


Notice of  
Annual Meeting of Shareholders  
Proxy Statement

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Herman Miller, Inc., and Subsidiaries

August 29, 2017

Dear Fellow Herman Miller Shareholder,

Over the past five years, Herman Miller's nearly 8,000 employees have expanded our addressable markets and built a strong multi-channel business to deliver our designs and innovations to new audiences virtually anywhere in the world. In the face of an unpredictable macro-economic and geopolitical environment, we made important strategic progress against our agenda in fiscal 2017 and delivered sales of \$2.28 billion - a record for the second year in a row. Adjusted earnings per share <sup>(1)</sup> of \$2.16 were in line with the prior year, as the organization did an excellent job of managing costs against a backdrop of higher commodity costs and a challenging pricing environment stemming from choppy industry order levels.

As our business and industry continue to evolve, we see new ways of living and working, new customer demands for greater variety and choice, new competition from inside and outside the industry, new demand for data insights, and new service models for creating and fulfilling demand. Given our view of the future, we have centered our value creation strategy on five key objectives as we move into the coming year. These objectives will be instrumental in achieving our overarching goal of sustainable, profitable growth.

### ***Realize the Living Office***

Over the last five years, the Living Office concept has provided an important framework for speaking to our customers about their workplaces and understanding and navigating the changes we see in their worlds. In the new phase of the Living Office story, we will more fully focus on customer outcomes - solving not just for furniture needs, but for business needs.

Through a series of smart partnerships, we are integrating technology more powerfully than ever before. As we showed at our industry's annual exhibition in Chicago, with smart desks, chairs, and technology-focused settings, we're able to help deliver a better experience of work for people, and get organizations the data and insights they need to make better informed decisions about how they use their space.

### ***Leverage our Dealer Eco-system***

We intend to deliver more value to our customers by leveraging our powerful dealer network to its fullest. We will remove the friction of doing business with multiple brands and companies and help our dealers manage an increasingly diverse line of products and services, we will position them and Herman Miller to win more business. As customer needs have evolved towards a greater mix of collaborative furnishings, we created dedicated resources this past year under the Herman Miller Elements umbrella to best position the Herman Miller Collection, Geiger, Maharam, Design Within Reach and naughtone brands for further growth in this space.

Moving forward, we need to make it easier for contract customers to find, order, and acquire products from any company in the Herman Miller group. We rolled out a digital platform as a first step toward accomplishing this goal in Europe last year, and we are working on similar enhancements to our order fulfillment technology in the U.S.

### ***Scale our Consumer Business***

Driving both top line growth and improved profitability through scaling our Consumer business is a top priority for our team. The Consumer business made excellent progress on the top line this year as sales grew 10% in fiscal 2017. We have expanded the real estate footprint of our Consumer business significantly, opening eight new Design Within Reach studios plus the Herman Miller flagship location in New York, that collectively added around 70,000 square feet of selling space this year. The New York flagship showcases the entirety of the Herman Miller group of brands in one place. We also expanded our mix of exclusive product designs, launching over 100 new proprietary products designed for Design Within Reach and Herman Miller, which bring with them a higher gross margin profile. We implemented changes to the way we target and execute our direct-to-consumer catalog mailing program, and the results have been dramatic - marked by significant improvements in virtually every metric - including total circulation, average order value, mailing response rates, and orders per book. Throughout the fiscal year we also demonstrated continued growth across our eCommerce platforms and within our Design Within Reach Contract channel, while at the same time optimizing our marketing investments in these areas.

Moving forward, we will focus on driving increased profitability. We'll continue to expand the studio footprint, increase the mix of exclusive product designs and drive further growth in our contract, catalog and digital channels. We'll support these efforts by re-envisioning the customer experience from browsing and shopping through delivery, and by deepening our connection to younger buyers for which our designs represent an aspirational purchase. Our goal here is simple: To accelerate our path toward sustained growth and profitability across each of our Consumer channels. These actions bring the opportunity to meaningfully increase operating margins for the Consumer business over the next three years.

### ***Drive Cost Savings***

We announced a three-year cost savings initiative in March of this year to deliver \$25 million to \$35 million in gross annual cost reductions by fiscal 2020. Our operating expenses during the fourth quarter of 2017 began to show early results from this effort, and we recently announced a facility consolidation in the U.K. that will contribute to these savings going forward. The realignment of our organizational structure that we put in place during the third quarter of fiscal 2017 to help speed decision making and place more authority into business units is already contributing to our progress on this front and we expect it to be a key enabler of this initiative going forward.

### ***Deliver Innovation***

Finally, in the past year, our innovation agenda remained at the forefront. We launched number of new products, including the remastered Aeron chair with meaningful material and technology innovations that will extend the life of this powerful franchise. We showcased two new products - Prospect, which is a line of freestanding furniture designed to foster collaborative and individual creativity, and the Taper executive chair from Geiger, both of which won Best of NeoCon Gold awards this past June. New products represented 24% of our consolidated revenue during fiscal 2017 - exceeding our annual target of 20%.

Product innovation has been a traditional strength at Herman Miller, and we're determined to keep this dimension of our business as a competitive edge. The creative direction of product development and new product commercialization now function under common leadership, and over the coming year we'll further reduce our time to market and ensure design and development at Herman Miller responds to our customers' most critical needs through a robust pipeline of new products and solutions.

These five key objectives were developed with sustainable, profitable growth as the ultimate goal for a new Herman Miller that our work over the past decades has allowed us to imagine. Over that time we have worked hard to put in place the building blocks to enable us to re-invent who we are and expand our opportunity. In the mid-90s we first achieved sales of \$1 billion. At the turn of the 2000s, we achieved \$2 billion in sales for the first time. Now we must set our sights on a new horizon, where Herman Miller is a \$3-billion global and multi-channel enterprise serving customers across a number of segments.

We believe we are reaching a tipping point in our strategy, where the new realities we have been talking about for several years - multi-channel capabilities, need for product innovation and customization, global connections with consumers - all begin to converge to deliver sustainable sales and profit growth. Our vision for transforming Herman Miller into a global provider of inspiring designs to help people live, work, heal and learn better is bold and challenging. Our vision includes an agenda that requires imagination, stretches our resources and pulls us to constantly re-examine what and how we do things. We are confident that the progress we have made combined with our talented group of employee-owners will propel us to achieve our vision.

Last year, I ended this letter by re-stating our mission - inspiring designs to help people do great things. We continue to believe that these words accurately sum up the aspirations of all the companies in the Herman Miller community. This mission requires innovative thinking and high-level execution of our business strategy. The result? Lasting relationships with customers whose business objectives we help them meet, great returns for our shareholders, and rewarding work for our employees.

Thank you once again for your connection to Herman Miller. We don't take your investment for granted, and we will work hard to use your investment in wise and rewarding ways.

Sincerely,

A handwritten signature in black ink that reads "Brian C. Walker". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

*Brian C. Walker*

*President and Chief Executive Officer*

## **Notice of Annual Meeting of Shareholders**

The Annual Meeting of the Shareholders of Herman Miller, Inc. (the "Company") will be held on October 9, 2017, by means of remote communication on the Internet at [www.virtualshareholdermeeting.com/MLHR17](http://www.virtualshareholdermeeting.com/MLHR17), at 10:30 a.m. (ET) for the following purposes:

1. To elect four directors, each for a term of three years
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm
3. To approve the Fourth Amendment to the Herman Miller, Inc. 2011 Long-Term Incentive Plan
4. To vote, on an advisory basis, to approve the annual compensation paid to the Company's named executive officers
5. To consider, on an advisory basis, the frequency of future advisory votes on compensation
6. To transact such other business as may properly come before the meeting or any adjournment thereof

Shareholders of record at the close of business on August 11, 2017, will be entitled to vote at the meeting.

Please note that this year's Annual Shareholders' Meeting will be held via the Internet only. The accompanying proxy materials include instructions on how to participate in the meeting and the means by which you may vote your shares of Company stock.

**We encourage you to vote your Proxy, at your earliest convenience, by one of the following means:**

**By visiting [www.proxyvote.com](http://www.proxyvote.com) on the Internet**

**And if you request paper materials:**

**By calling (within the U.S. or Canada) toll free at 1-800-690-6903; or**

**By signing and returning your Proxy card**

You may also vote at the meeting via the internet by visiting [www.virtualshareholdermeeting.com/MLHR17](http://www.virtualshareholdermeeting.com/MLHR17) and following the instructions. Regardless of whether you expect to attend the meeting through the Internet, please vote your shares in one of the ways listed above.

*By order of the Board of Directors*

*H. Timothy Lopez, Secretary*

*August 29, 2017*

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## **Herman Miller, Inc.**

855 East Main Avenue  
PO Box 302  
Zeeland, Michigan 49464-0302

### **Proxy Statement Dated August 29, 2017**

This Proxy Statement and the accompanying Proxy, which we are making available to shareholders on or about August 29, 2017, are furnished to the shareholders of Herman Miller, Inc. in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Shareholders. This meeting will be held on October 9, 2017, at 10:30 a.m. (ET). Please note that this year's Annual Meeting will once again be held via the Internet rather than in person.

### **What is a proxy?**

A proxy is your authorization for someone else to vote your shares for you in the way that you want to vote and allows you to be represented at our Annual Meeting if you are unable to attend the meeting. When you complete and submit a proxy card or use the automated telephone voting system or the Internet voting system, you are submitting a proxy. As used in this proxy statement, the terms "the Company," "we," "our" and "us" all refer to Herman Miller, Inc. and its subsidiaries.

### **What is a proxy statement?**

A proxy statement is a document the United States Securities and Exchange Commission ("SEC") requires to explain the matters on which we are asking you to vote at our Annual Meeting by proxy and to disclose certain information that may be helpful to you in deciding how to vote. This proxy statement was first made available to the shareholders on or about August 29, 2017.

### **Why am I receiving my proxy materials electronically instead of receiving paper copies through the mail?**

We are furnishing proxy materials to our shareholders primarily via the Internet, instead of mailing printed copies of the proxy statement and annual report. This supports our on-going commitment to sustainability by reducing the amount of paper needed to circulate the proxy material and at the same time reducing our cost associated with mailing the proxy materials to shareholders.

On or about August 29, 2017, we mailed to our shareholders of record (other than those who previously requested electronic delivery) a Notice of Internet Availability of Proxy Materials containing instructions on how to access this proxy statement and our annual report online. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials in the mail. The Notice of Internet Availability of Proxy Materials instructs you how to electronically access and review all information contained in this proxy statement and the annual report, and it provides you with information on voting.

If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a paper copy of our proxy materials, follow the instructions contained in the Notice of Internet Availability of Proxy Materials about how you may request to receive your materials in printed form on a one-time or ongoing basis.

### **Where is this year's proxy statement available electronically?**

You may view this proxy statement and the 2017 annual report electronically by going to [www.proxyvote.com](http://www.proxyvote.com).

### **Who can vote?**

Only record holders of our common stock at the close of business on August 11, 2017 can vote at the Annual Meeting. We refer to that date as the Record Date for the meeting. Each shareholder of record has one vote, for each share of common stock owned, on each matter presented for a vote at the Annual Meeting.

### **What is the difference between a shareholder of record and a "street name" holder?**

If your shares are registered directly in your name on the records of our transfer agent, then you are the shareholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, then the brokerage firm, bank or other nominee is considered to be the shareholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in "street name." Street name holders generally cannot vote their shares directly and must instead instruct the brokerage firm, bank or other nominee how to vote their shares. See "How can I vote?" below.

### **How can I vote?**

If your shares are held in "street name," follow the instructions provided by your brokerage firm, bank, or other nominee. If your shares are registered directly in your name on our records, you can vote in one of four ways:

- Via Internet before the Annual Meeting: Go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions. You may do this at your convenience, 24 hours a day, 7 days a week. You will need to have your proxy card or Notice of Internet Availability of Proxy Materials in hand. The deadline for Internet voting is 11:59 p.m., Eastern Time, October 8, 2017.
- By Telephone: If you have requested paper materials, call toll-free 1-800-690-6903 and follow the instructions. You may do this at your convenience, 24 hours a day, 7 days a week. You will need to have your proxy card or Notice of Internet Availability of Proxy Materials in hand. The deadline for voting by phone is 11:59 p.m., Eastern Time, October 8, 2017.
- In Writing: If you received a proxy card, complete, sign, and date the proxy card and return it in the return envelope that we provided with your proxy card.
- At the Annual Meeting: Log on to the Internet at [www.virtualshareholdermeeting.com/MLHR17](http://www.virtualshareholdermeeting.com/MLHR17). At this site, you will be able to vote electronically. You will also be able to submit questions.

If you submit a proxy to the Company before the Annual Meeting, whether by proxy card, by telephone or by Internet, the persons named as proxies will vote your shares as you direct. If no instructions are specified, the proxy will be voted for the four directors nominated by the Board of Directors; for the approval of the proposed Amendment to the 2011 Long-Term Incentive Plan; for the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 2, 2018; for the non-binding, advisory proposal to approve the compensation of our Named Executive Officers and for the approval of the advisory vote on executive compensation each year.

### **Can I revoke my proxy?**

You may revoke a proxy at any time before the proxy is exercised by:

- (1) delivering written notice of revocation to the Corporate Secretary of the Company, 855 East Main Street, P.O. Box 302, Zeeland, Michigan 49464-0302;
- (2) submitting another properly completed proxy card that is later dated;
- (3) voting by telephone at a subsequent time;
- (4) voting via the Internet at a subsequent time; or
- (5) voting at the Annual Meeting.

If you hold your shares in "street name," you must vote your shares in the manner that your brokerage firm, bank or other nominee has prescribed.

### **How many votes do we need to hold the Annual Meeting?**

To carry on the business of the meeting, we must have a quorum. This means that at least a majority of the shares that are outstanding and entitled to vote as of the Record Date must be present in person or by proxy.

Shares are counted as present at the meeting if the shareholder either:

- has properly submitted a signed proxy card or other form of proxy (through the telephone or Internet); or
- is present at the Annual Meeting and votes electronically at the meeting.

On the Record Date, there were 59,802,577 shares of common stock issued and outstanding. Therefore, at least 29,901,289 shares need to be present at the Annual Meeting.

### **What matters will be voted on at the meeting?**

We are asking you to vote on: (i) the election of four directors to serve three-year terms expiring in 2020; (ii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 2, 2018; (iii) the fourth amendment to the long - term incentive plan; (iv) a non-binding advisory proposal on the compensation of our Named Executive Officers, otherwise known as a "say-on-pay" proposal and (v) the frequency of future advisory votes on executive compensation. We describe these matters more fully in this proxy statement.

**How many votes are needed for each proposal?**

Except with respect to the election of directors, a majority of votes cast at the meeting will approve each matter that arises at the Annual Meeting. The directors are elected by a plurality of votes. This means that the four individuals receiving the highest number of votes cast "for" their election will be elected as directors of the Company. A "withhold authority" vote will have no effect on the election of a particular nominee. However, our Board's Governance Guidelines include a form of majority voting for directors. Under the Governance Guidelines, in an election where the only nominees are those recommended by the Board, any director who receives a greater number of votes "withheld" than those "for" must tender his or her resignation. Under the Guidelines, the Nominating and Governance Committee will consider the resignation and recommend to the Board whether to accept or reject the tendered resignation. The Board must act on the resignation no later than 90 days after certification of the shareholder vote at the meeting. The Company will publicly disclose the Board's decision whether to accept any resignation or the reasons for rejecting the resignation, if applicable.

If your shares are held by a broker, bank or other nominee, the holder of your shares cannot vote your shares on the election of directors or the say-on-pay vote unless it has received voting instructions from you. Each of these matters is considered a non-routine matter, and if you fail to provide instructions, the result is a "broker non-vote".

Abstentions and broker non-votes are counted for the purpose of determining the presence or absence of a quorum. Abstentions and broker non-votes are not, however, counted as votes cast on matters submitted for shareholder vote.

**What happens if a nominee is unable to stand for re-election?**

The Board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. Proxies cannot be voted for more than four nominees. We have no reason to believe any nominee will be unable to stand for re-election.

**What alternatives do I have in voting on each of the proposals?**

Except with respect to the election of directors, you may vote "for," "against," or "abstain" on each proposal. In the election of directors, you may vote "for" or "withhold authority to vote for" each nominee.

**Will the Annual Meeting be Webcast?**

Yes. You may attend and participate in the Annual Meeting by logging onto the Internet at [www.virtualshareholdermeeting.com/MLHR17](http://www.virtualshareholdermeeting.com/MLHR17). At this site, you will be able to vote electronically and submit questions during the meeting. You will need the 12-digit control number that you received with your proxy card or Notice of Internet Availability to enter and attend the meeting.

**Where do I find the voting results of the meeting?**

If available, we will announce voting results at the Annual Meeting. We will also disclose the voting results on a Current Report on Form 8-K that we will file with the SEC within four business days after the meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be Held on October 9, 2017**

This proxy statement along with our annual report are available at: [www.proxyvote.com](http://www.proxyvote.com).

You may obtain a copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 3, 2017, as filed with the SEC, without charge upon written request to the Secretary of the Company, Herman Miller, Inc., 855 East Main Street, P.O. Box 302, Zeeland, Michigan 49464-0302.

**Proxy Statement Summary**

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all information that you should consider, and you should read the entire proxy statement carefully before voting. For more complete information regarding the Company's fiscal 2017 performance, please review the Company's Annual Report on Form 10-K for the year ended June 3, 2017.*



## Voting Matters and Board Recommendations

The Board is not aware of any matter that will be presented for a vote at the 2017 Annual Meeting of Shareholders other than those shown below.

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	Board Vote Recommendation
<b>Proposal 1 - Election of Directors</b>  The Board and Nominating and Governance Committee believe that the nominees described in this proxy statement have the necessary skills and qualifications to provide effective oversight and strategic guidance.	<b>FOR</b> each Director Nominee
<b>Proposal #2 - Ratification of Appointment of Independent Registered Public Accounting Firm</b>  The Audit Committee believes that the retention of Ernst & Young LLP to serve as the Independent Auditors for fiscal 2018 is in the best intention of the Company and its shareholders and we are asking shareholders to ratify the Audit Committee's selection of Ernst & Young LLP for fiscal 2018.	<b>FOR</b>
<b>Proposal #3 - Proposal to Approve the Fourth Amendment to the Herman Miller, Inc. 2011 Long-Term Incentive Plan</b>  The Company seeks to amend the Plan to make an additional 2 million shares available for issuance under the Plan.	<b>FOR</b>
<b>Proposal #4 - Proposal to Approve, on an Advisory Basis, the Annual Compensation Paid to the Company's Named Executive Officers</b>  The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis section of this proxy statement. The Board of Directors and Executive Compensation Committee value shareholders' opinions and will review and consider the voting results in connection with future deliberations concerning our executive compensation program.	<b>FOR</b>
<b>Proposal #5 - Proposal to Consider, on an Advisory Basis, the frequency of future advisory votes on executive compensation</b>  The Company is requesting our shareholders vote on how often the Board should ask our shareholders to provide an advisory vote on executive compensation. The Board believes that an annual vote on executive compensation is most appropriate.	<b>FOR</b>

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## Financial Highlights from Fiscal 2017

Fiscal 2017 included 53 weeks of operations as compared to a standard 52-week fiscal year. The additional week is required periodically in order to more closely align the company's fiscal year with the calendar months. This additional week of operations increased fiscal 2017 net sales by approximately \$37 million. This is a factor that should be considered when comparing the company's financial results to the prior year, which included 52 weeks of operations.

Net sales increased in 2017 to \$2,278.2 million, an increase of 0.6 percent from the prior fiscal year. On an organic basis, which adjusts for dealer divestitures, changes in foreign currency translation rates and the impact of the extra week, net sales increased by 1.4 percent<sup>(1)</sup> compared to last fiscal year. Growth in the Consumer segment helped offset a mixed demand environment across the contract business segments tied to macro - economic and geopolitical uncertainty throughout the year.

While relatively high commodity costs and a challenging competitive pricing environment pressured gross margins compared to last year, operating expenses were well controlled during the year, helping to deliver diluted earnings per share of \$2.05 and adjusted diluted earnings per share of \$2.16<sup>(1)</sup>, which compares to prior year diluted earnings per share of \$2.26 and was in line with adjusted diluted earnings per share of \$2.17<sup>(1)</sup>. Operating cash flow generation of \$202.1 million for the year enabled the company to fully repay outstanding debt related to its line of credit by the end of the year, repurchase \$24 million of company shares and, subsequent to the end of the fiscal year, announce a 6 percent increase in the quarterly dividend to \$0.18 per share, the highest quarterly rate in Herman Miller's history.

While sales in North America were essentially flat for the year, both as reported and on an organic basis<sup>(1)</sup>, in the face of an uncertain political environment in the United States, the North America business segment continued to deliver the highest operating margins of the company's business units. Research highlighting the benefits of the Living Office framework for the company's customers and the release of several new products and solutions, including the newly remastered Aeron chair, helped to position the business for the future.

The ELA segment recorded a decline in net sales of 7 percent for the year, but after adjusting for the impact of changes in foreign currency, the divestiture of an owned dealer in Australia and the impact of the extra week of operations in the current fiscal year, organic net sales grew at a rate of 3 percent<sup>(1)</sup> for the year. The improvement in organic net sales was driven by growth in China, Latin America and mainland Europe, which more than offset lower demand levels in the U.K. and the Middle East, where Brexit and the impact of lower oil prices, respectively, weighed on results. The ELA segment posted a decline in operating earnings of 13 percent relative to the prior year. However, after adjusting for the impact of restructuring and impairment charges recognized in the current fiscal year and non-recurring gains related to the prior year, adjusted operating earnings improved by 9 percent<sup>(1)</sup> in spite of the uncertain environment.

Sales for the Specialty segment were slightly higher than prior year, as reported, and were slightly lower than prior year on an organic basis<sup>(1)</sup>. Operating earnings and adjusted operating earnings increased by 8 percent and 12 percent<sup>(1)</sup>, respectively, driven by operational improvements and well-managed spending. These leading design brands continue to provide a strong connection with the architect and design community and help the company to meet its customer's needs for both traditional workspaces and collaborative areas.

Our Consumer segment reported sales growth of 10 percent over last year on an as reported basis and sales growth of 9 percent on an organic basis<sup>(1)</sup>. Design Within Reach delivered four quarters of comparable brand<sup>(2)</sup> growth during the year. Operating earnings and adjusted operating earnings decreased by 35 percent and 27 percent<sup>(1)</sup>, respectively. The real estate expansion and investments to support long-term growth in the consumer business have limited near-term profitability. To that end, the company is focusing extensively on the profitability of the Consumer business as it moves into the new fiscal year. As part of its real estate transformation, the Consumer segment also added approximately 70,000 square feet of new selling space during the year as it opened eight new Design Within Reach Studios and a Herman Miller flagship retail location. The business also launched over 100 exclusive new products for Design Within Reach, as part of the plan to increase the mix of higher margin exclusive designs over time. Growth this year from studios, eCommerce, catalog and contract channels highlight the management's focus to improve the segment's performance.

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

*(2) DWR comparable brand sales reflects the year-over-year change in net sales across the multiple channels that DWR serves, including studios, outlets, contract, catalog, phone and e-commerce. Comparable brand growth was presented on a pro forma basis using a 52-week average to normalize results for the impact of an extra week of operations in the first quarter of fiscal 2017.*

## Proposal #1 - Election of Directors

The Board of Directors of the Company has nominated Mary Vermeer Andringa, Brenda Freeman, J. Barry Griswell, and Brian C. Walker for election as directors. All nominees would serve until the 2020 annual meeting. Each of the nominees is now serving as a director and previously has been elected as a director by our shareholders, and the Board approved each of the nominees following the recommendation of our Nominating and Governance Committee.

We include more information about the nominees and the directors who will continue in office following the Annual Meeting below. Unless otherwise directed by a shareholder's proxy, the persons named as proxy holders in the accompanying proxy will vote for the nominees named above. If any of the nominees becomes unavailable, which we do not anticipate, then the Board of Directors, at its discretion, may designate substitute nominees, in which event your proxy will be voted for such substituted nominees unless you have withheld authority to vote for directors. Shares cannot be voted for a greater number of people than the number of nominees named.

A plurality of the votes cast at the Annual Meeting is required to elect the nominees as our directors. Accordingly, the four individuals who receive the largest number of votes cast at the Annual Meeting will be elected as directors. Shares not voted at the Annual Meeting, whether by abstention, broker non-vote, or otherwise, will not be treated as votes cast at the Annual Meeting. In an election where the only nominees are those that the Board recommended, any director who receives a greater number of votes "withheld" than those "for" must tender his or her resignation under the majority voting provisions of our Board Governance Guidelines. Under those Guidelines, the Nominating and Corporate Governance Committee will consider the resignation and recommend to the Board whether to accept or reject the tendered resignation. The Board must act on the resignation no later than 90 days after certification of the shareholder vote at that meeting. The Company will publicly disclose the Board's decision whether to accept any resignation or the reasons for rejecting the resignation, if applicable.

The Board currently consists of twelve directors, one of whom is retiring at the Annual Meeting. Following this year's Annual Meeting, the Board of Directors will consist of eleven directors, ten of whom are independent. The maximum number of directors for the Board is thirteen. The Amended and Restated Bylaws of Herman Miller, Inc. require that directors be divided into three classes, each class to be as nearly equal in number as possible. Members of each class hold office until the third succeeding annual meeting following their election and until their successors are duly elected and qualified or until their removal or resignation. Ms. Brenda Freeman was appointed to replace Ms. Dorothy Terrell, who will retire in October 2017. Ms. Terrell remained on the Board for an additional year after Ms. Freeman's appointment to mentor Ms. Freeman and to allow for a proper transition. Another director will not be appointed due to Ms. Terrell's retirement.

**The Board of Directors recommends a vote FOR the election of each person nominated by the Board.**

### Nominees for Election as Directors for Term to Expire in 2020

							Board Committees		
	Age	Director Since	Independent	Other Public Directorships	NGC	AC	ECC	EC	
<b>Mary Vermeer Andringa</b> Chief Executive Officer and Board Chair Vermeer Corporation	67	1999	X	N/A	C			X	
<b>Brenda Freeman</b> Chief Marketing Officer Magic Leap	48	2016	X	Caleres Inc. Under Armour, Inc	X				
<b>J. Barry Griswell</b> Retired, President and Chief Executive Officer Community Foundation of Greater Des Moines	68	2004	X	Och-Ziff Capital Management Group LLC Voya Financial Inc. National Financial Partners Corp. (formerly publicly traded)			C	X	
<b>Brian C. Walker</b> President and Chief Executive Officer Herman Miller, Inc.	55	2003		Briggs & Stratton Universal Forest Products					

### Directors Whose Term Expires in 2018

						Board Committees		
	Age	Director Since	Independent	Other Public Directorships	NGC	AC	ECC	EC
<b>David A. Brandon</b> Chairman and Chief Executive Officer Toys "R" Us, Inc.	65	2011	X	Domino's Pizza, Inc. DTE Energy Company Kaydon Corporation (formerly publicly traded)			X	
<b>Douglas D. French</b> Managing Director Santé Health Ventures	63	2002	X	N/A		X		
<b>John R. Hoke III</b> Vice President Global Design Nike, Inc.	52	2005	X	N/A			X	
<b>Heidi J. Manheimer</b> Independent Consultant	54	2014	X	N/A		X		

### Directors Whose Term Expires in 2019

						Board Committees		
	Age	Director Since	Independent	Other Public Directorships	NGC	AC	ECC	EC
<b>Lisa A. Kro</b> Co-Founder, Managing Director Mill City Capital L.P.	52	2012	X	Famous Dave's of America, Inc.		C		X
<b>David O. Ulrich</b> Rensis Likert Collegiate Professor of Business Administration University of Michigan	63	2001	X	N/A	X			
<b>Michael A. Volkema</b> Chairman of the Board Herman Miller, Inc.	61	1995	X	Wolverine Worldwide, Inc.				C

NGC: Nominating and Governance Committee  
AC: Audit Committee  
ECC: Executive Compensation Committee  
EC: Executive Committee  
C: Chair  
X: Member

## Information about the Nominees and Directors

Certain information with respect to the nominees for election at Annual Meeting, as well as each of the other Directors, is set forth below and on the following pages, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person held during the last five years, and the year in which each person became a Director of the Company. Additional information about each continuing Director is also included that describes some of the specific experiences, qualifications, attributes or skills that each Director possesses which the Board believes has prepared them to be effective Directors.

Nominees for Election as Directors for Term to Expire in 2020			
Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Mary Vermeer Andringa, 67	1999	Chair of the Board Vermeer Corporation since 2015 Chief Executive Officer and Chair of the Board Vermeer Corporation from 2014 to 2015 President and Chief Executive Officer Vermeer Corporation from 2003 to 2014	None
<p>Since 1989, Ms. Andringa has been an executive officer of Vermeer Corporation, a leading manufacturer of agricultural, construction, environmental and industrial equipment located in Pella, Iowa. She served as President and Chief Executive Officer of Vermeer from 2003 to 2014. At that time, she became Chief Executive Officer and Chair of the Board. She transitioned exclusively to Chair of the Board in 2015. Ms. Andringa's tenure with Vermeer has spanned the gamut of functional expertise from marketing to international sales and acquisitions. With over thirty years of manufacturing experience, Ms. Andringa is past Chair of the National Association of Manufacturers which represents over 10,000 U.S.-based manufacturing entities.</p> <p>Ms. Andringa's experience as a chief executive officer coupled with her focused efforts on lean manufacturing and continuous improvement initiatives as well as her involvement in international product sales and distribution provides an important resource to management and the Board of Directors.</p>			
Brenda Freeman, 48	2016	Chief Marketing Officer, Magic Leap since 2017 Chief Marketing Officer, National Geographic Channel 2015 to 2017 Global Head of Television Marketing, DreamWorks Animation SKG 2014 to 2015 Chief Marketing Officer, Turner Animation 2008 to April 2014	Caleres, Inc. Under Armour, Inc.
<p>Ms. Brenda Freeman is the Chief Marketing Officer for Magic Leap, a technology company that is developing a Mixed Reality computing platform that is on the cutting edge of the virtual and augmented reality world of wearable technology. She is responsible for all aspects of brand and product marketing, including the customer journey experience - CRM, social, digital, publicity, experiential and influencer marketing. Prior to her current role, Freeman was CMO for the National Geographic Channels where she oversaw brand development, multi-platform creative architecture and consumer communication. She was also global head of television marketing for DreamWorks, CMO of Cartoon Network at Turner Broadcasting and SVP for Nickelodeon integrated marketing and partnerships at Viacom. Early in her career, she held consumer marketing and product development positions for Frito-Lay and Pepsi-Cola, both divisions of PepsiCo.</p> <p>Ms. Freeman's experience as marketing executive and her specific experience with the digital marketing and programming brings significant strength to the Board in advising management as it develops and executes the company's brand and demand pull marketing strategies.</p>			
J. Barry Griswell, 68	2004	President and CEO, Community Foundation of Greater Des Moines 2008 to 2013	Och-Ziff Capital Management Group LLC Voya Financial Inc. National Financial Partners Corp.
<p>Mr. Griswell is the retired Chairman and Chief Executive Officer of the Principal Financial Group and Principal Life, a global financial services provider which offers a wide range of insurance and financial products and services. With more than thirty years of financial services experience, Mr. Griswell was the President and CEO of MetLife Marketing Corporation prior to joining The Principal. He is a former director and non-executive chairman of the board of the Principal Financial Group. Mr. Griswell is currently a director of Och-Ziff Capital Management Group where he serves as a member of the Audit Committee. He also is a director of Voya Financial where he serves on the Audit Committee and the Nominating and Governance Committee and as chair of the Executive Compensation and Benefits Committee.</p> <p>Mr. Griswell's financial expertise, governance experience and service as an executive of a publicly-traded corporation make him a key contributor to the Board of Directors.</p>			

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**Nominees for Election as Directors for Term to Expire in 2020** *(continued)*

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Brian C. Walker, 55	2003	President and Chief Executive Officer Herman Miller, Inc. since 2004	Briggs & Stratton Corporation Universal Forest Products
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Since 2004, Mr. Walker has served as President and Chief Executive Officer of the Company. Previously, he held other executive leadership positions with the Company having served as the Chief Operating Officer of Herman Miller Inc., President of Herman Miller North America and Chief Financial Officer. Mr. Walker is a Certified Public Accountant and serves as the lead director and chairs the Compensation Committee of Briggs & Stratton Corporation.

Mr. Walker is the only member of Company management on the Board of Directors, which provides an important link to the Company's ongoing business operations and challenges. Moreover, Mr. Walker's knowledge of the Company's history and culture, operational and executive leadership roles with the Company, accounting acumen and governance experience make him an important contributor to the Board's deliberations.

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**Directors Whose Terms Expire in 2018**

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Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
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David A. Brandon, 65	2011	Chairman and CEO, Toys "R" Us, Inc. since 2015 Director of Intercollegiate Athletics, University of Michigan 2010 to 2014	Domino's Pizza, Inc. DTE Energy Company Kaydon Corporation
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Mr. Brandon is the Chairman and Chief Executive Officer of Toys "R" Us, Inc., a retailer of toys and juvenile products. Mr. Brandon served as the Director of Intercollegiate Athletics at the University of Michigan from 2010 to 2014. Prior to that, he served as Chairman and Chief Executive Officer of Domino's Pizza, Inc., an international pizza delivery company operating over 9,000 stores in over 60 countries. Mr. Brandon was also President and Chief Executive Officer of Valassis, Inc. from 1989 to 1998 and Chairman of its Board of Directors from 1997 to 1998.

Mr. Brandon's years of experience as a Chief Executive Officer of several publicly-traded companies, his experience in global brand management and his for-profit and non-profit board service bring a unique perspective to the Board of Directors.

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Douglas D. French, 63	2002	Managing Director, Santé Health Ventures since 2007	None
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Mr. French has served as the founding partner of Santé Health Ventures, an early-stage healthcare venture fund since 2007. Prior to joining Santé Health Ventures, he served as the President and Chief Executive Officer of Ascension Health, the largest not-for-profit health system in the U.S. Mr. French has also served as CEO for St. Mary's Medical Center and St. Vincent Health System, both of Midwest Indiana. He has more than three decades of health management experience including serving as a director for numerous public and private companies.

Mr. French's governance experience, as well as his leadership roles and expertise in the health management industry, provides a valuable resource to management and the Board of Directors.

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John R. Hoke III, 52	2005	Vice President, Nike Global Design, since 2010	None
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Since joining Nike, Inc., a marketer of athletic footwear, apparel, equipment, accessories and services in 1993, Mr. Hoke has led the communication of Nike's culture of creativity internally and externally. He is currently the Vice President of Global Design, inspiring and overseeing an international team of designers. Mr. Hoke also serves as a director to several not-for-profit organizations relating to art and design.

Mr. Hoke's design expertise, both domestically and internationally, including his leadership role in a major, global enterprise, brings additional, insightful perspective to our Board discussions and decisions.

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Heidi J. Manheimer, 54	2014	Independent Consultant since 2015 Chief Executive Officer, Shiseido Cosmetics America from 2006 to 2015	None
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Ms. Manheimer is an independent consultant. Ms. Manheimer served as the Chief Executive Officer of Shiseido Cosmetics America, a global leader in skincare and cosmetics, from January 2006 to September 2015, as President of U.S. Operations from 2002 to 2006 and as Executive Vice President and General Manager from 2000 to 2002. Prior to that she spent seven years at Barney's New York and seven years at Bloomingdales in the beauty care divisions, rising to senior leadership positions within each company. Ms. Manheimer currently sits on the Board of Directors of Burton Snowboards having been appointed in 2006. For many years, she has served on nonprofit and trade association boards, and she was elected Chairwoman of the Cosmetic Executive Women Foundation in 2014.

Ms. Manheimer's extensive experience as a senior executive in the retail industry, experience with both e-commerce and international business practices and service as a board member for both profit and nonprofit businesses provides a valuable resource to management and the Board of Directors.

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**Directors Whose Terms Expire in 2019**

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Name and Age	Year First Became a Director	Principal Occupation(s) During Past 5 years	Other Directorships of Public Companies held during Past 5 years
Lisa A. Kro, 52	2012	Co-Founder, Managing Director Mill City Capital L.P. since 2010 Managing Director and CFO, Goldner Hawn Johnson & Morrison 2004 to 2010	Famous Dave's of America, Inc.

Ms. Kro is a founding partner of Mill City Capital, L.P., a private equity firm, where she is Managing Director. From 2004 to 2010, Ms. Kro was the Chief Financial Officer and a Managing Director of Goldner Hawn Johnson & Morrison, also a private equity firm. Prior to joining Goldner Hawn, she was a partner at KPMG LLP, an international public accounting firm.

Ms. Kro's service in auditing as well as her experience in the finance and capital environments enable her to contribute to a number of financial and strategic areas of the Company. Her experience on other boards, including previous service as the financial expert on the audit committee of another publicly-traded company, contributes to the oversight of the Company's financial accounting controls and reporting; accordingly, the Board recommended her nomination for re-election as a director.

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David O. Ulrich, 63	2001	Professor, University of Michigan since 1982	None
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Dr. Ulrich is the Rensis Likert Collegiate Professor of Business Administration at the University of Michigan. He also provides counsel to more than half of the Fortune 200 companies, focusing on strategic management and competitive advantage issues as well as human resource management, leadership culture and talent. He has published thirty books and hundreds of articles on these and related topics. He has received numerous lifetime awards for his contributions to these fields.

Dr. Ulrich's academic research and consulting on strategic management and other business issues, among other factors, contributed to the recommendation by the Board of Directors that his service continue as a director.

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Michael A. Volkema, 61	1995	Chairman of the Board, Herman Miller, Inc. since 2000	Wolverine Worldwide, Inc.
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Mr. Volkema has been Chairman of the Board of Directors of Herman Miller, Inc. since 2000, serving as non-executive Chairman since 2004. He also served as CEO and President of the Company from 1995 to 2004. Mr. Volkema has more than thirty years of experience as a senior executive in the home and office furnishings industry. This experience includes corporate leadership, branded marketing, international operations, and public company finance and accounting through audit committee service.

Mr. Volkema is a key contributor to the Board based upon his knowledge of the Company's history and culture, operational experience, board governance knowledge, service on boards of other publicly held companies and industry experience. These factors contributed to his recommendation by the Board for continued service as a director.

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The Nominating and Governance Committee has not received any nominations from any of our shareholders in connection with our 2017 Annual Meeting. The nominees who are standing for election as directors at the 2017 Annual Meeting are incumbent directors.

## Corporate Governance and Board Matters

### Board Governance Guidelines

Our Board of Directors is committed to sound and effective corporate governance practices, strong oversight of corporate risk management, ethical conduct and compensation. These practices reflect the Board's long-standing philosophy that a proper structure, appropriate policies and procedures, and reflective cultural factors provide the cornerstone to good governance. The Board documented those practices by adopting our Board Governance Guidelines ("Guidelines"). These Guidelines address director responsibilities, the composition of the Board, required Board meetings and materials, Board committee composition and responsibilities, and other corporate governance matters. Under our Guidelines, a majority of the members of our Board must qualify as independent under the listing standards of the NASDAQ National Markets requirements. Our Guidelines also require the Board to have, among other committees, an Audit Committee, an Executive Compensation Committee, and a Nominating and Governance Committee, and that each member of those committees qualifies as an independent director under the NASDAQ listing standards. Our Guidelines, as well as the charters of each of the foregoing committees, are available for review on our website at [www.hermanmiller.com/governance](http://www.hermanmiller.com/governance).

The Guidelines, with respect to the position of Chief Executive Officer ("CEO") and Chairperson, state that "the Board believes the roles of CEO and Chairperson should normally be separated. If the positions are combined, the Board will closely monitor the performance and working relationship between the CEO/Chairperson and the Board and will establish a Lead Director who acts as a liaison between directors and the CEO/Chairperson and who chairs meetings of the independent directors." Consistent with our Guidelines, the roles of CEO and Chairperson are currently separate. Mr. Volkema currently serves as Chairman of the Board. As Mr. Volkema is not an employee of the Company, he serves as a non-executive Chairman.

### The Board's Role in Risk Oversight

The Company's management annually engages in an enterprise risk management process, the key output of which is a series of risk matrices intended to identify and categorize strategic risks. The matrices also identify (1) those members of senior management who are responsible for monitoring each major risk, and (2) whether that risk is reviewed by the Board or a committee of the Board. The development of the matrices is facilitated by the Company's Business Risk Group, through discussions with executive and senior management. Management and the Business Risk Group annually review and discuss the risk assessment process and results with the Audit Committee and, if applicable, recommend what risks are being adequately addressed, directly or indirectly, on a regular basis and what risks should be further discussed with the full Board or other committees and the appropriate form and timing of such discussions. The Business Risk Group is the internal audit group of the Company.

During the past fiscal year, the Business Risk Group reviewed the Company's compensation policies and practices to determine if those policies or practices are likely to have a material adverse impact on the Company. The Business Risk Group conducted its review in late 2016 and provided a report to the Committee in January 2017. In conducting its review of the compensation plans, the Committee considered both the structure of the compensation plans and the presence of risk mitigating features such as caps, multi-year earning requirements, vesting provisions and "clawbacks." Based on the evaluation, the Committee determined that the Company's compensation policies and practices are not likely to create a material adverse impact on the Company.

Under the Guidelines, the Board of Directors is responsible for evaluating CEO performance, monitoring succession planning, reviewing the Company's major financial objectives, evaluating whether the business is being properly managed and overseeing the processes for maintaining the integrity of the Company with respect to its financial statements, public disclosures and compliance with laws. The Board has delegated the primary oversight for managing the risk with respect to some of these to the various board committees as described in the committee charters.

### Code of Conduct

Our Board has adopted a Code of Conduct that applies to all our employees, officers, and directors. This code also serves as the code of ethics for our CEO and senior financial officers. This code is posted on our website at <http://www.hermanmiller.com/about-us/who-is-herman-miller/legal/corporate-code-of-conduct.html>. Any changes to or waivers of the code must be approved by the Board of Directors and will be disclosed on the Company's website. The Code of Conduct was last modified in December 2015. The Code of Conduct is reviewed annually and there were no modifications to or waivers of the code in fiscal 2017. The Code of Conduct meets the requirements of the NASDAQ listing standards.

### Determination of Independence of Board Members

As required by our Guidelines, our Board has determined that each of our directors, other than Mr. Walker, qualifies as an "Independent Director," as such term is defined in the NASDAQ listing standards, and that none of those independent directors has a material relationship with the Company. The Board's determination was made as a result of its review of completed individual questionnaires addressing the nature and extent of each member's relationship with the Company and taking into consideration the definition of "Independent Director" under the NASDAQ rules. Our Board also determined that each member of the Audit Committee, and Executive Compensation Committee meets the independence requirements applicable to those committees as prescribed by the NASDAQ listing standards and, as to the Audit Committee, the applicable rules of the Securities and Exchange Commission.



## Corporate Governance and Board Matters *(continued)*

### Meeting Attendance

Each of our directors is expected to attend all meetings of the Board and applicable committee meetings. We hold the Annual Meeting via the Internet, and the directors are encouraged to join the webcast. All twelve of our directors did so for our 2016 Annual Shareholders Meeting. During fiscal 2017, the Board held four meetings; each director attended at least 75 percent of the aggregate number of meetings of our Board and Board committees on which they served except for Dorothy Terrell (Board member, whose term expires in October) who attended 73%. Consistent with the requirements of our Guidelines, the independent members of our Board met in executive sessions, without the presence of management, at the conclusion of each regularly scheduled Board meeting.

### Communications with the Board

Shareholders and other parties interested in communicating directly with one or more of our directors may do so by writing to us, c/o Corporate Secretary, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302. The Corporate Secretary will forward all relevant correspondence to the director or directors to whom the communication is directed.

### Director Nominations

Our Bylaws contain certain procedural requirements applicable to shareholder nominations of directors. Shareholders may nominate a person to serve as a director if they provide written notice to us not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's Annual Meeting of Shareholders and, with respect to any special meeting of shareholders, not later than the close of business on the 10th day following the date on which the meeting is first publicly announced or, if there is no announcement, the 10th day following the date on which the notice of that meeting was first sent to our shareholders. The notice must include (1) the name and address of the shareholder providing notice and of the person or persons nominated, including information on the securities of the Company held by those individuals, including any derivative securities, the details of which are set forth in our Bylaws, (2) a representation that the shareholder is a current record holder and will continue to hold those shares through the date of the meeting and intends to attend the meeting in person or by proxy, (3) for each proposed nominee, (a) all information relating to that person that would be required to be disclosed in a proxy statement required to be made in connection with solicitations or proxies for election of directors in a contested election pursuant to Section 14 of the Securities and Exchange Act of 1934 (including that person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected) and (b) a description of all direct and indirect compensation and other material monetary arrangements existing during the past three years, as well as any other material relationships between or among the shareholders (and beneficial owner, if any) and their respective affiliates and associates and the proposed nominee and his or her respective affiliates and associates, including all information required to be disclosed pursuant to Rule 404 under Regulation S-K, and (4) the completed and signed questionnaire from each nominee with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made.

Our Nominating and Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board. To meet the needs of the Company in a rapidly changing environment, the Guidelines explain that the Company requires a high-performance board of directors whose members subscribe to our values and meet the specific resource needs of the business. To that end, the Nominating and Governance Committee considers a number of factors it deems appropriate when considering candidates for the Board; such factors may include experience and knowledge of the Company's history and culture, technical experience and backgrounds such as manufacturing, design, marketing, technology, finance, management structure and philosophy, and experience as a senior executive of a public company. The Nominating and Governance Committee may also consider such factors as race and gender as well as experience in a variety of industries in annually assessing and reviewing the current slate of directors and potential director candidates as the need arises. The Nominating and Governance Committee is responsible for assessing the appropriate skills and characteristics required of Board members. These factors, and others as considered useful by the Nominating and Governance Committee or the Board, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time.

A shareholder may also make a recommendation to the Nominating and Governance Committee regarding any individual that the shareholder desires the Committee to consider for possible nomination as a candidate for election to the Board. The Board believes that all candidates, including those that shareholders recommend, should be evaluated in the same manner.

Under our Bylaws and Governance Guidelines, no person is to be elected as a director: (a) after he or she attains age 72 or (b) for a term that expires later than the annual meeting of shareholders at or immediately after such person attains age 72.

## **Board Committees**

Our Board has four standing committees. Committee responsibilities are detailed in written charters. These charters are available on our Internet website at [www.hermanmiller.com/charters](http://www.hermanmiller.com/charters). The committees are as follows:

### **Nominating and Governance Committee**

We have a Nominating and Governance Committee comprised of Mary Vermeer Andringa (chair), Brenda Freeman and David O. Ulrich. The Nominating and Governance Committee develops and recommends to the Board governance standards and policies and board compensation including that of the Chairman of the Board. In addition, the committee identifies and recommends to the Board candidates for election to the Board. The Committee met four times during the last fiscal year.

### **Audit Committee**

We have an Audit Committee comprised of Lisa A. Kro (chair), Douglas D. French and Heidi J. Manheimer. The Board has determined that Ms. Kro is qualified as an "Audit Committee financial expert" within the meaning of the applicable SEC regulations. This committee, composed entirely of independent directors under the applicable listing standards of the NASDAQ listing requirements, as well as the requirements of the Sarbanes-Oxley Act of 2002, is responsible for overseeing management's reporting practices, internal controls and risk management on behalf of the Board of Directors. The Committee is also responsible for appointing, approving the compensation of, and overseeing our independent registered public accounting firm. The Audit Committee met eight times during the last fiscal year.

### **Executive Compensation Committee**

We have an Executive Compensation Committee comprised of J. Barry Griswell (chair), David A. Brandon and John R. Hoke III. The Executive Compensation Committee recommends to the Board the annual executive incentive plan and the annual remuneration of our Chief Executive Officer and President, approves the annual remuneration and executive incentive plan for the other executive officers, approves the grants of employee stock options and other equity awards, and acts as the administrative committee for our equity-based compensation plans. A description of the Committee's processes and procedures for the consideration and determination of executive and director compensation is set forth under the caption "Compensation Disclosure and Analysis -The Executive Compensation Committee" below in this Proxy Statement. The Committee met four times during the last fiscal year.

### **Executive Committee**

We have an Executive Committee comprised of Michael A. Volkema (chair), Mary Vermeer Andringa, J. Barry Griswell and Lisa A. Kro. The Executive Committee acts from time to time on behalf of the Board in managing our business and affairs (except as limited by law or our Bylaws) and is delegated certain assignments and functions by the Board of Directors. The Committee met four times during the last fiscal year.

### **Executive Compensation Committee Interlocks and Insider Participation**

No member of the Executive Compensation Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related party except as noted under Certain Relationships and Related Party Transactions. In addition, no current executive officer of the Company has ever served as a member of the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

## Proposal #2 - Ratification of Appointment of Independent Registered Public Accounting Firm

Our Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 2, 2018. Representatives of Ernst & Young will be present at the Annual Meeting of Shareholders and available to respond to appropriate questions submitted in advance. The Ernst & Young representatives will have the opportunity to make a statement if they so desire.

Although the submission of this matter for approval by shareholders is not legally required, our Board of Directors believes that such submission follows sound corporate business practice and is in the best interests of our shareholders. If our shareholders do not approve the selection of Ernst & Young, the selection of this firm as our independent registered public accounting firm will be reconsidered by the Audit Committee. This ratification of the appointment of Ernst & Young requires the affirmative vote of a majority of the votes cast on this proposal. Unless otherwise instructed by you, brokers, banks, and other street name holders will have the discretionary authority to vote your shares on this matter.

**The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.**

### Disclosure of Fees Paid to Independent Auditors

Aggregate fees billed to us for the fiscal years ended May 28, 2016 and June 3, 2017, by our independent registered public accounting firm, Ernst & Young were as follows:

Fiscal Year Ended	May 28, 2016	June 3, 2017
Audit Fees <sup>(1)</sup>	1,585,552	1,865,000
Audit Related Fees	—	—
Tax Fees <sup>(2)</sup>	20,773	136,920
Total	\$ 1,606,325	\$ 2,001,920

*(1) Includes fees billed for the audit of and accounting consultations related to our consolidated financial statements included in our annual report on Form 10-K, including the associated audit of our internal controls, the review of our financial statements included in our quarterly reports on Form 10-Q, and services in connection with statutory and regulatory filings.*

*(2) Includes fees billed for tax compliance, tax advice and tax planning.*

Our Audit Committee has adopted a policy for pre-approving services performed by Ernst & Young and other firms. This policy requires the Committee's pre-approval of all services that may be provided by our independent registered public accounting firm and certain audit services provided by other firms. The policy authorizes the committee to delegate to one or more of its members pre-approval authority with respect to permitted services. All services provided by Ernst & Young under the captions "Audit Fees," "Audit Related Fees," and "Tax Fees" were approved by the Audit Committee under this policy.

## Report of the Audit Committee

The Audit Committee's purpose is to oversee the accounting and financial reporting processes of the Company; the audits of the Company's financial statements and management's assessment of the Company's internal controls; the qualifications of the public accounting firm engaged as the Company's independent registered public accounting firm; and the performance of the Company's internal auditors and independent registered public accounting firm. The Committee's function is more fully described in its charter, which the Board has adopted and is available on the Company's web site at [http://www.hermanmiller.com/content/dam/hermanmiller/documents/investors/audit\\_committee\\_charter.pdf](http://www.hermanmiller.com/content/dam/hermanmiller/documents/investors/audit_committee_charter.pdf). The Committee reviews the charter on an annual basis. The Board annually reviews the NASDAQ listing standards definition of independence for audit committee members and has determined that each member of the Committee meets that standard.

Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. The Company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. Ernst & Young LLP is also responsible for auditing and providing an opinion on the effectiveness of the Company's internal control over financial reporting.

We have reviewed and discussed, with management and Ernst & Young LLP, the Company's audited financial statements for the year ended June 3, 2017, management's assessment of the effectiveness of the company's internal Controls over financial reporting, and Ernst & Young LLP's evaluation of the Company's internal controls over financial reporting.

We have discussed with Ernst & Young LLP the results of the independent auditors' examinations and the judgments of the independent auditors concerning the quality, as well as the acceptability, of the Company's accounting principles and such other matters that we are required to discuss with the independent auditors under applicable rules, regulations or generally accepted auditing standards, including the matters required to be discussed by applicable rules of the Public Company Accounting Oversight Board (PCAOB). We have also received and reviewed the written disclosures and the letter from Ernst & Young LLP per the applicable requirements of the PCAOB regarding Ernst and Young LLP's communications with the Audit Committee around independence and we have discussed with Ernst & Young LLP their independence including a consideration of the compatibility of non-audit services with their independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the Company's Form 10-K Report for the year ended June 3, 2017, and we selected Ernst & Young LLP as the independent auditor for fiscal year 2018. The Board is recommending that shareholders ratify that selection at the annual meeting.

*Lisa A. Kro (chair)*

*Heidi J. Manheimer*

*Douglas D. French*

## **Proposal #3 - Proposal to Approve the Fourth Amendment to the Herman Miller, Inc. 2011 Long-Term Incentive Plan**

In 2011, our Board of Directors adopted, and our shareholders approved, the Herman Miller, Inc. 2011 Long-Term Incentive Plan (the "Plan"). The Plan provides for the grant of a variety of equity-based awards, described in more detail below, such as stock options, including incentive stock options as defined in Section 422 of the Internal Revenue Code, as amended (the "Code"), stock appreciation rights, restricted stock, restricted stock units, performance shares, and other stock-based awards.

The Plan is intended to promote the long-term success of the Company for the benefit of our shareholders through stock-based compensation, by aligning the personal interests of Plan participants with those of our shareholders. The Plan is designed to allow selected Plan participants to participate financially in our future, as well as to enable us to attract, retain, and reward those individuals.

### **The Amendment and its Purpose**

On July 17, 2017, our Board adopted an amendment to the Plan, subject to shareholder approval (the "Amendment"). The purpose of the Amendment is to make an additional 2 million shares available for issuance under the Plan. Shareholders last approved an amendment to the Plan at the 2015 Annual Meeting.

As of August 11, 2017, there were 810,357 shares of common stock available for the grant of future awards under the Plan before giving effect to the Amendment, subject to adjustment under the Plan.

We believe we have demonstrated our commitment to sound equity compensation practices. We recognize that equity compensation awards can dilute shareholder equity; therefore, we have carefully managed our equity incentive compensation to assure that the cost of equity compensation to our shareholders is reasonable in relation to the important benefits gained. Consistent with this commitment, the Plan includes the following features:

- Contingent forfeiture of awards for certain conduct in violation of Company policies or agreements (Section 3.3)
- "Claw-back" provision to recoup awards under specific circumstances (Section 3.4)
- No repricing of stock options and stock appreciation rights without prior shareholder approval (Section 3.5)
- Prohibition on certain share recycling practices (Section 4.2.d)
- Prohibition on grants of discounted stock options and stock appreciation rights (Sections 6.4.b and 7.2.b)

### **Description of the Plan**

The following paragraphs summarize the material features of the Plan. The full text of the Plan, as amended by the amendment approved by our Board and that we are submitting to our shareholders for approval, is included as Appendix I to this proxy statement.

### **Administration**

The Plan is administered by the Executive Compensation Committee of the Board (the "Committee"), which is required to consist of no fewer than three non-employee directors, as defined in Rule 16b-3(b)(3) of the Securities Exchange Act of 1934 and each of whom must qualify as an "outside director" under Section 162(m) of the Code. The Committee determines who may participate in the Plan, the types of awards (or combinations thereof) to be granted, the number of shares of common stock to be covered by each award, the terms and conditions of any award, such as conditions of forfeiture, transfer restrictions, and vesting requirements.

### **Eligible Participants**

The Plan authorizes awards to consultants, directors and employees of the Company or its subsidiaries. As of August 11, 2017, consultants, 11 non-employee directors, and all employees were eligible to participate in the Plan.

### **Shares Available for Awards**

As of August 11, 2017, there were 810,357 shares of common stock available for the grant of future awards under the Plan before giving effect to the Amendment, subject to adjustment under the Plan. Our Restated Articles of Incorporation authorize the issuance of 240,000,000 shares of common stock. There were 59,802,577 shares of our common stock issued and outstanding as of August 11, 2017, and the market value of a share of our common stock as of that date was \$32.80.

Any shares subject to an award that terminates without the issuance of the shares, including awards that are settled in cash in lieu of shares, will be available again for issuance under the Plan and will increase the total number of shares available for grant by (1) two shares if such share is subject to a Full Value Award and (2) one share if such share was subject to any other type of award. The number of shares available for issuance under the Plan will not, however, be increased by the number of shares that are (a) tendered by the participant or withheld by the

Company in payment of the purchase price of an option, (b) tendered by the participant or withheld by the Company to satisfy any tax withholding obligation with respect to an award, (c) purchased by the Company with proceeds received from the exercise of an option, (d) subject to a stock appreciation right that is not issued in connection with the stock settlement of that right upon its exercise, (e) subject to the cancellation of a stock appreciation right granted in tandem with an option upon the exercise of the option and (f) subject to the cancellation of an option granted in tandem with a stock appreciation right upon the exercise of that right.

The maximum number of shares of common stock that may be subject to any Full Value Award under the Plan to any one employee during any fiscal year may not exceed 250,000 shares. Also, the maximum number of shares of common stock that may be subject to any award under the Plan that is not a Full Value Award to any one employee during any fiscal year may not exceed 500,000 shares. All limitations are subject to adjustment from time to time in accordance with the provisions of the Plan. Finally, there is a maximum annual limit of 40,000 shares of common stock that may be subject to any award granted to a non-employee director.

## **Types of Awards**

The following types of awards may be granted under the Plan:

An "Option" is a contractual right to purchase a number of shares at a price determined at the date the option is granted. The exercise price included in both incentive stock options and nonqualified stock options must equal at least 100 percent of the fair market value of our stock at the date of the grant. The Plan prohibits the repricing of options. Except as otherwise provided in the Plan, options may not be exercised prior to the first anniversary of the date they are granted and options that vest solely by the passage of time cannot vest in full in less than three years from the date they are granted, although they may vest pro-rata during such period. Subject to these limitations, options will be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the option agreement.

A "Stock Appreciation Right" is an award with the right to receive stock or cash of an equivalent value in an amount equal to the difference between the price specified in the stock appreciation right and the prevailing market price of the company's common stock at the time of exercise. As with options, the per share exercise price for a stock appreciation right may not be less than 100 percent of the fair market value of our stock on the date of grant. The Plan prohibits the repricing of stock appreciation rights. Except as otherwise provided in the Plan, stock appreciation rights may not be exercised prior to the first anniversary of the date they are granted and stock appreciation rights that vest solely by the passage of time cannot vest in full in less than three years from the date they are granted, although they may vest pro-rata during such period. Subject to these limitations, stock appreciation rights will be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee on the date the award is made.

"Restricted Stock" is an award of common stock granted to an employee for no or nominal consideration. A recipient of a restricted stock award will have all the rights of a shareholder, including the right to vote and receive dividends. In general, shares of restricted stock are subject to forfeiture if the participant does not meet certain conditions such as continued employment over a specified vesting period and/or the attainment of specified Company performance objectives.

"Restricted Stock Unit" is an award representing the right to receive, in cash and/or shares of common stock, subject to certain conditions such as continuing employment and/or the achievement of specified performance or other objectives.

"Performance Share Unit" is an award of the right to receive stock or cash of an equivalent value at the end of the designated performance period upon the attainment of specified performance goals. Performance Awards are a type of award where the grant, exercise and/or settlement of such award is contingent upon the achievement of pre-established performance goals and other terms established by the Committee. The Committee may designate certain Performance Awards as qualified awards under section 162(m) of the Code, entitling the cost of such awards to be deductible by the Company for income tax purposes. Performance goals for the Performance Awards may include any of the following business criteria:

- (1) adjusted earnings;
- (2) return on equity (which includes adjusted return on equity);
- (3) earnings per share growth (which includes adjusted earnings per share growth);
- (4) basic earnings per common share;
- (5) diluted earnings per common share;
- (6) adjusted earnings per common share;
- (7) net income;
- (8) adjusted earnings before interest and taxes;
- (9) earnings before interest, taxes, depreciation and amortization;
- (10) operating cash flow;
- (11) EVA® performance under the Company's EVA® Management System Technical Manual;
- (12) operations and maintenance expense;

- (13) total shareholder return;
- (14) operating income;
- (15) strategic business objectives, consisting of one or more objectives based upon meeting specified cost targets, business expansion goals, new growth opportunities, market penetrations, and goals relating to the acquisitions or divestitures, or goals relating to capital-raising and capital management.
- (16) common share price; and
- (17) any combination of the foregoing.

An "Other Stock-Based Award" is any other award that may be granted under the Plan that is valued in whole or in part by reference to or is payable in or otherwise based, on common stock.

### **Forfeiture of Awards**

Awards may be subject to forfeiture by participants to the extent a participant violates or breaches any agreement between the participant and the Company or any Company policy or procedure, including the Company's Code of Conduct. Also, awards may be subject to forfeiture if a participant is terminated for cause. Awards under the Plan are subject to mandatory repayment by a participant to the extent that participant is or becomes subject to any Company clawback or recoupment policy or any law or regulation that imposes mandatory recoupment.

### **Amendment or Termination of the Plan**

The Board may at any time amend, discontinue, or terminate all or any part of the Plan. No amendment may be made without shareholder approval that would increase the aggregate number of shares of common stock that may be issued under the Plan, change the definition of employees eligible to receive awards under the Plan, or otherwise materially increase the benefits to participants in the Plan. Except as required by law, the termination or any amendment of the Plan may not impair the rights of any participant, without his or her consent.

### **Federal Tax Consequences**

The following summarizes the consequences of the grant and acquisition of awards under the Plan for federal income tax purposes, based on management's understanding of existing federal income tax laws. This summary is necessarily general in nature and does not purport to be complete. Also, state and local income tax consequences are not discussed and may vary from locality to locality. The exact federal income tax treatment of transactions under the Plan will vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and the disposition of any acquired shares.

### **Options**

Plan participants will not recognize taxable income at the time an option is granted under the Plan unless the option has readily ascertainable market value at the time of grant. Management understands that options to be granted under the Plan will not have readily ascertainable market value; therefore, income will not be recognized by participants before the time of exercise of an option. For Nonqualified Stock Options, the difference between the fair market value of the shares at the time an option is exercised and the option price generally will be treated as ordinary income to the optionee, in which case the Company will be entitled to a deduction equal to the amount of the optionee's ordinary income.

### **Stock Appreciation Rights**

Upon the grant of stock appreciation right, the participant will realize no taxable income, and the Company will receive no deduction. Upon the exercise of the stock appreciation right, the value of the shares and/or cash received is generally taxable to the participant as ordinary income, and the Company generally will be entitled to a corresponding tax deduction. If the stock appreciation right is settled in shares of common stock, upon the participant's subsequent disposition of such shares, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis (i.e., the fair market value of the common stock on the exercise date).

### **Restricted Stock**

Recipients of shares of restricted stock that are not "transferable" and are subject to "substantial risk of forfeiture" at the time of grant will not be subject to federal income taxes until the lapse or release of the restrictions or sale of the shares, unless the recipient files a specific election under the Code to be taxed at the time of grant. The recipient's income and the Company's deduction will be equal to the excess of the then fair market value (or sale price) of the shares less any purchase price. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse or are released will result in a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis (i.e., the fair market value of the common stock on the date the restrictions lapse or are released). Dividends paid in cash and received by a participant prior to the time the restrictions lapse or are released will constitute ordinary income to the participant in the year paid and we will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock may be treated as an award of additional restricted stock subject to the tax treatment described herein.

## **Restricted Stock Units**

No taxable income is realized by a participant upon the grant of a restricted stock unit award. Upon distribution of the shares subject to the award or payment of cash, the participant would recognize ordinary income based upon the fair market value of the shares at the time the stock is delivered or in the amount of cash received by the participant. The Company will be entitled to a deduction at the time and in the amount that the participant recognized ordinary income. If the restricted stock units are settled in whole or in part in shares, upon the participant's subsequent disposition of the shares the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized upon disposition differs from the shares' tax basis (i.e., the fair market value of the shares on the date the participant received the shares).

## **Performance-Based Awards**

Participants are not taxed upon the grant of performance-based awards. Upon receipt of the underlying shares or cash, a participant will be taxed at ordinary income tax rates on the amount of cash received and/or the current fair market value of stock received; the Company will be entitled to a corresponding deduction. Upon the participant's subsequent disposition of any shares received, the participant will recognize a capital gain or loss (long-term or short-term depending on the holding period) to the extent the amount realized from the disposition differs from the shares' tax basis (i.e., the fair market value of the shares on the date the participant received the shares).

## **Tax Deductibility Limitations**

The Plan is intended to enable the Company to provide certain forms of performance-based compensation to executive officers that will meet the requirements for tax deductibility under Section 162(m) of the Code. The Code limits the allowable tax deduction that may be taken by the Company for compensation paid to its chief executive officer, chief financial officer and the three other highest paid executive officers (other than the CEO and the CFO). The limit is currently set at \$1,000,000 per executive per year; however, compensation payable solely on the account of the attainment of performance goals is excluded from this limitation. By approving the Amendment discussed above, in Proposal #3, shareholders will also re-approve the business criteria described above, under the definition of "Performance Shares" for use as possible performance goals under the Plan.

## **Adjustments for Certain Corporate Transactions**

### **General Anti-Dilution Adjustments**

The Plan provides for the adjustment of the terms of outstanding awards in order to preserve the proportionate interest of the holders in those awards if the number of outstanding shares of the Company's common stock has increased or decreased or other changes in the Company's stock occur due to the result of any recapitalization, reclassification, stock split, adverse stock split, spin-off, combination of stock, exchange of stock, stock dividend or other distributions payable in capital stock or other similar adjustments in the Company's common stock. If the Company is the surviving entity in any reorganization, merger or similar transaction with one or more entities which does not result in the change of control, any options, stock appreciation rights, restricted stock or restricted stock units will pertain to and apply to the securities to which a holder of the number of shares of common stock subject to those awards would have been entitled immediately after the transaction, with any corresponding, proportionate adjustment to the per share option price or SAR price. In addition, as a result of any such transaction, performance-based awards will be adjusted to apply to the securities that a holder of the number of shares of stock subject to such performance-based awards would have been entitled to receive immediately after the transaction. The Plan also provides for the adjustment of the share limits in the Plan, including those under the Amendment, under these circumstances.

### **Adjustments for Change in Control Transactions in Which Awards Are Assumed or the Company is the Surviving Entity**

Except as otherwise provided in an award agreement, in the event of a change in control in which the Company is the surviving entity or under which outstanding awards are assumed or continued, the Plan provides for a corresponding adjustment to the outstanding awards to preserve the intrinsic value of those awards by the Company or its successor; provided, those outstanding awards would be subject to accelerated vesting, if, within a two (2) year period following a change in control, the participant's employment is terminated without cause, the participant terminates for good reason or the participant's employment terminates under circumstances that entitle the participant to accelerated exercisability under any individual employment agreement with the participant.

### **Adjustments for Change in Control Transactions in Which Awards Are Not Assumed**

Except as otherwise provided in an award agreement, upon a change in control of the Company in which the outstanding awards are not assumed or continued, awards other than performance-based awards, will be deemed to be immediately vested, or the Committee, at its election, may cancel those awards and pay the value of those awards to participants. With respect to performance-based awards under any such transaction, if less than half the performance period has lapsed, those awards will be converted into shares or similar securities assuming target performance has been achieved. If at least half of the performance period has lapsed, those performance-based awards will be converted into shares or similar securities based upon actual performance to date.



### **Required Vote for Approval**

The affirmative vote of the majority of the Company's outstanding common stock represented and voted at the Annual Meeting, by person or by proxy, is required to approve the proposed Amendment. Broker non-votes and abstentions will not be treated as votes cast on the proposal. Unless otherwise directed by marking the accompanying proxy the proxy holders named therein will vote for the approval of the proposed Amendment.

**The Board of Directors recommends a vote FOR the approval of the proposed Amendment.**

### **Proposal #4 - Proposal to Approve, on an Advisory Basis, the Compensation Paid to the Company's Named Executive Officers**

Consistent with our Board's recommendation, as approved by our shareholders and as required pursuant to Section 14A of the Securities Exchange Act, we allow our shareholders the opportunity to vote, on an advisory and annual basis, on the compensation of our named executive officers. Thus, you are asked to vote upon the following resolution at this year's annual meeting.

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in the Company's proxy statement for this annual meeting pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and narrative disclosure, is hereby APPROVED."

The Executive Compensation Committee ("Committee") has considered the results of the 2016 advisory vote on executive compensation in which more than 96% of the votes cast were voted for the approval, on an advisory basis, of the compensation of our named executive officers as described in the 2016 Proxy Statement. Consistent with those voting results, the Committee believes that the total compensation paid to the Chief Executive Officer and the other named executive officers, as disclosed in the Compensation Discussion and Analysis, is fair and appropriate and should be approved by our shareholders. The compensation of the named executive officers is designed to vary with the results of the business and to reward consistent improvement in the results delivered to shareholders. In fiscal year 2017, changes in the base compensation of each executive officer primarily reflect changes in the benchmarking data for the position. The change in the variable element of each executive's compensation reflects our financial and related performance relative to performance criteria approved by the Committee and Board. The Committee believes that the compensation to each named executive officer as disclosed in the Compensation Discussion and Analysis is appropriate in the light of the Company's and the officer's performance during the fiscal year. In addition, each of the elements of compensation at target has been benchmarked against comparable positions.

### **The Board of Directors recommends a vote FOR this proposal**

This vote is advisory and non-binding; however, the Board of Directors and Committee will review and consider the voting results in connection with future deliberations concerning our executive compensation program.

## Proposal #5 - Proposal to Consider, on an Advisory Basis, the Frequency of Future Advisory Votes on Executive Compensation

We are also offering our shareholders the opportunity to vote on how often the Board should ask our shareholders to provide an advisory vote on executive compensation. The Board believes that because our current executive incentive targets are set annually, an annual vote on executive compensation is most appropriate. You may choose to vote in any one of four manners on the proxy. You may indicate that you prefer this vote every one, two or three years or you may abstain. If no choice is specified, the shares represented by your proxy will be voted in favor of management's recommendation that the vote be conducted every year. The shareholder vote on this issue is advisory. Because it is not binding upon us, the Committee and our Board of Directors may decide that it is in the best interest of our shareholders and our Company to hold an advisory vote on executive compensation more or less frequently than the option approved by our shareholders. However, the Committee and the Board will consider the outcome of the vote when making future decisions on executive compensation.

**The Board of Directors recommends a vote FOR the approval of the proposed advisory vote on executive compensation each year.**

### Voting Securities and Principal Shareholders

On August 11, 2017, we had 59,802,577 shares of common stock issued and outstanding, par value \$.20 per share. Shareholders are entitled to one vote for each share of common stock registered in their names at the close of business on August 11, 2017, the record date for the Annual Meeting fixed by our Board of Directors. Votes cast at the meeting and submitted by proxy will be tabulated by Broadridge Financial Solutions, Inc. As of August 11, 2017, no person was known by management to be the beneficial owner of more than five percent of our common stock, except as follows.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. <sup>(1)</sup> 55 East 52nd Street New York, NY 10055	6,078,598	10.16
The Vanguard Group, Inc. <sup>(2)</sup> PO Box 2600 Valley Forge, PA 19482	5,524,361	9.24

*(1) This information is based solely upon information as of June 30, 2017, contained in filings with the SEC on August 10, 2017 by BlackRock, Inc., including notice that it has, along with certain institutional investment managers for which it is the parent holding company, sole voting power as to 5,958,502 shares and sole dispositive power as to 6,078,598 shares.*

*(2) This information is based solely upon information as of June 30, 2017, contained in a filing with the SEC on August 11, 2017 by The Vanguard Group Inc., including notice that it has sole voting power as to 109,572 shares and sole dispositive power as to 5,411,919 shares, and shared voting power with respect to 7,006 shares and shared dispositive power with respect to 112,442 shares.*

## Director and Executive Officer Information

### Security Ownership of Directors

The following table shows, as of August 11, 2017, the number of shares beneficially owned by each of the nominees and directors, except for Brian Walker who is reported in Security Ownership of Management below. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all their respective shares.

Name	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Mary Vermeer Andringa	41,714	0.07
David A. Brandon	16,809	0.03
Brenda Freeman <sup>(3)</sup>	—	0.00
Douglas D. French	10,397	0.02
J. Barry Griswell	20,910	0.03
John R. Hoke III	29,684	0.05
Lisa A. Kro	18,383	0.03
Heidi J. Manheimer	10,666	0.02
Dorothy A. Terrell	24,877	0.04
David O. Ulrich	37,121	0.06
Brian C. Walker	see table below	
Michael A. Volkema	75,000	0.13

(1) Shares shown for each director include the following number of shares that each director has the right to acquire beneficial ownership under stock options exercisable within 60 days: 15,183 shares for Ms. Terrell; and 28,554 shares for Dr. Ulrich.

(2) Percentages are calculated based upon shares outstanding plus shares that may be acquired under stock options exercisable within 60 days.

(3) Ms. Freeman's deferred compensation account allocation holds 5,826 shares of Herman Miller stock which would equate to a Percent of Class of 0.01.

### Security Ownership of Management

The following table shows, as of August 11, 2017, the number of shares beneficially owned by each of the Named Executive Officers (NEOs) identified in the executive compensation tables of this Proxy Statement, and by all directors and executive officers as a group. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all their respective shares.

Name	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Brian C. Walker	501,971	0.84
Jeffrey M. Stutz	33,970	0.06
Gregory J. Bylsma	91,004	0.15
Andrew J. Lock	46,597	0.08
B. Ben Watson	43,832	0.07
All executive officers and directors as a group (23 persons) <sup>(3)</sup>	1,139,484	1.91

(1) Includes the following number of shares with respect to which the NEOs have the right to acquire beneficial ownership under stock options exercisable within 60 days: 211,751 shares for Mr. Walker; 21,596 shares for Mr. Stutz; 45,179 shares for Mr. Bylsma; 16,514 shares for Mr. Lock; and 30,271 shares for Mr. Watson.

(2) Percentages are calculated based upon shares outstanding plus shares that may be acquired under stock options exercisable within 60 days.

(3) Included in this number are 450,115 shares with respect to which executive officers and directors have the right to acquire beneficial ownership under options exercisable within 60 days.

## Compensation Discussion and Analysis

### Executive Summary

#### *Fiscal Year 2017 Company Performance*

We continued to make significant progress in fiscal year 2017 toward our long-term vision and financial objectives: delivering on our SHIFT strategy for diversified growth, expanding into higher margin segments and categories, and continuing to enhance the Herman Miller global brand. In addition to meaningful progress on our long-term objectives, we achieved increased sales and orders for the seventh consecutive year and delivered consolidated revenue of \$2.28 billion in fiscal year 2017. Strong expense management helped offset commodity and pricing headwinds to deliver adjusted EPS in line with the prior year, which is discussed elsewhere in this Proxy Statement. We also continued to maintain a strong balance sheet and cash flow profile. As a result of this financial performance, we recently announced a 6% increase to our quarterly dividend rate beginning in October 2017.

As discussed below, the compensation that we paid to our named executive officers for fiscal year 2017 reflects a strong link between executives' total annual compensation and the company's performance. In fiscal year 2017, we modified our executive compensation program by increasing the amount of compensation that is classified as performance-based. In prior years, our LTI was comprised of RSUs, PSUs, TSRs, and, in some cases, options; and our LTI was partially performance-based because our RSUs acted primarily as a retention tool. Going forward, all components of our LTI will be performance-based as the entire LTI pool is a function of prior year's EBITDA performance. This action, among others listed below, better aligns our long-term incentive compensation program with long-term shareholder value. Other examples of these actions include:

- we increased the significance of amounts earned dependent on performance objectives;
- we elected to grant options in lieu of Relative TSR Performance Share Units to all NEOs, commencing with LTI grants in fiscal year 2017, as we believe options will provide an additional incentive to increase the underlying stock price; and
- we approved a cap on the total value of LTI grants in a fiscal year to tie the aggregate cost of LTI grants to the company's ability to maintain and grow EBITDA, with the cap equal to 4.5% of the preceding fiscal year's EBITDA.

With respect to the aforementioned cap, there are several components. First, it may not exceed 4.5% of prior year's EBITDA. Thus, providing management an incentive to annually improve EBITDA. Second, of the 4.5%, .5% is made available to the CEO to issue discretionary awards for high performers. Third, award allocations must be established and approved by the Board, and the Board may use negative discretion in making awards to participants. Fourth, the CEO's award may not exceed 30% of the pool. Lastly, if the pool is not large enough to provide a grant at 100% of target, the participants' actual grants would be reduced pro-rata by the level of EBITDA performance.

We believe our compensation programs are structured to correlate strongly with our company strategy to attain our business objectives and to deliver significant shareholder value. We discuss our compensation plans and philosophy in greater detail in this Compensation Discussion and Analysis.

The Board Executive Compensation Committee (Committee) annually requests that Pearl Meyer & Partners evaluate the relationship between our executive compensation and our financial performance. For fiscal year 2017, the Committee reviewed a historical assessment of the relationship between the company's financial performance and executive pay relative to our fiscal year 2017 peer group (as set forth below). The following graph illustrates the results of the Committee's core assessment and illustrates the relationship between:

- (1) Our CEO's (and other NEOs') total direct compensation (base salary earned, incentives earned, value of restricted stock units or (RSUs) that vest during the period, performance share units (PSUs) that vested during the period, value of stock options (where applicable) exercised during the period, and changes in value of invested RSUs/PSUs and unexercised options held during the period; and
- (2) The company's performance as measured by total shareholder return ("TSR") - over a three-year period (fiscal 2015 - 2017).

The data points within the shaded area of the graph designate ideal relationships between pay and performance. Data points below the shaded area identify an area where pay was lower than expected given the organization's performance. The data points above the shaded area identify an area where pay was higher than expected given the organization's performance.

## Compensation Discussion and Analysis *(continued)*



In the graph above referencing CEO Pay for Performance compensation that our CEO realized in fiscal year 2016 ranked at the 22nd percentile, our TSR ranked at the 33rd percentile, indicating that our CEO's compensation was within the range expected given our performance relative to peer results.

In the graph above referencing Ranks 2-5 Pay for Performance compensation that our other NEOs realized in fiscal year 2016 ranked at the 12th percentile, our TSR ranked at the 33rd percentile, indicating that our other NEOs' compensation was within the range expected given our performance relative to peer results.

### ***Executive Officers Covered by this Compensation Discussion and Analysis***

For fiscal year 2017, we are required to provide information regarding our compensation policies and decisions relating to our President and Chief Executive Officer (CEO), our Chief Financial Officer (CFO) and the three other most highly compensated executive officers serving as executive officers at the end of the year. We refer to our CEO, our CFO and the other executive officers for whom disclosure is required as our "named executive officers" or "NEOs." This Compensation Discussion and Analysis is intended to provide information regarding, among other things, the overall objectives of our compensation programs and each element of compensation we provided to the NEOs.

The NEOs for fiscal year 2017 and their titles are listed in the following table:

Name	Title
Brian C. Walker	President and Chief Executive Officer
Jeffrey M. Stutz	Executive Vice President and Chief Financial Officer
Gregory J. Bylsma	President, North America Contract
Andrew J. Lock	President, Herman Miller International
B. Ben Watson	Chief Creative Officer

### ***2016 Say on Pay Vote***

At the 2016 annual shareholders' meeting, our shareholders overwhelmingly approved, on an advisory basis, the compensation we paid to our NEOs during fiscal year 2016.

The Committee believes that the performance of our executive compensation programs during fiscal year 2017 was consistent with our compensation philosophy and objectives, as described below, and that the compensation we paid to our NEOs was appropriate given our overall performance.

Our shareholders will have the opportunity to cast an advisory "Say on Pay" vote at this year's annual meeting as well. The Committee will take the vote into consideration when evaluating the effectiveness of the company's executive compensation programs.

## Compensation Discussion and Analysis *(continued)*

### **Compensation Philosophy**

The goal of our compensation philosophy is to allow for an appropriate level of risk and a corresponding compensation reward within a range that bears a relationship to the competitive market, to the responsibilities of the employee and to the performance of the employee and our company. Consistent with this philosophy, the key objectives of our executive compensation program are to:

- Link a material portion of executives' total annual compensation directly to the company's performance
- Reinforce our values, build corporate community, and focus employees on common goals
- Align the interests of executives with the long-term interests of shareholders
- Attract, motivate, and retain executives of outstanding ability

### **Compensation Policies and Practices That Reflect Our Compensation Philosophy**

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#### **What We Do**

✓	Pay for Performance
✓	Balance Long-Term and Short-Term Incentives
✓	Benchmark Compensation Against an Appropriate Peer Group
✓	Maintain Clawback Right
✓	Monitor for Risk-Taking Incentives
✓	Maintain Stock Ownership Requirements
✓	Prohibit Hedging
✓	Limit Perquisites
✓	Engage an Independent Compensation Consultant
✓	Hold Executive Sessions at Each Committee Meeting

#### **What We Do Not Do**

✗	No Gross-Ups for Taxes
✗	No "Single Trigger" Severance Agreements
✗	No Repricing of Options
✗	No Guaranteed Bonuses or Salary Increases

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## **Compensation Discussion and Analysis** *(continued)*

### ***Role of the Committee***

The Committee consists of three directors, each qualifying as independent under NASDAQ's listing requirements. The Board has determined that each member of the Committee also meets the definition of independence under our corporate governance guidelines and qualifies as a non-employee director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934.

The Committee's primary functions are to oversee the compensation philosophy and strategy, to determine or recommend the compensation of company officers, including the NEOs, and to act as the Administrative Committee for our executive compensation plans.

The Committee is also responsible for providing recommendations to the full Board with respect to all aspects of the annual compensation of our President and CEO. In addition, the Committee, based upon recommendations from our CEO, approves the annual compensation for all other officers covered by Section 16 of the Securities Exchange Act of 1934 including the NEOs and other Corporate Officers. Our President and CEO establishes the base salary of all other executives.

Among other responsibilities, the Committee establishes the performance objectives for the Executive Incentive Cash Bonus Plan and our equity-based compensation plans, which cover the President and CEO, NEOs, other Corporate Officers and other executive employees.

The Committee is also tasked to review and advise on the compensation philosophy and strategy of the company, review and approve compensation and benefit plans as required by the Committee Charter, and review the annual compensation plans' risk analysis.

### ***Role of the External Compensation Consultants***

The Committee has the authority and sole discretion to select independent compensation consultants, legal consultants and other advisors to provide it independent advice. During fiscal year 2017, the Committee retained Pearl Meyer as independent compensation consultants with respect to the compensation matters regarding our Corporate Officers. The independent services that Pearl Meyer provided to the Committee included reviewing the elements of compensation of the President and CEO as well as the other Corporate Officers and comparing those elements to our compensation philosophy and objectives and to market practices. We did not permit Pearl Meyer to provide other consulting services to the company.

Pearl Meyer concluded that our compensation program established for those officers is consistent with our compensation philosophy and objectives as well as with market practices.

With the approval of the Committee, we retained Meridian Compensation Partners LLC in fiscal year 2017 to provide marketplace compensation data and compensation consulting services to management for employees other than the Corporate Officers.

### ***Overview of Compensation Program***

Our compensation program is designed to provide Corporate Officers who perform their duties at a proficient level with compensation that reflects the market median compensation for their position based upon data that our independent compensation consultant provides (as described in the section on Benchmarking of Compensation). The compensation program also requires that a portion of the Corporate Officer's compensation be determined based upon the company's performance. The Committee believes that the compensation program, through the use of base salary, annual incentive cash bonus and long-term incentives, operates in a manner consistent with these objectives. The Committee also believes that the compensation program rewards performance that generates both consistent and long-term enhancement of shareholder value.

### ***Benchmarking of Compensation***

To ensure that executive compensation is competitive, the Committee uses marketplace compensation data to compare our compensation programs to general market pay practices. The Committee in fiscal year 2017 also used a specific peer group for benchmarking compensation (we list the members of the peer group in the Additional Compensation Information, Peer Group section later in this Compensation Discussion and Analysis). This peer group includes both direct competitors as well as comparable companies in other industries. The Committee believes the competitive market for executive talent in which we operate extends beyond the office furniture industry.

Pearl Meyer used the peer group information along with the following survey sources when analyzing fiscal year 2017 market competitiveness pay levels of Corporate Officers: Willis Towers Watson Executive Compensation Database, Aon Hewitt Executive Total Compensation Database, Mercer Executive Database and Equilar Insight Database (we refer to the peer group information and these survey sources collectively as "Survey Data"). We use the Survey Data to determine competitiveness of base pay, cash incentive bonus and long-term incentive awards. Pearl Meyer uses a regression analysis and aging to make allowances for time differences in the data and to align the data so that it is representative of companies having revenues equivalent to the operations that our individual Corporate Officers manage. Pearl Meyer compares the base

## Compensation Discussion and Analysis *(continued)*

salary, target total cash and target total direct compensation of each Corporate Officer to the 25th, 50th (market median) and 75th percentile of the Survey Data for a comparable benchmark position.

Pearl Meyer provided the Committee with benchmarking data, market practices and trends, peer group selection and pay for performance evaluation information to provide appropriate context for the Committee's deliberations. Our CEO makes recommendations to the Committee regarding the compensation package for each of the Corporate Officers (other than himself). The CEO bases his recommendations with respect to Corporate Officers on the Pearl Meyer information, his evaluation of the individual's performance, the company's performance and other factors. The Committee bases its approval of the CEO's recommendations for the compensation of Corporate Officers (other than the CEO) on the Committee's review of the information from Pearl Meyer relative to market pay, advice from Pearl Meyer and the Committee members' own judgment, including their judgment on the relative performance of both the company and its Corporate Officers. Based upon these same factors relative to the CEO's performance, the Committee makes a recommendation to the full Board for the CEO's compensation. The Board of Directors determines the compensation of the CEO.

### **Elements of the Compensation Program**

The following table provides an executive summary of our fiscal year 2017 compensation programs for our Corporate Officers:

Compensation Program/Element	General Description	Strategic Objective of Compensation Program/Element
Base Salary	Base salaries reflect market rates for comparative positions and each NEO's historical level of proficiency and performance.	The base salary of NEOs assessed by the CEO and the Committee to be proficient is generally targeted at the market median of the Survey Data. The base compensation of NEOs with less experience in general would be below the market median and those judged to be performing at a higher level of proficiency, generally would be above the market median. The Committee or the Board in each circumstance uses its judgment and experience in setting the specific level of base salary relative to the general market median data.
Annual Executive Incentive Cash Bonus	<p>We pay the annual executive incentive cash bonus for the Corporate Officers pursuant to the Executive Incentive Cash Bonus Plan. This plan is intended to link annual incentive compensation to the creation of shareholder value. The Executive Incentive Cash Bonus Plan provides for the annual payment of a cash bonus (Incentive Cash Bonus) to selected Corporate Officers based upon the performance of the company (and in some cases, various business units and/or functional goals) during the fiscal year. The primary measure of performance for the Incentive Cash Bonus is EBITDA, which represents the company's earnings before interest, taxes, depreciation and amortization (excluding non-controlling ownership interests).</p> <p>An executive's total cash compensation is comprised of both base salary and annual executive incentive cash bonus.</p>	<p>The purpose of the EBITDA-based Annual Incentive Cash Bonus Plan is to closely link incentive cash compensation to the creation of shareholder wealth. We intend for the Plan to foster a culture of performance and ownership, promote employee accountability, and establish a framework of manageable risks imposed by variable pay. We also intend the Plan to reward long-term, continued improvements in shareholder value with a share of the wealth created.</p> <p>The Committee believes that, in support of the Company's strategy organizing around operating as a business unit and vertical markets, it is important to tie a significant portion of the Corporate Officers' annual incentive cash bonus to the performance of the various operating units and vertical markets for which they are responsible. Additionally, some Corporate Officers have functional objectives that determine no more than 25% of their annual incentive bonus.</p>



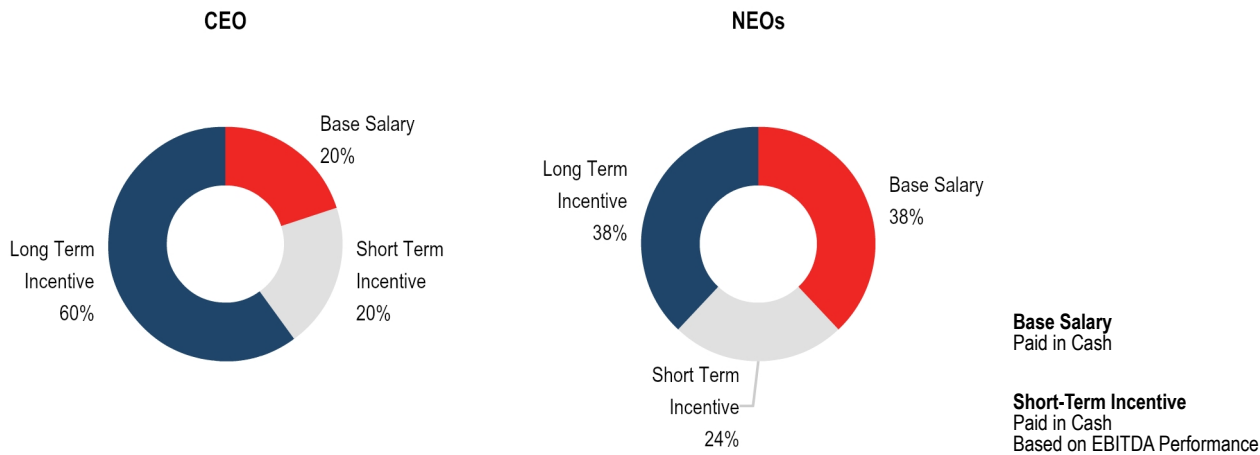
## Compensation Discussion and Analysis *(continued)*

<p>Long-Term Equity Incentives</p>	<p>The Committee and Board have historically granted various types of long-term incentive awards: Restricted Stock Grants and Units, Herman Miller Value Added Performance Share Units, Relative TSR Performance Share Units, and Stock Options. The Long-Term Equity Incentives may not exceed 4.5% of prior year's EBITDA.</p>	<p>The key objectives of making Long-Term Incentive Grants under the LTI Plan are:</p> <ul style="list-style-type: none"> <li>- To provide an appropriate level of equity reward to Corporate Officers that ties a meaningful part of their compensation to the long-term returns generated from shareholders.</li> <li>- To provide an appropriate equity award to the next level of Corporate Officers where market data would support their inclusion in an annual equity award plan.</li> <li>- To assist the achievement of our share ownership requirements.</li> <li>- To attract, retain and reward key employees. We believe a significant portion of executive pay should be aligned with long-term share-holder returns and that encouraging long-term strategic thinking and decision-making requires that Corporate Officers have a significant stake in the long-term success of Herman Miller.</li> </ul>
<p>Total Direct Compensation</p>	<p>An executive's total direct compensation is comprised of base salary earned, incentives earned, value of restricted stock units (RSUs) that vested during the period, performance share units (PSUs) that vested during the period, value of stock options (where applicable) exercised during the period, and changes in value of unvested RSUs/PSUs and unexercised options held during the period.</p>	<p>It is our goal to align the compensation packages with prevailing market rates. The alignment is accomplished primarily through adjustments to each Corporate Officer's total direct compensation.</p>
<p>Retirement and Health Benefits</p>	<p>We maintain retirement plans along with a broad base of health insurance plans available to full-time and most part-time employees.</p>	<p>The NEOs participate in such retirement plans and health insurance plans on the same terms as all other employees within their respective geographic region or business unit.</p>
<p>Other Executive Compensation Plans</p>	<p>We provide additional compensation programs to our corporate officers including a compensation protection program in the form of executive long-term disability; a retirement equalization program in the form of a non-qualified retirement match program with an optional deferred compensation element; and in the case of NEOs, a perquisites program with a value between \$12,000 and \$20,000 per year.</p>	<p>It is our goal to provide market competitive benefits which allow us to attract and retain critical executive talent.</p>

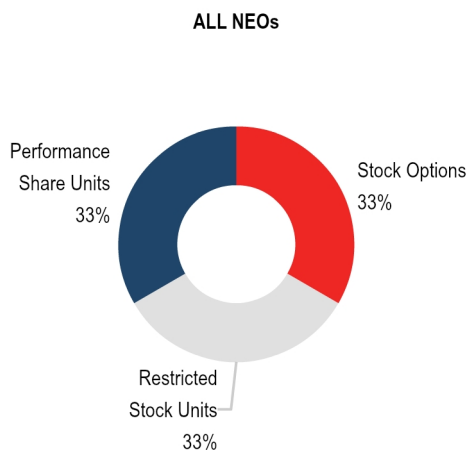
**Compensation Discussion and Analysis** *(continued)*

The following charts illustrate the key elements of our compensation for our NEOs:

Current Compensation



FY17 and FY18 Long-Term Incentive



The Committee determined that the total direct compensation (as above described) for each NEO for fiscal year 2017, and as approved for fiscal year 2018, is within the benchmarked range given the NEO's performance, position and the company's performance.

## Compensation Discussion and Analysis (continued)

### Base Salary in Fiscal 2017

The Committee and the Board granted merit increases for fiscal year 2017 to our employees, including the NEOs. Each of the base salaries of our NEOs was within the range established for their performance and position. Salary changes went into effect July 19, 2016 and are detailed as follows:

Name	Salary for Fiscal Year 2017	Percent Increase
Brian C. Walker	\$ 920,000	2.2%
Jeffrey M. Stutz	\$ 400,000	14.3%
Gregory J. Bylsma	\$ 440,000	2.3%
Andrew J. Lock *	\$ 391,000	1.0%
B. Ben Watson	\$ 405,000	3.1%

\* Measured in pounds sterling at an exchange rate of 1.4955 would yield £261,686.

Mr. Walker's increase reflects the Board's recognition of Mr. Walker's continued efforts to grow the business opportunities for the company. Mr. Stutz's increase was a result of his continued growth and development in his role along with his efforts to structure a financial strategy that aligns with the company's business objectives. Mr. Bylsma's increase is a reflection of his continued improvement of the company's operations capabilities. Mr. Lock's increase is in recognition of putting in place infrastructure to grow the company's International business. Mr. Watson's increase is in recognition of the improvement in the company's brand strategy and messaging during his tenure as creative director.

### Base Salary in Fiscal 2018

The Committee and Board of Directors approved the following changes in the base salaries of the continuing NEOs for fiscal year 2018 as we discuss below:

Name	Salary for Fiscal Year 2018	Percent Increase
Brian C. Walker	\$ 975,000	6.0%
Jeffrey M. Stutz	\$ 450,000	12.5%
Gregory J. Bylsma	\$ 465,000	5.7%
Andrew J. Lock *	\$ 344,000	2.7%
B. Ben Watson	\$ 430,000	6.2%

\* Measured in pounds sterling at an exchange rate of 1.2794 would yield £268,876.

Mr. Walker's increase reflects the Board's recognition of Mr. Walker's continued efforts to grow the business opportunities for the company. Mr. Stutz's increase was a result of his continued growth and development in his role along with his efforts to structure a financial strategy that aligns with the company's business objectives. Mr. Bylsma's increase is a reflection of his continued improvement of the company's operations capabilities as well as his new responsibility for the overall North America Contract business which includes North America Work, Government, Healthcare and Education businesses. Mr. Lock's increase is in recognition of putting in place infrastructure to grow the company's International business. Mr. Watson's increase is in recognition of the improvement in the company's brand strategy and messaging, his new responsibility for R&D and his new responsibility for streamlining our global portfolio of new products.

Effective Fiscal Year 2018, we will change the design of the retirement plan for US-based employees. Specifically, we will eliminate the 3% profit sharing component and reallocate as follows:

- For all employees, an additional 1% of base salary will be added to the 401(k) matching program, resulting in a matching contribution of up to 4%;
- Section 16 participants will receive a 1% base salary increase; and
- This 1% increase is reflected in the base salary increases for each of the NEO's; excluding Mr. Lock, who is not a participant in the Profit Sharing Plan.

Each of the base salaries set for the NEOs by the Committee or the Board was within the range established for his performance and position.

## Compensation Discussion and Analysis *(continued)*

### **Annual Executive Incentive Cash Bonus**

The Committee at the beginning of each fiscal year establishes a target bonus pool representing the amount of Incentive Cash Bonuses that may be paid under the Plan if the company achieves the EBITDA amount contained in the company's annual financial plan as approved by the Committee and the Board. The Committee also establishes a target bonus for each participant, expressed as a percentage of base salary, the target amount of EBITDA for the company and the amount of variation from target EBITDA that would result in either a doubling of the target bonus or no bonus, referred to as maximum and minimum threshold performance, respectively. The target EBITDA and the interval used for maximum and minimum threshold performance are the three points that are used to determine the slope of the bonus factor line. The actual bonus factor paid to an employee represents a point on the line.

The Committee sets the EBITDA targets annually. The Committee also establishes annually any Incentive Cash Bonus targets based upon divisional, functional or operational EBITDA or other goals for each participant. The Incentive Cash Bonus earned by participants is expected over time to average 100% of his or her individual target provided the appropriate performance measures are met. The target Incentive Cash Bonus percentage for the NEOs generally is set so that the incentive cash bonus at on-target performance will equal 100% of the market median bonus amount for comparable positions as shown in the Survey Data, although base pay and bonus may be adjusted to maintain total compensation in an amount that is consistent with our compensation philosophy. The Committee believes that this use of Incentive Cash Bonus is consistent with the objective of making compensation for senior Corporate Officers more variable with the company's performance.

The Committee has adopted guidelines for determining when adjustments to the company's EBITDA are appropriate in calculating incentive plan performance. Under these guidelines, the Committee will consider whether adjustments are appropriate to best reflect the operating results of our business and appropriately incent management in a manner that is in the best interest of shareholders. Some common examples of potential adjustments under the guidelines include excluding restructuring costs from EBITDA in the period incurred and amortizing them back into the calculation over a five-year period, certain contingent consideration, transaction costs, effects of purchase accounting and income associated with acquisitions. We may exclude these items only in limited circumstances or only for certain periods or specified awards. The guidelines also include a framework for evaluating potential EBITDA adjustments that considers as to a potential item of adjustment:

- Whether it is material to the result of the business;
- Its impact on near-term cash flows;
- Whether it is an accounting adjustment that does not reflect the ongoing operations of the business;
- Whether it aligns the company's performance outlook with long-term shareholder interests;
- Whether the adjustment unfairly impacts one particular business unit;
- Whether the company has made similar adjustments in recent reporting periods; and
- Whether the related income or expense was offset in a prior reporting period (and, if so, if it was excluded from EBITDA).

We intend this framework to be used by management in recommending adjustments and by the Committee in evaluating potential adjustments. The adjustments that we disclose below were based on the Committee's conclusion that they were consistent with the guidelines.

The Committee is responsible for administering all elements of the Executive Incentive Cash Bonus Plan, except those elements of the plan relating to the CEO (including target percentage payment), which the Board approves. The Committee approves participants in the Plan, the target payment percentage and the plan EBITDA goals. The Audit Committee at the end of each fiscal year approves the calculation of EBITDA results for the year and the EBITDA change from the previous year and the resulting bonus factor. The Committee certifies the use of the bonus factor for use in the Incentive Cash Bonus calculation.

### **Incentive Cash Bonus for Fiscal 2017**

The Committee approved basing a portion of certain NEOs' incentive cash bonus on functional goals or business unit operating results. The payment target percentages for our CEO and NEOs are listed below. The incentive cash bonuses for Brian Walker and Jeffrey Stutz was based 100% upon consolidated EBITDA for the entire company. The incentive cash bonus for Andrew Lock, Gregory Bylsma and Ben Watson was based 25% upon the modified EBITDA driven metrics of their respective business units/vertical markets and/or functional goals and 75% upon the consolidated EBITDA. Andrew Lock and Greg Bylsma had Business Unit/Vertical Market goals. Ben Watson had a blend of Business Unit/Vertical Market goals and Functional Goals. The Committee believes that the Incentive Cash Bonus target percentages reflect the appropriate market information provided by the Survey Data and are within the appropriate range for each NEO.

Vertical market EBITDA goals were limited such that they could not exceed 200% of vertical market targeted EBITDA or the blended multiple could not exceed the corporate EBITDA multiple plus 100 basis points. Functional goals were limited such that they could not exceed 200% of the individual Functional Goal target or the blended multiple could not exceed the corporate EBITDA multiple plus 50 basis points.

## Compensation Discussion and Analysis *(continued)*

The Committee believes that the incentive plan calculation should be focused on and reward for EBITDA resulting from operating performance. Therefore, the annual calculation of EBITDA for incentive plan purposes is subject to various adjustments to minimize the impact of non-operating results. The Corporate EBITDA target established by the Committee was \$278.0 million with a minimum threshold set at 85% of target (\$236.3 million) and a maximum at 120% of the target (\$333.6 million). EBITDA performance below the minimum threshold would result in a payout of 0%, EBITDA performance at the target threshold would result in a payout of 100% and EBITDA performance at or above the maximum threshold would result in a payout of 200% of the eligible bonus dollars.

For fiscal year 2017, the company's actual EBITDA (as adjusted in the manner described in the table below) was \$263.9 million, which was between the target amount of \$278.0 million (100%) and the minimum amount of \$236.3 million (0%). Interpolating the relative position of the company's actual adjusted EBITDA along the payout slope line yielded a payout percentage of approximately 75% of the target value for the fiscal year. For fiscal year 2017, the company's EBITDA performance for incentive plan purposes has been adjusted to reflect the following items (refer to the section "Reconciliation of Non-GAAP Measures" for further information):

Description	Adjustment to EBITDA (\$ millions)	Rationale for the Adjustment
1. Amortization of previously excluded restructuring	\$(0.9)	Board approved restructuring actions are not included in the calculation of adjusted EBITDA to help ensure management's near-term compensation goals are not in conflict with the long-term strategic objectives of the business. Instead, related costs are amortized over a 5-year period and such amortization will be included in the calculation.
2. Current year pre-tax restructuring expense	\$4.6	Board approved restructuring actions are not included in the calculation of adjusted EBITDA to help ensure management's near-term compensation goals are not in conflict with the long-term strategic objectives of the business. Instead, these costs will be amortized over a 5-year period and such amortization will be included in the EBITDA calculation.
3. Pre-tax impairment expense relating to the carrying value of the Nemschoff trade name intangible asset	\$7.1	The Committee determined it is appropriate to exclude the Nemschoff impairment charge from the calculation on the basis that the charge is non-cash in nature and does not reflect the ongoing operation of the business.

The Committee and Board review the adjustments, and in certain instances the Committee and/or the Board decides whether certain adjustments should apply to the bonus calculations for specific participants.

The EBITDA bonus amounts awarded to the NEOs were as follows:

Name	Target Bonus Percent Tied to Company EBITDA	Company Performance Factor	Bonus Earned For Company Performance	Target Bonus Percent tied to Function/ Bus Unit	Function/ Bus Unit Performance Factor	Bonus Earned For Function/ Bus Unit Performance	Total Bonus Amount Paid	Bonus Amount Deferred <sup>(1)</sup>
Brian C. Walker	100.00%	0.7461	\$ 684,059			\$ 684,059	\$ 684,059	\$ 54,725
Jeffrey M. Stutz	65.00%	0.7461	\$ 190,176			\$ 190,176	\$ 190,176	\$ 5,705
Gregory J. Bylsma	48.75%	0.7461	\$ 159,455	16.25%	0.7695	\$ 54,803	\$ 214,258	\$ 21,426
Andrew J. Lock	48.75%	0.7461	\$ 121,922	16.25%	2.0000	\$ 108,941	\$ 230,863	
B. Ben Watson <sup>(2)</sup>	48.75%	0.7461	\$ 146,610	16.25%	1.2343	\$ 80,863	\$ 227,473	\$ 13,648

<sup>(1)</sup> - This amount represents the portion of his bonus that the NEO elected to defer under the Herman Miller, Inc. Executive Equalization Retirement Plan described later in this Compensation Discussion and Analysis.

<sup>(2)</sup> - Mr. Watson's Function/Business Unit Performance Factor is a blend of 8.13% Business Unit (bonus factor of 1.2986) and 8.13% Functional (bonus factor of 1.1700).

## Compensation Discussion and Analysis *(continued)*

### ***Incentive Cash Bonus for Fiscal 2018***

For fiscal year 2018, the measure of achievement under the Executive Incentive Cash Bonus Plan continues to be EBITDA. The Corporate EBITDA target established by the Committee is \$269.0 million with a minimum threshold set at \$254.0 million and maximum at \$304.0 million. Other provisions of the fiscal year 2018 plan, such as the use of functional and business unit goals, are the same as the fiscal year 2017 plan described above. The incentive cash bonuses for Brian Walker and Jeffrey Stutz remain based 100% upon consolidated EBITDA for the entire company. The incentive cash bonus for Gregory Bylsma and Andrew Lock is based 50% upon the modified EBITDA driven metrics of their respective business units and 50% upon the consolidated EBITDA. Mr. Watson's incentive will be based 25% upon the functional goals and 75% upon consolidated EBITDA. The Committee believes that the Incentive Cash Bonus target percentages reflect the appropriate market information provided by the Survey Data and are within the appropriate range for each NEO.

### ***Long-Term Equity Incentives***

Our 2011 Long-Term Incentive Plan (which we refer to as the LTI Plan) authorizes us to grant various forms of equity-based compensation (which we refer to as Long-Term Incentive Grants or LTI grants or awards). The Committee is responsible for administering all elements of the LTI Plan and for making all Long-Term Incentive Grants, with the exception of the CEO whose grants the Board approves.

Historically, the Committee has established targets relating to Long-Term Incentive awards at the beginning of each fiscal year (during the month of July for that fiscal year) and made actual grants of awards during the month of July following the end of the fiscal year considering the company's financial performance for that year. Typically, the Committee and the Board at their June and July meetings take four actions in connection with our LTI Plan: (a) set the target value for the LTI awards for the current fiscal year, (b) determine the types of awards to be used for the current fiscal year, (c) establish the performance criteria, if any, for certain awards for the current fiscal year and (d) grant the long-term incentive awards for the just completed fiscal year based upon the company's performance relative to target.

For each NEO, the Committee calculates a target value of LTI grants for the current fiscal year that is expressed as a percentage of base salary. The Committee sets the total target value of the LTI grants for each of these NEOs at a level intended to ensure that the NEO's total direct compensation would correspond with the market median of the Survey Data for a comparable NEO's individual position. Following the end of the fiscal year, the Committee determines the total value of LTI grants for each of these NEOs based on each NEO's target value and the company's financial performance for that year relative to target. We convert that value for each NEO into grants of Restricted Stock Units, Herman Miller Value Added Performance Share Units and Stock Options using the closing price of our stock on the date of grant for RSUs and PSUs and using a Black-Scholes valuation for stock options.

The key features of each award are as follows:

**Restricted Stock Units:** The restricted stock units (RSU) consist of units representing the right to receive shares of Herman Miller, Inc. common stock. Each unit represents the equivalent of one share of the common stock as of the date of grant and cliff vests after three years. RSUs convert into shares after they vest. Dividends accrue on the RSUs and are added to the total value of the units at the time of vesting.

**Herman Miller Value Added Performance Share Units:** The Herman Miller value added performance share units are units representing the right to receive shares of Herman Miller, Inc. at the end of the specified performance period. These units cliff vest after three years if certain Herman Miller Value Added tests are met. The awards provide that the total number of shares that finally vest may vary between 0 and 200% of the number of units awarded depending upon performance relative to the established Herman Miller Value Added goal. The Committee establishes the Herman Miller Value Added goals. The Herman Miller Value Added goal for on target vesting is a 3-year average. The awards also grant the Committee the ability to extend the performance period to a total of five years; however, if the extension is granted, then no more than 34% of the target grant may vest. Units convert into shares after they vest. Dividends do not accrue on the awards.

Herman Miller Value Added is defined as the company's annual earnings before interest, taxes, depreciation and amortization (EBITDA) (excluding non-controlling ownership interests) less a capital charge. The capital charge is determined annually by multiplying the company's capital by its cost of capital. The determination of the cost of capital and EBITDA for purposes of the Herman Miller Value Added Performance Share Units is approved by the Committee.

## Compensation Discussion and Analysis *(continued)*

For grants made in fiscal 2017 and fiscal 2018, the Value-Added goals are as follows:

Payout % of Target	2017 - 2019 Average Value Added	2018 - 2020 Average Value Added
200% of Target PSUs	\$239 million or more	\$230 million or more
100% of Target PSUs	\$210 million	\$210 million
No PSUs Earned	Below \$191 million	Below \$183 million
Capital Charge	10%	10%

*Stock Options:* The options vest ratably over three years and have a ten-year life, and the exercise price of each option equals the fair market value of our stock on the date of grant. In fiscal years 2017 and 2018, we granted stock options to all NEOs.

In June and July 2016 (fiscal year 2017), the Committee approved two changes impacting LTI grants:

- First, the Committee elected to grant options in lieu of Relative TSR Performance Share Units to all NEOs, commencing with the LTI grants in July 2016 (fiscal year 2017) relating to fiscal year 2016. The Committee concluded that stock options provide greater clarity and simplicity compared to Relative TSR Performance Share Unit Awards. Stock options provide value to the recipient only if the price of the stock increases after the grant date, and the Committee therefore intends that option grants will provide an additional incentive to increase the underlying stock price.
- Second, the Committee approved imposing a cap on the total value of LTI grants effective with the grants that the Committee approved in July 2017 to tie the aggregate cost of LTI grants to the company's ability to maintain and grow EBITDA. The cap will equal 4.5% of the preceding fiscal year's EBITDA (fiscal year 2017 in the case of the July 2017 grants). Of the available amount, 0.5% of the preceding fiscal year's EBITDA will be available for LTI grants to be used by the CEO for discretionary awards. If the amount of LTI grants that the Committee would otherwise make based upon target awards and actual results exceeds the cap based on the preceding fiscal year's EBITDA, then the Committee will reduce actual grant sizes pro rata.

### ***Tax Deductibility of Long-Term Equity Incentive Grants***

In June 2016, the Committee created a pool of shares from which the 2017 LTI awards to selected participants could be made provided that certain operating results approved by the Board are achieved. The Committee retained the authority to award less than the full value of the pool even if the performance targets were met. The provisions of this arrangement are intended to meet the requirements of Internal Revenue Code section 162(m) for the deductibility of certain compensation. The value of equity awards that could be made from the pool with respect to performance during fiscal year 2017 may not exceed 4.5% of prior year's EBITDA, with the requirement of achieving Board-approved fiscal 2017 EBITDA goal, and that the grants given to any individual could not exceed 30% of the pool. The participants in the pool were the Corporate Officers. The results we achieved in fiscal year 2017 permitted granting of awards having a total value of \$11.88 million, of which \$1.32 million represents .05% of the preceding fiscal year's EBITDA that will be made available for use by the CEO for discretionary awards.

### ***LTI Grants Awarded in Fiscal 2017***

The target value of the LTI grants that the Committee and Board established for our NEOs (including all types) in July 2015 for final grants to occur in July 2016 based on fiscal year 2016 performance as a percent of base salary was 280% for Brian Walker, 100% for Jeffrey Stutz, 125% for Gregory Bylsma, 95% for Andrew Lock, and 75% for Ben Watson. The total target value was allocated approximately equally among the award types that we intended to grant to each NEO. The Committee originally determined that our CEO would receive all four types of LTI awards - RSUs, Herman Miller Value Added Performance Share Units, Relative TSR Performance Share Units and stock options, while our other NEOs would receive only three types of awards: RSUs, Herman Miller Value Added Performance Share Units and Relative TSR Performance Share Units.

Subsequently, as discussed above, the Committee elected to grant options in lieu of Relative TSR Performance Share Units to all NEOs, commencing with the LTI grants in July 2016 (fiscal year 2017) relating to fiscal year 2016. In fiscal year 2017, stock option grants were made in the same proportion as were the Relative TSR Performance Share Unit Awards (1/3).

## Compensation Discussion and Analysis *(continued)*

The following table discloses the types of awards granted in July 2016 (fiscal year 2017) based upon fiscal year 2016 performance:

Name	Restricted Stock Units	Herman Miller Value Added Performance Share Units	Number of Options	Option Exercise Price
Brian Walker	26,365	26,365	152,614	\$ 31.86
Jeffrey Stutz	3,662	3,662	21,196	31.86
Gregory Bylsma	5,624	5,624	32,551	31.86
Andrew Lock	3,851	3,851	22,292	31.86
B. Ben Watson	3,084	3,084	17,850	31.86

In July 2015 (fiscal year 2016), the Committee and the Board also approved a special award of conditional stock options to our executive leadership team, including the NEOs, that was conditioned on achievement of one-year performance objectives in fiscal year 2016. We based the number of shares subject to the special award granted to each recipient at the end of the one-year performance period upon the relative achievement of sales and EBITDA performance objectives for fiscal year 2016, as well as targeted EBITDA as a percent of sales for the upcoming fiscal year (fiscal year 2017), which is established by the CEO and management, and approved by the Committee as part of the company's annual fiscal planning process starting in January and continuing through June. Each of these performance objectives was weighted equally. The actual number of shares that would be subject to each option grant would vary based upon performance relative to the special award objectives, the targeted value for each NEO and the value of our stock at the end of fiscal year 2016. The options vest ratably over a three-year period following the date of grant, the exercise price was the fair market value of our stock as of the date of the grant (\$31.86), and each option has a term of 10 years. The Committee made the special awards to provide an additional incentive for the executive leadership team to drive further growth across the Company's business. The Committee determined the amount of the special award to each executive on the basis of the Committee's view of the relative impact of the executive to the improvement in the Company's business. The Committee made the final special option awards in July 2016 (fiscal year 2017). The target and actual results for fiscal year 2016 sales and EBITDA and the target and actual targeted EBITDA growth for fiscal year 2017 as well as the target award value and options awarded for each NEO are set forth in the below tables.

Components (Dollars in 000)	Target	Actual
FY 16 Sales Plan	\$ 2,242.0	\$ 2,264.9
FY 16 EBITDA Plan	\$ 237.0	\$ 257.7
FY 17 Plan EBITDA as a % of Sales	11.6%	11.7%

Name	Targeted Value	Options Awarded
Brian Walker	\$ 400,000	\$ 72,673
Jeffrey Stutz	\$ 200,000	\$ 36,337
Gregory Bylsma	\$ 200,000	\$ 36,337
Andrew Lock	\$ 150,000	\$ 27,252
B. Ben Watson	\$ 125,000	\$ 22,710

### **LTI Grants Awarded in Fiscal 2018**

The target value of the LTI grants that the Committee and Board established for our NEOs (including all types) in July 2016 for final grants to occur in July 2017 based on fiscal year 2017 performance as a percent of base salary was 300% for Brian Walker, 110% for Jeffrey Stutz, 125% for Gregory Bylsma, 95% for Andrew Lock, and 80% for Ben Watson. The total target value was allocated approximately equal among the award types that we intended to grant to each NEO: RSUs, Herman Miller Value Added Performance Share Units and stock options.



## Compensation Discussion and Analysis *(continued)*

The following table discloses the types of awards granted in July 2017 (fiscal year 2018) based upon fiscal year 2017 performance:

Name	Restricted Stock Units	Herman Miller Value Added Performance Share Units	Number of Options	Option Exercise Price
Brian Walker	27,259	27,259	143,975	\$ 33.75
Jeffrey Stutz	4,346	4,346	22,953	33.75
Gregory Bylsma	5,432	5,432	28,691	33.75
Andrew Lock	3,145	3,145	16,611	33.75
B. Ben Watson	3,200	3,200	16,901	33.75

### **Practices Concerning Grant Dates**

Grants under the LTI Plan are typically made in connection with the Board of Directors meeting in July of each year following the public release of our fiscal year-end financial results. We do not attempt to influence the amount of executive compensation by timing equity grants in connection with the disclosure of material information to the public. The backdating of equity award dates is specifically prohibited under policies adopted by the Board of Directors.

### **Retirement and Health Benefits**

#### **Health Plans**

We maintain a broad base of health insurance plans available to all full-time and most part-time employees. The NEOs participate in such health insurance plans on the same terms as all other employees within their respective geographic region or business unit.

#### **Retirement Plans**

We maintain broad based retirement plans available for employees in the United States and the United Kingdom (UK). Our retirement plans are designed to provide an appropriate level of replacement income upon retirement. The benefits available to NEOs are the same as those available to other non-executive employees in their respective geographic region subject to limitations provided by law or regulation. The retirement plans include:

- The Herman Miller, Inc. Profit Sharing and 401(k) Plan
- The Herman Miller Limited Retirement Benefits Plan (UK)

Profit Sharing Plan and 401(k) Plan: The Herman Miller, Inc. Profit Sharing and 401(k) Plan consists of three parts. We contribute annually to the profit-sharing portion based upon our EBITDA results for the year that may range from 0% to 6% of base salaries, with a target contribution of 3% of base salary. Based upon our EBITDA results, the actual percentage contributed for fiscal year 2017 was 2.24%. The amount of salary included in the base for the calculation is limited to the maximum salary level permitted by the IRS. We also make a 4% core contribution to an employee's 401(k) account on a quarterly basis. The 401(k) portion of the plan is a salary deferral plan. Each employee may elect to defer up to the maximum amount permitted by law. We also make a matching contribution to fully match employee contributions up to 3% of the employee's compensation contribution.

Effective Fiscal Year 2018, we will change the design of the retirement plan for US-based employees. Specifically, we will eliminate the 3% profit sharing component and reallocate as follows:

- For all employees, an additional 1% of base salary will be added to the 401(k) matching program, resulting in a matching contribution of up to 4%,
- All hourly employees will receive a 2% base salary increase,
- All non-Section 16 salaried employees will receive a 2% increase to their target bonus percentage; and
- Section 16 participants will receive a 1% base salary increase.

## **Compensation Discussion and Analysis** *(continued)*

We will maintain the 4% core contribution element of the employees' 401(k) accounts.

**Herman Miller Limited Retirement Plan:** Herman Miller Limited, our wholly owned UK subsidiary, provides a defined contribution retirement plan which provides for a non-discretionary fixed company contribution and a company matching contribution. The fixed company contribution for employees varies between 2.4% and 6.4% of the employee's eligible compensation depending upon age and date of hire. In addition, the company will match an employee's contributions up to an additional 2.8% of eligible compensation. Andrew Lock is the only NEO who participates in this defined contribution retirement plan. He is also a participant in the frozen defined benefit plan sponsored by Herman Miller Limited for employees hired prior to March 1, 2012.

### **Other Executive Compensation Plans**

#### ***Deferred Compensation Plan***

The Herman Miller, Inc. Executive Equalization Retirement Plan was approved by the Committee and the Board in 2007. The plan is a supplemental deferred compensation plan and became available for salary deferrals beginning in January 2008. The plan is available to highly compensated United States employees who are selected for participation by the Committee. All NEOs are currently able to participate, except Andrew Lock due to his employment outside the United States. The plan allows participants to defer up to 50% of their base salary and 100% of their Incentive Cash Bonus. Company contributions to the plan "mirror" the amounts we would have contributed to the Herman Miller Profit Sharing and 401(k) Plan had the employee's compensation not been above the statutory ceiling (currently \$270,000). Investment options under this plan are the same as those available under the 401(k) Plan. Company contributions for amounts deferred in fiscal year 2017 appear in the 2017 Summary Compensation Table under All Other Compensation.

Effective fiscal year 2018, as discussed above under the "Retirement Plans" subheading, we will eliminate the profit sharing component of the Herman Miller, Inc. Profit Sharing and 401(k) Plan.

#### ***Executive Long-Term Disability Plan***

The plan covers 60% of the rolling two-year average of executive incentive compensation. Corporate Officers are eligible to participate when they have earned over \$6,000 in annual executive incentive compensation. This benefit continues as long as the executive remains disabled until age 65. The monthly benefit is capped at \$10,000.

#### ***Perquisites***

We are conservative in our approach to executive perquisite benefits. Company compensation practices in general do not provide for personal perquisites and the Committee has adopted a policy which specifically restricts the use of corporate aircraft for non-business purposes. We provide a limited number of perquisites to Corporate Officers. We normally provide each NEO with a specified dollar amount which can be used for a range of perquisites. These perquisites include financial planning, life insurance, spousal travel and other benefits. The 2017 calendar year benefit is \$20,000 for the CEO and \$12,000 for each of the other NEOs. Unspent allowances may be carried over into the next calendar year provided an executive continues to participate in the program. The total maximum allowance (new calendar year allowance plus amount carried over) may not exceed the sum of reimbursement allowances approved for the prior two calendar years.

In fiscal year 2017, we also provided the NEOs and all other Corporate Officers with the opportunity to obtain comprehensive physicals at our cost.

### **Additional Compensation Information**

#### ***Change in Control Agreements***

Each NEO is party to a change in control agreement with us. The Committee believes that the use of change in control agreements is appropriate as they help ensure a continuity of management during a threatened take-over and help ensure that management remains focused on completing a transaction that is likely to maximize shareholder value. Potential payments under the change in control agreements are included in the tally sheets provided annually to the Committee.

The narrative and footnotes to the tables entitled Potential Payments upon Termination, Death, Disability, Retirement or Change in Control describe the change in control payments in greater detail.

## Compensation Discussion and Analysis *(continued)*

### ***Deductibility of Compensation***

The income tax laws of the United States (Section 162(m)) limit the amount we may deduct for compensation paid to our CEO, CFO and the other three most highly-paid Corporate Officers. Under Section 162(m) compensation that qualifies as “performance based” is not subject to this limit. It is generally our intention to qualify compensation payments for tax deductibility under Section 162(m). Notwithstanding our intentions, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, we cannot assure that compensation intended to satisfy the requirements for deductibility under Section 162(m) will so qualify.

In addition, the Committee reserves the right to provide compensation that does not qualify as performance based compensation under Section 162(m) to the extent it believes such compensation is necessary or appropriate to continue to provide competitive arrangements intended to attract and retain, and provide appropriate incentives to, Corporate Officers and other key employees.

### ***Hedging Policy***

The Committee and the Board of Directors has adopted a policy prohibiting the Board of Directors and the Corporate Officers from hedging the economic risk of their ownership of our stock, including options or other derivatives related to the stock.

### ***Impact of Prior Compensation in Setting Elements of Compensation***

Prior compensation of the NEOs does not normally impact how the Committee sets the current elements of compensation. The Committee believes the current competitive environment is more relevant in determining an NEO’s current total level of compensation. As described earlier the Committee uses tally sheets to track all elements of current compensation to enable the Committee to determine whether the compensation which the NEO is currently receiving is consistent with market practices. The Committee, however, has the ability to consider the impact of any special equity grants upon the value of future grants made to Corporate Officers under the LTI Plan.

### ***Impact of Restatements Retroactively Impacting Financial Goals***

We have not had any material restatement of prior financial results. If such restatements were to occur, the Committee would review the matter and determine what, if any, adjustment to current compensation might be appropriate. The LTI Plan and the Executive Incentive Bonus Plan give the Committee the right to “claw back” Incentive Cash Bonus payments and LTI grants in the event of certain restatements.

### ***Peer Group***

The peer group that we use in benchmarking compensation is reviewed and approved by the Committee on an annual basis. The peers that we used for fiscal year 2017 are set forth below:

Aaron's Inc.	HNI Corporation	Lennox International, Inc.
Acuity Brands, Inc.	Interface, Inc.	Polaris Industries, Inc.
Belden Inc.	Kimball International, Inc.	Restoration Hardware Holdings, Inc.
Brunswick Corporation	Knoll, Inc.	Select Comfort Corporation
Ethan Allen Interiors, Inc.	La-Z-Boy, Inc.	Steelcase, Inc.
Hill-Rom Holdings, Inc.	Leggett & Platt, Inc.	Tempur-Pedic International, Inc.

### ***Post-Employment Compensation***

Change in control and discharge for other than cause can result in additional compensation being paid to or for certain NEOs. In addition, as described above, certain of the Long-Term Incentive Bonus payments continue if the NEO leaves employment as the result of death, disability or retirement.

### ***Stock Ownership Guidelines***

The Committee believes that significant stock ownership by top management is of critical importance to our ongoing success, as it helps link the interests of senior management and our shareholders. Stock ownership requirements apply to the nine members of the Executive Leadership Team; who are required to own shares of common stock equal to a specified multiple of their annual base salary. The applicable levels are as follows:

- President and Chief Executive Officer 6 times base salary
- Corporate Officers with LTIP target equal to or greater than 100% 4 times base salary
- Certain other direct reports to the CEO 3 times base salary

## **Compensation Discussion and Analysis** *(continued)*

Until the executive meets the ownership guidelines, 40% of the pretax spread value of vested restricted stock, performance shares, restricted stock units, deferred stock, and 40% of the pretax spread value of exercised stock options must be retained in company stock. Compliance with the requirements is determined at each time an executive disposes of company stock.

### ***Tally Sheet Review***

In June 2017, the Committee reviewed executive compensation tally sheets provided by Pearl Meyer with respect to each Corporate Officer which reflected the total direct compensation to the NEOs and also information relating to all other elements of compensation including payments under severance or change in control obligations. The Committee uses this information to help it determine that our compensation program is consistent with market norms and with our compensation philosophy and the objectives referenced above.

### ***Termination and Retention Payments***

The NEOs are generally “at will” employees. This means that they can be discharged at any time and for no reason. We have agreed to pay Corporate Officers severance if they are terminated for reasons other than malfeasance or voluntary separation. For each NEO, severance would be equal to 18 months of base salary subject to the employee not competing with us during that period. The Committee’s determination as to the amount of severance payments for these NEOs is the result of benchmarking our practices to the Published Survey Data. In addition, we maintain the health insurance on such employee during the salary continuation period. In exchange for such payments the employee provides the company with a mutual release of all claims and agrees not to work for a competitor or solicit our employees during the salary continuation period.

### **Executive Compensation Committee Report**

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

*J. Barry Griswell (chair)*

*David Brandon*

*John R. Hoke III*

## Summary Compensation Table

The summary compensation table below shows the compensation for the NEOs for the fiscal years ended June 3, 2017 (2017), May 28, 2016 (2016) and May 30, 2015 (2015). The details of the Company's executive compensation programs are found in the Compensation Discussion and Analysis (or CD&A) above.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Brian C. Walker	2017	916,846	1,626,984	1,240,002	684,059		233,597	4,701,488
President and Chief Executive Officer	2016	896,635	1,800,797	612,500	1,287,926		116,742	4,714,600
	2015	870,289	1,731,868	587,998	440,714		150,142	3,781,011
Jeffrey M. Stutz	2017	392,115	225,982	316,667	190,176		57,383	1,182,323
Executive Vice President and Chief Financial Officer	2016	336,538	122,480		314,226		11,432	784,676
	2015	249,327	96,210		80,882		7,997	434,416
Gregory J. Bylsma	2017	438,423	347,057	379,166	214,257		83,616	1,462,519
President, North America Contract	2016	426,904	478,629		437,662		42,984	1,386,179
	2015	405,385	445,968		170,951		48,453	1,070,757
Andrew J. Lock <sup>(5)</sup>	2017	334,713	237,645	272,695	230,863	144,700	205,312	1,425,928
President, Herman Miller International	2016	386,188	371,695		346,899	59,521	90,709	1,255,012
	2015	398,054	349,624		203,047	200,388	146,387	1,297,500
B. Ben Watson	2017	403,108	190,314	223,246	227,474		66,257	1,110,399
Chief Creative Officer	2016	391,923	283,019		354,377		60,450	1,089,769

(1) For all NEOs, amounts represent the aggregate grant date fair value of stock awards and option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating these amounts are set forth in Note 9 of the Company's consolidated financial statements for the fiscal year ended June 3, 2017 included in our Annual Report on Form 10-K.

(2) Includes the amounts earned in fiscal 2017 and paid in fiscal 2018 under the Executive Incentive Cash Bonus Plan as described in the Compensation Discussion and Analysis for the NEOs. Certain executives have elected to defer a part of the bonus under the Key Executive Deferred Compensation Plan. The amount of the deferrals and the corresponding Company contributions will be shown in next year's Nonqualified Deferred Compensation Table.

(3) Amounts represent the aggregate change in the actuarial present value of the accumulated benefits under the Company's Retirement Plans.

(4) The amounts for fiscal 2017 for all other compensation are described in the table below.

(5) All amounts reported for Mr. Lock were paid to him in British pounds sterling. The U.S. dollar value of the amounts paid to him for the fiscal 2017 is calculated based on the average annual conversion rate for fiscal 2017 - £1=\$1.2794.

	Bundled Benefits <sup>(a)</sup>	Car allowance (UK only)	Payment in lieu of Pension Contribution	Long-term Disability Insurance	Nonqualified Deferred Compensation Contribution <sup>(b)</sup>	Total Other Compensation
Brian C. Walker	15,860			3,259	214,478	233,597
Jeffrey M. Stutz	15,417			1,520	40,446	57,383
Gregory J. Bylsma	13,569			2,981	67,066	83,616
Andrew J. Lock <sup>(c)</sup>	32,072	11,438	161,802			205,312
B. Ben Watson	7,927			2,980	55,350	66,257

(a) Bundled Benefits are provided on a calendar year basis and include accounting fees, cell phone fees, club dues, family travel, education and training, home office expenses, vehicle expenses, and life insurance. Benefits for Mr. Lock include the approved amount for calendar 2017 plus carryover for calendar years 2016 and 2015.

(b) Amounts represent the Company's contribution to the Herman Miller, Inc. Executive Equalization Retirement Plan.

(c) Mr. Lock serves the company through its United Kingdom subsidiary. As such, his benefits are paid according to the benefits paid in the United Kingdom, which are different from the benefits in the United States. His benefits include medical insurance, car allowance, spouse travel, and contributions to a pension plan. All amounts are converted from GBP to USD at the average annual conversion rate for fiscal 2017 - £1=\$1.2794.

## Grants of Plan-Based Awards

The Grants of Plan-Based Awards table below sets forth information on equity awards granted by the Company to the NEOs during fiscal 2017 under the Long-Term Incentive Plan (LTI Plan) and the possible payouts to the NEOs under the Executive Incentive Cash Bonus Plan (Annual Cash Bonus Plan) for fiscal 2016. The Compensation Discussion and Analysis provides further details of grants under the LTI Plan, as well as the performance criteria under the Annual Cash Bonus Plan. (The LTI grants are discussed in the CD&A under the heading LTI Grants Awarded in Fiscal 2017).

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(4)</sup>	Exercise or Base Price of Option Awards (\$/Sh) <sup>(5)</sup>	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(6)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Brian C. Walker	07/19/16				0	26,365	52,730				786,995
	07/19/16							26,365			839,989
	07/19/16								152,614	31.86	840,003
	07/19/16								72,673	31.86	399,999
		0	916,846	1,833,692							
Jeffrey M. Stutz	07/19/16				0	3,662	7,324				109,311
	07/19/16							3,662			116,671
	07/19/16								21,196	31.86	116,665
	07/19/16								36,337	31.86	200,002
		0	254,875	509,750							
Gregory J. Bylsma	07/19/16				0	5,624	11,248				167,876
	07/19/16							5,624			179,181
	07/19/16								32,551	31.86	179,164
	07/19/16								36,337	31.86	200,002
		0	284,975	569,950							
Andrew J. Lock	07/19/16				0	3,851	7,702				114,952
	07/19/16							3,851			122,693
	07/19/16								22,292	31.86	122,697
	07/19/16								27,252	31.86	149,998
		0	217,563	435,126							
B. Ben Watson	07/19/16				0	3,084	6,168				92,057
	07/19/16							3,084			98,256
	07/19/16								17,850	31.86	98,248
	07/19/16								22,710	31.86	124,998
		0	262,020	524,040							

(1) Under the Annual Cash Bonus Plan executives can earn incentive compensation based on the achievement of certain company performance goals. The actual Cash Bonus amount paid with respect to any year may range from 0 to 2 times of the target based upon the relative achievement of our EBITDA targets and are set forth in the Summary Compensation Table above.

(2) The performance share units represent the right to receive shares of the Company's common stock, and such shares are to be issued to participants at the end of a measurement period beginning in the year that performance shares are granted. The units reflect the number of shares of common stock that may be issued if certain EBITDA (earnings before interest, taxes, depreciation and amortization) and TSR return goals are met. The PSU provides that the total number of shares which finally vest may vary between 0 and 200% of the target amount depending upon performance relative to the established EBITDA and TSR goals, respectively, and cliff vest after three years.

(3) The restricted stock units represent the right to receive shares of the Company's common stock. These units reflect fair market value of the common stock as of the date of grant and cliff vest after three years.

(4) Each option has a term of ten years and vests pro rata over three years.

(5) Stock options are awarded at an option price not less than the market value of the Company's common stock at the grant date in accordance with the LTI Plan.

(6) Aggregate grant date values are computed in accordance with FASB ASC Topic 718. For performance share units, the grant date fair value was determined based upon the vesting at 100% of the target units awarded.

## Outstanding Equity Awards at Fiscal Year-End

The Outstanding Equity Awards at Fiscal Year-End table below shows the option awards and stock awards that were outstanding as of June 3, 2017. The table shows both exercisable and unexercisable options. The table also shows share units and equity plan awards that have not vested.

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Exercisable	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(4)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(3)</sup>
Brian C. Walker	07/18/11	48,280		25.750	07/18/21				
	07/15/13	46,829		28.740	07/15/23				
	07/14/14	50,631	25,323	30.220	07/14/24	20,588	673,228	34,977	1,143,748
	07/13/15	30,354	60,716	29.030	07/13/25	21,897	716,032	38,565	1,261,076
	07/19/16		225,287	31.860	07/19/26	26,819	876,981	26,365	862,136
Jeffrey M. Stutz	07/19/10	1,877		17.300	07/19/20				
	01/19/11	646		25.060	01/19/21				
	07/18/11	1,773		25.750	07/18/21				
	07/17/12	3,888		18.170	07/17/22				
	07/14/14					1,144	37,409	1,943	63,536
	07/13/15					1,489	48,690	2,623	85,772
	07/19/16		57,533	31.860	07/19/26	3,725	121,808	3,662	119,747
Gregory J. Bylsma	07/24/07	2,724		31.840	07/24/17				
	07/18/11	4,310		25.750	07/18/21				
	07/17/12	17,907		18.170	07/17/22	3,291	107,616		
	07/14/14					5,301	173,343	9,007	294,529
	07/13/15					5,820	190,314	10,250	335,175
	07/19/16		68,888	31.860	07/19/26	5,721	187,077	5,624	183,905

## Outstanding Equity Awards at Fiscal Year-End (continued)

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Exercisable	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(4)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(3)</sup>
Andrew J. Lock	07/18/11	4,199		25.750	07/18/21				
	07/17/12	18,292		18.170	07/17/22	2,194	71,744		
	07/14/14					4,156	135,901	7,061	230,895
	07/13/15					4,520	147,804	7,960	260,292
	07/19/16		49,544	31.860	07/19/26	3,917	128,086	3,851	125,928
B. Ben Watson	07/18/11	7,388		25.750	07/18/21				
	07/17/12	9,363		18.170	07/17/22				
	07/14/14					3,239	105,915	5,503	179,948
	08/14/14					423	13,832		
	07/13/15					3,441	112,521	6,061	198,195
	07/19/16		40,560	31.860	07/19/26	3,137	102,580	3,084	100,847

(1) Options vest in three equal annual installments beginning on the first anniversary of the grant date.

(2) The 07/17/12 awards issued to Mr. Bylsma for 3,291 and Mr. Lock for 2,194 reflect credited dividends through the end of fiscal 2017 and cliff vested after five years. The remaining awards reflect credited dividends through the end of fiscal 2017 and cliff vest after three years.

(3) Assumes a stock price of \$32.70 per share, which was the closing price of a share of common stock on the last trading day of fiscal 2017.

(4) The Performance Share Unit awards cliff vest after three years, depending upon the achievement of certain EBITDA and TSR return goals.

## Option Exercises and Stock Vested

This table provides information on the number and value of options exercised in fiscal 2017 and the vesting of restricted stock (on an aggregate basis).

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Brian C. Walker	87,816	107,164	48,239	1,540,282
Jeffrey M. Stutz			2,831	90,399
Gregory J. Bylsma			12,059	385,054
Andrew J. Lock	23,315	23,257	9,047	288,881
B. Ben Watson			7,644	244,089

(1) Represents the difference between the exercise price and the fair market value of our common stock on the date of exercise.

(2) Value based on the closing market price of the Company's common stock on the vesting date.



## Pension Benefits

The Pension Benefits table below provides certain information on the retirement benefits available under each retirement plan to each NEO at the end of fiscal 2017.

The retirement plans are described in the Compensation Discussion and Analysis.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Andrew J. Lock <sup>(1)</sup>	Herman Miller Limited Retirement Plan	14	1,310,361	

(1) Mr. Lock was covered from 1990-2002 and beginning again during fiscal 2011 under the UK Pension Plan which is now frozen.

## Nonqualified Deferred Compensation

The Nonqualified Deferred Compensation table below provides certain information relating to our two compensation plans that provide for the deferral of compensation on a basis that is not tax-qualified.

Name	Executive Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Registrant Contributions in Last Fiscal Year (\$) <sup>(2)</sup>	Aggregate Earnings in Last Fiscal Year (\$) <sup>(3)</sup>	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Brian C. Walker	176,382	214,478	334,075		3,028,181
Jeffrey M. Stutz	21,190	40,446	18,767		164,012
Gregory J. Bylsma	26,305	67,066	39,728		450,849
Andrew J. Lock			42,645		277,037
B. Ben Watson	45,449	55,350	41,577		369,962

(1) Amounts in this column represent the deferrals of base salary earned in fiscal 2017 which are included in Summary Compensation Table under Salary, plus deferral of amounts earned in fiscal 2016 and paid in fiscal 2017 under the Executive Incentive Cash Bonus Plan which was included in the fiscal 2016 Summary Compensation Table under Non-Equity Incentive Plan Compensation.

(2) Amounts in this column represent the Company's contribution and are included in the "All Other Compensation" column of the Summary Compensation Table.

(3) Amounts reflect increases (decreases) in value of the employee's account during the year, based upon deemed investment of deferred amounts.

The Company's Nonqualified Deferred Compensation Plan, which was terminated in fiscal 2007, allowed certain employees to defer part or all of their Executive Incentive Cash Bonus payment each year. The Company matched any such deferral, up to 50 percent of the incentive cash bonus payment. The matching payment vested over three years and vesting was dependent upon the executive remaining employed with the Company. Amounts deferred were converted into units having the same value as the Company's stock and were credited with amounts at the same rate as the Company's dividend on its common stock. Units are converted into shares of the Company's common stock at the time of distribution.

The Committee approved The Herman Miller, Inc. Executive Equalization Retirement Plan for salary deferrals that began in January 2008, which replaced the Company's Nonqualified Deferred Compensation Plan. The Plan allows all United States employees who have compensation above the statutory ceiling to defer income in the same proportion as if the statutory ceiling did not exist. The Company makes contributions to the plan such that the amounts in the plan "mirror" the amounts the Company would have contributed to the Company's tax-qualified 401(k) plan had the employee's compensation not been above the statutory ceiling. Distributions from the plan are paid out in cash based on the deferral election specified by the participant. We do not guarantee a rate of return under the Plan. Instead, participants make investment elections for their deferrals and company contributions. Investment options are the same as those available under our 401(k) plan.

## Potential Payments upon Termination, Death, Disability, Retirement or Change in Control

The following table quantifies both the estimated payments that would be made to each NEO in the event of his termination by the Company without cause, and in the event of his termination under circumstances that would trigger payments under the change in control agreements, in each case assuming that termination occurred June 3, 2017. The table also provides information regarding the incremental amounts that would have vested and become payable on June 3, 2017, if a change in control occurred on that date or if the NEO's employment had terminated on that date because of death, disability or retirement. The amounts potentially payable to each NEO in the event of separation without cause, death, disability, or retirement or in connection with a change in control in which a termination occurs are illustrated below. The narrative that follows the tables gives more details concerning the plans and the circumstances under which either accelerated payment or vesting would occur.

Name	Benefit	Death	Disability	Retirement	Without Cause	Change in Control	
Brian C. Walker	Cash Severance	—	—	—	1,380,000	5,520,000	
	Prorated Annual Incentive						
	Equity						
	Restricted Stock Units	2,266,250	2,266,250	2,120,086	1,317,009	2,266,250	
	Performance Shares <sup>(1)</sup>	2,518,884	2,518,884	3,658,834	2,518,884	3,726,368	
	Unexercisable Options	—	—	453,482	—	474,848	
	Total	4,785,134	4,785,134	6,232,402	3,835,893	6,467,466	
	Retirement Benefits <sup>(2)</sup>						
	Other Benefits						
	Health and Welfare	—	—	—	18,386	36,773	
	Outplacement	—	—	—	25,000	25,000	
	Total	—	—	—	43,386	61,773	
	Total	4,785,134	4,785,134	6,232,402	5,259,279	12,049,239	
	Jeffrey M. Stutz	Cash Severance	—	—	—	600,000	1,320,000
		Prorated Annual Incentive					
Equity							
Restricted Stock Units		207,913	207,913	—	98,922	207,913	
Performance Shares <sup>(1)</sup>		165,999	165,999	—	165,999	268,087	
Unexercisable Options		—	—	—	—	48,328	
Total		373,912	373,912	—	264,921	524,328	
Retirement Benefits <sup>(2)</sup>							
Other Benefits							
Health and Welfare		—	—	—	11,999	15,999	
Outplacement		—	—	—	25,000	25,000	
Total		—	—	—	36,999	40,999	
Total		373,912	373,912	—	901,920	1,885,327	

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control (continued)

Name	Benefit	Death	Disability	Retirement	Without Cause	Change in Control	
Gregory J. Bylsma	Cash Severance	—	—	—	660,000	1,452,000	
	Prorated Annual Incentive						
	Equity						
	Restricted Stock Units	658,365	658,365	—	436,025	658,365	
	Performance Shares <sup>(1)</sup>	654,737	654,737	—	654,737	959,791	
	Unexercisable Options	—	—	—	—	57,866	
	Total	1,313,102	1,313,102	—	1,090,762	1,676,022	
	Retirement Benefits <sup>(2)</sup>						
	Other Benefits						
	Health and Welfare	—	—	—	18,379	24,506	
	Outplacement	—	—	—	25,000	25,000	
	Total	—	—	—	43,379	49,506	
	Total	1,313,102	1,313,102	—	1,794,141	3,177,528	
	Andrew J. Lock	Cash Severance	—	—	—	586,500	1,290,300
		Prorated Annual Incentive					
Equity							
Restricted Stock Units		483,553	483,553	462,204	323,620	483,553	
Performance Shares <sup>(1)</sup>		508,285	508,285	729,708	508,285	739,572	
Unexercisable Options		—	—	38,496	—	41,617	
Total		991,838	991,838	1,230,408	831,905	1,264,742	
Retirement Benefits <sup>(2)</sup>							
Other Benefits							
Health and Welfare		—	—	—	7,866	10,488	
Outplacement		—	—	—	25,000	25,000	
Total		—	—	—	32,866	35,488	
Total		991,838	991,838	1,230,408	1,451,271	2,590,530	
B. Ben Watson		Cash Severance	—	—	—	607,500	1,336,500
		Prorated Annual Incentive					
	Equity						
	Restricted Stock Units	334,872	334,872	—	209,982	334,872	
	Performance Shares <sup>(1)</sup>	391,529	391,529	—	391,529	569,550	
	Unexercisable Options	—	—	—	—	34,070	
	Total	726,401	726,401	—	601,511	938,492	
	Retirement Benefits <sup>(2)</sup>						
	Other Benefits						
	Health and Welfare	—	—	—	7,475	9,966	
	Outplacement	—	—	—	25,000	25,000	
	Total	—	—	—	32,475	34,966	
	Total	726,401	726,401	—	1,241,486	2,309,958	

(1) Performance shares vest based on actual performance, and estimated performance at the end of fiscal year 2017 is as follows: TSR performance shares granted in 2014 = 71% of target, Herman Miller Value Added performance shares granted in 2014 = 121% of target, TSR performance shares granted in 2015 = 200% of target, Herman Miller Value Added performance shares granted in 2015 = 152% of target, TSR performance shares granted in 2016 = 47% of target.

(2) The retirement benefits available to the Named Executive Officers are the same as those available to all salaried employees.

## Potential Payments upon Termination, Death, Disability, Retirement or Change in Control *(continued)*

### Potential Payments upon Termination without Change in Control

The Company under its salary continuation plan has agreed to pay Corporate Officers and other executives severance if they are terminated for reasons other than cause. The payments are equal to 18 months' base salary continuation for the NEOs. In addition, the Company maintains the health insurance on such employee during the salary continuation period. In exchange for such payments, the employee provides the Company with a mutual release of all claims and agrees not to work for a competitor during the salary continuation period. In the event of a termination covered by the change in control agreements described below, the payments under those agreements is reduced by any amounts received under the salary continuation plan.

The Executive Long-Term Disability Plan provides a monthly benefit to an executive of 60% of their two-year average executive incentive up to a monthly maximum of \$10,000. Each of the NEOs would be entitled to a \$10,000 monthly benefit if they became disabled as of June 3, 2017, as long as they are disabled or until age 65.

### Potential Payments upon Termination in Connection with Change in Control

In fiscal 2017, each NEO was party to a change in control agreement with the Company. The change in control agreements are all "dual trigger" agreements. This means there both must be a change in control and the employee must incur an actual or constructive termination of employment by us to be entitled to a payment.

The agreements define change in control as having occurred (1) when a third party becomes the owner of 35 percent or more of the Company's stock, (2) when a majority of the Board of Directors is composed of persons who are not recommended by the existing Board, or (3) under certain transactions involving a merger or reorganization, sale of all or substantially all of the company's assets or a liquidation in which the Company does not maintain certain control thresholds.

An employee is entitled to a payment under the change in control agreement if within 2 years after a change in control he or she (1) has his or her employment with the Company terminated by the Company for reasons other than cause or (2) voluntarily terminates his or her employment if (a) the responsibilities of his or her job are significantly reduced, (b) the base salary or bonus he or she receives is reduced, (c) the benefits he or she receives are reduced by more than 5 percent, (d) the location of his or her job is relocated more than 50 miles from its current location, or (e) the obligations of the change in control agreement is not assumed by any successor company.

If both triggering events occur, then the NEO is entitled to a change in control payment. The change in control payment consists of three elements (1) amounts owed for current year base salary, on target bonus prorated to the date of termination and all amounts of deferred income, (2) medical and other insurance benefits, and (3) a separation payment. In addition, all existing unvested options and other equity units become immediately vested and exercisable. The separation payment in the case of the CEO is to be equal to three times the amount described below and in the case of all other NEOs the payment is equal to two times the amount described below. The separation payment is a lump sum equal to either two or three times the sum of (a) the executive's base salary plus (b) the greater of the executive's actual bonus for the preceding year or his or her on-target bonus for the current year. This amount is reduced by any severance payment that executive receives under the severance program described above.

The Company has no obligation to make a "gross up" payment to the executive if the amount of the payments under the change in control agreements is subject to an excise tax under Section 4999 of the Internal Revenue Code of 1986.

To receive the payments, the NEO is obligated to comply with the non-competition covenant of the agreement, committing him or her to refrain from competing with the Company for a period equal to the number of years of compensation received by the NEO under the agreement.

### Accelerated Vesting upon Death, Disability, Retirement or Change in Control

Various compensation plans contain provisions that permit accelerated vesting upon death, disability or change in control. In the event of a change in control, the Key Executive Deferred Compensation Plan, the Long-Term Incentive Plan, and the Executive Incentive Cash Bonus Plan provide for the acceleration of vesting and/or payment even if the NEO has not been terminated. These are so-called single trigger payment provisions. The Long-Term Incentive Plan, Executive Incentive Cash Bonus Plan and Key Executive Deferred Compensation Plan each has provisions dealing with vesting upon death, disability or retirement. The definition of change in control for these plans is the definition contained in Treasury Regulations for Section 409A of the Internal Revenue Code.

## Potential Payments upon Termination, Death, Disability, Retirement or Change in Control *(continued)*

### ***Key Executive Deferred Compensation Plan***

The Key Executive Deferred Compensation Plan, which terminated in fiscal 2007, permits a participant to elect to have his or her account distributed immediately upon his or her death, disability, or termination of employment in addition to change in control. The plan also permits the Committee to distribute to the employee amounts deferred before December 31, 2005 in the event of his death, disability or termination of employment.

### ***Long-Term Incentive Plan***

Under our 2011 Long-Term Incentive Plan, except as otherwise provided in an award agreement, in the event of a change in control transaction, awards that are not assumed or continued (other than performance-based awards) will be deemed to be immediately vested, or at the Committee's election, it may cancel those awards and pay the value of those awards to participants. With respect to performance-based awards under a change in control transaction in which awards are not assumed, if less than half the performance period has lapsed, those awards will be converted into shares or similar securities assuming target performance has been achieved. If at least half of the performance period has lapsed, those performance-based awards will be converted into shares or similar securities based upon actual performance-to-date. Conversely, and except as otherwise provided in an award agreement, upon a change in control in which the Company is the surviving entity or under which outstanding awards are assumed or continued, the Plan provides for a corresponding adjustment to the outstanding awards to preserve the intrinsic value of those awards; those outstanding awards will be subject to accelerated vesting if, within a one-year period following the change in control, the participant's employment is terminated without cause or the participant terminates for good reason.

Options granted under the LTI Plan to the extent vested at the date of death or disability remain exercisable for the balance of their original term but not more than 60 months following the date of termination of employment. If an employee retires, the options granted prior to fiscal 2013 to the extent vested remain exercisable for the balance of their original term but not more than 60 months following the date of termination of employment. For options granted beginning in fiscal 2013, the grant will be prorated over 12 months if retiring within one year of the grant; after the initial 12 months, they will vest in full. They remain exercisable for the balance of their original term but not more than 60 months following the date of termination of employment. In all other cases, the vested options terminate three months after the termination of employment.

In the case of restricted stock units, if an employee dies or becomes disabled, units vest immediately. All vest ratably if the employee is terminated for reasons other than cause. Vesting is determined by comparing the number of months the employee has been with the Company between the date of grant and the date of termination to the original vesting period. If an employee retires, units will be prorated over 12 months if retiring within one year of the grant; after the initial 12 months, they will vest in full.

Performance shares, as explained earlier, are granted at a target value and the actual number of units converted into shares is determined at the end of a 3-year measurement period. The percentage of the performance share target grant that is eligible to vest if an employee dies, becomes disabled, or is terminated for reasons other than cause is determined by comparing the number of months between the date of grant and the date of termination to the original vesting period. If an employee retires in the first year, the target performance share grant subject to vesting will be prorated over 12 months. If the employee retires after the first year, 100 percent of the target performance share grant is subject to vesting.

### ***The Executive Incentive Cash Bonus Plan***

The Executive Incentive Cash Bonus Plan requires that an employee be employed by the Company on the last day of a fiscal year to be eligible to receive the Incentive Cash Bonus, with certain exceptions noted below. The plan provides that in the events of death, disability or retirement an employee does not need to be employed on the last day of the fiscal year to receive a bonus. The employee's bonus will be reduced to reflect the portion of the year that he or she was employed by the Company. In the event of a change in control, the Incentive Cash Bonus is immediately vested (based upon EBITDA results achieved through the date of the change in control) and payable and is not reduced by virtue of the fact that it is calculated upon a partial year. The same provisions governing payment in the event of death, disability, retirement or change in control are also found in the bonus plan applicable to all other employees.

## Director Compensation

The following Director Compensation table provides information on the compensation of each director for fiscal 2017. The standard annual compensation of each director is \$160,000 (prorated if a director serves for less than a full year). The Audit Committee Chair receives an additional \$20,000, the Executive Compensation Committee Chair receives an additional \$15,000 and the Nominating and Governance Committee Chair receives an additional \$10,000. Non-chair members of the Audit Committee receive an additional \$8,000 per year, non-chair members of the Executive Compensation Committee receive an additional \$6,000 per year and non-chair members of the Nominating and Governance Committee receive an additional \$4,000 per year due to the increased workload of these committees. The Chairman of the Board of Directors receives additional annual compensation of \$75,000 and is eligible to participate in the Company's health insurance plan. Brian Walker, the Company's CEO, does not receive any additional compensation for serving on the Board of Directors.

The annual retainer and any chairperson or additional fees (collectively, the "Annual Fee") is payable by one or more of the following means, as selected by each director: (1) in cash; (2) in shares of our stock valued as of January 15 of each year; (3) credit under the Director Deferred Compensation Plan described below; (4) stock options valued as of January 15 of each year under the Black-Scholes Valuation Model; or (5) as a contribution to our Company employee scholarship fund. Any director who does not meet the stock ownership guideline must take at least 50 percent of his or her Annual Fee in one of the permissible forms of equity.

### Stock Compensation Plan

Under our 2011 Long-Term Incentive Plan, nonemployee officers and directors may be granted options to purchase shares of our stock if they elect to receive their compensation in stock options. Subject to certain exceptions, no options are exercisable prior to the first anniversary of the award date and expire 10 years after the date of the grant. The option price is payable upon exercise in cash or, subject to certain limitations, in shares of our stock already owned by the optionee, or a combination of shares and cash.

### Deferred Compensation Plan

We also maintain a Nonemployee Officer and Director Deferred Compensation Stock Purchase Plan. The Plan permits a participant to defer receipt of all or a portion of his or her Annual Fee to his or her deferred account. The account is held in a Rabbi Trust. Each account is credited with a number of stock units equal to a number of shares of the investment selected by the director including Company stock and other investment alternatives. The initial value of the deferral is equal to the dollar amount of the deferral, divided by the per share fair market value of the selected investment at the time of the deferral. The units are credited with any dividends paid on the investment.

### Stock Ownership Guidelines

Director stock ownership guidelines have been in effect since 1997. These guidelines, like those of the management team, are intended to reinforce the importance of linking shareholder and director interests. Under these guidelines, beginning in 2000, each director is encouraged to reach a minimum level of share ownership having a value of at least three times the annual director retainer over a five-year period after first becoming a director.

### Other

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their services for the Company, and they are covered under the Company's business travel insurance policies and under the Director and Officer Liability Insurance Policy.

### Perquisites

Some directors' spouses accompany them to Board meetings. The Company pays for their expenses and for some amenities for the Directors and their spouses, including some meals and social events. The total of these perquisites is less than \$10,000 per Director. Directors are approved to purchase Company products under employee discount pricing. The value of this perquisite was less than \$10,000 for all but one Director as to whom the value has been included in All Other Compensation in the Director Compensation Table.

## Director Compensation (continued)

### Director Compensation Table

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Mary Vermeer Andringa	70,000	100,000			170,000
David A. Brandon	151,000	15,000			166,000
Brenda Freeman	164,000				164,000
Douglas D. French	168,000			10,907	178,907
J. Barry Griswell	130,000	45,000			175,000
John R. Hoke III	166,000				166,000
Lisa A. Kro	108,000	72,000			180,000
Heidi Manheimer	83,000	85,000			168,000
Dorothy A. Terrell	160,000				160,000
David O. Ulrich	164,000				164,000
Michael A. Volkema	235,000				235,000

(1) The amounts shown in the "Fees Earned or Paid in Cash" column include amounts that may be deferred under the Non-employee Officer and Director Deferred Compensation Plan. Amounts deferred are retained as units equal to shares of stock under the plan. The plan permits non-employee directors to elect to defer amounts that they would otherwise receive as director fees. Directors at the time of deferral elect the deferral period. These amounts may also reflect contributions to the Michael Volkema Scholarship fund which awards college scholarships to children of employees. During fiscal 2016, ten of the directors who received fees contributed a portion to the fund.

(2) Amounts represent the aggregate grant date fair value of stock awards and option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating these amounts are set forth in Note 9, in the Company's consolidated financial statements for the fiscal year ended May 28, 2016, included in our Annual Report on Form 10-K.

(3) Represents value received on product purchases under employee discount program.

As of June 3, 2017, each Director had the following aggregate number of outstanding options:

Name	Aggregate Number of Outstanding Options
Mary Vermeer Andringa	
David A. Brandon	
Douglas D. French	
J. Barry Griswell	
John R. Hoke III	
Lisa A. Kro	
Heidi Manheimer	
Dorothy A. Terrell	15,183
David O. Ulrich	28,554
Michael A. Volkema	

## Equity Compensation Plan Information

As noted in the Compensation Discussion and Analysis, we maintain certain equity compensation plans under which common stock is authorized for issuance to employees and directors in exchange for services. We maintain our 2011 Long-Term Incentive Plan (LTI Plan) and Employees' Stock Purchase Plan.

The following table sets forth certain information regarding the above referenced equity compensation plans as of June 3, 2017.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,135,237	\$ 28.3796	2,815,156
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>2,135,237</b>	<b>\$ 28.3796</b>	<b>2,815,156</b>

(1) The number of shares that remain available for future issuance under our plans is 2,815,156 which includes 1,756,083 under the Long-Term Incentive Plan and 1,059,073 under the Employees' Stock Purchase Plan.

## Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and officers, as well as any person holding more than 10 percent of our common stock, are required to report initial statements of ownership of our securities and changes in such ownership to the Securities and Exchange Commission. Based upon written representations by each director and officer, all the reports were timely filed by such persons during the last fiscal year except for Jeremy Hocking who had four delinquent filings related to his initial Form 3 filing, a same-day sale stock option exercise, a sale of stock and a trade for taxes on a restricted stock vesting.

## Certain Relationships and Related Party Transactions

The Board of Directors has adopted a policy on Related Party Transactions. Under that policy, with certain limited exceptions, all proposed transactions between the Company and any directors or officers or their respective affiliates are required to be reported to the Nominating and Governance Committee prior to entering such a transaction. Management is obligated to provide the Nominating and Governance Committee with information relating to the terms and conditions of the proposed transaction, how it complies with the policy, and if the proposed transaction is with a director, advise the Nominating and Governance Committee if the transaction would impact that director's status as an independent director. The Nominating and Governance Committee has the authority to determine whether the proposed transaction is exempt from approval or, if not, approve the transaction as compliant with the policy or refer the matter to the Board of Directors. All approved or exempted transactions must be reported by the Nominating and Governance Committee to the full Board of Directors.

To approve a transaction under the policy, the Nominating and Governance Committee must determine that either (1) the dollar amount of the transaction and other transactions with the director during that year is less than \$100,000, and, for any director that is a member of the Audit Committee, does not constitute a proscribed consulting, advisory, or other compensated fee, or (2) if the proposed transaction is for the acquisition of products or services and is less than \$100,000 or is subject to a bid process involving three or more competing parties, and the transaction is in the best interest of the Company and its shareholders, provided that (a) management determined that the proposed transaction will provide the best value for the Company, (b) the compensation is consistent with the proposals submitted by the other bidders, and (c) the director did not directly participate in the proposal process.



## Reconciliation of Non-GAAP Financial Measures

This report contains references to Adjusted diluted earnings per share ("Adjusted EPS"), Organic net sales, Adjusted operating earnings and Adjusted EBITDA all of which are non-GAAP financial measures (referred to collectively as the "Adjusted financial measures"). Adjusted diluted EPS and Adjusted operating earnings are calculated by excluding from Earnings per share - diluted and Operating earnings, items that we believe are not indicative of our ongoing operating performance, such as non-recurring gains, expenses associated with restructuring actions taken to adjust our cost structure to the current business climate and non-cash impairment expenses. Organic net sales represents the change in sales excluding currency translation effects, the divestiture of owned dealers and the impact of an extra week of operations in fiscal 2017 as compared to fiscal 2016. Adjusted EBITDA is calculated by excluding depreciation, amortization, interest expense, income taxes and other net income or expense from Current Year Net Income.

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

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

	Fiscal Year Ended	
	June 3, 2017	May 28, 2016
Earnings per Share - Diluted	\$ 2.05	\$ 2.26
Less: Non-recurring gains	(0.02)	(0.09)
Add: Restructuring and impairment expense	0.13	—
Adjusted EPS	\$ 2.16	\$ 2.17

The following table reconciles Net Sales to Organic Sales Growth by segment:

	Fiscal Year Ended June 3, 2017					Fiscal Year Ended May 28, 2016				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net sales, as reported	\$1,342.2	\$ 385.5	\$ 232.4	\$ 318.1	\$ 2,278.2	\$ 1,331.8	\$ 412.6	\$ 231.8	\$ 288.7	\$ 2,264.9
% change from PY	0.8 %	(6.6)%	0.3 %	10.2%	0.6%					
<b>Adjustments</b>										
Dealer divestitures	—	—	—	—	—	(8.8)	(30.8)	—	—	(39.6)
Currency translation effects <sup>(1)</sup>	0.7	13.9	—	—	14.6	—	—	—	—	—
Impact of extra week in FY17	(22.7)	(6.3)	(3.3)	(4.7)	(37.0)	—	—	—	—	—
Organic net sales	\$1,320.2	\$ 393.1	\$ 229.1	\$ 313.4	\$ 2,255.8	\$ 1,323.0	\$ 381.8	\$ 231.8	\$ 288.7	\$ 2,225.3
% change from PY	(0.2)%	3.0 %	(1.2)%	8.6%	1.4%					

<sup>(1)</sup> Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

## Reconciliation of Non-GAAP Financial Measures *(continued)*

The following table reconciles Operating earnings to Adjusted operating earnings by segment:

	Fiscal Year Ended June 3, 2017						Fiscal Year Ended May 28, 2016					
	North America	ELA	Specialty	Consumer	Corporate	Total	North America	ELA	Specialty	Consumer	Corporate	Total
Operating earnings (loss)	\$ 137.7	\$ 30.8	\$ 17.7	\$ 5.3	\$ (0.7)	\$ 190.8	\$ 152.0	\$ 35.3	\$ 16.4	\$ 8.1	\$ (0.3)	\$ 211.5
% Net sales	10.3%	8.0%	7.6%	1.7%	n/a	8.4%	11.4%	8.6%	7.1%	2.8%	n/a	9.3%
<b>Adjustments</b>												
Less: Non-recurring gain	—	—	—	—	—	—	—	(6.1)	—	—	—	(6.1)
Less: Gain on sale of dealer	(0.7)	—	—	—	—	(0.7)	—	—	—	—	—	—
Add: Restructuring and impairment expenses	10.3	1.0	0.6	0.6	—	12.5	—	—	—	—	—	—
Adjusted operating earnings (loss)	\$ 147.3	\$ 31.8	\$ 18.3	\$ 5.9	\$ (0.7)	\$ 202.6	\$ 152.0	\$ 29.2	\$ 16.4	\$ 8.1	\$ (0.3)	\$ 205.4

The following table reconciles Current Year Net Income to Adjusted EBITDA used for the Annual Executive Incentive Cash Bonus:

	Fiscal Year Ended June 3, 2017
(Dollars In millions)	
Current Year Net Income	\$ 123.9
Standard Add Backs:	
Interest Expense	15.2
Income Taxes	55.1
Depreciation and Amortization	58.9
EBITDA	\$ 253.1
Standard Adjustments per Guidelines	
Amortization of Previously Excluded Restructuring	(0.9)
Non-Standard Adjustments Requiring Approval	
Restructuring expense	4.6
Nemschoff tradename impairment	7.1
Adjusted EBITDA	\$ 263.9

## Submission of Shareholder Proposals for the 2018 Annual Meeting

Shareholders wishing to submit proposals on matters appropriate for shareholder action to be presented at our 2017 Annual Meeting of Shareholders and to be included in our proxy materials for that meeting may do so in accordance with Rule 14a-8 promulgated under the Exchange Act, whereby (1) all applicable requirements of Rule 14a-8 must be satisfied, (2) the notice must include various stock ownership and related information detailed in our Bylaws, and (3) such proposals must be received by us at our principal executive offices at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302, no later than May 1, 2018.

Our bylaws, which are available on our website at [www.hermanmiller.com/bylaws](http://www.hermanmiller.com/bylaws), contain certain procedural requirements that shareholders must follow to nominate a person for election as a director at an annual meeting or to bring an item of business before the annual meeting. These procedures require that notice of an intention to nominate a person for election to the Board and/or to bring an item of business before our 2018 annual meeting must be received in writing by our secretary at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302 no earlier than June 11, 2018 and no later than July 11, 2018. The notice must contain certain information about the shareholder making the proposal for nomination, including a representation that the shareholder intends to appear in person or by proxy at the annual meeting to nominate the person named in the notice or bring the item of business before the meeting, and about the nominee and/or the item of business and, in the case of a nomination, must be accompanied by a written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected. We did not receive any proposals to be presented at the 2017 Annual Meeting.

### Miscellaneous

The cost of the solicitation of proxies will be borne by us. In addition to the use of the mails, proxies may be solicited personally or by telephone or electronic means by a few of our regular employees. We may reimburse brokers and other people holding stock in their names or in the names of nominees for their expenses in sending proxy materials to the principals and obtaining their proxies.

Our mailing for the fiscal year ended June 3, 2017, includes the Notice Regarding the Availability of Proxy Materials. A copy of the Notice of 2017 Annual Meeting of Shareholders and the 2017 Form 10-K (Annual Report) as well as the Proxy Statement, both filed with the Securities and Exchange Commission, are available, without charge, upon written request from the Secretary of the Company, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302.

Shareholders are urged to vote promptly. Questions related to your registered holdings can be directed as follows:

Computershare Investor Services, LLC, 250 Royall Street, Canton, Massachusetts 02021 Phone: 1-866-768-5723 inside the United States  
Phone: 1-781-575-2723 outside the United States <http://www.computershare.com>

*By Order of the Board of Directors  
H. Timothy Lopez, Secretary  
August 29, 2017*

## Appendix I - Herman Miller, Inc. 2011 Long-Term Incentive Plan as Amended

### ARTICLE 1 ESTABLISHMENT AND PURPOSE OF THE PLAN

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

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

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

### ARTICLE 2 DEFINITIONS

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

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

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

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

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

2.5 "Cause" shall mean:

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

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

2.6 "Change in Control" shall mean:

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

Person becomes the beneficial owner of 35 percent or more of the Outstanding Company Common Stock or 35 percent or more of the Outstanding Company Voting Securities by reason of an acquisition by the Company of Outstanding Company Common Stock or Outstanding Company Voting Securities that reduces the number of outstanding shares of Outstanding Company Common Stock or Outstanding Company Voting Securities and (ii) if, after such acquisition by the Company, such Person becomes the beneficial owner of any additional shares of Outstanding Company Common Stock or any additional Outstanding Company Voting Securities, such additional beneficial ownership shall constitute a Change in Control;

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

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

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

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

2.8 "Committee" shall mean the Committee, as specified in Article 3, appointed by the Board to administer the Plan, no members of which shall be eligible to receive an Award pursuant to the Plan.

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

2.10 "Consultant" means an individual retained by the Company or a Subsidiary to provide services to the Company or a Subsidiary on a contractual basis.

2.11 "Covered Employee" shall mean a Participant who is a "covered employee" within the meaning of Section 162(m)(3) of the Code.

2.12 "Director" means a member of the Board of Directors.

2.13 "Disability" shall mean:

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

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

2.14 "Employee" means any common-law employee of the Company or a Subsidiary.

2.15 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, as now in effect or as hereafter amended.

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

2.17 "Full Value Award" shall mean any Award under the Plan other than an Option or Stock Appreciation Right.

2.18 "Good Reason" shall mean without the Participant's express written consent, the occurrence of any of the following events after a Change in Control:

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

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

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

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

- 2.19 "Incentive Stock Option" or "ISO" shall mean an option to purchase shares of Common Stock granted under Article 6, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.
- 2.20 "Insider" shall mean an employee who is an officer (as defined in Rule 16a-1(f) of the Exchange Act) or director of the Company, or holder of more than ten percent (10%) of its outstanding shares of Common Stock.
- 2.21 "Nonemployee Director" shall have the meaning set forth in Rule 16b-3(b)(3), as promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act.
- 2.22 "Nonqualified Stock Option" or "NQSO" shall mean an option to purchase shares of Common Stock, granted under Article 6, which is not an Incentive Stock Option.
- 2.23 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.
- 2.24 "Other Stock-Based Award" shall mean an Award under Article 10 of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock.
- 2.25 "Participant" means a Consultant, Director or an Employee who holds an outstanding Award under the Plan.
- 2.26 "Performance-Based Award" shall mean an Award of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or Other Stock-Based Awards made subject to the achievement of performance goals specified by the Committee under the terms of Article 9.
- 2.27 "Performance Shares" shall mean an Award granted under Article 9 of this Plan evidencing the right to receive Common Stock or cash of an equivalent value at the end of a specified performance period.
- 2.28 "Permitted Transferee" shall mean (i) the spouse, children or grandchildren of a Participant (each an "Immediate Family Member"), (ii) a trust or trusts for the exclusive benefit of the Participant and/or one or more Immediate Family Members, or (iii) a partnership or limited liability company whose only partners or members are the Participant and/or one or more Immediate Family Members.
- 2.29 "Prior Plan" shall mean the Herman Miller, Inc. Long-Term Incentive Plan, as amended.
- 2.30 "Retirement" shall mean the termination of a Participant's employment with the Company or a Subsidiary after the Participant attains normal retirement age as established by the Committee at the time an Award is made.
- 2.31 "Restricted Stock" shall mean an Award granted to a Participant under Article 8 of this Plan.
- 2.32 "Restricted Stock Unit" shall mean a bookkeeping entry representing the equivalent of one (1) share of Common Stock awarded to a Participant under Article 8 of this Plan.
- 2.33 "Stock Appreciation Right" or "SAR" shall mean a right granted to a Participant under Article 7 of this Plan.
- 2.34 "Subsidiary" shall mean any corporation in which the Company owns directly, or indirectly through subsidiaries, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.
- 2.35 "Termination of Service" shall mean the termination of a Participant's employment with the Company or a Subsidiary, and with respect to a Participant that is not an Employee, the termination of that person's service as a Director or as a Consultant to the Company or a Subsidiary. A Participant employed by a Subsidiary shall also be deemed to incur a Termination of Service if the Subsidiary ceases to be a Subsidiary and the Participant does not immediately thereafter become an Employee of the Company or another Subsidiary.

### ARTICLE 3 ADMINISTRATION

3.1 Committee Composition. The Plan shall be administered by a Committee designated by the Board consisting of not less than three (3) directors who shall be appointed from time to time by the Board, each of whom shall qualify as (a) a Nonemployee Director, and (b) as an "outside director" within the meaning of Section 162(m)(4)(c)(i) of the Code. Without limiting the generality of the foregoing, the Committee may be the Compensation Committee of the Board or a subcommittee thereof if the Compensation Committee of the Board or such subcommittee satisfies the foregoing requirements.

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

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

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

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

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

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

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

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

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

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

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

3.5 No Repricing. Subject to any adjustments that may be made under Article 13 of the Plan, the Company may not, without obtaining shareholder approval; (a) amend the terms of outstanding Options or SARs to reduce the exercise price of such outstanding Options



or SARs; (b) cancel outstanding Options or SARs in exchange for Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs; or (c) cancel outstanding Options or SARs with an exercise price above the current stock price in exchange for cash or other securities.

## ARTICLE 4 COMMON STOCK SUBJECT TO THE PLAN

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

### 4.2 Share Usage.

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

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

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

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

4.3 Award Limits. Notwithstanding any provision in the Plan to the contrary, and to the extent an Award is intended to comply with the requirements of Section 162(m) of the Code,

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

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

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

## ARTICLE 5 ELIGIBILITY

The persons who shall be eligible to receive Awards under the Plan shall be such key employees of the Company or a Subsidiary as the Committee shall select from time to time. In making such selections, the Committee shall consider the nature of the services rendered by such employees, their present and potential contribution to the Company's success and the success of the particular subsidiary or division of the Company by which they are employed, and such other factors as the Committee in its discretion shall deem relevant. Participants may hold more than one Award, but only on the terms and subject to the restrictions set forth in the Plan and their respective Award Agreements.

## ARTICLE 6 STOCK OPTIONS

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

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

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

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

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

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

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

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

(e) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under subsection (d) above, Options may be exercised in whole or in part at any time during the term of the Option, by giving notice of exercise specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price in such form as the Committee may accept. If and to the extent determined by the Committee in its sole discretion at or after grant, payment in full or in part may also be made in the form of Common Stock owned by the Participant (and for which the Participant has good title free and clear of any liens and encumbrances) or Restricted Stock, or by reduction in the number of shares issuable upon such exercise based, in each case, on the Fair Market Value of the Common Stock on the last trading date preceding payment as determined by the Committee (without regard to any forfeiture restrictions applicable to Restricted Stock). No shares of stock shall be issued until payment has been made. A Participant shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the person exercising such option has given written notice of exercise, has paid for such shares

as provided herein, and, if requested, has given the representation described in Section 15.1 of the Plan. Notwithstanding anything to the contrary in this Section 6.4(e), but subject to the other terms and conditions of the Plan, the Committee may, but shall not be required to, provide that an Option (other than an Incentive Stock Option) shall be deemed exercised automatically prior to the expiration or termination of the Option without any notice to or from the Participant. Upon any such automatic exercise, the exercise price and applicable withholding taxes shall, unless the Committee provides otherwise, be paid in the form of a reduction in the number of shares issuable upon such exercise.

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

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

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

## **ARTICLE 7 STOCK APPRECIATION RIGHTS**

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

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

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

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

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

(d) Exercisability and Settlement. The Committee shall determine, on the Award Date, the time or times at which and the circumstances under which a SAR may be exercised, in whole or in part (including based on the achievement of performance

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

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

## ARTICLE 8 RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1 Awards of Restricted Stock and Restricted Stock Units. Shares of Restricted Stock and Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the time or times at which, grants of Restricted Stock or Restricted Stock Units will be made, the number of shares to be awarded, the price (if any) to be paid by the Participant, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof (a "Restriction Period"), and all other terms and conditions of the Awards. The Committee may condition the grant of Restricted Stock or Restricted Stock Units upon the achievement of specific business objectives, measurements of individual or business unit or Company performances, or such other factors as the Committee may determine. The provisions of Restricted Stock or Restricted Stock Unit Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years. Notwithstanding the foregoing, and except for Awards of Restricted Stock or Restricted Stock Units granted to non-Employee Directors or Consultants or as provided in Article 11 and Article 14: (a) Restricted Stock and Restricted Stock Units that vest solely by the passage of time shall not vest in full in less than three (3) years from the Award Date (but may vest pro-rata during such period), and (b) Restricted Stock and Restricted Stock Units that vest upon the achievement of performance goals shall not vest, in full, in less than one (1) year from the Award Date.

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

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

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

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

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

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

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

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

## **ARTICLE 9 PERFORMANCE-BASED AWARDS**

9.1 Performance-Based Awards. The Committee, at any time, and from time to time, may grant Performance-Based Awards to a Participant in such amounts and upon such terms as the Committee shall determine. Each grant of a Performance-Based Award shall have an initial value or target number of shares of Common Stock that is established by the Committee at the time of grant. The Committee shall establish (a) performance goals in its discretion which, depending on the extent to which they are achieved, shall determine the value and/or number of shares subject to a Performance-Based Award that will be paid out to the Participant, and (b) the Performance Period, which shall mean the period of time during which the performance goals must be achieved in order to determine the degree of payout after vesting with respect to any such Performance-Based Award. Except as provided in Article 11 and Article 13, the Performance Period may not be less than one (1) year from the applicable Award Date.

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

9.3 Performance-Based Awards Granted to Designated Covered Employees. If and to the extent that the Committee determines that a Performance-Based Award to be granted to a Participant should constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Code, the grant, exercise and/or settlement of such Award shall be contingent upon the achievement of pre-established performance goals and other terms set forth in this Section 9.3.

(a) Performance Goals Generally. The performance goals for Performance-Based Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each such criteria, as specified by the Committee, consistent with this Section 9.3. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code. The Committee may determine that such Awards shall be granted, exercised and/or settled upon the achievement of any single performance goal or that two (2) or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Awards. Performance goals may differ for Awards granted among Participants.

(b) Performance Measures. The performance goals for Performance-Based Awards to a Covered Employee which are intended to qualify as qualified performance-based compensation, shall be limited to the following "Performance Measures," with or without adjustment:

- (1) adjusted earnings;
- (2) return on equity (which includes adjusted return on equity);
- (3) earnings per share growth (which includes adjusted earnings per share growth);
- (4) basic earnings per common share;
- (5) diluted earnings per common share;
- (6) adjusted earnings per common share;

- (7) net income;
- (8) adjusted earnings before interest and taxes;
- (9) earnings before interest, taxes, depreciation and amortization;
- (10) operating cash flow;
- (11) EVA® performance under the Company's EVA® Management System Technical Manual;
- (12) operations and maintenance expense;
- (13) total shareholder return;
- (14) operating income;
- (15) strategic business objectives, consisting of one or more objectives based upon meeting specified cost targets, business expansion goals, new growth opportunities, market penetrations, and goals relating to the acquisitions or divestitures, or goals relating to capital-raising and capital management.
- (16) common share price; and
- (17) any combination of the foregoing.

The Committee also shall have the authority to provide for accelerated vesting of any Performance-Based Award based on the achievement of the Performance Measures specified in this Article 9.

(c) Evaluation of Performance. The Committee may provide in any Performance-Based Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period: (a) a Change in Control; (b) a declaration and distribution of stock dividends or stock splits; (c) mergers, consolidations or reorganizations; (d) acquisitions or dispositions of material business units; (e) extraordinary, non-core, non-operating or non-recurring items; (f) infrequently occurring or extraordinary gains or losses; and (g) any restructuring. To the extent such inclusions or exclusions affect Awards to Covered Employees that are intended to qualify as performance-based compensation, such inclusions or exclusions shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

(d) Adjustment of Performance-Based Compensation. The Committee shall have the sole discretion to adjust Awards that are intended to qualify as Performance-Based Compensation, either on a formula or discretionary basis, or on any combination thereof, as the Committee determines consistent with the requirements of Section 162(m) of the Code for deductibility. In the event that applicable laws or regulations change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval, provided that the exercise of such discretion shall not be inconsistent with the requirements of Section 162(m) of the Code.

(e) Status of Awards Under Section 162(m). It is the intent of the Company that Awards under Section 9.3 granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder shall, if so designated by the Committee, constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. Accordingly, the terms of Section 9.3, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Section 162(m) of the Code. If any provision of the Plan or any Award Agreement does not comply or is inconsistent with the requirements of Section 162(m) of the Code, such provision shall be construed or deemed amended to the extent necessary to conform to such requirement.

## ARTICLE 10 OTHER STOCK-BASED AWARDS

10.1 Other Awards. Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, Common Stock ("Other Stock-Based Awards"), may be granted either alone or in addition to other Awards under this Plan. Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period. The provisions of Other Stock-Based Awards need not be the same with respect to each Participant and such Awards to individual Participants need not be the same in subsequent years.

10.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article 9 shall be set forth in an Award Agreement and shall be subject to the following terms and conditions:

(a) Nontransferability. Subject to the provisions of this Plan and the Award Agreement, shares of Common Stock subject to Awards made under this Article 10 may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of this Plan and the Award Agreement, the recipient of an Award under this Article 10 shall be entitled to receive on a deferred stock basis, dividends or other distributions with respect to the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article 10 and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) Waiver of Limitation. In the event of the Participant's Disability or death, the Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article 10.

(e) Price. Common Stock issued or sold under this Article 10 may be issued or sold for no cash consideration or such consideration as the Committee shall determine and specify in the Award Agreement.

## ARTICLE 11 TREATMENT OF AWARDS UPON AND SUBSEQUENT TO TERMINATION OF SERVICE

11.1 Termination of Service for Reasons other than Retirement, Disability or Death. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service for any reason other than Retirement or on account of Disability or death, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of such Termination of Service shall not have been fully exercised, be exercisable, in whole or in part, at any time and within a period of three (3) months following Termination of Service, subject to prior expiration of the term of such Option and/or SAR.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited.

(c) Performance-Based Awards. Any Performance-Based Awards held by the Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited.

11.2 Termination of Service for Disability. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service by reason of Disability, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of such Termination of Service and shall not have been fully exercised, be exercisable in whole or in part, for a period of five (5) years following such Termination of Service, subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. If the Participant dies after Disability, the Participant's Options and/or SAR's shall be exercisable in accordance with Section 11.4 below.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by a Participant as of the date of his or her Disability shall become immediately vested as of such date.

(c) Performance Shares. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months of employment service subsequent to the Award Date, and the denominator of which shall be the number of full calendar months during the Performance Period. The Participant's actual number of shares subject to the Award shall vest, in full, at the end of the Performance Period.

11.3 Termination of Service for Retirement. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service by reason of Retirement, Awards under this Plan shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant for a period of less than twelve (12) consecutive months after the Award Date shall be deemed vested by multiplying the number of shares subject to the Award by a fraction, the numerator of which is the number of full calendar months of employment or service subsequent to the date of the Award, and the

denominator of which is twelve (12). Conditioned upon Participant's compliance with the non-compete covenant set forth in the Award Agreement, each Option and SAR held by the Participant for a period of twelve (12) consecutive months or greater after the Award Date shall continue to vest in accordance with the stated vesting period, provided that such period not exceed five (5) years from the Participant's Termination of Service. Conditioned upon Participant's compliance with the non-compete covenant set forth in the Award Agreement, the Participant shall have the right to exercise such Option and/or SAR, to the extent vested, following the expiration of the non-compete covenant and prior to the fifth (5th) anniversary of the Participant's Termination of Service, subject, however, to prior expiration according to its terms and other limitations imposed by the Plan. If the Participant dies after such Retirement, the Participant's Options and/or SAR's shall be exercisable in accordance with Section 11.4 below.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant for a period of less than twelve (12) consecutive months after the Award Date shall be deemed vested by multiplying the number of shares subject to the Award by a fraction, the numerator of which is the number of full calendar months of employment or service subsequent to the date of the Award, and the denominator of which is twelve (12). Any shares of Restricted Stock or Restricted Stock Units held by the Participant for a period of twelve (12) consecutive months or greater after the Award Date shall be deemed vested in full. Conditioned upon Participant's compliance with the non-compete covenant set forth in the Award Agreement, the shares subject to the Restricted Stock or Restricted Stock Units shall be distributable to the Participant following the expiration of the non-compete covenant.

(c) Performance-Based Awards. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months of employment or service subsequent to the Award Date and the denominator of which is twelve (12). Condition upon Participant's compliance with the non-compete covenant set forth in the Award Agreement, the Participant's actual number of shares subject to the Award shall vest, in full, at the end of the later of the Performance Period or the expiration of the non-compete covenant.

11.4 Termination of Service for Death. Except as otherwise provided by the Committee and as set forth in the Award Agreement, upon Termination of Service due to death, Awards under this Plan, shall be treated as follows:

(a) Options and SAR's. Each Option and SAR held by the Participant shall, to the extent rights to purchase shares under such Option and/or SAR have vested at the date of death and shall not have been fully exercised, be exercisable, in whole or in part, by the personal representative or the estate of the Participant, or Permitted Transferee or by any person or persons who shall have acquired the Option directly from the Participant or Permitted Transferee by bequest or inheritance, only under the following circumstances and during the following periods: (i) if the Participant dies while employed by the Company, at any time within five (5) years after the date of death, or (ii) if the Participant dies during the extended exercise period following Termination of Service specified in Sections 11.2 and 11.3, at any time within the longer of such extended period or one (1) year after death, subject, however, in any case, to the prior expiration of the term of the Option and/or SAR and any other limitation on the exercise of such Option and/or SAR in effect at the date of exercise.

(b) Restricted Stock and Restricted Stock Units. Any shares of Restricted Stock or Restricted Stock Units held by the Participant at the date of death while employed by or in the service of the Company shall become immediately vested as of the date of death.

(c) Performance-Based Awards. The number of shares subject to a Participant's Performance-Based Award shall be determined by multiplying the number of shares subject to that Award by a fraction, the numerator of which shall be the number of full calendar months of employment or service subsequent to the date of death, and the denominator of which shall be the number of full calendar months during the Performance Period. The Participant's actual number of shares subject to the Award shall vest, in full, at the end of the Performance Period.

## ARTICLE 12 TERMINATION OR AMENDMENT OF THE PLAN

The Board may at any time amend, discontinue or terminate this Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any applicable regulatory requirement); provided, however, that, unless otherwise required by law, the rights of a Participant with respect to Awards granted prior to such amendment, discontinuance or termination, may not be impaired without the consent of such Participant and, provided further, without the approval of the Company's shareholders, no amendment may be made which would (i) increase the aggregate number of shares of Common Stock that may be issued under this Plan (except by operation of Article 14); (ii) change the definition of employees eligible to receive Awards under this Plan; or (iii) otherwise materially increase the benefits to Participants under the Plan. The Committee may amend the terms of any Award previously granted, prospectively or retroactively, but, subject



to Article 14, no such amendment or other action by the Committee shall impair the rights of any Participant without the Participant's consent. Awards may not be granted under the Plan after the Termination Date, but Awards granted prior to such date shall remain in effect or become exercisable pursuant to their respective terms and the terms of this Plan.

### **ARTICLE 13 UNFUNDED PLAN**

This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

### **ARTICLE 14 ADJUSTMENT PROVISIONS**

14.1 Antidilution. If the number of outstanding shares of Common Stock is increased or decreased or the shares of Common Stock are changed into or exchanged for a different number of shares or kind of capital stock or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse stock split, spin-off, combination of stock, exchange of stock, stock dividend or other distribution payable in capital stock, or other increase or decrease in shares of Common Stock effected without receipt of consideration by the Company, the number and kinds of shares of stock for which grants of Awards may be made under the Plan, including the share limits set forth in Article 4, shall be adjusted proportionately and accordingly by the Committee so that the proportionate interest of the Participant in such Award immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Price payable with respect to shares that are subject to the unexercised portion of such outstanding Options or SARs, as applicable, but shall include a corresponding proportionate adjustment in the per share Option Price or SAR Price, as the case may be. Notwithstanding the foregoing, in the event of any distribution to the Company's shareholders of securities of any other entity or other asset (including an extraordinary dividend, but excluding a non-extraordinary dividend, declared and paid by the Company) without receipt of consideration by the Company, the Board or the Committee shall, in such manner as the Board or the Committee deems appropriate, adjust (a) the number and kind of shares of stock subject to outstanding Awards and/or (b) the aggregate and per share Option Price of outstanding Options and the aggregate and per share SAR Price of outstanding Stock Appreciation Rights as required to reflect such distribution.

14.2 Reorganization in Which the Company is the Surviving Entity Which Does Not Constitute a Change in Control. If the Company is the surviving entity in any reorganization, merger or consolidation of the Company with one or more entities which does not constitute a Change in Control, any Option, SAR, Restricted Stock or Restricted Stock Unit granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to such Option, SAR, Restricted Stock or Restricted Stock Unit would have been entitled immediately following such transaction, with a corresponding, proportionate adjustment of the per share Option Price or SAR Price so that the aggregate Option Price or SAR Price thereafter shall be the same as the aggregate Option Price or SAR Price of the shares of Common Stock remaining subject to the Option or SAR as in effect immediately prior to such transaction. Subject to the contrary language in an Award Agreement, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Participant as a result of such transaction. In the event of any transaction referred to in this Section 14.2, Performance-Based Awards shall be adjusted (including any adjustment to the performance goals or Performance Measures applicable to such Awards deemed appropriate by the Committee) so as to apply to the securities that a holder of the number of shares of Common Stock subject to the Performance-Based Awards would have been entitled to receive immediately following such transaction.

In connection with a transaction under this Section 14.2 or transaction involving the acquisition by the Company of the equity interests of another enterprise, the Committee shall have the right to cause the Company to assume awards previously granted under a compensatory plan by another business entity that is a party to such transaction and to substitute Awards under the Plan for such awards. The number of shares of Common Stock available for issuance under the Plan pursuant to Section 4.1 shall be increased by the number of shares of Common Stock subject to any such assumed awards and substitute awards. Shares available for issuance under a shareholder-approved plan of a business entity that is a party to such transaction (as appropriately adjusted, if necessary, to reflect such transaction) may be used for Awards under the Plan and shall not reduce the number of Plan Shares otherwise available for issuance under the Plan, subject to applicable rules of NASDAQ or of any stock exchange on which the Common Stock is listed.

14.3 Change in Control in Which Awards Are Not Assumed. Except as otherwise provided in the applicable Award Agreement, upon the occurrence of a Change in Control in which outstanding Awards are not being assumed or continued, the following provisions shall apply to such Awards:

- (a) for Awards, other than Performance-Based Awards,

(i) all outstanding Restricted Stock and Restricted Stock Units shall be deemed to have vested and the shares of Common Stock subject thereto shall be delivered immediately prior to the occurrence of such Change in Control, and fifteen (15) days prior to the scheduled consummation of such Change in Control, all outstanding Options and SARs shall become immediately exercisable and shall remain exercisable for a period of fifteen (15) days; or

(ii) the Committee may elect, in its sole discretion, to cancel any outstanding awards of Options, SARs, Restricted Stock and Restricted Stock Units and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Committee acting in good faith), in the case of Restricted Stock and Restricted Stock Units (for shares of Common Stock subject thereto) equal to the formula or fixed price per share paid or payable to holders of shares of Common Stock pursuant to such Change in Control and, in the case of Options or SARs, equal to the product of the number of shares of Common Stock subject to such Options or SARs (the "Award Stock") multiplied by the amount, if any, by which (x) the formula or fixed price per share paid or payable to holders of shares of Common Stock pursuant to such transaction exceeds (y) the Option Price or SAR Price applicable to such Award Stock.

(b) For Performance-Based Awards, if less than half of the Performance Period has lapsed, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares assuming target performance has been achieved (or into Unrestricted Stock if no further restrictions apply). If at least half the Performance Period has lapsed, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares based on actual performance to date (or into Unrestricted Stock if no further restrictions apply). If actual performance is not determinable, such Performance-Based Awards shall be converted into Restricted Stock or Performance Shares assuming target performance has been achieved, based on the discretion of the Committee (or into Unrestricted Stock if no further restrictions apply).

(c) Other Equity-Based Awards shall be governed by the terms of the applicable Award Agreement.

With respect to the Company's establishment of an exercise window, (a) any exercise of an Option or SAR during the fifteen (15)-day period referred above shall be conditioned upon the consummation of the applicable Change in Control and shall be effective only immediately before the consummation thereof, and (B) upon consummation of any Change in Control, the Plan and all outstanding but unexercised Options and SARs shall terminate. The Committee shall send notice of an event that shall result in such termination to all Participants or Permitted Transferees who hold Options and SARs not later than the time at which the Company gives notice thereof to its shareholders.

14.4 Change in Control in which Awards are Assumed or the Company is the Surviving Entity. If a Change in Control occurs and the Company is the surviving entity and any adjustments necessary to preserve the intrinsic value of the Participant's outstanding Awards have been made, or the Company's successor at the time of the Change in Control irrevocably assumes the Company's obligations under this Plan or replaces the Participants' outstanding Awards having substantially the same intrinsic value and having terms and conditions no less favorable to the Participant than those applicable to the Participants' Awards immediately prior to the Change in Control, then such Awards or their replacement awards shall become immediately exercisable, in full, only if within two years after the Change in Control the Participant's employment:

(a) is terminated without Cause;

(b) terminates with "Good Reason"; or

(c) terminates under circumstances that entitle the Participant to accelerated exercisability under any individual employment agreement between the Participant and the Company, a Subsidiary, or any successor thereof.

14.5 Adjustments by Committee. Any adjustments pursuant to this Article 13 will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments. Only cash payments will be made in lieu of fractional shares.

## ARTICLE 15 GENERAL PROVISIONS

15.1 Legend. The Committee may require each person purchasing shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.2 No Right to Employment. Neither this Plan nor the grant of any Award hereunder shall give any Participant or other employee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall there be a limitation in any way on the right of the Company or any Subsidiary by which an employee is employed to terminate his or her employment at any time.

15.3 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any Federal, state or local taxes required by law to be withheld. Unless otherwise prohibited by the Committee, each Participant may satisfy any such withholding tax obligation by any of the following means or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold from the shares otherwise issuable to the Participant a number of shares having a Fair Market Value as of the "Tax Date" up to the amount of the withholding tax obligation; or (c) delivering to the Company unencumbered shares owned by the Participant having a Fair Market Value, as of the Tax Date, up to the amount of the withholding tax obligation. The "Tax Date" shall be the date that the amount of tax to be withheld is determined.

15.4 No Assignment of Benefits. No Option, Award or other benefit payable under this Plan shall, except as otherwise specifically transfer, provided by law, be subject in any manner to anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, attach, sell, transfer, assign, pledge, encumber or charge, any such benefits shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person.


15.5 Governing Law. This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws and in the courts of the state of Michigan.

15.6 Application of Funds. The proceeds received by the Company from the sale of shares of Common Stock pursuant to Awards granted under this Plan will be used for general corporate purposes.

15.7 Rights as a Shareholder. Except as otherwise provided in an Award Agreement, a Participant shall have no rights as a shareholder of the Company until he or she becomes the holder of record of Common Stock.

15.8 Section 409A of the Code. The Company intends to administer this Plan in order to comply with Section 409A of the Code, or an exemption to Section 409A of the Code, with regard to Awards that constitute nonqualified deferred compensation within the meaning of Section 409A of the Code. To the extent that the Company determines that a Participant would be subject to the additional twenty percent (20%) tax imposed on certain nonqualified deferred compensation plans pursuant to Section 409A of the Code as a result of any provision of any Award granted under the Plan, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Committee.

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All other trademarks are the property of their respective owners

Annual Report

2017

Herman Miller, Inc., and Subsidiaries

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

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

For Fiscal Year Ended June 3, 2017

Commission File No. 001-15141

Herman Miller, Inc.  
(Exact name of registrant as specified in its charter)

Michigan  
(State or other jurisdiction of incorporation  
or organization)

38-0837640  
(I.R.S. Employer Identification No.)

855 East Main Avenue  
PO Box 302  
Zeeland, Michigan  
(Address of principal  
executive offices)

49464-0302  
(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.20 Par Value  
(Title of Class)

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 December 3, 2016, was \$1,932,194,648 (based on \$32.65 per share which was the closing sale price as reported by NASDAQ).

The number of shares outstanding of the registrant's common stock, as of July 27, 2017: Common stock, \$.20 par value - 59,848,326 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on October 9, 2017, are incorporated into Part III of this report.

**Herman Miller, Inc. Form 10-K**  
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## **PART I**

### **Item 1 Business**

#### **General Development of Business**

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

Herman Miller, Inc. was incorporated in Michigan in 1905. One of the company's major plants and its corporate offices are located at 855 East Main Avenue, PO Box 302, Zeeland, Michigan, 49464-0302, and its telephone number is (616) 654-3000. Unless otherwise noted or indicated by the context, the term "company" includes Herman Miller, Inc., its predecessors, and majority-owned subsidiaries. Further information relating to principles of consolidation is provided in Note 1 to the Consolidated Financial Statements included in Item 8 of this report.

#### **Financial Information about Segments**

Information relating to segments is provided in Note 13 to the Consolidated Financial Statements included in Item 8 of this report.

#### **Narrative Description of Business**

The company's principal business consists of the research, design, manufacture, selling and distribution of office furniture systems, seating products, other freestanding furniture elements, textiles, home furnishings and related services. Most of these systems and products are designed to be used together.

The company's ingenuity and design excellence create award-winning products and services, which have made us a leader in 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 modular systems (including Canvas Office Landscape®, Locale®, Public Office Landscape®, Layout Studio®, Action Office®, Ethospace®, Arras® and Resolve®). The company also offers a broad array of seating (including Embody®, Aeron®, Mirra2™, Setu®, Sayl®, Verus®, Celle®, Equa®, Taper™ and Ergon® office chairs), 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 and the textiles of Maharam Fabric Corporation (Maharam). The Live OS<sup>SM</sup> system of cloud-connected furnishings, applications and dashboards provides a data analytics solution 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™, Nelson™ basic cabinet series, Nelson™ end table, Nelson™ lanterns, Nelson™ marshmallow sofa, Nelson™ miniature chests, Nelson™ platform bench, Nelson™ swag leg group, Nelson™ tray table, Bubble Lamps®, Airia™, Ardea®, Bumper™, Burdick Group™, Everywhere™ tables, Claw™, Caper®, Distil™, Envelope™, Formwork®, Full Round™, H Frame™, I Beam™, Landmark™, Logic Mini™, Logic Power Access Solutions™, Renew™, Rolled Arm™, Scissor™, Sled™, Soft Pad™, Swoop™, Tone™, Twist™, Ward Bennett™ and Wireframe™.

The company's products are marketed worldwide by its own sales staff, independent dealers and retailers, its owned dealer network, via its e-commerce website and through its owned Design Within Reach ("DWR") retail studios. Salespeople work with dealers, the architecture and design community, and directly with end-users. Independent dealerships concentrate on the sale of Herman Miller products and some complementary product lines of other manufacturers. It is estimated that approximately 63 percent of the company's sales in the fiscal year ended June 3, 2017, were made to or through independent dealers. The remaining sales were made directly to end-users, including federal, state and local governments and several business organizations by the company's own sales staff, its owned dealer network, its DWR retail studios or independent dealers and retailers.

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

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



### *Raw Materials*

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

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

The company has active utility and design patents in the United States. Many of the inventions covered by these patents also have been patented in a number of foreign countries. Various trademarks, including the name and stylized "Herman Miller" and the "Herman Miller Circled Symbolic M" trademark are registered in the United States and many foreign countries. The company does not believe that any material part of its business depends on the continued availability of any one or all of its patents or trademarks, or that its business would be materially adversely affected by the loss of any such marks, except for the following trademarks: Herman Miller®, Herman Miller Circled Symbolic M®, Maharam®, Geiger®, Design Within Reach®, DWR®, Nemschoff®, Action Office®, Living Office®, Ethospace®, Aeron®, Mirra®, Embody®, Setu®, Sayl®, Eames®, PostureFit®, Meridian®, and Canvas Office Landscape®. It is estimated that the average remaining life of the company's patents and trademarks is approximately 6 years.

### *Working Capital Practices*

Information concerning the company's inventory levels relative to its sales volume can be found under the *Executive Overview* section in Item 7 of this report "Management's Discussion and Analysis of Financial Condition and Results of Operations". Beyond this discussion, the company does not believe that it or the industry in general has any special practices or special conditions affecting working capital items that are significant for understanding the company's business.

### *Customer Base*

The company estimates that no single dealer accounted for more than 5 percent of the company's net sales in the fiscal year ended June 3, 2017. The company estimates that the largest single end-user customer accounted for \$102 million, \$88 million and \$97 million of the company's net sales in fiscal 2017, 2016, and 2015, respectively. This represents approximately 5 percent, 4 percent and 5 percent of the company's net sales in fiscal 2017, 2016 and 2015, respectively. The company's 10 largest customers in the aggregate accounted for approximately 18 percent, 18 percent, and 20 percent of net sales in fiscal 2017, 2016, and 2015, respectively.

### *Backlog of Unfilled Orders*

As of June 3, 2017, the company's backlog of unfilled orders was \$322.6 million. At May 28, 2016, the company's backlog totaled \$323.5 million. The backlog as of the end of fiscal 2017 was lower as compared to the ending backlog as of the end of fiscal 2016 due in part to the sale of an owned dealer in Philadelphia, which resulted in a decrease in backlog of \$11.6 million. It is expected that substantially all the orders forming the backlog at June 3, 2017, will be filled during the next fiscal year. Many orders received by the company are reflected in the backlog for only a short period while other orders specify delayed shipments and are carried in the backlog for up to one year. Accordingly, the amount of the backlog at any particular time does not necessarily indicate the level of net sales for a particular succeeding period.

### *Government Contracts*

Other than standard provisions contained in contracts with the United States Government, the company does not believe that any significant portion of its business is subject to material renegotiation of profits or termination of contracts or subcontracts at the election of various government entities. The company sells to the U.S. Government both through a General Services Administration ("GSA") Multiple Award Schedule Contract and through competitive bids. The GSA Multiple Award Schedule Contract pricing is principally based upon the company's commercial price list in effect when the contract is initiated, rather than being determined on a cost-plus-basis. The company is required to receive GSA approval to apply list price increases during the term of the Multiple Award Schedule Contract period.

### *Competition*

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

The company also competes in the home furnishings industry, primarily against regional and national independent home furnishings retailers who market high-craft furniture to the interior design community. Similar to our office furniture product offerings, the company competes primarily on design, product and service quality, speed of delivery and product pricing in this consumer market.

### *Research, Design and Development*

The company believes it draws great competitive strength from its research, design and development programs. Accordingly, the company believes that its research and design activities are of significant importance. Through research, the company seeks to understand, define and clarify customer needs and problems they are trying to solve. The company designs innovative products and services that address customer needs and solve their problems. The company uses both internal and independent research resources and independent design resources. Exclusive of royalty payments, the company spent approximately \$58.6 million, \$62.4 million and \$56.7 million on research and development activities in fiscal 2017, 2016 and 2015, respectively. Generally, royalties are paid to designers of the company's products as the products are sold and are included in the Design and Research line item within the Consolidated Statements of Comprehensive Income.

### *Environmental Matters*

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

### *Human Resources*

The company considers its employees to be another of its major competitive strengths. The company stresses individual employee participation and incentives, believing that this emphasis has helped attract and retain a competent and motivated workforce. The company's human resources group provides employee recruitment, education and development, as well as compensation planning and counseling. Additionally, there have been no work stoppages or labor disputes in the company's history. As of June 3, 2017, approximately 15 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff, Herman Miller Ningbo and Herman Miller Dongguan subsidiaries.

As of June 3, 2017, the company had 7,478 employees, representing a 2 percent decrease as compared with May 28, 2016. In addition to its employee workforce, the company uses temporary labor to meet uneven demand in its manufacturing operations.

### **Information about International Operations**

The company's sales in international markets are made primarily to office/institutional customers. Foreign sales consist mostly of office furniture products such as Aeron®, Mirra®, Sayl®, Setu®, Layout Studio®, other seating and storage products (including POSH products) and ergonomic accessories Colebrook, Bosson and Saunders. The company conducts business in the following major international markets: Canada, Europe, the Middle East, Africa, Latin America, and the Asia/Pacific region.

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

Additional information with respect to operations by geographic area appears in Note 13 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](http://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](http://www.sec.gov).

## Item 1A Risk Factors

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

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

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

To that end, we intend to grow in certain targeted ways. First, we will scale the Consumer business by continuing to transform 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 our contract, catalog and digital channels. Second, we will elevate our research-based Living Office framework to the next level by accelerating its evolution, through adding new products and technology solutions, as well as performing research that quantifies the positive impact to organizations from applying these concepts. Third, we intend to leverage the dealer eco-system through a focused selling effort with enhanced digital platforms that will make it easier for our contract customers and dealer partners to find, specify and order products from any brand within the company. Fourth, we will implement cost savings initiatives aimed at achieving between \$25 million and \$35 million in gross annual cost reductions by fiscal 2020. Finally, we will continue to deliver innovation. With the alignment of creative direction and new product commercialization under common leadership, we will further reduce our time to market and ensure design and development at Herman Miller responds to our customers most critical needs through a robust pipeline of new products and solutions.

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.

There is no assurance that our current product and service offering will allow us to meet these goals. Accordingly, we believe we will be required to continually invest in the research, design, and development of new products and services. 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 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.

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

Customer demand within the contract office furniture industry is affected by various macro-economic factors; general corporate profitability, white-collar 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. We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. The U.S., the European Union and a number of other countries are actively pursuing changes to fiscal and tax policies. Such tax reforms, if enacted, could have a material effect on our business, operating results or financial position. 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), the debt crisis in certain countries in the European Union, and the economic slow down in oil producing regions such as the Middle East could negatively affect the company's ability to conduct business in those geographies. The current political and economic uncertainty in the United Kingdom surrounding European Union membership and ongoing debt pressures in certain European countries could cause 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. Financial difficulties experienced by the company's suppliers and customers, including distributors, could result in product delays and inventory issues; risks to accounts receivable could result in delays in collection and greater bad debt expense.

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

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

The retail furnishings market is highly competitive. We compete with national and regional furniture retailers and department stores. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. We compete with these and other retailers for customers, suitable retail locations, vendors, qualified employees, and management personnel. Some of our competitors have significantly greater financial, marketing and other resources than we possess. This may result in our competitors being quicker at the following: adapting to changes, devoting greater resources to the marketing and sale of their products, generating greater national brand recognition, or adopting more aggressive pricing and promotional policies. In addition, increased catalog mailings by our competitors may adversely affect response rates to our own catalog mailings. 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 and India. Additionally, our products are sold internationally through wholly-owned subsidiaries or branches in various countries including Canada, Mexico, Brazil, France, Germany, Italy, Netherlands, Japan, Australia, Singapore, China, Hong Kong and India. In certain other regions of the world, our products are offered primarily through independent dealerships.

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
- Legal and regulatory requirements
- Labor and employment practices
- Cultural practices and norms
- Natural disasters
- Security and health concerns
- Protection of intellectual property
- Changes in foreign currency exchange rates

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

***We are Subject to Risks and Costs Associated with Protecting the Integrity and Security of Our Systems and Confidential Information.***

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

Any person who circumvents our security measures could destroy or steal valuable information or disrupt our operations. Any security breach could cause consumers to lose confidence in the security of our information systems, including our e-commerce websites or stores and choose not to purchase from us. Any security breach could also expose us to risks of data loss, litigation, regulatory investigations, and other significant

liabilities. Such a breach could also seriously disrupt, slow or hinder our operations and harm our reputation and customer relationships, any of which could harm our business.

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

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

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

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

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

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

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

The costs of certain manufacturing materials used in our operations are sensitive to shifts in commodity market prices. 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 throughout fiscal 2017 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 affected by disruptions in our dealer network caused by the termination of commercial working relationships, ownership transitions, or dealer financial difficulties.

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

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

The operations of our Consumer 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 55 percent of the sales within our Consumer segment are transacted within our DWR retail studios. Additionally, we believe our retail studios have a direct influence on the volume of business transacted through other channels, including our consumer e-commerce and direct-mail catalog platforms, as many customers utilize these physical spaces to view and experience products prior to placing an order online or through the catalog call center. Our ability to open additional studios or close existing studios successfully will depend upon a number of factors beyond our control, including:

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

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

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

***Costs related to product defects could adversely affect our profitability.***

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

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

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

***Government and other regulations could adversely affect our business.***

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

## **Item 1B Unresolved Staff Comments**

None

## Item 2 Properties

The company owns or leases facilities located throughout the United States and several foreign countries. The location, square footage and use of the most significant facilities at June 3, 2017 were as follows:

<b><u>Owned Locations</u></b>	<b><u>Square Footage</u></b>	<b><u>Use</u></b>
Zeeland, Michigan	750,800	Manufacturing, Warehouse, Office
Spring Lake, Michigan	582,700	Manufacturing, Warehouse, Office
Holland, Michigan	357,400	Warehouse
Holland, Michigan	293,100	Manufacturing, Office
Holland, Michigan	238,200	Office, Design
Dongguan, China	431,600	Manufacturing, Office
Sheboygan, Wisconsin	207,700	Manufacturing, Warehouse, Office
Melksham, United Kingdom	170,000	Manufacturing, Warehouse, Office
Hildebran, North Carolina	93,000	Manufacturing, Office

<b><u>Leased Locations</u></b>	<b><u>Square Footage</u></b>	<b><u>Use</u></b>
Hebron, Kentucky	316,800	Warehouse
Atlanta, Georgia	180,200	Manufacturing, Warehouse, Office
Bangalore, India	104,800	Manufacturing, Warehouse
Ningbo, China	185,100	Manufacturing, Warehouse, Office
Yaphank, New York	92,000	Warehouse, Office
New York City, New York	59,000	Office, Retail
Hong Kong, China	54,400	Warehouse
Brooklyn, New York	39,400	Warehouse, Retail
Stamford, Connecticut	35,300	Office, Retail

As of June 3, 2017, the company leased 31 DWR retail studios, including the Herman Miller Flagship store in New York that totaled approximately 320,000 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.

### Additional Item: Executive Officers of the Registrant

Certain information relating to Executive Officers of the company as of June 3, 2017 is as follows:

Name	Age	Year Elected an Executive Officer	Position with the Company
Brian C. Walker	55	1996	President and Chief Executive Officer
Andrew J. Lock	63	2003	President, Herman Miller International
Gregory J. Bylsma	52	2009	President, North America Contract
Steven C. Gane	62	2009	President, Specialty Brands
Jeffrey M. Stutz	46	2009	Executive Vice President, Chief Financial Officer
B. Ben Watson	52	2010	Chief Creative Officer
Michael F. Ramirez	52	2011	Executive Vice President, People, Places & Administration
H. Timothy Lopez	46	2014	Senior Vice President of Legal Services, General Counsel and Secretary
John McPhee	54	2015	President, Herman Miller Consumer
John Edelman	50	2015	Chief Executive Officer, Herman Miller Consumer
Kevin Veltman	42	2015	Vice President, Investor Relations & Treasurer
Jeremy Hocking	56	2017	Executive Vice President, Strategy and Business Development

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

Mr. Edelman joined Herman Miller, Inc. in 2015 subsequent to the company's acquisition of DWR. Prior to joining DWR as President and Chief Executive Officer in 2010, he served as President and CEO of Edelman Leather and Sam & Libby, Inc., where he was responsible for its U.S. business.

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

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

Mr. Lopez joined Herman Miller in 2012 and serves as Senior Vice President of Legal Services, General Counsel and Secretary.

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

### Item 4 Mine Safety Disclosures - Not applicable



## PART II

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

#### Share Price, Earnings, and Dividends Summary

Herman Miller, Inc. common stock is traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 27, 2017, there were approximately 19,500 record holders, including individual participants in security position listings, of the company's common stock.

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

Per Share and Unaudited	Market Price High (at close)	Market Price Low (at close)	Market Price Close	Earnings Per Share-Diluted	Dividends Declared Per Share
Year ended June 3, 2017:					
First quarter	\$ 36.46	\$ 27.87	\$ 35.94	\$ 0.60	\$ 0.1700
Second quarter	36.14	26.99	32.65	0.53	0.1700
Third quarter	36.45	29.75	30.45	0.37	0.1700
Fourth quarter	34.05	28.55	32.70	0.55	0.1700
Year	\$ 36.46	\$ 26.99	\$ 32.70	\$ 2.05	\$ 0.6800
Year ended May 28, 2016:					
First quarter	\$ 30.50	\$ 26.75	\$ 26.99	\$ 0.56	\$ 0.1475
Second quarter	32.69	26.28	32.14	0.57	0.1475
Third quarter	32.11	22.92	26.29	0.46	0.1475
Fourth quarter	31.64	26.09	31.64	0.67	0.1475
Year	\$ 32.69	\$ 22.92	\$ 31.64	\$ 2.26	\$ 0.5900

Dividends were declared and paid quarterly during fiscal 2017 and 2016 as approved by the Board of Directors. While it is anticipated that the company will continue to pay quarterly cash dividends, the amount and timing of such dividends is subject to the discretion of the Board depending on the company's future results of operations, financial condition, capital requirements and other relevant factors.

#### Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the company's fourth fiscal quarter ended June 3, 2017.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share or Unit	(c) Total Number of Share (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup>
3/5/17 - 4/1/17	—	—	—	\$ 115,162,898
4/2/17 - 4/29/17	146,255	32.17	146,255	\$ 110,457,467
4/30/17 - 6/3/17	58,697	33.04	58,697	\$ 108,517,876
Total	204,952		204,952	

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

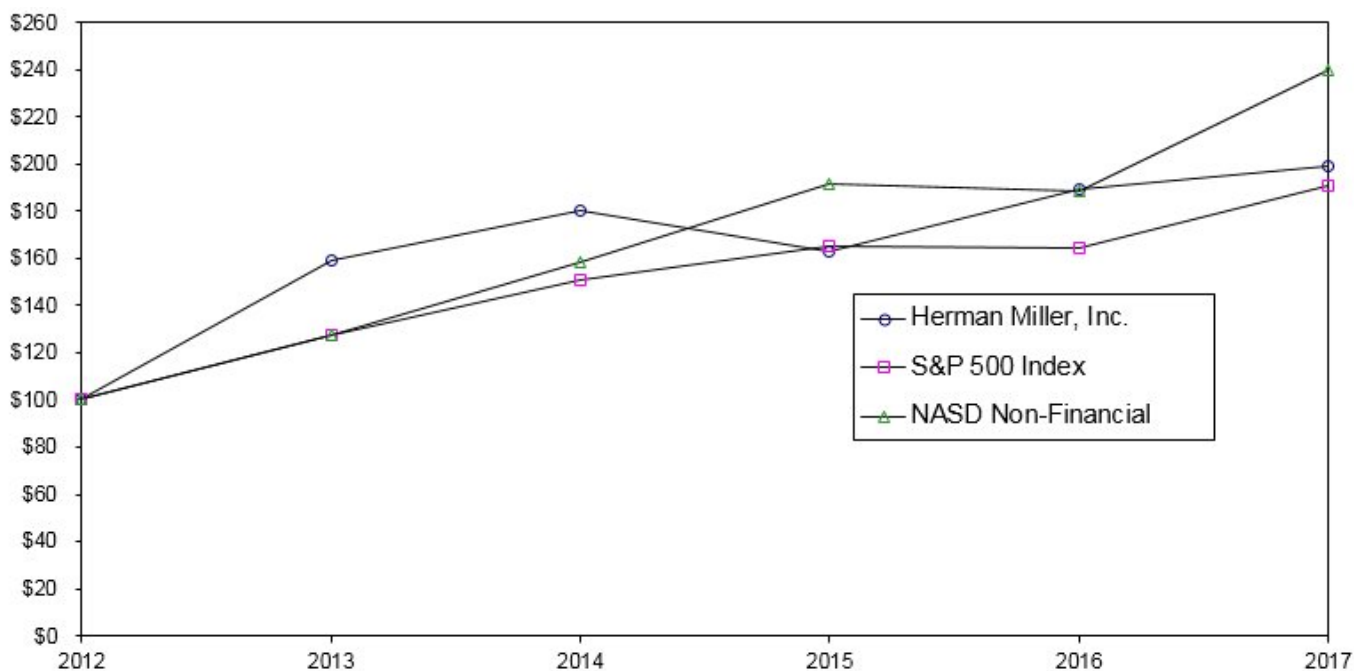
The company has a share repurchase plan authorized by the Board of Directors on September 28, 2007, which provided share repurchase authorization of \$300,000,000 with no specified expiration date.

No repurchase plans expired or were terminated during the fourth quarter of fiscal 2017.

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

### Stockholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on the company's common stock with that of the cumulative total return of the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index for the five-year period ended June 3, 2017. The graph assumes an investment of \$100 on June 3, 2012 in the company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.



	2012	2013	2014	2015	2016	2017
Herman Miller, Inc.	\$ 100	\$ 159	\$ 180	\$ 163	\$ 189	\$ 199
S&P 500 Index	\$ 100	\$ 128	\$ 151	\$ 165	\$ 164	\$ 191
NASD Non-Financial	\$ 100	\$ 128	\$ 159	\$ 192	\$ 189	\$ 240

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

## Item 6 Selected Financial Data

### Review of Operations

(In millions, except key ratios and per share data)

	2017	2016	2015	2014	2013
<b>Operating Results</b>					
Net sales	\$ 2,278.2	\$ 2,264.9	\$ 2,142.2	\$ 1,882.0	\$ 1,774.9
Gross margin	864.2	874.2	791.4	631.0	605.2
Selling, general, and administrative <sup>(8)</sup>	600.3	585.6	556.6	590.8	430.4
Design and research	73.1	77.1	71.4	65.9	59.9
Operating earnings (loss)	190.8	211.5	163.4	(25.7)	114.9
Earnings (loss) before income taxes	177.6	196.6	145.2	(43.4)	97.2
Net earnings (loss)	124.1	137.5	98.1	(22.1)	68.2
Cash flow from operating activities	202.1	210.4	167.7	90.1	136.5
Cash flow used in investing activities	(116.3)	(80.8)	(213.6)	(48.2)	(209.7)
Cash flow (used in) provided by financing activities	(74.6)	(106.5)	6.8	(22.4)	(16.0)
Depreciation and amortization	58.9	53.0	49.8	42.4	37.5
Capital expenditures	87.3	85.1	63.6	40.8	50.2
Common stock repurchased plus cash dividends paid	63.2	49.0	37.0	43.0	22.7

### Key Ratios

Sales growth	0.6%	5.7%	13.8%	6.0%	2.9%
Gross margin <sup>(1)</sup>	37.9	38.6	36.9	33.5	34.1
Selling, general, and administrative <sup>(1)(8)</sup>	26.3	25.9	26.0	31.4	24.3
Design and research <sup>(1)</sup>	3.2	3.4	3.3	3.5	3.4
Operating earnings <sup>(1)</sup>	8.4	9.3	7.6	(1.4)	6.5
Net earnings growth (decline)	(9.7)	40.2	543.9	(132.4)	(9.3)
After-tax return on net sales <sup>(4)</sup>	5.4	6.1	4.6	(1.2)	3.8
After-tax return on average assets <sup>(5)</sup>	9.8	11.3	9.0	(2.3)	7.6
After-tax return on average equity <sup>(6)</sup>	22.3%	29.1%	25.0%	(6.5)%	24.7%

### Share and Per Share Data

Earnings (loss) per share-diluted	\$ 2.05	\$ 2.26	\$ 1.62	\$ (0.37)	\$ 1.16
Cash dividends declared per share	0.68	0.59	0.56	0.53	0.43
Book value per share at year end <sup>(9)</sup>	9.82	8.76	7.04	6.14	5.31
Market price per share at year end	32.70	31.64	27.70	31.27	28.11
Weighted average shares outstanding-diluted	60.6	60.5	60.1	59.0	58.8

### Financial Condition

Total assets	\$ 1,306.3	\$ 1,235.2	\$ 1,192.7	\$ 995.6	\$ 951.2
Working capital <sup>(3)</sup>	106.2	90.5	110.1	83.2	96.8
Current ratio <sup>(2)</sup>	1.3	1.2	1.3	1.2	1.3
Interest-bearing debt and related swap agreements <sup>(10)</sup>	197.8	221.9	290.0	250.0	250.0
Stockholders' equity	587.7	524.7	420.3	364.3	311.7
Total capital <sup>(7)</sup>	785.5	746.6	710.3	614.3	561.7

(1) Shown as a percent of net sales.

(2) Calculated using current assets divided by current liabilities.

(3) Calculated using current assets less non-interest bearing current liabilities.

(4) Calculated as net earnings (loss) divided by net sales.

(5) Calculated as net earnings (loss) divided by average assets.

(6) Calculated as net earnings (loss) divided by average equity.

(7) Calculated as interest-bearing debt plus stockholders' equity.

(8) Selling, general, and administrative expenses include restructuring and impairment expenses in years that are applicable.

(9) Calculated as total stockholders' equity divided by common shares of stock outstanding.

(10) Amounts shown include the fair market value of the company's interest rate swap arrangement(s). The net fair value of this/these arrangement(s) was/were \$(2.1) million at June 3, 2017, \$1.2 million at May 29, 2010, \$2.4 million at May 30, 2009, \$0.5 million at May 31, 2008, and \$(1.8) million at June 2, 2007.

## Review of Operations

(In millions, except key ratios and per share data)

	2012	2011	2010	2009	2008	2007
<b>Operating Results</b>						
Net sales	\$ 1,724.1	\$ 1,649.2	\$ 1,318.8	\$ 1,630.0	\$ 2,012.1	\$ 1,918.9
Gross margin	590.6	538.1	428.5	527.7	698.7	645.9
Selling, general, and administrative <sup>(8)</sup>	400.3	369.0	334.4	359.2	400.9	395.8
Design and research	52.7	45.8	40.5	45.7	51.2	52.0
Operating earnings	137.6	123.3	53.6	122.8	246.6	198.1
Earnings before income taxes	119.5	102.5	34.8	98.9	230.4	187.0
Net earnings	75.2	70.8	28.3	68.0	152.3	129.1
Cash flow from operating activities	90.1	89.0	98.7	91.7	213.6	137.7
Cash flow used in investing activities	(58.4)	(31.4)	(77.6)	(29.5)	(51.0)	(37.4)
Cash flow used in financing activities	(1.6)	(50.2)	(78.9)	(16.5)	(86.5)	(131.5)
Depreciation and amortization	37.2	39.1	42.6	41.7	43.2	41.2
Capital expenditures	28.5	30.5	22.3	25.3	40.5	41.3
Common stock repurchased plus cash dividends paid	7.9	6.0	5.7	19.5	287.9	185.6
<b>Key Ratios</b>						
Sales growth (decline)	4.5%	25.1%	(19.1)%	(19.0)%	4.9%	10.5%
Gross margin <sup>(1)</sup>	34.3	32.6	32.5	32.4	34.7	33.7
Selling, general, and administrative <sup>(1) (8)</sup>	23.2	22.4	25.4	22.0	19.9	20.6
Design and research <sup>(1)</sup>	3.1	2.8	3.1	2.8	2.5	2.7
Operating earnings <sup>(1)</sup>	8.0	7.5	4.1	7.5	12.3	10.3
Net earnings growth (decline)	6.2	150.2	(58.4)	(55.4)	18.0	30.1
After-tax return on net sales <sup>(4)</sup>	4.4	4.3	2.1	4.2	7.6	6.7
After-tax return on average assets <sup>(5)</sup>	9.0	8.9	3.7	8.7	20.9	19.2
After-tax return on average equity <sup>(6)</sup>	34.4%	52.5%	78.1 %	860.8 %	186.4%	92.7%
<b>Share and Per Share Data</b>						
Earnings per share-diluted	\$ 1.29	\$ 1.06	\$ 0.43	\$ 1.25	\$ 2.56	\$ 1.98
Cash dividends declared per share	0.09	0.09	0.09	0.29	0.35	0.33
Book value per share at year end <sup>(9)</sup>	4.13	3.42	1.27	—	0.28	2.35
Market price per share at year end	17.87	24.56	19.23	14.23	24.80	36.53
Weighted average shares outstanding-diluted	58.5	57.7	57.5	54.5	59.6	65.1
<b>Financial Condition</b>						
Total assets	\$ 843.8	\$ 819.1	\$ 775.3	\$ 772.0	\$ 787.9	\$ 670.9
Working capital <sup>(3)</sup>	189.1	193.4	69.2	155.2	170.2	87.7
Current ratio <sup>(2)</sup>	1.7	1.7	1.2	1.5	1.5	1.3
Interest-bearing debt and related swap agreement <sup>(10)</sup>	250.0	250.0	301.2	377.4	375.5	176.2
Stockholders' equity	240.5	197.2	72.3	0.2	15.6	147.8
Total capital <sup>(7)</sup>	490.5	447.2	373.5	377.6	391.1	324.0

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

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

### Executive Overview

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

More than 100 years of innovative business practices and a commitment to social responsibility have established Herman Miller as a recognized global company. A past recipient of the Smithsonian Institution's Cooper Hewitt National Design Award, Herman Miller designs can be found in the permanent collections of museums worldwide. Herman Miller maintains its listing in the Human Rights Campaign Foundation's top rating in its annual Corporate Equality Index. The company trades on the NASDAQ Global Select Market under the symbol MLHR.

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

The company is globally positioned in terms of manufacturing operations. In the United States, manufacturing operations are located in Michigan, Georgia, Wisconsin and North Carolina. In Europe, its manufacturing presence is located within the United Kingdom. Manufacturing operations globally also include facilities located in Dongguan and Ningbo, 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). 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.

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

- *North American Furniture Solutions* — Includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada.
- *ELA Furniture Solutions* — ELA Furniture Solutions includes the operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings, in the Europe, Middle East and Africa (EMEA), Latin America and Asia-Pacific geographic regions.
- *Specialty* — Includes the operations associated with design, manufacture and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles and Herman Miller Collection products.
- *Consumer* — Includes the operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through e-commerce, direct mailing catalogs and Design Within Reach (DWR) studios.

The company also reports a corporate category consisting primarily of unallocated corporate expenses including acquisition-related costs and other unallocated corporate costs.

## **Core Strengths**

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

- *Portfolio of Leading Brands* - Herman Miller is a globally-recognized, authentic brand known for working with some of the most outstanding designers in the world. Within the industries in which the company operates, Herman Miller, DWR, Geiger, Maharam, POSH, Nemschoff, Colbrook Bosson Saunders ("CBS") 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 company's brand equity 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 of 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.
- *Leading Networks* - The company values relationships in all areas of the business. The company considers its network of innovative designers, owned and independent dealers and suppliers to be among the most important competitive factors and vital to the long-term success of the business.
- *Multi-Channel Reach* - The company has built a unique, multi-channel distribution capability that it considers unique. Through contract furniture dealers, direct customer sales, retail studios, e-Commerce, catalogs and independent retailers, the company serves contract and residential customers across a range of channels and geographies.

## **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 and 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. The company recognizes revenue on product sales through this channel once products are shipped and title passes to the dealer. Many of these dealers also offer furniture-related services, including product installation.

At June 3, 2017, the company owned one contract furniture dealership related to the North American segment, which has operations in multiple locations. The financial results of this owned dealer are included in our Consolidated Financial Statements. Product sales to this dealership are eliminated as inter-company transactions from our consolidated financial results. The company recognizes revenue on these sales once products are shipped to the end customer and installation is substantially complete. The company believes independent ownership of contract furniture dealers is generally the best model for a financially strong distribution network. With this in mind, the company's strategy is to continue to pursue opportunities to transition this owned dealership to an independent owner. Where possible, the goal is to involve local managers in these ownership transitions.

- *Direct Customer Sales* - The company also sells products and services directly to end customers without an intermediary (e.g., sales to the U.S. federal government). In most of these instances, the company contracts separately with a dealership or third-party installation company to provide sales-related services. The company recognizes revenue on these sales once the related product is shipped to the end customer and installation, if applicable, is substantially complete.
- *DWR Retail Studios* - At the end of fiscal 2017, the Consumer business unit included 31 retail studios (including 30 operating under the DWR brand and a Herman Miller Flagship store in New York City). This business also operates one outlet studio. These studios are located in metropolitan areas throughout North America. Revenue on sales from these studios is recognized upon shipment and transfer to the customer of both title and risk of loss.

- *E-Commerce* - The company sells products through its online stores, in which products are available for sale via the company's website, hermanmiller.com as well as through the DWR online store, dwr.com. These sites complement our existing methods of distribution and extend the company's brand to new customers. The company recognizes revenue on these sales upon shipment and transfer to the customer of both title and risk of loss.
- *DWR Direct-Mail Catalogs* - The company's consumer business unit utilizes a direct-mail catalog program through its DWR subsidiary. A regular schedule of catalog mailings is maintained throughout the fiscal year and these serve as a key driver of sales across each of DWR's channels, including retail studios and e-commerce websites. Revenue on sales transacted through this catalog program is recognized upon shipment and transfer to the customer of both title and risk of loss.
- *Independent Retailers* - Certain products are sold to end customers through independent retail operations. Revenue is recognized on these sales once products are shipped and title and risk of loss passes to the independent retailer.

### **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 the business and industry. Refer to Item 1A for discussion of certain of these risk factors and Item 7A for disclosures of market risk. In particular, the company experienced the negative impact of higher steel costs and increased pressures from competitive price discounting, particularly in the North America and ELA markets.

### **Areas of Strategic Focus**

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

*Scaling Consumer* - The company has an ambition to expand the connection of its powerful brand more directly with the consumers of its products. The transformation of the Design Within Reach retail studio footprint will continue to add incremental selling space from a combination of new and repositioned studios. Studio expansions will be complemented by a continued focus on improving margins through the development of exclusive product designs and leveraging additional sales in our contract, catalog and digital channels.

*Realizing the Living Office* - In fiscal 2014, the company introduced Living Office, a research-based framework for designing high-performing workplaces that deliver an elevated experience of work for people, and help organizations achieve their strategic goals. The company is now focusing on taking the framework to the next level by accelerating the evolution of Living Office by with new products and technology solutions, along with research that quantifies the positive impact to organizations from applying these concepts.

*Leverage the "Dealer Eco-System"* - The company recognizes that the preferences and needs of its customers are evolving in favor of a greater mix of collaborative furnishings. The company intends to leverage the strength of its broad product offer in addressing this shifting market need. To this end, the company has dedicated resources under the Herman Miller Elements umbrella to best position the Herman Miller Collection, Maharam, Geiger, Design Within Reach and Naughtone brands for further growth in this space. The company intends to complement this focused selling effort with enhanced digital platforms that will make it easier for its contract customers and dealer partners to find, specify and order products from any brand within the Herman Miller Group.

*Drive Cost Savings* - A three-year cost savings initiative that was announced in fiscal 2017 is aimed at achieving between \$25 million and \$35 million in gross annual cost reductions by fiscal 2020. While these efforts will help offset potential wage and material inflation and help fund growth initiatives, the targeted cost reductions will also play a key role in achieving our goal to increase operating margins.

*Deliver Innovation* - Product innovation has been a traditional strength at Herman Miller, and the company is determined to keep this dimension of its business as a competitive edge. With the alignment of creative direction and new product commercialization under common leadership, the company will further reduce its time to market and ensure design and development responds to its customers most critical needs through a robust pipeline of new products and solutions.

The company believes its strategy continues to respond well to current and future realities in its markets. As the company has expanded addressable market over the past five years, these initiatives will help leverage its unique multi-channel capabilities to deliver its leading designs and innovations to new audiences virtually anywhere in the world.

## ***Industry Analysis***

The Business and Institutional Furniture Manufacturer's Association (BIFMA) is the trade association for the North American contract furniture industry. The company monitors the trade statistics reported by BIFMA and considers them an indicator of industry-wide sales and order performance. BIFMA publishes statistical data for the contract segment and the office supply segment, including healthcare and education end markets, within the North American market. The contract segment of the industry relates primarily to products sold to large to mid-size corporations and installed via a network of dealers. The office supply segment relates primarily to products sold to smaller customers via wholesalers and retailers. The company participates, and is a leader in, the contract segment. Further, the company's business presence in the consumer sector lessens its dependence on the North American contract office furniture market.

The company analyzes BIFMA statistical information as a benchmark comparison against the performance of its contract business in North America and also to that of its competitors. The timing of large project-based business may affect comparisons to this data in any one period. Finally, BIFMA regularly provides its members with industry forecast information, which the company uses internally as one of several considerations in its short and long-range planning process.

The company also monitors trade statistics reported by the U.S. Census Bureau, which reports monthly retail sales growth data across a number of retail categories, including Furniture and Home Furnishing Stores. This information provides a relative comparison to our Consumer reportable segment.

Looking forward, BIFMA believes that the general economic outlook for the company's industry in North America is expected to be positive. BIFMA issued its most recent report in May 2017, which forecasts that the growth rate of office furniture sales will be 5.1 percent and 5.0 percent in calendar 2017 and 2018, respectively. This forecast of growth is based primarily on higher non-residential construction activity and overall business investment in the U.S., tempered by the current global economic uncertainty.



## Discussion of Business Conditions

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Fiscal 2017 included 53 weeks of operations as compared to a standard 52-week fiscal year. The additional week is required periodically to more closely align the company's fiscal year with the calendar months. This additional week of operations increased fiscal 2017 net sales by approximately \$37 million. This is a factor that should be considered when comparing the company's financial results to the prior year, which included 52 weeks of operations.

Net sales increased in 2017 to \$2,278.2 million, an increase of 0.6 percent from the prior fiscal year. On an organic basis, which adjusts for dealer divestitures, changes in foreign currency translation rates and the impact of the extra week, net sales increased by 1.4 percent<sup>(1)</sup> compared to last fiscal year. Growth in the Consumer segment helped offset a mixed demand environment across the contract business segments tied to macro-economic and geopolitical uncertainty throughout the year.

While relatively high commodity costs and a challenging competitive pricing environment pressured gross margins compared to last year, operating expenses were well controlled during the year, helping to deliver diluted earnings per share of \$2.05 and adjusted diluted earnings per share of \$2.16<sup>(1)</sup>, which was in line with prior year diluted earnings per share of \$2.26 and adjusted diluted earnings per share of \$2.17<sup>(1)</sup>. Operating cash flow generation of \$202.1 million for the year enabled the company to fully repay outstanding debt related to its line of credit by the end of the year, repurchase \$24 million of company shares and, subsequent to the end of the fiscal year, announce a 6 percent increase in the quarterly dividend to \$0.18 per share per share - the highest quarterly rate in Herman Miller's history.

While sales in North America were essentially flat for the year, both as reported and on an organic basis<sup>(1)</sup>, in the face of an uncertain political environment in the United States, the North America business segment continued to deliver the highest operating margins of the company's business units. Research highlighting the benefits of the Living Office framework for the company's customers and the release of several new products and solutions, including the newly remastered Aeron chair, helped to position the business for the future.

The ELA segment recorded a decline in net sales of 7 percent, but after adjusting for the impact of changes in foreign currency, the divestiture of an owned dealer in Australia and the impact of the extra week of operations in the current fiscal year, organic net sales grew at a rate of 3 percent<sup>(1)</sup> for the year. The improvement in organic net sales was driven by growth in China, Latin America and mainland Europe, which more than offset lower demand levels in the U.K. and the Middle East, where Brexit and the impact of lower oil prices, respectively, weighed on results. The ELA segment posted a decline in operating earnings of 13 percent relative to the prior year. However, after adjusting for the impact of restructuring and impairment charges recognized in the current fiscal year and non-recurring gains related to the prior year, adjusted operating earnings improved by 9 percent<sup>(1)</sup> in spite of the uncertain environment.

Sales for the Specialty segment were slightly higher than prior year, as reported, and were slightly lower than prior year on an organic basis<sup>(1)</sup>. Operating earnings and adjusted operating earnings increased by 8 percent and 12 percent<sup>(1)</sup>, respectively, driven by operational improvements and well-managed spending. These leading design brands continued to provide a strong connection with the architect and design community and help the company to meet its customers' needs for both traditional workspaces and collaborative areas.

The company's Consumer segment reported sales growth of 10 percent over last year on an as reported basis and sales growth of 9 percent on an organic basis<sup>(1)</sup>. DWR delivered four quarters of comparable brand<sup>(2)</sup> growth during the year. Operating earnings and adjusted operating earnings decreased by 35 percent and 27 percent<sup>(1)</sup>, respectively. The real estate expansion and investments to support long-term growth in the consumer business have limited near-term profitability. To that end, the company is focusing extensively on the profitability of the Consumer business as it moves into the new fiscal year. As part of its real estate transformation. The Consumer segment also added approximately 70,000 square feet of new selling space during the year as it opened eight new Design Within Reach Studios and a Herman Miller flagship retail location. The business also launched over 100 exclusive new products for Design Within Reach, as part of the plan to increase the mix of higher margin exclusive designs over time. Growth this year from studios, eCommerce, catalog and contact channels highlighted management's focus to improve the segment's performance.

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

*(2) DWR comparable brand sales reflects the year-over-year change in net sales across the multiple channels that DWR serves, including studios, outlets, contract, catalog, phone and e-commerce. Comparable brand growth was presented on a pro forma basis using a 52-week average to normalize results for the impact of an extra week of operations in the first quarter of fiscal 2017.*

## Reconciliation of Non-GAAP Financial Measures

This report contains references to Adjusted diluted earnings per share ("EPS"), Organic net sales and Adjusted operating earnings, all of which are non-GAAP financial measures (referred to collectively as the "Adjusted financial measures"). Adjusted diluted EPS and Adjusted operating earnings are calculated by excluding from Earnings per share - diluted and Operating earnings, items that we believe are not indicative of our ongoing operating performance, such as non-recurring gain, expenses associated with restructuring actions taken to adjust our cost structure to the current business climate and non-cash impairment expenses. Organic net sales represents the change in sales excluding currency translation effects, the divestiture of owned dealers and the impact of an extra week of operations in fiscal 2017 as compared to fiscal 2016. These adjustments are made to provide enhanced comparability of the company's current results with historical results.

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

The following table reconciles Net sales to Organic net sales by segment:

	Fiscal Year Ended June 3, 2017					Fiscal Year Ended May 28, 2016				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net sales, as reported	\$ 1,342.2	\$ 385.5	\$ 232.4	\$ 318.1	\$2,278.2	\$ 1,331.8	\$ 412.6	\$ 231.8	\$ 288.7	\$ 2,264.9
% change from PY	0.8%	(6.6)%	0.3%	10.2%	0.6%					
<b>Adjustments</b>										
Dealer divestitures	—	—	—	—	—	(8.8)	(30.8)	—	—	(39.6)
Currency translation effects <sup>(1)</sup>	0.7	13.9	—	—	14.6	—	—	—	—	—
Impact of extra week in FY17	(22.7)	(6.3)	(3.3)	(4.7)	(37.0)	—	—	—	—	—
<b>Organic net sales</b>	<b>\$ 1,320.2</b>	<b>\$ 393.1</b>	<b>\$ 229.1</b>	<b>\$ 313.4</b>	<b>\$2,255.8</b>	<b>\$ 1,323.0</b>	<b>\$ 381.8</b>	<b>\$ 231.8</b>	<b>\$ 288.7</b>	<b>\$ 2,225.3</b>
% change from PY	(0.2)%	3.0%	(1.2)%	8.6%	1.4%					

	Fiscal Year Ended May 28, 2016					Fiscal Year Ended May 30, 2015				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net sales, as reported	\$ 1,331.8	\$ 412.6	\$ 231.8	\$ 288.7	\$ 2,264.9	\$ 1,241.9	\$ 409.9	\$ 219.9	\$ 270.5	\$ 2,142.2
% change from PY	7.2%	0.7%	5.4%	6.7%	5.7%					
<b>Adjustments</b>										
Currency translation effects <sup>(1)</sup>	12.5	26.1	0.6	0.8	40.0	—	—	—	—	—
Acquisition	—	—	—	(30.2)	(30.2)	—	—	—	—	—
<b>Organic net sales</b>	<b>\$ 1,344.3</b>	<b>\$ 438.7</b>	<b>\$ 232.4</b>	<b>\$ 259.3</b>	<b>\$ 2,274.7</b>	<b>\$ 1,241.9</b>	<b>\$ 409.9</b>	<b>\$ 219.9</b>	<b>\$ 270.5</b>	<b>\$ 2,142.2</b>
% change from PY	8.2%	7.0%	5.7%	(4.1)%	6.2%					

<sup>(1)</sup> Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

The following table reconciles Operating earnings to Adjusted operating earnings by segment:

	Fiscal Year Ended June 3, 2017						Fiscal Year Ended May 28, 2016					
	North America	ELA	Specialty	Consumer	Corporate	Total	North America	ELA	Specialty	Consumer	Corporate	Total
Operating earnings (loss)	\$ 137.7	\$ 30.8	\$ 17.7	\$ 5.3	\$ (0.7)	\$190.8	\$ 152.0	\$ 35.3	\$ 16.4	\$ 8.1	\$ (0.3)	\$211.5
% Net sales	10.3%	8.0%	7.6%	1.7%	n/a	8.4%	11.4%	8.6%	7.1%	2.8%	n/a	9.3%
<b>Adjustments</b>												
Less: Non-recurring gain	—	—	—	—	—	—	—	(6.1)	—	—	—	(6.1)
Less: Gain on sale of dealer	(0.7)	—	—	—	—	(0.7)	—	—	—	—	—	—
Add: Restructuring and impairment expenses	10.3	1.0	0.6	0.6	—	12.5	—	—	—	—	—	—
Adjusted operating earnings (loss)	\$ 147.3	\$ 31.8	\$ 18.3	\$ 5.9	\$ (0.7)	\$202.6	\$ 152.0	\$ 29.2	\$ 16.4	\$ 8.1	\$ (0.3)	\$205.4

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

	Fiscal Year Ended	
	June 3, 2017	May 28, 2016
Earnings per Share - Diluted	\$ 2.05	\$ 2.26
<b>After Tax Adjustments</b>		
Less: Non-recurring gain	—	(0.09)
Less: Gain on sale of dealer	(0.02)	—
Add: Restructuring and impairment expenses	0.13	—
<b>Adjusted Earnings per Share - Diluted</b>	<b>\$ 2.16</b>	<b>\$ 2.17</b>
<b>Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) – Diluted</b>	<b>60,554,589</b>	<b>60,529,269</b>

## Financial Results

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

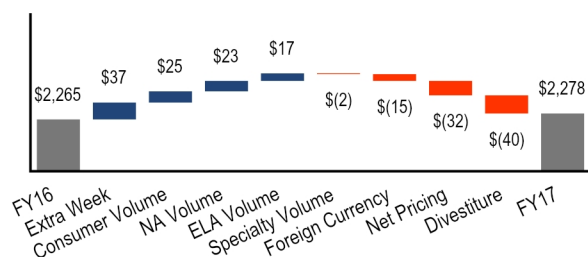
(Dollars In millions)	Fiscal 2017 53 weeks	% Change from 2016	Fiscal 2016 52 weeks	% Change from 2015	Fiscal 2015 52 weeks
Net sales	\$ 2,278.2	0.6 %	\$ 2,264.9	5.7 %	\$ 2,142.2
Cost of sales	1,414.0	1.7 %	1,390.7	3.0 %	1,350.8
Gross margin	864.2	(1.1)%	874.2	10.5 %	791.4
Operating expenses	673.4	1.6 %	662.7	5.5 %	628.0
Operating earnings	190.8	(9.8)%	211.5	29.4 %	163.4
Net other expenses	13.2	(11.4)%	14.9	(18.1)%	18.2
Earnings before income taxes	177.6	(9.7)%	196.6	35.4 %	145.2
Income tax expense	55.1	(7.4)%	59.5	26.1 %	47.2
Equity income from nonconsolidated affiliates, net of tax	1.6	300.0 %	0.4	300.0 %	0.1
Net earnings	124.1	(9.7)%	137.5	40.2 %	98.1
Net earnings attributable to noncontrolling interests	0.2	(75.0)%	0.8	33.3 %	0.6
Net earnings attributable to Herman Miller, Inc.	\$ 123.9	(9.4)%	\$ 136.7	40.2 %	\$ 97.5

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:

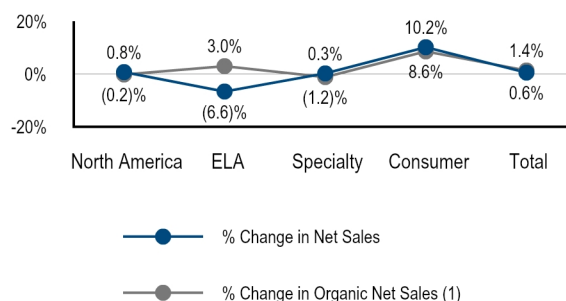
	Fiscal 2017	Fiscal 2016	Fiscal 2015
Net sales	100.0%	100.0%	100.0%
Cost of sales	62.1	61.4	63.1
Gross margin	37.9	38.6	36.9
Selling, general, and administrative expenses	25.8	25.9	25.4
Restructuring and impairment expenses	0.5	—	0.6
Design and research expenses	3.2	3.4	3.3
Total operating expenses	29.6	29.3	29.3
Operating earnings	8.4	9.3	7.6
Net other expenses	0.6	0.7	0.8
Earnings before income taxes	7.8	8.7	6.8
Income tax expense	2.4	2.6	2.2
Equity income from nonconsolidated affiliates, net of tax	0.1	—	—
Net earnings	5.4	6.1	4.6
Net earnings attributable to noncontrolling interests	—	—	—
Net earnings attributable to Herman Miller, Inc.	5.4	6.0	4.6

## Net Sales, Orders and Backlog - Fiscal 2017 Compared to Fiscal 2016

**Change in Net Sales  
Fiscal 2017 Compared to Fiscal 2016**



**Net Sales and Organic Net Sales (1) % Growth (Decline) by  
Segment Fiscal 2017**



Consolidated net sales increased \$13.3 million to \$2,278.2 million from \$2,264.9 million for the fiscal year ended June 3, 2017 compared to the fiscal year ended May 28, 2016. The following items contributed to the change:

- Fiscal 2017 had 53 weeks as compared to the same period of fiscal 2016, which had 52 weeks. The impact of this additional week increased net sales by approximately \$37 million.
- Incremental sales volumes within the Consumer segment of approximately \$25 million were due mainly to improvements across several Consumer sales channels, including studios, contract, e-commerce and direct-mail catalogs.
- Increased sales volumes within the North American segment of approximately \$23 million resulted primarily from increased demand within the company's Healthcare business unit, along with growth late in the fiscal year in the North America office furniture business.
- Increased sales volumes within the ELA segment of approximately \$17 million were driven by increases within the Europe, Latin America and Asia regions. The largest increases were due to larger project activity in mainland Europe, Mexico, Brazil, Japan and China.
- The impact of the divestiture of the company's dealerships in Australia in fiscal 2016 and Philadelphia, Pennsylvania in fiscal 2017 had the effect of reducing net sales by \$39.6 million in fiscal 2017 as compared to the prior fiscal year.
- Deeper discounting, net of incremental price increases, reduced net sales in fiscal 2017 by roughly \$32 million as compared to the prior year. Of this change, \$26 million related to the North American operating segment.
- Foreign currency translation had a negative impact on net sales of approximately \$15 million.

Consolidated net trade orders for fiscal 2017 totaled \$2,282.9 million compared to \$2,279.7 million in fiscal 2016, an increase of 0.1 percent. On an organic basis, which excludes the impact of the extra week in fiscal 2017, as well as foreign currency translation and dealer divestitures, orders increased by 0.9 percent from last fiscal year. Order rates began the year at an average pace of approximately \$43 million per week for the first quarter and \$44 million per week for the second quarter. For the third quarter, weekly order rates decreased to an average of approximately \$42 million per week, reflecting typical seasonality in order pacing during that period of the fiscal year. The fourth quarter finished the year with average weekly order rates increasing to approximately \$44 million. The weekly order pacing in the third quarter and the fourth quarter of fiscal 2017 was impacted by the price increase that was announced during the third quarter of fiscal 2017. This caused approximately \$21 million of orders that otherwise would have been entered in the fourth quarter, to be entered in the third quarter. When adjusting for this impact, the weekly pacing of orders for the third quarter and fourth quarter was \$40 million per week and \$45 million per week, respectively. The impact of changes in foreign currency for the fiscal year decreased net orders by approximately \$8.7 million as compared to the prior year.

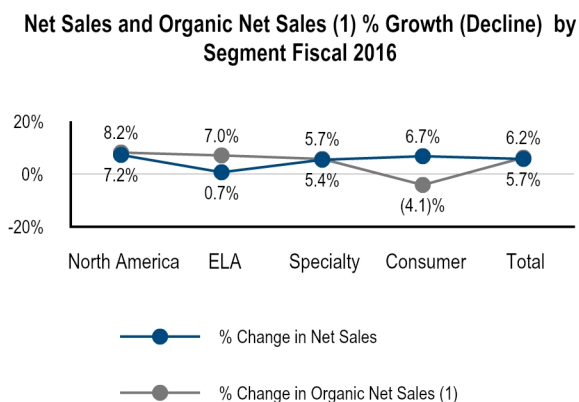
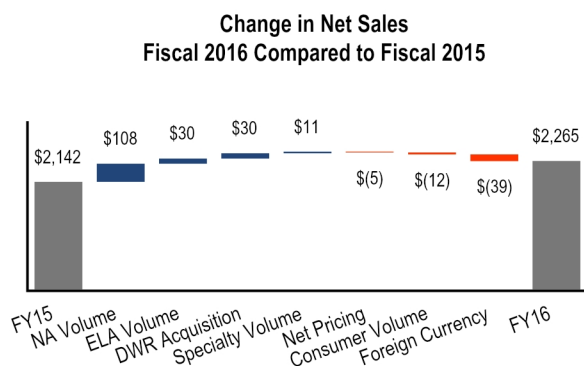
The company's backlog of unfilled orders at the end of fiscal 2017 totaled \$322.6 million, a 0.3 percent decrease from fiscal 2016 ending backlog of \$323.5 million. In fiscal 2017, the company completed the sale of its dealership in Philadelphia. This dealer divestiture resulted in a reduction to the consolidated ending backlog of approximately \$11.6 million.

BIFMA reported an estimated period-over-period increase in U.S. office furniture shipments of approximately 2.0 percent for the twelve-month period ended May 2017. By comparison, net sales decreased for the company's domestic U.S. business by approximately 0.8 percent over the twelve months ended May 2017.

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

The company also monitors trade statistics reported by the U.S. Census Bureau, which reports monthly retail sales growth data across a number of retail categories, including Furniture and Home Furnishing Stores. This information provides a relative comparison to our Consumer reportable segment, but is not intended to be an exact comparison. The average monthly year-over-year growth rate in sales for the Furniture and Home Furnishing Stores category for the twelve month period ended June 3, 2017, was approximately 2.9 percent. By comparison, net sales growth for the company's Consumer segment was approximately 10.2 percent.

### Net Sales, Orders and Backlog - Fiscal 2016 Compared to Fiscal 2015



Consolidated net sales increased \$122.7 million to \$2,264.9 million from \$2,142.2 million for the fiscal year ended May 28, 2016 compared to the fiscal year ended May 30, 2015. The following items contributed to the change:

- Increased sales volumes within the North American segment of approximately \$108.0 million were driven by a combination of general market growth and company-specific actions taken to improve selling capacity, launch innovative products and refresh showrooms.
- Increased sales volumes within the ELA segment of \$30.4 million were driven by increases within the Asia region. The largest increases were due to larger project activity in Australia and China.
- Incremental sales volume within the Consumer segment related to the acquisition of DWR, which increased sales by \$30.2 million. This increase was due the fact that 52 weeks of DWR results were included in our consolidated results for fiscal 2016 as compared to 44 weeks in fiscal 2015.
- Increased sales volumes within the Specialty segment of \$10.9 million were driven principally by Geiger and the Herman Miller Collection.
- Foreign currency translation had a negative impact on sales of \$40.0 million.

Consolidated net trade orders for fiscal 2016 totaled \$2,279.7 million compared to \$2,146.5 million in fiscal 2015, an increase of 6.2 percent. Order rates began the year at an average pace of approximately \$43 million per week for the first quarter and \$46 million per week for the second quarter. For the third quarter, weekly order rates decreased to an average of approximately \$39 million per week, reflecting typical seasonality in order pacing during that period of the fiscal year. The fourth quarter finished the year with average weekly order rates increasing to approximately \$47 million. The overall impact of foreign currency changes for the fiscal year decreased net orders by approximately \$38.7 million as compared to the prior year. The company's backlog of unfilled orders at the end of fiscal 2016 totaled \$323.5 million, a 0.4 percent increase from the fiscal 2015 ending backlog of \$322.2 million. At the end of fiscal 2016, the company completed the sale of its multi-location dealership in Australia. This dealer divestiture resulted in a reduction to the consolidated ending backlog of approximately \$14 million.

BIFMA reported an estimated period-over-period increase in U.S. office furniture shipments of approximately 3.2 percent for the twelve-month period ended May 2016. By comparison, net sales increased for the company's domestic U.S. business by approximately 6.3 percent over the twelve months ended May 2016, reflecting the strong results within our North America segment noted above.

The company also monitors trade statistics reported by the U.S. Census Bureau, which reports monthly retail sales growth data across a number of retail categories, including Furniture and Home Furnishing Stores. This information provides a relative comparison to the company's Consumer reportable segment, but is not intended to be an exact comparison. The average monthly year-over-year growth rate in sales for the Furniture and Home Furnishing Stores category for the twelve month period ended May 31, 2017, was approximately 2.9 percent. By comparison, net sales growth for the company's Consumer segment was approximately 6.7 percent due to improvements across several Consumer sales channels, including studios, e-commerce, contract and direct-mail catalogs.

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

### **Gross Margin - Fiscal 2017 Compared to Fiscal 2016**

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Consolidated gross margin for fiscal 2017 was 37.9 percent, a decrease of 70 basis points from the fiscal 2016 level. The following factors summarize the major drivers of the year-over-year decrease in gross margin percentage:

- Incremental price discounting, net of price increases, reduced the company's consolidated gross margin by approximately 90 basis points relative to fiscal 2016.
- Higher commodity costs within the North American operating segment in the current fiscal year drove an unfavorable year-over-year margin impact of approximately 40 basis points.
- The divestiture of the company's dealerships in Australia and Philadelphia, Pennsylvania in fiscal 2016 and 2017, respectively, resulted in a favorable impact of approximately 30 basis points relative to fiscal 2016.
- A decrease in employee incentive costs increased our consolidated gross margin by 30 basis points relative to fiscal 2016. The decrease reflects lower employee incentive costs that are variable based on the achievement of earnings levels for the fiscal year relative to plan.
- Improved material cost performance at the company's West Michigan manufacturing facilities driven by process engineering initiatives increased gross margin by approximately 20 basis points as compared to fiscal 2016.
- Product mix at the company's West Michigan manufacturing facilities and material usage efficiencies at various international locations had a favorable impact on gross margin.

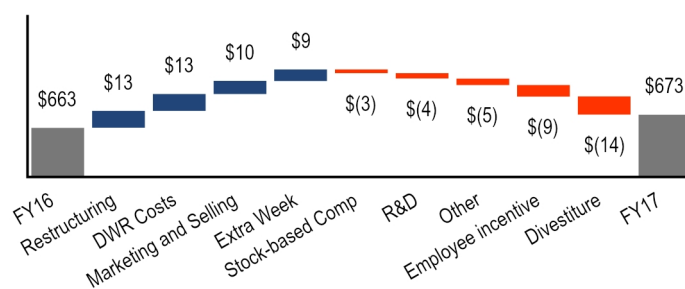
### **Gross Margin - Fiscal 2016 Compared to Fiscal 2015**

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Consolidated gross margin for fiscal 2016 was 38.6 percent, an increase of 170 basis points from the fiscal 2015 level. The following factors summarize the major drivers of the year-over-year improvement in gross margin percentage:

- Lower commodity costs within the North American operating segment in the current fiscal year drove a favorable year-over-year margin impact of approximately 90 basis points.
- A decrease in freight expenses, due primarily to lower fuel costs and improved leverage of fixed product distribution costs, drove a favorable impact to gross margin of approximately 40 basis points compared to fiscal 2015.
- Inventory-related purchase accounting adjustments related to the acquisition of DWR unfavorably impacted gross margin in the prior year by approximately 30 basis points.
- Improved production volume leverage at the company's West Michigan manufacturing facilities increased gross margin by approximately 30 basis points as compared to fiscal 2015.
- We estimate that relative changes in foreign currency exchange rates had a negative impact on our consolidated gross margin of approximately 30 basis points relative to last fiscal year.
- Improved operating efficiencies at certain international and domestic subsidiaries also provided a favorable impact to gross margin compared to last fiscal year.

## Operating Expenses - Fiscal 2017 Compared to Fiscal 2016



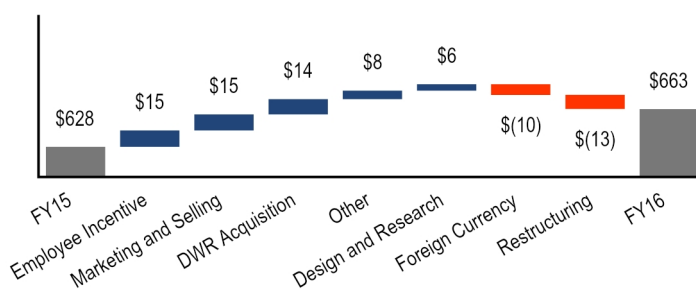
Operating expenses in fiscal 2017 were \$673.4 million, or 29.6 percent of net sales, which compares to \$662.7 million, or 29.3 percent of net sales in fiscal 2016. The following factors contributed to the change:

- Fiscal 2017 results reflected restructuring and impairment expenses of \$12.5 million. Restructuring charges related to targeted workforce reductions increased operating expenses by \$5.4 million, while the impairment of the Nemschoff trade name increased operating expenses by \$7.1 million.
- Marketing and selling expenses increased approximately \$10 million relative to last fiscal year.
- The impact of an extra week in fiscal 2017 increased operating expenses by approximately \$9 million.
- Incremental costs related to the continued growth and expansion of DWR retail studios of approximately \$8 million for the twelve month comparative period.
- Increased costs within the company's DWR subsidiary of approximately \$5 million as a result of increased investment in information technology, infrastructure to support the contract channel and other business support functions.
- Lower employee incentive costs decreased operating expenses by \$8.8 million compared to prior fiscal year. The decrease reflects lower incentive compensation costs that are variable based on the achievement of earnings levels for the fiscal year relative to plan.
- The divestiture of the company's dealerships in Australia and Philadelphia in fiscal 2016 and 2017, respectively, resulted in a decrease in operating expenses of \$14.2 million for the twelve month comparative period.
- The remainder of the change was driven mainly by company-wide cost savings initiatives, decreases in stock-based compensation, research and development expenses and changes in foreign currency exchange rates.



## Operating Expenses - Fiscal 2016 Compared to Fiscal 2015

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Operating expenses in fiscal 2016 were \$662.7 million, or 29.3 percent of net sales, which compares to \$628.0 million, or 29.3 percent of net sales in fiscal 2015. The following factors contributed to the change:

- Employee incentive costs increased by \$14.7 million relative to fiscal 2015. The increase reflects higher incentive compensation costs that are tied to increased earnings for the comparative periods.
- Marketing and selling expenses increased \$14.5 million relative to fiscal 2015. The increase resulted from new marketing initiatives, particularly within the Consumer segment, as well as increases in selling capacity and sales growth during fiscal 2016.
- Fiscal 2016 included a full 52 weeks of DWR results whereas fiscal 2015 included only 44 weeks. This difference accounts for approximately \$13.7 million of the year-over-year increase in consolidated operating expenses.
- Design and research expenses increased \$5.7 million in fiscal 2016 as compared to the prior year.
- Year-over-year changes in currency exchange rates decreased operating expenses by an estimated \$10 million.
- Fiscal 2015 results reflected restructuring and impairment expenses of \$12.7 million.
- The remaining change relates to various contributing factors, including but not limited to higher costs for information technology initiatives, wage and benefit inflation, and general variability with higher net sales.

## Operating Earnings

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In fiscal 2017, the company generated operating earnings of \$190.8 million, a decrease of \$20.7 million from fiscal 2016 operating earnings of \$211.5 million. Operating earnings of \$211.5 million in fiscal 2016 represented a \$48.1 million increase from fiscal 2015 operating earnings of \$163.4 million.

## Other Expenses and Income

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Net other expenses for fiscal 2017 were \$13.2 million, a decrease of \$1.7 million compared to net other expenses in fiscal 2016 of \$14.9 million. The decrease in net other expenses in fiscal 2017 was primarily related to higher investment income associated with the company's deferred compensation plan.

Net other expenses for fiscal 2016 were \$14.9 million, a decrease of \$3.3 million compared to net other expenses in fiscal 2015 of \$18.2 million. The decrease in net other expenses in fiscal 2016 as compared to fiscal 2015 was primarily related to a reduction in interest expense related to a decrease in long term debt. The reduction in long term debt resulted from the repayment of borrowings on the revolving line of credit.

## Income Taxes

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The company's effective tax rate was 31.1 percent in fiscal 2017, 30.3 percent in fiscal 2016 and 32.6 percent in fiscal 2015. The effective tax rate in fiscal 2017 was below the United States statutory rate of 35 percent, primarily due to an increase in the mix of earnings in tax jurisdictions that have rates lower than the United States statutory rate, the manufacturing deduction under the American Jobs Creation Act of 2004 ("AJCA") and the research and development tax credit under the Protecting Americans from Tax Hikes ("PATH") Act of 2015.

The effective tax rate in fiscal 2016 was below the statutory rate of 35 percent, primarily due to the domestic U.S. manufacturing deduction under the AJCA as well as a significant amount of foreign earnings subject to tax at foreign rates below 35 percent.

The effective tax rate in fiscal 2015 was below the statutory rate of 35 percent, primarily due to the domestic U.S. manufacturing deduction under the AJCA and a \$3.9 million tax benefit related to a foreign entity reorganization.

For further information regarding income taxes, refer to Note 10 of the Consolidated Financial Statements.

## Net Earnings; Earnings per Share

In fiscal 2017, fiscal 2016, and fiscal 2015, the company generated net earnings attributable to Herman Miller, Inc. of \$123.9 million, \$136.7 million and \$97.5 million, respectively. Diluted earnings per share were \$2.05, \$2.26 and \$1.62 for fiscal 2017, fiscal 2016 and fiscal 2015, respectively.

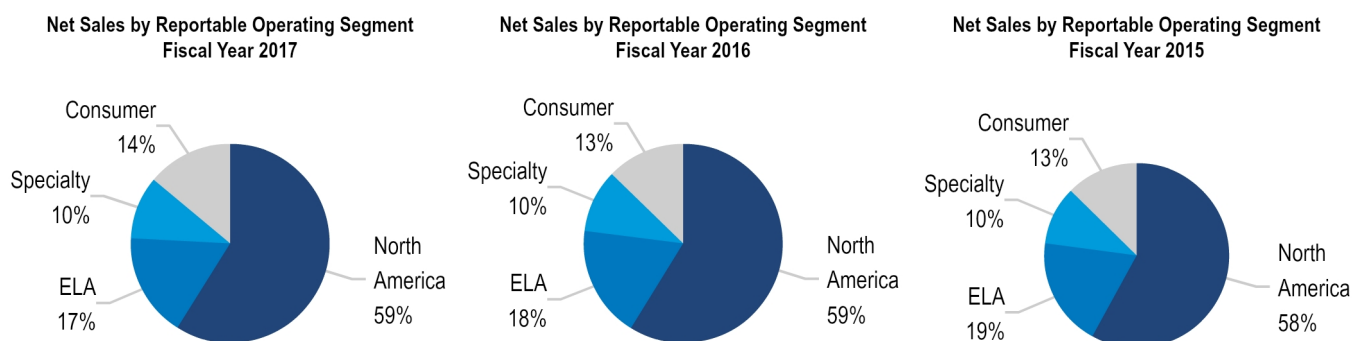
## Reportable Operating Segments

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 company has identified the following reportable segments:

- *North American Furniture Solutions* — Includes the operations associated with the design, manufacture and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada.
- *ELA Furniture Solutions* — Includes EMEA, Latin America, and Asia-Pacific operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings.
- *Specialty* — Includes operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles and Herman Miller Collection products.
- *Consumer* — Includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through e-commerce, direct mailing catalogs and DWR retail studios.

The company also reports a corporate category consisting primarily of, as applicable, unallocated corporate expenses including acquisition-related costs and other unallocated corporate costs.

The charts below present the relative mix of net sales across each of the company's reportable segments. This is followed by a discussion of the company's results, by segment, for each reportable segment.



## North American Furniture Solutions ("North America")

### Fiscal 2017 Compared to Fiscal 2016

Net sales in the North American segment were \$1,342.2 million in fiscal 2017, an increase of 0.8 percent from fiscal 2016 net sales of \$1,331.8 million. Orders for fiscal 2017 totaled \$1,347.6 million, an increase of 0.9 percent from the prior year. Operating earnings for North America in fiscal 2017 were \$137.7 million or 10.3 percent of sales as compared to \$152.0 million or 11.4 percent of sales in the prior year.

- The impact of the extra week increased net sales by an estimated \$23 million and increased orders by \$21 million for fiscal 2017 as compared to the prior year.
- Incremental price discounting, net of price increases, in fiscal 2017 decreased net sales by approximately \$26 million compared to the prior year.
- Sales volumes within the North American segment increased by approximately \$23 million resulting primarily from increased demand within the company's Healthcare business unit, along with growth late in the year in the North America office furniture business.

- The impact of the divestiture of the company's dealership in Philadelphia, Pennsylvania in fiscal 2017 had the effect of reducing net sales by approximately \$9 million as compared to fiscal 2016.
- Commodity price increases and incremental discounting drove a decrease in gross margins and operating earnings.
- Decreased employee incentive costs recorded in operating expenses and cost of goods sold increased operating earnings by \$14.1 million compared to prior fiscal year. The decrease reflects lower incentive compensation costs that are variable based on the achievement of earnings levels for the fiscal year relative to plan.
- Restructuring charges related to targeted workforce reductions increased operating expenses by \$5.4 million, while the impairment of the Nemschoff trade name increased operating expenses by \$7.1 million as compared to the prior year.
- Operating expenses within the North American segment were higher than the prior year due to the extra week of operations.
- Company-wide cost savings initiatives resulted in a decrease in operating expenses relative to the prior year period.

### **Fiscal 2016 Compared to Fiscal 2015**

Net sales in the North American segment increased to \$1,331.8 million in fiscal 2016, an increase of \$89.9 million from fiscal 2015 net sales of \$1,241.9 million. Orders for fiscal 2016 totaled \$1,336.1 million, an increase of \$100.3 million from fiscal 2015. Operating earnings for North America in fiscal 2016 were \$152.0 million, an increase of \$26.8 million from fiscal 2015.

- Sales volumes within the North American segment increased by approximately \$108 million. This was driven by a combination of general market growth and company-specific actions taken to improve selling capacity, launch innovative products and refresh showrooms.
- The impact of foreign currency translation decreased net sales and operating earnings by approximately \$13 million and \$7 million, respectively.
- Changes in pricing, net of incremental discounting, decreased fiscal 2016 net sales by approximately \$6 million compared to the prior year.
- Operating earnings increased mainly due to improvements in gross margin that were driven by increased sales volumes, improved production volume leverage, a decrease in commodity costs and improved operational efficiency.
- Higher incentive compensation expenses had an unfavorable impact on operating earnings of \$18.6 million.

### **ELA Furniture Solutions (EMEA, Latin America, and Asia Pacific)**

#### **Fiscal 2017 Compared to Fiscal 2016**

Net sales in the ELA segment were \$385.5 million in fiscal 2017, a decrease of \$27.1 million from fiscal 2016 net sales of \$412.6 million. Orders for fiscal 2017 totaled \$384.9 million, a decrease of \$32.2 million from fiscal 2016. Operating earnings within ELA for fiscal 2017 were \$30.8 million, a \$4.5 million decrease from fiscal 2016.

- Fiscal 2016 included the results of the company's dealership in Australia that was divested at the end of the fourth quarter of fiscal 2016. Accordingly, net sales for the ELA segment decreased by \$30.8 million due to the divestiture. The divestiture also decreased orders by \$32.8 million year-over-year.
- Increased sales volumes within the ELA segment of approximately \$17 million were driven by increases within the Europe, Latin America and Asia regions. The largest increases were due to larger project activity in mainland Europe, Mexico, Brazil, Japan and China.
- Deeper discounting, net of incremental price increases, decreased fiscal 2017 net sales by an estimated \$6 million.
- Foreign currency translation decreased net sales by approximately \$13.9 million.
- The impact of the extra week increased net sales by \$6.3 million in fiscal 2017.
- The divestiture of the company's dealership in Australia decreased operating earnings by \$1.6 million.
- Operating earnings were also reduced in fiscal 2017 by \$1.0 million due to restructuring expenses, related primarily to severance costs.
- Fiscal 2016 included nonrecurring gains related to the sale of a former manufacturing facility in the United Kingdom and the divestiture of the company's dealership in Australia. Accordingly, the operating earnings for the ELA segment decreased by \$6.1 million due to the nonrecurring gains recorded in fiscal 2016.

#### **Fiscal 2016 Compared to Fiscal 2015**

Net sales increased to \$412.6 million in fiscal 2016, and increase of \$2.7 million as compared to fiscal 2015 of \$409.9 million. Orders for fiscal 2016 totaled \$417.0 million, a decrease of \$0.6 million from fiscal 2015. Operating earnings within ELA for fiscal 2016 were \$35.3 million, a \$9.4 million increase from fiscal 2015.

- Improved sales volumes within Australia, Mexico and China increased in net sales by approximately \$31 million.
- Changes in pricing, net of incremental discounting, decreased fiscal 2016 net sales by about \$2 million compared to the prior year.
- The impact of foreign currency translation decreased net sales by approximately \$26.1 million.

- Gross margin improvements driven by increased sales volumes, manufacturing efficiency as well as decreased material and freight costs provided a favorable impact on operating earnings.
- Nonrecurring gains related to the sale of a former manufacturing facility in the United Kingdom and the divestiture of the company's dealership in Australia increased operating earnings by \$6.1 million.
- The impact of foreign currency changes decreased fiscal 2015 operating earnings for ELA by approximately \$7 million.

## Specialty

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### Fiscal 2017 Compared to Fiscal 2016

Net sales within the Specialty reportable segment were \$232.4 million in fiscal 2017, an improvement of \$0.6 million as compared to \$231.8 million in fiscal 2016. Orders for fiscal 2017 totaled \$232.0 million, a decrease of \$2.8 million from \$234.8 million in fiscal 2016. Operating earnings within the Specialty reportable segment totaled \$17.7 million for the year, an increase of \$1.3 million from \$16.4 million in fiscal 2016.

- The impact of an extra week in fiscal 2017 increased net sales by approximately \$3.0 million as compared to the prior year.
- Sales volumes within the Specialty segment decreased by approximately \$2.0 million. This decrease was driven by lower sales volumes within the Geiger and Maharam subsidiaries, offset by an increase in sales within the Herman Miller Collection business.
- Improved operational efficiencies and lower benefit costs had a favorable impact on operating earnings, which was partially offset by increased marketing and selling costs.

### Fiscal 2016 Compared to Fiscal 2015

Net sales within the Specialty reportable segment were \$231.8 million during fiscal 2016, an improvement of \$11.9 million as compared to fiscal 2015. Orders for fiscal 2016 totaled \$234.8 million, an increase of \$13.4 million from fiscal 2015. Operating earnings within the Specialty reportable segment totaled \$16.4 million for the year, an increase of \$2.9 million from fiscal 2015.

- Improved sales volumes increased net sales by \$10.9 million, which was driven by increases within the Herman Miller Collection and Geiger subsidiary.
- Changes in pricing, net of incremental discounting, increased fiscal 2016 net sales by an estimated \$2 million compared to the prior year.
- Increased sales volumes and improved operational efficiencies had a favorable impact on operating earnings.
- Higher incentive compensation expenses and increased marketing and selling costs had an unfavorable impact on operating earnings of \$2.3 million and \$1.9 million, respectively.

## Consumer

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### Fiscal 2017 Compared to Fiscal 2016

Net sales totaled \$318.1 million for the year, an increase of 10.2 percent over the fiscal 2016 amount of \$288.7 million. Orders of \$318.4 million increased 9.1 percent over fiscal 2016. Operating earnings for the year were \$5.3 million or 1.7 percent of sales as compared to operating earnings of \$8.1 million or 2.8 percent of sales for fiscal 2016.

- Increased sales volumes of approximately \$29.4 million were due to improvements across several Consumer sales channels, including studios, e-commerce, contract and direct-mail catalogs.
- The impact of the extra week increased net sales by \$4.7 million in fiscal 2017 as compared to prior year.
- Operating expenses within the Consumer segment were higher than the prior year primarily as a result of increased investments in information technology, marketing and investments in personnel supporting the contract and e-commerce channels.
- Incremental pre-opening costs related to non-comparable studios increased operating expenses relative to the prior year and had a negative impact on operating earnings of approximately \$8 million compared to fiscal 2016.

### Fiscal 2016 Compared to Fiscal 2015

Net sales for the Consumer reportable segment increased to \$288.7 million in fiscal 2016, an increase of \$18.2 million from fiscal 2015 net sales of \$270.5 million. Orders for fiscal 2016 totaled \$291.7 million, an increase of \$20.0 million from fiscal 2015. Operating earnings within the Consumer segment were \$8.1 million during fiscal 2016 as compared to operating earnings of \$14.7 million in fiscal 2015.

- The fiscal year ended May 30, 2015 included 44 weeks of DWR operations (as the acquisition of DWR was completed on July 28, 2014). Accordingly, approximately \$30.2 million of the year-over-year net sales increase for this segment is due to the inclusion of DWR operations for the full twelve months of fiscal year 2016.
- Adjusted for the impact of this partial period consolidation during fiscal 2015 and the impact of foreign currency translation, which increased net sales by \$0.8 million, net sales for the Consumer segment decreased \$11.2 million as compared to fiscal 2015. This was driven by the closing of legacy DWR studios, selling activity interruptions from the implementation of a new ERP system at DWR and the rationalization of independent retail distributors.

- The decrease in operating earnings was driven by a reduction in the gross margin percentage at DWR due to a shift in mix to lower margin channels, the impact of promotional activity related to shipping and certain period costs associated with an ERP implementation.
- An increase in DWR operating expenses of \$8.2 million decreased operating earnings. The increase in operating expenses was due to increased marketing investment, higher staffing levels and incremental occupancy costs that were driven by studio opening costs and double rent associated with new studio openings. These factors were partially offset by inventory-related purchase accounting adjustments that reduced prior year operating earnings by approximately \$7.8 million.

## Liquidity and Capital Resources

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

(In millions)	Fiscal Year Ended		
	2017	2016	2015
Cash and cash equivalents, end of period	\$ 96.2	\$ 84.9	\$ 63.7
Marketable securities, end of period	\$ 8.6	\$ 7.5	\$ 5.7
Cash provided by operating activities	\$ 202.1	\$ 210.4	\$ 167.7
Cash used for investing activities	\$ (116.3)	\$ (80.8)	\$ (213.6)
Cash provided by (used for) financing activities	\$ (74.6)	\$ (106.5)	\$ 6.8
Pension and post-retirement benefit plan contributions	\$ (1.1)	\$ (1.2)	\$ 1.4
Capital expenditures	\$ (87.3)	\$ (85.1)	\$ (63.6)
Stock repurchased	\$ (23.7)	\$ (14.1)	\$ (3.7)
Interest-bearing debt, end of period	\$ 199.9	\$ 221.9	\$ 289.8
Available unsecured credit facilities, end of period <sup>(1)</sup>	\$ 391.7	\$ 232.1	\$ 164.5

(1) Amounts shown are net of outstanding letters of credit, which are applied against the company's unsecured credit facility. During fiscal 2015, the company renegotiated the unsecured revolving credit facility. Refer to Note 5 of the Consolidated Financial Statements for additional information.

### Cash Flow — Operating Activities

Cash generated from operating activities in fiscal 2017 totaled \$202.1 million compared to \$210.4 million generated in the prior year.

Changes in working capital balances resulted in a \$23.5 million use of cash compared to a \$6.0 million use of cash in the prior year. The cash outflow related to changes in working capital balances was driven primarily by an increase in inventory of \$29.9 million and a decrease in accounts payable of \$11.2 million. The increase in inventory as of fiscal 2017 as compared to fiscal 2016 was driven mainly by an increase at the company's DWR subsidiary, due to studio openings and year-end inventory stocking for upcoming promotional events and new product launches. This was partially offset by a decrease in trade receivables of \$17.3 million.

During fiscal 2016, changes in working capital balances resulted in a \$6.0 million use of cash compared to a \$3.5 million source of cash in the prior year. The use of cash related to changes in working capital balances in fiscal 2016 consisted primarily of an increase in trade receivables of \$30.5 million, an increase in inventory of \$6.0 million and an increase in prepaid expenses of \$11.7 million. This was partially offset by an increase in accrued compensation and benefits of \$19.4 million, an increase in accounts payable of \$8.7 million and an increase in other accrued liabilities of \$14.1 million.

Collections of accounts receivable remained strong throughout fiscal 2017, and the company's recorded accounts receivable allowances at the end of the year are believed to be adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 1.7 percent, 2.0 percent and 1.7 percent at the end of fiscal years 2017, 2016 and 2015, respectively.

### Cash Flow — Investing Activities

Capital expenditures totaled \$87.3 million, \$85.1 million and \$63.6 million in fiscal 2017, 2016, and 2015, respectively. The increase in capital expenditures of \$2.2 million from fiscal 2017 to fiscal 2016 was driven primarily by capital expenditures associated with the opening of new DWR retail studio locations.

The increase in capital expenditures of \$21.5 million from fiscal 2015 to fiscal 2016 was driven primarily by payments related to the construction of a new facility in the United Kingdom for the purpose of consolidating manufacturing and distribution activities, as well as capital expenditures associated with product development and the opening of new DWR retail studio locations.

In fiscal 2017, the company repaid loans against the cash surrender value of life insurance policies in the amount of \$15.3 million, which has been recorded within investing activities. The cash surrender value of the company-owned life insurance policies and the loans were previously recorded net within "Other noncurrent assets" within the Condensed Consolidated Balance Sheets.

Cash proceeds from sale of dealers and properties were zero, \$10.7 million and \$0.6 million in fiscal 2017, 2016, and 2015, respectively. During fiscal 2017, the company sold its wholly-owned contract furniture dealership in Pennsylvania in exchange for a \$3.0 million note receivable. Cash proceeds received in the prior year was driven mainly by the sale of a former manufacturing facility in the United Kingdom for \$4.8 million and the divestiture of the company's remaining 75 percent equity stake in its dealership in Australia for \$2.7 million.

Outstanding commitments for future capital purchases at the end of fiscal 2017 were approximately \$16.3 million. The company expects capital spending in fiscal 2018 to be between \$90 million and \$100 million. The capital spending will be allocated primarily to planned investments in product development and retail studio openings.

Included in the fiscal 2017, 2016 and 2015 investing activities are net cash outflows related to the acquisition of consolidated and non-consolidated entities. The followings amounts represent the primary investments that drove the cash outflows:

(In millions)	2017	2016	2015
Naughtone Holdings Limited	\$ 11.6		
George Nelson Bubble Lamp Product Line		\$ 3.6	
Design Within Reach (DWR)			\$ 154.0

Our net marketable securities transactions for fiscal 2017 yielded a \$1.1 million use of cash. This compares to a \$1.7 million use of cash and \$5.3 million source of cash in fiscal 2016 and fiscal 2015, respectively.

### **Cash Flow — Financing Activities**

In fiscal 2017, cash used for financing activities was \$74.6 million as compared to cash used for financing activities of \$106.5 million in fiscal 2016. Cash outflows from net payments on the revolving credit facility were \$22 million during fiscal 2017. By comparison, cash outflows from net payments on the revolving credit facility were \$68.0 million during fiscal 2016.

Cash paid for repurchases of common stock was \$23.7 million in the current year as compared to \$14.1 million in the prior year. Additionally, in fiscal 2017 there was an increase in cash inflows from the issuance of shares related to stock-based compensation plans. The company received \$11.7 million related to stock-based compensation plans in fiscal 2017 compared to \$9.2 million in fiscal 2016.

In fiscal 2016, cash used for financing activities was \$106.5 million, as compared to cash provided by financing activities of \$6.8 million in fiscal 2015. Cash outflows from net payments on the revolving credit facility were \$68.0 million during fiscal 2016. By comparison, cash inflows from net borrowings were \$40.0 million during fiscal 2015.

Cash outflows for dividend payments were \$39.4 million, \$34.9 million and \$33.3 million fiscal 2017, 2016 and 2015, respectively.

Cash paid for repurchases of common stock was \$14.1 million in fiscal 2016 as compared to \$3.7 million in fiscal 2015. Additionally, in fiscal 2016 there was an increase in cash inflows from the issuance of shares related to stock-based compensation plans. The company received \$9.2 million related to stock-based compensation plans in fiscal 2016 compared to \$7.8 million in fiscal 2015.

Certain minority shareholders in a subsidiary have the right, at certain times, to require the company to acquire a portion of their ownership interest in those entities at fair value. It is possible that within the next three fiscal years the company could be required to acquire this ownership interest. The fair value of this redeemable noncontrolling interest as of June 3, 2017 was \$24.6 million and is included within "Redeemable noncontrolling interests" on the Consolidated Balance Sheets.

### **Sources of Liquidity**

In addition to cash flows from operating activities, the company has access to liquidity through credit facilities, cash and cash equivalents and short-term investments. These sources have been summarized below. For additional information, see Note 5 to the consolidated financial statements.

(In millions, )	June 3, 2017	May 28, 2016
Cash and cash equivalents	\$ 96.2	\$ 84.9
Marketable securities	\$ 8.6	\$ 7.5
Availability under revolving lines of credit	\$ 391.7	\$ 232.1

At the end of fiscal 2017, the company had cash and cash equivalents of \$96.2 million, including foreign cash and cash equivalents of \$78.5 million. In addition, the company had foreign marketable securities of \$8.6 million. The foreign subsidiary holding the company's marketable securities is taxed as a U.S. taxpayer at the company's election. Consequently, for tax purposes, all U.S. tax impacts for this subsidiary have been recorded. The company's intent is to permanently reinvest the foreign cash amounts outside the U.S. The company's plans do not

demonstrate a need to repatriate these balances to fund U.S. operations. The company repatriated zero, \$0.7 million and zero of foreign earnings during fiscal years 2017, 2016 and 2015, respectively.

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

## Contingencies

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

## Basis of Presentation

The company's fiscal year ends on the Saturday closest to May 31. The fiscal year ended June 3, 2017 had 53 weeks of operations while fiscal years ended May 28, 2016 and May 30, 2015 each contained 52 weeks of operations.

## 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 5 of the Consolidated Financial Statements. Additional information related to operating leases can be found in Note 6 of the Consolidated Financial Statements.

(In millions)	Payments due by fiscal year				
	Total	2018	2019-2020	2021-2022	Thereafter
Long-term debt <sup>(1)</sup>	\$ 199.9	\$ —	\$ —	\$ 50.0	\$ 149.9
Estimated interest on debt obligations <sup>(2)</sup>	83.3	11.4	19.3	15.5	37.1
Operating leases	329.2	47.0	77.5	63.2	141.5
Purchase obligations <sup>(3)</sup>	45.4	35.2	6.2	1.0	3.0
Pension plan funding <sup>(4)</sup>	0.9	0.4	0.1	0.1	0.3
Stockholder dividends <sup>(5)</sup>	10.2	10.2	—	—	—
Other <sup>(6)</sup>	18.9	1.7	3.3	3.1	10.8
Total	<u>\$ 687.8</u>	<u>\$ 105.9</u>	<u>\$ 106.4</u>	<u>\$ 132.9</u>	<u>\$ 342.6</u>

(1) The notes maturing in fiscal 2018 have been included as long-term debt in the table above as the company has both the intent and ability to refinance this short-term obligation on a long-term basis, through the use of its syndicated revolving line of credit.

(2) Estimated future interest payments on our outstanding debt obligations are based on interest rates as of June 3, 2017. Actual cash outflows may differ significantly due to changes in underlying timing of principal payments.

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

(4) Pension plan funding commitments are known for a 12-month period for those plans that are funded; unfunded pension and post-retirement plan funding amounts are equal to the estimated benefit payments. As of June 3, 2017, the total projected benefit obligation for our domestic and international employee pension benefit plans was \$114.8 million.

(5) Represents the dividend payable as of June 3, 2017. Future dividend payments are not considered contractual obligations until declared.

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

## Off-Balance Sheet Arrangements — Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds and indemnification provisions. These arrangements are accounted for and disclosed in accordance with Accounting Standards Codification (ASC) Topic 460, "Guarantees" as described in Note 12 of the Consolidated Financial Statements.



## Critical Accounting Policies and Estimates

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

### **Revenue Recognition**

As described in the "Executive Overview," the majority of our products and services are sold through one of six channels: independent and owned contract furniture dealers, direct to end customers, DWR retail studios, e-commerce, DWR direct-mail catalogs and independent retailers. We recognize revenue on sales to independent dealers, licensees and retailers once products are shipped and title passes to the buyer. When we sell product directly to the end customer or through owned dealers or retail studios, we recognize revenue once the product and services are shipped, title and risk of loss have transferred to the customer and installation is substantially complete, if applicable.

Amounts recorded as net sales generally include any freight charged to customers, with the related freight expenses recognized within cost of sales. Items such as discounts off list price, rebates and other price related incentives are recorded as reductions to net sales. We record accruals for rebates and other marketing programs, which require us to make estimates about future customer buying patterns and market conditions. Customer sales that reach (or fail to reach) certain levels can affect the amount of such estimates and actual results could differ from our estimates.

### **Receivable Allowances**

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

The accounts receivable allowance totaled \$3.3 million and \$4.3 million at June 3, 2017 and May 28, 2016, respectively. As a percentage of gross accounts receivable, these allowances totaled 1.7 percent and 2.0 percent for fiscal 2017 and fiscal 2016, respectively. The year-over-year decrease in the allowance is primarily due to fewer customer-specific reserves in the current year, relative to the prior year.

### **Goodwill and Indefinite-lived Intangibles**

The carrying value of goodwill and indefinite-lived intangible assets as of June 3, 2017 and May 28, 2016, was \$382.6 million and \$390.5 million, respectively. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently, if changes in circumstances or the occurrence of events suggest that impairment exists. The company performs the annual goodwill and indefinite-lived intangible assets impairment testing during the fourth quarter of the fiscal year.

The company completed the required annual goodwill impairment test in the fourth quarter of fiscal 2017, as of April 1, 2017, performing a combination of the qualitative assessment and the quantitative impairment test. For the reporting units that were tested under the qualitative assessment, the company determined that it was more likely than not that the goodwill of the reporting units were not impaired, and thus, the two-step quantitative impairment test was unnecessary. For the reporting units that were tested under the quantitative impairment test, the company determined that the fair value of the reporting units exceeded the carrying amount and, as such, the reporting units were not impaired and the second step of the impairment test was not necessary.

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

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



The company performs both qualitative and quantitative assessments to determine whether an indefinite-lived intangible asset is impaired. A qualitative assessment is performed first to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after considering the totality of events and circumstances, an entity determines it is more likely than not that an indefinite-lived intangible asset is not impaired, then calculating the fair value of such asset is unnecessary. The quantitative impairment test, when necessary, is based on the relief from royalty method to determine the fair value of the indefinite-lived intangible assets, which is both a market-based approach and an income-based approach. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. This method involves estimating theoretical future after tax royalty payments based on the company's forecasted revenues attributable to the trade names. These payments are then discounted to present value utilizing a discount rate that considers the after-corporate tax required rate of return applicable to the asset. The projected revenues reflect the best estimate of management for the trade names; however, actual revenues could differ from our estimates.

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

During fiscal 2017, the company recognized pre-tax asset impairment expenses totaling \$7.1 million associated with the Nemschoff trade name, after which there is no remaining carrying value for this trade name. This impairment expense was incurred due to the fact that the forecasted revenue and profitability of the business did not support the recorded fair value for the trade name. There was no impairment indicated on indefinite-lived intangible assets in fiscal 2016 as a result of our impairment testing. In fiscal 2015, the company recognized pre-tax asset impairment expenses totaling \$10.8 million associated with the POSH trade name. Although profitability associated with the POSH trade name increased as compared to fiscal 2014, forecasts developed during the fourth quarter of fiscal 2015 indicated that forecasts of revenue and profitability no longer supported the value of the trade name intangible asset.

### ***Long-lived Assets***

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

### ***Warranty Reserve***

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

### ***Inventory Reserves***

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

### ***Income Taxes***

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses.

See Note 10 of the Consolidated Financial Statements for information regarding the company's uncertain tax positions.

The company has net operating loss (NOL) carryforwards available in certain jurisdictions to reduce future taxable income. The company also has foreign tax credits available in certain jurisdictions to reduce future tax due. Future tax benefits for NOL carryforwards and foreign tax credits are recognized to the extent that realization of these benefits is considered more likely than not. This determination is based on the expectation

that related operations will be sufficiently profitable or various tax planning strategies available to us will enable us to utilize the NOL carryforwards and/or foreign tax credits. When information becomes available that raises doubts about the realization of a deferred income tax asset, a valuation allowance is established.

### Self-Insurance Reserves

With the assistance of independent actuaries, reserves are established for workers' compensation and general liability exposures. The reserves are established based on expected future claims for incurred losses. The company also establishes reserves for health, prescription drugs and dental benefit exposures based on historical claims information along with certain assumptions about future trends. The methods and assumptions used to determine the liabilities are applied consistently, although, actual claims experience can vary. The company also maintains insurance coverage for certain risk exposures through traditional, premium-based insurance policies. The company's health benefits retention level does not include an aggregate stop loss policy. The company's retention levels designated within significant insurance arrangements as of June 3, 2017, are as follows:

(In millions)	Retention Level (per occurrence)	
General liability and auto liability/physical damage	\$	1.00
Workers' compensation and property	\$	0.75

### Pension and other Post-Retirement Benefits

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

- Discount Rate* — This assumption is established at the end of the fiscal year based on high-quality corporate bond yields. The company utilizes the services of an independent actuarial firm to assist in determining the rate. Future expected actuarially determined cash flows for the company's domestic pension, international pension and post-retirement medical plans are individually discounted at the spot rates under the Mercer Yield Curve to arrive at the plan's obligations as of the measurement date.
- Expected Long-Term Rate of Return* — The company bases this assumption on our long-term assumed rates of return for equities and fixed income securities, weighted by the allocation of the invested assets of the pension plan. The company considers likely returns and risk factors specific to the various classes of investments and advice from independent actuaries in establishing this rate. Changes in the investment allocation of plan assets would impact this assumption. A shift to a higher relative percentage of fixed income securities, for example, would result in a lower assumed rate.

While the above assumption represents the long-term market return expectation, actual asset returns can and do differ from year-to-year. Such differences give rise to actuarial gains and losses. In years where actual market returns are lower than the assumed rate, an actuarial loss is generated. Conversely, an actuarial gain results when actual market returns exceed the assumed rate in a given year. As of June 3, 2017, and May 28, 2016, the net actuarial loss associated with the employee pension and post-retirement benefit plans totaled approximately \$50.6 million and \$39.4 million, respectively.

Changes in the discount rate and return on assets can have a significant effect on the expense and obligations related to our pension plans. The company cannot reasonably predict if adjustments impacting the expense or obligation from changes in these estimates will be significant. Both the June 3, 2017 pension funded status and 2018 expense are affected by year end 2017 discount rate and expected return on assets assumptions. Any change to these assumptions will be specific to the time periods noted and may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

The effect of a 1 percent increase/(decrease) in discount rates and expected return on assets on the projected fiscal 2018 expense and the pension obligation as at June 3, 2017 is shown below:

(In millions) Assumption	2018 Expense		June 3, 2017 Obligation	
	U.S.	International	U.S.	International
Discount rate	—	\$ (1.5) / 1.9	\$ (0.3) / 0.4	\$ (21.2) / 28.8
Expected return on assets	—	\$ (0.8) / 0.8	—	—

For purposes of determining annual net pension expense, the company uses a calculated method for determining the market-related value of plan assets. Under this method, the company recognizes the change in fair value of plan assets systematically over a five-year period. Accordingly,

a portion of the net actuarial loss is deferred. As of June 3, 2017, the deferred net actuarial loss (i.e., the portion of the total net actuarial loss not subject to amortization) was \$0.9 million.

Refer to Note 7 of the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

### **Stock-Based Compensation**

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

- *Expected Volatility* — This represents a measure, expressed as a percentage, of the expected fluctuation in the market price of the company's common stock. As a point of reference, a high volatility percentage would assume a wider expected range of market returns for a particular security. All other assumptions held constant, this would yield a higher stock option valuation than a calculation using a lower measure of volatility. In measuring the fair value of the majority of stock options issued during fiscal 2017, we utilized an expected volatility of 26 percent. Certain options related to the Herman Miller Consumer Holdings (HMCH) Stock Option Plan are classified as a liability within the Consolidated Balance Sheets. As of June 3, 2017, an expected volatility of 35 percent was used in the year end liability valuation.
- *Expected Term of Options* — This assumption represents the expected length of time between the grant date of a stock option and the date at which it is exercised (option life). The company assumed an average expected term of 4.0 years in calculating the fair values of the majority of stock options issued during fiscal 2017, except for the HMCH Stock Option Plan, where we utilized an average expected term of 2.1 years.

Refer to Note 9 of the Consolidated Financial Statements for further discussion on our stock-based compensation plans.

### **Contingencies**

In the ordinary course of business, the company encounters matters that raise the potential for contingent liabilities. In evaluating these matters for accounting treatment and disclosure, the company is required to apply judgment to determine the probability that a liability has been incurred. The company is also required to measure, if possible, the dollar value of such liabilities in determining whether or not recognition in our financial statements is required. This process involves the use of estimates which may differ from actual outcomes. Refer to Note 12 of the Consolidated Financial Statements for more information relating to contingencies.

### **New Accounting Standards**

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

### **Forward Looking Statements**

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This information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, employment and general economic conditions, the pace of economic recovery in the U.S and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, the ability to increase prices to absorb the additional costs of raw materials, the financial strength of our dealers and the financial strength of our customers, our ability to locate new DWR studios, negotiate favorable lease terms for new and existing locations and the implementation of our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets

we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc. undertakes no obligation to update, amend or clarify forward-looking statements.

## **Item 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### ***Direct Material Costs***

The company is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The largest of such costs incurred by the company are for steel, plastics, textiles, wood particleboard, and aluminum components. The impact from changes in all commodity prices increased the company's costs by approximately \$9 million during fiscal 2017 compared to the prior year. The impact from changes in commodity prices decreased the company's costs by approximately \$20 million during fiscal 2016 as compared to fiscal 2015.

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

### ***Foreign Exchange Risk***

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

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British pound sterling, euro, Canadian dollar, Japanese yen, Mexican peso, Hong Kong dollar and Chinese renminbi. As of June 3, 2017, the company had outstanding, thirteen forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. One forward contract was placed to offset a 35.0 million Hong Kong dollar-denominated net asset exposure. Two forward contracts were placed to offset an 11.6 million euro-denominated net asset exposure. Three forward contracts were placed to offset a 12.0 million U.S. dollar-denominated net liability exposure. One forward contract was placed to offset an 8.5 million South African rand-denominated net asset exposure. Five forward contracts were placed to offset a 13.3 million U.S. dollar-denominated net liability exposure. One forward contract was placed to offset a 5.8 million euro-denominated net liability exposure.

As of May 28, 2016, 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. One forward contract was placed to offset a 52.9 million Hong Kong dollar-denominated net asset exposure. Two forward contracts were placed to offset a 9.3 million euro-denominated net asset exposure. Five forward contracts were placed to offset a 13.6 million U.S. dollar-denominated net asset exposure. One forward contract was placed to offset a 6.6 million South African rand-denominated net asset exposure. One forward contract was placed to offset a 0.7 million Canadian dollar-denominated net asset exposure. One forward contract was placed to offset a 1.0 million euro-denominated net liability exposure. Five forward contracts were placed to offset a 13.1 million U.S. dollar-denominated net liability exposure.

A net loss of \$0.7 million, \$0.7 million and \$2.1 million related to the cost of the foreign currency hedges and remeasuring all foreign currency transactions into the appropriate functional currency was included in net earnings for the fiscal years ended June 3, 2017, May 28, 2016 and May 30, 2015, respectively. These amounts are included in "Other Expenses (Income)" in the Consolidated Statements of Comprehensive Income. Additionally, the cumulative effect of translating the balance sheet and income statement accounts from the functional currency into the United States dollar increased the accumulated comprehensive loss component of total stockholders' equity by \$7.2 million, \$8.8 million and \$9.7 million as of the end of as of the end of fiscal 2017, 2016 and 2015, respectively.

### ***Interest Rate Risk***

During the fiscal year ended June 3, 2017, the company entered into an interest rate swap agreement with an aggregate notional amount of \$150.0 million, 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 will convert \$150.0 million of its outstanding indebtedness 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. On January 3, 2018, the company

will borrow on its variable rate revolving credit facility in order to pay off \$150.0 million of Series B Senior Notes. These variable rate borrowings will be converted from variable to fixed through the use of the interest rate swap.

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

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

The combined fair market value and net asset amount of the effective interest rate swap instruments was \$2.1 million at June 3, 2017. The swap instrument has a forward start date of January 3, 2018 hence had no impact on total interest expense in fiscal 2017. All cash flows related to the company's interest rate swap instruments are denominated in U.S. dollars. For further information, refer to Notes 5 and 11 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)	2018	2019	2020	2021	2022	Thereafter	Total <sup>(1)</sup>
Long-Term Debt - Fixed rate:							
Interest rate = 6.42% <sup>(2)</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 149.9	\$ 149.9
Interest rate = 6.00%	\$ —	\$ —	\$ —	\$ 50.0	\$ —	\$ —	\$ 50.0

(1) Amount does not include the recorded fair value of the swap instrument, which totaled \$2.1 million at the end of fiscal 2017.

(2) The company will have debt outstanding related to its Series B Senior Notes at a fixed interest rate of 6.42 percent until January 3, 2018. At that point in time, the company will borrow on its variable rate revolving credit facility in order to pay off notes. The company's revolving credit facility has a variable interest rate, but due to the interest rate swap, the rate will be fixed at 1.949% as demonstrated in the table above.

**Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Herman Miller, Inc.**  
**Consolidated Statements of Comprehensive Income**

(In millions, except per share data)	Fiscal Years Ended		
	June 3, 2017	May 28, 2016	May 30, 2015
Net sales	\$ 2,278.2	\$ 2,264.9	\$ 2,142.2
Cost of sales	1,414.0	1,390.7	1,350.8
Gross margin	864.2	874.2	791.4
Operating expenses:			
Selling, general and administrative	587.8	585.6	543.9
Restructuring and impairment expenses	12.5	—	12.7
Design and research	73.1	77.1	71.4
Total operating expenses	673.4	662.7	628.0
Operating earnings	190.8	211.5	163.4
Other expenses (income):			
Interest expense	15.2	15.4	17.5
Interest and other investment income	(2.2)	(0.8)	(0.6)
Other, net	0.2	0.3	1.3
Net other expenses	13.2	14.9	18.2
Earnings before income taxes	177.6	196.6	145.2
Income tax expense	55.1	59.5	47.2
Equity earnings from nonconsolidated affiliates, net of tax	1.6	0.4	0.1
Net earnings	124.1	137.5	98.1
Net earnings attributable to noncontrolling interests	0.2	0.8	0.6
<b>Net earnings attributable to Herman Miller, Inc.</b>	<b>\$ 123.9</b>	<b>\$ 136.7</b>	<b>\$ 97.5</b>
Earnings per share — basic	\$ 2.07	\$ 2.28	\$ 1.64
Earnings per share — diluted	\$ 2.05	\$ 2.26	\$ 1.62
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	\$ (7.2)	\$ (8.8)	\$ (9.7)
Pension and post-retirement liability adjustments	(12.7)	0.5	(8.6)
Unrealized gains on interest rate swap agreement	2.1	—	—
Unrealized holding gain on available for sale securities	0.1	—	—
Total other comprehensive loss	(17.7)	(8.3)	(18.3)
Comprehensive income	106.4	129.2	79.8
Comprehensive income attributable to noncontrolling interests	0.2	0.8	0.6
<b>Comprehensive income attributable to Herman Miller, Inc.</b>	<b>\$ 106.2</b>	<b>\$ 128.4</b>	<b>\$ 79.2</b>

**Herman Miller, Inc.**  
**Consolidated Balance Sheets**

(In millions, except share and per share data)

	June 3, 2017	May 28, 2016
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 96.2	\$ 84.9
Marketable securities	8.6	7.5
Accounts and notes receivable, less allowances of \$3.3 in 2017 and \$4.3 in 2016	186.6	211.0
Inventories, net	152.4	128.2
Prepaid taxes	17.7	20.4
Other	30.4	28.5
<b>Total Current Assets</b>	<b>491.9</b>	<b>480.5</b>
Property and Equipment:		
Land and improvements	24.0	24.1
Buildings and improvements	229.0	205.7
Machinery and equipment	662.4	645.3
Construction in progress	53.3	53.9
<b>Gross Property and Equipment</b>	<b>968.7</b>	<b>929.0</b>
Less: Accumulated depreciation	(654.1)	(648.9)
<b>Net Property and Equipment</b>	<b>314.6</b>	<b>280.1</b>
Goodwill	304.5	305.3
Indefinite-lived intangibles	78.1	85.2
Other amortizable intangibles, net	45.4	50.8
Other assets	71.8	33.3
<b>Total Assets</b>	<b>\$ 1,306.3</b>	<b>\$ 1,235.2</b>
<b>Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 148.4	\$ 165.6
Accrued compensation and benefits	79.7	85.2
Accrued warranty	47.7	43.9
Unearned revenue	33.2	35.4
Other accrued liabilities	76.7	59.9
<b>Total Current Liabilities</b>	<b>385.7</b>	<b>390.0</b>
Long-term debt	199.9	221.9
Pension and post-retirement benefits	38.5	25.8
Other liabilities	69.9	45.8
<b>Total Liabilities</b>	<b>694.0</b>	<b>683.5</b>
<b>Redeemable noncontrolling interests</b>	<b>24.6</b>	<b>27.0</b>
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, 59,715,824 and 59,868,276 shares issued and outstanding in 2017 and 2016, respectively)	11.9	12.0
Additional paid-in capital	139.3	142.7
Retained earnings	519.5	435.3
Accumulated other comprehensive loss	(82.2)	(64.5)
Key executive deferred compensation	(1.0)	(1.1)
<b>Herman Miller, Inc. Stockholders' Equity</b>	<b>587.5</b>	<b>524.4</b>
Noncontrolling interests	0.2	0.3
<b>Total Stockholders' Equity</b>	<b>587.7</b>	<b>524.7</b>
<b>Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity</b>	<b>\$ 1,306.3</b>	<b>\$ 1,235.2</b>

**Herman Miller, Inc.**  
**Consolidated Statements of Stockholders' Equity**

	Fiscal Years Ended		
	June 3, 2017	May 28, 2016	May 30, 2015
<b>Preferred Stock</b>			
Balance at beginning of year and end of year	\$ —	\$ —	\$ —
<b>Common Stock</b>			
Balance at beginning of year	\$ 12.0	\$ 11.9	\$ 11.9
Repurchase and retirement of common stock	(0.1)	—	—
Restricted stock units released	—	0.1	—
Balance at end of year	\$ 11.9	\$ 12.0	\$ 11.9
<b>Additional Paid-in Capital</b>			
Balance at beginning of year	\$ 142.7	\$ 135.1	\$ 122.4
Exercise of stock options	9.4	6.6	5.7
Repurchase and retirement of common stock	(23.7)	(14.1)	(3.7)
Employee stock purchase plan issuances	1.9	1.7	1.6
Stock-based compensation expense	9.1	11.9	8.6
Excess tax benefit for stock-based compensation	(0.6)	0.8	0.4
Restricted stock units released	0.3	0.2	0.2
Deferred compensation plan	(0.1)	(0.1)	(0.5)
Directors' fees	0.3	0.6	0.4
Balance at end of year	\$ 139.3	\$ 142.7	\$ 135.1
<b>Retained Earnings</b>			
Balance at beginning of year	\$ 435.3	\$ 330.2	\$ 269.6
Net income attributable to Herman Miller, Inc.	123.9	136.7	97.5
Dividends declared on common stock (per share - 2017: \$0.68; 2016: \$0.59; 2015: \$0.56)	(40.9)	(35.6)	(33.6)
Noncontrolling interests redemption value adjustment	1.2	4.0	(3.3)
Balance at end of year	\$ 519.5	\$ 435.3	\$ 330.2
<b>Accumulated Other Comprehensive Loss</b>			
Balance at beginning of year	\$ (64.5)	\$ (56.2)	\$ (37.9)
Other comprehensive loss	(17.7)	(8.3)	(18.3)
Balance at end of year	\$ (82.2)	\$ (64.5)	\$ (56.2)
<b>Key Executive Deferred Compensation</b>			
Balance at beginning of year	\$ (1.1)	\$ (1.2)	\$ (1.7)
Deferred compensation plan	0.1	0.1	0.5
Balance at end of year	\$ (1.0)	\$ (1.1)	\$ (1.2)
<b>Herman Miller, Inc. Stockholders' Equity</b>	<b>\$ 587.5</b>	<b>\$ 524.4</b>	<b>\$ 419.8</b>
<b>Noncontrolling Interests</b>			
Balance at beginning of year	\$ 0.3	\$ 0.5	\$ —
Initial origination of noncontrolling interests	—	—	6.0
Net income attributable to noncontrolling interests	—	0.3	0.1
Deconsolidation of entity with noncontrolling interests	—	(0.5)	—
Stock-based compensation expense	(0.1)	—	0.2
Purchase of noncontrolling interests	—	—	(5.8)
Balance at end of year	\$ 0.2	\$ 0.3	\$ 0.5
<b>Total Stockholders' Equity</b>	<b>\$ 587.7</b>	<b>\$ 524.7</b>	<b>\$ 420.3</b>



**Herman Miller, Inc.**  
**Consolidated Statements of Cash Flows**

(In millions)	Fiscal Years Ended		
	June 3, 2017	May 28, 2016	May 30, 2015
<b>Cash Flows from Operating Activities:</b>			
Net earnings	\$ 124.1	\$ 137.5	\$ 98.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation expense	52.9	47.0	44.2
Amortization expense	6.0	6.0	5.6
Provision for losses on accounts receivable and notes receivable	—	2.2	1.8
Earnings from nonconsolidated affiliates net of dividends received	(1.5)	—	0.3
Gain on sales of property and dealers	—	(5.8)	—
Deferred taxes	14.8	10.4	(8.8)
Pension and post-retirement expenses	0.5	1.4	0.8
Restructuring and impairment expenses	12.5	—	12.7
Stock-based compensation	8.7	11.9	10.0
Excess tax benefits from stock-based compensation	(0.5)	(1.4)	(0.7)
Increase (decrease) in long-term liabilities	6.2	6.7	(1.2)
Changes in current assets and liabilities:			
Decrease (Increase) in accounts receivable	17.3	(30.5)	7.8
Increase in inventories	(29.9)	(6.0)	(9.0)
Increase in prepaid expenses and other	(0.5)	(11.7)	(2.5)
(Decrease) increase in accounts payable	(11.2)	8.7	1.1
Increase in accrued liabilities	0.8	33.5	6.1
Other	1.9	0.5	1.4
<b>Net Cash Provided by Operating Activities</b>	<b>202.1</b>	<b>210.4</b>	<b>167.7</b>
<b>Cash Flows from Investing Activities:</b>			
Net receipts from notes receivable	2.4	0.2	0.9
Marketable securities purchases	(2.0)	(7.8)	—
Marketable securities sales	0.9	6.1	5.3
Capital expenditures	(87.3)	(85.1)	(63.6)
Proceeds from sales of property and dealers	—	10.7	0.6
Payments of loans on cash surrender value of life insurance	(15.3)	—	—
Acquisitions, net of cash received	—	(3.6)	(154.0)
Equity investment in non-controlled entities	(13.1)	—	—
Other, net	(1.9)	(1.3)	(2.8)
<b>Net Cash Used for Investing Activities</b>	<b>(116.3)</b>	<b>(80.8)</b>	<b>(213.6)</b>
<b>Cash Flows from Financing Activities:</b>			
Repayments of long-term debt	—	—	(50.0)
Proceeds from credit facility	794.4	800.8	796.7
Repayments of credit facility	(816.4)	(868.8)	(706.7)
Dividends paid	(39.4)	(34.9)	(33.3)
Common stock issued	11.7	9.2	7.8
Common stock repurchased and retired	(23.7)	(14.1)	(3.7)
Excess tax benefits from stock-based compensation	0.5	1.4	0.7
Payment of contingent consideration obligation	(2.0)	—	—
Purchase of noncontrolling interests	(1.5)	—	(5.8)
Other, net	1.8	(0.1)	1.1
<b>Net Cash Provided by (Used for) Financing Activities</b>	<b>(74.6)</b>	<b>(106.5)</b>	<b>6.8</b>
Effect of exchange rate changes on cash and cash equivalents	0.1	(1.9)	1.3
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>11.3</b>	<b>21.2</b>	<b>(37.8)</b>
Cash and cash equivalents, Beginning of Year	84.9	63.7	101.5
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 96.2</b>	<b>\$ 84.9</b>	<b>\$ 63.7</b>
<b>Other Cash Flow Information</b>			
Interest paid	\$ 13.4	\$ 13.4	\$ 16.9
Income taxes paid, net of cash received	\$ 35.6	\$ 57.6	\$ 48.5

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## 1. Significant Accounting and Reporting Policies

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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 majority-owned 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. Nonconsolidated affiliates (20-50 percent owned companies) are accounted for using the equity method.

### ***Description of Business***

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

### ***Fiscal Year***

The company's fiscal year ends on the Saturday closest to May 31. The fiscal year ended June 3, 2017 contained 53 weeks, while the fiscal years ended May 28, 2016, and May 30, 2015 each 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 is reflected as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheets.

The financial statement impact of gains and losses resulting from remeasuring foreign currency transactions into the appropriate functional currency resulted in a net loss of \$0.7 million, \$0.7 million and \$2.1 million for the fiscal years ended June 3, 2017, May 28, 2016, and May 30, 2015, respectively. These amounts are included in “Other, net” in the Consolidated Statements of Comprehensive Income.

### ***Cash Equivalents***

The company holds cash equivalents as part of its cash management function. Cash equivalents include money market funds and time deposit investments with original maturities of less than three months. The carrying value of cash equivalents, which approximates fair value, totaled \$33.6 million and \$7.5 million as of June 3, 2017 and May 28, 2016, 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 investments are held by the company's wholly owned insurance captive and are considered “available-for-sale” securities. Accordingly, they have been recorded at fair value based on quoted market prices, with the resulting net unrealized holding gains or losses reflected net of tax as a component of “Accumulated other comprehensive loss” in the Consolidated Balance Sheets.

All marketable security transactions are recognized on the trade date. Realized gains and losses on disposal of available-for-sale investments are included in “Interest and other investment income” in the Consolidated Statements of Comprehensive Income. See Note 11 of the Consolidated Financial Statements for additional disclosures of marketable securities.

### ***Accounts Receivable Allowances***

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

### ***Concentrations of Credit Risk***

Our trade receivables are primarily due from independent dealers who, in turn, carry receivables from their customers. We monitor and manage 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 us. In those cases, we may assume the credit risk. Whether from dealers or customers, our 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 market may be adjusted in response to changing conditions. Further information on the company's recorded inventory balances can be found in Note 3 of the Consolidated Financial Statements.

### **Goodwill and Indefinite-lived Intangible Assets**

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

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

Intangible assets with indefinite useful lives are not subject to amortization and are evaluated annually for impairment, or more frequently, when events or changes in circumstances indicate that the fair value of an intangible asset may not be recoverable. The company utilizes the relief from royalty methodology to test for impairment. The primary assumptions for the relief from royalty method include revenue forecasts, earnings forecasts, royalty rates and discount rates. The company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value. The company's indefinite-lived intangible assets consist of certain trade names valued at approximately \$78.1 million and \$85.2 million as of the end of fiscal 2017 and fiscal 2016, respectively. These assets have indefinite useful lives.

The company recognized asset impairment expense totaling \$7.1 million associated with the Nemschoff trade name for the fiscal year 2017, which was recorded within the North American Furniture Solutions operating segment. As of the end of fiscal 2017, the carrying value of the Nemschoff trade name was zero. The company recognized asset impairment expense totaling \$10.8 million associated with the POSH trade name for the fiscal year 2015, which was recorded within the Corporate category within segment reporting. The POSH trade name asset is included within the ELA Furniture Solutions segment and as of the end of fiscal 2015, the carrying value was zero. These impairment expenses are recorded in the Restructuring and impairment expenses line item within the Consolidated Statements of Comprehensive Income. The trade name assets represent level 3 fair value measurements and these assets are recorded at fair value only when an impairment charge is recognized.

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, May 30, 2015	\$ 303.1	\$ 85.2	\$ 388.3
Foreign currency translation adjustments	(0.4)	—	(0.4)
Acquisition of George Nelson Bubble Lamp product line	3.2	—	3.2
Sale of owned dealer	(0.6)	—	(0.6)
Balance, May 28, 2016	\$ 305.3	\$ 85.2	\$ 390.5
Foreign currency translation adjustments	(0.7)	—	(0.7)
Sale of owned dealer	(0.1)	—	(0.1)
Impairment charges	—	(7.1)	(7.1)
Balance, June 03, 2017	\$ 304.5	\$ 78.1	\$ 382.6

Goodwill stemming from the acquisition of the George Nelson Bubble Lamp Product Line in fiscal 2016 is included within the Consumer reportable segment.

### **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. We capitalize certain costs incurred in connection with the development, testing, and installation of software for internal use. Software for internal use is included in property and equipment and is depreciated over an estimated useful life not exceeding 5 years. Depreciation and amortization expense is included in the Consolidated Statements of Comprehensive Income in the Cost of sales, Selling, general and administrative, and Design and research line items.

As of the end of fiscal 2017, outstanding commitments for future capital purchases approximated \$16.3 million.

### **Other Long-Lived Assets**

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

During the third quarter of fiscal 2015, the company entered into an agreement to sell property in Ningbo, China upon which the company had previously intended to construct a new manufacturing and distribution facility. In the fiscal year preceding this agreement, the property had been written down to its fair value. Subsequent to the end of fiscal 2015, the company completed the sale of the Ningbo property for cash consideration of approximately \$4.2 million. The cash consideration received approximated the carrying value of the property.

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.

(In millions)	June 3, 2017			
	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	\$ 20.5	\$ 55.3	\$ 7.5	\$ 83.3
Accumulated amortization	13.3	19.7	4.9	37.9
Net	\$ 7.2	\$ 35.6	\$ 2.6	\$ 45.4

(In millions)	May 28, 2016			
	Patent and Trademarks	Customer Relationships	Other	Total
Gross carrying value	\$ 19.8	\$ 55.7	\$ 7.5	\$ 83.0
Accumulated amortization	12.3	15.9	4.0	32.2
Net	\$ 7.5	\$ 39.8	\$ 3.5	\$ 50.8

The company amortizes these assets over their remaining useful lives using the straight-line method over periods ranging from 5 years to 20 years, or on an accelerated basis, to reflect the expected realization of the economic benefits. It is estimated that the weighted-average remaining useful life of patents and trademarks is approximately 6 years and the weighted-average remaining useful life of customer relationships is 9 years.

Estimated amortization expense on existing amortizable intangible assets as of June 3, 2017, for each of the succeeding five fiscal years, is as follows:

(In millions)	
2018	\$ 6.3
2019	\$ 5.8
2020	\$ 5.7
2021	\$ 5.7
2022	\$ 5.6

## **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 retention levels do not include an aggregate stop loss policy. The company's retention levels designated within significant insurance arrangements as of June 3, 2017, are as follows:

(In millions)	Retention Level (per occurrence)	
General liability and auto liability/physical damage	\$	1.00
Workers' compensation and property	\$	0.75

The company accrues for its self-insurance arrangements based on actuarially-determined liabilities, which are recorded in "Other liabilities" in the Consolidated Balance Sheets. The value of the liability as of June 3, 2017 and May 28, 2016 was \$10.5 million and \$10.6 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 and changes in actual experience could cause these estimates to change. The general and workers' compensation liabilities are managed through the company's wholly-owned insurance captive.

## **Redeemable Noncontrolling Interests**

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

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

Changes in the estimated redemption amounts of the noncontrolling interests, subject to put options, are reflected at each reporting period with a corresponding adjustment to Retained earnings. Future reductions in the carrying amounts are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. See Note 15 - Redeemable Noncontrolling Interests for additional information.

## **Research, Development and Other Related Costs**

Research, development, pre-production and start-up costs are expensed as incurred. Research and development ("R&D") costs consist of expenditures incurred during the course of planned research and investigation aimed at discovery of new knowledge useful in developing new products or processes. R&D costs also include the significant enhancement of existing products or production processes and the implementation of such through design, testing of product alternatives or construction of prototypes. R&D costs included in "Design and research" expense in the accompanying Consolidated Statements of Comprehensive Income are \$58.6 million, \$62.4 million and \$56.7 million, in fiscal 2017, 2016, and 2015, respectively.

Royalty payments made to designers of the company's products as the products are sold are a variable cost based on product sales. These expenses totaled \$14.5 million, \$14.7 million and \$14.7 million in fiscal years 2017, 2016 and 2015 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 on sales through its network of independent contract furniture dealers and independent retailers once the related product is shipped and title passes. In situations where products are sold through subsidiary dealers or directly to the end customer, revenue is recognized once the related product is shipped to the end customer and installation, if applicable, is substantially complete. Offers such as rebates and discounts are recorded as reductions to net sales. Unearned revenue occurs during the normal course of business due to advance payments from customers for future delivery of products and services.

In addition to independent retailers, the company also sells product through owned retail channels, including e-commerce and Consumer retail studios. Revenue is recognized on these transactions upon shipment and transfer to the customer of both title and risk of loss. These sales may include provisions involving a right of return. The company reduces revenue for an estimate of potential future product returns related to current period product revenue. When developing the allowance for sales returns, the company considers historical returns and current economic trends. Revenue is recorded net of sales taxes as the company is a pass-through entity for collecting and remitting sales tax.

### ***Shipping and Handling Expenses***

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

### ***Cost of Sales***

We include 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 our distribution network.

### ***Selling, General, and Administrative***

We include costs not directly related to the manufacturing of our 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 9 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. The company also evaluates the impact on EPS of all participating securities under the two-class method. Refer to Note 8 of the Consolidated Financial Statements for further information regarding the computation of EPS.

### ***Comprehensive Income***

Comprehensive income consists of net earnings, foreign currency translation adjustments, unrealized holding gain (loss) on available-for-sale securities and pension liability adjustments. Refer to Note 14 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 11 of the Consolidated Financial Statements for the required fair value disclosures.

## **Derivatives and Hedging**

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

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

## **New Accounting Standards**

### **Recently Issued Accounting Standards Not Yet Adopted**

<b>Standard</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Effect on the Financial Statements or Other Significant Matters</b>
Simplifying the Measurement of Inventory	Under the updated standard, an entity should measure inventory that is measured using either the first-in, first-out ("FIFO") or average cost methods at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The updated standard should be applied prospectively.	June 4, 2017	The company has evaluated the impact of the update and its expected to be immaterial.
Improvements to Employee Share-Based Payment Accounting	The standard simplifies several aspects of the accounting for share-based payment awards to employees, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification in the statement of cash flows. Different adoption methodologies exist (retrospectively, modified-retrospectively, or prospectively) for the various different features of the standard being updated.	June 4, 2017	The company expects the most significant impact from the share-based compensation standard to be driven by the treatment of excess tax benefits/deficiencies and expects the other impacts from the standard to be nominal. The company intends to adopt an entity-wide accounting policy election to account for forfeitures in compensation cost when they occur.



## Recently Issued Accounting Standards Not Yet Adopted (continued)

<b>Standard</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Effect on the Financial Statements or Other Significant Matters</b>
Revenue from Contracts with Customers	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The standard allows for two adoption methods, a full retrospective or modified retrospective approach.	June 3, 2018	The company has completed a preliminary review of the impact of the new standard and expects changes in how the company's performance obligations around product and service revenue are accounted for. Additionally, the company expects changes in the way it recognizes certain pricing elements of its commercial contracts. These changes are not expected to be material to the financial statements. The company expects to adopt the standard in fiscal 2019 using the modified-retrospective approach.
Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities	The standard provides guidance for the measurement, presentation and disclosure of financial assets and liabilities. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any change in fair value in net income. The standard does not permit early adoption and at adoption a cumulative-effect adjustment to beginning retained earnings should be recorded.	June 3, 2018	The company is currently evaluating the impact of adopting this guidance.
Leases	Under the updated standard a lessee's rights and obligations under most leases, including existing and new arrangements, would be recognized as assets and liabilities, respectively, on the balance sheet. The standard must be adopted under a modified retrospective approach and early adoption is permitted.	June 2, 2019	The standard is expected to have a significant impact on our Consolidated Financial Statements, however the company is currently evaluating the impact.

## 2. Acquisitions and Divestitures

### **Dealership**

On January 1, 2017, the company completed the sale of a wholly-owned contract furniture dealership in Pennsylvania in exchange for a \$3.0 million note receivable. A pre-tax gain of \$0.7 million was recognized as a result of the sale within the caption Selling, general and administrative within the Consolidated Statements of Comprehensive Income. The note receivable was deemed to be a variable interest in a variable interest entity. The carrying value of the note was \$1.4 million as of June 3, 2017 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 buyers of the dealership control the activities that most significantly impact the entity's economic performance, including sales, marketing and operations.

### **George Nelson Bubble Lamp Product Line Acquisition**

On September 17, 2015, the company acquired certain assets associated with the George Nelson Bubble Lamp product line, which together constituted the acquisition of a business. Consideration transferred to acquire the assets consisted of \$3.6 million in cash transferred during the second quarter of fiscal 2016 and an additional component of performance-based contingent consideration with a fair value of \$2.7 million as of the acquisition date.

The assets acquired included an exclusive manufacturing agreement and customer relationships with fair values of \$2.5 million and \$0.6 million, respectively, each having a useful life of 10 years. The excess of the purchase consideration over the fair value of the net assets acquired was \$3.2 million and recognized as goodwill within the Consumer reportable segment. The total amount of this goodwill is deductible for tax purposes.

### **Design Within Reach Acquisition**

On July 28, 2014, the company acquired the majority of the outstanding equity of Design Within Reach, Inc. ("DWR"), a Stamford, Connecticut based, leading North American marketer and seller of modern furniture, lighting, and accessories primarily serving consumers and design trade professionals. The acquisition of DWR advances the company's strategy of being both an industry brand and a consumer brand by expanding the company's reach into the consumer sector.

The company purchased an ownership interest in DWR equal to approximately 81 percent for \$155.2 million in cash. Subsequent to the initial transaction, the company acquired an additional 4 percent of DWR stock from the remaining public shareholders for approximately \$5.8 million in cash, all of which was paid during the first and second quarters of fiscal 2015. The remaining 15 percent of DWR stock was contributed by DWR executives into the newly formed consumer business subsidiary and the company contributed the assets of the existing Herman Miller Consumer business. After these transactions, the redeemable noncontrolling interests in the newly formed subsidiary, known as Herman Miller Consumer Holdings, Inc. ("HMCH"), were approximately 7 percent. The remaining HMCH shareholders have a put option to require the company to purchase their remaining interest over a five years period from the date of issuance of such shares. As a result, these noncontrolling interests are not included within Stockholders' Equity within the Condensed Consolidated Balance Sheets, but rather are included within Redeemable noncontrolling interests.

DWR acquisition-related expenses were \$2.2 million during fiscal year 2015. These expenses included legal and professional services fees.

#### Assets Acquired and Liabilities Assumed on July 28, 2014

(In millions)

	Fair Value
Purchase price	\$ 155.2
Fair value of the assets acquired:	
Cash	1.2
Accounts receivable	2.2
Inventory	47.4
Current deferred tax asset	1.5
Other current assets	5.5
Goodwill	75.6
Other intangible assets	68.5
Property	32.0
Other long term assets	2.4
Total assets acquired	236.3
Fair value of liabilities assumed:	
Accounts payable	20.8
Accrued compensation and benefits	1.6
Other accrued liabilities	12.3
Long term deferred tax liability	14.5
Other long term liabilities	0.4
Total liabilities assumed	49.6
Redeemable noncontrolling interests	25.7
Noncontrolling interests	5.8
Net assets acquired	\$ 155.2

The goodwill stemming from the transaction in the amount of \$75.6 million was recorded as "Goodwill" in the Condensed Consolidated Balance Sheets and allocated to the Consumer reportable segment. The goodwill recognized is attributable primarily to the assembled workforce and expected synergies from DWR and the total amount of this goodwill is not deductible for tax purposes.

Other intangible assets acquired as a result of the acquisition of DWR were valued at \$68.5 million. These amounts are reflected in the values presented in the following table:

#### Intangible Assets Acquired from the DWR Acquisition

(In millions)

	Fair Value	Useful Life
Trade Names and Trademarks	\$ 55.1	Indefinite
Exclusive Distribution Agreements	0.2	1.5 years
Customer Relationships	12.0	10 - 16 years
Product Development Designs	1.2	7 years
Total Intangible Assets Acquired	\$ 68.5	

### 3. Inventories

(In millions)	June 3, 2017	May 28, 2016
Finished goods and work in process	\$ 119.0	\$ 102.1
Raw materials	33.4	26.1
Total	\$ 152.4	\$ 128.2

Inventories valued using LIFO amounted to \$25.2 million and \$22.8 million as of June 3, 2017 and May 28, 2016, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been \$164.6 million and \$140.4 million at June 3, 2017 and May 28, 2016, respectively.

### 4. Investments in Nonconsolidated Affiliates

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

(in millions)	June 3, 2017	May 28, 2016
Investments in nonconsolidated affiliates	\$ 16.2	\$ 4.2

(in millions)	June 3, 2017	May 28, 2016	May 30, 2015
Equity earnings from nonconsolidated affiliates	\$ 1.6	\$ 0.4	\$ 0.1

The company had an ownership interest in five nonconsolidated affiliates at June 3, 2017. Refer to the company's ownership percentages shown below:

Ownership Interest	June 3, 2017	May 28, 2016
Kvadrat Maharam Arabia DMCC	50.0%	50.0%
Kvadrat Maharam Pty Limited	50.0%	50.0%
Kvadrat Maharam Turkey JSC	50.0%	50.0%
Danskina B.V.	50.0%	50.0%
Naughtone Holdings Limited	50.0%	—%

#### ***Kvadrat Maharam***

The Kvadrat Maharam nonconsolidated affiliates are distribution entities that are engaged in selling decorative upholstery, drapery and wall covering products. At June 3, 2017 and May 28, 2016, the company's investment value in Kvadrat Maharam Pty was \$1.8 million more than the company's proportionate share of the underlying net assets. This difference was driven by a step-up in fair value of the investment in Kvadrat Maharam Pty, stemming from the Maharam business combination. This amount is considered to be a permanent basis difference.

#### ***Naughtone***

On June 3, 2016, the company acquired 50 percent of the outstanding equity of Naughtone Holdings Limited ("Naughtone"), a leader in soft seating products, stools, occasional and meeting tables, for \$12.4 million in consideration. Consequently, the company acquired a noncontrolling equity interest in Naughtone that is accounted for under the equity method. In the second quarter of fiscal 2017, the company paid additional purchase consideration of approximately \$0.6 million as part of the final net equity adjustment.

As of the June 3, 2016 acquisition date, the company's investment value in Naughtone was \$11.3 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 50 percent of the outstanding equity and the carrying value of the net assets of Naughtone. Of this difference, \$2.9 million was being amortized over the remaining useful lives of the assets while, \$8.4 million was considered a permanent difference.

At June 3, 2017, the company's investment value in Naughtone was \$9.8 million more than the company's proportionate share of the underlying net assets, of which \$2.3 million was being amortized over the remaining useful lives of the assets, while \$7.5 million was considered a permanent basis difference. The change in the permanent basis difference from the prior year was due to changes in foreign currency exchange rates.

### Transactions with Nonconsolidated Affiliates

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

(in millions)	June 3, 2017	May 28, 2016	May 30, 2015
Sales to nonconsolidated affiliates	\$ 4.0	\$ 2.5	\$ 2.5
Purchases from nonconsolidated affiliates	\$ 4.2	\$ 0.9	\$ 0.5

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

(in millions)	June 3, 2017	May 28, 2016
Receivables from nonconsolidated affiliates	\$ 0.8	\$ 0.4
Payables to nonconsolidated affiliates	\$ 0.5	\$ 0.1

### 5. Long-Term Debt

Long-term debt consisted of the following obligations:

(In millions)	June 3, 2017	May 28, 2016
Series B Senior Notes, 6.42%, due January 3, 2018	\$ 149.9	\$ 149.9
Debt securities, 6.0%, due March 1, 2021	50.0	50.0
Syndicated Revolving Line of Credit, due September 2021	—	22.0
Total	<u>\$ 199.9</u>	<u>\$ 221.9</u>

During the second quarter of fiscal 2017, the company entered into a fourth amendment and restatement of its syndicated revolving line of credit, which provides the company with up to \$400 million in revolving variable interest borrowing capacity and includes an "accordion feature" allowing the company to increase, at its option and subject to the approval of the participating banks, the aggregate borrowing capacity of the facility by \$200 million. The facility expires in September 2021 and outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period if borrowings are outstanding. As of June 3, 2017, there were zero outstanding borrowings against this facility and available borrowings were \$391.7 million due to \$8.3 million outstanding letters of credit. As of May 28, 2016, total usage against this facility was \$30.7 million, of which \$8.7 million related to outstanding letters of credit.

Our senior notes and the unsecured senior revolving credit facility restrict, without prior consent, our borrowings, capital leases and the sale of certain assets. In addition, we have agreed to maintain certain financial performance ratios, which include a maximum leverage ratio covenant, which is measured by the ratio of debt to trailing four quarter adjusted EBITDA (as defined in the credit agreement) and is required to be less than 3.5:1, except that we may elect, under certain conditions, to increase the maximum Leverage Ratio to 4:1 for four consecutive fiscal quarter end dates. The covenants also require a minimum interest coverage ratio, which is measured by the ratio of trailing four quarter EBITDA to trailing four quarter interest expense (as defined in the credit agreement) and is required to be greater than 4:1. Adjusted EBITDA is generally defined in the credit agreement as EBITDA adjusted by certain items which include non-cash share-based compensation, non-recurring restructuring costs and extraordinary items. At June 3, 2017 and May 28, 2016, the company was in compliance with all of these restrictions and performance ratios.

During fiscal 2015, the company entered into a lease agreement for the occupancy of a new studio facility in Palo Alto, California. During fiscal 2017, the company became the deemed owner of the leased building for accounting purposes as a result of the company's involvement during the construction phase of the project. The lease is therefore accounted for as a financing transaction and the recorded asset and related financing obligation have been recorded in the Consolidated Balance Sheets within both Construction in progress and Other accrued liabilities for the fiscal period ended June 3, 2017. The fair value of the building and the related financing liability was \$7.0 million at June 3, 2017 and represented a nonrecurring level 3 fair value measurement. The fair value of the building and financing liability was determined through a blend of an income approach, comparable property sales approach and a replacement cost approach. Upon completion of construction, the liability will be reclassified into Long-term debt.

Annual maturities of long-term debt for the five fiscal years subsequent to June 3, 2017 are as shown in the table below. Although the Series B Senior Notes mature within 12 months, the company has classified these borrowings within Long-term debt in the Consolidated Balance Sheets as the company has both the intent and ability to refinance this short-term obligation on a long-term basis, through the use of its syndicated revolving line of credit.

(In millions)

2018	\$	—
2019	\$	—
2020	\$	—
2021	\$	50.0
2022	\$	—
Thereafter	\$	149.9

## 6. Operating Leases

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

Future minimum rental payments required under operating leases that have non-cancelable lease terms as of June 3, 2017, are as follows:

(In millions)

2018	\$	47.0
2019	\$	42.2
2020	\$	35.3
2021	\$	32.5
2022	\$	30.7
Thereafter	\$	141.5

Total rental expense charged to operations was \$45.3 million, \$45.6 million and \$40.2 million, in fiscal 2017, 2016 and 2015, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

## 7. Employee Benefit Plans

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

### *Pension Plans and Post-Retirement Medical Insurance*

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

## Benefit Obligations and Funded Status

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

(In millions)	Pension Benefits				Post-Retirement Benefits	
	2017		2016		2017	2016
	Domestic	International	Domestic	International		
<b>Change in benefit obligation:</b>						
Benefit obligation at beginning of year	\$ 1.0	\$ 104.4	\$ 1.1	\$ 112.0	\$ 5.9	\$ 7.7
Interest cost	0.1	2.7	—	3.8	0.2	0.2
Foreign exchange impact	—	(12.5)	—	(4.6)	—	—
Actuarial (gain) loss	—	23.4	—	(4.4)	(0.4)	(1.3)
Benefits paid	(0.1)	(4.2)	(0.1)	(2.4)	(0.7)	(0.7)
Benefit obligation at end of year	<u>\$ 1.0</u>	<u>\$ 113.8</u>	<u>\$ 1.0</u>	<u>\$ 104.4</u>	<u>\$ 5.0</u>	<u>\$ 5.9</u>
<b>Change in plan assets:</b>						
Fair value of plan assets at beginning of year	\$ —	\$ 85.0	\$ —	\$ 92.0	\$ —	\$ —
Actual return on plan assets	—	9.6	—	(1.3)	—	—
Foreign exchange impact	—	(10.3)	—	(3.7)	—	—
Employer contributions	0.1	0.4	0.1	0.4	0.7	0.7
Benefits paid	(0.1)	(4.2)	(0.1)	(2.4)	(0.7)	(0.7)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ 80.5</u>	<u>\$ —</u>	<u>\$ 85.0</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Funded status:</b>						
Under funded status at end of year	<u>\$ (1.0)</u>	<u>\$ (33.3)</u>	<u>\$ (1.0)</u>	<u>\$ (19.4)</u>	<u>\$ (5.0)</u>	<u>\$ (5.9)</u>
<b>Components of the amounts recognized in the Consolidated Balance Sheets:</b>						
Current liabilities	\$ (0.1)	\$ —	\$ (0.1)	\$ —	\$ (0.7)	\$ (0.7)
Non-current liabilities	\$ (0.9)	\$ (33.3)	\$ (0.9)	\$ (19.4)	\$ (4.3)	\$ (5.2)
<b>Components of the amounts recognized in Accumulated other comprehensive loss before the effect of income taxes:</b>						
Unrecognized net actuarial loss (gain)	\$ 0.3	\$ 50.9	\$ 0.3	\$ 39.3	\$ (0.6)	\$ (0.2)
Accumulated other comprehensive loss	<u>\$ 0.3</u>	<u>\$ 50.9</u>	<u>\$ 0.3</u>	<u>\$ 39.3</u>	<u>\$ (0.6)</u>	<u>\$ (0.2)</u>

The accumulated benefit obligation for the company's domestic pension benefit plans totaled \$1.0 million as of the end of both fiscal 2017 and fiscal 2016. For its international plans, the accumulated benefit obligation totaled \$110.0 million and \$100.8 million as of fiscal 2017 and fiscal 2016, respectively. The following table summarizes the totals for pension plans with accumulated benefit obligations in excess of plan assets:

### Pension Plans with Accumulated Benefit Obligation in Excess of Plan Assets

(In millions)	2017	2016
Projected benefit obligation	\$ 114.8	\$ 105.4
Accumulated benefit obligation	\$ 111.0	\$ 101.8
Fair value of plan assets	\$ 80.5	\$ 85.0

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

**Components of Net Periodic Benefit Costs and Other Changes Recognized in Other Comprehensive Income:**

(In millions)	Pension Benefits			Post-Retirement Benefits		
	2017	2016	2015	2017	2016	2015
<b>Domestic:</b>						
Interest cost	\$ 0.1	\$ —	\$ —	\$ 0.2	\$ 0.2	\$ 0.2
Net periodic benefit cost	\$ 0.1	\$ —	\$ —	\$ 0.2	\$ 0.2	\$ 0.2
<b>International:</b>						
Interest cost	\$ 2.7	\$ 3.8	\$ 4.3			
Expected return on plan assets	(4.7)	(5.4)	(5.5)			
Net amortization	2.2	2.8	1.8			
Net periodic benefit cost	\$ 0.2	\$ 1.2	\$ 0.6			

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

(In millions)	Pension Benefits		Post-Retirement Benefits	
	2017	2016	2017	2016
<b>Domestic:</b>				
Net actuarial gain	\$ —	\$ —	\$ (0.4)	\$ (1.3)
Total recognized in other comprehensive loss	\$ —	\$ —	\$ (0.4)	\$ (1.3)
<b>International:</b>				
Net actuarial loss	\$ 18.6	\$ 2.2		
Net amortization	(2.2)	(2.8)		
Total recognized in other comprehensive loss	\$ 16.4	\$ (0.6)		

The net actuarial loss, included in accumulated other comprehensive loss (pretax), expected to be recognized in net periodic benefit cost during fiscal 2018 is \$4.0 million.

**Actuarial Assumptions**

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

The weighted-average used in the determination of net periodic benefit cost:

(Percentages)	2017		2016		2015	
	Domestic	International	Domestic	International	Domestic	International
Discount rate	3.51	3.43	3.41	3.50	3.44	4.40
Compensation increase rate	n/a	2.95	n/a	3.20	n/a	3.35
Expected return on plan assets	n/a	6.10	n/a	6.10	n/a	6.10

The weighted-average used in the determination of the projected benefit obligations:

Discount rate	3.53	2.49	3.51	3.43	3.41	3.50
Compensation increase rate	n/a	3.25	n/a	2.95	n/a	3.20

Effective May 28, 2016, the company changed the method it uses to estimate the interest component of net periodic benefit cost for pension and other postretirement benefits. Historically, the company has estimated the interest cost component utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The company has elected to utilize a full yield curve approach in the estimation of interest cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company has made this change to provide a more precise measurement of interest cost by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The company accounted for this change as a change in accounting estimate and accordingly, accounted for it prospectively. The impact of this change on consolidated earnings for fiscal 2017 was a reduction of the interest cost component of net periodic benefit cost of approximately \$0.4 million.

In calculating post-retirement benefit obligations for fiscal 2017, a 7.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2017, decreasing gradually to 4.3 percent by 2038 and remaining at that level thereafter. For purposes of calculating post-retirement benefit costs, a 7.9 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2016, decreasing gradually to 4.3 percent by 2038 and remaining at that level thereafter.

Assumed health care cost-trend rates have a significant effect on the amounts reported for retiree health care costs. A one-percentage-point change in the assumed health care cost-trend rates would have the following effects:

(In millions)	1 Percent Increase	1 Percent Decrease
Effect on total fiscal 2017 service and interest cost components	\$ —	\$ —
Effect on post-retirement benefit obligation at June 3, 2017	\$ 0.2	\$ (0.2)

### Plan Assets and Investment Strategies

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

The company utilizes independent investment managers to assist with investment decisions within the overall guidelines of the investment strategy. The target asset allocation at the end of fiscal 2017 and asset categories for the company's primary international pension plan for fiscal 2017 and 2016 are as follows:

Asset Category	Targeted Asset Allocation Percentage	Percentage of Plan Assets at Year End	
		2017	2016
Fixed income	20	27	24
Common collective trusts	80	73	76
Total		100	100

(In millions) Asset Category	International Plan as of June 3, 2017		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 0.2	\$ —	\$ 0.2
Foreign government obligations	—	21.4	21.4
Common collective trusts-balanced	—	58.9	58.9
Total	\$ 0.2	\$ 80.3	\$ 80.5

(In millions) Asset Category	International Plan as of May 28, 2016		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 0.2	\$ —	\$ 0.2
Foreign government obligations	—	20.5	20.5
Common collective trusts-balanced	—	64.3	64.3
Total	\$ 0.2	\$ 84.8	\$ 85.0

### 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 2017, the company made total cash contributions of \$1.1 million to its benefit plans. In fiscal 2016, the company made total cash contributions of \$1.2 million to its benefit plans.



The following represents a summary of the benefits expected to be paid by the plans in future fiscal years. These expected benefits were estimated based on the same actuarial valuation assumptions used to determine benefit obligations at June 3, 2017.

(In millions)	Pension Benefits Domestic		Pension Benefits International		Post-Retirement Benefits	
2018	\$	0.1	\$	1.7	\$	0.7
2019	\$	0.1	\$	2.1	\$	0.6
2020	\$	0.1	\$	2.1	\$	0.6
2021	\$	0.1	\$	2.1	\$	0.5
2022	\$	0.1	\$	2.6	\$	0.5
2023-2027	\$	0.3	\$	15.5	\$	1.7

### **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. Employees under the Herman Miller, Inc. profit sharing plan are eligible to begin participating on their date of hire. The Profit Sharing plan provides for discretionary contributions for eligible participants, payable in the company's common stock, of not more than 6 percent of employees' wages based on the company's financial performance. Under the Herman Miller, Inc. 401(k) plan the company matches 100 percent of employee contributions to their 401(k) accounts up to 3 percent of their pay. A core contribution of 4 percent is also included for most participants of the plan. The company's other defined contribution retirement plans may provide for matching contributions, non-elective contributions and discretionary contributions as declared by management.

The cost of the Herman Miller, Inc. profit sharing contribution during fiscal 2017, 2016 and 2015 was \$6.0 million, \$10.9 million and \$4.8 million, respectively. The expense recorded for the company's 401(k) matching contributions and core contributions was approximately \$22.8 million, \$21.9 million and \$20.8 million in fiscal years 2017, 2016 and 2015, respectively.

## **8. 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)	2017	2016	2015
<u>Numerator:</u>			
Numerator for both basic and diluted EPS, Net earnings attributable to Herman Miller, Inc.	\$ 123.9	\$ 136.7	\$ 97.5
<u>Denominator:</u>			
Denominator for basic EPS, weighted-average common shares outstanding	59,871,805	59,844,540	59,475,297
Potentially dilutive shares resulting from stock plans	682,784	684,729	649,069
Denominator for diluted EPS	<u>60,554,589</u>	<u>60,529,269</u>	<u>60,124,366</u>

Equity awards of 764,154 shares, 528,676 shares and 715,685 shares of common stock were excluded from the denominator for the computation of diluted earnings per share for the fiscal years ended June 3, 2017, May 28, 2016 and May 30, 2015, respectively, because they were anti-dilutive. The company has certain share-based payment awards that meet the definition of participating securities. The company has evaluated the impact of all participating securities under the two-class method, noting there was no impact on EPS.

### **Common Stock**

The company has a share repurchase plan authorized by the Board of Directors on September 28, 2007, which provided share repurchase authorization of \$300.0 million with no specified expiration date. During fiscal year 2017, 2016 and 2015, shares repurchased and retired totaled 765,556, 482,040 and 121,488 shares respectively.

## **9. Stock-Based Compensation**

The company utilizes equity-based compensation incentives as a component of its employee and non-employee director and officer compensation philosophy. Currently, these incentives consist principally of stock options, restricted stock, restricted stock units and performance share units. The company also offers a stock purchase plan for its domestic and certain international employees. The company issues shares in connection with its share-based compensation plans from authorized, but unissued, shares. At June 3, 2017 there were 3,991,307 shares authorized under the various stock-based compensation plans.

## Valuation and Expense Information

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

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

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

(In millions)	June 3, 2017	May 28, 2016	May 30, 2015
Employee stock purchase program	\$ 0.3	\$ 0.3	\$ 0.3
Stock option plans	2.0	1.9	2.6
Restricted stock grants	—	—	0.1
Restricted stock units	3.6	3.2	3.7
Performance share units	2.8	6.5	3.3
Total	<u>\$ 8.7</u>	<u>\$ 11.9</u>	<u>\$ 10.0</u>
Tax benefit	\$ 3.1	\$ 4.3	\$ 3.6

As of June 3, 2017, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately \$4.8 million. The weighted-average period over which this amount is expected to be recognized is 1.06 years.

Stock-based compensation expense recognized in the Consolidated Statements of Comprehensive Income, has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

### 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 68,547, 70,768 and 62,467 for the fiscal years ended 2017, 2016 and 2015 respectively.

### Stock Option Plans

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

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:

	2017	2016	2015
Risk-free interest rates <sup>(1)</sup>	1.01%	1.51%	1.46%
Expected term of options <sup>(2)</sup>	4.0 years	4.0 years	4.0 years
Expected volatility <sup>(3)</sup>	26%	33%	36%
Dividend yield <sup>(4)</sup>	2.13%	2.03%	1.85%
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	\$ 5.50	\$ 6.73	\$ 7.74

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

(2) Represents the period of time that options granted are expected to be outstanding. Based on analysis of historical option exercise activity, the company has determined that all employee groups exhibit similar exercise and post-vesting termination behavior.

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

(4) Represents the company's estimated cash dividend yield over the expected term of options.

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

	Shares Under Option	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at May 28, 2016	921,380	\$ 25.80	4.20	\$ 5.5
Granted at market	745,141	\$ 31.86		
Exercised	(327,299)	\$ 28.84		
Forfeited or expired	(9,520)	\$ 38.11		
Outstanding at June 3, 2017	<u>1,329,702</u>	\$ 28.36	7.26	\$ 5.8
Ending vested + expected to vest	<u>1,325,647</u>	\$ 28.35	7.25	\$ 5.8
Exercisable at end of period	498,522	\$ 22.95	4.37	\$ 4.9

The weighted-average remaining recognition period of the outstanding stock options at June 3, 2017 was 0.90 years. The total pre-tax intrinsic value of options exercised during fiscal 2017, 2016 and 2015 was \$1.3 million, \$2.3 million and \$2.4 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 2017 from the exercise of stock options was \$6.6 million.

### Restricted Stock Grants

The company periodically grants restricted common stock to certain key employees. Shares are granted in the name of the employee, who has all the rights of a shareholder, subject to certain restrictions on transferability and risk of forfeiture. The grants are subject to either cliff-based or graded vesting over a period not exceeding five years, and are subject to forfeiture if the employee ceases to be employed by the company for certain reasons. After the vesting period, the risk of forfeiture and restrictions on transferability lapse. The company recognizes the related compensation expense on a straight-line basis over the requisite service period. A summary of shares subject to restrictions are as follows:

	2017	
	Shares	Weighted Average Grant- Date Fair Value
Outstanding at May 28, 2016	20,823	\$ 21.35
Vested	(20,323)	\$ 21.38
Forfeited	(500)	\$ 20.17
Outstanding at June 3, 2017	<u>—</u>	\$ —

The fair value of the shares that vested during the twelve months ended June 3, 2017, was \$0.6 million. There were no restricted stock grants granted during fiscal 2017, 2016 or 2015.

### Restricted Stock Units

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

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

	Share Units	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)
Outstanding at May 28, 2016	377,861	\$ 27.83	\$ 12.0	1.40
Granted	114,778	\$ 31.83		
Forfeited	(12,951)	\$ 29.25		
Released	(94,736)	\$ 28.70		
Outstanding at June 3, 2017	384,952	\$ 28.73	\$ 12.6	1.14
Ending vested + expected to vest	379,037	29.30	\$ 12.4	1.13

The weighted-average remaining recognition period of the outstanding restricted stock units at June 3, 2017, was 0.90 years. The fair value of the share units that vested during the twelve months ended June 3, 2017, was \$3.0 million. The weighted average grant-date fair value of restricted stock units granted during 2017, 2016, and 2015 was \$31.83, \$29.03 and \$30.38 respectively.

### **Performance Share Units**

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

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

	Share Units	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)
Outstanding at May 28, 2016	433,714	\$ 31.74	\$ 13.7	1.20
Granted	141,218	\$ 29.40		
Forfeited	(43,945)	\$ 35.75		
Released	(113,040)	\$ 29.34		
Outstanding at June 3, 2017	417,947	\$ 31.18	\$ 13.7	1.03
Ending vested + expected to vest	413,358	\$ 31.23	\$ 13.5	1.03

The weighted-average remaining recognition period of the outstanding performance share units at June 3, 2017, was 0.81 years. The fair value for shares that vested during the twelve months ended June 3, 2017, was \$3.6 million. The weighted average grant-date fair value of performance share units granted during 2017, 2016, and 2015 was \$29.40, \$30.81 and \$32.71 respectively.

### **Herman Miller Consumer Holdings Stock (HMCH) Option Plan**

Certain employees were granted options to purchase stock of HMCH at a price not less than the market price of HMCH common stock on the date of grant. For the grants of options under the award program, options are potentially exercisable between one year and five years from date of grant and expire at the end of the window period that follows the fifth anniversary of the grant date. Vesting is based on the performance of HMCH over a period of five years. Certain of these options have been classified as liability awards as the holders have the right to put the underlying shares to the company immediately upon exercise. Given this, the awards are measured at fair value at the end of each reporting period and compensation expense is adjusted accordingly to reflect the fair value over the requisite service period. The company estimates the issuance date fair value of HMCH stock options on the date of grant using the Black-Scholes model. The expense for these awards was a benefit of \$0.6 million during fiscal 2017 and the related liability for these awards was \$0.3 million as of the end of fiscal 2017. The liability for the HMCH stock options is recorded within the Consolidated Balance Sheets within the "Other liabilities" line item.

The following weighted-average assumptions were used to value the liability associated with HMCH stock options as of June 3, 2017 and May 28, 2016.

	2017	2016
Risk-free interest rates <sup>(1)</sup>	1.29%	1.07%
Expected term of options <sup>(2)</sup>	2.1 years	3.1 years
Expected volatility <sup>(3)</sup>	35%	35%
Dividend yield	not applicable	not applicable
Strike price	\$ 24.39	24.39
Per share value <sup>(4)</sup>	\$ 3.24	6.52

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

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

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

(4) Based on the Black-Scholes formula.

	Shares Under Option	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at May 28, 2016	500,376	\$ 24.07	3.20	\$ 0.4
Granted	40,425	\$ 24.63		
Exercised	(2,957)	\$ 6.40		
Forfeited	(11,600)	\$ 24.39		
Outstanding at June 3, 2017	<u>526,244</u>	\$ 24.20	2.20	\$ 0.1
Exercisable at end of period	46,758	\$ 22.30	2.20	\$ 0.1

The total pre-tax intrinsic value of HMCH options exercised during fiscal 2017 was \$0.1 million. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the HMCH market price, less the strike price, as of the end of the period presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date.

### **Deferred Compensation Plan**

The Herman Miller, Inc. Executive Equalization Retirement Plan is a supplemental deferred compensation plan and was made available for salary deferrals and company contributions beginning in January 2008. The plan is available to a select group of management or highly compensated employees who are selected for participation by the Executive Compensation Committee of the Board of Directors. The plan allows participants to defer up to 50 percent of their base salary and up to 100 percent of their incentive cash bonus. Company contributions to the plan "mirror" the amounts the company would have contributed to the various qualified retirement plans had the employee's compensation not been above the IRS statutory ceiling (\$270,000 in 2017). The company does not guarantee a rate of return for these funds. Instead, participants make investment elections for their deferrals and company contributions. Investment options are the same as those available under the Herman Miller Profit Sharing and 401(k) Plan, except for company stock, which is not an investment option under this plan.

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

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

## Director Fees

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

	2017	2016	2015
Shares of common stock	9,982	21,988	13,752
Shares through the deferred compensation program	2,582	3,118	—

## 10. Income Taxes

The components of earnings before income taxes are as follows:

(In millions)	2017	2016	2015
Domestic	\$ 131.4	\$ 154.9	\$ 142.5
Foreign	46.2	41.7	2.7
Total	<u>\$ 177.6</u>	<u>\$ 196.6</u>	<u>\$ 145.2</u>

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

(In millions)	2017	2016	2015
Current: Domestic - Federal	\$ 28.7	\$ 36.4	\$ 43.6
Domestic - State	2.3	6.4	6.3
Foreign	11.1	6.3	6.1
	<u>42.1</u>	<u>49.1</u>	<u>56.0</u>
Deferred: Domestic - Federal	9.2	7.5	(5.9)
Domestic - State	2.8	0.2	(0.6)
Foreign	1.0	2.7	(2.3)
	<u>13.0</u>	<u>10.4</u>	<u>(8.8)</u>
Total income tax provision	<u>\$ 55.1</u>	<u>\$ 59.5</u>	<u>\$ 47.2</u>

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

(In millions)	2017	2016	2015
Income taxes computed at the United States Statutory rate of 35%	\$ 62.2	\$ 68.8	\$ 50.8
Increase (decrease) in taxes resulting from:			
Foreign statutory rate differences	(5.7)	(4.3)	(1.0)
Manufacturing deduction under the American Jobs Creation Act of 2004	(3.4)	(4.8)	(4.8)
State taxes	3.8	5.2	4.2
Tax on undistributed foreign earnings	—	—	(3.9)
United Kingdom patent box deduction for research and development	(2.6)	(1.7)	(0.3)
Sale of manufacturing facility in the United Kingdom	—	(1.6)	—
Other, net	0.8	(2.1)	2.2
Income tax expense	<u>\$ 55.1</u>	<u>\$ 59.5</u>	<u>\$ 47.2</u>
Effective tax rate	<u>31.1%</u>	<u>30.3%</u>	<u>32.6%</u>



The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at June 3, 2017 and May 28, 2016, are as follows:

(In millions)	2017	2016
<b>Deferred tax assets:</b>		
Compensation-related accruals	\$ 22.7	\$ 23.2
Accrued pension and post-retirement benefit obligations	10.9	9.2
Deferred revenue	5.3	5.6
Inventory related	4.1	3.8
Reserves for uncollectible accounts and notes receivable	1.0	1.2
Other reserves and accruals	6.1	3.0
Warranty	17.0	15.7
State and local tax net operating loss carryforwards and credits	2.7	5.7
Federal net operating loss carryforward	5.0	7.1
Foreign tax net operating loss carryforwards and credits	10.0	14.6
Accrued step rent and tenant reimbursements	4.7	1.9
Other	4.2	2.8
Subtotal	<u>93.7</u>	<u>93.8</u>
Valuation allowance	(10.0)	(10.6)
Total	<u>\$ 83.7</u>	<u>\$ 83.2</u>
<b>Deferred tax liabilities:</b>		
Book basis in property in excess of tax basis	\$ (37.4)	\$ (24.8)
Intangible assets	(47.3)	(47.4)
Other	(3.2)	(2.2)
Total	<u>\$ (87.9)</u>	<u>\$ (74.4)</u>

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

At June 3, 2017, the company had state and local tax NOL carry-forwards of \$36.0 million, the state tax benefit of which was \$2.2 million, which have various expiration periods from 2 to 21 years. The company also had state credits with a state tax benefit of \$0.5 million, which expire in 3 to 6 years. For financial statement purposes, the NOL carry-forwards and state tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$1.5 million.

At June 3, 2017, the company had federal NOL carry-forwards of \$14.2 million, the tax benefit of which was \$5.0 million, which expire in 12 years. For financial statement purposes, the NOL carry-forwards have been recognized as deferred tax assets.

At June 3, 2017, the company had federal deferred assets of \$2.0 million, the tax benefit of which is \$0.7 million, which is related to investments in various foreign joint ventures. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of \$0.7 million.

At June 3, 2017, the company had foreign net operating loss carry-forwards of \$43.6 million, the tax benefit of which is \$9.9 million, which have expiration periods from 11 years to an unlimited term. The company also had foreign tax credits with a tax benefit of \$0.1 million which expire in 3 years. For financial statement purposes, NOL carry-forwards and foreign tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$7.4 million.

At June 3, 2017, the company had foreign deferred assets of \$2.3 million, the tax benefit of which is \$0.4 million, which is related to various deferred taxes in Hong Kong and buildings in the United Kingdom. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of \$0.4 million.

The company has not provided for United States income taxes on undistributed earnings of foreign subsidiaries totaling approximately \$135.0 million. Recording deferred income taxes on these undistributed earnings is not required, because these earnings have been deemed to be indefinitely reinvested. These amounts would be subject to possible U.S. taxation only if remitted as dividends. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable.

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

(In millions)

Balance at May 30, 2015	\$	1.8
Increases related to current year income tax positions		0.4
Increases related to prior year income tax positions		0.1
Decreases related to prior year income tax positions		(0.1)
Decreases related to lapse of applicable statute of limitations		(0.1)
Decreases related to settlements		(0.4)
Balance at May 28, 2016		1.7
Increases related to current year income tax positions		0.3
Increases related to prior year income tax positions		1.1
Decreases related to prior year income tax positions		(0.1)
Decreases related to lapse of applicable statute of limitations		(0.1)
Decreases related to settlements		(0.1)
Balance at June 3, 2017	\$	<u>2.8</u>

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

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

(In millions)

	June 3, 2017	May 28, 2016	May 30, 2015
Interest and penalty expense (income)	\$ 0.2	\$ (0.1)	\$ 0.4
Liability for interest and penalties	\$ 0.8	\$ 0.7	

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

During the year, the company has closed the audit of fiscal year 2016 with the Internal Revenue Service under the Compliance Assurance Process (CAP). For the majority of the remaining tax jurisdictions, the company is no longer subject to state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2014.

## 11. Fair Value of Financial Instruments

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

(In millions)

	June 3, 2017	May 28, 2016
Carrying value	\$ 199.9	\$ 221.9
Fair value	\$ 213.0	\$ 241.7

The following describes the methods the company uses to estimate the fair value of financial assets and liabilities, of which there have been no significant changes in the current period:

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



*Foreign currency exchange contracts* — The company's foreign currency exchange contracts are valued using an approach based on foreign currency exchange rates obtained from active markets. The estimated fair value of forward currency exchange contracts is based on month-end spot rates as adjusted by current market-based activity.

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

*Deferred compensation plan assets* — The company's deferred compensation plan assets primarily include domestic equity large cap and lifestyle mutual funds and are valued using quoted prices for similar securities.

*Other* — The company's redeemable noncontrolling interests are deemed to be a nonrecurring level 3 fair value measurement. Refer to Note 15 for further information regarding redeemable noncontrolling interests. The purchase price allocation performed to determine fair value of the underlying assets and liabilities associated with the equity investment in Naughtone utilized nonrecurring level 3 fair value measurements. Refer to Note 4 for further information regarding the investment in Naughtone. Nonrecurring level 3 fair value measurements were used to determine the fair value of the Nemschoff trade name, which was impaired during fiscal 2017. Refer to Note 16 for further information regarding the Nemschoff trade name impairment. Nonrecurring level 3 fair value measurements were used to determine the fair value of the building and the related financing liability associated with a construction-type lease related to a new DWR studio in Palo Alto, California. Refer to Note 5 for further information related to this lease.

The following tables set forth financial assets and liabilities measured at fair value in the Consolidated Balance Sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of June 3, 2017 and May 28, 2016:

(In millions)	Fair Value Measurements			
	June 3, 2017		May 28, 2016	
	Quoted Prices With Other Observable Inputs (Level 2)	Management Estimates (Level 3)	Quoted Prices With Other Observable Inputs (Level 2)	Management Estimates (Level 3)
<b>Financial Assets</b>				
<b>Available-for-sale securities:</b>				
Mutual funds - fixed income	\$ 7.7	\$ —	\$ 6.4	\$ —
Mutual funds - equity	0.9	—	0.7	—
Government obligations	—	—	0.4	—
Foreign currency forward contracts	0.5	—	0.5	—
Interest rate swap agreement	3.3	—	—	—
Deferred compensation plan	12.8	—	7.9	—
<b>Total</b>	<b>\$ 25.2</b>	<b>\$ —</b>	<b>\$ 15.9</b>	<b>\$ —</b>
<b>Financial Liabilities</b>				
Foreign currency forward contracts	\$ 0.6	\$ —	\$ 0.8	\$ —
Contingent consideration	—	0.5	—	2.7
<b>Total</b>	<b>\$ 0.6</b>	<b>\$ 0.5</b>	<b>\$ 0.8</b>	<b>\$ 2.7</b>

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

(In millions)	June 3, 2017	May 28, 2016
<b>Contingent Consideration</b>		
Beginning balance	\$ 2.7	\$ 2.6
Net realized gains	(0.2)	—
Foreign currency translation adjustments	—	(0.1)
Settlements	(2.0)	(2.5)
Purchases or additions	—	2.7
<b>Ending balance</b>	<b>\$ 0.5</b>	<b>\$ 2.7</b>

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

The following is a summary of the carrying and market values of the company's marketable securities as of the dates indicated:

(In millions)	June 3, 2017				May 28, 2016			
	Cost	Unrealized Gain	Unrealized Loss	Market Value	Cost	Unrealized Gain	Unrealized Loss	Market Value
Mutual funds - fixed income	\$ 7.6	\$ 0.1	\$ —	\$ 7.7	\$ 6.4	\$ —	\$ —	\$ 6.4
Mutual funds - equity	0.9	—	—	0.9	0.7	—	—	0.7
Government obligations	—	—	—	—	0.4	—	—	0.4
Total	\$ 8.5	\$ 0.1	\$ —	\$ 8.6	\$ 7.5	\$ —	\$ —	\$ 7.5

Adjustments to the fair value of available-for-sale securities are recorded as increases or decreases, net of income taxes, within Accumulated other comprehensive loss in stockholders' equity. These adjustments are also included within the caption Unrealized holding gain within the Condensed Consolidated Statements of Comprehensive Income. Unrealized gains recognized in the company's Condensed Consolidated Statement of Comprehensive Income related to available-for-sale securities were \$0.1 million and zero for the fiscal years ended June 3, 2017 and May 28, 2016, respectively. The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in the Condensed Consolidated Statements of Comprehensive Income within "Other, net".

The company reviews its investment portfolio for any unrealized losses that would be deemed other-than-temporary and require 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 available-for-sale portfolio as available for use in its current operations. Accordingly, the investments are recorded within Current Assets within the Condensed 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 expenses (income): Other, net, for both realized and unrealized gains and losses.

The notional amounts of the forward contracts held to purchase and sell U.S. dollars in exchange for other major international currencies were \$36.1 million and \$64.3 million as of June 3, 2017 and May 28, 2016, respectively. The notional amounts of the foreign currency forward contracts held to purchase and sell British pound sterling in exchange for other major international currencies were £19.4 million and £31.2 million as of June 3, 2017 and May 28, 2016, respectively. The company also has other forward contracts related to other currency pairs at varying notional amounts.

#### Interest Rate Swaps

During the fiscal year ended June 3, 2017, the company entered into an interest rate swap agreement with an aggregate notional amount of \$150.0 million, a forward start date of January 3, 2018 and a termination date of January 3, 2028. The company expects to borrow on its variable rate LIBOR-based revolving credit facility in order to pay off the existing \$150.0 million of Series B Senior Notes. The interest rate swap is expected to be utilized to effectively convert the \$150.0 million of outstanding indebtedness 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.

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

The interest rate swap was a designated cash flow hedge at inception and remains an effective accounting hedge as of June 3, 2017. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statement of Stockholders' Equity as a component of Accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value of the derivative is immediately recognized in earnings. The interest rate swap agreement is assessed for hedge effectiveness on a quarterly basis.

### Effects of Derivatives on the Financial Statements

The effects of derivatives on the consolidated financial statements were as follows for the fiscal years ended 2017 and 2016 (amounts presented exclude any income tax effects):

(In millions)	Balance Sheet Location	June 3, 2017	May 28, 2016
<b>Designated derivatives:</b>			
Interest rate swap	Long-term assets: Other assets	\$ 3.3	\$ —
<b>Non-designated derivatives:</b>			
Foreign currency forward contracts	Current assets: Other	\$ 0.5	\$ 0.5
Foreign currency forward contracts	Current liabilities: Other accrued liabilities	\$ 0.6	\$ 0.8

(In millions)	Statement of Comprehensive Income Location	Fiscal Year		
		June 3, 2017	May 28, 2016	May 30, 2015
Gain recognized on foreign currency forward contracts	Other expenses (income): Other, net	\$ (1.2)	\$ (0.7)	\$ (2.1)

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

(In millions)	Fiscal Year		
	June 3, 2017	May 28, 2016	May 30, 2015
Interest rate swap	\$ 2.1	\$ —	\$ —

For fiscal 2017, 2016 and 2015, there were zero gains or losses recognized against earnings for hedge ineffectiveness and zero gains or losses reclassified from Accumulated other comprehensive loss into earnings. The company expects zero to be reclassified from Accumulated other comprehensive loss to earnings, in the next fiscal year, related to the interest rate swap.

## 12. Warranties, Guarantees and Contingencies

### Product Warranties

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

(In millions)	2017	2016	2015
Accrual balance, beginning	\$ 43.9	\$ 39.3	\$ 37.7
Accrual for warranty matters	22.8	25.5	25.0
Settlements	(19.0)	(20.9)	(23.4)
Accrual balance, ending	<u>\$ 47.7</u>	<u>\$ 43.9</u>	<u>\$ 39.3</u>

### **Other Guarantees**

The company is periodically required to provide performance bonds in order to conduct business with certain customers. These arrangements are common and generally have terms ranging between one and three years. The bonds are required to provide assurances to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The performance bonds are provided by various bonding agencies and the company is ultimately liable for claims that may occur against them. As of June 3, 2017, the company had a maximum financial exposure related to performance bonds of approximately \$9.7 million. The company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the company's financial statements. Accordingly, no liability has been recorded as of June 3, 2017 and May 28, 2016.

The company periodically enters into agreements in the normal course of business that may include indemnification clauses regarding patent or trademark infringement and service losses. Service losses represent all direct or consequential loss, liability, damages, costs and expenses incurred by the customer or others resulting from services rendered by the company, the dealer, or certain sub-contractors, due to a proven negligent act. The company has no history of claims, nor is it aware of circumstances that would require it to perform under these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the company's financial statements. Accordingly, no liability has been recorded as of June 3, 2017 and May 28, 2016.

The company has entered into standby letter of credit arrangements for the purpose of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of June 3, 2017, the company had a maximum financial exposure from these standby letters of credit of approximately \$8.3 million, all of which is considered usage against the company's revolving credit facility. The company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not significantly affect the company's financial statements. Accordingly, no liability has been recorded as of June 3, 2017 and May 28, 2016.

### **Contingencies**

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

As of the end of fiscal 2017, outstanding commitments for future purchase obligations approximated \$45.4 million.

### **13. Operating Segments**

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The company's reportable segments consist of North American Furniture Solutions, ELA ("EMEA, Latin America, and Asia Pacific") Furniture Solutions, Specialty and Consumer. The North American Furniture Solutions reportable segment includes the operations associated with the design, manufacture and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. ELA Furniture Solutions includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, in the EMEA, Latin America and Asia-Pacific geographic regions. Specialty includes the operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, and Herman Miller Collection products. The Consumer segment 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 and DWR studios. The company also reports a Corporate category consisting primarily of unallocated corporate expenses including acquisition-related costs and other unallocated corporate costs.

Subsequent to the end of fiscal 2017, the company implemented an organizational change that will result in the Nemschoff subsidiary joining the Specialty operating segment rather than the North American Furniture Solutions segment. Beginning in the first quarter of fiscal 2018, the company will recast the results of the Specialty segment to include the results of the Nemschoff subsidiary.

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

(In millions)	2017	2016	2015
<b>Net Sales:</b>			
North American Furniture Solutions	\$ 1,342.2	\$ 1,331.8	\$ 1,241.9
ELA Furniture Solutions	385.5	412.6	409.9
Specialty	232.4	231.8	219.9
Consumer	318.1	288.7	270.5
Corporate	—	—	—
Total	<u>\$ 2,278.2</u>	<u>\$ 2,264.9</u>	<u>\$ 2,142.2</u>
<b>Depreciation and Amortization:</b>			
North American Furniture Solutions	\$ 32.0	\$ 27.9	\$ 26.5
ELA Furniture Solutions	8.8	8.5	8.2
Specialty	7.5	7.4	7.4
Consumer	10.2	8.6	7.3
Corporate	0.4	0.6	0.4
Total	<u>\$ 58.9</u>	<u>\$ 53.0</u>	<u>\$ 49.8</u>
<b>Operating Earnings (Losses):</b>			
North American Furniture Solutions	\$ 137.7	\$ 152.0	\$ 125.2
ELA Furniture Solutions	30.8	35.3	25.9
Specialty	17.7	16.4	13.5
Consumer	5.3	8.1	14.7
Corporate	(0.7)	(0.3)	(15.9)
Total	<u>\$ 190.8</u>	<u>\$ 211.5</u>	<u>\$ 163.4</u>
<b>Capital Expenditures:</b>			
North American Furniture Solutions	\$ 47.1	\$ 56.8	\$ 31.7
ELA Furniture Solutions	8.5	15.0	20.3
Specialty	9.7	3.1	3.7
Consumer	22.0	10.2	7.9
Corporate	—	—	—
Total	<u>\$ 87.3</u>	<u>\$ 85.1</u>	<u>\$ 63.6</u>
<b>Total Assets:</b>			
North American Furniture Solutions	\$ 533.6	\$ 531.7	\$ 504.5
ELA Furniture Solutions	230.3	218.4	235.4
Specialty	157.9	147.3	151.6
Consumer	276.4	245.3	231.8
Corporate	108.1	92.5	69.4
Total	<u>\$ 1,306.3</u>	<u>\$ 1,235.2</u>	<u>\$ 1,192.7</u>
<b>Goodwill:</b>			
North American Furniture Solutions	\$ 135.8	\$ 135.8	\$ 135.8
ELA Furniture Solutions	40.1	40.9	41.9
Specialty	49.8	49.8	49.8
Consumer	78.8	78.8	75.6
Corporate	—	—	—
Total	<u>\$ 304.5</u>	<u>\$ 305.3</u>	<u>\$ 303.1</u>

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

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

(In millions)	2017	2016	2015
<b>Net Sales:</b>			
Systems	\$ 639.0	\$ 656.8	\$ 563.4
Seating	894.8	855.5	805.5
Freestanding and storage	428.8	456.9	484.1
Other <sup>(1)</sup>	315.6	295.7	289.2
<b>Total</b>	<b>\$ 2,278.2</b>	<b>\$ 2,264.9</b>	<b>\$ 2,142.2</b>

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

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

(In millions)	2017	2016	2015
<b>Net Sales:</b>			
United States	\$ 1,690.1	\$ 1,757.0	\$ 1,640.6
International	588.1	507.9	501.6
<b>Total</b>	<b>\$ 2,278.2</b>	<b>\$ 2,264.9</b>	<b>\$ 2,142.2</b>

(In millions)	2017	2016	2015
<b>Long-lived assets:</b>			
United States	\$ 328.6	\$ 254.8	\$ 224.2
International	45.3	48.1	53.8
<b>Total</b>	<b>\$ 373.9</b>	<b>\$ 302.9</b>	<b>\$ 278.0</b>

The company estimates that no single dealer accounted for more than 5 percent of the company's net sales in the fiscal year ended June 3, 2017. The company estimates that its largest single end-user customer accounted for \$102 million, \$88 million and \$97 million of the company's net sales in fiscal 2017, 2016 and 2015, respectively. This represents approximately 5 percent, 4 percent and 5 percent of the company's net sales in fiscal 2017, 2016 and 2015, respectively.

Approximately 15 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff, Herman Miller Ningbo, and Herman Miller Dongguan subsidiaries.

## 14. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the years ended June 3, 2017, May 28, 2016 and May 30, 2015:

(In millions)	Year Ended		
	June 3, 2017	May 28, 2016	May 30, 2015
Cumulative translation adjustments at beginning of period	\$ (29.6)	\$ (20.8)	\$ (11.1)
Translation adjustments (net of tax of \$ -, (\$0.3) and \$0.3)	(7.2)	(8.8)	(9.7)
Balance at end of period	(36.8)	(29.6)	(20.8)
Pension and other post-retirement benefit plans at beginning of period	(34.9)	(35.4)	(26.8)
Adjustments to pension and other post-retirement benefit plans (net of tax of \$3.7, (\$0.7) and \$2.6)	(14.5)	(2.0)	(10.0)
Reclassification to earnings - operating expenses (net of tax of (\$0.4), (\$0.7) and (\$0.4))	1.8	2.5	1.4
Balance at end of period	(47.6)	(34.9)	(35.4)
Interest rate swap agreement at beginning of period	—	—	—
Valuation adjustments (net of tax of (\$1.2), \$ - and \$ -)	2.1	—	—
Balance at end of period	2.1	—	—
Available-for-sale Securities at beginning of period	—	—	—
Unrealized holding gain (net of tax of \$ -, \$ - and \$ -)	0.1	—	—
Balance at end of period	0.1	—	—
Total accumulated other comprehensive loss	\$ (82.2)	\$ (64.5)	\$ (56.2)

## 15. Redeemable Noncontrolling Interests

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

Changes in the company's Redeemable noncontrolling interests for the years ended June 3, 2017 and May 28, 2016 are as follows:

(In millions)	Year Ended	
	June 3, 2017	May 28, 2016
Balance at beginning of period	\$ 27.0	\$ 30.4
Purchase of redeemable noncontrolling interests	(1.5)	—
Net income attributable to redeemable noncontrolling interests	0.2	0.5
Redemption value adjustment	(1.2)	(4.0)
Other adjustments	0.1	0.1
Balance at end of period	\$ 24.6	\$ 27.0

## 16. Restructuring and Impairment Activities

### 2017 Restructuring and Impairment Charges

The company recognized asset impairment expense totaling \$7.1 million associated with the Nemschoff trade name for the fiscal year 2017. Forecasts developed during the fourth quarter of fiscal 2017 indicated future revenue and profitability no longer supported the value of the trade name intangible asset. The company also recognized restructuring expenses of \$5.4 million related to targeted workforce reductions within the North America, ELA, Specialty and Consumer segments. The restructuring actions were deemed to be complete at June 3, 2017 and final payments are expected to be made over the course of the next fiscal year. These charges have been reflected separately as "Restructuring and impairment expenses" in the Consolidated Statements of Comprehensive Income and are included within Operating earnings for the North America, ELA, Specialty and Consumer segments within segment reporting in Note 13.

The following table provides an analysis of the changes in restructuring costs reserve for the fiscal year ended June 3, 2017:

(In millions)	Year Ended
	June 3, 2017
Beginning Balance	\$ 0.4
Restructuring expenses	5.4
Payments	(3.4)
Ending Balance	\$ 2.4

### **2015 Restructuring and Impairment Charges**

The company recognized asset impairment expense totaling \$10.8 million associated with the POSH trade name for the fiscal year 2015. Although profitability associated with the POSH trade name increased as compared to the prior year, forecasts developed during the fourth quarter of fiscal 2015 indicated that future revenue and profitability no longer supported the value of the trade name intangible asset.

The company also recognized restructuring expenses of \$1.9 million during the third quarter of fiscal 2015 related to targeted workforce reductions within the North American segment. These actions resulted in the recognition of restructuring expenses related to severance and outplacement costs.

These charges have been reflected separately as "Restructuring and impairment expenses" in the Consolidated Statements of Comprehensive Income and are included in the Corporate segment within the segment reporting within Note 13.

### **17. Subsequent Event**

On June 12, 2017, the company entered into an interest rate swap agreement ("Swap Transaction") to manage its exposure to fluctuations in variable interest rates. The Swap Transaction 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.

On July 25, 2017, the company made a voluntary contribution of \$12.0 million to the plan assets of the international pension benefit plan, which will result in a reduction to the reported unfunded status of the international pension benefit plan in the next fiscal year.

On July 31, 2017, the company sold a branch of its wholly-owned, multi-location, contract furniture dealership in Canada. As a result of the transaction, the company received an initial payment of approximately \$2 million at closing. This payment excluded the purchase consideration related to the value of accounts receivable of the divested dealership, which will be paid by the buyer in the future as such receivables are collected, over a period not to exceed 120 days. The total gain related to the sale is not expected to be material to the company's financial statements. The operations associated with the dealership related to the North American Furniture Solutions segment.

### **18. Quarterly Financial Data (Unaudited)**

Set forth below is a summary of the quarterly operating results on a consolidated basis for the years ended June 3, 2017, May 28, 2016, and May 30, 2015.



(In millions, except per share data)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017	Net sales	\$ 598.6	\$ 577.5	\$ 524.9	\$ 577.2
	Gross margin <sup>(1)</sup>	230.0	218.0	195.5	220.9
	Net earnings attributable to Herman Miller, Inc.	36.3	31.7	22.5	33.4
	Earnings per share-basic <sup>(1)</sup>	0.61	0.53	0.38	0.56
	Earnings per share-diluted	0.60	0.53	0.37	0.55
2016	Net sales	\$ 565.4	\$ 580.4	\$ 536.5	\$ 582.6
	Gross Margin	216.8	224.4	207.8	225.2
	Net earnings attributable to Herman Miller, Inc. <sup>(1)</sup>	33.5	34.7	27.9	40.7
	Earnings per share-basic	0.56	0.58	0.46	0.68
	Earnings per share-diluted	0.56	0.57	0.46	0.67
2015	Net sales	\$ 509.7	\$ 565.4	\$ 516.4	\$ 550.7
	Gross margin	185.6	205.7	190.5	209.6
	Net earnings attributable to Herman Miller, Inc. <sup>(1)</sup>	25.2	27.8	21.0	23.4
	Earnings per share-basic	0.43	0.47	0.35	0.39
	Earnings per share-diluted	0.42	0.46	0.35	0.39

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

## Management's Report on Internal Control over Financial Reporting

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

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

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

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of June 3, 2017, based on the original framework in *Internal Control — Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes the company's internal control over financial reporting was effective as of June 3, 2017.

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

/s/ Brian C. Walker  
Brian C. Walker  
Chief Executive Officer

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

## Report of Independent Registered Public Accounting Firm

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

We have audited Herman Miller, Inc.'s internal control over financial reporting as of June 3, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Herman Miller, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, Herman Miller, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 3, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal 2017 consolidated financial statements of Herman Miller, Inc., and our report dated August 1, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Grand Rapids, Michigan  
August 1, 2017

## Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. as of June 3, 2017 and May 28, 2016, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 3, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Herman Miller, Inc. at June 3, 2017 and May 28, 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 3, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Herman Miller, Inc.'s internal control over financial reporting as of June 3, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 1, 2017 expressed unqualified opinion thereon.

/s/ Ernst & Young LLP  
Grand Rapids, Michigan  
August 1, 2017

## **Item 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None

### **Item 9A CONTROLS AND PROCEDURES**

- (a) Disclosure Controls and Procedures. Under the supervision and with the participation of management, the company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 3, 2017 and have concluded that as of that date, the company's disclosure controls and procedures were effective.
- (b) Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm. Refer to Item 8 for "Management's Report on Internal Control Over Financial Reporting." The effectiveness of the company's internal control over financial reporting has been audited by Ernst and Young LLP, an independent registered accounting firm, as stated in its report included in Item 8.
- (c) Changes in Internal Control Over Financial Reporting. There were no changes in the company's internal control over financial reporting during the fourth quarter ended June 3, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B OTHER INFORMATION**

None

## **PART III**

### **Item 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

#### **Directors, Executive Officers, Promoters and Control Persons**

Information relating to directors and director nominees of the registrant is contained under the caption “Director and Executive Officer Information” in the company’s definitive Proxy Statement, relating to the company’s 2017 Annual Meeting of Stockholders, and the information within that section is incorporated by reference. Information relating to Executive Officers of the company is included in Part I hereof entitled “Executive Officers of the Registrant.”

#### **Compliance with Section 16(a) of the Exchange Act**

Information relating to compliance with Section 16(a) of the Exchange Act is contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the company’s definitive Proxy Statement, relating to the company’s 2017 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 directors and employees of the registrant. This code is made available free of charge through the “Investors” section of the company’s internet website at [www.hermanmiller.com](http://www.hermanmiller.com). Any amendments to, or waivers from, a provision of this code also will be posted to the company’s internet website.

#### **Corporate Governance**

Information relating to the identification of the audit committee, audit committee financial experts, and director nomination procedures of the registrant 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 2017 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference.

### **Item 11 EXECUTIVE COMPENSATION**

Information relating to management remuneration is contained under the captions “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year-End,” “Option Exercises and Stock Vested,” “Pension Benefits,” “Nonqualified Deferred Compensation,” “Potential Payments Upon Termination, Death, Disability, Retirement or Change in Control,” “Director Compensation,” “Director Compensation Table,” and “Compensation Committee Interlocks and Insider Participation” in the company’s definitive Proxy Statement, relating to the company’s 2017 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference. The information under the caption “Compensation Committee Report” is incorporated by reference, however, such information is not deemed filed with the Commission.

### **Item 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The sections entitled “Voting Securities and Principal Stockholders,” “Director and Executive Officer Information,” and “Equity Compensation Plan Information” in the definitive Proxy Statement, relating to the company’s 2017 Annual Meeting of Stockholders, and the information within these sections is incorporated by reference.

### **Item 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information concerning certain relationships and related transactions contained under the captions “Related Party Transactions,” and “Corporate Governance and Board Matters — Determination of Independence of Board Members” in the definitive Proxy Statement, relating to the company’s 2017 Annual Meeting of Stockholders and the information within these sections is incorporated by reference.

### **Item 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information concerning the payments to our principal accountants and the services provided by our principal accounting firm set forth under the caption “Disclosure of Fees Paid to Independent Auditors” in the Definitive Proxy Statement, relating to the company’s 2017 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:

	<u>Page Number in this Form 10-K</u>
Consolidated Statements of Comprehensive Income	<a href="#">41</a>
Consolidated Balance Sheets	<a href="#">42</a>
Consolidated Statements of Stockholders' Equity	<a href="#">43</a>
Consolidated Statements of Cash Flows	<a href="#">44</a>
Notes to the Consolidated Financial Statements	<a href="#">45</a>
Management's Report on Internal Control over Financial Reporting	<a href="#">77</a>
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	<a href="#">78</a>
Report of Independent Registered Public Accounting Firm on Financial Statements	<a href="#">79</a>

2. Financial Statement Schedule

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

	<u>Page Number in this Form 10-K</u>
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	<a href="#">84</a>
Schedule II- Valuation and Qualifying Accounts and Reserves for the Years Ended June 3, 2017, May 28, 2016 and May 30, 2015	<a href="#">85</a>

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

3. Exhibits

Reference is made to the Exhibit Index which is included on pages 85-86.

SIGNATURES

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

HERMAN MILLER, INC.

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

Date: August 1, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on, August 1, 2017 by the following persons on behalf of the Registrant in the capacities indicated.

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

/s/ Lisa Kro  
Lisa Kro  
(Director)

/s/ David O. Ulrich  
David O. Ulrich  
(Director)

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

/s/ Dorothy A. Terrell  
Dorothy A. Terrell  
(Director)

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

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

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

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

/s/ Brian C. Walker  
Brian C. Walker  
(President, Chief Executive Officer, and  
Director)

/s/ Heidi Manheimer  
Heidi Manheimer  
(Director)

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

/s/ Brenda Freeman  
Brenda Freeman  
(Director)



Report of Independent Registered Public Accounting Firm

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

We have audited the consolidated financial statements of Herman Miller, Inc. as of June 3, 2017 and May 28, 2016, and for each of the three years in the period ended June 3, 2017, and have issued our report thereon dated August 1, 2017 (included elsewhere in this Form 10K). Our audits also included the financial statement schedule listed in Item 15(a) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP  
Grand Rapids, Michigan  
August 1, 2017

**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 <sup>(3)</sup>	Balance at end of period
Year ended June 3, 2017:				
Accounts receivable allowances — uncollectible accounts <sup>(1)</sup>	\$ 3.4	\$ —	\$ (1.1)	\$ 2.3
Accounts receivable allowances — credit memo <sup>(2)</sup>	\$ 0.4	\$ —	\$ —	\$ 0.4
Allowance for possible losses on notes receivable	\$ 0.9	\$ —	\$ —	\$ 0.9
Valuation allowance for deferred tax asset	\$ 10.6	\$ (0.6)	\$ —	\$ 10.0
Year ended May 28, 2016:				
Accounts receivable allowances — uncollectible accounts <sup>(1)</sup>	\$ 2.4	\$ 2.3	\$ (1.3)	\$ 3.4
Accounts receivable allowances — credit memo <sup>(2)</sup>	\$ 0.4	\$ —	\$ —	\$ 0.4
Allowance for possible losses on notes receivable	\$ 1.0	\$ (0.1)	\$ —	\$ 0.9
Valuation allowance for deferred tax asset	\$ 11.1	\$ (1.5)	\$ 1.0	\$ 10.6
Year ended May 30, 2015:				
Accounts receivable allowances — uncollectible accounts <sup>(1)</sup>	\$ 3.4	\$ 0.9	\$ (1.9)	\$ 2.4
Accounts receivable allowances — credit memo <sup>(2)</sup>	\$ 0.6	\$ —	\$ (0.2)	\$ 0.4
Allowance for possible losses on notes receivable	\$ 0.1	\$ 0.9	\$ —	\$ 1.0
Valuation allowance for deferred tax asset	\$ 8.5	\$ (0.6)	\$ 3.2	\$ 11.1

(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.

## EXHIBIT INDEX

- (3) Articles of Incorporation and Bylaws
  - (a) Restated Articles of Incorporation, dated October 4, 2013, is incorporated by reference from Exhibit 3(a) of Registrant's 2014 Form 10-K Annual Report (Commission File No. 001-15141).
  - (b) Amended and Restated Bylaws, dated July 13, 2015, is incorporated by reference from Exhibit 3 of the Registrant's Form 8-K dated July 17, 2015 (Commission File No. 001-15141).
- (4) Instruments Defining the Rights of Security Holders
  - (a) Specimen copy of Herman Miller, Inc., common stock is incorporated by reference from Exhibit 4(a) of Registrant's 1981 Form 10-K Annual Report (Commission File No. 001-15141).
  - (b) Other instruments which define the rights of holders of long-term debt individually represent debt of less than 10% of total assets. In accordance with item 601(b)(4)(iii)(A) of regulation S-K, the Registrant agrees to furnish to the Commission copies of such agreements upon request.
  - (c) Dividend Reinvestment Plan for Shareholders of Herman Miller, Inc., dated January 6, 1997, is incorporated by reference from Exhibit 4(d) of the Registrant's 1997 Form 10-K Annual Report (Commission File No. 000-05813).
  - (d) Third Amended and Restated Credit agreement dated as of July 21, 2014 among Herman Miller, Inc. and various lenders is incorporated by reference from Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated July 22, 2014 (Commission File No. 001-15141).
- (10) Material Contracts
  - (a) Herman Miller, Inc. 2011 Long-Term Incentive Plan is incorporated by reference from Appendix I of the Registrant's Definitive Proxy Statement dated August 26, 2014, as amended, filed with the Commission as of August 26, 2014 (Commission File No. 001-15141).<sup>(1)</sup>
  - (b) Herman Miller, Inc. Nonemployee Officer and Director Deferred Compensation Plan is incorporated by reference to Exhibit 10(b) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141).<sup>(1)</sup>
  - (c) Form of Change in Control Agreement of the Registrant and James E. Christenson.
  - (d) Herman Miller, Inc. Executive Equalization Retirement Plan is incorporated by reference from Exhibit 10 (d) of the Registrant's Form 10-K dated July 28, 2015 (Commission File No. 001-15141).<sup>(1)</sup>
  - (e) Herman Miller, Inc. Executive Incentive Cash Bonus Plan dated April 24, 2006.<sup>(1)</sup>
  - (f) Form of Herman Miller, Inc., Long-Term Incentive Plan Stock Option Agreement is incorporated by reference to Exhibit 10(f) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141).<sup>(1)</sup>
  - (g) Form of Herman Miller, Inc., Long-Term Incentive Restricted Stock Unit Award is incorporated by reference to Exhibit 10 (g) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141).<sup>(1)</sup>
  - (h) Form of Herman Miller, Inc., Long-Term Incentive Performance Stock Unit EBITDA Award.<sup>(1)</sup>
  - (i) Second Amendment to the Herman Miller, Inc. 2011 Long-Term Incentive Plan is incorporated by reference to Exhibit 10 (i) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141).<sup>(1)</sup>
  - (j) Form of Herman Miller, Inc. 2011 Long-Term Incentive Plan Performance Share Unit Award is incorporated by reference to Exhibit 10(j) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141).<sup>(1)</sup>


- (k) Employment Agreement between John Edelman and Design Within Reach is incorporated by reference from Exhibit 10 (b) of the Registrant's Form 10-Q dated October 8, 2014 (Commission File No. 001-15141). <sup>(1)</sup>
  - (l) Employment Agreement between John McPhee and Design Within Reach is incorporated by reference from Exhibit 10 (c) of the Registrant's Form 10-Q dated October 8, 2014 (Commission File No. 001-15141). <sup>(1)</sup>
  - (m) Stockholders' Agreement between HM Springboard, Inc., Herman Miller, Inc., John Edelman, and John McPhee is incorporated by reference from Exhibit 10(d) of the Registrant's Form 10-Q dated October 8, 2014 (Commission File No. 001-15141). <sup>(1)(3)</sup>
  - (n) HM Springboard, Inc. Stock Option Plan is incorporated by reference from Exhibit 10(e) of the Registrant's Form 10-Q dated October 8, 2014 (Commission File No. 001-15141). <sup>(1)(3)</sup>
  - (o) Third Amendment to the Herman Miller, Inc. 2011 Long-Term Incentive Plan is incorporated by reference to Exhibit 10 (o) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141). <sup>(1)</sup>
  - (p) Form of Herman Miller, Inc. 2011 Long-Term Incentive Plan Conditional Stock Option Award is incorporated by reference from Exhibit 10 (p) of the Registrant's Form 10-K dated July 28, 2015 (Commission File No. 001-15141). <sup>(1)</sup>
  - (q) Trust Under the Herman Miller, Inc. Nonemployee Officer and Director Compensation Plan is incorporated by reference to Exhibit 10(q) of the Registrant's Report on Form 10-K dated July 26, 2016 (Commission File No. 001-15141). <sup>(1)</sup>
- (21) Subsidiaries
  - (23)(a) Consent of Independent Registered Public Accounting Firm
  - (24) Power of Attorney (included on the signature page to this Registration Statement)
  - (31)(a) Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - (31)(b) Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - (32)(a) Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - (32)(b) Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document<sup>(2)</sup>
  - 101.SCH XBRL Taxonomy Extension Schema Document<sup>(2)</sup>
  - 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document<sup>(2)</sup>
  - 101.LAB XBRL Taxonomy Extension Label Linkbase Document<sup>(2)</sup>
  - 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document<sup>(2)</sup>
  - 101.DEF XBRL Taxonomy Extension Definition Linkbase Document<sup>(2)</sup>

<sup>(1)</sup> Denotes compensatory plan or arrangement.

<sup>(2)</sup> In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 shall be deemed "furnished" and not "filed" under sections 11 or 12 of the Securities Act of 1933 and/or under section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

<sup>(3)</sup> Subsequent to the agreement, the legal name of the company was changed from HM Springboard, Inc. to Herman Miller Consumer Holdings, Inc.

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