
Commission file number: 001-15141

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, Zeeland, MI 49464
(Address of principal executive offices and zip code)
(616) 654-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No o

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 o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer o Non-accelerated filer o 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. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

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 November 27, 2020, was $2.2 billion (based on $37.56 per share which was the closing sale price as reported by Nasdaq). As of July 18, 2021, the registrant had 59,052,202 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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

PART I

Item 1 Business

General Development of Business

Herman Miller's purpose statement is design for the good of humankind. The Company researches, designs, manufactures and distributes interior furnishings for use in various environments including residential, office, healthcare and educational 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 and to design products, systems and services that serve as innovative solutions to those 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 eCommerce platforms.

Inspiring Designs to Help People Do Great Things.

OFFICE

HEALTHCARE

EDUCATION

RESIDENTIAL

The Company was incorporated in Michigan in 1905. As a global design leader the Company established Herman Miller Group, a purposefully selected, complementary family of brands that collectively offers a variety of products for environments where people live, learn, work, heal and play. The family of brands includes Herman Miller®, Colebrook Bosson Saunders®, Design Within Reach®, Geiger®, HAY®, Maars® Living Walls, Maharam®, naughtone® and Nemschoff®. All of these companies are considered controlled subsidiaries, except for Maars of which the Company owns 48.2% of as of May 29, 2021. 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. and its 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.

HermanMillerGroup

HermanMiller	colebrook bosson saunders	DESIGN WITHIN REACH
A global leader in design and furnishings for the home or workplace	A UK-based designer of high-performance tools for work	Retailer of authentic modern furnishings
GEIGER	HAY	maars LIVING WALLS
Maker of exquisitely crafted designs for refined working environments	Inspired furniture and accessories for modern living	A global designer and maker of interior partitions
maharam	naughtone	Nemschoff
Creator of textiles known for its rigorous commitment to design	Contemporary furnishings for workplace, education, and hospitality environments	Manufacturer of beautifully styled, high-performance furnishings

Segments

The Company has three reportable segments: North America Contract, International Contact and Retail. The Company also reports a corporate category consisting primarily of unallocated corporate expenses. For a more detailed description of the Company's segments, refer to Item 7 of this report.

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

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™, Resolve®, and OE1®). 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 also offers residential and ancillary products through its subsidiaries, including: the Line™ Storage Collection, Lina™ Swivel Chair, Matera™ Bedroom Collection, Emmy™ Sofa Collection, Story™ Bookcase and Sømmer™ Outdoor Collection for Design Within Reach®; the Always™ Lounge Chair, Always™ Chair, Polly™ Chair, Viv™ Chair, and Hush™ Chair for naughtone®; and the Mags™ Sofa and About A™ Chair Collections for HAY®.

The Company's products are marketed worldwide by its own sales staff, independent dealers and retailers, owned dealers, via its eCommerce websites, and through its owned Herman Miller, Design Within Reach ("DWR") and HAY retail stores and studios. Salespeople work with dealers, the architecture and design community, and directly with end-users. Independent dealerships concentrate on the sale of Herman Miller Group products and some complementary product lines of other manufacturers. It is estimated that approximately 63 percent of the Company's sales in the fiscal year ended May 29, 2021, 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, owned dealer network, 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, casegoods, 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. 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 and 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®, HAY®, naughtone®, Nemschoff®, Action Office®, Aeron®, Mirra®, Embody®, Setu®, Sayl®, Cosm®, Caper®, Eames®, Eames Lounge & Ottoman Configurations, Eames Aluminum Group Configuration, and Canvas Office Landscape®.

Working Capital Practices

Information concerning the Company's working capital 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 approximates that no single dealer accounted for more than three percent of the Company's net sales in the fiscal year ended May 29, 2021. The Company estimates that the largest single end-user customer accounted for $113.0 million, $122.9 million and $129.6 million of the Company's net sales in fiscal 2021, 2020, and 2019, respectively. This represents approximately five percent of the Company's net sales in fiscal 2021, 2020 and 2019. The Company's ten largest customers in the aggregate accounted for approximately 17 percent of net sales in fiscal 2021 and 18 percent of net sales in fiscal 2020 and 2019.

Backlog of Unfilled Orders

As of May 29, 2021, the Company's backlog of unfilled orders was $446.9 million. At May 30, 2020, the Company's backlog totaled $470.8 million. The decrease in backlog in the current year was primarily due to delays in processing customer orders in the fourth quarter of fiscal 2020 caused by the outbreak of COVID-19 and related facility shut-downs. It is expected that substantially all the orders forming the backlog at May 29, 2021, 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, 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 Crate & Barrel Holdings, Inc., Hive Modern, Restoration Hardware, Room & Board, Wayfair and Williams-Sonoma, Inc. 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 market.

On July 19, 2021, we completed the acquisition of Knoll, Inc. Refer to the "Executive Overview" and "Business Overview" sections within Item 7 for further discussion of the acquisition of Knoll as well as in Note 18 to the Consolidated Financial Statements included in Item 8 of this report.

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 $50.8 million, $54.3 million and $58.8 million on design and research activities in fiscal 2021, 2020 and 2019, 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

The Company believes that a business must stand for more than just its products and services and the Company's people around the globe share a commitment to using business as a force for good. The Company’s commitment to the planet is embedded in its corporate strategy and will continue to develop as the Company outlines next steps in its sustainability strategy. As part of this commitment, the Company focuses on operating its global footprint with minimal impact on the environment and designing products with materials and processes that are safe for both people and the planet. 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 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 May 29, 2021, approximately four 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 May 29, 2021, the Company had approximately 7,600 employees, which was consistent with May 30, 2020. In addition to its employee workforce, the Company uses temporary labor to meet fluctuating 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®, Embody®, Layout Studio®, Imagine Desking System®, Ratio®, Cosm®, and other seating and storage products and ergonomic accessories such as About A Chair®, Palissade®, and the Flo® monitor arm. The Company conducts business in the following major international markets: Europe, the Middle East, Africa, Latin America and the Asia/Pacific region.

The Company's products currently sold in international markets are manufactured primarily by controlled subsidiaries in the United States, the United Kingdom, China, Brazil and India. A portion of the Company's products sold internationally are also manufactured by third-party suppliers. Sales are made through wholly owned subsidiaries or branches in Canada, the United Kingdom, Denmark, Mexico, Australia, Singapore, Japan, 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 primarily 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.

Item 1A Risk Factors

The following risk factors and other information included in this report should be carefully considered. The risks and uncertainties described below are not the only ones we face; others, either unforeseen or currently deemed not material, 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.

Business and Acquisition Related Risks

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 and working from home.

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 beneficially impact our customers and enhance returns for our shareholders over the long term. Refer to the "Executive Overview" section within Item 7 for further discussion of our areas of strategic focus.

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.

We may be unable to successfully integrate our businesses and Knoll and realize the anticipated benefits of the acquisition of Knoll.

The success of the acquisition of Knoll will depend, in part, on our ability to successfully combine and integrate the businesses of Herman Miller and Knoll, which previously operated as independent public companies, and realize the anticipated benefits, including synergies, cost savings, innovation opportunities and operational efficiencies, from the acquisition, in a manner that does not materially disrupt existing customer, payer, dealer, supplier, employee and other stakeholder relations nor result in decreased revenues due to losses of, or decreases in orders by, customers and payers. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected, and the value of our common stock may decline.

The integration of the two companies may result in material challenges, including, without limitation:

- the diversion of management’s attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management’s attention to the transaction and related integration work;
- managing a larger and more complex combined business;
- maintaining employee morale, retaining key management and other employees and the possibility that the integration process and potential organizational changes may adversely impact the ability to maintain employee relationships;
- retaining existing business and operational relationships, including customers, dealers, suppliers, employees and other counterparties, as may be impacted by contracts containing consent and/or other provisions that may be triggered by the transaction, and attracting new business and operational relationships;
- the integration process not proceeding as expected, including due to a possibility of faulty assumptions or expectations regarding the integration process or Herman Miller’s or Knoll’s operations;
- consolidating corporate, administrative and compliance infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations, including in international markets with differing business, legal and regulatory climates;
- unanticipated issues in integrating information technology, communications and other systems; and
- unforeseen expenses, costs, liabilities or delays associated with the acquisition or the integration.

Many of these factors will be outside of our control, and any one of them could result in delays, increased costs, decreases in the amount of expected revenues or synergies and diversion of management’s time and energy, which could materially affect Herman Miller’s financial position, results of operations and cash flows.

The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized on a timely basis, if at all.

The indebtedness incurred in connection with the acquisition of Knoll contains various covenants that impose restrictions on us and certain of our subsidiaries that may affect their ability to operate their businesses.

The indebtedness incurred in connection with the merger and preferred stock purchase contains various affirmative and negative covenants that, subject to certain significant exceptions, restrict the ability of us and certain of our subsidiaries to, among other things, incur liens on our property, incur additional indebtedness, enter into sale and lease-back transactions, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, and/or merge or consolidate with any other person or sell or convey certain of its assets to any one person, among other things. In addition, the definitive documentation governing such indebtedness contains a financial maintenance covenant that will require us to maintain a certain leverage ratio at the end of each fiscal quarter. Our and our subsidiaries' ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations under such indebtedness.

In connection with the acquisition of Knoll, we incurred significant additional indebtedness, which could adversely affect Herman Miller, including by decreasing our business flexibility, and will increase our interest expense.

The consolidated long-term debt of Herman Miller as of May 29, 2021 was $274.9 million. Our long-term debt as of July 27, 2021, after giving effect to the acquisition and the incurrence and extinguishment of indebtedness in connection therewith, is approximately $1.3 billion. We have substantially increased our indebtedness in comparison to that of Herman Miller on a recent historical basis, which could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing our interest expense. We have also incurred various costs and expenses associated with such indebtedness. The amount of cash required to pay interest on our increased indebtedness levels and thus the demands on our cash resources will be greater than the amount of cash flows previously required to service our indebtedness. The increased levels of indebtedness could also reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes and may create competitive disadvantages for Herman Miller relative to other companies with lower debt levels. If we do not achieve the expected benefits and cost savings from the acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted.

In addition, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that it will be able to obtain additional financing on terms acceptable to us or at all.

Uncertainties associated with the acquisition of Knoll may cause a loss of management personnel and other key employees, which could adversely affect the future business and operations of the combined company following completion of the acquisition.

Herman Miller is dependent on the experience and industry knowledge of its officers and other key employees to execute its business plans. Our success will depend in part upon our ability to retain certain key management personnel and employees. Current and prospective employees of Herman Miller may experience uncertainty about their roles, which may have an adverse effect on our ability to attract or retain key management and other key personnel. Accordingly, no assurance can be given that we will be able to attract or retain key management personnel and other key employees to the same extent that Herman Miller and Knoll have previously been able to attract or retain their own employees.

We have incurred and expect to continue to incur significant costs in connection with the acquisition of Knoll, which may be in excess of those we anticipate.

We have incurred and expect to continue to incur a number of non-recurring fees and costs associated with negotiating and completing the transactions, combining the operations of Herman Miller and Knoll and achieving desired synergies. These fees and costs have been, and will continue to be, substantial. The substantial majority of non-recurring expenses will consist of transaction costs related to the merger and include, among others, the preferred stock purchase, employee retention costs, fees paid to financial, legal, strategic and accounting advisors, severance and benefit costs, proxy solicitation costs and filing fees.

We will also incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We will continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the merger and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

The costs described above, as well as other unanticipated costs and expenses, could have a material adverse effect on the financial condition and operating results of Herman Miller.

Macroeconomic and Workplace Trends Related Risks

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 and retail furnishings industries 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 Company is monitoring the resolution of various trade policy negotiations between the U.S. and key trading partners as well as the post-Brexit impact on the U.K. and European Union. These negotiations create uncertainty in key markets, which, if unresolved in the near term, could negatively impact customer demand. 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 brings 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 office 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, 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 controlled subsidiaries or branches in Canada, Denmark, Korea, Mexico, Australia, 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 primarily 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.

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

The disruptions in the global economic and financial markets during 2007 to 2009 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.

Disease outbreaks, such as the COVID-19 pandemic, could have an adverse impact on the Company's operations and financial results.

From time to time, various disease outbreaks may adversely impact our business, consolidated results of operations and financial condition, such as the current COVID-19 pandemic which has had such an adverse impact. The Company has global manufacturing facilities, suppliers, dealers and customers. Therefore, COVID-19, as well as measures taken by governmental authorities and other organizations and individuals to limit the spread of this virus, may interfere with the ability of our employees, suppliers and other business providers to carry out their assigned tasks or supply materials at ordinary levels of performance relative to the conduct of our business. In addition, the COVID-19 pandemic has caused a significant percentage of the traditional office workforce to work away from their office location. It is reasonable to assume, at least in the near-term, that this will have an adverse impact on the demand for office furniture and related products. This has in the past caused, and may continue to cause, us to materially curtail certain of our business operations, and has had and could continue to have, a material adverse effect on our results of operations and cash flow.

Manufacturing, Supply Chain and Distribution Related Risks

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 both fiscal year 2020 and fiscal 2021, 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. The potential impact to our direct material costs due to tariffs on Chinese imports is somewhat limited, however, 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 2021. 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.

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. Disruptions in this flow of delivery may have a negative impact on our business, results of operations, and financial condition.

In the fourth quarter of 2021, the price of steel was impacted by shortages and disruptions in the steel industry as a result of the COVID-19 pandemic. These disruptions have not had a significant impact on our ability to manufacture and supply products to our customers, but they have negatively impacted the cost of procuring such materials. In the short-term, significant increases in raw material, commodity and other input costs can be difficult to offset with price increases because of existing contractual commitments with our customers. As a result, our gross margins can be adversely affected in the short-term by significant increases in these costs. If we are not successful in passing along higher commodity and other input costs to our customers over the long-term because of competitive pressures, our profitability could be negatively impacted.

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, including 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 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.

Financial Related Risks

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.

Goodwill and indefinite-lived intangible asset impairment charges may adversely affect our operating results.

We have a substantial amount of goodwill and indefinite-lived intangible assets, primarily trademarks, on our balance sheet. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit or intangible asset may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding actual and forecasted revenue growth rates and operating margins and discount rates. Declines in market conditions, a trend of weaker than anticipated financial performance for our reporting units or declines in projected revenue for our trademarks, a decline in our share price for a sustained period of time, an increase in the market-based weighted average cost of capital or a decrease in royalty rates, among other factors, are indicators that the carrying value of our goodwill or indefinite-life intangible assets may not be recoverable. We may be required to record a goodwill or intangible asset impairment charge that, if incurred, could have a material adverse effect on our financial statements.

Impairment of long-lived assets may adversely affect our operating results.

Our long-lived asset groups are subject to an impairment assessment when certain triggering events or circumstances indicate that their carrying value may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows of the operations related to the asset group, an impairment is recorded for the difference between the carrying amount and the fair value of the asset group. The results of these tests for potential impairment may be adversely affected by unfavorable market conditions, our financial performance trends, or an increase in interest rates, among other factors. If as a result of the impairment test we determine that the fair value of any of our long-lived asset groups is less than its carrying amount, we may incur an impairment charge that could have a material adverse effect on our financial statements.

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.

General Risks

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 eCommerce 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. While 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 eCommerce 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 damage 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.

The United States federal and state governments 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.

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 32 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 eCommerce 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
- 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 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.

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 May 29, 2021 were as follows:

Owned Locations	Square Footage (in Thousands)	Use
Zeeland, Michigan	771	Manufacturing, Warehouse, Office
Spring Lake, Michigan	583	Manufacturing, Warehouse, Office
Holland, Michigan	357	Warehouse
Holland, Michigan	293	Manufacturing, Office
Holland, Michigan	238	Office, Design
Sheboygan, Wisconsin	208	Manufacturing, Warehouse, Office
Melksham, United Kingdom	170	Manufacturing, Warehouse, Office
Hildebran, North Carolina	93	Manufacturing, Office

Leased Locations	Square Footage (in Thousands)	Use
Batavia, Ohio	618	Warehouse
Dongguan, China	429	Manufacturing, Office
Atlanta, Georgia	180	Manufacturing, Warehouse, Office
Bangalore, India	105	Manufacturing, Warehouse
Yaphank, New York	92	Warehouse, Office
Mexico City, Mexico	77	Warehouse
New York City, New York	67	Office, Retail
Hong Kong, China	54	Warehouse
Chicago, Illinois	45	Office, Retail
Brooklyn, New York	39	Warehouse, Retail
Stamford, Connecticut	35	Office, Retail

The properties above are primarily used in the Company's segments as indicated below:

Segment Primarily Supported	Owned	Leased	Total
North America Contract	6	2	8
International Contract	1	4	5
Retail	—	5	5
Corporate	1	—	1

As of May 29, 2021, the Company operated 45 retail studios (including 35 operating under the DWR brand, 4 under the HAY brand, 5 Herman Miller stores and a multi-brand Chicago store) that totaled approximately 414,000 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.

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.

Information About Our Executive Officers

Certain information relating to executive officers of the Company as of May 29, 2021 is as follows:

Andrea R. Owen
President and
Chief Executive Officer
Age 56, elected as an
executive officer in 2018

Benjamin P.T. Groom
Chief Digital Officer
Age 37, elected as an
executive officer in 2019

B. Ben Watson
Chief Creative Officer
Age 56, elected as an
executive officer in 2010

Debbie Propst
President, Retail
Age 40, elected as an
executive officer in 2020

Jacqueline H. Rice
General Counsel
Age 49, elected as an
executive officer in 2019

Jeffrey L. Kurburski
Chief Technology Officer
Age 55, elected as an
executive officer in 2018

Jeffrey M. Stutz
Chief Financial Officer
Age 50, elected as an
executive officer in 2009

Jeremy Hocking
President,
International Contract
Age 60, elected as an
executive officer in 2017

John Michael
President,
The Americas
Age 59, elected as an
executive officer in 2020

Kevin Veltman
Vice President, Investor
Relations & Treasurer
Age 46, elected as an
executive officer in 2015

Megan Lyon
Chief Strategy Officer
Age 41, elected as an
executive officer in 2019

Tim Straker
Chief Marketing Officer
Age 55, elected as an
executive officer in 2020

Richard Scott
Chief Manufacturing and
Operations Officer
Age 53, elected as an
executive officer in 2020

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

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. Propst joined Herman Miller, Inc. in 2020 and serves as President of the Company's Retail segment. Prior to joining Herman Miller, Ms. Propst spent seven years at Bed Bath and Beyond where she most recently served as President and Chief Merchandising Officer of One Kings Lanes, as well as Chief Brand Officer for Bed Bath and Beyond.

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. Kurburski joined Herman Miller in 1990 and serves as Chief Technology Officer. Prior to joining Herman Miller, Mr. Kurburski spent time in both the government and private IT sectors.

Mr. Hocking joined Herman Miller in 1984 and serves as President of Herman Miller International. Throughout his 37-year career at Herman Miller, Mr. Hocking has held many international leadership positions, including UK Sales Director, Vice President of Sales for Northern Europe, Vice President of International Marketing, Vice President Asia Pacific, Senior Vice President of Strategic Planning, and Executive Vice President of Strategic Planning & Business Development.

Mr. Michael joined Herman Miller, Inc. in 2017 and serves as President, The Americas. Prior to joining Herman Miller, Mr. Michael held leadership positions at Staples, Ivan Allen Workspace, and Steelcase.

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.

Mr. Straker joined Herman Miller in 2012 and serves as Chief Marketing Officer. Prior to joining Herman Miller, Mr. Straker held a variety of design leadership and strategy roles for companies such as Apple, Lowe's, Goodyear Tire & Rubber, McDonald's, Nationwide Insurance, SFERRA, Netjets, and the Food Network.

Mr. Scott joined Herman Miller, Inc. in 2006 and serves as Chief Manufacturing and Operations Officer. Prior to joining Herman Miller, Mr. Scott spent his career in engineering and manufacturing with Jacobs Suchard Germany, Eurotunnel, and DS Smith Packaging.

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.'s common stock is traded on the Nasdaq Global Select Market System (Symbol: MLHR). As of July 18, 2021, there were approximately 38,000 shareholders of record, including individual participants in security position listings, of the Company's common stock.

Dividends were declared for the last three quarters of fiscal 2021 as approved by the Board of Directors. On April 13, 2021 the company's Board of Directors approved a quarterly cash dividend of 18.75 cents ($0.1875) per share that was paid on July 15, 2021, to shareholders of record on May 29, 2021. 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 Company has one share repurchase plan authorized by the Board of Directors on January 16, 2019, which provides a share repurchase authorization of $250.0 million with no specified expiration date. The approximate dollar value of shares available for purchase under the plans at May 29, 2021 was $236.7 million.

The following is a summary of share repurchase activity during the Company's fourth fiscal quarter ended May 29, 2021:

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)]
2/28/21-3/27/21	—	$ —	—	$ 236,731,127
3/28/21-4/24/21	400	$ 43.56	400	$ 236,713,705
4/25/21-5/29/21	111	$ 44.95	111	$ 236,708,715
Total	511		511	

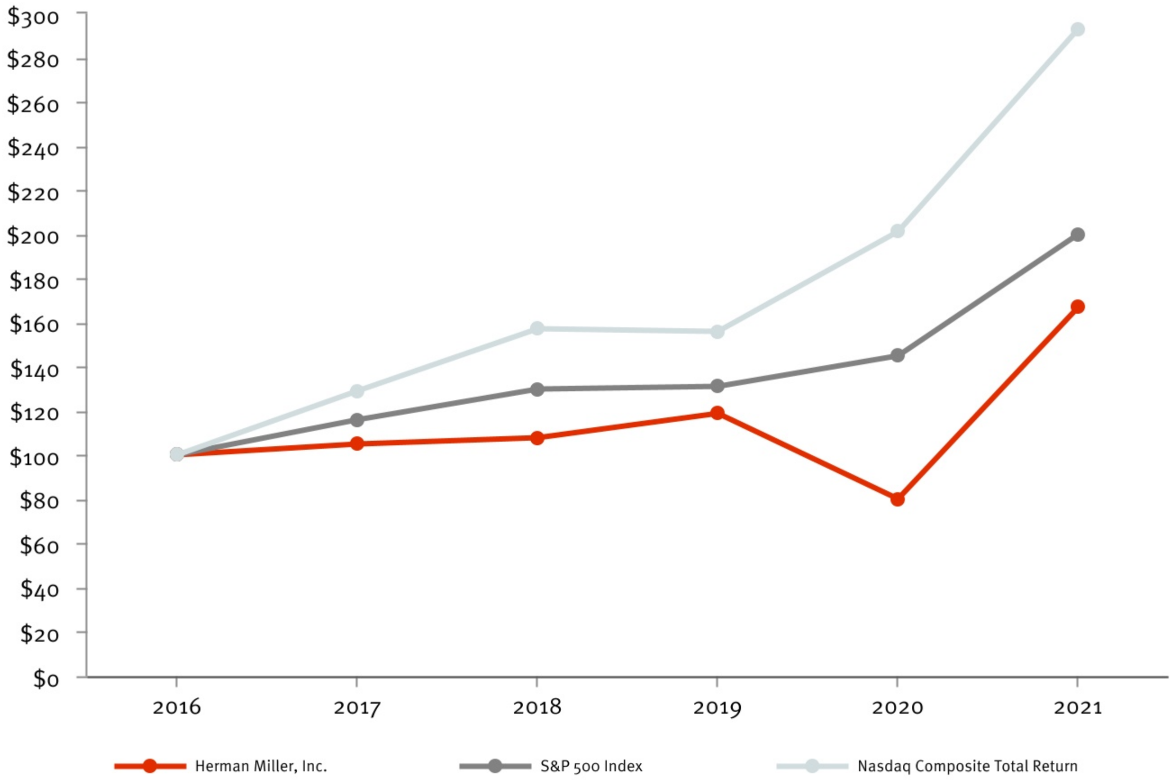
(1) Amounts are as of the end of the period indicated

The Company may repurchase shares from time to time for cash in open market transactions, privately negotiated transactions, pursuant to accelerated share repurchase programs or otherwise in accordance with applicable federal securities laws. The timing and amount of the repurchases will be determined by the Company's management based on their evaluation of market conditions, share price and other factors. The share repurchase program may be suspended or discontinued at any time.

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 Nasdaq Composite Total Return for the five-year period ended May 29, 2021. The graph assumes an investment of $100 on May 28, 2016 in the Company's common stock, the Standard & Poor's 500 Stock Index and the Nasdaq Composite Total Return, with dividends reinvested.



	2016	2017	2018	2019	2020	2021
Herman Miller, Inc.	$ 100	$ 105	$ 108	$ 119	$ 80	$ 167
S&P 500 Index	$ 100	$ 116	$ 130	$ 131	$ 145	$ 200
Nasdaq Composite Total Return	$ 100	$ 129	$ 157	$ 156	$ 201	$ 293

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

Item 6 Selected Financial Data

(In millions, except key ratios and per share data)	2021	2020	2019	2018	2017
Operating Results					
Net sales	$2,465.1	$2,486.6	$2,567.2	$2,381.2	$2,278.2
Gross margin	949.2	910.7	929.9	873.0	864.2
Selling, general, and administrative (1)	646.5	669.7	649.5	621.0	592.9
Impairment charges	—	205.4	—	—	7.1
Design and research	72.1	74.0	76.9	73.1	73.1
Operating earnings (loss)	230.6	(38.4)	203.5	178.9	191.1
Earnings (loss) before income taxes and equity income	226.4	(13.4)	195.1	168.1	177.6
Net earnings (loss)	178.8	(14.4)	160.5	128.7	124.1
Net cash provided by operating activities	332.3	221.8	216.4	166.5	202.1
Net cash used in investing activities	(59.9)	(168.1)	(165.0)	(62.7)	(116.3)
Net cash (used in) provided by financing activities	(347.7)	244.0	(91.9)	2.5	(74.6)
Depreciation and amortization	87.2	79.5	72.1	66.9	58.9
Capital expenditures	59.8	69.0	85.8	70.6	87.3
Common stock repurchased plus cash dividends paid	35.4	63.0	93.5	88.9	63.1
Key Ratios					
Sales (decline) growth	(0.9)%	(3.1)%	7.8%	4.5%	0.6%
Gross margin (2)	38.5	36.6	36.2	36.7	37.9
Selling, general, and administrative (1) (2)	26.2	26.9	25.3	26.1	26.0
Design and research (2)	2.9	3.0	3.0	3.1	3.2
Operating earnings (loss) (2)	9.4	(1.5)	7.9	7.5	8.4
Net earnings growth (decline)	1,341.7	(109.0)	24.7	3.7	(9.7)
After-tax return on net sales (3)	7.3	(0.6)	6.3	5.4	5.4
After-tax return on average assets (4)	8.7	(0.8)	10.5	9.2	9.8
After-tax return on average equity (5)	24.0	(2.1)	23.2	20.6	22.3
Share and Per Share Data					
Earnings (loss) per share-diluted	$2.92	$(0.15)	$2.70	$2.12	$2.05
Cash dividends declared per share	0.56	0.63	0.79	0.72	0.68
Book value per share at year end (6)	14.39	10.94	12.23	11.22	9.84
Market price per share at year end	47.80	23.02	35.49	32.85	32.70
Weighted average shares outstanding-diluted	59.4	58.9	59.4	60.3	60.6
Financial Condition					
Total assets	$2,061.9	$2,053.9	$1,569.3	$1,479.5	$1,306.3
Working capital (7)	390.7	403.8	215.2	231.6	106.2
Current ratio (8)	1.8	1.8	1.5	1.6	1.3
Interest-bearing debt and related swap agreements (9)	285.7	558.8	282.8	265.1	197.8
Stockholders' equity	849.6	643.0	719.2	664.8	587.7
Total capital (10)	1,135.3	1,201.8	1,002.0	929.9	785.5

(1) Selling, general, and administrative expenses include restructuring expenses in years that are applicable.
(2) Shown as a percent of net sales.
(3) Calculated as net earnings (loss) divided by net sales.
(4) Calculated as net earnings (loss) divided by average assets.
(5) Calculated as net earnings (loss) divided by average equity.
(6) Calculated as total stockholders' equity divided by common shares of stock outstanding.
(7) Calculated using current assets less 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).
(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. Refer also to the information provided under the heading "Forward-Looking Statements" in this Annual Report on Form 10-K.

Executive Overview

Herman Miller's purpose statement is design for the good of humankind. 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.

Subsequent to the end of fiscal 2021, the Company finalized the acquisition of Knoll, Inc. ("Knoll") in a cash and stock transaction valued at approximately $1.8 billion. This combination brings together two pioneering and iconic brands to create MillerKnoll, one of the largest and most influential modern design companies in the world. Together we will transform our industry and redefine modern design. With a broader portfolio, global footprint, and advanced digital capabilities, our combined company will be poised to innovate and design the future for all the places where life happens.

Herman Miller's products are sold internationally through controlled subsidiaries or branches in various countries including the United Kingdom, Denmark, Canada, Japan, 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, the Company's 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), HAY and Herman Miller 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 HAY brand, which was launched in North America in fiscal 2019.

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 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 naughtone.

- International Contract — Includes the operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings in EMEA, Latin America, and Asia-Pacific.

- 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 eCommerce, direct mailing catalogs and Herman Miller, DWR and HAY stores and 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, design 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, heal and play. Within the industries in which the Company operates, Herman Miller, DWR, Geiger, Maharam, POSH, Nemschoff, Colebrook Bosson Saunders ("CBS"), HAY, Maars Living 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 stores and studios, eCommerce, 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 control 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 US federal government). In most of these instances, the Company contracts separately with a dealer or third-party installation company to provide sales-related services.

- Retail Studios - At the end of fiscal 2021 the Retail business unit included 45 retail studios (including 35 operating under the DWR brand, 4 under the HAY brand, 5 Herman Miller stores and a multi-brand Chicago store). This business also operates 3 outlet studios. The retail and outlet studios are located in metropolitan areas throughout North America.

- eCommerce - The Company sells products through its online stores, in which products are available for sale via the Company's website, hermanmiller.com, global eCommerce 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 eCommerce websites.

- Wholesale - Certain of the Company's products are sold on a wholesale basis to third-party retailers located in various markets around the world.

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 purpose of design for the good of humankind. 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.

1

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. We strive to become more agile, invest in responsive innovation, simplify our go-to-market strategy and continue to lead in product innovation across all our businesses globally.

2

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. We will leverage our deep understanding of customer journeys to deliver inspired products and a frictionless customer experience. Along with strengthening the core technology backbone, we will also drive step-change in data, analytics, marketing and brand capabilities.

3

Accelerate Profitable Growth
There are identified opportunities for growth ahead in each of our business segments. We believe we are the only company 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.

4

Reinforce Our Commitment to Our People, Planet, Communities
With a legacy of corporate social responsibility that is deeply ingrained in our culture, we will reinforce our commitment to our people, planet and communities in a more integrated and deliberate way than ever before. We will focus on building, developing and retaining world-class talent, shaping an inclusive and diverse workforce and elevating our Better World commitment. Doing so will enable us to 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 May 29, 2021:

- The Company entered into strategic agreements during the fiscal year, including agreements for (i) the acquisition of Knoll's common stock for $11.00 per share in cash, without interest, and 0.32 shares of Herman Miller common stock for each outstanding share of Knoll common stock and (ii) the acquisition of all of the outstanding shares of Knoll's preferred stock for approximately $253 million in cash in the aggregate. This transaction was finalized subsequent to the end of the fiscal year.

- Net sales were $2,465.1 million, representing a decrease of 0.9% when compared to the prior year. The decrease in net sales was driven primarily by decreased sales volumes in the North America Contract segment, partially offset by increased demand with the Retail segment, the impact the acquisition of HAY and naughtone; and incremental list price increases, net of contract price discounting. On an organic basis, net sales were $2,345.3 million(*), representing a decrease of 5.7% when compared to the prior year.

- Gross margin was 38.5% as compared to 36.6% in the prior year. The increase in gross margin was driven primarily by favorable channel and product mix combined with incremental list price increases, partially offset by lower overhead leverage due to decreased volumes as well as an increase in commodity market prices.

- Operating expenses decreased by $230.5 million or 24.3% as compared to the prior year. Operating expenses in the prior year included non-cash impairment charges of $205 million. In the current year, operating expenses included acquisition and integration charges of $11.0 million, and restructuring costs of $2.7 million. Restructuring costs related mainly to severance and outplacement benefits associated with workforce reductions and profit improvement initiatives implemented during the previous year.

- The effective tax rate was 21.2% for fiscal 2021 compared to negative 44.9% for the prior year. Excluding the impact of adjustments related to restructuring and other special charges recorded, a portion of which were not deductible for tax purposes, the effective tax rate for the prior year was 19.9%(*). This rate reflected both provision to return adjustments and the accrual of withholding taxes related to planned repatriation of cash from certain foreign jurisdictions.

- Diluted earnings per share for the full year totaled $2.92 compared to a loss per share of $0.15 last year. On an adjusted basis, diluted earnings per share totaled $3.05(*) in fiscal 2021 compared to $2.61(*) in fiscal 2020, behind the strength of improved gross margins and well-managed operating expenses.

- The Company declared cash dividends of $0.56 per share compared to $0.63 per share in the prior year.

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

- The Company's Retail segment supports a range of furniture categories aimed at the home environment. Several of these categories, including Home Office, Upholstery, Outdoor, Storage, and Accessories, saw a ramp-up in demand during the first three quarters of fiscal 2021 and this continued into the fourth quarter of fiscal 2021.

- The disruption from the COVID-19 pandemic has adversely impacted our fiscal 2021 results as contract furniture industry order trends, as reported by the Business and Institutional Furniture Manufacturers Herman Miller, Inc. and Subsidiaries 25 Association ("BIFMA"), have highlighted near-term demand pressures from the slowdown in economic activity from the pandemic in our North America Contract segment. Our International Contract segment has also been impacted, although many of the markets internationally have shown signs of faster economic recovery.

- The Company is monitoring the resolution of various trade policy negotiations between the U.S. and key trading partners as well as the post-Brexit impact on the U.K. and European Union. These negotiations create uncertainty in key markets, which, if unresolved in the near term, could negatively impact customer demand.

- The Company continues to navigate the impact of global tariffs. The Company believes, based upon existing circumstances, that pricing, strategic sourcing actions and profit optimization initiatives have fully offset the current level of tariffs imposed on imports from China.

- The Company's financial performance is sensitive to changes in certain input costs, including steel and steel component parts. The market price of steel in the fourth quarter of fiscal 2021 was higher than the same period of the prior year and negatively impacted consolidated results on a year-over-year basis. The price of steel unfavorably impacted consolidated gross margin in the fourth quarter of fiscal 2021. However, ongoing cost reduction initiatives and a planned price increase in the first quarter of fiscal 2022 will help offset these pressures over time.

The remaining sections of Item 7 include additional analysis of the fiscal year ended May 29, 2021, including discussion of significant variances compared to the prior year period. A detailed review of our fiscal 2020 performance compared to our fiscal 2019 performance is set forth in Part II, Item 7 of our Form 10-K for the fiscal year ended May 30, 2020.

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

COVID-19 Update

The Company continues to respond to the challenges brought about by the COVID-19 pandemic. Workplace restrictions are regionally applied based on the recommendations of local government and health authorities. While demand for the Company's products and services, particularly in the Contract channel of the business, has been adversely impacted, our multi-channel go-to-market approach has enabled us to serve customers where, and how, they need to be served. In addition, the investments we’ve made in people, technology, and products have positioned us well to capitalize on emerging opportunities as our customers' needs have changed throughout the COVID-19 crisis. This has allowed for our Retail business to take advantage of the unanticipated emerging work-from-home trend as well as "home is my castle" trends as consumers are focusing on and upgrading their broader home environments.

Employee Safety and Health

The health and well-being of employees remains top of mind. We are taking a regional approach to restrictions based on active COVID-19 case levels and local health authority recommendations. Contact tracing is active in all regions to help track and control the spread of the virus. We also continue to employ a variety of other safety measures including domestic and international travel restrictions, extensive cleaning protocols, temperature and health screenings, personal protective equipment, and visitor safety guidelines. We will be working with our employees around the globe to understand vaccine distribution and create time for every employee to be vaccinated if they wish to do so.

Customer Focus

The digital investments we've made allowed us to pivot quickly and capitalize on a new set of opportunities when our customers' purchasing behaviors changed. These investments include reimagined Design Within Reach and Herman Miller websites, a Work from Home landing page on Herman Miller's website, a Work from Home online assessment tool, and new digital platforms that are creating greater efficiencies for contract and dealer audiences. The latest in a series of innovative solutions designed to accelerate growth in the Contract business is Herman Miller Professional – a digital ecosystem designed to meet customer demand for a simple and efficient design and product specification solution. Herman Miller Professional will deliver seamless online experiences to small- and medium sized businesses, a segment that has historically been underserved by the traditional contract furniture model, while also helping our dealers capture new clients and revenue. Businesses will be able to design their spaces with product from the Herman Miller family of brands, leverage an online quoting and purchasing process to complete their order, and select from several delivery options, including white glove service where appropriate. Our first Herman Miller retail seating concept stores are open in Los Angeles, New York Hudson Yards, Tokyo, Austin, Chicago Fulton Market, Century City Los Angeles and Greenwich, CT. In the early days, these stores have exceeded our initial revenue and operating profit expectations as we seek to educate customers about the health benefits of ergonomic seating. We remain uniquely positioned to serve our customers through multiple channels with the most comprehensive portfolio of products in the industry.

As our customers develop their post-pandemic work plans, there is a notable shift to work being done from a number of places, with the office as a destination – a place where employees want to be rather than are required to be. Herman Miller Group is ready to capture the many opportunities caused by this shift as our commercial customers rethink their real estate portfolios, redesign their workplaces, and seek to provide healthy and productive home work environments.

Manufacturing and Retail Operations

Manufacturing facilities continue to operate at near-normal capacity with enhanced safety precautions. All retail studios and stores are open in some capacity; with some open to the public and some open in limited capacity. All facilities operate within the context of and are subject to local guidance from government and health authorities and we will continue to adjust to ensure we are acting in accordance with these guidelines.

Cost Reductions

In fiscal 2020, the Company implemented a range of actions aimed at temporarily reducing costs and preserving liquidity. In fiscal 2021, the Company, together with its Board of Directors, made the decision to move forward with several restorative actions. This included eliminating the 10% reduction in compensation, the introduction of a modified bonus program and re-establishing a quarterly cash dividend program. In addition, the Company has reinstated the previously suspended employer-paid retirement plan contributions in the fourth quarter of fiscal 2021, and has also elected to make a catch-up contribution for the employer-paid retirement plan contributions that were suspended for a majority of fiscal 2021. Despite these various reinstatements, the Company continues to tightly control operating expenses in the face of lingering economic uncertainty.

Reconciliation of Non-GAAP Financial Measures

This report contains references to Organic net sales, Adjusted earnings per share - diluted, and adjusted effective tax rate which are non-GAAP financial measures. Organic Growth (Decline) represents the change in reported Net sales, excluding currency translation effects and the impact of acquisitions. Adjusted Earnings per Share represents reported diluted earnings per share excluding the impact from adjustments related to purchase accounting adjustments related to the HAY and naughtone investments, impairment charges, restructuring expenses and other special charges or gains, including related taxes. Restructuring expenses include actions involving facilities consolidation and optimization, targeted workforce reductions, and costs associated with an early retirement program. Special charges include certain costs arising as a direct result of COVID-19, and retroactive payments related to reinstated employee benefits. Retroactive payments related to reinstated employee benefits were an adjustment to Earnings per Share in fourth quarter, but not for the full year. Adjusted effective tax rate reflects both provision to return adjustments and the accrual of withholding taxes related to planned repatriation of cash from certain foreign jurisdictions.

The Company believes presenting Organic net sales and Adjusted earnings per share - diluted is useful for investors as it provides financial information on a more comparative basis for the periods presented by excluding items that are not representative of the ongoing operations of the Company.

Organic net sales and Adjusted earnings per share - diluted are not measurements of our financial performance under GAAP and should not be considered as alternatives to the related GAAP measurement. These non-GAAP measurements have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of non-GAAP measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. We compensate for these limitations by providing prominence of our GAAP results and using the non-GAAP financial measures only as a supplement.

The following table reconciles Net sales to Organic net sales for the years ended as indicated below (in millions):

	May 29, 2021				May 30, 2020			
	North America	International	Retail	Total	North America	International	Retail	Total
Net Sales, as reported	$1,194.0	$669.0	$602.1	$2,465.1	$1,598.2	$502.8	$385.6	$2,486.6
% change from PY	(25.3)%	33.1%	56.1%	(0.9)%				
Proforma Adjustments								
Acquisitions	(10.6)	(87.3)	—	(97.9)	—	—	—	—
Currency Translation Effects [1]	(1.8)	(19.6)	(0.5)	(21.9)	—	—	—	—
Organic net sales	$1,181.6	$562.1	$601.6	$2,345.3	$1,598.2	$502.8	$385.6	$2,486.6
% change from PY	(26.1)%	11.8%	56.0%	(5.7)%				

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

The following table reconciles EPS to Adjusted EPS for the years ended as of indicated below:

	May 29, 2021	May 30, 2020
Earning (Loss) per Share - Diluted	$ 2.92	$ (0.15)
Less: Gain on consolidation of equity method investments	—	(0.63)
Less: Gain on legal settlement, after tax	(0.06)	—
Add: Special charges, after tax	0.02	0.15
Add: Impairment charges, after tax	—	2.90
Add: Acquisition and integration charges, after tax	0.15	—
Add: Restructuring expenses, after tax	0.02	0.34
Adjusted Earnings per Share - Diluted	$ 3.05	$ 2.61
Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) – Diluted	59,389,598	58,920,653

Note: The adjustments above are net of tax. For the twelve months ended May 29, 2021 and May 30, 2020, the tax impact of the adjustments were $0.01 and $0.62, respectively.

Financial Results

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

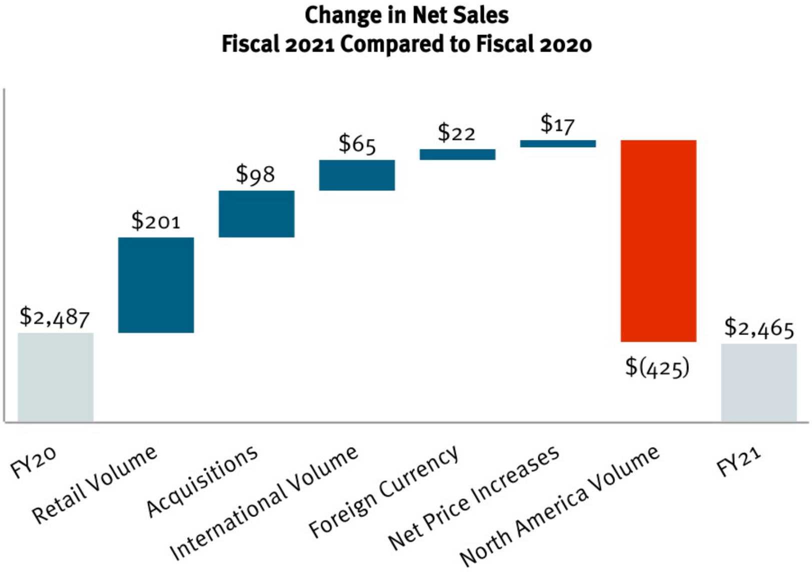
(Dollars in millions)	Fiscal 2021	Fiscal 2020	% Change
Net sales	$ 2,465.1	$ 2,486.6	(0.9)%
Cost of sales	1,515.9	1,575.9	(3.8)%
Gross margin	949.2	910.7	4.2 %
Operating expenses	718.6	949.1	(24.3)%
Operating earnings (loss)	230.6	(38.4)	n/a
Gain on consolidation of equity method investments	—	36.2	n/a
Other expenses, net	4.2	11.2	(62.5)%
Earnings (loss) before income taxes and equity income	226.4	(13.4)	n/a
Income tax expense	47.9	6.0	n/a
Equity income from nonconsolidated affiliates, net of tax	0.3	5.0	(94.0)%
Net earnings (loss)	178.8	(14.4)	n/a
Net earnings (loss) attributable to redeemable noncontrolling interests	5.7	(5.3)	n/a
Net earnings (loss) attributable to Herman Miller, Inc.	$ 173.1	$ (9.1)	n/a

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 2021	Fiscal 2020
Net sales	100.0 %	100.0 %
Cost of sales	61.5	63.4
Gross margin	38.5	36.6
Operating expenses	29.2	38.2
Operating (loss) earnings	9.4	(1.5)
Gain on consolidation of equity method investments	—	1.5
Other expenses, net	0.2	0.5
Earnings (loss) before income taxes and equity income	9.2	(0.5)
Income tax expense	1.9	0.2
Equity income from nonconsolidated affiliates, net of tax	—	0.2
Net earnings (loss)	7.3	(0.6)
Net earnings (loss) attributable to redeemable noncontrolling interests	0.2	(0.2)
Net earnings (loss) attributable to Herman Miller, Inc.	7.0	(0.4)

Net Sales

The following chart presents graphically the primary drivers of the year-over-year change in Net sales. The amounts presented in the bar graph are expressed in millions and have been rounded.



Net sales decreased $21.5 million or 0.9% compared to the prior year fiscal period. The following items primarily contributed to the change:

- Increased sales volumes within the Retail segment of approximately $201 million and the International segment of approximately $65 million.
- Increase of approximately $98 million due to the acquisitions of HAY and naughtone.
- Incremental list price increases, net of contract price discounting, of approximately $17 million.
- Foreign currency translation had a favorable impact on net sales of approximately $22 million.
- Decreased sales volumes within the North America segment of approximately $425 million, primarily due to the impact of the COVID-19 pandemic.

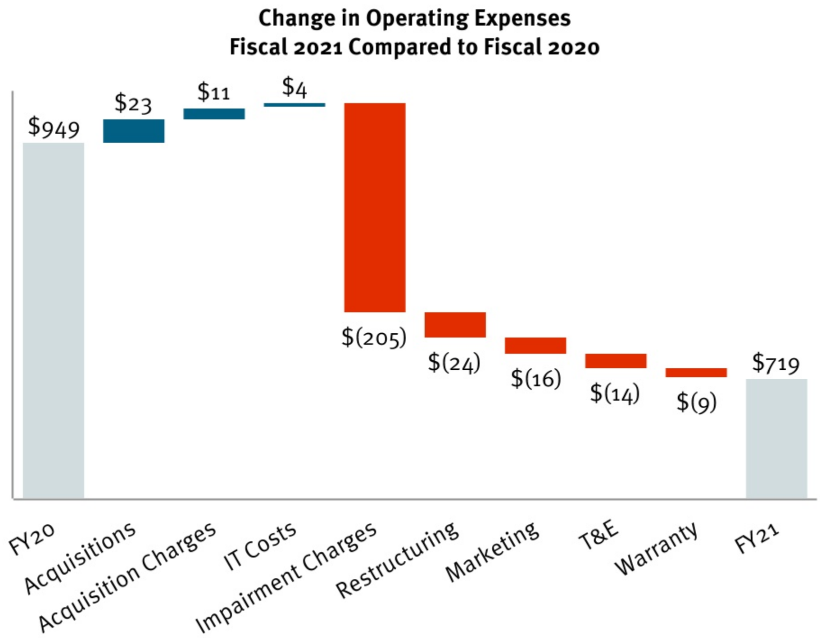
Gross Margin

Gross margin was 38.5% for fiscal 2021 as compared to 36.6% for fiscal 2020. The following factors summarize the major drivers of the year-over-year change in gross margin percentage:

- A favorable shift in channel mix increased gross margin by approximately 80 basis points.
- Product mix, material performance and ongoing profitability improvement efforts increased gross margin by approximately 140 basis points.
- Incremental list price increases, net of contract price discounting, increased gross margin by approximately 40 basis points.
- Lower overhead leverage decreased gross margin by approximately 70 basis points.

Operating Expenses

The following chart presents graphically the primary drivers of the year-over-year change in Operating expenses. The amounts presented in the bar graph are expressed in millions and have been rounded.



Operating expenses decreased by $230.5 million or 24.3% compared to the prior year fiscal period. The following factors contributed to the change:

- The acquisition of HAY and naughtone increased Operating expenses by approximately $23 million and charges related to the Knoll acquisition increased current year Operating expenses by approximately $11 million.
- IT costs increased approximately $4 million driven primarily by increased investments within the Company's digital and eCommerce platforms.
- Non-cash charges of $205 million in the prior year for the impairment of goodwill, intangible assets and right of use assets related to Design Within Reach, Maharam, HAY and naughtone.
- Restructuring expenses decreased by approximately $24 million, primarily related to voluntary and involuntary reductions in the Company's North American and International workforces that were substantially completed in the prior year.
- Lower marketing and selling expenses of approximately $16 million primarily within the North America Contract segment due to lower sales volume.
- Travel costs were approximately $14 million lower due to decreased travel as a result of COVID-19.
- Lower warranty expense of approximately $9 million. Decreased warranty costs were due to lower sales volumes and claims experience within the North America Contract segment.

Other Income/Expense

Net other expenses for fiscal 2021 was $4.2 million compared to $11.2 million in fiscal 2020. The change was primarily the result of favorable legal settlements of approximately $4.3 million in fiscal 2021.

Income Taxes

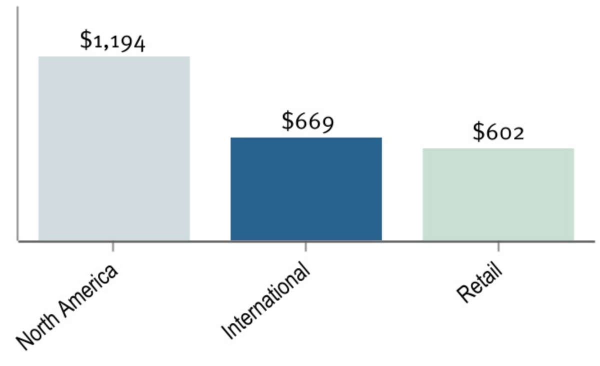
See Note 11 of the Consolidated Financial Statements for additional information.

Operating Segments Results

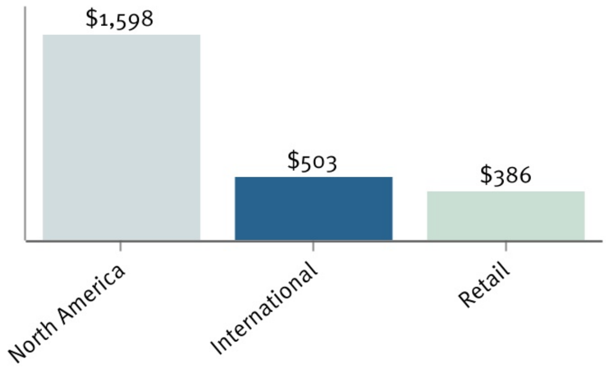
The business is comprised of various operating segments as defined by generally accepted accounting principles in the United States. These operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions. The segments identified by the Company include North America Contract, International Contract, Retail and Corporate. For descriptions of each segment, refer to Note 14 of the Consolidated Financial Statements.

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

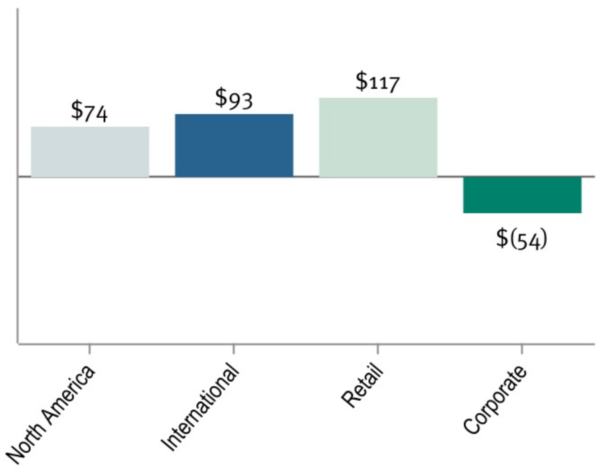
Net Sales by Reportable Operating Segment Fiscal Year Ended May 29, 2021 (in Millions)



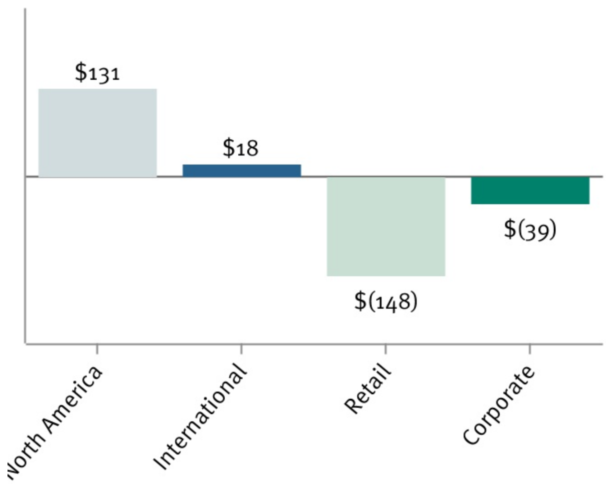
Net Sales by Reportable Operating Segment Fiscal Year Ended May 30, 2020 (in Millions)



Operating Earnings (Loss) by Reportable Operating Segment Fiscal Year Ended May 29, 2021 (in Millions)



Operating Earnings (Loss) by Reportable Operating Segment Fiscal Year Ended May 30, 2020 (in Millions)



North America Contract ("North America")

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Change
Net sales	$ 1,194.0	$ 1,598.2	$ (404.2)
Gross margin	413.4	580.6	(167.2)
Gross margin %	34.6 %	36.3 %	(1.7)%
Operating earnings	74.1	130.9	(56.8)
Operating earnings %	6.2 %	8.2 %	(2.0)%

Net sales decreased 25.3%, or 26.1%(*) on an organic basis, over the prior year due to:

- Decreased sales volumes within the North America segment of approximately $424.5 million, primarily due to the outbreak of COVID-19; offset by
- Incremental list price increases, net of discounting, of approximately $7.9 million
- Approximately $10.6 million due to the acquisition of naughtone; and
- The impact of foreign currency translation which increased sales by approximately $1.8 million.

Operating earnings decreased $56.8 million, or 43.4%, over the prior year due to:

- Decreased gross margin of $167.2 million due to decreased sales volumes as well as a decrease in gross margin percentage of 170 basis points. The decrease in gross margin percentage was due primarily to lower overhead and labor leverage offset in part by lower overhead spend; offset by
- Decrease in operating expenses of $110.4 million. This reduction was driven by lower marketing and selling expenses of approximately $15 million, lower travel costs of approximately $8 million, lower warranty costs of approximately $9 million and lower restructuring expenses of $14.9 million.

International Contract ("International")

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Change
Net sales	$ 669.0	$ 502.8	$ 166.2
Gross margin	238.9	168.5	70.4
Gross margin %	35.7 %	33.5 %	2.2 %
Operating earnings	93.0	18.2	74.8
Operating earnings %	13.9 %	3.6 %	10.3 %

Net sales increased 33.1%, or 11.8%(*) on an organic basis, over the prior year due to:

- Approximately $87 million due to the acquisition of HAY and naughtone
- Increased sales volumes within the International segment of approximately $64.9 million, primarily driven by growth within the Asia-Pacific and EMEA regions. These regions benefited from a relatively early recovery to the COVID pandemic and associated return to the office.
- The impact of foreign currency translation which increased sales by approximately $19.6 million; offset by
- Incremental discounting, net of list price increases, of approximately $5.6 million.

Operating earnings increased $74.8 million, or 411.0%, compared to the prior year due to:

- Increased gross margin of $70.4 million due to the increase in sales explained above, and increased gross margin percentage of 220 basis points due primarily to favorable changes in channel and product mix.; and
- Decreased operating expenses of $4.4 million driven primarily by the prior year non-cash charge of $23.2 million for the impairment of intangible assets related to HAY and naughtone. This was offset in part by increased operating expenses related to the acquisition of Hay and naughtone.

Retail

(Dollars in millions)	Fiscal 2021	Fiscal 2020	Change
Net sales	$ 602.1	$ 385.6	$ 216.5
Gross margin	296.9	161.6	135.3
Gross margin %	49.3 %	41.9 %	7.4 %
Operating earnings	117.2	(148.3)	265.5
Operating earnings %	19.5 %	(38.5)%	58.0 %

Net sales increased 56.1% as reported and 56.0% on an organic(*) basis, over the prior year due to:

- Increased sales volumes of approximately $201.0 million which were driven by increased demand across multiple product categories, with the largest increase relating to workplace furnishings; and
- Incremental price increases, net of discounting, of approximately $15.0 million.

Operating earnings increased $265.5 million over the prior year due to:

- Increased gross margin of $135.3 million due to the increase in sales explained above, as well as an increased gross margin percentage of 740 basis points due primarily to changes in channel and product mix and the impact of incremental price increases; and
- Decreased operating expenses of $130.2 million were driven primarily by non-cash charges recorded in the prior year of 139.0 million related to the impairment of goodwill, intangible assets and right of use assets held by DWR. This was offset in part by increased investment in digital and eCommerce capabilities, the initial rollout of Herman Miller-branded seating stores, and increased variable selling expenses and incentives.

Corporate

Corporate unallocated expenses totaled $53.7 million for fiscal 2021, an increase of $14.5 million from fiscal 2020. The increase was driven primarily by $11.0 million of acquisition and integration costs associated with the Knoll acquisition that was finalized subsequent to the close of fiscal 2021.

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

Liquidity and Capital Resources

The table below summarizes the net change in cash and cash equivalents for the fiscal years indicated.

	Fiscal Year Ended	
(In millions)	2021	2020
Cash provided by (used in):		
Operating activities	$ 332.3	$ 221.8
Investing activities	$ (59.9)	$ (168.1)
Financing activities	$ (347.7)	$ 244.0
Effect of exchange rate changes	$ 17.7	$ (2.9)
Net change in cash and cash equivalents	$ (57.6)	$ 294.8

Cash Flow — Operating Activities

Cash provided by operating activities in fiscal 2021 was $332.3 million compared to $221.8 million in the prior year. The increase in cash generated from operations in the current year, compared to the prior year, was primarily due to:

- Prior year net earnings included a non-taxable non-cash gain on consolidation of an equity method investment of $36.2 million as well as a non-cash impact of $205.4 of impairment charges; and
- Restructuring expenses of $2.7 million compared to $26.4 million in the prior year; and
- An increase in current assets primarily driven by an increase in accounts receivable of $14.8 million in the current year compared to a decrease of $68.6 million in the prior year. The increase in accounts receivable is primarily due to timing and increase in sales at the end of fiscal 2021 compared to fiscal 2020; and

- An increase in current liabilities driven by the following:
  - Increase in accounts payable of $43.2 million in the current year compared to a decrease of $59.5 million in the prior year which was a result of timing and greater production in fiscal 2021 compared to fiscal 2020 due to manufacturing shut downs in the prior year; and
  - Increase in accrued liabilities of $15.1 million in the current year compared to a decrease of $32.0 million in the prior year driven by increases in compensation in the current year offset by a decrease in accrued vacation.

Cash Flow — Investing Activities

Cash used in investing activities in fiscal 2021 totaled $59.9 million compared to $168.1 million in the prior year. The decrease in cash outflow in the current year, compared to the prior year, was primarily a result of the following:

- Prior year cash outflows of $111.2 million for the additional investments in naughtone and HAY; and
- A decrease in capital expenditures of $9.2 million due to reduced spending as a result of COVID-19; and
- Proceeds from the sale of the Company's manufacturing facility in China and the office facility in the United Kingdom in the current year of $14.0 million.

At the end of the fiscal 2021, there were outstanding commitments for capital purchases of $46.5 million. The Company plans to fund these commitments with cash on hand and/or cash generated from operations. The Company expects capital spending in fiscal 2022 to be between $140 million and $150 million, which will be primarily related to investments in the Company's facilities and equipment along with the inclusion of Knoll in fiscal year 2022.

Cash Flow — Financing Activities

Cash used in financing activities was $347.7 million in fiscal 2021 as compared to cash provided by financing activities of $244.0 million in fiscal 2020. The items below represent the major factors driving the year-over-year increase in cash flow used in financing activities:

- During the first quarter of fiscal 2021 the Company paid down the $265.0 million draw on its syndicated revolving line of credit that was taken in the fourth quarter of fiscal 2020. Additionally, in the fourth quarter of fiscal 2021, the Company repaid $50.0 million of private placement notes that were due March 1, 2021; and
- Lower employer-benefit related stock issuances in the current year. The Company issued $5.0 million in common stock related to these programs during the current fiscal year compared to $15.6 million in fiscal 2020; offset in part by
- Common stock repurchased of $0.9 million in the current year compared to $26.6 million in the prior year; and
- The prior year purchase of the remaining Herman Miller Consumer Holdings, Inc. redeemable noncontrolling interests for $20.3 million.

Sources of Liquidity

In addition to steps taken to protect its workforce and manage business operations, the Company has taken actions to safeguard its capital position in the current environment. The Company is closely managing spending levels, capital investments, and working capital, and has temporarily suspended open market share repurchase activity as part of managing cash flows.

At the end of fiscal 2021, the Company had a well-positioned balance sheet and liquidity profile. 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, refer to Note 6 to the Consolidated Financial Statements.

(In millions)	May 29, 2021	May 30, 2020
Cash and cash equivalents	$ 396.4	$ 454.0
Marketable securities	$ 7.7	$ 7.0
Availability under revolving lines of credit	$ 265.2	$ 0.6

Of the cash and cash equivalents noted above at the end of fiscal 2021, the Company had $213.7 million of cash and cash equivalents held outside the United States. In addition, the Company had marketable securities of $7.7 million held by one of its international wholly-owned subsidiaries.

The Company’s syndicated revolving line of credit, which expires on August 28, 2024, provides the Company with up to $500 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 up to $250 million. 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.

As of May 29, 2021, the total debt outstanding related to borrowings under the syndicated revolving line of credit was $225.0 million with available borrowings against this facility of $265.2 million.

The subsidiary holding the Company's marketable securities is taxed as a United States taxpayer at the Company's election. Consequently, for tax purposes, all United States tax impacts for this subsidiary have been recorded. The Company intends to repatriate $107.0 million in cash held in certain foreign jurisdictions and as such has recorded a deferred tax liability related to foreign withholding taxes on these future dividends received in the U.S. from foreign subsidiaries of $0.7 million. The Company intends to remain indefinitely reinvested in the remaining undistributed earnings outside the U.S.

The Company believes that its financial resources are adequate to provide for its operations for at least the next 12 months and will allow it to manage the impact of COVID-19 on the Company's business operations for the foreseeable future. The Company will continue to evaluate its financial position in light of future developments, particularly those relating to COVID-19 and the Knoll acquisition.

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. Refer to Note 13 of the Consolidated Financial Statements for more information relating to contingencies.

Basis of Presentation

The Company's fiscal year ends on the Saturday closest to May 31. The fiscal years ended May 29, 2021, May 30, 2020 and June 1, 2019 contained 52 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	2022	2023-2024	2025-2026	Thereafter
Short-term borrowings and long-term debt [1]	$ 277.1	$ 2.2	$ —	$ 225.0	$ 49.9
Estimated interest on debt obligations [1]	66.0	9.1	18.2	18.2	20.5
Operating leases	260.8	42.3	81.5	64.9	72.1
Purchase obligations [2]	70.8	62.9	7.9	—	—
Pension and other post employment benefit plans funding [3]	27.6	2.5	5.1	5.4	14.6
Stockholder dividends [4]	11.1	11.1	—	—	—
Other [5]	15.1	5.2	4.1	1.4	4.4
Total	$ 728.5	$ 135.3	$ 116.8	$ 314.9	$ 161.5

(1) Includes the current portion of long-term debt. Contractual cash payments on long-term debt obligations are disclosed herein based on the amounts borrowed as of May 29, 2021 and 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 May 29, 2021. Actual cash outflows may differ significantly due to changes in borrowings or 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 May 29, 2021, the total projected benefit obligation for our domestic and international employee pension benefit plans was $141.9 million.
(4) Represents the dividend payable as of May 29, 2021. 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.

Other Future Obligations

The Company entered into strategic agreements during the fiscal year, including agreements for (i) the acquisition of Knoll’s common stock for $11.00 per share in cash, without interest, and 0.32 shares of Herman Miller common stock for each outstanding share of Knoll common stock and (ii) the acquisition of all of the outstanding shares of Knoll's preferred stock for approximately $253 million in cash in the aggregate. This transaction was finalized subsequent to the end of the fiscal year. The transaction was funded with a combination of new debt, as discussed in Note 19 of the Consolidated Financial Statements, and cash on our balance sheet.

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. The following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

Business Combinations

We allocate the fair value of purchase consideration to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is allocated to goodwill. The allocation of the purchase consideration requires management to make significant estimates and assumptions, especially with respect to intangible assets. These estimates are reviewed with our advisors and can include, but are not limited to, future expected cash flows related to acquired customer relationships, trademarks and know-how/designs and require estimation of discount rates and royalty rates. As such, our estimates of fair value are based upon reasonable assumptions but which are inherently uncertain and unpredictable, and as a result, actual results may differ from these estimates. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. During 2020, management considered the acquisition of HAY a material acquisition. There were no other material acquisitions during fiscal 2020 or 2021; however, the acquisition of Knoll, which closed subsequent to year end is a material acquisition. See Note 3 to the Consolidated Financial Statements for more information.

Goodwill and Indefinite-lived Intangibles

We perform our annual impairment assessment for goodwill and other indefinite-lived intangible assets each year as of March 31 or more frequently if events or changes in circumstances indicate an impairment maybe possible. We may consider qualitative factors to assess if it is more likely than not that the fair value for goodwill or indefinite-lived intangible assets is below the carrying amount. We may also elect to bypass the qualitative assessment and perform a quantitative assessment.

To complete the impairment assessment the Company makes estimates about fair value by using a weighting of the income and the market approach. The income approach is based on projected discounted cash flows using a market participant discount rate. The market approach is based on financial multiples of companies comparable to each reporting unit and applies a control premium. We corroborate the fair value through a market capitalization reconciliation to determine if the implied control premium is reasonable based on the qualitative considerations, such as recent market transactions.

The Company believes its assumptions for assessing the impairment of its long-lived assets, goodwill and indefinite-lived trade names are reasonable, but future changes in the underlying assumptions could occur due to the inherent uncertainty in making such estimates.

Further declines in the Company’s operating results due to challenging economic conditions, an unfavorable industry or macroeconomic development or other adverse changes in market conditions could change one of the key assumptions the Company uses to calculate the fair value of its long-lived assets, goodwill and indefinite-lived trade names, which could result in a further decline in fair value and require the Company to record an impairment charge in future periods.

Goodwill

Certain business acquisitions have resulted in the recording of goodwill. At May 29, 2021 and May 30, 2020, we had goodwill of $364.2 million and $346.0 million, respectively.

We perform our annual impairment assessment for goodwill and other indefinite-lived intangible assets as of March 31 or more frequently if events or changes in circumstances indicate that the asset might be impaired. We may consider qualitative factors to assess if it is more likely than not that the fair value for goodwill is below the carrying amount, however, we may also elect to bypass the qualitative assessment and perform a quantitative assessment. Each of the reporting units were reviewed for impairment using a quantitative assessment. In performing the quantitative impairment test for fiscal year 2021, the Company determined that the fair value of its reporting units exceeded the carrying amount and, as such, these reporting units were not impaired. In fiscal 2020, the Company recorded $125.5 million in goodwill impairment charges related to both the Retail and Maharam reportable segments.

The Company adopted and applied ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" using the prospective method in fiscal 2020. Refer to Note 1 of the Consolidated Financial Statements for further information regarding the adoption of ASU No. 2017-04.

To estimate the fair value of each reporting unit when performing quantitative testing, the Company utilizes a weighting of the income approach and the market method. These approaches are based on a discounted cash flow analysis and observable comparable company information that use several inputs, including:

- actual and forecasted revenue growth rates and operating margins,
- discount rates based on the reporting unit's weighted average cost of capital, and
- revenue and EBITDA of comparable companies

The Company corroborates the reasonableness of the inputs and outcomes of our discounted cash flow analysis through a market capitalization reconciliation to determine whether the implied control premium is reasonable.

Generally, changes in estimates of expected future cash flows would have a similar effect on the estimated fair value of the reporting unit. For example, a 1.0% decrease in estimated annual future cash flows would decrease the estimated fair value of the reporting unit by approximately 1.0%. The estimated long-term growth rate can have a significant impact on the estimated future cash flows, and therefore, the fair value of each reporting unit. Of the other key assumptions that impact the estimated fair values, most reporting units have the greatest sensitivity to changes in the estimated discount rate. In completing the annual goodwill impairment test, the respective fair values were estimated using discount rates ranging from 12.0% to 14.0% and long-term growth rates ranging from 2.5% to 3.0%.

Indefinite-lived Intangible Assets
Certain business acquisitions have resulted in the recording of trade names as indefinite-lived intangible assets, which are not amortized. At May 29, 2021 and May 30, 2020, we had trade name assets with a carrying value of $97.6 million and $92.8 million, respectively.

The Company evaluates indefinite-lived trade name intangible assets for impairment annually. The Company also tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date. During fiscal 2020, the Company adjusted the carrying value of all its tradenames to fair value, and as a result recognized $53.3 million in non-cash impairment charges on its indefinite-lived trade names.

In fiscal 2021, the Company performed quantitative assessments in testing indefinite-lived intangible assets for impairment. In performing this assessment, we estimate the fair value of these intangible assets using the relief-from-royalty method which requires assumptions related to:

- actual and forecasted revenue growth rates,
- assumed royalty rates that could be payable if we did not own the trademark, and
- a market participant discount rate based on a weighted-average cost of capital.

The assumptions above reflect management’s best estimate; however, actual results could differ from our estimates. If the estimated fair value of the indefinite-lived intangible asset is less than its carrying value, we would recognize an impairment charge.

In the table below, the Company has summarized the carrying values and fair values of each of the Company’s indefinite-lived trade names:

(In millions)

Trade name	Segment	Carrying Value	Fair Value
Maharam	North America Contract	$ 16.5	$ 20.2
DWR	Retail	31.5	92.8
HAY	International Contract	43.1	43.8
naughtone	International Contract	6.5	10.9
Total		$ 97.6	$ 167.7

In completing our annual indefinite-lived trade name impairment test, the respective fair values were estimated using discount rates ranging from 12.0% to 14.0%, royalty rates ranging from 2.00% to 3.00% and long-term growth rates ranging from 2.5% to 3.0%. The Company’s estimates of the fair value of its HAY indefinite-lived intangible asset is sensitive to changes in the key assumptions above as well as projected financial performance. Therefore, a sensitivity analysis was performed on certain key assumptions.

Keeping all other assumptions constant, a 10% decrease in forecasted revenue growth rates at May 29, 2021 would have the following effects on the fair value of the HAY trade name:

(In millions)

Trade name	Segment	10% Decrease
HAY	International Contract	$ (4.3)

Keeping all other assumptions constant, a 100 basis point change in the discount rate at May 29,2021 would have the following effects on the fair value of the HAY trade name:

(In millions)

Trade name	Segment	100 bps Increase	100 bps Decrease
HAY	International Contract	$ (3.9)	$ 4.8

Keeping all other assumptions constant, a 50 basis point change in the royalty rate at May 29, 2021 would have the following effects on the fair value of the HAY trade name:

(In millions)					
Trade name	Segment		50 bps Increase		50 bps Decrease
HAY	International Contract	$	8.8	$	(8.7)

Keeping all other assumptions constant, a 50 basis point change in the long-term growth rate at May 29, 2021 would have the following effects on the fair value of the HAY trade name:

(In millions)					
Trade name	Segment		50 bps Increase		50 bps Decrease
HAY	International Contract	$	1.7	$	(1.5)

If the estimated cash flows related to the Company's indefinite-lived intangibles were to decline in future periods, the Company may need to record an impairment charge.

Long-lived Assets

The Company evaluates other long-lived assets and acquired business units for indicators of impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indicators are present, the future undiscounted cash flows attributable to the asset group are compared to the carrying value of the asset or asset group. 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.

The Company believes its assumptions for assessing the impairment of its long-lived assets, goodwill and indefinite-lived trade names are reasonable, but if actual results are not consistent with management's estimates and assumptions, a material impairment charge could occur, which could have a material adverse effect on our consolidated financial statements.

New Accounting Standards

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

Forward Looking Statements

This report 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," "could," and "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, our success in initiatives aimed at achieving long-term profit optimization goals;
- statements regarding the acquisition of Knoll, including the anticipated benefits of the acquisition, the anticipated impact of the acquisition on the combined company's business and future financial and operating results, and the expected amount and timing of synergies that might be realized from the acquisition;
- the effect of the acquisition of Knoll on our ability of Herman Miller to retain and hire key personnel and maintain relationships with customers, suppliers and others with whom we do business, or on our operating results and business generally;
- risks that the acquisition of Knoll disrupts current plans and operations and the potential difficulties in employee retention as a result of the transaction;
- the outcome of any legal proceedings related to the acquisition of Knoll;
- our ability to successfully integrate Knoll's operations;

- our ability to implement our plans, forecasts and other expectations with respect to our business after the acquisition of Knoll and realize expected synergies;
- business disruptions following the acquisition of Knoll;
- the ability to realize the anticipated benefits of the acquisition of Knoll, including the possibility that the expected benefits from the transaction will not be realized within the expected time period;
- the amount of the costs, fees, expenses and charges related to the merger agreement, the preferred stock purchase agreement, and the transactions contemplated by each agreement;
- unknown liabilities;
- the impact of foreign currency exchange rate and interest rate fluctuations on Herman Miller's or Knoll's results;
- 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, changes in future tax legislation or interpretation of current tax legislation;
- the ability to increase prices to absorb the additional costs of raw materials;
- changes in global tariff regulations;
- the financial strength of our and Knoll's dealers and the financial strength of our and Knoll's customers;
- our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and implement 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;
- our ability to integrate and benefit from acquisitions and investments;
- the pace and level of government procurement;
- the outcome of pending litigation or governmental audits or investigations;
- political risk in the markets we serve;
- natural disasters, public health crises, disease outbreaks; and
- other risks identified in our filings with the SEC.

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 $0.9 million during fiscal 2021 compared to the prior year. The impact from changes in commodity prices lowered the Company's costs by approximately $4 million during fiscal 2020 as compared to fiscal 2019. 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.

Shortages and disruption in the steel industry as a result of the COVID-19 pandemic negatively impacted the availability of steel. While this reduction in availability has not had a significant impact on our ability to produce and deliver products to our customers, it has negatively impacted the cost of procuring steel. Significant increases in raw materials can be difficult to offset with price increases due to existing contractual agreements with customers as well as difficulty finding effective financial instruments to hedge these changes. In the short term, our gross margin could be negatively impacted by significant increases in these costs. Our profitability could be negatively impacted in the long term if we are not able to pass along these higher raw material costs to our customers.

Foreign Exchange Risk

The Company primarily manufactures its products in the United States, United Kingdom, China, India, and Brazil. 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 May 29, 2021, the Company had outstanding sixteen forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies.

(In millions, except number of forward contracts)

Net Asset Exposure

Currency	Number of Forward Contracts	Net Exposure
USD	7	58.8
EUR	3	44.3
NOK	1	10.0
SEK	1	17.5
GBP	1	2.0

Net Liability Exposure

Currency	Number of Forward Contracts	Net Exposure
USD	2	3.1
CAD	1	1.9

As of May 30, 2020, the Company had outstanding, twenty forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies.

(In millions, except number of forward contracts)

Net Asset Exposure

Currency	Number of Forward Contracts	Net Exposure
USD	7	41.6
EUR	2	18.2
ZAR	1	3.7
NOK	1	7.7
SEK	1	10.5
GBP	1	1.4

Net Liability Exposure

Currency	Number of Forward Contracts	Net Exposure
USD	4	7.4
EUR	1	1.3
CAD	1	3.1
AED	1	3.9

The cost of the foreign currency hedges and remeasuring all foreign currency transactions into the appropriate functional currency resulted in a net gain of $0.8 million in fiscal 2021 in contrast to net loss of $1.1 million in fiscal 2020 included in net earnings. These amounts are included in “Other (income) expense, net” 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 increased the accumulated comprehensive loss component of total stockholders' equity by $52.1 million compared to a decrease of $7.7 million as of the end of fiscal 2021 and 2020, 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 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.

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 additional 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 $14.4 million at May 29, 2021 compared to $25.0 million at May 30, 2020. All cash flows related to the Company's interest rate swap instruments are denominated in U.S. dollars. For further information, refer to Note 6 and Note 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)	2022	2023	2024	2025	2026	Thereafter	Total[1]
Long-Term Debt - Fixed rate:							
Interest rate 4.95%	$ —	$ —	$ —	$ —	$ —	$ 49.9	$ 49.9
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.
(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.

Item 8 Financial Statements and Supplementary Data

Herman Miller, Inc.

Consolidated Statements of Comprehensive Income

	Year Ended		
(In millions, except per share data)	May 29, 2021	May 30, 2020	June 1, 2019
Net sales	$ 2,465.1	$ 2,486.6	$ 2,567.2
Cost of sales	1,515.9	1,575.9	1,637.3
Gross margin	949.2	910.7	929.9
Operating expenses:			
Selling, general and administrative	643.8	643.3	639.3
Impairment charges	—	205.4	—
Restructuring expenses	2.7	26.4	10.2
Design and research	72.1	74.0	76.9
Total operating expenses	718.6	949.1	726.4
Operating earnings (loss)	230.6	(38.4)	203.5
Gain on consolidation of equity method investments	—	36.2	—
Interest expense	13.9	12.5	12.1
Interest and other investment income	(2.1)	(2.3)	(2.1)
Other (income) expense, net	(7.6)	1.0	(1.6)
Earnings (loss) before income taxes and equity income	226.4	(13.4)	195.1
Income tax expense	47.9	6.0	39.6
Equity earnings from nonconsolidated affiliates, net of tax	0.3	5.0	5.0
Net earnings (loss)	178.8	(14.4)	160.5
Net earnings (loss) attributable to redeemable noncontrolling interests	5.7	(5.3)	—
Net earnings (loss) attributable to Herman Miller, Inc.	**$ 173.1**	**$ (9.1)**	**$ 160.5**
Earnings (loss) per share — basic	$ 2.94	$ (0.15)	$ 2.72
Earnings (loss) per share — diluted	$ 2.92	$ (0.15)	$ 2.70
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	$ 52.1	$ (7.7)	$ (14.2)
Pension and post-retirement liability adjustments	8.8	(14.2)	(7.8)
Unrealized gains (losses) on interest rate swap agreement	8.1	(18.0)	(12.3)
Unrealized holding (losses) gains on securities	(0.1)	0.1	—
Total other comprehensive income (loss), net of tax	68.9	(39.8)	(34.3)
Comprehensive income (loss)	247.7	(54.2)	126.2
Comprehensive income (loss) attributable to redeemable noncontrolling interests	5.7	(5.3)	—
Comprehensive income (loss) attributable to Herman Miller, Inc.	**$ 242.0**	**$ (48.9)**	**$ 126.2**

Herman Miller, Inc.
Consolidated Balance Sheets

(In millions, except share and per share data)	May 29, 2021	May 30, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 396.4	$ 454.0
Short-term investments	7.7	7.0
Accounts receivable, net of allowances of $5.5 and $4.7	204.7	180.0
Unbilled accounts receivable	16.4	19.5
Inventories, net	213.6	197.3
Prepaid expenses	45.1	43.3
Other current assets	7.6	16.0
Total current assets	891.5	917.1
Property and equipment, net of accumulated depreciation of $832.5 and $780.5	327.2	330.8
Right of use assets	214.7	193.9
Goodwill	364.2	346.0
Indefinite-lived intangibles	97.6	92.8
Other amortizable intangibles, net of accumulated amortization of $68.6 and $62.7	105.2	112.4
Other noncurrent assets	61.5	60.9
Total Assets	**$ 2,061.9**	**$ 2,053.9**
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 178.4	$ 128.8
Short-term borrowings and current portion of long-term debt	2.2	51.4
Accrued compensation and benefits	90.2	71.1
Accrued warranty	14.5	16.1
Customer deposits	43.1	39.8
Other accrued liabilities	172.4	163.0
Total current liabilities	500.8	470.2
Long-term debt	274.9	539.9
Pension and post-retirement benefits	34.5	42.4
Lease liabilities	196.9	178.8
Other liabilities	128.2	129.2
Total Liabilities	**1,135.3**	**1,360.5**
Redeemable noncontrolling interests	**77.0**	**50.4**
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $0.20 par value (240,000,000 shares authorized, 59,029,165 and 58,793,275 shares issued and outstanding in 2021 and 2020, respectively)	11.8	11.8
Additional paid-in capital	94.7	81.6
Retained earnings	808.4	683.9
Accumulated other comprehensive loss	(65.1)	(134.0)
Deferred compensation plan	(0.2)	(0.3)
Herman Miller, Inc. Stockholders' Equity	**849.6**	**643.0**
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	**$ 2,061.9**	**$ 2,053.9**

Herman Miller, Inc.

Consolidated Statements of Stockholders' Equity

(In millions, except share and per share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation Plan	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
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, net of tax	—	—	—	—	(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
Net loss	—	—	—	(9.1)	—	—	(9.1)	—	(9.1)
Other comprehensive loss	—	—	—	—	(39.8)	—	(39.8)	—	(39.8)
Stock-based compensation expense	—	—	2.7	—	—	—	2.7	—	2.7
Exercise of stock options	423,815	0.2	13.3	—	—	—	13.5	—	13.5
Restricted and performance stock units released	138,590	—	0.2	—	—	—	0.2	—	0.2
Employee stock purchase plan issuances	70,145	—	2.1	—	—	—	2.1	—	2.1
Repurchase and retirement of common stock	(641,192)	(0.1)	(26.5)	—	—	—	(26.6)	—	(26.6)
Directors' fees	7,769	—	0.3	—	—	—	0.3	—	0.3
Deferred compensation plan	—	—	(0.3)	—	—	0.5	0.2	—	0.2
Dividends declared ($0.63 per share)	—	—	—	(37.5)	—	—	(37.5)	—	(37.5)
Redemption value adjustment	—	—	—	17.8	—	—	17.8	—	17.8
May 30, 2020	58,793,275	$11.8	$81.6	$683.9	$(134.0)	$(0.3)	$643.0	$—	$643.0
Net earnings	—	—	—	173.1	—	—	173.1	—	173.1
Other comprehensive income	—	—	—	—	68.9	—	68.9	—	68.9
Stock-based compensation expense	—	—	9.0	—	—	—	9.0	—	9.0
Exercise of stock options	86,238	—	2.6	—	—	—	2.6	—	2.6
Restricted and performance stock units released	114,103	—	0.2	—	—	—	0.2	—	0.2
Employee stock purchase plan issuances	71,468	—	2.1	—	—	—	2.1	—	2.1
Repurchase and retirement of common stock	(38,932)	—	(0.9)	—	—	—	(0.9)	—	(0.9)
Directors' fees	3,013	—	0.1	—	—	—	0.1	—	0.1
Deferred compensation plan	—	—	—	—	—	0.1	0.1	—	0.1
Dividends declared ($0.56 per share)	—	—	—	(33.4)	—	—	(33.4)	—	(33.4)
Redemption value adjustment	—	—	—	(15.0)	—	—	(15.0)	—	(15.0)
Other	—	—	—	(0.2)	—	—	(0.2)	—	(0.2)
May 29, 2021	59,029,165	$11.8	$94.7	808.4	$(65.1)	$(0.2)	$849.6	—	$849.6

Herman Miller, Inc.

Consolidated Statements of Cash Flows

(In millions)	Year Ended May 29, 2021	May 30, 2020	June 1, 2019
Cash Flows from Operating Activities:			
Net earnings (loss)	$178.8	$(14.4)	$160.5
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation expense	72.0	68.1	65.9
Amortization expense	15.2	11.4	6.2
Earnings from nonconsolidated affiliates net of dividends received	(0.4)	(4.8)	(2.1)
Investment fair value adjustment	—	—	(2.1)
Gain on consolidation of equity method investments	—	(36.2)	—
Deferred taxes	6.7	(25.2)	0.8
Pension contributions	(5.4)	(0.9)	(0.9)
Pension and post-retirement expenses	3.0	1.6	1.2
Impairment charges	—	205.4	—
Restructuring expenses	2.7	26.4	10.2
Stock-based compensation	9.0	2.7	7.3
Decrease (increase) in long-term assets	1.2	(4.7)	(0.4)
Increase in long-term liabilities	16.0	5.8	1.6
Changes in current assets and liabilities:			
Increase (decrease) in accounts receivable & unbilled accounts receivable	(14.8)	68.6	(24.8)
Increase (decrease) in inventories	(8.5)	6.0	(31.9)
Increase in prepaid expenses and other	(3.9)	(2.2)	(0.6)
Increase (decrease) in accounts payable	43.2	(59.5)	0.5
Increase (decrease) in accrued liabilities	15.1	(32.0)	22.7
Other, net	2.4	5.7	2.3
Net Cash Provided by Operating Activities	332.3	221.8	216.4
Cash Flows from Investing Activities:			
Marketable securities purchases	(5.9)	(3.1)	(1.9)
Marketable securities sales	5.3	5.0	1.7
Capital expenditures	(59.8)	(69.0)	(85.8)
Proceeds from sales of property and dealers	14.0	0.2	0.5
Purchase of HAY licensing agreement	—	—	(4.8)
Acquisitions, net of cash received	—	(111.2)	—
Equity investment in non-controlled entities	—	(3.3)	(73.6)
Other, net	(13.5)	13.3	(1.1)
Net Cash Used in Investing Activities	(59.9)	(168.1)	(165.0)
Cash Flows from Financing Activities:			
Borrowings of long-term debt	—	50.0	—
Repayments of long-term debt	(50.0)	—	—
Proceeds from credit facility	—	265.0	—
Repayments of credit facility	(265.0)	—	—
Dividends paid	(34.5)	(36.4)	(45.6)
Common stock issued	5.0	15.6	12.3
Common stock repurchased and retired	(0.9)	(26.6)	(47.9)
Purchase of redeemable noncontrolling interests	—	(20.3)	(10.1)
Other, net	(2.3)	(3.3)	(0.6)
Net Cash (Used in) Provided by Financing Activities	(347.7)	244.0	(91.9)
Effect of exchange rate changes on cash and cash equivalents	17.7	(2.9)	(4.2)
Net (Decrease) Increase In Cash and Cash Equivalents	(57.6)	294.8	(44.7)
Cash and cash equivalents, Beginning of Year	454.0	159.2	203.9
Cash and Cash Equivalents, End of Year	$396.4	$454.0	$159.2
Other Cash Flow Information			
Interest paid	$12.5	$11.4	$11.5
Income taxes paid, net of cash received	$15.8	$39.6	$41.0

Notes to the Consolidated Financial Statements

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 dealership, direct customer sales, independent retailers, owned retail studios, direct-mail catalogs and the Company's eCommerce platforms.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to May 31. The fiscal years ended May 29, 2021, May 30, 2020, and June 1, 2019 contained 52 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 are 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 $0.8 million, net loss of $1.1 million, and a net gain of $0.3 million for the fiscal years ended May 29, 2021, May 30, 2020, and June 1, 2019, respectively. These amounts are included in "Other (income) expense, 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 $229.8 million and $364.0 million as of May 29, 2021 and May 30, 2020, 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 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 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.

Allowances for Credit Losses

Allowances for credit losses related to accounts are managed at a level considered by management to be adequate to absorb an estimate of probable future losses existing at the balance sheet date.

In estimating probable losses, we review accounts based on known customer exposures, historical credit experience, and specific identification of other potentially uncollectible accounts. An accounts receivable balance is considered past due when payment is not received within the stated terms. Accounts that are considered to have higher credit risk are reviewed using information available about the debtor, such as financial statements, news reports and published credit ratings. General information regarding industry trends, the economic environment is used as well.

We arrive at an estimated loss for specific concerns and estimate an additional amount for the remainder of trade balances based on historical trends and other factors previously referenced. 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. Subsequent recoveries, if any, are credited to bad debt expense when received.

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 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 2, 2019	$ 303.8	$ 78.1	$ 381.9
Foreign currency translation adjustments	(0.9)	(0.5)	(1.4)
Acquisition of HAY	111.1	60.0	171.1
Acquisition of naughtone	57.5	8.5	66.0
Impairment charges	(125.5)	(53.3)	(178.8)
Balance, May 30, 2020	$ 346.0	$ 92.8	$ 438.8
Foreign currency translation adjustments	18.2	4.8	23.0
Balance, May 29, 2021	$ 364.2	$ 97.6	$ 461.8

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. 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 bypass 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. Each of the reporting units were reviewed for impairment using a quantitative assessment as of March 31, 2021.

To estimate the fair value of each reporting unit when performing quantitative testing, the Company utilizes a weighting of the income approach and the market method. These approaches are based on a discounted cash flow analysis and observable comparable company information that use several inputs, including:

- actual and forecasted revenue growth rates and operating margins,
- discount rates based on the reporting unit's weighted average cost of capital, and
- revenue and EBITDA of comparable companies

The Company corroborates the reasonableness of the inputs and outcomes of our discounted cash flow analysis through a market capitalization reconciliation to determine whether the implied control premium is reasonable.

The Company completed its annual goodwill impairment test in the fourth quarter of the year, as of March 31st. In fiscal 2021, the Company elected to perform quantitative impairment tests for all goodwill reporting units and other indefinite-lived intangible assets. 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.

In completing our annual goodwill impairment test, the respective fair values were estimated using an income approach with market participant discount rates ranging from 12.0% to 14.0% developed using a weighted average cost of capital analysis and long-term growth rates ranging from 2.5% to 3.0%.

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 forecasted revenue growth rates, 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.

In fiscal 2021, the Company performed quantitative assessments in testing indefinite-lived intangible assets for impairment. The carrying value of the Company's HAY trade name indefinite-lived intangible asset was $41.7 million as of March 31, 2021. The calculated fair value of the HAY trade name was $43.8 million which represents an excess fair value of $2.1 million or 5.0%. If the residual cash flow related to this trade name were to decline in future periods, the Company may need to record an impairment charge.

In completing our annual indefinite-lived trade name impairment test, the respective fair values were estimated using a relief-from-royalty approach, applying market participant discount rates ranging from 12.0% to 14.0% developed using a weighted average cost of capital analysis, royalty rates ranging from 2.0% to 3.0% and long-term growth rates ranging from 2.5% to 3.0%.

The table below summarizes the carrying values as of May 29, 2021, for each of the Company's indefinite-lived trade names:

(In millions)

Trade name	Carrying Value
Maharam	$ 16.5
DWR	31.5
HAY	43.1
naughtone	6.5
Total	$ 97.6

During fiscal 2020, the Company recognized $205.4 million of impairment charges related to goodwill, indefinite-lived intangible assets and long-lived assets. These charges are included in "Impairment charges" within the Consolidated Statements of Comprehensive Income.

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.

The following table summarizes our property as of the dates indicated:

(In millions)	May 29, 2021	May 30, 2020
Land and improvements	$ 25.2	$ 23.7
Buildings and improvements	286.1	266.5
Machinery and equipment	820.8	791.9
Construction in progress	27.6	29.2
Accumulated depreciation	(832.5)	(780.5)
Property and equipment, net	$ 327.2	$ 330.8

As of the end of fiscal 2021, outstanding commitments for future capital purchases approximated $46.5 million.

Other Long-Lived Assets

The Company reviews the carrying value of long–lived assets for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indicators are present, the future undiscounted cash flows attributable to the asset or asset group are compared to the carrying value of the asset or asset group. 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.

	May 29, 2021			
(In millions)	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	$ 45.5	$ 113.0	$ 15.3	$ 173.8
Accumulated amortization	18.9	39.6	10.1	68.6
Net	$ 26.6	$ 73.4	$ 5.2	$ 105.2

	May 30, 2020			
	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	$ 41.7	$ 118.7	$ 14.7	$ 175.1
Accumulated amortization	14.4	38.3	10.0	62.7
Net	$ 27.3	$ 80.4	$ 4.7	$ 112.4

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 the patents and trademarks is approximately 6 and the weighted-average remaining useful life of the customer relationships is 7 years.

Estimated amortization expense on existing amortizable intangible assets as of May 29, 2021, for each of the succeeding five fiscal years, is as follows:

(In millions)		
2022	$	15.4
2023	$	14.9
2024	$	13.7
2025	$	13.5
2026	$	13.2

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 May 29, 2021, 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 May 29, 2021 and May 30, 2020 was $12.3 million and $13.1 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.

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 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 $50.8 million, $54.3 million and $58.8 million, in fiscal 2021, 2020, and 2019, respectively.

Royalty payments made to designers of the Company's products as the products are sold are variable costs based on product sales. These expenses totaled $21.3 million, $19.7 million and $18.1 million in fiscal years 2021, 2020 and 2019 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 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 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" in Note 2 of the Consolidated Financial Statements.

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 May 29, 2021, 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 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. 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. The Company has recognized incremental costs to obtain a contract as an expense when incurred as the amortization period is less than one year. 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.

Leases

The Company adopted ASC 842 - Leases at the beginning of fiscal year 2020. The new standard required the Company to recognize most leases on the balance sheet as right of use (ROU) assets with corresponding lease liabilities. All necessary changes required by the new standard, including those to the Company’s accounting policies, business processes, systems, controls and disclosures, were implemented as of the first quarter of fiscal year 2020. See Note 7 of the Consolidated Financial Statements for further information regarding the Company's lease accounting policies.

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. When in a loss position, basic and diluted EPS use the same weighted-average number of shares outstanding. 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 gains on 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 (income) expense, 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.

See Note 12 of the Consolidated Financial Statements for further information regarding derivatives.

Recently Adopted Accounting Standards

On March 1, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" using the prospective method. This update simplifies how an entity assesses goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test consists of one step comparing the fair value of a reporting unit with its carrying amount. An entity then recognizes a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The adoption was utilized in the Company's current year goodwill impairment testing. Refer above to the "Goodwill and Indefinite-lived Intangible Assets" section for further information.

On May 31, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" using the modified retrospective method. This update 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 including customer credit quality, historical write-off trends and general information regarding industry trends and the macroeconomic environment. The adoption did not have a material impact on the Company's financial statements, accounting policies or methods utilized to determine the allowance for doubtful accounts.

On May 31, 2020, the Company adopted ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" using the prospective method. This update modifies certain disclosure requirements for fair value measurements. The adoption did not have a material impact on the Company's financial statements.

Recently Issued Accounting Standards Not Yet Adopted

The Company is currently evaluating the impact of adopting the following relevant standards issued by the FASB:

Standard		Description	Effective Date
2018-14	Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): 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 post-retirement plans. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its financial statements.	May 30, 2021
2019-12	Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This update removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The update also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. Early adoption is permitted.	May 30, 2021

All other issued and not yet effective accounting standards are not relevant to the Company.

2. Revenue from Contracts with Customers

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 segment, as well as customer purchase orders for the Maharam subsidiary within the North America Contract 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 May 29, 2021	Year Ended May 30, 2020
Net Sales:		
Single performance obligation		
Product revenue	$ 2,180.5	$ 2,116.6
Multiple performance obligations		
Product revenue	265.8	347.8
Service revenue	9.6	9.7
Other	9.2	12.5
Total	$ 2,465.1	$ 2,486.6

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

(In millions)	Year Ended May 29, 2021	Year Ended May 30, 2020
North America Contract:		
Workplace	$ 717.2	$ 976.0
Performance Seating	280.7	381.5
Lifestyle	81.1	93.1
Other	115.0	147.6
Total North America Contract	$ 1,194.0	$ 1,598.2
International Contract:		
Workplace	$ 129.0	$ 155.9
Performance Seating	296.4	222.2
Lifestyle	223.8	105.8
Other	19.8	18.9
Total International Contract	$ 669.0	$ 502.8
Retail:		
Workplace	$ 8.5	$ 3.9
Performance Seating	207.5	43.1
Lifestyle	385.0	338.6
Other	1.1	—
Total Retail	$ 602.1	$ 385.6
Total	$ 2,465.1	$ 2,486.6

Refer to Note 14 of the Consolidated Financial Statements for further information related to our 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 receivable, net” in the Consolidated Balance Sheets.

Contract assets also include amounts that are conditional because certain performance obligations in contracts with customers are incomplete as of the balance sheet date. These contract assets generally arise due to contracts with customers that include multiple performance obligations, e.g., 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. 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 and recognition of revenue. 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 May 29, 2021, the Company recognized Net sales of $28.9 million related to customer deposits that were included in the balance sheet as of May 30, 2020.

3. Acquisitions and Divestitures

Maars Holding B.V.

On August 31, 2018, 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 August 31, 2018, and the valuation analysis was completed in the fourth quarter of fiscal 2019.

Nine United Denmark A/S

On June 7, 2018, the Company acquired 33% of the outstanding equity of Nine United Denmark A/S, d/b/a HAY and subsequently renamed to HAY ApS ("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 Company also acquired the rights to the HAY brand in North America under a long-term license agreement for approximately $4.8 million in cash. In the fiscal periods leading up to December 2, 2019 (“HAY Acquisition Date”), the date when the Company purchased an additional 34% equity voting interest in HAY, this licensing agreement was recorded as a definite life intangible asset and was being amortized over its 15-year useful life. This asset was also recorded within Other amortizable intangibles, net within the Condensed Consolidated Balance Sheets as of June 1, 2019.

On December 2, 2019, the Company obtained a controlling financial interest in HAY through the purchase of an additional 34% equity voting interest. The completion of the acquisition will allow the Company to further promote growth and development of HAY's ancillary product lines and continue to support product innovation and sales growth. The Company previously accounted for its ownership interest in HAY as an equity method investment, but upon increasing its ownership to 67% on the HAY Acquisition Date, the Company consolidated the operations of HAY. Total consideration paid for HAY on the HAY Acquisition Date was $79.0 million, exclusive of HAY cash on hand. The Company funded the acquisition with cash and cash equivalents.

The previously mentioned HAY long-term licensing agreement was deemed to be a contractual preexisting relationship. As a result of the business combination, the Company recorded this arrangement at its HAY Acquisition Date fair value, which resulted in an increase in goodwill of $10.0 million and a net gain of $5.9 million, which was recorded within “Gain on consolidation of equity method investments" within the Consolidated Statements of Comprehensive Income. The goodwill was recorded within the Company’s Retail segment.

The Company is a party to options, that if exercised, would require it to purchase the remaining 33% of the equity in HAY, at fair market value. This remaining redeemable noncontrolling interest in HAY is classified outside permanent equity in the Consolidated Balance Sheets and is carried at the current estimated redemption amount.

The allocation of the purchase price was finalized during the first quarter of fiscal 2021. The following table presents the allocation of purchase price related to acquired tangible assets:

(In millions)		
Cash	$	12.1
Working capital, net of cash and inventory step-up		12.3
Net property and equipment		0.9
Other assets		3.9
Other liabilities		(3.1)
Net assets acquired	$	26.1

The purchase of the additional equity interest in HAY was considered to be an acquisition achieved in stages, whereby the previously held equity interest was remeasured as of the HAY Acquisition Date. The Company considered multiple factors in determining the fair value of the previously held equity method investment, including the price negotiated with the selling shareholder for the 34% equity interest in HAY, an income valuation model (discounted cash flow) and current trading multiples for comparable companies. Based on this analysis, the Company recognized a non-taxable gain of approximately $0.3 million on the remeasurement of the previously held equity method investment of $67.8 million in the third quarter of fiscal 2020. The net gain has been recognized in “Gain on consolidation of equity method investments" within the Consolidated Statements of Comprehensive Income.

The following table summarizes the acquired identified intangible assets, valuation method employed, useful lives and fair value, as determined by the Company at the HAY Acquisition Date:

(In millions)	Valuation Method	Useful Life (years)	Fair Value	
Inventory Step-up	Comparative Sales Approach	0.8	$	3.4
Backlog	Multi-Period Excess Earnings	0.3		1.7
Deferred Revenue	Adjusted Fulfillment Cost Method	0.1		(2.2)
Tradename	Relief from Royalty	Indefinite		60.0
Product Development	Relief from Royalty	8.0		22.0
Customer Relationships	Multi-Period Excess Earnings	9.0		34.0
Total			$	118.9

Goodwill related to the acquisition was recorded within the International Contract segment for $101.1 million and the Retail segment for $10.0 million. Subsequent to the acquisition, the goodwill recorded to the Retail segment was fully impaired in the fourth quarter of fiscal 2020 based on the results of the Company's annual goodwill impairment assessment. Additionally, the Company recognized an impairment charge of $20.7 million on the HAY tradename in the fourth quarter of fiscal 2020 based on the results of the Company's annual indefinite-lived trade name impairment test.

naughtone

On October 25, 2019 (“naughtone Acquisition Date”), the Company purchased the remaining 47.5% equity voting interest in naughtone (Holdings) Limited and naughtone Manufacturing Ltd. (together “naughtone”). naughtone is an upscale, contemporary furniture manufacturer based in Harrogate, North Yorkshire, UK. The acquisition is intended to allow the Company to further promote growth and development of naughtone's ancillary product lines, and continue to support product innovation and sales growth. The Company previously accounted for its ownership interest in naughtone as an equity method investment. Upon increasing its ownership to 100% on the naughtone Acquisition Date, the Company obtained a controlling financial interest and consolidated the operations of naughtone. Total consideration paid for naughtone on the naughtone Acquisition Date was $45.9 million, exclusive of naughtone cash on hand. The Company funded the acquisition with cash and cash equivalents. The allocation of the purchase price was finalized during the fourth quarter of fiscal 2020.

The following table presents the allocation of purchase price related to acquired tangible assets:

(In millions)		
Cash	$	5.1
Working capital, net of cash and inventory step-up		1.3
Net property and equipment		0.8
Net assets acquired	$	7.2

The purchase of the remaining equity interest in naughtone was considered to be an acquisition achieved in stages, whereby the previously held equity interest was remeasured as of the naughtone Acquisition Date. The Company considered multiple factors in determining the fair value of the previously held equity method investment, including the price negotiated with the selling shareholder for the 47.5% equity interest in naughtone, an income valuation model (discounted cash flow) and current trading multiples for comparable companies. Based on this analysis, the Company recognized a non-taxable gain of approximately $30.0 million on the remeasurement of the previously held equity method investment of $20.5 million. The net gain has been recognized in “Gain on consolidation of equity method investments" within the Consolidated Statements of Comprehensive Income.

The following table summarizes the acquired identified intangible assets, valuation method employed, useful lives and fair value, as determined by the Company at the naughtone Acquisition Date:

(In millions)	Valuation Method	Useful Life (years)	Fair Value	
Inventory Step-up	Comparative Sales Approach	0.3	$	0.2
Backlog	Multi-Period Excess Earnings	0.3		0.8
Tradename	Relief from Royalty	Indefinite		8.5
Customer Relationships	Multi-Period Excess Earnings	9.0		29.4
Total			$	38.9

Goodwill related to the acquisition was recorded within the North America Contract and International Contract segments for $35.0 million and $22.5 million, respectively. Subsequent to the acquisition, the Company recognized an impairment charge of $2.5 million on the naughtone tradename in the fourth quarter of fiscal 2020 based on the results of the Company's annual indefinite-lived trade name impairment test.

Pro Forma Results of Operations

The results of naughtone and HAY’s operations have been included in the Consolidated Financial Statements beginning on October 25, 2019 and December 2, 2019 respectively. The following table provides pro forma results of operations for the years ended May 30, 2020 and June 1, 2019, as if naughtone and HAY had been acquired as of June 3, 2018. The pro forma results include certain purchase accounting adjustments such as the estimated change in depreciation and amortization expense on the acquired tangible and intangible assets. Pro forma results do not include any anticipated cost savings from the planned integration of these acquisitions, or the gain on the consolidation of the HAY and naughtone equity method investments of approximately $36.2 million. Accordingly, such amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that may result in the future.

	Year Ended			
(In millions)	May 30, 2020		June 1, 2019	
Net sales	$	2,580.6	$	2,757.3
Net (loss) earnings attributable to Herman Miller, Inc.	$	(46.3)	$	163.7

4. Inventories

(In millions)	May 29, 2021		May 30, 2020	
Finished goods and work in process	$	166.7	$	151.1
Raw materials		46.9		46.2
Total	$	213.6	$	197.3

Inventories valued using LIFO amounted to $21.8 million and $24.9 million as of May 29, 2021 and May 30, 2020, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been $230.2 million and $210.8 million at May 29, 2021 and May 30, 2020, 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 noncurrent 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)	May 29, 2021	May 30, 2020
Investments in nonconsolidated affiliates	$ 11.7	$ 12.2

(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Equity earnings from nonconsolidated affiliates, net of tax	$ 0.3	$ 5.0	$ 5.0

The Company had an ownership interest in two nonconsolidated affiliates at May 29, 2021. Refer to the Company's ownership percentages shown below:

Ownership Interest	May 29, 2021	May 30, 2020
Kvadrat Maharam Arabia DMCC	—%	50.0%
Kvadrat Maharam Pty Limited	50.0%	50.0%
Kvadrat Maharam Turkey JSC	—%	50.0%
Danskina B.V.	—%	50.0%
Global Holdings Netherlands B.V. (Maars)	48.2%	48.2%

Kvadrat Maharam

The Kvadrat Maharam nonconsolidated affiliates are distribution entities that are engaged in selling decorative upholstery, drapery and wall covering products. At May 29, 2021 and May 30, 2020, the Company's investment value in Kvadrat Maharam Pty was approximately equal to and $1.7 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.

In fiscal 2020 the Company agreed to fully divest its interest in Kvadrat Maharam Arabia DMCC, Kvadrat Maharam Turkey JSC and Danskina B.V for approximately $3 million. The divestitures were completed in the first half of fiscal 2021.

Maars

On August 31, 2018, 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.

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 is being amortized over the remaining useful lives of the assets, while $0.4 million is considered a permanent difference.

At May 29, 2021, the Company's investment value in Maars is $2.5 million more than the Company's proportionate share of the underlying net assets, of which $2.1 million is being amortized over the remaining useful lives of the assets, while $0.4 million was considered a permanent basis difference.

Transactions with Nonconsolidated Affiliates

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

(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Sales to nonconsolidated affiliates	$ 1.0	$ 3.6	$ 3.9
Purchases from nonconsolidated affiliates	$ 0.3	$ 5.0	$ 23.0

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

(In millions)	May 29, 2021	May 30, 2020
Receivables from nonconsolidated affiliates	$ 0.2	$ 0.6
Payables to nonconsolidated affiliates	$ 0.1	$ —

6. Short-Term Borrowings and Long-Term Debt

Long-term debt consisted of the following obligations:

(In millions)	May 29, 2021	May 30, 2020
Debt securities, 6.0%, due March 1, 2021	$ —	$ 50.0
Debt securities, 4.95%, due May 20, 2030	49.9	49.9
Syndicated Revolving Line of Credit, due August 2024	225.0	490.0
Supplier financing program	2.2	1.4
Total debt	277.1	591.3
Less: Current debt	(2.2)	(51.4)
Long-term debt	$ 274.9	$ 539.9

The Company's syndicated revolving line of credit provides the Company with up to $500 million in revolving variable interest borrowing capacity and included 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 up to $250 million. 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.

In June 2020, the Company repaid the $265 million draw on its syndicated revolving line of credit that was taken as a precautionary measure in March 2020 to provide additional near-term liquidity given the uncertainty related to COVID-19. After the end of the quarter ended February 27, 2021, the Company repaid $50 million of private placement notes due March 1, 2021 with available cash on hand.

Available borrowings under the syndicated revolving line of credit were as follows for the periods indicated:

(In millions)	May 29, 2021	May 30, 2020
Syndicated revolving line of credit borrowing capacity	$ 500.0	$ 500.0
Less: Borrowings under the syndicated revolving line of credit	225.0	490.0
Less: Outstanding letters of credit	9.8	9.4
Available borrowings under the syndicated revolving line of credit	$ 265.2	$ 0.6

The unsecured senior revolving credit facility restricts, without prior consent, the Company's borrowings, capital leases and the sale of certain assets. In addition, the Company has 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 the Company 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 3.5:1. 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 May 29, 2021 and May 30, 2020, the Company was in compliance with all of these restrictions and performance ratios.

On May 20, 2020, the Company entered into a third amendment to its existing Private Shelf Agreement, dated December 14, 2010, as amended (together with the third amendment, the "Agreement"), between the Company and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.) and certain of its affiliates (collectively, “Prudential”). The Agreement provides for a $150.0 million revolving facility, which includes $50.0 million of unsecured senior notes that were repaid on March 1, 2021 (the "Existing Notes") and an additional $50.0 million aggregate principal amount of unsecured senior notes issued on May 20, 2020 (the "2020 Notes"). The 2020 Notes are due on May 20, 2030 and bear interest at a fixed annual coupon rate of 4.95%. The Company intends to use the proceeds of the 2020 Notes for general corporate purposes and/or to refinance existing indebtedness, including the Existing Notes. The Agreement also establishes an uncommitted shelf facility (the “Facility”), under which Prudential will consider one or more requests from the Company to purchase up to an additional $50.0 million in aggregate amount of the Company’s senior unsecured notes from time to time. The interest rate on any future notes issued under the Facility will be based on the benchmark Treasury rate corresponding to the weighted average life of the notes, plus a spread as determined by Prudential. The Facility will expire on May 20, 2023.

Annual maturities of debt for the five fiscal years subsequent to May 29, 2021 are as shown in the table below.

(In millions)		
2022	$	2.2
2023	$	—
2024	$	—
2025	$	225.0
2026	$	—
Thereafter	$	49.9

Supplier Financing Program

The Company has an agreement with a third-party financial institution 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 Condensed Consolidated Balance Sheets as the amounts have been accounted for by the Company as a current debt obligation. Accordingly, $2.2 million and $1.4 million have been recorded within the caption “Short-term borrowings and current portion of long-term debt” for the periods ended May 29, 2021 and May 30, 2020, 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 was therefore accounted for as a financing lease and the building and related financing liability were initially recorded at fair value in the Consolidated Balance Sheets within Construction in progress and Other accrued liabilities. 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. The carrying value of the building was $6.7 million and the related financing liability was $6.9 million at June 1, 2019. As a result of the adoption of ASC 842 in the first quarter of fiscal 2020, the Company derecognized its construction-type lease asset and financing liability and there was no related cumulative adjustment to retained earnings.

7. Leases

Accounting Policies

The Company has leases for retail studios, showrooms, manufacturing facilities, warehouses and vehicles, which expire at various dates through 2042. Certain lease agreements include contingent rental payments based on per unit usage over a contractual amount and others include rental payments adjusted periodically for inflationary indexes.

For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Company's leases is not easily determinable, the Company’s applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Leases, and any leasehold improvements, are depreciated over the expected lease term. The Company’s leases do not contain any residual value guarantees or material restrictive covenants.

The Company has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Variable lease costs associated with the Company’s leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease costs are presented as operating expenses in the Company’s Consolidated Statements of Operations and Comprehensive Income in the same line item as the expense arising from fixed lease payments for operating leases.

Additionally, certain leases include renewal or termination options, which can be exercised at the Company's discretion. Lease terms include the noncancelable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods. The Company's leases do not contain any residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is a lease at contract inception. Arrangements that are leases with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheets, and the Company recognizes lease expense for these leases on a straight-line basis over the lease term. If leased assets have leasehold improvements, the depreciable life of those leasehold improvements are limited by the expected lease term.

As none of the Company's leases provide an implicit discount rate, the Company uses an estimated incremental borrowing rate at the lease commencement date in determining the present value of the lease payments. Relevant information used in determining the Company's incremental borrowing rate includes the duration of the lease, location of the lease, and the Company's credit risk relative to risk-free market rates.

Leases

The Company's lease costs recognized in the Consolidated Statement of Income consist of the following:

(In millions)	Year Ended May 29, 2021	Year Ended May 30, 2020
Operating lease costs	$ 50.3	$ 51.3
Short-term lease costs	3.2	2.6
Variable lease costs*	8.3	8.2
Total	$ 61.8	$ 62.1

*Not included in the table above for the year ended May 29, 2021 are variable lease costs of approximately $84.5 million for raw material purchases under certain supply arrangements that the Company has determined to meet the definition of a lease.

During the fourth quarter of fiscal 2020, the Company determined it was more likely than not that the fair value of certain right of use assets were below their carrying values and assessed these assets for impairment. As result of this assessment the Company recorded an impairment of $19.3 million in the Consolidated Statements of Comprehensive income.

At May 29, 2021, the Company has no financing leases. The undiscounted annual future minimum lease payments related to the Company's right-of-use assets are summarized by fiscal year in the following table:

(In millions)	
2022	$ 42.3
2023	42.4
2024	39.1
2025	36.3
2026	28.6
Thereafter	72.1
Total lease payments*	260.8
Less interest	25.2
Present value of lease liabilities	$ 235.6

*Lease payments exclude $20.9 million of legally binding minimum lease payments for leases signed but not yet commenced, primarily related to a new DWR corporate office in Stamford, CT expected to be occupied in fiscal 2022.

The long-term portion of the lease liabilities included in the amounts above is $196.9 million and the remainder of the lease liabilities are included in Other accrued liabilities in the Condensed Consolidated Balance Sheets.

As of May 29, 2021 and May 30, 2020, the weighted average remaining lease term for all operating leases was 7 years. The weighted average discount rate for operating leases as of May 29, 2021 and May 30, 2021 was 2.8%, and 3.1%, respectively.

During the years ended May 29, 2021 and May 30, 2020, the cash paid for leases included in the measurement of the liabilities and the operating cash flows was $45.3 million and $49.2 million, respectively. Right of use assets obtained in exchange for new liabilities was $58.1 million and $13.4 million for the years ended May 29, 2021 and May 30, 2020, respectively.

8. Employee Benefit Plans

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

Pension 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 this plan is the last day of the fiscal year and the plan is frozen to new participants.

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 pension plan:

	Pension Benefit	
(In millions)	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 126.5	$ 109.1
Interest cost	2.2	2.4
Plan Amendments	—	—
Foreign exchange impact	18.6	(2.9)
Actuarial (gain) loss [1]	(2.9)	21.0
Benefits paid	(3.5)	(3.1)
Benefit obligation at end of year	$ 140.9	$ 126.5
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 88.1	$ 88.2
Actual return on plan assets	6.6	4.7
Foreign exchange impact	13.7	(2.0)
Employer contributions	5.0	0.3
Benefits paid	(3.5)	(3.1)
Fair value of plan assets at end of year	$ 109.9	$ 88.1
Funded status:		
Under funded status at end of year	$ (31.0)	$ (38.4)
Components of the amounts recognized in the Consolidated Balance Sheets:		
Current liabilities	$ —	$ —
Non-current liabilities	$ (30.9)	$ (38.3)
Components of the amounts recognized in Accumulated other comprehensive loss before the effect of income taxes:		
Prior service cost	$ 0.7	$ 0.7
Unrecognized net actuarial loss (gain)	$ 61.8	$ 63.2
Accumulated other comprehensive loss	$ 62.5	$ 63.9

(1) In fiscal 2021 and 2020, the net actuarial (gain) loss includes amounts resulting from changes in actuarial assumptions utilized to calculate our benefit plan obligations such as the weighted-average discount rate.

The accumulated benefit obligation for the Company's pension plan totaled $135.5 million and $123.9 million as of fiscal 2021 and fiscal 2020, respectively.

The following table is a summary of the annual cost of the Company's pension plan:

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

(In millions)	2021	2020	2019
Interest cost	$ 2.2	$ 2.4	$ 2.7
Expected return on plan assets	(4.6)	(4.4)	(4.5)
Amortization of prior service costs	0.1	0.1	0.1
Amortization of net (gain)/loss	5.3	3.2	2.7
Net periodic benefit cost	$ 3.0	$ 1.3	$ 1.0

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

(In millions)	2021	2020
Net actuarial (gain) loss	$ (4.9)	$ 20.6
Net amortization	3.5	(4.8)
Total recognized in other comprehensive loss	$ (1.4)	$ 15.8

The net actuarial loss, included in accumulated other comprehensive loss (pretax), expected to be recognized in net periodic benefit cost during fiscal 2022 is $4.8 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 plan are as follows:

Weighted-average assumptions used in the determination of net periodic benefit cost: (Percentages)	2021	2020	2019
Discount rate	1.66	2.39	2.87
Compensation increase rate	2.75	3.20	3.10
Expected return on plan assets	4.80	4.80	4.80
Weighted-average assumptions used in the determination of the projected benefit obligations:			
Discount rate	1.99	1.66	2.39
Compensation increase rate	3.20	2.75	3.20

The Company uses a full yield curve approach to estimate the interest component of net periodic benefit cost for pension 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.

Plan Assets and Investment Strategies

The Company's 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 2021 and asset categories for the Company's pension plan for fiscal 2021 and 2020 are as follows:

	Targeted Asset Allocation Percentage		Percentage of Plan Assets at Year End	
Asset Category	2021	2020	2021	2020
Fixed income	31%	35%	32%	37%
Common collective trusts	69%	65%	68%	63%
Total			100%	100%

(In millions)	May 29, 2021		
Asset Category	Level 1	Level 2	Total
Cash and cash equivalents	0.7	—	0.7
Foreign government obligations	—	34.2	34.2
Common collective trusts-balanced	—	75.0	75.0
Total	$ 0.7	$ 109.2	$ 109.9

(In millions)	May 30, 2020		
Asset Category	Level 1	Level 2	Total
Foreign government obligations	—	31.4	31.4
Common collective trusts-balanced	—	56.7	56.7
Total	$ —	$ 88.1	$ 88.1

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 2021 and fiscal 2020, the Company made total cash contributions of $5.4 million to its benefit plans.

The Company expects to contribute approximately $5.8 million to our benefit plans in fiscal 2022. 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 May 29, 2021.

(In millions)	Pension Benefits	
2022	$	3.9
2023	$	3.9
2024	$	4.0
2025	$	4.0
2026	$	4.1
2027-2031	$	21.3

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. Effective June 2017, the Company matches 100 percent of employee contributions to their 401(k) accounts up to 3 percent of their pay which was subsequently increased to 4 percent in September 2017 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. During the fourth quarter of fiscal 2020, the Company elected to temporarily suspend the Company's Core Contribution and 401(k) matches in order to reduce costs and preserve liquidity. The Company reinstated the previously suspended employer-paid retirement plan contributions in the fourth quarter of fiscal 2021, and has also elected to make a catch-up contribution for the employer-paid retirement plan contributions that were suspended for a majority of fiscal 2020.

There were no Herman Miller, Inc. profit sharing contributions made in fiscal 2021, fiscal 2020 or fiscal 2019. The expense recorded for the Company's 401(k) matching and core contributions was $23.7 million, $22.2 million and $25.4 million in fiscal years 2021, 2020 and 2019, 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)	2021		2020		2019	
Numerator:						
Numerator for both basic and diluted EPS, Net earnings (loss) attributable to Herman Miller, Inc.	$	173.1	$	(9.1)	$	160.5
Denominator:						
Denominator for basic EPS, weighted-average common shares outstanding		58,931,268		58,920,653		59,011,945
Potentially dilutive shares resulting from stock plans		458,330		—		369,846
Denominator for diluted EPS		59,389,598		58,920,653		59,381,791

Equity awards of 207,365 shares, 142,224 shares and 218,037 shares of common stock were excluded from the denominator for the computation of diluted earnings per share for the fiscal years ended May 29, 2021, May 30, 2020 and June 1, 2019, respectively, because they were anti-dilutive.

Common Stock

The Company has a share repurchase plan authorized by the Board of Directors on January 16, 2019, which provides a share repurchase authorization of $250.0 million with no specified expiration date. The approximate dollar value of shares available for purchase under the plan at May 29, 2021 was $236.7 million. During fiscal year 2021, 2020, and 2019, shares repurchased and retired under the current and past repurchase plans totaled 38,931, 641,192, and 1,326,023 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 issues shares in connection with its share-based compensation plans from authorized, but unissued, shares. At May 29, 2021 there were 7,182,670 shares authorized under the various stock-based compensation plans.The Company also offers a stock purchase plan for its domestic and certain international employees.

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 were as follows for the periods indicated:

(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Employee stock purchase program	$ 0.4	$ 0.3	$ 0.3
Stock option plans	3.7	0.6	(0.4)
Restricted stock units	4.1	3.9	4.6
Performance share units	0.8	(2.1)	2.8
Total	$ 9.0	$ 2.7	$ 7.3
Tax benefit	$ 2.0	$ 0.5	$ 1.6

As of May 29, 2021, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately $13.7 million. The weighted-average period over which this amount is expected to be recognized is 1.5 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 71,468, 70,145, and 62,957 for the fiscal years ended 2021, 2020 and 2019 respectively.

Stock Options

The Company grants options to purchase the Company's stock to certain key employees and non-employee directors under its Long-Term Incentive Plan, as amended (the "LTIP") 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 year 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 2021 there was one stock option valuation date, but two valuations. In fiscal 2020 were no stock option grants awarded to employees or non-employee directors. 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:

	2021	2020	2019
Risk-free interest rates (1)	2.30-2.47%	N/A	2.65-2.70%
Expected term of options (2)	3.8-4.1 years	N/A	4.4 years
Expected volatility (3)	43-44%	N/A	27 %
Dividend yield (4)	1.99 %	N/A	2.18-2.33%
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	$ 6.10	N/A	$ 8.05
Granted with exercise prices greater than the fair market value of the stock on the date of grant	$ 5.62	N/A	N/A

(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 February 28, 2020.

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

	Shares Under Option	Weighted-Average Exercise Prices	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (Years)
Outstanding at May 30, 2020	361,416	$ 32.80	$ 0.2	5.8
Granted at market	1,409,792	$ 22.9		
Exercised	(86,238)	$ 30.81		
Forfeited or expired	(11,598)	$ 22.53		
Outstanding at May 29, 2021	1,673,372	$ 24.63	$ 38.8	8.56
Ending vested + expected to vest	1,673,372	$ 24.63	$ 38.8	8.56
Exercisable at end of period	230,462	$ 32.55	$ 3.5	5.35

The weighted-average remaining recognition period of the outstanding stock options at May 29, 2021 was 1.62 years. The total pre-tax intrinsic value of options exercised during fiscal 2021, 2020 and 2019 was $0.5 million, $5.5 million and $3.3 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 2021 from the exercise of stock options was approximately $3 million.

Restricted Stock Units

The Company grants restricted stock units to certain key employees under its LTIP. 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. Awards granted in fiscal 2021 had a graded vesting schedule of 25% after the first year, 25% after the second year, and the remaining 50% after the third year. 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 May 30, 2020	243,774	$	37.02	$	5.6	1.3
Granted	307,652	$	26.71			
Forfeited	(6,955)	$	32.36			
Released	(60,460)	$	33.98			
Outstanding at May 29, 2021	484,011	$	30.84	$	23.1	1.4
Ending vested + expected to vest	484,011	$	30.84	$	23.1	1.4

The weighted-average remaining recognition period of the outstanding restricted stock units at May 29, 2021, was 1.4 years. The fair value of the share units that vested during the twelve months ended May 29, 2021, was $1.5 million. The weighted average grant-date fair value of restricted stock units granted during 2021, 2020, and 2019 was $26.71, $44.70 and $37.81 respectively.

Performance Share Units

The Company grants performance share units to certain key employees under its LTIP. 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 May 30, 2020	384,537	$	37.95	$	8.9	1.3
Granted	84,989	$	37.21			
Forfeited	(52,914)	$	24.76			
Released	(48,553)	$	23.67			
Outstanding at May 29, 2021	368,059	$	41.54	$	17.6	1.1
Ending vested + expected to vest	368,059	$	41.54	$	17.6	1.1

The weighted-average remaining recognition period of the outstanding performance share units at May 29, 2021, was 1.3 years. The fair value for shares that vested during the twelve months ended May 29, 2021, was 1.1 million. The weighted average grant-date fair value of performance share units granted during 2021, 2020, and 2019 was $37.21, $45.71, and $36.37 respectively.

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 ($290,000 in 2021). 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 closely aligned to those available under the Herman Miller Profit Sharing and 401(k) 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 Deferred compensation plan 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 asset 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 10 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:

	2021	2020	2019
Shares of common stock	3,013	7,769	10,185
Shares through the deferred compensation program	—	1,045	7,619

11. Income Taxes

The components of (loss) earnings before income taxes are as follows:

(In millions)	2021	2020	2019
Domestic	$ 133.2	$ (75.6)	$ 136.2
Foreign	93.2	62.2	58.9
Total	$ 226.4	$ (13.4)	$ 195.1

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

(In millions)	2021	2020	2019
Current: Domestic - Federal	$ 13.2	$ 12.0	$ 19.0
Domestic - State	5.2	5.7	6.4
Foreign	22.8	13.3	12.9
	41.2	31.0	38.3
Deferred: Domestic - Federal	10.1	(16.8)	1.0
Domestic - State	1.3	(3.9)	(0.2)
Foreign	(4.7)	(4.3)	0.5
	6.7	(25.0)	1.3
Total income tax provision	$ 47.9	$ 6.0	$ 39.6

The following table represents a reconciliation of income taxes at the United States statutory rate of 21% with the effective tax rate as follows:

(In millions)	2021	2020	2019
Income taxes computed at the United States Statutory rate	$ 47.5	$ (2.8)	$ 41.0
Increase (decrease) in taxes resulting from:			
State and local income taxes, net of federal income tax benefit	5.6	1.4	4.9
Non-deductible goodwill impairment	—	17.1	—
Gain on consolidation of equity method investments	—	(5.5)	—
U.S. tax liability on undistributed foreign earnings due to the Tax Act	—	—	(2.6)
Foreign-derived intangible income	(2.1)	(1.4)	(3.1)
Global intangible low-taxed income	7.9	5.9	6.9
Foreign statutory rate differences	2.6	0.7	1.9
Research and development incentives	(3.2)	(4.4)	(5.3)
Foreign offshore income claim	(0.7)	(1.7)	(0.7)
Foreign tax credit	(10.3)	(5.8)	(5.7)
Foreign withholding taxes and other miscellaneous foreign taxes	1.0	2.7	0.8
Other, net	(0.4)	(0.2)	1.5
Income tax expense	$ 47.9	$ 6.0	$ 39.6
Effective tax rate	21.2 %	(44.9)%	20.3 %

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at May 29, 2021 and May 30, 2020, are as follows:

(In millions)	2021	2020
Deferred tax assets:		
Compensation-related accruals	$ 11.1	$ 14.2
Accrued pension and post-retirement benefit obligations	9.2	9.6
Deferred revenue	5.5	3.7
Inventory related	3.7	3.9
Other reserves and accruals	7.5	7.9
Warranty	14.1	14.0
State and local tax net operating loss carryforwards and credits	1.5	2.5
Federal net operating loss carryforward	1.1	1.2
Foreign tax net operating loss carryforwards and credits	8.9	8.4
Accrued step rent and tenant reimbursements	0.6	0.7
Interest rate swap	3.5	6.1
Lease liability	57.0	52.5
Other	6.9	6.9
Subtotal	130.6	131.6
Valuation allowance	(8.9)	(10.6)
Total	$ 121.7	$ 121.0
Deferred tax liabilities:		
Book basis in property in excess of tax basis	$ 38.0	$ 32.0
Intangible assets	46.5	43.6
Right of use lease assets	49.1	44.7
Other	3.6	3.4
Total	$ 137.2	$ 123.7

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 May 29, 2021, the Company had state and local tax NOL carry-forwards of $19.7 million, the state tax benefit of which is $1.1 million, which have various expiration periods from 1 to 21 years. The Company also had state credits with a state tax benefit of $0.4 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 $0.7 million.

At May 29, 2021, the Company had federal NOL carry-forwards of $5.2 million, the tax benefit of which is $1.1 million, which expire in 8 years. For financial statement purposes, the NOL carry-forwards have been recognized as deferred tax assets.

At May 29, 2021, the Company had federal deferred assets of $0.8 million, the tax benefit of which is $0.2 million, which is related to an investment in a foreign joint venture. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of $0.2 million.

At May 29, 2021, the Company had foreign net operating loss carry-forwards of $36.1 million, the tax benefit of which is $8.6 million, which have expiration periods from 7 years to an unlimited term. The Company also had foreign tax credits with a tax benefit of $0.3 million which will expire in 11 years. For financial statement purposes, the NOL carry-forwards and foreign tax credits have been recognized as deferred tax assets, subject to a valuation allowance of $7.3 million.

At May 29, 2021, the Company had foreign deferred assets of $4.0 million, the tax benefit of which is $0.7 million, which is related to various deferred taxes in Hong Kong 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 $0.7 million.

The Company intends to repatriate $107.0 million in cash held in certain foreign jurisdictions and as such has recorded a deferred tax liability related to foreign withholding taxes on these future dividends received in the U.S. from foreign subsidiaries of $0.7 million. A significant portion of this cash was previously taxed under the U.S. Tax Cut and Jobs Act (TCJA) one-time U.S. tax liability on undistributed foreign earnings. The Company intends to remain indefinitely reinvested in the remaining undistributed earnings outside the U.S, which was $200.1 million on May 29, 2021. Determination of the total amount of unrecognized deferred income tax on the remaining 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 1, 2019	$	1.9
Increases related to current year income tax positions		0.3
Decreases related to prior year income tax positions		(0.1)
Decreases related to lapse of applicable statute of limitations		(0.2)
Balance at May 30, 2020	$	1.9
Increases related to current year income tax positions		0.1
Increases related to prior year income tax positions		0.4
Decreases related to lapse of applicable statute of limitations		(0.3)
Balance at May 29, 2021	$	2.1

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)	May 29, 2021		May 30, 2020		June 1, 2019	
Interest and penalty expense (income)	$	0.1	$	0.1	$	(0.3)
Liability for interest and penalties	$	0.9	$	0.8		

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 returns for fiscal years 2018 through 2020 have been fully accepted by the Internal Revenue Service under the Compliance Assurance Process (CAP) and the Company is awaiting final closing documentation. 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 2018.

12. Fair Value

The Company's financial instruments consist of cash equivalents, marketable securities, accounts and notes receivable, deferred compensation plan, accounts payable, debt, interest rate swaps, foreign currency exchange contracts, redeemable noncontrolling interests, indefinite-lived intangible assets and right of use assets. The Company's financial instruments, other than long-term debt, are recorded at fair value.

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)	May 29, 2021	May 30, 2020
Carrying value	$ 277.1	$ 591.3
Fair value	$ 284.8	$ 594.0

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

Cash and 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 ("NAV").

Mutual Funds-equity — 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.

Deferred compensation plan — 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.

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 market-based current activity. These forward contracts are not designated as hedging instruments.

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 May 29, 2021 and May 30, 2020:

(In millions)	May 29, 2021		May 30, 2020	
Financial Assets	NAV	Quoted Prices With Other Observable Inputs (Level 2)	NAV	Quoted Prices With Other Observable Inputs (Level 2)
Cash equivalents:				
Money market funds	$ 162.2	$ —	$ 283.7	$ —
Mutual funds - equity	—	0.8	—	0.7
Foreign currency forward contracts	—	1.6	—	1.1
Deferred compensation plan	—	16.1	—	13.2
Total	$ 162.2	$ 18.5	$ 283.7	$ 15.0
Financial Liabilities				
Foreign currency forward contracts	$ —	$ 0.1	$ —	$ 0.8
Total	$ —	$ 0.1	$ —	$ 0.8

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

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

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

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 May 29, 2021 and May 30, 2020.

(In millions)	May 29, 2021	May 30, 2020
Financial Assets	Quoted Prices with Other Observable Inputs (Level 2)	Quoted Prices with Other Observable Inputs (Level 2)
Mutual funds - fixed income	$ 6.9	$ 6.3
Interest rate swap agreement	—	—
Total	$ 6.9	$ 6.3
Financial Liabilities		
Interest rate swap agreement	$ 14.4	$ 25.0
Total	$ 14.4	$ 25.0

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:

	May 29, 2021			May 30, 2020		
(In millions)	Cost	Unrealized Gain/(Loss)	Market Value	Cost	Unrealized Gain/(Loss)	Market Value
Mutual funds - fixed income	$ 6.9	$ —	$ 6.9	$ 6.2	$ 0.1	$ 6.3
Mutual funds - equity	0.5	0.3	0.8	0.6	0.1	0.7
Total	$ 7.4	$ 0.3	$ 7.7	$ 6.8	$ 0.2	$ 7.0

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 (income) expense, 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.

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 (income) expense, 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 $61.9 million and $52.6 million as of May 29, 2021 and May 30, 2020, 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 £44.5 million and £27.5 million as of May 29, 2021 and May 30, 2020, 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. 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 the facts and circumstances of the hedged relationship remains consistent with the initial quantitative effectiveness assessment in that the hedged instruments remain an effective accounting hedge as of May 29, 2021. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statements 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 additional 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 $14.4 million and $25.0 million as of May 29, 2021 and May 30, 2020, respectively. The liability and asset fair value were recorded within "Other liabilities" and "Other noncurrent 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 $12.6 million and $17.2 million for the fiscal years ended May 29, 2021 and May 30, 2020, respectively.

For fiscal 2021, 2020 and 2019, 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 2021 and 2020 (amounts presented exclude any income tax effects):

(In millions)	Balance Sheet Location	May 29, 2021	May 30, 2020
Designated derivatives:			
Interest rate swap	Long-term assets: Other noncurrent assets	$ —	$ —
Interest rate swap	Long-term liabilities: Other liabilities	$ 14.4	$ 25.0
Non-designated derivatives:			
Foreign currency forward contracts	Current assets: Other current assets	$ 1.6	$ 1.1
Foreign currency forward contracts	Current liabilities: Other accrued liabilities	$ 0.1	$ 0.8

		Fiscal Year		
(In millions)	Statement of Comprehensive Income Location	May 29, 2021	May 30, 2020	June 1, 2019
(Loss) gain recognized on foreign currency forward contracts	Other expense (income), net	$ 0.8	$ (1.1)	$ 0.3

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)	May 29, 2021	May 30, 2020	June 1, 2019
Interest rate swap	$ 12.6	$ (17.2)	$ (12.8)

Reclassified from Accumulated other comprehensive loss into earnings within "Interest expense" for the fiscal years ended 2021, 2020, and 2019 were gains of $4.5 million and $0.8 million and a loss of $0.5 million, respectively. Pre-tax gains expected to be reclassified from Accumulated other comprehensive loss into earnings during the next twelve months are $4.5 million. The amount of gain, net of tax, expected to be reclassified out of Accumulated other comprehensive loss into earnings during the next twelve months is $3.4 million.

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, 2020. The gain was the result of an observable price change for a similar investment in the same entity. There were no similar gains in fiscal 2020 or 2021.

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests are reported on the Condensed Consolidated Balance Sheets in mezzanine equity in “Redeemable noncontrolling interests.” These financial instruments represent a level 3 fair value measurement.

As of June 1, 2019, the outstanding redeemable noncontrolling interests in the Company's subsidiary, Herman Miller Consumer Holdings, Inc. ("HMCH") were $20.6 million, and represented an approximate 5% minority ownership. During August 2019, the Company acquired all of the remaining redeemable noncontrolling equity interests. HMCH redeemed certain HMCH stock for cash and then, in August 2019, HMCH merged with and into the Company, with the remaining minority HMCH shareholders receiving a cash payment. Total cash paid of $20.4 million for the redemptions and for merger consideration was at fair market value based on an independent appraisal. This compares to purchases of $10.1 million during the twelve month period ended June 1, 2019.

Changes in the Company's redeemable noncontrolling interest in HMCH for the years ended May 29, 2021 and May 30, 2020 are as follows:

(In millions)	May 29, 2021	May 30, 2020
Beginning Balance	$ —	$ 20.6
Purchase of HMCH redeemable noncontrolling interests		(20.4)
Redemption value adjustment		(0.2)
Exercised options	—	—
Ending Balance	$ —	$ —

On December 2, 2019, the Company purchased an additional 34% equity voting interest in HAY. Upon increasing its ownership to 67%, the Company obtained a controlling financial interest and consolidated the financial results of HAY. Additionally, the Company is a party to options, that if exercised, would require it to purchase the remaining 33% of the equity in HAY, at fair market value. This remaining redeemable noncontrolling interest in HAY is classified outside permanent equity in the Consolidated Balance Sheets and is carried at the current estimated redemption amount. 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. The redemption amounts have been estimated based on the fair value of the subsidiary, determined using discounted cash flow methods. This represents a level 3 fair value measurement.

Changes in the Company's redeemable noncontrolling interest in HAY for the year ended May 29, 2021 are as follows:

(In millions)	May 29, 2021
Beginning Balance	$ 50.4
Dividend attributable to redeemable noncontrolling interests	(2.8)
Redemption value adjustment	15.0
Net income attributable to redeemable noncontrolling interests	5.7
Foreign currency translation adjustments	8.7
Ending Balance	$ 77.0

Other

The following table summarizes the valuation of our assets measured at fair value on a non-recurring basis as of May 29, 2021:

(In millions)	May 29, 2021
Assets:	Level 3
Indefinite-lived intangible assets	$ 97.6

The relief-from-royalty method for the quantitative impairment assessment for indefinite-lived intangible assets utilized discount rates ranging from 12.0% to 14.0% and royalty rates ranging from 2.0% to 3.0%. Based on the quantitative impairment assessment performed, the carrying value these assets exceeded their fair value, resulting in an impairment charge of $53.3 million in fiscal 2020.

See Note 1 and Note 7 to the Consolidated Financial Statements for additional information.

13. Commitments 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. The Company provides an assurance-type warranty that ensures that products will function as intended. In fiscal 2020, warranty reserves were classified as short-term liabilities. The current and long-term portions of the warranty reserve are included within "Accrued warranty," and "Other liabilities," respectively, within the consolidated balance sheets. The prior period consolidated balance sheet was reclassified in the current year to be consistent with this presentation.

Changes in the warranty reserve for the stated periods were as follows:

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Accrual Balance — beginning	$ 59.2	$ 53.1	$ 51.5
Accrual for warranty matters	12.8	23.7	20.7
Settlements and adjustments	(11.9)	(17.6)	(19.1)
Accrual Balance — ending	$ 60.1	$ 59.2	$ 53.1

Guarantees

The Company is periodically required to provide performance bonds to do business with certain customers. These arrangements are common in the industry and generally have terms ranging between one year and three years. The bonds are required to provide assurance to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The bonds are provided by various bonding agencies. However, the Company is ultimately liable for claims that may occur against them. As of May 29, 2021, the Company had a maximum financial exposure related to performance bonds of approximately $6.3 million. The Company has no history of claims, nor is it aware of circumstances that would require it to pay, under any of these arrangements. The Company also believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded in respect to these bonds as of either May 29, 2021 or May 30, 2020.

The Company has entered into standby letter of credit arrangements for purposes of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of May 29, 2021, the Company had a maximum financial exposure from these standby letters of credit totaling approximately $9.8 million, all of which is considered usage against the Company's revolving line 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 materially affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded as of May 29, 2021 and May 30, 2020.

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 have a material adverse effect, if any, on the Company's Consolidated Financial Statements.

As of the end of fiscal 2021, outstanding commitments for future purchase obligations approximated $70.8 million.

14. Operating Segments

The Company's segments consist of North America Contract, International Contract and Retail.

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, healthcare, and educational environments, throughout the United States and Canada. The business associated with the Company's owned contract furniture dealer 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 naughtone products.

The International Contract segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings in Europe, the Middle East and Africa ("EMEA"), Latin America and Asia-Pacific.

The Retail segment includes operations associated with the sale of modern design furnishings and accessories to third party retailers, as well as direct to consumer sales through eCommerce, direct-mail catalogs, DWR studios and HAY stores.

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 operating segments are the same as those of the Company.

Subsequent to the end of fiscal 2021, the Company implemented an organizational change that will result in a change in our reportable segments. Beginning in the first quarter of fiscal 2022, the Company will recast the historical results in reflection of the change. Below is a summary of the change:

- The activities related to the manufacture and sale of furniture products direct to consumers and to third-party retailers that currently reside within the International Contract segment will move to the Retail segment.
- The operations associated with the design, manufacture and sale of furniture products for work-related settings in Latin America will move to the North America Contract segment to form a new Americas Contract segment.
- Operations of the DWR Contract business, a division of DWR that sells design furnishings and accessories for use in work-related settings will move into the Americas Contract segment.

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 years indicated:

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Net Sales:			
North America Contract	$ 1,194.0	$ 1,598.2	$ 1,686.5
International Contract	669.0	502.8	492.2
Retail	602.1	385.6	388.5
Total	$ 2,465.1	$ 2,486.6	$ 2,567.2
Depreciation and Amortization:			
North America Contract	$ 53.5	$ 46.7	$ 46.8
International Contract	22.1	17.4	10.5
Retail	11.6	14.7	14.1
Corporate	—	0.7	0.7
Total	$ 87.2	$ 79.5	$ 72.1
Operating Earnings (Loss):			
North America Contract	$ 74.1	$ 130.9	$ 189.7
International Contract	93.0	18.2	57.8
Retail	117.2	(148.3)	5.3
Corporate	(53.7)	(39.2)	(49.3)
Total	$ 230.6	$ (38.4)	$ 203.5
Capital Expenditures:			
North America Contract	$ 44.9	$ 53.7	$ 52.7
International Contract	10.3	10.4	16.6
Retail	4.6	4.9	16.5
Corporate	—	—	—
Total	$ 59.8	$ 69.0	$ 85.8
Total Assets:			
North America Contract	$ 745.3	$ 769.5	$ 733.6
International Contract	572.4	512.5	356.8
Retail	340.1	310.9	310.0
Corporate	404.1	461.0	168.9
Total	$ 2,061.9	$ 2,053.9	$ 1,569.3
Goodwill:			
North America Contract	$ 187.4	$ 182.3	$ 185.3
International Contract	176.8	163.7	39.7
Retail	—	—	78.8
Corporate	—	—	—
Total	$ 364.2	$ 346.0	$ 303.8

The accounting policies of the 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 years indicated:

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Net Sales:			
Workplace	$ 854.7	$ 1,135.8	$ 1,201.8
Performance Seating	784.6	646.8	708.5
Lifestyle	689.9	537.5	473.5
Other (1)	135.9	166.5	183.4
Total	$ 2,465.1	$ 2,486.6	$ 2,567.2

(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 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.

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Net Sales:			
United States	$ 1,728.9	$ 1,795.8	$ 1,865.8
International	736.2	690.8	701.4
Total	$ 2,465.1	$ 2,486.6	$ 2,567.2
Long-lived assets:			
United States	$ 311.1	$ 306.7	$ 422.1
International	70.6	59.6	52.2
Total	$ 381.7	$ 366.3	$ 474.3

The Company approximates that no single dealer accounted for more than three percent of the Company's net sales in the fiscal year ended May 29, 2021. The Company estimates that the largest single end-user customer accounted for $113.0 million, $122.9 million and $129.6 million of the Company's net sales in fiscal 2021, 2020 and 2019, respectively. This represents approximately five percent of the Company's net sales in in each of fiscal 2021, 2020 and 2019. The Company's ten largest customers in the aggregate accounted for approximately 17 percent of net sales in fiscal 2021 and 18 percent of net sales in fiscal 2020 and 2019.

Approximately 4 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 indicated:

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
Cumulative translation adjustments at beginning of period	$ (56.0)	$ (48.3)	$ (34.1)
Other comprehensive income (loss)	52.1	(7.7)	(14.2)
Balance at end of period	(3.9)	(56.0)	(48.3)
Pension and other post-retirement benefit plans at beginning of period	(59.2)	(45.0)	(37.2)
Other comprehensive income (loss) before reclassifications (net of tax of ($.03), $3.5, and $2.0)	5.3	(16.9)	(10.0)
Reclassification from accumulated other comprehensive income - Other, net	5.5	3.3	2.6
Tax (expense) benefit	(2.0)	(0.6)	(0.4)
Net reclassifications	3.5	2.7	2.2
Net current period other comprehensive income (loss)	8.8	(14.2)	(7.8)
Balance at end of period	(50.4)	(59.2)	(45.0)
Interest rate swap agreement at beginning of period	(18.9)	(0.9)	9.9
Cumulative effect of accounting change	—	—	1.5
Other comprehensive income (loss) before reclassifications (net of tax of ($2.6), $5.8, and $5.3)	12.6	(17.2)	(12.8)
Reclassification from accumulated other comprehensive income - Other, net	(4.5)	(0.8)	0.5
Net reclassifications	(4.5)	(0.8)	0.5
Net current period other comprehensive income (loss)	8.1	(18.0)	(12.3)
Balance at end of period	(10.8)	(18.9)	(0.9)
Unrealized holding gains on securities at beginning of period	0.1	—	0.1
Cumulative effect of accounting change	—	—	(0.1)
Other comprehensive (loss) income before reclassifications	(0.1)	0.1	—
Balance at end of period	—	0.1	—
Total Accumulated other comprehensive loss	$ (65.1)	$ (134.0)	$ (94.2)

16. Restructuring Expenses

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. The plan is expected to generate cost savings of approximately $3 million. The Company recognized restructuring and impairment expenses of $5.9 million, with a net credit of $1.9 million recognized in fiscal 2021 and the remainder in fiscal 2020, 2019 and 2018. These expenses related to the facilities consolidation plan, comprised primarily of an asset impairment recorded against an office building in the United Kingdom that was vacated and the consolidation of the Company's manufacturing facilities in China. No future restructuring costs related to the plan are expected as the plan is substantially complete.

The office building and related assets in China were sold in the first quarter of fiscal 2021, resulting in a gain of approximately $3.4 million. The office building and related assets in the United Kingdom were sold in the second quarter of fiscal 2021, resulting in a nominal gain. Both of these gains are included within "Restructuring expense" in the Condensed Consolidated Statements of Comprehensive Income.

In the second quarter of fiscal 2020, the North America Contract segment initiated restructuring discussions with labor unions related to its Nemschoff operation in Wisconsin. To date, the Company has recorded approximately $3.1 million in pre-tax restructuring expense related to this plan, with a net credit of $0.1 million recognized in fiscal 2021 and the remainder in fiscal 2020. These restructuring costs relate to potential partial outsourcing and in-sourcing strategies, long-lived asset impairments and employee-related costs. The plan is complete and no future costs related to this plan are expected.

In the second quarter of fiscal 2020, the Company initiated a reorganization of the Global Sales and Product teams. The reorganization activities occurred primarily in the North America business with additional costs incurred internationally. To date, the Company has recorded a total of $2.6 million in pre-tax restructuring expense related to this plan. The reorganization is complete and no future costs related to this plan are expected.

In the third quarter of fiscal 2020, the Company announced a reorganization of the Retail segment's leadership team. The Company recognized pre-tax severance and employee related restructuring expense of $2.2 million related to the plan. No material future restructuring costs related to the plan are expected as the plan is substantially complete.

The following table provides an analysis of the changes in the restructuring costs reserve for the above plans for the fiscal years ended May 30, 2020 and May 29, 2021:

(In millions)	Severance and Employee-Related	Exit or Disposal Activities	Total
June 1, 2019	$ 6.8	$ 1.1	$ 7.9
Restructuring Costs	9.9	1.2	$ 11.1
Amounts Paid	(10.8)	(1.5)	$ (12.3)
May 30, 2020	$ 5.9	$ 0.8	$ 6.7
Restructuring Costs	(1.7)	(2.0)	$ (3.7)
Amounts Paid	(3.3)	(0.1)	$ (3.4)
Other*	—	1.9	$ 1.9
May 29, 2021	$ 0.9	$ 0.6	$ 1.5

*This represents the gains on the sales of office buildings and related assets in China and the United Kingdom offset by other non-cash charges. The gains and other non-cash charges were recorded as restructuring cost, but do not impact the restructuring reserve.

In the fourth quarter of fiscal 2020, the Company announced a restructuring plan (“May 2020 restructuring plan") to substantially reduce expenses in response to the impact of the COVID-19 pandemic and related restrictions. These activities included voluntary and involuntary reductions in its North American and international workforces. Combined, these actions resulted in the elimination of approximately 400 full-time positions throughout the Company in various businesses and functions. As the result of these actions, the Company projects an annualized expense reduction of approximately $40 million. To date, the Company incurred severance and related charges of $18.7 million with $3.4 million recognized in fiscal 2021 and the remainder in fiscal 2020. No material future restructuring costs related to the plan are expected and the remaining amounts will be paid in fiscal 2022.

The following table provides an analysis of the changes in the restructuring cost reserve for the May 2020 restructuring plan for the fiscal year ended May 29, 2021:

(In millions)	Severance and Employee-Related
Beginning Balance	$ 15.3
Restructuring Costs	3.4
Amounts Paid	(17.7)
Ending Balance	$ 1.0

The following is a summary of restructuring expenses by segment for the fiscal years indicated:

	Year Ended		
(In millions)	May 29, 2021	May 30, 2020	June 1, 2019
North America Contract	$ 3.8	$ 18.7	$ 7.7
International Contract	(1.1)	4.8	2.5
Retail	—	2.9	—
Total	$ 2.7	$ 26.4	$ 10.2

17. Variable Interest Entities

The Company has long-term notes receivable with a third-party owned dealer that are deemed to be variable interests in variable interest entity. The carrying value of these long-term notes receivable was $1.2 million and $1.5 million as of May 29, 2021 and May 30, 2020, respectively, and represents the Company's maximum exposure to loss. The Company is not deemed to be the primary beneficiary of the variable interest entity as the entity controls the activities that most significantly impact the entity's economic performance, including sales, marketing, and operations.

18. Quarterly Financial Data (Unaudited)

Set forth below is a summary of the quarterly operating results on a consolidated basis for the years ended May 29, 2021, May 30, 2020, and June 1, 2019.

(In millions, except per share data)		First Quarter [1]	Second Quarter [1]	Third Quarter [1]	Fourth Quarter [1]
2021	Net sales	$ 626.8	$ 626.3	$ 590.5	$ 621.5
	Gross margin	250.0	244.2	230.9	224.0
	Net earnings attributable to Herman Miller, Inc.	73.0	51.3	41.5	7.4
	Earnings per share-basic	1.24	0.87	0.70	0.12
	Earnings per share-diluted	1.24	0.87	0.70	0.12
2020	Net Sales	$ 670.9	$ 674.2	$ 665.7	$ 475.7
	Gross margin	246.1	255.5	243.3	165.8
	Net earnings attributable to Herman Miller, Inc.	48.2	78.6	37.7	(173.7)
	Earnings per share-basic	0.82	1.33	0.64	(2.95)
	Earnings per share-diluted	0.81	1.32	0.64	(2.95)
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

(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.

19. Subsequent Event

Acquisition of Knoll

In April, we announced that we entered into a definitive agreement with Knoll, under which Herman Miller will acquire Knoll in a cash and stock transaction valued at $1.8 billion. On July 13, 2021, the Herman Miller shareholders and Knoll stockholders approved the proposals necessary to complete the previously announced merger of Herman Miller and Knoll and the merger closed on July 19, 2021.

In connection with our acquisition of Knoll, in July, 2021, the Company entered into a syndicated revolving line of credit that provides the Company with up to $725 million in revolving variable interest borrowing capacity that matures in July, 2026, replacing our previous $500 million syndicated revolving line of credit. The Company also entered into a debt commitment letter for a five-year senior secured term loan "A" facility in an aggregate principal amount of $400 million and a seven-year senior secured term loan "B" facility in an aggregate principal amount of $625 million, the proceeds of which were used to finance a portion of the cash consideration for the acquisition of Knoll, for the repayment of certain debt of Knoll and to pay fees, costs and expenses related thereto. The Company also repaid $64 million of private placement notes due May 20, 2030.

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 May 29, 2021, 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 May 29, 2021.

KPMG 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 Stockholders and Board of Directors
Herman Miller, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries (the Company) as of May 29, 2021 and May 30, 2020, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended May 29, 2021, and the related notes and financial statement schedule II – Valuation and Qualifying Accounts (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of May 29, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of May 29, 2021 and May 30, 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended May 29, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 29, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of June 2, 2019 due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842).

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

HAY tradename impairment assessment

As discussed in Note 1 to the consolidated financial statements, the indefinite-lived intangible asset balance as of May 29, 2021 was $43.1 million related to the HAY tradename. Indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or more frequently, when events or changes in circumstances indicate that the fair value of an indefinite-lived intangible asset has declined below its carrying value. To estimate the fair value of the indefinite-lived intangible assets, the Company utilizes the relief from royalty method.

We identified the evaluation of the HAY tradename for impairment as a critical audit matter. Subjective and challenging auditor judgment was required to evaluate the selection of forecasted revenue growth rates, discount rate, and royalty rate used to estimate the fair value of the HAY tradename. Additionally, the audit effort associated with the evaluation of the HAY tradename for impairment required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's impairment evaluation for the HAY tradename, including controls over the selection of forecasted revenue growth rates, discount rate, and royalty rate used to estimate the fair value of the HAY tradename. We evaluated the reasonableness of management's forecasted revenue growth rates by comparing the forecasts to historical revenue growth rates, considering industry conditions and growth plans. We performed sensitivity analyses to assess the impact of reasonably possible changes to the forecasted revenue growth rates, discount rate, and royalty rate assumptions on the fair value of the tradename. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's discount rate by comparing the Company's inputs to the discount rate to publicly available data for comparable entities and assessing the overall discount rate; and

- evaluating the Company's royalty rate by comparing the selected royalty rate to the forecasted operating margins of the sales associated with the tradename and publicly available data for comparable licensing agreements and assessing the overall royalty rate.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Chicago, Illinois
July 27, 2021

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 sheet of Herman Miller, Inc. and subsidiaries (the Company) as of June 1, 2019, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended June 1, 2019, and the related notes and financial statement schedule for each of the two years in the period ended June 1, 2019 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 the results of its operations and its cash flows for each of the two years in the period ended June 1, 2019, in conformity with U.S. generally accepted accounting principles.

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 served as the Company's auditor from 2002 to 2019.

Grand Rapids, Michigan
July 27, 2021

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 May 29, 2021 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 KPMG 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 May 29, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

None

Item 9C Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

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 2021 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 “Information About Our Executive Officers.”

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 “Delinquent Section 16(a) Reports” in the Company's definitive Proxy Statement, relating to the Company's 2021 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 “Legal” section of the Company's website at www.hermanmiller.com. Any amendments to, or waivers from, a provision of this code applicable to any such officers will be posted to the "Legal" section of the Company's 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 2021 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 “Executive Compensation Committee Interlocks and Insider Participation” in the Company's definitive Proxy Statement, relating to the Company's 2021 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 SEC.

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

The sections entitled “Voting Securities and Principal Shareholders,” “Director and Executive Officer Information,” and “Equity Compensation Plan Information” in the Company's definitive Proxy Statement, relating to the Company's 2021 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 “Certain Relationships and 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 2021 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 Public Accounting Firm" including “Disclosure of Fees Paid to Independent Auditors” in the Company's definitive Proxy Statement, relating to the Company's 2021 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

Refer to the Exhibit Index which is included below.

Exhibit Index

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

(a) Agreement and Plan of Merger, by and among Herman Miller, Inc., Heat Merger Sub, Inc. and Knoll, Inc., dated as of April 19, 2021, is incorporated by reference to Exhibit 2.1 of Registrant’s Form 8-K Report dated April 22, 2021 (Commission File No. 001-15141).

(b) Stock Purchase Agreement, by and between Furniture Investments Acquisitions S.C.S. and Herman Miller, Inc., dated as of April 19, 2021, is incorporated by reference to Exhibit 2.2 of the Registrant's Form 8-K Report dated April 22, 2021 (Commission File No. 001-15141).

(3) Articles of Incorporation and Bylaws

(a) Restated Articles of Incorporation, dated October 8, 2018, are 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, are 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) 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 SEC copies of such agreements upon request.

(b) Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, dated May 30, 2020, is incorporated by reference to Exhibit 4.B of Registrant's Form 10-K Report dated July 28, 2020 (Commission File No. 001-15141).

(10) Material Contracts

(a) Credit Agreement dated as of July 19, 2021 is incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K Report dated July 19, 2021 (Commission File No. 001-15141).

(b) 2020 Herman Miller, Inc Long-Term Incentive Plan is incorporated by reference to Article 1 of the Registrant's Schedule 14A dated September 1, 2020 (Commission File No. 001-15141).[1]

(c) 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]

(d) Form of Management Continuity Agreement of the Registrant, dated May 30, 2020, is incorporated by reference to Exhibit 10.C of Registrant's Form 10-K Report dated July 28, 2020 (Commission File No. 001-15141).[1]

(e) 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]

(f) 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]

(g) Form of Herman Miller, Inc., Long-Term Incentive Restricted Stock Unit Award is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q Report dated April 7, 2020 (Commission File No. 001-15141).[1]

(h) Form of Herman Miller, Inc. 2011 Long-Term Incentive Plan 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]

(i) 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]

(j) 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 Form 10-K Report dated July 28, 2015 (Commission File No. 001-15141).[1]

(k) 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]

(l) Share Purchase Agreement dated October 8, 2019 between Herman Miller Holdings Limited and Nine United A/S is incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q Report dated October 8, 2019 (Commission File No. 001-15141).[1]

(m) 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]

(n) 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]

(o) 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]

(p) 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]

(q) 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]

(r) 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 Report filed July 19, 2019 (Commission File No. 001-15141).[1]

(s) Form of Indemnification Agreement between Herman Miller, Inc. and certain employees serving as a director or officer of a foreign subsidiary, including executive officers of Herman Miller, Inc. is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q Report dated October 8, 2019 (Commission File No. 001-15141).[1]

(t) Fifth Amended and Restated Credit Agreement dated as of August 28, 2019 among Herman Miller, Inc., certain subsidiary borrowers, Wells Fargo Bank, National Agent, as Administrative Agent, and JPMorgan Chase Bank N.A., as Syndication Agent, is incorporated by reference to Exhibit 10.1 of the Registrant's Report on Form 8-K Report dated August 28, 2019 (Commission File No. 001-15141).

(u) Form of Herman Miller, Inc., Long-Term Incentive Plan Operating Income Growth Performance Share Unit with TSR Modifier Award Agreement is incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q Report dated April 7, 2020 (Commission File No. 001-15141).[1]

(v) Form of Herman Miller, Inc., Long-Term Incentive Plan Revenue Growth Performance Share Unit with TSR Modifier Award Agreement is incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q Report dated April 7, 2020 (Commission File No. 001-15141).[1]

(w) Advisory Agreement dated August 7, 2020 by and between Herman Miller, Inc. and Gregory Bylsma is incorporated by reference to Exhibit 10.1 of the Registrant’s Form 10-Q Report dated October 5, 2020 (Commission File No. 001-15141).

(x) Voting and Support Agreement, by and between Herman Miller, Inc. and Furniture Investments Acquisitions S.C.S., dated as of April 19, 2021 is incorporated by reference to Exhibit 10.1 of the Registrant’s Form 8-K Report dated April 22, 2021 (Commission File No. 001-15141).

(21) Subsidiaries

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

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

(24) Power of Attorney (included on the signature page to this Form 10-K Report)

(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 The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

104 Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).

(1) Denotes compensatory plan or arrangement.

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 May 29, 2021:				
Accounts receivable allowances — uncollectible accounts(1)	$ 4.3	$ 1.7	$ (1.2)	$ 4.8
Accounts receivable allowances — credit memo(2)	$ 0.1	$ —	$ 0.6	$ 0.7
Allowance for possible losses on notes receivable	$ 0.3	$ (0.3)	$ —	$ —
Valuation allowance for deferred tax asset	$ 10.6	$ (2.3)	$ 0.6	$ 8.9
Year ended May 30, 2020:				
Accounts receivable allowances — uncollectible accounts(1)	$ 2.9	$ 2.3	$ (0.9)	$ 4.3
Accounts receivable allowances — credit memo(2)	$ 0.6	$ —	$ (0.5)	$ 0.1
Allowance for possible losses on notes receivable	$ 0.3	$ —	$ —	$ 0.3
Valuation allowance for deferred tax asset	$ 10.4	$ 0.4	$ (0.2)	$ 10.6
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

(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.

Item 16 Form 10-K Summary

None

Signatures

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

HERMAN MILLER, INC.

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

Date: July 27, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on July 27, 2021 by the following persons on behalf of the Registrant in the capacities indicated.

/s/ Michael A. Volkema	/s/ Lisa Kro
Michael A. Volkema (Chairman of the Board)	Lisa Kro (Director)
/s/ David A. Brandon	/s/ Mary Vermeer Andringa
David A. Brandon (Director)	Mary Vermeer Andringa (Director)
/s/ Douglas D. French	/s/ John R. Hoke III
Douglas D. French (Director)	John R. Hoke III (Director)
/s/ Heidi Manheimer	/s/ Andrea R. Owen
Heidi Manheimer (Director)	Andrea R. Owen (President, Chief Executive Officer, and Director)
/s/ Michael C. Smith	/s/ Jeffrey M. Stutz
Michael C. Smith (Director)	Jeffrey M. Stutz (Chief Financial Officer and Principal Accounting Officer)
/s/ Candace Matthews	/s/ Michael R. Smith
Candace Matthews (Director)	Michael R. Smith (Director)

Exhibit 21

HERMAN MILLER, INC., SUBSIDIARIES

The Company's principal subsidiaries are as follows:

Name	Ownership	Jurisdiction of Incorporation
Anpartsselskabet af 5.12 2018	67% Company	Denmark
Anpartsselskabet af 6.9 2019	67% Company	Denmark
Colebrook Bosson & Saunders Products Limited	100% Company	England, U.K.
Colebrook Bosson Saunders, Pty. Ltd.	100% Company	Australia
Design Within Reach, Inc.	100% Company	Delaware
Geiger International, Inc.	100% Company	Delaware
HAY ApS	67% Company	Denmark
HAY International BE B.V.	67% Company	Belgium
HAY International CH GmbH	67% Company	Switzerland
HAY International DE GmbH B.V.	67% Company	Germany
HAY International NL B.V.	67% Company	Netherlands
HAY International UK Ltd.	67% Company	England, U.K.
HAR AS	67% Company	Norway
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.	100% Company	Michigan
Herman Miller Consumer Corporation Canada	100% Company	Canada
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
Maharam B.V.	100% Company	Netherlands
Meridian Incorporated	100% Company	Michigan
Milsure Insurance, Ltd.	100% Company	Barbados
Naughtone (Holdings) Limited	100% Company	England, U.K.
Naughtone Manufacturing Ltd.	100% Company	England, U.K.
Naught One Ltd.	100% Company	England, U.K.
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 registration statements (Nos. 333-04367, 333-42506, 333-04365, 333-122282, 333-04369, 333-122283, 333-179138, 333-201706 and 333-220893, 333-251572, 333-258017, 333-258019 and 333-258170) on Form S-8, registration statement (No. 333-220892) on Form S-3, and registration statement (No. 333-256401) on Form S-4 of our report dated July 27, 2021, with respect to the consolidated financial statements and financial statement schedule II - Valuation and Qualifying Accounts of Herman Miller, Inc. and the effectiveness of internal control over financial reporting.

Our report dated July 27, 2021, on the consolidated financial statements, refers to a change in the method of accounting for leases as of June 2, 2019 due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842).

/s/ KPMG LLP

Chicago, Illinois
July 27, 2021

Exhibit 23(b) - 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, 333-251572, 333-258019, 333-258017, 333-258170 on Form S-8, No. 333-220892 on Form S-3 and No. 333-256401 on Form S-4 of Herman Miller, Inc. of our report dated July 30, 2019, with respect to the consolidated financial statements and schedule of Herman Miller, Inc. included in this Annual Report (Form 10-K) for the fiscal year ended May 29, 2021.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
July 27, 2021

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 quarterly report on Form 10-K for the period ended May 29, 2021, 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(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 the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 27, 2021

/s/ Andrea R. Owen
Andrea R. Owen
President and 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 quarterly report on Form 10-K for the period ended May 29, 2021, 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(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 the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 27, 2021

/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, President and 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 May 29, 2021, 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 27, 2021

/s/ Andrea R. Owen
Andrea R. Owen
President and 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 May 29, 2021, 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 27, 2021

/s/ Jeffrey M. Stutz
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.