

Notice of
Annual Meeting of Shareholders
Proxy Statement

2  18

Herman Miller, Inc., and Subsidiaries

August 28, 2018

Dear Shareholder,

On February 5, 2018, Herman Miller announced that Brian C. Walker planned to retire as President and Chief Executive Officer and a member of our Board of Directors by August 31, 2018. Following the announcement, our Board established a CEO Search Committee composed of independent directors to identify and evaluate internal and external candidates. To begin the search process, the Search Committee created a CEO profile outlining desired qualities relating to cultural fit and leadership style, differentiating competencies, motivational fit and experience.

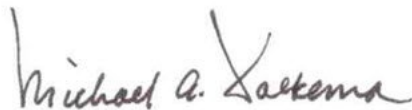
To assist in identifying potential candidates based on the desired CEO profile, the Search Committee selected the search firm of Korn Ferry, who identified a number of external candidates. Upon evaluation of the final slate of impressive candidates, the Search Committee selected Ms. Andrea Owen as its recommendation to the Board of Directors to become the new President and Chief Executive Officer and a member of the Board of Directors. After careful consideration, the Board approved the Search Committee's recommendation.

Prior to joining Herman Miller, Ms. Owen enjoyed a 25-year career at Gap Inc., where she most recently served as Global President of Banana Republic, a division of Gap Inc., leading 11,000 employees across over 600 wholly-owned and franchise specialty and outlet stores in over 27 countries. During her tenure at Gap, her career spanned many verticals and brands within the global business. She developed a diversified skillset that aligns with the strategic direction of Herman Miller today, ranging from digital and omnichannel transformation to design, product development and supply chain management. Ms. Owen achieved impressive results with a strong focus on building people-first teams centered on the values shared by Herman Miller today. Her background demonstrates that she will be able to effectively serve as a market visionary, performance strategist, change sponsor and organization builder at Herman Miller.

As we look ahead, Ms. Owen will be focused on solidifying the momentum of our business and identifying opportunities that will lead to growth in new markets for both contract and consumer customers. The Board and I are confident that Ms. Owen, in partnership with our existing leadership team, is the perfect candidate to take our portfolio of brands to the next level and to seize opportunities that will ultimately unearth long-term value for our shareholders.

Please join me in welcoming Ms. Owen to the role and we thank you for your continued commitment to Herman Miller.

Sincerely,

A handwritten signature in cursive script that reads "Michael A. Volkema". The signature is written in dark ink and is positioned above the printed name and title.

Michael A. Volkema
Chairman of the Board

August 28, 2018

Dear Fellow Herman Miller Shareholder,

For several years now, we've had a clear vision to transform Herman Miller into a global provider of inspiring designs to help people do great things. We have focused on expanding our addressable markets and creating new channels of distribution to serve our customers. This strategy includes five key priorities, which I will provide an update on shortly. Achieving this vision requires imagination, stretches our resources, and pulls us to constantly re-examine what we do and how we do it. I'm proud that Herman Miller's 8,000 employees continue to respond with the spirit and creativity that have propelled Herman Miller for more than 100 years.

Sales of \$2.38 billion for fiscal 2018 marked a record level for the third year in a row and reflected growth across each of our business segments. The organization did a great job of managing operating expenses over the full year, helping to mitigate gross margin pressures. We reported EPS on a GAAP basis of \$2.12 for fiscal 2018, and adjusted EPS of \$2.30⁽¹⁾ increased by 6% over the prior year. Reflecting the strength of our current financial position and confidence in our growth strategy, we announced a 10% dividend increase in July.

Our business and the realities our customers face continue to evolve. The following five key priorities aim to help us create value for both our customers and Herman Miller, and we made meaningful progress on each of them over the past year.

Realize the Living Office

The Living Office is a research-based framework to help our customers design compelling, high-performing work spaces and a critical foundation for setting our innovation agenda and leveraging our dealer eco-system. In the past year, we added significantly to our research into workplace environments, and through a combination of partnerships and a new range of technology-focused work space settings, we are integrating technology more powerfully than ever before. We also launched the Live OS technology platform to improve workplace performance and help achieve wellness goals with real-time data.

Deliver Innovation

Innovation remains at the forefront for Herman Miller. Sales from new products in 2018 reflected 29% of total sales for the year, well above our annual target of 20%. We launched 46 new products in the past year and announced a number of upcoming launches at the NeoCon industry tradeshow this past June. These launches included Cosm, a performance task chair designed by our long-time design partner in Berlin, Studio 7.5., that won a Best of NeoCon Gold award in the ergonomic seating category for its innovative design. Altogether, our new products have the Herman Miller and dealer sales teams energized and well-positioned for the opportunities ahead.

Leverage our Dealer Eco-system

Strengthening our dealer eco-system remains a focal point. We expanded our product offerings into growing categories like performance seating and enclosures. The seating launches of Cosm, Verus, and Lino expand our leading line-up of seating designs. With the recently announced investment in Maars Living Walls, a global leader in interior wall solutions; the launch of Overlay, a system of sub-architectural, moveable walls; and an alliance with Framery, a provider of high performance soundproof enclosures, we have made a strong push into the enclosures category. The Herman Miller Elements team continues to help our dealers fully understand the breadth of our offering across the Herman Miller group of brands in the fast-growing ancillary space. To further support our dealers, we've made significant progress this year enhancing our digital tools to make it as easy as possible for dealers to order, specify, and visualize the entire product offering across all of our group of brands. We'll continue to enhance these tools with new search and visualization features planned for the year ahead.

Scale our Consumer Business

Fiscal 2018 was a year of great progress scaling our Consumer business. Revenues grew by 12% over last year, as comparable brand sales increased each quarter and we expanded selling space by 40,000 square feet. Our mix of exclusive modern designs also continues to grow. Finally, our June investment in HAY, a Denmark-based design leader in ancillary furnishings in Europe and Asia, supports our priorities around scaling our Consumer business and the Dealer Eco-System. Active in both the contract and residential furnishing markets, the HAY brand expands our portfolio of leading global brands and allows us to scale the Consumer business by accessing a growing customer base that prizes both industry-leading design and value. Over the course of the coming fiscal year, HAY's goods will be available through our Design Within Reach channels. HAY products will also be integrated into the contract furnishings business across our dealer network as part of the Herman Miller family of brands.

(1) Non-GAAP measurements; see accompanying reconciliations and explanations on pg 54.

Drive Profit Optimization

We made progress this year on our corporate-wide profit optimization goal, our fifth strategic priority. Given inflationary pressures over the past year, this work, combined with pricing actions we implemented in the third quarter of fiscal 2018 and a planned price increase in January of 2019, is proving to be critical to helping to address those pressures and drive improvements in operating margins. Across three phases of work that are in progress, we are building line of sight toward achieving between \$60 million and \$90 million of profit optimization, including run rate savings of approximately \$30 million that we have generated to date.

Let me provide more perspective on each of the phases. The initial corporate-wide push that we began 18 months ago has generated a run-rate of \$23 million of annual savings to date and we believe will realize another \$5 million from our recent manufacturing consolidation efforts. In August of 2017, we also began a focused initiative aimed at profit optimization within our Consumer business. We believe we can drive \$15 million to \$20 million of profit improvement in the Consumer segment as part of our drive to achieve sustained operating margins of 8% to 10% in that business. This includes \$2 million of initial benefits realized in the fourth quarter in fiscal 2018. As most of the benefits of the work to date have been offset by increased inflation and discounting, we have recently increased the scope of our efforts to include the North America business. While we are still in the opportunity confirmation stage, we see the potential for \$20 million to \$40 million of benefit based on the distinct work streams identified to date. All together, these phases will be critical in helping us fund growth initiatives, offset potential inflationary pressures and, ultimately, achieve or exceed our goal of consolidated operating margins of 10% by the end of fiscal year 2020.

We made important progress on all five strategic priorities in the past year. As we enter fiscal 2019 with tremendous momentum toward delivering sustainable, profitable growth for our stakeholders, these five priorities will remain a focus for us. At the same time, we will support these priorities with three additional areas that will require our attention, effort and investment.

First, we must increase our efforts and commitment toward building an inclusive and diverse culture. Diverse perspectives, thoughts, and experiences are critical to attracting and keeping the best talent, as well as to understanding the diverse perspectives and needs of our customers. While this is not new to us, we are committed to continuing to grow in this area. We're building intentionality and purpose into everything we do to ensure we're creating systems that afford every person at Herman Miller the opportunity to achieve their full potential.

The second area we are ramping up is modernizing our manufacturing capabilities. The first step is to stabilize our core competencies and bring our capacities in line with market demands. This work is well underway. We're in the process of resetting our footprint in China by consolidating the Dongguan and Ningbo plants, and in the U.S., we have approved nearly \$100M in investments to modernize our capabilities. Along with stabilizing our core, we must also further integrate technology with our manufacturing equipment and processes. Increasing computing power, combined with proven manufacturing techniques, will help us redefine what's possible. We'll build the next stage of our lean journey by incorporating automation into all of our thinking.

Last, and a more long-range objective, is "becoming a digital enterprise." This begins with a shift in perspective. Our information technology teams are moving from a "boxes and wires" focus to helping drive growth as digital business partners. This work will build on the progress we have already made and will happen in four areas. First, we are simplifying and expanding the digital highway in the dealer eco-system. Second, we are expanding our digital service offering with platforms like Live OS. Third, artificial intelligence, data, and visualization tools will help us become better at core competencies like customer service, training, and design. Finally, technology will help us with the modernization of manufacturing.

Considering the wide and deep array of products, capabilities, and brands now available from the Herman Miller Group and a clear set of priorities for the work ahead of us, we're more confident than ever in our future. The diversity of our portfolio and the capabilities we are building within the Herman Miller community will enable us to provide our customers with the most comprehensive solutions to meet their needs in working, living, healing, and learning environments.

On a personal note, as Herman Miller moves with commitment toward the goals mentioned above, a new CEO will see us achieve them. With a career of 29 years and a tenure of 14 years as CEO, my time at Herman Miller has been an inimitable period of wonderful relationships, great personal growth, and tremendous learning. I'm humbled to join the list of Herman Miller leaders, and I'm still awed by the chance I was given to help this great community change and grow. With the announcement of Andrea Owen as CEO of Herman Miller, I am looking forward to working with Andrea through a seamless transition. Herman Miller is only just beginning to scratch the surface of our addressable market opportunity. Andrea's experience driving results as a seasoned leader, coupled with our outstanding leadership team, will take our family of brands to the next level.

Thank you for your ongoing support of Herman Miller. I wish this community called Herman Miller only the best in the future.

Sincerely,



Brian C. Walker
Retired President and Chief Executive Officer (as of August 21, 2018)

Notice of Annual Meeting of Shareholders

The Annual Meeting of the Shareholders of Herman Miller, Inc. (the "Company") will be held on October 8, 2018, by means of remote communication on the Internet at www.virtualshareholdermeeting.com/MLHR18, at 10:30 a.m. (ET) for the following purposes:

1. To elect four directors, each for a term of three years
2. To approve an amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors in uncontested elections
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm
4. To vote, on an advisory basis, to approve the annual compensation paid to the company's named executive officers
5. 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 10, 2018, 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 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/MLHR18 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 28, 2018

Table of Contents

| | Page No. |
|---|--------------------|
| Solicitation of Proxies and Voting (Q&A) | 6 |
| Proxy Statement Summary | 9 |
| Financial Highlights from 2018 | 9 |
| Proposal #1 - Election of Directors | 11 |
| Corporate Governance and Board Matters | 16 |
| Board Committees | 18 |
| Proposal #2 - Approval of Amendment to Articles of Incorporation | 19 |
| Proposal #3 - Ratification of Appointment of Independent Registered Public Accounting Firm | 20 |
| Report of the Audit Committee | 21 |
| Proposal #4 - Proposal to Approve, on an Advisory Basis, the Annual Compensation Paid to the Company's Named Executive Officers | 22 |
| Voting Securities and Principal Shareholders | 22 |
| Director and Executive Officer Information | 23 |
| Compensation Discussion and Analysis | 24 |
| Executive Compensation Committee Report | 41 |
| Summary Compensation Table | 42 |
| Grants of Plan-Based Awards | 43 |
| Outstanding Equity Awards at Fiscal Year-End | 44 |
| Option Exercises and Stock Vested | 44 |
| Pension Benefits | 45 |
| Nonqualified Deferred Compensation | 46 |
| Potential Payments upon Termination, Death, Disability, Retirement or Change in Control | 47 |
| Director Compensation | 51 |
| Equity Compensation Plan Information | 53 |
| Section 16(a) Beneficial Ownership Reporting Compliance | 53 |
| Certain Relationships and Related Party Transactions | 53 |
| Reconciliation of Non-GAAP Financial Measures | 54 |
| Miscellaneous | 56 |

Herman Miller, Inc.

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

Proxy Statement Dated August 28, 2018

This Proxy Statement and the accompanying Proxy, which we are making available to shareholders on or about August 28, 2018, 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 8, 2018, 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 28, 2018.

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 costs associated with mailing the proxy materials to shareholders.

On or about August 28, 2018, 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 2018 Annual Report electronically by going to www.proxyvote.com.

Who can vote?

Only record holders of our common stock at the close of business on August 10, 2018 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 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 7, 2018.
- 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 7, 2018.
- 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/MLHR18. 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 proposal to approve an amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors in uncontested elections; 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 1, 2019; and for the non-binding advisory proposal to approve the compensation of our Named Executive Officers.

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 59,497,056 shares of common stock issued and outstanding. Therefore, at least 29,748,529 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 2021; (ii) a proposal to approve an amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors in an uncontested election; (iii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 1, 2019; and (iv) a non-binding advisory proposal on the compensation of our Named Executive Officers, otherwise known as a “say-on-pay” proposal. 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 and approval of the amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors in uncontested elections, 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 cast. 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.

The amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors will be approved if it receives the affirmative vote of a majority of the outstanding shares entitled to vote on the proposed amendment.

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, the proposal to amend our Articles of Incorporation, 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. However, abstentions and broker non-votes have the effect of a vote "against" the amendment to our Articles of Incorporation to allow our by-laws to provide for a majority voting standard for the election of directors.

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/MLHR18. At this site, you will be able to vote electronically and submit questions during the meeting. You will need the 16-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 8, 2018

This Proxy Statement along with our Annual Report are available at: www.proxyvote.com.

You may obtain a copy of the company's Annual Report on Form 10-K for the fiscal year ended June 2, 2018, 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 2018 performance, please review the company's Annual Report on Form 10-K for the year ended June 2, 2018.

Proxy Statement Availability and Annual Meeting Information

This Proxy Statement and the accompanying Proxy, which we are making available to shareholders on or about August 28, 2018, 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 2018 Annual Meeting of Shareholders. This meeting will be held on October 8, 2018, 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.

We hold the Annual Meeting via the Internet due to the ease and convenience in attending, which is likely to increase participation levels. We also believe that holding the Annual Meeting via the Internet is beneficial to both shareholders and the company because it eliminates travel costs to shareholders and it eliminates costs to the company associated with holding an in-person meeting.

Voting Matters and Board Recommendations

The Board is not aware of any matter that will be presented for a vote at the 2018 Annual Meeting of Shareholders other than those shown below.

| | Board Vote Recommendation |
|---|----------------------------------|
| Proposal #1 - Election of Directors 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. | FOR each Director Nominee |
| Proposal #2 - Approval of Amendment to Articles of Incorporation The Board has adopted, subject to shareholder approval, an amendment to our Articles of Incorporation that would allow us to amend our Bylaws to provide that, in an uncontested election, a nominee must receive a majority of the votes cast to be elected as a director. Under this proposal, in contested elections, where the number of nominees exceeds the number of directors to be elected, the voting standard would continue to be a plurality of the votes cast. | FOR |
| Proposal #3 - Ratification of Appointment of Independent Registered Public Accounting Firm The Audit Committee believes that the retention of Ernst & Young LLP to serve as the Independent Auditors for fiscal 2019 is in the best interest of the company and its shareholders and we are asking shareholders to ratify the Audit Committee's selection of Ernst & Young LLP for fiscal 2019. | FOR |
| Proposal #4 - Proposal to Approve, on an Advisory Basis, the Annual Compensation Paid to the Company's Named Executive Officers 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. | FOR |

Financial Highlights from Fiscal 2018

Company Performance

Net sales increased in 2018 to \$2,381.2 million, an increase of 4.5% from the prior fiscal year and a record level of sales for the company. On an organic basis, which adjusts for dealer divestitures, changes in foreign currency translation rates and the impact of the extra week in fiscal 2017, net sales increased by 6.5%⁽¹⁾ compared to last fiscal year. Each of our business segments delivered sales growth over last year, led by double digit growth in the ELA and Consumer segments during the year.

While gross margins were impacted by higher commodity costs, unfavorable product mix and a competitive pricing environment compared to last year, operating expenses were well controlled during the year, and we continued to execute on our profit optimization efforts to help mitigate these factors. Consolidated diluted earnings per share of \$2.12 and adjusted diluted earnings per share of \$2.30⁽¹⁾ increased compared to prior year diluted earnings per share of \$2.05 and adjusted diluted earnings per share of \$2.16⁽¹⁾, respectively. Operating cash flow generation of \$167 million for the year enabled the company to fund capital expenditures supporting the business, repurchase \$46 million of company shares and, subsequent to the end of the fiscal year, announce a 10% increase in the quarterly dividend to \$0.1975 per share, the highest quarterly rate in Herman Miller's history.

Despite choppy industry order levels in the North America and an uncertain political environment, the North America business segment delivered reported sales growth of 0.6% and organic growth of 4.2%⁽¹⁾ compared to the prior fiscal year. The North America segment continued to deliver the highest operating margins of the company's business units. We made meaningful investments in design and innovation during the year, launching a full slate of new products and services aimed at delivering high performing solutions that meet our evolving customers' needs.

The ELA segment recorded an increase in net sales of 12.7% for the year. After adjusting for the impact of changes in foreign currency and the impact of the extra week of operations in the prior fiscal year, organic net sales grew at a rate of 11.3%⁽¹⁾ for the year. The improvement in net sales reflected growth across each of our geographic regions of EMEA, Asia-Pacific and Latin America. The ELA segment posted a decline in operating earnings of 1% relative to the prior year. However, after adjusting for the impact of restructuring and other special charges, adjusted operating earnings improved by 14%⁽¹⁾.

Sales for the Specialty segment were 2.5% higher than prior year, as reported, and 3.9% higher than prior year on an organic basis⁽¹⁾. Operating earnings increased by 10% compared to the prior year, while adjusted operating earnings decreased by 45%⁽¹⁾. Lower profitability for the Nemschoff and Maharam businesses for the year primarily tied to lower demand levels and unfavorable product mix was partially offset by operating earnings growth for Geiger and the Herman Miller Collection. We believe the Specialty brands of Geiger, Maharam, Nemschoff and the Herman Miller Collection represent a powerful combination of inspiring brands that connect us to architect and design specifiers, expand our market opportunity in both traditional and ancillary workspaces, and serve as an important part of our economic engine.

Our Consumer segment reported strong momentum with net sales growth of 12.2% over last year, including four quarters of comparable brand⁽²⁾ growth from Design Within Reach during the year and the addition of approximately 40,000 square feet of retail selling space. Growth was delivered from multiple channels this year, including studios, eCommerce, catalog and contract channels. Operating earnings and adjusted operating earnings increased by 190% and 157%⁽¹⁾, respectively. While the real estate expansion and investments to support long-term growth in the consumer business have limited near-term profitability over the past two years, the expansion of operating earnings this year, particularly in the second half of fiscal 2018, highlights the traction we are gaining as we scale the Consumer business.

(1) Non-GAAP measurements; see accompanying reconciliations and explanations on pg 54.

(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 David A. Brandon, Douglas D. French, John R. Hoke III, and Heidi J. Manheimer for election as directors. All nominees would serve until the 2021 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 of Directors currently consists of ten directors, nine of whom are independent. Mr. David O. Ulrich resigned from the Board effective December 8, 2017, and Mr. Brian C. Walker is scheduled to retire as President and Chief Executive Officer and from the Board, effective August 21, 2018. 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.

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 2021

| | Age | Director Since | Independent | Other Public Directorships (past 5 years) | NGC | Board Committees | | |
|---|-----|----------------|-------------|--|-----|------------------|-----|----|
| | | | | | | AC | ECC | EC |
| David A. Brandon Former Chairman and Chief Executive Officer Toys "R" Us, Inc. | 66 | 2011 | ✓ | Domino's Pizza, Inc. DTE Energy Company Kaydon Corporation (formerly publicly traded) | | | X | |
| Douglas D. French Managing Director Santé Health Ventures | 64 | 2002 | ✓ | N/A | X | X | | |
| John R. Hoke III Vice President Global Design Nike, Inc. | 53 | 2005 | ✓ | N/A | | | X | |
| Heidi J. Manheimer Executive Chairman of Surratt Cosmetics, LLC | 55 | 2014 | ✓ | N/A | | X | | |

Directors Whose Term Expires in 2019

| | Age | Director Since | Independent | Other Public Directorships (past 5 years) | NGC | Board Committees | | |
|---|-----|----------------|-------------|---|-----|------------------|-----|----|
| | | | | | | AC | ECC | EC |
| Lisa A. Kro Co-Founder, Managing Director Mill City Capital L.P. | 53 | 2012 | ✓ | Famous Dave's of America, Inc. | | C | | X |
| Michael A. Volkema Chairman of the Board Herman Miller, Inc. | 62 | 1995 | ✓ | Wolverine Worldwide, Inc. | | | | C |

Directors Whose Term Expires in 2020

| | Age | Director Since | Independent | Other Public Directorships (past 5 years) | NGC | Board Committees | | |
|--|-----|----------------|-------------|---|-----|------------------|-----|----|
| | | | | | | AC | ECC | EC |
| Mary Vermeer Andringa Chief Executive Officer and Board Chair Vermeer Corporation | 68 | 1999 | ✓ | N/A | C | | | X |
| Brenda Freeman Chief Marketing Officer Magic Leap | 54 | 2016 | ✓ | Caleres Inc. Under Armour, Inc | X | | | |
| J. Barry Griswell Retired, President and Chief Executive Officer Community Foundation of Greater Des Moines | 69 | 2004 | ✓ | Voya Financial Inc. OZ Management | | | C | X |
| Andrea Owen President and Chief Executive Officer Herman Miller, Inc. | 53 | 2018 | | Taylor Morrison Home Corporation | | | | |

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. We also include additional information below and on the following pages about each Director describing 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 2021

| 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 |
|----------------------|------------------------------------|--|--|
| David A. Brandon, 66 | 2011 | Chairman and CEO, Toys "R" Us, Inc. 2015 to 2018 Director of Intercollegiate Athletics, University of Michigan 2010 to 2014 | Domino's Pizza, Inc. DTE Energy Company Kaydon Corporation (formerly publicly traded) |

Mr. Brandon is the former Chairman and Chief Executive Officer of Toys "R" Us, Inc., a retailer of toys and juvenile products. Mr. Brandon joined Toys "R" Us in 2015 and officially left the company in May 2018. On September 18, 2017, Toys "R" Us filed a voluntary petition for relief under the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia (Richmond Division). 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. These factors contributed to his recommendation by the Board for continued service as a director.

| | | | |
|-----------------------|------|--|------|
| Douglas D. French, 64 | 2002 | Managing Director, Santé Health Ventures since 2007 | None |
|-----------------------|------|--|------|

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; accordingly, the Board recommended his nomination for re-election as a director.

| | | | |
|----------------------|------|---|------|
| John R. Hoke III, 53 | 2005 | Chief Design Officer, Nike, Inc. since 2017 Vice President, Nike Global Design 2010 to 2017 | None |
|----------------------|------|---|------|

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 Chief Design Officer of Nike, Inc. having previously served as 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, and contributed to his recommendation by the Board for continued service as a director.

| | | | |
|------------------------|------|---|------|
| Heidi J. Manheimer, 55 | 2014 | Executive Chairman, Surratt Cosmetics LLC since December 2017 Independent Consultant 2015 to 2017 Chief Executive Officer, Shiseido Cosmetics America from 2006 to 2015 | None |
|------------------------|------|---|------|

Ms. Manheimer is the Executive Chairman of Surratt Cosmetics LLC, a customizable beauty products and cosmetics company. Ms. Manheimer served as the Chief Executive Officer of Shiseido Cosmetics America, a global leader in skincare and cosmetics, from 2006 to 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 provide a valuable resource to management and the Board of Directors, accordingly, the Board recommended her nomination for re-election as a director.

Directors Whose Terms Expire in 2019

| 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, 53 | 2012 | Co-Founder, Managing Director Mill City Capital L.P. since 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.

| | | | |
|------------------------|------|--|---------------------------|
| Michael A. Volkema, 62 | 1995 | Chairman of the Board, Herman Miller, Inc. since 2000 | Wolverine Worldwide, Inc. |
|------------------------|------|--|---------------------------|

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.

Directors Whose Terms 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, 68 | 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 |

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 14,000 U.S.-based manufacturing entities. Ms. Andringa has served the last four years as the co-chair for the B20 Task Force for Small and Medium Enterprises. The B20 is a group of business leaders from the G20 countries who develop and advise the political leaders for the G20 on proposals to improve global growth.

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 provide an important resource to management and the Board of Directors.

Directors Whose Terms Expire in 2020 (continued)

| 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 |
|--------------------|------------------------------|--|--|
| Brenda Freeman, 54 | 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 2014 | Caleres, Inc. Under Armour, Inc. |

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 Chief Marketing Officer for the National Geographic Channels, a naturalist cable television production platform, where she oversaw brand development, multi-platform creative architecture and consumer communication. She was also global head of television marketing for DreamWorks, a television and movie production and distribution company, Chief Marketing Officer of Cartoon Network at Turner Broadcasting and Senior Vice President 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.

Ms. Freeman's experience as marketing executive and her specific experience with 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.

| | | | |
|-----------------------|------|--|--------------------------------------|
| J. Barry Griswell, 69 | 2004 | Retired President and CEO, Community Foundation of Greater Des Moines 2008 to 2013 | Voya Financial Inc. OZ Management |
|-----------------------|------|--|--------------------------------------|

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 a director of Voya Financial, where he serves on the Executive Committee and as chair of the Risk, Investment and Finance Committee.

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.

| | | | |
|-----------------|------|---|----------------------------------|
| Andrea Owen, 53 | 2018 | President and Chief Executive Officer Herman Miller, Inc. since 2018 Global President, Banana Republic 2014 to 2017 Executive Vice President GAP Global Outlet 2010 to 2014 | Taylor Morrison Home Corporation |
|-----------------|------|---|----------------------------------|

Ms. Owen has been elected by the Board of Directors to succeed Brian C. Walker as the company's next President and Chief Executive Officer, effective August 22, 2018. Ms. Owen was also elected to the company's Board of Directors as of August 22. She joins Herman Miller after a 25-year career at Gap Inc., where she most recently served as Global President of Banana Republic, leading 11,000 employees in over 600 stores across 27 countries. She has developed a diversified skillset that aligns with the strategic direction of Herman Miller today and ranges from digital and omni-channel transformation to design, development and supply chain management, making her an important contributor to the Board.

The Nominating and Governance Committee has not received any nominations from any of our shareholders in connection with our 2018 Annual Meeting. The nominees who are standing for election as directors at the 2018 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. 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.

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 to act 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 reasonably likely to have a material adverse impact on the company. The Business Risk Group conducted its review in late 2017 and provided a report to the Committee in January 2018. 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 concurs with management's determination that the company's compensation policies and practices are not reasonably 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 2018. 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 Ms. Owen (effective August 22, 2018), 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 SEC.

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, and Directors are encouraged to join the webcast for the Annual Meeting. All of our then current directors did so for our 2017 Annual Shareholders Meeting, including Ms. Dorothy Terrell, Mr. David O. Ulrich, and Mr. Brian C. Walker, who ceased to be directors subsequent to the meeting. During fiscal 2018, the Board held seven meetings; each director attended at least 75 percent of the aggregate number of meetings of our Board and Board Committees on which they served. 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, experience as a senior executive of a public company, and diversity. The Nominating and Governance Committee may also consider 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 website at 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 Douglas French. 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, including overseeing and regularly evaluating (quarterly) the company's cybersecurity risks, which is regularly reported to and discussed among members 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 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 Discussion and Analysis - Executive Summary" 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 Executive Compensation Committee.

Proposal #2 - Approval of Amendment to Articles of Incorporation

Current Standard and Policy

Michigan law provides that directors are elected by a plurality of the votes cast unless otherwise provided in a corporation's articles of incorporation. Because our Articles of Incorporation do not provide otherwise, our directors are currently elected by a plurality of the votes cast. This means that the director nominees with the most votes cast in their favor are elected, regardless of any withheld votes.

Description of Amendment Generally

The Board has adopted, subject to shareholder approval, an amendment to our Articles of Incorporation that would allow us to amend our Bylaws to provide that, in an uncontested election, a nominee must receive a majority of the votes cast to be elected as a director. Under this proposal, in contested elections, where the number of nominees exceeds the number of directors to be elected, the voting standard would continue to be a plurality of votes cast.

Background

Shareholders of many public companies have urged that directors be elected by a majority of the votes cast rather than being elected by a plurality of the votes cast. Under the plurality standard, the directors who receive the most votes are elected. Because the number of nominees and the number of open seats are the same in an uncontested election, a nominee need only receive a single affirmative vote to be elected. As a result, a number of public companies have adopted charter or bylaw provisions implementing a majority vote standard or have adopted bylaws or corporate governance guidelines requiring a director who does not receive a majority of votes to submit his or her resignation to the board or one of its committees. Charter or bylaw provisions implementing a majority vote standard also typically require a director who does not receive a majority of votes to submit his or her resignation to the board or one of its committees to address the typical state law provision that provides that a director remains in office until his successor is elected, even if the director has not received a vote sufficient for re-election. Michigan law has such a provision regarding director succession. As discussed above under the heading "How many votes are needed for each proposal?," we have a resignation policy in our Governance Guidelines.

The Nominating and Governance Committee and the Board have carefully considered the arguments for and against a majority voting standard. We believe that the plurality voting standard provides greater certainty that the annual election will result in a full and duly elected board of directors. However, the Board also recognizes that requiring a majority of the votes cast ensures that only directors with broad acceptability among the voting shareholders will serve on the Board and enhances the accountability of each director to our shareholders. While the current resignation policy in our Governance Guidelines seeks to address the same issues as the proposed amendment, the proposed amendment, if adopted by the shareholders, would enable us to implement a majority voting standard and provide more certainty regarding the majority voting standard over the longer term. In recent elections, our director nominees have received votes for election that exceeded a majority of the number of our shares outstanding. As a result, the difference in voting standards would have had no impact on us. On balance, the Board has concluded that the proposed amendment to allow for a majority voting standard is in the best interest of the company and our shareholders and therefore recommends that you approve this Proposal 2.

Amendment of Articles of Incorporation

Under Michigan law, a standard for election of directors other than a plurality may be used only if the articles of incorporation provide for a different standard. If shareholders approve the amendment, then a new Article IX of our Articles of Incorporation will be added which will read as follows:

ARTICLE IX

The Bylaws of the Corporation may provide that, to the extent provided in such Bylaws, each director of the Corporation shall be elected by the affirmative vote of a majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, subject to the terms and conditions set forth within such Bylaws. For purposes of clarity, the provisions of the foregoing sentence do not apply to vacancies or newly created directorships filled by a vote of the Board of Directors.

Amendments to Bylaws and Board Governance Guidelines

The Board has adopted, subject to shareholder approval of the amendment to the Articles of Incorporation described above, amendments to our Bylaws and Governance Guidelines that will become effective upon filing the Certificate of Amendment to the Articles of Incorporation with the Michigan Department of Licensing and Regulatory Affairs. The amendments to our Bylaws and Governance Guidelines do not require any shareholder action. If the shareholders do not approve the proposed amendment to the Articles of Incorporation, then the amendments to our Bylaws and Governance Guidelines will not become effective.

Proposal #2 - Approval of Amendment to Articles of Incorporation *(continued)*

The amendments to the Bylaws provide that each director will be elected by the majority of the votes cast with respect to that director's election at any meeting of shareholders for the election of directors, other than a contested election. A majority of the votes cast will mean that the number of votes cast "for" a director's election exceeds the number of votes "withheld" with respect to that director's election. In a contested election, each director will be elected by a plurality of the votes cast with respect to that director's election at the meeting.

The amendments to the Bylaws further provide that, in an uncontested election of directors, any nominee for director who is already serving as a director and receives a greater number of votes "withheld" from his or her election than votes "for" his or her election (a "Majority Against Vote") will promptly tender his or her resignation. The Nominating and Governance Committee of the Board will then promptly consider the resignation submitted by a director receiving a Majority Against Vote, and the committee will recommend to the Board whether to accept the tendered resignation or reject it.

The Board will act on the committee's recommendation no later than 90 days following the date of the shareholders' meeting at which the election occurred. In considering the committee's recommendation, the Board will consider the factors considered by the committee and such additional information and factors the Board believes to be relevant. Following the Board's decision, we will promptly publicly disclose the Board's decision whether to accept the resignation as tendered, including a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation.

Any director who tenders a resignation pursuant to this provision will not participate in the committee recommendation or the Board consideration regarding whether to accept the tendered resignation. The amendments to the Bylaws also set forth a procedure for acting if a majority of the members of the committee receive Majority Against Votes at the same election.

In light of the proposed addition of a director resignation policy in our Bylaws, the amendment to the Governance Guidelines that the Board has adopted, subject to shareholder approval of the amendment to the Articles of Incorporation, would remove the director resignation policy that is currently part of that document.

Required Vote

The approval of the amendment to the Articles of Incorporation requires the affirmative vote of a majority of the outstanding shares entitled to vote on this proposal.

The Board of Directors recommends a vote FOR this proposal.

Proposal #3 - 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 1, 2019. Representatives of Ernst & Young will participate in the Annual Meeting of Shareholders and will be available to respond to appropriate questions submitted in advance. Shareholders may submit questions in advance by logging on to www.virtualshareholdermeeting.com/MLHR18. 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 June 3, 2017 and June 2, 2018, by our independent registered public accounting firm, Ernst & Young were as follows:

| Fiscal Year Ended | June 3, 2017 | June 2, 2018 |
|---------------------------|--------------|--------------|
| Audit Fees ⁽¹⁾ | \$ 1,865,000 | \$ 2,153,500 |
| Audit Related Fees | — | — |
| Tax Fees ⁽²⁾ | 136,920 | 445,000 |
| Total | \$ 2,001,920 | \$ 2,598,500 |

(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. 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 2, 2018, 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 2, 2018, and we selected Ernst & Young LLP as the independent auditor for fiscal year 2019. The Board is recommending that shareholders ratify that selection at the annual meeting.

Lisa A. Kro (Chair)

Heidi J. Manheimer

Douglas D. French

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 ("say on pay"). Thus, you are asked to vote upon the following resolution at this year's annual meeting.

We have designed the compensation of the named executive officers to vary based on the performance of the business and to reward consistent improvement in the results delivered to shareholders. In fiscal 2018, we approved changes in the compensation of each executive officer primarily to maintain competitive pay levels for each position. 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.

The Executive Compensation Committee ("Committee") has considered the results of the 2017 Say on Pay vote - in which approximately 82% 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 2017 Proxy Statement. Around the time of that advisory vote, members of management contacted 13 of our largest shareholders, representing approximately 25% of total shares outstanding. Some investors shared their desire to see a relative measure of performance as part of our executive long-term incentive awards. The Committee considered our investors' feedback and the outcome of the vote in general when considering future NEO compensation design features, including the addition of relative total shareholder return (TSR) measure to the long-term incentive awards for fiscal 2019. See page 27 for more information regarding our shareholder outreach process.

Shareholders are being asked to approve the following resolution at the 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 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.

Voting Securities and Principal Shareholders

On August 10, 2018, we had 59,497,056 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 10, 2018, 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 10, 2018, 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. ⁽¹⁾ 55 East 52nd Street New York, NY 10055 | 6,934,391 | 11.66 |
| The Vanguard Group, Inc. ⁽²⁾ PO Box 2600 Valley Forge, PA 19482 | 5,796,909 | 9.74 |

(1) This information is based solely upon information as of June 30, 2018, contained in filings with the SEC on August 9, 2018 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 6,749,436 shares and sole dispositive power as to 6,934,391 shares.

(2) This information is based solely upon information as of June 30, 2018, contained in a filing with the SEC on August 14, 2018 by The Vanguard Group Inc., including notice that it has sole voting power as to 113,274 shares and sole dispositive power as to 5,681,210 shares, and shared voting power with respect to 8,106 shares and shared dispositive power with respect to 115,699 shares.

Director and Executive Officer Information

Security Ownership of Directors

The following table shows, as of August 10, 2018, the number of shares beneficially owned by each of the nominees and directors. 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 | Percent of Class ⁽¹⁾ |
|-------------------------------|---|---------------------------------|
| Mary Vermeer Andringa | 41,550 | 0.07 |
| David A. Brandon | 16,809 | 0.03 |
| Brenda Freeman ⁽²⁾ | — | — |
| Douglas D. French | 11,618 | 0.02 |
| J. Barry Griswell | 20,913 | 0.04 |
| John R. Hoke III | 30,269 | 0.05 |
| Lisa A. Kro | 19,978 | 0.03 |
| Heidi J. Manheimer | 13,193 | 0.02 |
| Brian C. Walker | see table below | |
| Michael A. Volkema | 75,000 | 0.13 |

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

(2) Ms. Freeman's deferred compensation account allocation holds 8,171 shares of Herman Miller stock which would equate to a Percent of Class of 0.01. Mr. French's deferred compensation account holds 3,756 shares which would equate to an additional Percent of Class of 0.01.

Security Ownership of Management

The following table shows, as of August 10, 2018, 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 ⁽¹⁾ | Percent of Class ⁽²⁾ |
|---|--|---------------------------------|
| Brian C. Walker | 56,301 | 0.09 |
| Jeffrey M. Stutz | 64,232 | 0.11 |
| Gregory J. Bylsma | 109,333 | 0.18 |
| Andrew J. Lock | 4 | — |
| B. Ben Watson | 72,989 | 0.12 |
| All executive officers and directors as a group (20 persons) ⁽³⁾ | 626,185 | 1.05 |

(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: no shares for Mr. Walker; 48,423 shares for Mr. Stutz; 59,795 shares for Mr. Bylsma; no shares for Mr. Lock; and 49,423 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 226,915 shares with respect to which executive officers and directors have the right to acquire beneficial ownership under options exercisable within 60 days.

Letter from the Committee Chair

Dear Fellow Herman Miller Shareholder,

Fiscal 2018 was underpinned by positive financial performance and advancement of key initiatives, while also marking the start of a key leadership transition. We announced the retirement of Brian Walker and we are both grateful for his many contributions to Herman Miller over his long career and excited for our new CEO, Ms. Andrea Owen, to lead Herman Miller going-forward.

We are proud of the successes we achieved financially and operationally during fiscal 2018 as discussed in the Financial Highlights from Fiscal 2018 section of this proxy statement. Our executive compensation programs exhibited strong alignment with this performance:

- Executive annual incentive awards were paid at 92.5% of target, which reflected adjusted EBITDA performance (as described in the "Reconciliation of Non-GAAP Measures" on pg. 54) of \$266.4 million versus a target of \$269.0 million
- Our HMVA units granted for the 2016-2018 performance period were earned at 137% of target
- Our Relative TSR units granted for the 2016-2018 performance period were earned at 200% of target reflecting our 40.81% cumulative TSR over the three-year period

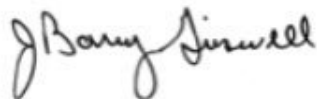
We conducted shareholder outreach meetings and calls before and after our fiscal 2017 Say on Pay vote, connecting with 13 holders representing approximately 25% of total outstanding shares. Our shareholders provided feedback on a number of aspects of our executive compensation program. The Executive Compensation Committee (the Committee) and management discussed this feedback, and the Committee approved changes to the programs in response. Because the feedback was received after the start of our fiscal 2018, we have made these changes effective for fiscal 2019 and beyond:

- Elimination of single-trigger vesting in our equity award agreements - while our long-term incentive plan provides for double-trigger vesting it also provides for Committee discretion to define vesting treatment in individual award agreements. Beginning with the annual awards granted in July 2018, the Committee has prohibited award agreements from providing for anything other than double-trigger vesting in the event of a change-in-control.
- Incorporation of performance-based long-term incentive (LTI) awards tied to the relative performance of our total shareholder return (TSR). While the company moved away from relative TSR PSUs in fiscal years 2017 and 2018 (choosing to focus on absolute TSR via stock options instead), our shareholders indicated a strong preference for a relative TSR component. Therefore, awards granted in fiscal 2019, tie 25% of our executives' LTI awards to PSUs earned based on our relative TSR performance compared to our peer group.
- Enhanced disclosure of the robust nature and conclusions of the Committee's incentive goal setting process - shareholders expressed a desire for more clarity about the means by which we set targets for fiscal 2017 in the Herman Miller Value Added (HMVA) program. In this year's Compensation Discussion and Analysis (CD&A), we have provided detailed information on the factors the Committee considered when setting the 2018 HMVA goals, and we will continue to provide such detail in future years' CD&As.

These changes complement the existing strong governance and best practices already underlying our executive compensation programs to balance the inherent need to retain, motivate and attract top-quality executives while aligning them directly with long-term shareholder interests.

Our Say on Pay Proposal is found on page 22 of this proxy statement, and the Board recommends that you vote 'FOR' this proposal. We also invite you to consider additional information on our compensation philosophy and decisions in the CD&A, which can be found on the following pages. I am confident that our executive compensation programs motivate the behaviors and results the Board and our shareholders expect.

Sincerely,



J. Barry Griswell
Chair, Board Executive Compensation Committee

Compensation Discussion and Analysis

Executive Summary

Executive Officers Covered by this Compensation Discussion and Analysis

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”. We intend this Compensation Discussion and Analysis to provide information regarding, among other things, the overall objectives of our compensation program and each element of compensation provided to the NEOs.

The NEOs for fiscal 2018 and their titles are listed in the following table:

| Name | Title |
|-------------------|--|
| Brian C. Walker | President and Chief Executive Officer (retiring effective August 21, 2018) |
| Jeffrey M. Stutz | Executive Vice President and Chief Financial Officer |
| Gregory J. Bylsma | President, North America Contract |
| Andrew J. Lock | Former President, Herman Miller International (retired July 31, 2018) |
| B. Ben Watson | Chief Creative Officer |

Fiscal 2018 Company Performance

We continued to make significant progress in fiscal 2018 toward our long-term vision and financial objectives: delivering on our 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 eighth consecutive year and delivered consolidated revenue of \$2,381.2 million in fiscal 2018. Revenue growth, strong expense management and a lower tax rate helped offset commodity and pricing headwinds to deliver adjusted EPS 6%⁽¹⁾ ahead of 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 10% increase to our quarterly dividend rate beginning in October 2018.

Alignment of Pay and Performance

In fiscal 2018, consistent with prior years, the Board’s Executive Compensation Committee (Committee) reviewed multi-year analyses that evaluated the relationship between CEO realizable pay and financial performance (including total shareholder return) for Herman Miller and its peer group companies (described below in detail in the section entitled “Benchmarking of Compensation”). The Committee conducts these analyses to ensure the desired linkage between executive pay and company performance.

The following graph illustrates the relationship, compared to our peers, between:

- CEO Realizable Pay (fiscal years 2015 through 2017 which is the most recent 3-year time period for which peer data is available): Calculated as the sum of annual base salary, actual annual incentive award paid and the value of stock awards granted (based on each company’s fiscal year end closing stock price) divided by target pay
- Total Shareholder Return (TSR): Annualized TSR for fiscal years 2015 through 2017

(1) Non-GAAP measurements; see accompanying reconciliations and explanations on pg 54.

Compensation Discussion and Analysis (continued)



2017 Say on Pay Vote and Shareholder Outreach During Fiscal Year 2018

Prior to our 2017 Say on Pay Vote, we had historically received overwhelming support of our executive compensation program, averaging 98%. Around the time of the 2017 Annual Shareholders Meeting, we contacted shareholders over the course of the proxy voting period to hear their views regarding our executive compensation program. A majority of the investors with whom we spoke supported our compensation program, which was further exhibited by 82% of shareholders voting in favor of our 2017 Say on Pay proposal.

When engaging with shareholders in fiscal 2018, around the time of our 2017 Annual Shareholders Meeting, the discussions focused primarily on the following items regarding our compensation program:

| What We Heard: | What We Did: |
|--|---|
| A portion of our long-term incentive awards should factor in relative performance measures | We added PSUs, based on relative TSR compared to the peer group to the fiscal 2019 LTI mix |
| It is not clear how the Committee sets goals for the Herman Miller Value Added Performance Share Units | We have provided additional details below to provide further clarity on our goal setting process and will continue to do so in future years |
| All equity awards should be double-trigger | At its June 2018 meeting the Committee decided that all equity awards, starting with those granted in July 2018, will be double-trigger. |

1. *Our Long-Term Incentive Mix.* Our Committee regularly reviews the mix of our incentives. For awards granted to NEOs in fiscal 2018, the LTI value was equally split among performance shares units, restricted stock units and stock options. Based on investor feedback, we increased the weighting for performance share units (from 33% to 50%) and added a relative TSR metric (see the "Compensation Program Changes for Fiscal 2019" section for additional details).
2. *How We Set Performance Goals for our Herman Miller Value Added Performance Share Units.* Our Herman Miller value added performance share units vest if the company's annual earnings before interest, taxes, depreciation and amortization (EBITDA) less a capital charge exceed certain pre-established goals. We refer to EBITDA less a capital charge as HMVA. Each year we set the level of HMVA needed for threshold, target, and maximum payout based on a certain average annual percentage increase over the three year performance period. In absolute terms, the threshold and maximum performance goals for the 2018-2020 awards were lower than those for the 2017-2019 awards.

Compensation Discussion and Analysis (continued)

This was primarily due to our fiscal 2017 year being comprised of 53 weeks, but our 2018 fiscal year only being comprised of 52 weeks. As a result, we adjusted our fiscal 2017 HMVA to exclude the impact of the extra week of operations for the purpose of setting our fiscal 2018 HMVA performance goals. After such adjustment, our actual fiscal 2016 HMVA (which served as the starting point for our fiscal 2017-2019 HMVA performance goals) was higher than our actual fiscal 2017 HMVA (which served as the starting point for our fiscal 2018 HMVA performance goals). When adjusted for this factor, our 2018-2020 goals are equally aggressive to those of the prior cycle and reflect significant growth over prior years. As such, our threshold and maximum goals for our fiscal 2018-2020 HMVA awards were, in absolute dollar terms, less than our threshold and maximum goals for our fiscal 2017-2019 HMVA awards. But, they remained unchanged from our fiscal 2017-2019 HMVA in terms of the percentage increase required for threshold and maximum payout. The table below illustrates our HMVA goals for the three most recent performance cycles.

| Payout % of Target | 2018-2020 Average Value Added | 2017-2019 Average Value Added | 2016-2018 Average Value Added |
|---------------------|-------------------------------|-------------------------------|-------------------------------|
| 200% of Target PSUs | \$230 million or more | \$239 million or more | \$193 million or more |
| 100% of Target PSUs | \$210 million | \$210 million | \$170 million |
| No PSUs earned | Less than \$183 million | Less than \$191 million | Less than \$154 million |
| Capital Charge | 10% | 10% | 10% |

3. *How We Treat Equity Awards Upon a Change in Control.* Our 2011 Long-Term Incentive Plan provides that, upon a change in control, if the surviving company assumes an award (or if we are the surviving company), then the vesting of the award will be accelerated only if the award recipient's employment is terminated under certain circumstances within two years of the change in control (a "double-trigger"). However, the plan allows an award agreement to provide for different treatment, and the terms of certain restricted stock unit and performance share unit award agreements that we have provided to our NEOs state that the awards will vest immediately upon a change in control. We quantify the benefits that each named executive officer would receive upon a change in control in the table under the heading "Potential Payments upon Termination, Death, Disability, Retirement or Change in Control." Starting in July 2018, all equity award agreements will be double-trigger.

The Committee believes that the performance of our executive compensation program during fiscal 2018 was consistent with our compensation philosophy and objectives, as we describe below, and that the compensation we paid to our NEOs was appropriate and reflective of our overall performance. However, we value investor input and, based on the suggestions of our investors, we made several changes to our long-term incentive compensation for fiscal 2019 (see the "Changes to Compensation Program for 2019 -Long-Term Equity Incentives" section below).

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 program.

Overview of Compensation Philosophy and How We Set Pay

Overview of Compensation Program

We have designed our compensation program to provide corporate officers who perform their duties at a proficient level with the opportunity to earn compensation that reflects the market median compensation for their position based upon data that our independent compensation consultant provides (as we describe in the section on Benchmarking of Compensation). The compensation program requires that a majority 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, an annual incentive and long-term incentive awards, 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.

Compensation Discussion and Analysis *(continued)*

Compensation Philosophy

The Committee's 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

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 |
| ✗ | No Repricing of Options |
| ✗ | No Guaranteed Compensation |
| ✗ | No Dividends on Unvested Equity |

Compensation Discussion and Analysis *(continued)*

Elements of the Compensation Program

The following table provides an executive summary of our fiscal 2018 compensation program for our corporate officers:

| Compensation Element | General Description | Objective of Compensation 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 typically varies around the median depending on an individual's experience, performance and internal equity considerations. 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 Incentive | <p>We provide corporate officers the opportunity to earn an incentive bonus pursuant to the Annual Executive Incentive Cash Bonus Plan. The plan provides for the annual payment of a cash bonus (incentive 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 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 incentive bonus.</p> | <p>The purpose of the EBITDA-based Annual Executive Incentive Cash Bonus Plan is to closely link incentive cash compensation to the creation of shareholder value. 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' cash bonus to the overall performance of the various operating units and vertical business that is within the officer's span of control. Additionally, some corporate officers have functional objectives that determine up to 25% of their annual incentive bonus.</p> |
| Long-Term Equity Incentives | The Committee and Board have historically granted various types of long-term incentive awards: Restricted Stock, Restricted Stock Units, Herman Miller Value Added Performance Share Units, Relative TSR Performance Share Units, and Stock Options. | <p>The key objectives of granting long-term equity incentive awards are:</p> <ul style="list-style-type: none"> - 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 for shareholders. - 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. - to assist the achievement of our share ownership requirements. - to attract, retain and reward key employees. We believe a significant portion of executive pay should be aligned with long-term shareholder 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. |
| Retirement and Health Benefits | We maintain retirement plans along with a broad base of health insurance plans available to full-time and most part-time employees. | 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. |

Compensation Discussion and Analysis (continued)

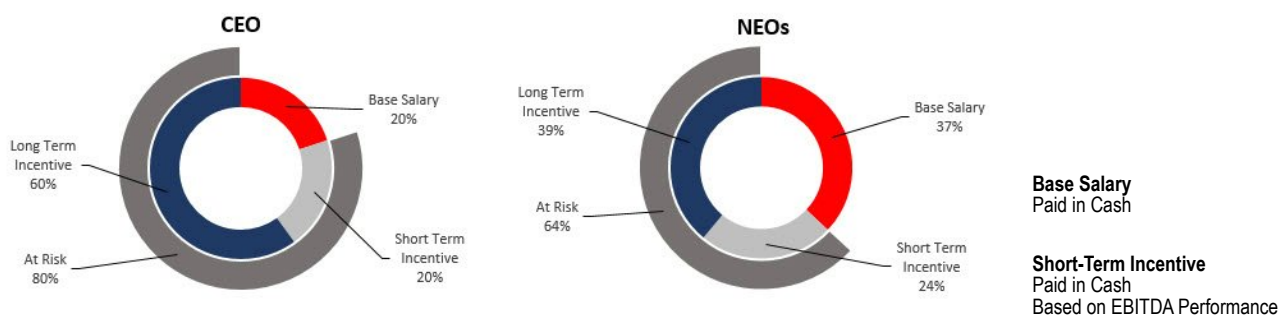
Other Executive Compensation Plans

We provide limited 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 of between \$20,000 (CEO) and \$12,000 (other NEOs) per year.

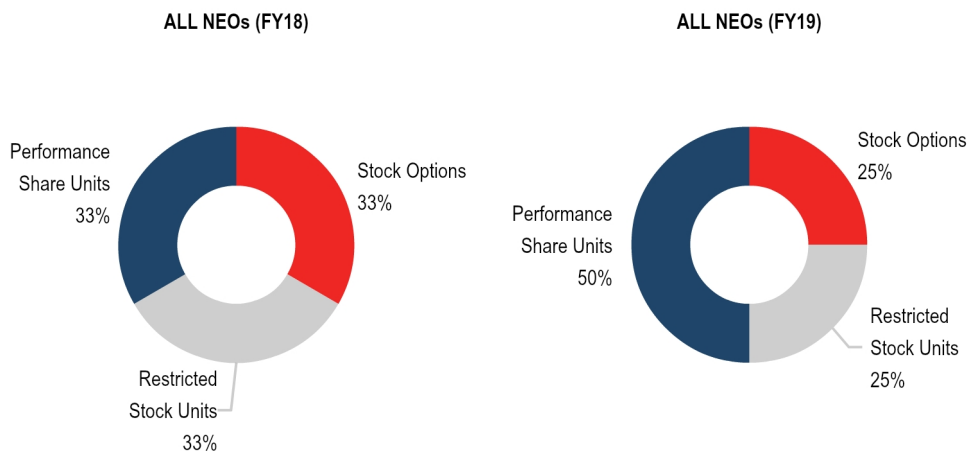
It is our goal to provide market competitive benefits which allow us to attract and retain critical executive talent.

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

Current Compensation



FY18 and FY19 Long-Term Incentives



Compensation Discussion and Analysis (continued)

The Committee determined that the total direct compensation for each NEO for fiscal 2018, and as approved for fiscal 2019, is within the benchmarked range given each NEO's performance, position and the company's performance. We provide more detail regarding each element of compensation for fiscal 2018 in the sections below.

Base Salary

The Committee and the Board granted merit increases for fiscal 2018 to our employees, including the NEOs. The base salaries of each of our NEOs was within the range established based on market data for their position. Salary changes went into effect July 18, 2017 and are detailed as follows:

| Name | Salary for Fiscal 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.

The Board approved the fiscal 2018 salary for each of the NEOs based on its review of market data, corporate results and individual performance. Specifically, 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, his efforts to structure a financial strategy that aligns with the company's business objectives and the gap between prior salary and market rates. 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 his implementation of 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.

Annual Incentive Bonus

Setting Target Bonuses

The Committee, at the beginning of each fiscal year, establishes a target bonus pool representing the amount of incentive bonuses that may be paid under the Annual Executive Cash Incentive Bonus 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, which is the bonus amount the NEO would receive if all performance goals were achieved at target. The NEOs each have the opportunity to earn up to 200% of the target bonus and may earn zero bonus if our goals are not achieved. The annual cash incentive opportunity levels for each of our NEOs for 2018, as a percentage of base salary, were as follows:

| Name | Threshold Bonus as % of Base Salary | Target Bonus as % of Base Salary | Maximum Bonus as % of Base Salary |
|-------------------|-------------------------------------|----------------------------------|-----------------------------------|
| Brian C. Walker | 0% | 100% | 200% |
| Jeffrey M. Stutz | 0% | 65% | 130% |
| Gregory J. Bylsma | 0% | 65% | 130% |
| Andrew J. Lock | 0% | 65% | 130% |
| B. Ben Watson | 0% | 65% | 130% |

We set the target incentive bonus percentage for the NEOs so that the incentive bonus at target performance will generally equal 100% of the market median bonus amount for comparable positions as shown in the market data, although we may adjust base pay and bonus to maintain total compensation in an amount that is consistent with our compensation philosophy. The Committee believes that this use of incentive bonus is consistent with the objective of making compensation for senior corporate officers more variable with the company's performance.

Compensation Discussion and Analysis *(continued)*

The Committee is responsible for setting performance goals for our annual incentive bonuses for each of our NEOs, other than our CEO, whose goals the full Board sets. For fiscal 2018, we based each NEO's annual incentive bonus on our 2018 consolidated EBITDA results. Messrs. Bylsma, Lock and Watson also had a portion of their compensation based on functional goals and/or business unit operating results. Specifically, for fiscal 2018, the table below illustrates the portion of each NEO's bonus that is tied to corporate and functional or business unit goals.

The consolidated Corporate EBITDA target for fiscal 2018, which would result in 100% payout of the EBITDA portion of the annual incentive bonus, was \$269.0 million. Achieving 113% of the EBITDA target (\$304.0 million) would result in a 200% payout of the eligible bonus payout, and anything below 94.4% of the target EBITDA (\$254.0 million) would result in no payout. The maximum payout for the portion of our NEOs' bonuses based on functional goals or business unit EBITDA was also limited to 200%.

2018 Performance Results and Bonus Payouts

For fiscal 2018, the company's actual EBITDA (as adjusted in the manner we describe below) was \$266.4 million, which was between the target amount of \$269.0 million (100%) and the minimum amount of \$254.0 million (0%) and resulted in a payout percentage of approximately 93% of the target value for the fiscal year. The EBITDA bonus amounts we paid 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 ⁽¹⁾ |
|-------------------|---|----------------------------|--------------------------------------|---|---------------------------------------|---|-------------------------|--------------------------------------|
| Brian C. Walker | 100.00% | 0.9253 | \$ 894,142 | | | | \$ 894,142 | \$ 71,531 |
| Jeffrey M. Stutz | 65.00% | 0.9253 | \$ 265,888 | | | | \$ 265,888 | \$ 26,589 |
| Gregory J. Bylsma | 32.50% | 0.9253 | \$ 138,160 | 32.50% | 0.8761 | \$ 131,263 | \$ 269,423 | \$ 26,990 |
| Andrew J. Lock | 32.50% | 0.9253 | \$ 108,635 | 32.50% | 2.0000 | \$ 234,829 | \$ 343,464 | |
| B. Ben Watson | 48.75% | 0.9253 | \$ 192,195 | 16.25% | 1.0000 | \$ 69,234 | \$ 261,429 | \$ 26,143 |

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

Prior to payout of the bonuses, the Audit Committee approves the calculation of EBITDA results for the year and the resulting company performance factor. The Committee also certifies the company performance factor and the function/business unit performance factors for use in the Incentive bonus calculation.

Long-Term Equity Incentives

Setting Target LTI Values

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 and determines the percent of the target LTI value that should be allocated to each award type. The Committee sets the total target value of the LTI grants for each NEO at a level intended to ensure that the NEO's total direct compensation would correspond with the market median of the market 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 NEO 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 and performance share units based on the closing price of our stock on the date of grant and grants of stock options using a Black-Scholes valuation on the date of grant, using the share price on the date of grant as the exercise price.

Grants Awarded in Fiscal 2018

The table below illustrates the target value of the LTI grants, expressed as a percentage of their base salary, to our NEOs that the Committee and Board established and granted in July 2017. The target values associated with these grants were allocated approximately equally among the following three award types: RSUs, Herman Miller Value Added Performance Share Units and stock options.

The following table discloses the types of awards granted in July 2017 (fiscal 2018). It does not include grants of restricted stock units that we awarded to the NEOs (excluding Brian Walker) in connection with the retention agreements discussed in the paragraph entitled "Retention Agreements" later in this Compensation Discussion and Analysis. Those units are disclosed in the "Grants of Plan-Based Awards" table.

Compensation Discussion and Analysis (continued)

| Name | Target of LTI as a % of Salary | Restricted Stock Units | Herman Miller Value Added Performance Share Units | Number of Options | Option Exercise Price |
|-------------------|--------------------------------|------------------------|---|-------------------|-----------------------|
| Brian C. Walker | 300% | 27,259 | 27,259 | 143,975 | \$ 33.75 |
| Jeffrey M. Stutz | 110% | 4,346 | 4,346 | 22,953 | 33.75 |
| Gregory J. Bylsma | 125% | 5,432 | 5,432 | 28,691 | 33.75 |
| Andrew J. Lock | 95% | 3,145 | 3,145 | 16,611 | 33.75 |
| B. Ben Watson | 80% | 3,200 | 3,200 | 16,901 | 33.75 |

Key Features of Each Award

Restricted Stock Units: The restricted stock units (RSU) represent 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 upon vesting. Dividends are not paid over the vesting period but 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 goals 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 at the start of each three-year performance period. The awards also provide 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 upon vesting. 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 for each cycle is determined by multiplying the company's capital by its cost of capital. The Committee approves the determination of the cost of capital and EBITDA for purposes of the Herman Miller Value Added Performance Share Units.

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

| Payout % of Target | 2018 - 2020 Average Value Added |
|---------------------|---------------------------------|
| 200% of Target PSUs | \$230 million or more |
| 100% of Target PSUs | \$210 million |
| No PSUs Earned | Below \$183 million |
| Capital Charge | 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 2018, we granted stock options to all NEOs.

Details of our Executive Compensation Program

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 and broad-based equity and benefit plans.

Compensation Discussion and Analysis *(continued)*

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 Annual 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 July of fiscal 2018, the Committee retained Pay Governance LLC as its independent compensation consultants with respect to the compensation matters regarding our corporate officers. Prior to that time, Pearl Meyer & Partners served as the Committee's independent compensation consultant, including advisory services related to compensation of corporate officers for fiscal 2018. 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 do not permit Pearl Meyer or Pay Governance 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 2018 to provide marketplace compensation data and compensation consulting services to management for employees other than the corporate officers.

Benchmarking of Compensation

To ensure that executive compensation is competitive, the Committee uses marketplace compensation data to compare our compensation program to market pay practices. The Committee, in determining fiscal 2018 compensation, also used a specific peer group for benchmarking pay (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 included both direct competitors as well as comparable companies in other industries to reflect the competitive market for talent in which we compete.

Pearl Meyer used the peer group information along with the following survey sources when analyzing the fiscal 2018 market competitiveness of pay levels of corporate officers: Willis Towers Watson Executive Compensation Database, Aon Hewitt Executive Total Compensation Measurement Database, Mercer Executive Database and Equilar Insight Database (we refer to the peer group information and these survey sources collectively as "market data"). We use the market data to determine competitiveness of base pay, annual incentive 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 compared the base salary, target total cash and target total direct compensation of each corporate officer to the 25th, 50th (market median) and 75th percentile of the Market 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 made recommendations to the Committee regarding the compensation package for each of the corporate officers (other than himself). The CEO based 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 based 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 made a recommendation to the full Board for the CEO's compensation. The Board of Directors determines the compensation of the CEO and the CEO did not participate in any conversations about his own compensation.

Compensation Discussion and Analysis *(continued)*

The Committee reviews and approves the peer group that we use in benchmarking compensation on an annual basis. The peers that we used for fiscal 2018 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. |

During fiscal 2018, after we had already set executive compensation for 2018, the Committee worked with Pay Governance to revise our peer group. We are using this revised peer group when setting executive compensation for fiscal year 2019. The revised peer group is set forth below:

| | | |
|----------------------------------|------------------------------------|--|
| American Woodmark Corporation | JELD-WEN Holdings, Inc. | RH aka Restoration Hardware Holdings, Inc. |
| Armstrong World Industries, Inc. | Kimball International, Inc. | Sleep Number Corporation |
| Ethan Allen Interiors, Inc. | Knoll, Inc. | Steelcase, Inc. |
| Hill-Rom Holdings, Inc. | La-Z-Boy, Inc. | Tempur Sealy International, Inc. |
| HNI Corporation | Leggett & Platt, Inc. | Universal Forest Products, Inc. |
| Interface, Inc. | Masonite International Corporation | Williams-Sonoma, Inc. |

Our peer group is intended to represent companies against which we may compete for talent, with an emphasis on a number of criteria. For fiscal 2019, we made a number of changes to the peer group in light of these criteria: We removed Aaron's, Acuity Brands, Belden, Brunswick, Lennox International and Polaris because of differences in industry and customer focus. We replaced these six companies with American Woodmark, Armstrong World Industries, JELD-WEN, Masonite, Universal Forest Products and Williams Sonoma which better meet our selection criteria and enable us to maintain a peer group of robust size.

EBITDA Adjustments

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).

For fiscal 2018, company EBITDA performance was adjusted for incentive plan purposes to reflect the following items (refer to the section "Reconciliation of Non-GAAP Measures" for further information):

Compensation Discussion and Analysis *(continued)*

| Description | Adjustment to EBITDA (\$ millions) | Rationale for the Adjustment |
|---|------------------------------------|---|
| 1. Amortization of previously excluded restructuring | \$(1.9) | 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 | \$8.2 | 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. Third party consulting costs related to profit optimization plans, net of amortization | \$4.8 | The Committee determined it is appropriate to exclude from the calculation of EBITDA the third party consulting costs associated with the company's profit optimization plans for the Consumer and North America business segments 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 against EBITDA as the savings from the initiatives are realized on a dollar-for-dollar basis. |
| 4. Costs associated with the CEO transition plan announced in February 2018 | \$4.4 | The Committee determined it is appropriate to exclude the costs associated with the CEO transition plan announced in February 2018 as the costs are not reflective of the ongoing operation of the business. |

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.

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.

Other Considerations

Tally Sheet Review

In June 2017, the Committee reviewed executive compensation tally sheets that Pearl Meyer provided 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.

Compensation Discussion and Analysis *(continued)*

Impact of Prior 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 above, the Committee uses tally sheets to track all elements of current compensation. The Committee, however, has the ability to consider the impact of any special equity grants upon the value of future grants that we make to corporate officers under the 2011 Long-Term Incentive Plan.

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 two parts. First, we make a core contribution to an employee's 401(k) account equal to 4% of base salary on a quarterly basis. The amount of salary included in the calculation is limited to the maximum salary level permitted by the IRS. Second, the 401(k) portion of the plan permits employees to make salary deferrals into the plan up to the maximum amount permitted by law. We also make a matching contribution to fully match employee contributions up to 4% of the employee's compensation contribution.

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 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 \$275,000). Investment options under this plan are the same as those available under the 401(k) Plan. Company contributions for amounts deferred in fiscal 2018 appear in the 2018 Summary Compensation Table under All Other Compensation.

Executive Long-Term Disability Plan

The plan covers 60% of the rolling two-year average of 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.

Compensation Discussion and Analysis *(continued)*

Perquisites

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 variety of approved perquisites. These perquisites include financial planning, life insurance, spousal travel and other benefits. The Committee has adopted a policy that specifically restricts the use of corporate aircraft for non-business purposes. The 2018 calendar year perquisite maximum was \$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 this benefit. 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 addition to the above perquisite allowances, in fiscal 2018, we also provided the NEOs and all other corporate officers with the opportunity to obtain comprehensive physicals at our cost.

Retirement, Retention, and Change in Control Agreements

Mr. Brian C. Walker's Retirement

As we have previously disclosed, Mr. Walker announced his intention to retire from his position with the company by August 31, 2018. In connection with his retirement, Mr. Walker agreed to extend his post-employment non-compete and non-solicitation covenants from 12 to 18 months and to an unlimited confidential information and non-disparagement covenant. He also agreed to be available on a consultative basis for 18-months after his retirement to help with the transition to the new CEO and specifically to provide the new CEO with guidance and background on our unique "contract" furniture business. In exchange for agreeing to extend his post-employment non-compete and non-solicitation covenants and to provide consulting services for up to 18 months, we agreed to pay Mr. Walker his base salary for an additional six months. Because Mr. Walker was already entitled to 12 months of base salary in exchange for his original 12 months of non-compete and non-solicitation covenants, he will receive base salary continuation for a total of 18 months following his retirement. We also agreed to provide Mr. Walker with a lump sum payment equal to 18 months of the employer portion of the premiums for his health and dental benefits. In the unlikely event Mr. Walker resigns prior to the identification of the new President and CEO of the company or is terminated for cause prior to August 31, 2018, he will not receive any of these payments. Given his retirement, the Committee determined that Mr. Walker would not be eligible for any equity compensation grants for fiscal 2019 or for a 2019 annual incentive opportunity.

Retention Agreements

Recognizing that the transition to a new CEO creates a period of uncertainty for our other employees, the Committee approved retention agreements for certain key executives, including our NEOs (other than the CEO), in February 2018. These agreements, which were intended to ensure the executives' commitment to the company while we search for a new CEO, provide the following benefits:

- A retention bonus equal to the executive's actual annual bonus for fiscal 2018. The retention bonus will be payable in two equal installments on (a) the date the fiscal 2018 annual incentives are payable and (b) as part of the last payroll in December 2018, provided the executive remains employed on those dates and, in the discretion of the Board, a successful transition of the CEO position from Mr. Walker to the new CEO has occurred.
- A grant of restricted stock units with a value equal to the executive's base salary, which we granted in February 2018. Such restricted stock units will vest on the second anniversary of the grant date provided the executive remains employed on that date. These units are disclosed in the "Grants of Plan-Based Awards" table.

However, if we terminate the executive's employment without cause or the executive elects to cease employment with the company for good reason prior to payment of the retention bonus or vesting of the RSUs, then the executive will continue to be eligible to receive the retention bonus and his or her RSUs will automatically vest if he or she signs and does not revoke a general release of claims. If no release is signed, the executive forfeits the retention bonus.

As we also previously disclosed, on March 2, 2018, Mr. Lock announced his intent to retire, and did so retire, effective July 31, 2018. As a result, Mr. Lock will receive a prorated (up to July 31, 2018) value of his restricted stock and will only receive 50% of the retention bonus, in accordance with the terms of his agreement described above. Mr. Lock has agreed to provide consulting services to our new President of International for 12 months following his retirement for no additional compensation.

Compensation Discussion and Analysis *(continued)*

Change in Control Agreements

Each NEO is party to a change in control agreement with us. The Committee believes the use of change in control agreements is appropriate as they help ensure a continuity of management during a possible 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 that the Committee reviews annually.

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 Program Changes for Fiscal 2019

The following is a summary of changes that our Committee and Board of Directors have made to our executive compensation program for fiscal 2019 as of the date of this proxy statement.

Base Salary in Fiscal 2019

The Committee and Board of Directors approved the following changes in the base salaries of the continuing NEOs for fiscal 2019 as we discuss below:

| Name | Salary for Fiscal 2019 | Percent Increase |
|-------------------|------------------------|------------------|
| Brian C. Walker | \$ — | —% |
| Jeffrey M. Stutz | \$ 480,000 | 6.7% |
| Gregory J. Bylsma | \$ 480,000 | 3.2% |
| Andrew J. Lock | \$ — | —% |
| B. Ben Watson | \$ 445,000 | 3.5% |

The Committee decided not to increase Mr. Walker's compensation in light of his impending retirement. Mr. Stutz's increase is the result of his proficient performance in his role having completed a full three years in 2018 as CFO particularly in light of complexities in the global financial environment. 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 has no increase due to his retirement on July 31, 2018. 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.

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

Incentive Cash Bonus for Fiscal 2019

For fiscal 2019, the measure of achievement under the Executive Incentive Cash Bonus Plan continues to be EBITDA. For fiscal 2019 awards, we are eliminating the function goals for Mr. Watson and other functional leaders, such that their 2019 annual incentive bonus will be based 100% on corporate EBITDA. Other provisions of the fiscal 2019 plan, such as the use of business unit goals, are the same as the fiscal 2018 plan. As discussed above, Mr. Walker is not eligible for a 2019 annual incentive bonus given that he is retiring by August 31, 2018.

LTI Grants Awarded in Fiscal 2019

The Committee approved several changes to our LTI grants for fiscal 2019. First, based on feedback we received from shareholders during fiscal 2018, we decided to add to our fiscal 2019 LTI mix for our executive leadership team performance share units that vest based on our TSR relative to our peer group. For fiscal 2019, applicable executives (including NEOs) received a mix of relative TSR performance share units, Herman Miller Value-Added performance share units, restricted stock units, and stock options, each making up 25% of the total LTI grant value.

Compensation Discussion and Analysis *(continued)*

The target levels for the relative TSR performance share unit payouts are as follows:

| Relative TSR Performance Percentile Compared to Peers | Payout % of Target |
|---|--------------------|
| 80 th percentile or greater | 200% |
| 65 th percentile | 150% |
| 50 th percentile = target performance | 100% |
| 40 th percentile | 75% |
| 30 th percentile = minimum performance | 50% |
| Below 30 th percentile | 0% |

Second, we eliminated the share pool concept for fiscal 2019. The share pool was intended to allow all of our LTI awards to be fully deductible under Section 162(m) as performance-based compensation, but given the elimination of the performance-based exception under 162(m) due to the Tax Cuts and Jobs Act, the pool is no longer relevant. (See the discussion under the heading “Deductibility of Compensation” below for more information.)

The target value of the LTI grants that the Committee and Board established for our NEOs (including all types) in July 2017 for final grants to occur in July 2018 (fiscal 2019) based on fiscal 2018 performance as a percent of base salary was 125% for Jeffrey Stutz and Gregory Bylsma and 90% for Ben Watson. The total target value was allocated approximately equaling among the award types that we granted to each NEO: RSUs, Herman Miller Value Added Performance Share Units, Relative Total Shareholder Return Performance Share Units and stock options. Mr. Walker is not eligible to receive a fiscal 2019 LTI award due to his retirement.

The following table discloses the types of awards granted in July 2018 (fiscal 2019) based upon fiscal 2018 performance:

| Name | Restricted Stock Units | Herman Miller Value Added Performance Share Units | Relative Total Shareholder Return Performance Share Units | Number of Options | Option Exercise Price |
|-------------------|------------------------|---|---|-------------------|-----------------------|
| Brian C. Walker | — | — | — | — | — |
| Jeffrey M. Stutz | 3,672 | 3,672 | 2,633 | 17,512 | \$38.30 |
| Gregory J. Bylsma | 3,794 | 3,794 | 2,721 | 18,096 | \$38.30 |
| Andrew J. Lock | — | — | — | — | — |
| B. Ben Watson | 2,526 | 2,526 | 1,812 | 12,049 | \$38.30 |

Hedging Policy

The Committee and the Board of Directors have 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.

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. As such, we have established stock ownership guidelines, which apply to the nine members of the executive leadership team and, beginning January 1, 2018, certain other corporate officers who work alongside the Executive Leadership Team to ensure global strategic alignment across business units and functions. The stock ownership guidelines require these individuals to own shares of our 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% of salary 4 times base salary
- Certain other direct reports to the CEO 3 times base salary
- Other corporate officers 1 times base salary

Compensation Discussion and Analysis *(continued)*

Stock Retention Requirements

Until the ownership guidelines are met, the executive must retain 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.

Incentive Clawback

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 Annual Executive Incentive Cash Bonus Plan give the Committee the ability to “claw back” incentive bonus payments and LTI grants in the event of certain restatements.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation in excess of \$1 million paid for any fiscal year to individuals who are covered executives. For compensation paid for fiscal 2018, our covered executives were limited to our CEO and our other three most highly compensated corporate officers for that year, other than our CFO. However, for compensation that we paid for fiscal 2018, Section 162(m) generally exempted compensation that qualified as “performance based” from the \$1 million deduction limit. It was generally our intention that the compensation we paid to our covered executives for fiscal 2018 was deductible under Section 162(m) of the Code. Despite our intentions, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued under that section, we cannot assure that compensation we intend to satisfy the requirements for deductibility under Section 162(m) will so qualify. In addition, the Committee reserved the right to provide compensation during fiscal 2018 that did not qualify as performance-based compensation under Section 162(m) to the extent it believed such compensation was 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.

Starting with our fiscal 2019, as a result of changes made to the applicability of Section 162(m) of the Code pursuant to the Tax Cuts and Jobs Act, our number of covered executives will expand to include our covered executives for 2018 plus any executive who, starting with fiscal 2019, serves as our CEO or CFO, or who is among the three most highly compensated executive officers, for any fiscal year. In addition, only qualifying performance-based compensation that is paid pursuant to a binding contract in effect on November 2, 2017 will be exempt from the deduction limit. Accordingly, any compensation that we pay in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the \$1 million fiscal year deduction limit if paid to a covered executive. Because of these changes to Code Section 162(m) by the Tax Cuts and Jobs Act, some of the compensation that we provide to our named executive officers in 2019 and future years may not be deductible under Section 162(m).

Post-Employment Compensation

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 Market 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 2, 2018 (2018), June 3, 2017 (2017) and May 28, 2016 (2016). The details of the company's executive compensation program are found in the Compensation Discussion and Analysis (or CD&A) above.

| Name and Principal Position | Year | Salary (\$) | Stock Awards (\$) ⁽¹⁾ | Option Awards (\$) ⁽¹⁾ | Non-Equity Incentive Plan Compensation (\$) ⁽²⁾ | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽³⁾ | All Other Compensation (\$) ⁽⁴⁾ | Total (\$) |
|--|------|-------------|----------------------------------|-----------------------------------|--|---|--|------------|
| Brian C. Walker | 2018 | 966,327 | 1,782,466 | 920,000 | 894,142 | | 165,106 | 4,728,041 |
| President and Chief Executive Officer | 2017 | 916,846 | 1,626,984 | 1,240,002 | 684,059 | | 233,597 | 4,701,488 |
| | 2016 | 896,635 | 1,800,797 | 612,500 | 1,287,926 | | 116,742 | 4,714,600 |
| Jeffrey M. Stutz | 2018 | 442,116 | 734,197 | 146,670 | 265,888 | | 40,183 | 1,629,054 |
| Executive Vice President and Chief Financial Officer | 2017 | 392,115 | 225,982 | 316,667 | 190,176 | | 57,383 | 1,182,323 |
| | 2016 | 336,538 | 122,480 | | 314,226 | | 11,432 | 784,676 |
| Gregory J. Bylsma | 2018 | 461,058 | 820,191 | 183,335 | 269,903 | | 49,080 | 1,783,567 |
| President, North America Contract | 2017 | 438,423 | 347,057 | 379,166 | 214,257 | | 83,616 | 1,462,519 |
| | 2016 | 426,904 | 478,629 | | 437,662 | | 42,984 | 1,386,179 |
| Andrew J. Lock ⁽⁵⁾ | 2018 | 360,062 | 549,812 | 106,144 | 343,464 | 12,882 | 207,131 | 1,579,495 |
| President, Herman Miller International | 2017 | 334,713 | 237,645 | 272,695 | 230,863 | 144,700 | 205,312 | 1,425,928 |
| | 2016 | 386,188 | 371,695 | | 346,899 | 59,521 | 90,709 | 1,255,012 |
| B. Ben Watson | 2018 | 426,058 | 639,249 | 107,997 | 261,429 | | 40,737 | 1,475,470 |
| Chief Creative Officer | 2017 | 403,108 | 190,314 | 223,246 | 227,474 | | 66,257 | 1,110,399 |
| | 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 2, 2018 included in our Annual Report on Form 10-K.

(2) Includes the amounts earned in fiscal 2018 and paid in fiscal 2019 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 2018 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 2018 is calculated based on the average annual conversion rate for fiscal 2018 of £1=\$1.34303.

| | Bundled Benefits ^(a) | Car allowance (UK only) | Payment in lieu of Pension Contribution | Long-term Disability Insurance | Nonqualified Deferred Compensation Contribution ^(b) | Total Other Compensation |
|-------------------------------|---------------------------------|-------------------------|---|--------------------------------|--|--------------------------|
| Brian C. Walker | 26,383 | | | 3,888 | 134,835 | 165,106 |
| Jeffrey M. Stutz | 3,889 | | | 2,417 | 33,877 | 40,183 |
| Gregory J. Bylsma | 6,281 | | | 3,435 | 39,364 | 49,080 |
| Andrew J. Lock ^(c) | 33,679 | 12,007 | 161,445 | | | 207,131 |
| B. Ben Watson | | | | 3,543 | 37,194 | 40,737 |

(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. Walker include the approved amount for calendar 2018 plus carryover for calendar years 2017 and 2016.

(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 2018 of £1=\$1.34303.

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 2018 under the Long-Term Incentive Plan (LTI Plan) and the possible payouts to the NEOs under the Annual Executive Incentive Cash Bonus Plan (Annual Cash Bonus Plan) for fiscal 2017. 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 Long-Term Equity Incentives Grants Awarded in Fiscal 2018).

| Name | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾ | | | Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾ | | | All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾ | All Other Option Awards: Number of Securities Underlying Options (#) ⁽⁴⁾ | Exercise or Base Price of Option Awards (\$/Sh) ⁽⁵⁾ | Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁶⁾ |
|-------------------|------------|--|-------------|--------------|--|------------|-------------|---|---|--|--|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (#) | Target (#) | Maximum (#) | | | | |
| Brian C. Walker | 07/18/17 | | | | 0 | 27,259 | 54,518 | | | | 862,475 |
| | 07/18/17 | | | | | | | 27,259 | | | 919,991 |
| | 07/18/17 | | | | | | | | 143,975 | 33.75 | 920,000 |
| | | 0 | 966,327 | 1,932,654 | | | | | | | |
| Jeffrey M. Stutz | 07/18/17 | | | | 0 | 4,346 | 8,692 | | | | 137,507 |
| | 07/18/17 | | | | | | | 4,346 | | | 146,678 |
| | 07/18/17 | | | | | | | | 22,953 | 33.75 | 146,670 |
| | 02/09/18 | | | | | | | 12,346 | | | 450,012 |
| | 0 | 287,375 | 574,750 | | | | | | | | |
| Gregory J. Bylsma | 07/18/17 | | | | 0 | 5,432 | 10,864 | | | | 171,868 |
| | 07/18/17 | | | | | | | 5,432 | | | 183,330 |
| | 07/18/17 | | | | | | | | 28,691 | 33.75 | 183,335 |
| | 02/09/18 | | | | | | | 12,757 | | | 464,993 |
| | 0 | 299,688 | 599,376 | | | | | | | | |
| Andrew J. Lock | 07/18/17 | | | | 0 | 3,145 | 6,290 | | | | 99,508 |
| | 07/18/17 | | | | | | | 3,145 | | | 106,144 |
| | 07/18/17 | | | | | | | | 16,611 | 33.75 | 106,144 |
| | 02/09/18 | | | | | | | 9,442 | | | 344,161 |
| | 0 | 234,040 | 468,080 | | | | | | | | |
| B. Ben Watson | 07/18/17 | | | | 0 | 3,200 | 6,400 | | | | 101,248 |
| | 07/18/17 | | | | | | | 3,200 | | | 108,000 |
| | 07/18/17 | | | | | | | | 16,901 | 33.75 | 107,997 |
| | 02/09/18 | | | | | | | 11,797 | | | 430,001 |
| | 0 | 276,938 | 553,876 | | | | | | | | |

(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 as 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 PSUs provide 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 2, 2018. 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 (#) ⁽¹⁾ Exercisable | Number of Securities Underlying Unexercised Options (#) ⁽¹⁾ Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾ | Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽³⁾ | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁴⁾ | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽³⁾ |
| Brian C. Walker | 07/13/15 | | 30,362 | 29.030 | 07/13/25 | 22,339 | 733,836 | 38,565 | 1,266,860 |
| | 07/19/16 | | 150,198 | 31.860 | 07/19/26 | 27,359 | 898,743 | 26,365 | 866,090 |
| | 07/18/17 | | 143,975 | 33.750 | 07/18/27 | 27,671 | 908,992 | 27,259 | 895,458 |
| Jeffrey M. Stutz | 01/19/11 | 646 | | 25.060 | 01/19/21 | | — | | — |
| | 07/18/11 | 1,773 | | 25.750 | 07/18/21 | | — | | — |
| | 07/13/15 | | | | | 1,519 | 49,899 | 2,623 | 86,166 |
| | 07/19/16 | 19,177 | 38,356 | 31.860 | 07/19/26 | 3,800 | 124,830 | 3,662 | 120,297 |
| | 07/18/17 | | 22,953 | 33.750 | 07/18/27 | 4,412 | 144,934 | 4,346 | 142,766 |
| | 02/09/18 | | | | | 12,415 | 407,833 | | — |
| Gregory J. Bylsma | 07/18/11 | 4,310 | | 25.750 | 07/18/21 | | — | | — |
| | 07/13/15 | | | | | 5,938 | 195,063 | 10,250 | 336,713 |
| | 07/19/16 | 22,962 | 45,926 | 31.860 | 07/19/26 | 5,836 | 191,713 | 5,624 | 184,748 |
| | 07/18/17 | | 28,691 | 33.750 | 07/18/27 | 5,514 | 181,135 | 5,432 | 178,441 |
| | 02/09/18 | | | | | 12,828 | 421,400 | | — |
| Andrew J. Lock | 07/13/15 | | | | | 4,610 | 151,439 | 7,960 | 261,486 |
| | 07/19/16 | 16,514 | 33,030 | 31.860 | 07/19/26 | 3,996 | 131,269 | 3,851 | 126,505 |
| | 07/18/17 | | 16,611 | 33.750 | 07/18/27 | 3,193 | 104,890 | 3,145 | 103,313 |
| | 02/09/18 | | | | | 9,494 | 311,878 | | — |
| B. Ben Watson | 07/18/11 | 7,388 | | 25.750 | 07/18/21 | | — | | — |
| | 07/17/12 | 9,363 | | 18.170 | 07/17/22 | | — | | — |
| | 07/13/15 | | | | | 3,510 | 115,304 | 6,061 | 199,104 |
| | 07/19/16 | 13,520 | 27,040 | 31.860 | 07/19/26 | 3,200 | 105,120 | 3,084 | 101,309 |
| | 07/18/17 | | 16,901 | 33.750 | 07/18/27 | 3,248 | 106,697 | 3,200 | 105,120 |
| | 02/09/18 | | | | | 11,863 | 389,700 | | — |

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

(2) The 02/09/18 awards issued reflect credited dividends through the end of fiscal 2018 and cliff vest after two years. The remaining awards reflect credited dividends through the end of fiscal 2018 and cliff vest after three years.

(3) Assumes a stock price of \$32.85 per share, which was the closing price of a share of common stock on the last trading day of fiscal 2018.

(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 2018 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 (\$) ⁽¹⁾ | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) ⁽²⁾ |
| Brian C. Walker | 306,860 | 2,134,198 | 55,252 | 1,892,379 |
| Jeffrey M. Stutz | 5,765 | 93,469 | 3,069 | 105,130 |
| Gregory J. Bylsma | 20,631 | 257,951 | 17,535 | 599,583 |
| Andrew J. Lock | 22,491 | 312,582 | 13,359 | 456,883 |
| B. Ben Watson | | | 9,118 | 311,813 |

(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 regarding the retirement benefits available under the only retirement plan of the company that is not a defined contribution plan to the only NEO that participates in the plan at the end of fiscal 2018.

The retirement plan is 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 ⁽¹⁾ | Herman Miller Limited Retirement Plan | 14 | 1,323,243 | |

(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 (\$) ⁽¹⁾ | Registrant Contributions in Last Fiscal Year (\$) ⁽²⁾ | Aggregate Earnings in Last Fiscal Year (\$) ⁽³⁾ | Aggregate Withdrawals/Distributions (\$) | Aggregate Balance at Last Fiscal Year End (\$) |
|-------------------|---|--|--|--|--|
| Brian C. Walker | 131,876 | 134,835 | 325,032 | 324,477 | 3,295,447 |
| Jeffrey M. Stutz | 24,680 | 33,877 | 17,041 | 1,913 | 237,697 |
| Gregory J. Bylsma | 49,089 | 39,364 | 22,591 | 87,751 | 474,141 |
| Andrew J. Lock | | | 38,373 | | 315,411 |
| B. Ben Watson | 46,489 | 37,194 | 34,866 | | 488,511 |

(1) Amounts in this column represent the deferrals of base salary earned in fiscal 2018 which are included in Summary Compensation Table under Salary, plus deferral of amounts earned in fiscal 2017 and paid in fiscal 2018 under the Annual Executive Incentive Cash Bonus Plan which was included in the fiscal 2017 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 Annual Executive Incentive Cash Bonus Plan payment each year. The company matched any such deferral, up to 50 percent of the incentive 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 and incentive compensation 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 the estimated payments that would be made to each NEO in the event of his termination by the company without cause, in the event of his termination under circumstances that would trigger payments under change in control agreements, and upon a change in control without a termination of employment, in each case assuming that the change in control and/or termination occurred June 2, 2018.

| Name | Benefit | Death | Disability | Retirement | Without Cause | Change in Control |
|---------------------------------------|---------------------------------------|-----------------------------------|-------------|-------------|---------------|-------------------|
| Brian C. Walker | Cash Severance ^{(1) (2)} | | | | \$1,462,500 | \$5,850,000 |
| | Prorated Annual Incentive | | | | | |
| | Equity | | | | | |
| | Restricted Stock Units | 2,541,575 | 2,541,575 | 2,427,018 | 1,532,427 | 2,541,575 |
| | Performance Shares ^{(3) (4)} | 1,366,466 | 1,366,466 | | 1,366,466 | 2,001,056 |
| | Unexercisable Options | | | | | 264,679 |
| | Total | 3,908,041 | 3,908,041 | 2,427,018 | 2,898,893 | 4,807,310 |
| | Retirement Benefits | | | | | |
| | Other Benefits | | | | | |
| | Health and Welfare ⁽⁵⁾ | — | — | — | 26,637 | 53,274 |
| | Outplacement | — | — | — | 25,000 | 25,000 |
| | Total | — | — | — | 51,637 | 78,274 |
| | Total | \$3,908,041 | \$3,908,041 | \$2,427,018 | \$4,413,030 | \$10,735,584 |
| | Jeffrey M. Stutz | Cash Severance ^{(1) (2)} | | | | \$945,650 |
| Prorated Annual Incentive | | | | | | |
| Equity | | | | | | |
| Restricted Stock Units | | 727,487 | 727,487 | 709,222 | 575,990 | 727,487 |
| Performance Shares ^{(3) (4)} | | 116,792 | 116,792 | | 116,792 | 217,967 |
| Unexercisable Options | | | | | | 37,972 |
| Total | | 844,279 | 844,279 | 709,222 | 692,782 | 983,426 |
| Retirement Benefits | | | | | | |
| Other Benefits | | | | | | |
| Health and Welfare ⁽⁵⁾ | | — | — | — | 6,107 | 8,142 |
| Outplacement | | — | — | — | 25,000 | 25,000 |
| Total | | — | — | — | 31,107 | 33,142 |
| Total | | \$844,279 | \$844,279 | \$709,222 | \$1,669,539 | \$2,772,218 |
| Gregory J. Bylsma | | Cash Severance ^{(1) (2)} | | | | \$969,767 |
| | Prorated Annual Incentive | | | | | |
| | Equity | | | | | |
| | Restricted Stock Units | 989,298 | 989,298 | 966,469 | 781,670 | 989,298 |
| | Performance Shares ^{(3) (4)} | 345,823 | 345,823 | | 345,823 | 472,280 |
| | Unexercisable Options | | | | | 45,467 |
| | Total | 1,335,121 | 1,335,121 | 966,469 | 1,127,493 | 1,507,045 |
| | Retirement Benefits | | | | | |
| | Other Benefits | | | | | |
| | Health and Welfare ⁽⁵⁾ | — | — | — | 23,013 | 30,684 |
| | Outplacement | — | — | — | 25,000 | 25,000 |
| | Total | — | — | — | 48,013 | 55,684 |
| | Total | \$1,335,121 | \$1,335,121 | \$966,469 | \$2,145,273 | \$3,369,496 |

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

| Name | Benefit | Death | Disability | Retirement | Without Cause | Change in Control |
|----------------|---------------------------------------|-----------|------------|------------|---------------|-------------------|
| Andrew J. Lock | Cash Severance ⁽¹⁾ (2) | | | | \$843,060 | \$1,476,786 |
| | Prorated Annual Incentive | | | | | |
| | Equity | | | | | |
| | Restricted Stock Units | 699,512 | 699,512 | 686,295 | 570,263 | 699,512 |
| | Performance Shares ⁽³⁾ (4) | 258,294 | 258,294 | | 258,294 | 331,510 |
| | Unexercisable Options | | | | | 17,986 |
| | Total | 957,806 | 957,806 | 686,295 | 828,557 | 1,049,008 |
| | Retirement Benefits | | | | | |
| | Other Benefits | | | | | |
| | Health and Welfare ⁽⁵⁾ | — | — | — | 8,010 | 10,681 |
| | Outplacement | — | — | — | 25,000 | 25,000 |
| | Total | — | — | — | 33,010 | 35,681 |
| | Total | \$957,806 | \$957,806 | \$686,295 | \$1,704,627 | \$2,561,475 |
| B. Ben Watson | Cash Severance ⁽¹⁾ (2) | | | | \$908,848 | \$1,682,848 |
| | Prorated Annual Incentive | | | | | |
| | Equity | | | | | |
| | Restricted Stock Units | 716,855 | 716,855 | 703,605 | 587,966 | 716,855 |
| | Performance Shares ⁽³⁾ (4) | 204,383 | 204,383 | | 204,383 | 278,879 |
| | Unexercisable Options | | | | | 26,770 |
| | Total | 921,238 | 921,238 | 703,605 | 792,349 | 1,022,504 |
| | Retirement Benefits | | | | | |
| | Other Benefits | | | | | |
| | Health and Welfare ⁽⁵⁾ | — | — | — | 18,978 | 25,304 |
| | Outplacement | — | — | — | 25,000 | 25,000 |
| | Total | — | — | — | 43,978 | 50,304 |
| | Total | \$921,238 | \$921,238 | \$703,605 | \$1,745,175 | \$2,755,656 |

(1) "Without Cause" amount equals 18 months of base salary and "CIC" amount equals 3x (CEO) or 2x (Other NEOs) base salary + greater of prior year actual bonus or current year target bonus.

(2) Includes 2018 retention bonus (1x actual 2018 bonus amount) for all NEOs, other than the CEO.

(3) Actual shares earned are based on actual performance through the end of the performance period for outstanding performance share units (PSUs) where more than 50% of the performance period has elapsed and target for outstanding PSUs where less than 50% of the performance period has elapsed. For PSUs with a performance period ending after June 2, 2018 (our 2018 fiscal year end), the following performance estimates were used: Relative TSR PSUs granted in 2015 = 200% of target, Herman Miller Value Added PSUs granted in 2016 = 0% of target, Herman Miller Value Added PSUs granted in 2017 = 100% of target (less than 50% of the performance period has elapsed).

(4) There is no accelerated vesting of performance share units or stock options under a "Retirement" scenario (awards either continue to vest or are pro-rated for time employed since grant).

(5) "Without Cause" amount equals 18 months of benefits continuation and "CIC" amount equals 36 months (CEO) or 24 months (Other NEOs) benefits continuation.

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 are 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 his 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 he became disabled as of June 2, 2018, for as long as he is disabled or until age 65.

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

Potential Payments upon Termination in Connection with Change in Control

In fiscal 2018, each NEO was party to a change in control agreement with the company. The change in control agreements are all “double trigger” agreements. This means that both these 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 agreements are 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 benefit 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 and the Executive Incentive Cash Bonus Plan provide for the acceleration of payment even if the NEO has not been terminated. In addition, the vesting of each restricted stock unit and performance share unit will accelerate upon a change in control under the terms of the award agreements. These are so-called single trigger payment provisions. These so-called single trigger payments will no longer exist starting with grants in July 2018. 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.

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.

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

Long-Term Incentive Plan

Change in Control

Under our 2011 Long-Term Incentive Plan, except as otherwise provided in an award agreement, awards that are outstanding at the time of a change in control transaction, will accelerate and immediately vest if (1) awards are not assumed or continued by the surviving corporation or (2) if the participant's employment is terminated without cause or by the participant with good reason within a one-year period following the change in control. However, all our award agreements for currently outstanding awards provide that the awards will vest immediately upon a change in control. Going forward starting in July 2018, all awards shall be double-trigger awards. Specifically, with respect to performance-based awards, 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. We quantify the benefits that each named executive officer would receive upon a change in control in the table under the heading "Potential Payments upon Termination, Death, Disability, Retirement or Change in Control."

Death, Disability and Retirement

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 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 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.

Pay Ratio

Pursuant to the SEC's guidance under Item 402(u) of Regulation S-K, we are required to disclose the annual total compensation for both our Chief Executive Officer and median employee and the ratio of those two amounts. For 2018:

- The annual total compensation of our Chief Executive Officer was \$4,728,041.
- The annual total compensation of our identified median employee was \$47,721.
- The ratio of the annual total compensation of our Chief Executive Officer to that of our identified median employee was 99 to 1.

The methodology we used to identify our median employee is summarized in the following table:

| Item | Description |
|--|---|
| Determination Date | March 31, 2018 |
| Employee Population | Total employee population (excluding the CEO) as of the determination date was 7,626 |
| Consistently Applied Compensation Measure (CACM) | Gross wages, measured over the twelve-months ending on the determination date. For new hires, we annualized gross wages for any employees hired during the twelve-month period ending on March 31, 2018. For non-U.S. employees, values were converted into U.S. Dollars using the exchange rates in effect on the determination date |

Director Compensation

The following Director Compensation table provides information on the compensation of each director for fiscal 2018. The standard annual compensation of each director is \$175,000. 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 guidelines 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 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, options are not 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. Each account is credited with a number of 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. The company maintains a Rabbi-Trust relating to obligations under this plan.

Director Compensation (continued)

Stock Ownership Guidelines

Director stock ownership guidelines have been in effect since 1997. These guidelines, like those applicable to 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 two Directors as to whom the value has been included in All Other Compensation in the Director Compensation Table.

Director Compensation Table

| Name | Fees Earned or Paid in Cash (\$) ⁽¹⁾ | Stock Awards (\$) ⁽²⁾ | Option Awards (\$) ⁽²⁾ | All Other Compensation (\$) ⁽³⁾ | Total (\$) |
|-----------------------|---|----------------------------------|-----------------------------------|--|------------|
| Mary Vermeer Andringa | 85,000 | 100,000 | | | 185,000 |
| David A. Brandon | 181,000 | | | 25,907 | 206,907 |
| Brenda Freeman | 179,000 | | | | 179,000 |
| Douglas D. French | 183,000 | | | | 183,000 |
| J. Barry Griswell | 75,000 | 115,000 | | | 190,000 |
| John R. Hoke III | 181,000 | | | 13,203 | 194,203 |
| Lisa A. Kro | 145,000 | 50,000 | | | 195,000 |
| Heidi Manheimer | 90,000 | 93,000 | | | 183,000 |
| Michael A. Volkema | 250,000 | | | | 250,000 |

(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 associated with hypothetical investments 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 2018, seven 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 June 2, 2018, included in our Annual Report on Form 10-K.

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

As of June 2, 2018, 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 | — |
| 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 2, 2018.

| 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) | | |
| Equity compensation plans approved by security holders | 1,922,049 | \$ 30.6345 | 3,689,364 |
| Equity compensation plans not approved by security holders | | | |
| Total | 1,922,049 | \$ 30.6345 | 3,689,364 |

(1) The number of shares that remain available for future issuance under our plans is 3,689,364 which includes 2,697,625 under the Long-Term Incentive Plan and 991,739 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 SEC. 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 Andrew Lock who had one delinquent filing representing three same-day-sale stock option exercises and H. Timothy Lopez who had one delinquent filing representing one award vest.

Certain Relationships and Related Party Transactions

The Board of Directors has adopted a written 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, whether to 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 ("EPS"), Organic net sales and 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; other special charges not indicative of ongoing performance such as costs associated with the CEO transition plan announced in fiscal 2018; and non-cash impairment expenses. Organic net sales represents the change in sales excluding currency translation effects, the divestiture of owned dealers, the impact of the change in DWR shipping terms in fiscal 2018 and the impact of an extra week of operations in fiscal 2017 as compared to fiscal 2018. Adjusted EBITDA is calculated by excluding depreciation and amortization from Adjusted Operating Earnings (Loss) and including equity income and other income and expenses. 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 EPS to Adjusted EPS for the fiscal years indicated:

| | June 2, 2018 | June 3, 2017 |
|--|--------------|--------------|
| Earnings per Share - Diluted | \$ 2.12 | \$ 2.05 |
| Less: One-time impact of adopting U.S. Tax Cuts and Job Acts | (0.05) | — |
| Add: Other special charges | 0.16 | — |
| Less: Gain on sale of dealer | — | (0.02) |
| Add: Impairment charges | — | 0.07 |
| Add: Restructuring expenses | 0.07 | 0.06 |
| Adjusted Earnings Per Share - Diluted | \$ 2.30 | \$ 2.16 |
| Weighted average shares outstanding (used for calculating Adjusted Earnings per share) | 60,311,305 | 60,554,589 |

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

| | June 2, 2018 | | | | | June 3, 2017 | | | | |
|---|------------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|------------------|
| | North America | ELA | Specialty | Consumer | Total | North America | ELA | Specialty | Consumer | Total |
| Net Sales, as reported | \$1,284.4 | \$ 434.5 | \$ 305.4 | \$ 356.9 | \$2,381.2 | \$1,276.6 | \$ 385.5 | \$ 298.0 | \$ 318.1 | \$2,278.2 |
| % change from PY | 0.6% | 12.7% | 2.5% | 12.2% | 4.5% | | | | | |
| <u>Proforma Adjustments</u> | | | | | | | | | | |
| Dealer divestitures | — | — | — | — | — | (25.8) | — | — | — | (25.8) |
| Currency translation effects ⁽¹⁾ | (3.9) | (12.6) | (0.1) | (0.2) | (16.8) | — | — | — | — | — |
| Impact of extra week in FY17 | — | — | — | — | — | (21.7) | (6.3) | (4.3) | (4.7) | (37.0) |
| Impact of Change in DWR Shipping Terms | — | — | — | (5.0) | (5.0) | | | | | |
| Organic net sales | \$1,280.5 | \$ 421.9 | \$ 305.3 | \$ 351.7 | \$2,359.4 | \$1,229.1 | \$ 379.2 | \$ 293.7 | \$ 313.4 | \$2,215.4 |
| % change from PY | 4.2% | 11.3% | 3.9% | 12.2% | 6.5% | | | | | |

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

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

The following table reconciles Operating earnings to Adjusted operating earnings by segment for the fiscal years ended:

| | June 2, 2018 | | | | | | June 3, 2017 | | | | | |
|------------------------------------|---------------|---------|-----------|----------|-----------|---------|---------------|---------|-----------|----------|-----------|---------|
| | North America | ELA | Specialty | Consumer | Corporate | Total | North America | ELA | Specialty | Consumer | Corporate | Total |
| Operating earnings (loss) | \$ 166.3 | \$ 35.5 | \$ 8.9 | \$ 13.9 | \$ (47.1) | \$177.5 | \$ 176.0 | \$ 35.9 | \$ 8.1 | \$ 4.8 | \$ (34.0) | \$190.8 |
| % Net sales | 12.9% | 8.2% | 2.9% | 3.9% | n/a | 7.5% | 13.8% | 9.3% | 2.7% | 1.5% | n/a | 8.4% |
| Add: Special charges | — | 2.5 | — | — | 11.3 | 13.8 | — | — | — | — | — | — |
| Add: Impairment charges | — | — | — | — | — | — | — | — | 7.1 | — | — | 7.1 |
| Less: Gain on sale of dealer | — | — | — | — | — | 5.7 | (0.7) | — | — | — | — | (0.7) |
| Add: Restructuring expenses | 1.8 | 3.9 | — | — | — | — | 2.9 | 1.0 | 0.9 | 0.6 | — | 5.4 |
| Adjusted operating earnings (loss) | \$ 168.1 | \$ 41.9 | \$ 8.9 | \$ 13.9 | \$ (35.8) | \$197.0 | \$ 178.2 | \$ 36.9 | \$ 16.1 | \$ 5.4 | \$ (34.0) | \$202.6 |

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

| | Fiscal Year Ended June 2, 2018 |
|---|-----------------------------------|
| (Dollars In millions) | |
| Current Year Net Income | \$ 128.1 |
| Standard Add Backs: | |
| Interest Expense | 13.5 |
| Income Taxes | 42.4 |
| Depreciation and Amortization | 66.9 |
| EBITDA | \$ 250.9 |
| Standard Adjustments per Guidelines | |
| Amortization of Previously Excluded Restructuring | (1.9) |
| Non-Standard Adjustments Requiring Approval | |
| Restructuring expense | 8.2 |
| Third party consulting costs, net of amortization | 4.8 |
| Costs associated with the CEO transition plan | 4.4 |
| Adjusted EBITDA | 266.4 |

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 2, 2018, includes the Notice Regarding the Availability of Proxy Materials. A copy of the Notice of 2018 Annual Meeting of Shareholders and the 2018 Form 10-K (Annual Report) as well as the Proxy Statement, both filed with the SEC, 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 28, 2018

© 2018 Herman Miller, Inc., Zeeland, Michigan Printed in U.S.A. please recycle P.MS2854-1

® Herman Miller, , Design Within Reach, Geiger, Maharam and Nemschoff are among the trademarks of Herman Miller, Inc., and its subsidiaries

All other trademarks are the property of their respective owners

2018

Annual Report

2018

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 2, 2018

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)

Name of exchange on which registered
NASDAQ Stock Market LLC

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 2, 2017, was \$2,040,363,044 (based on \$34.55 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 26, 2018: Common stock, \$.20 par value - 59,694,316 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 8, 2018, are incorporated into Part III of this report.

This page intentionally left blank.

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

| | <u>Page No.</u> |
|--|-----------------|
| Part I | |
| Item 1 Business | <u>2</u> |
| Item 1A Risk Factors | <u>5</u> |
| Item 1B Unresolved Staff Comments | <u>9</u> |
| Item 2 Properties | <u>10</u> |
| Item 3 Legal Proceedings | <u>11</u> |
| Additional Item: Executive Officers of the Registrant | <u>11</u> |
| Item 4 Mine Safety Disclosures | <u>11</u> |
| Part II | |
| Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities | <u>12</u> |
| Item 6 Selected Financial Data | <u>14</u> |
| Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations | <u>16</u> |
| Item 7A Quantitative and Qualitative Disclosures about Market Risk | <u>41</u> |
| Item 8 Financial Statements and Supplementary Data | <u>43</u> |
| Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures | <u>84</u> |
| Item 9A Controls and Procedures | <u>84</u> |
| Item 9B Other Information | <u>84</u> |
| Part III | |
| Item 10 Directors, Executive Officers, and Corporate Governance | <u>85</u> |
| Item 11 Executive Compensation | <u>85</u> |
| Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | <u>85</u> |
| Item 13 Certain Relationships and Related Transactions, and Director Independence | <u>85</u> |
| Item 14 Principal Accountant Fees and Services | <u>85</u> |
| Part IV | |
| Item 15 Exhibits and Financial Statement Schedule | <u>86</u> |
| Exhibit Index | <u>87</u> |
| Signatures | <u>89</u> |
| Schedule II Valuation and Qualifying Accounts | <u>90</u> |

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®, Overlay™ and Resolve®). The company also offers a broad array of seating (including Embody®, Aeron®, Mirra2™, Setu®, Sayl®, Verus®, Cosm™, Lino™, 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 OSSM 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 78 percent of the company's sales in the fiscal year ended June 2, 2018, 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 4 percent of the company's net sales in the fiscal year ended June 2, 2018. The company estimates that the largest single end-user customer accounted for \$109.8 million, \$102.3 million and \$95.7 million of the company's net sales in fiscal 2018, 2017, and 2016, respectively. This represents approximately 5 percent, 5 percent and 4 percent of the company's net sales in fiscal 2018, 2017 and 2016, respectively. The company's 10 largest customers in the aggregate accounted for approximately 19 percent, 18 percent, and 18 percent of net sales in fiscal 2018, 2017, and 2016, respectively.

Backlog of Unfilled Orders

As of June 2, 2018, the company's backlog of unfilled orders was \$344.5 million. At June 3, 2017, the company's backlog totaled \$322.6 million. It is expected that substantially all the orders forming the backlog at June 2, 2018, 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 \$57.1 million, \$58.6 million and \$62.4 million on research and development activities in fiscal 2018, 2017 and 2016, 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 2, 2018, approximately 5 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff and Herman Miller Holdings Limited subsidiaries.

As of June 2, 2018, the company had 7,681 employees, representing a 3 percent increase as compared with June 3, 2017. 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®, POSH Imagine Desking System®, Ratio®, other seating and storage 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, Brazil and India. Sales are made through wholly owned subsidiaries or branches in Canada, France, Germany, Italy, Japan, Korea, 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, as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The company's filings with the SEC are also available for the public to read via the SEC's internet website at www.sec.gov. You may read and copy any materials we file with the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face; others, either unforeseen or currently deemed less significant, may also have a negative impact on our company. If any of the following 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 intend to 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 intend to 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 intend to implement a range of initiatives aimed at optimizing profitability. These include implementing targeted cost reductions as well as actions aimed at optimizing product pricing and promotions, product and component sourcing, logistics, and distribution. Finally, we intend to 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.

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

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

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

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

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

Earlier this year, the U.S. recently announced tariffs of 25 percent on steel and 10 percent on aluminum imported from several countries where we conduct business. These tariffs were met with countering tariffs from trade partners of the U.S. as well as increased, broader tariffs to be levied by the U.S. on targeted countries, including China. These tariffs and the possibility of broader trade conflicts stemming from the tariffs could negatively impact our business in the future. The tariffs on imports have significantly impacted the cost of domestic U.S. steel in recent months, a key commodity that we consume in producing our products, which will negatively impact our future gross margin and our operating performance if U.S. costs do not stabilize. Additionally, there is a risk that the U.S. tariffs on imports and the countering tariffs on U.S. produced exports will trigger a broader global trade conflict. This has the potential to significantly impact global trade and economic conditions in many of the regions where we do business.

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

Customer demand within the contract office furniture industry is affected by various macro-economic factors; general corporate profitability, 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. 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, India and Brazil. 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
- Global trade conflicts and trade policies
- Legal and regulatory requirements
- Labor and employment practices
- Cultural practices and norms
- Natural disasters
- Security and health concerns
- Protection of intellectual property
- Changes in foreign currency exchange rates

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

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

We collect certain customer-specific data, including credit card information, in connection with orders placed through our e-commerce websites, direct-mail catalog marketing program, and 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, include the impact of the U.S. and retaliatory tariffs previously noted. In particular, the costs of steel, plastic, aluminum components, and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber, and resins. Increases in the market prices of these commodities, such as what we experienced throughout fiscal 2018 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 53 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.

Our business could be adversely impacted if we do not successfully manage the transition associated with the retirement of our Chief Executive Officer and the appointment of a new Chief Executive Officer.

On February 5, 2018, we announced that Brian C. Walker plans to retire as President and Chief Executive Officer of the Company by August 31, 2018. Our Board of Directors has initiated a search for his successor and expects that search to be completed relatively soon. Such leadership transitions can be difficult to manage and could present challenges associated with our relationships with our dealers, suppliers and employees.

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 2, 2018 were as follows:

| <u>Owned Locations</u> | <u>Square Footage</u> | <u>Use</u> |
|-------------------------------|------------------------------|----------------------------------|
| 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 |

| <u>Leased Locations</u> | <u>Square Footage</u> | <u>Use</u> |
|--------------------------------|------------------------------|----------------------------------|
| Hebron, Kentucky | 423,700 | Warehouse |
| Dongguan, China* | 422,600 | Manufacturing, Office |
| 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 2, 2018, the company leased 32 DWR retail studios, including the Herman Miller Flagship store in New York that totaled approximately 360,000 square feet of selling space. The company also maintains administrative and sales offices and showrooms in various other locations throughout North America, Europe, Asia/Pacific and Latin America. The company considers its existing facilities to be in good condition and adequate for its design, production, distribution, and selling requirements.

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

Item 3 Legal Proceedings

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

Additional Item: Executive Officers of the Registrant

Certain information relating to Executive Officers of the company as of June 2, 2018 is as follows:

| Name | Age | Year Elected an Executive Officer | Position with the Company |
|-------------------|-----|-----------------------------------|--|
| Brian C. Walker | 56 | 1996 | President and Chief Executive Officer |
| Andrew J. Lock | 64 | 2003 | President, Herman Miller International |
| Gregory J. Bylsma | 53 | 2009 | President, North America Contract |
| Steven C. Gane | 63 | 2009 | President, Specialty Brands |
| Jeffrey M. Stutz | 47 | 2009 | Executive Vice President, Chief Financial Officer |
| B. Ben Watson | 53 | 2010 | Chief Creative Officer |
| H. Timothy Lopez | 47 | 2014 | Senior Vice President of Legal Services, General Counsel and Secretary |
| John McPhee | 55 | 2015 | President, Herman Miller Consumer |
| John Edelman | 51 | 2015 | Chief Executive Officer, Herman Miller Consumer |
| Kevin Veltman | 43 | 2015 | Vice President, Investor Relations & Treasurer |
| Jeremy Hocking | 57 | 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, Candle'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.

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 26, 2018, there were approximately 19,500 record holders, including individual participants in security position listings, of the company's common stock.

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

| Per Share and Unaudited | Market Price High (at close) | Market Price Low (at close) | Market Price Close | Earnings Per Share-Diluted | Dividends Declared Per Share |
|--------------------------|------------------------------|-----------------------------|--------------------|----------------------------|------------------------------|
| Year ended June 2, 2018: | | | | | |
| First quarter | \$ 35.30 | \$ 29.25 | \$ 34.00 | \$ 0.55 | \$ 0.1800 |
| Second quarter | 37.00 | 32.05 | 34.55 | 0.55 | 0.1800 |
| Third quarter | 41.84 | 33.65 | 36.75 | 0.49 | 0.1800 |
| Fourth quarter | 39.20 | 29.95 | 32.85 | 0.53 | 0.1800 |
| Year | \$ 41.84 | \$ 29.25 | \$ 32.85 | \$ 2.12 | \$ 0.7200 |
| 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 |

Dividends were declared and paid quarterly during fiscal 2018 and 2017 as approved by the Board of Directors.

On July 2, 2018, the company's board of directors approved an increase in the quarterly dividend to \$0.1975 per share. This payment will be made on October 15, 2018 to shareholders of record at the close of business on September 1, 2018. 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 2, 2018:

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share or Unit | Total Number of Share (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares(or Units) that May Yet be Purchased Under the Plans or Programs ⁽¹⁾ |
|------------------|---|--------------------------------------|--|---|
| 3/4/18 - 3/31/18 | 65,767 | 32.24 | 65,767 | \$ 76,324,290 |
| 4/1/18 - 4/28/18 | 301,500 | 32.10 | 301,500 | \$ 66,647,521 |
| 4/29/18 - 6/2/18 | 143,566 | 31.75 | 143,566 | \$ 62,088,967 |
| Total | 510,833 | | 510,833 | |

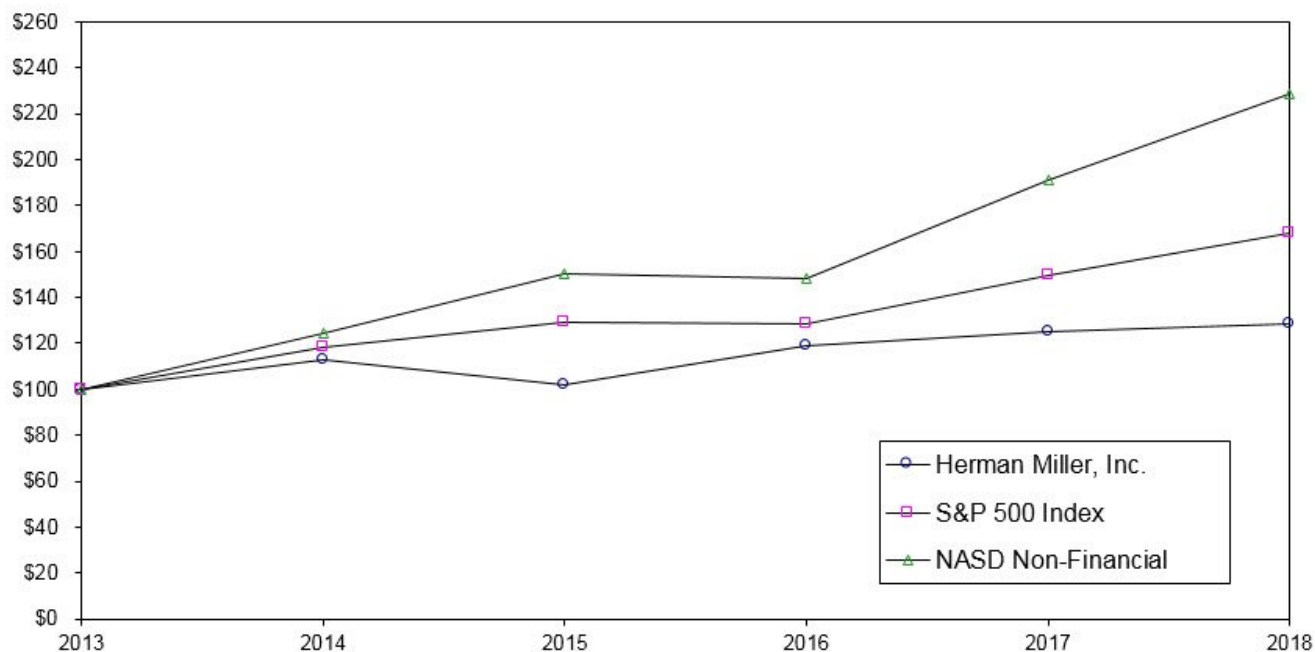
(1) Amounts are as of the end of the period indicated

The company has a share repurchase plan authorized by the Board of Directors on September 28, 2007, which provided share repurchase authorization of \$300.0 million with no specified expiration date. The company may purchase up to an additional \$62.1 million of shares under its existing common stock repurchase program.

No repurchase plans expired or were terminated during the fourth quarter of fiscal 2018. 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 2, 2018. The graph assumes an investment of \$100 on June 2, 2013 in the company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.



| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------|--------|--------|--------|--------|--------|--------|
| Herman Miller, Inc. | \$ 100 | \$ 113 | \$ 102 | \$ 119 | \$ 125 | \$ 129 |
| S&P 500 Index | \$ 100 | \$ 118 | \$ 129 | \$ 129 | \$ 150 | \$ 168 |
| NASD Non-Financial | \$ 100 | \$ 124 | \$ 150 | \$ 148 | \$ 192 | \$ 228 |

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)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|------------|------------|------------|------------|
| Operating Results | | | | | |
| Net sales | \$ 2,381.2 | \$ 2,278.2 | \$ 2,264.9 | \$ 2,142.2 | \$ 1,882.0 |
| Gross margin | 873.0 | 864.2 | 874.2 | 791.4 | 631.0 |
| Selling, general, and administrative ⁽⁸⁾ | 622.4 | 600.3 | 585.6 | 556.6 | 590.8 |
| Design and research | 73.1 | 73.1 | 77.1 | 71.4 | 65.9 |
| Operating earnings (loss) | 177.5 | 190.8 | 211.5 | 163.4 | (25.7) |
| Earnings (loss) before income taxes | 168.1 | 177.6 | 196.6 | 145.2 | (43.4) |
| Net earnings (loss) | 128.7 | 124.1 | 137.5 | 98.1 | (22.1) |
| Cash flow from operating activities | 166.5 | 202.1 | 210.4 | 167.7 | 90.1 |
| Cash flow used in investing activities | (62.7) | (116.3) | (80.8) | (213.6) | (48.2) |
| Cash flow (used in) provided by financing activities | 2.5 | (74.6) | (106.5) | 6.8 | (22.4) |
| Depreciation and amortization | 66.9 | 58.9 | 53.0 | 49.8 | 42.4 |
| Capital expenditures | 70.6 | 87.3 | 85.1 | 63.6 | 40.8 |
| Common stock repurchased plus cash dividends paid | 88.9 | 63.2 | 49.0 | 37.0 | 43.0 |
| Key Ratios | | | | | |
| Sales growth | 4.5% | 0.6% | 5.7% | 13.8% | 6.0 % |
| Gross margin ⁽¹⁾ | 36.7 | 37.9 | 38.6 | 36.9 | 33.5 |
| Selling, general, and administrative ⁽¹⁾⁽⁸⁾ | 26.1 | 26.3 | 25.9 | 26.0 | 31.4 |
| Design and research ⁽¹⁾ | 3.1 | 3.2 | 3.4 | 3.3 | 3.5 |
| Operating earnings ⁽¹⁾ | 7.5 | 8.4 | 9.3 | 7.6 | (1.4) |
| Net earnings growth (decline) | 3.7 | (9.7) | 40.2 | 543.9 | (132.4) |
| After-tax return on net sales ⁽⁴⁾ | 5.4 | 5.4 | 6.1 | 4.6 | (1.2) |
| After-tax return on average assets ⁽⁵⁾ | 9.2 | 9.8 | 11.3 | 9.0 | (2.3) |
| After-tax return on average equity ⁽⁶⁾ | 20.5% | 22.3% | 29.1% | 25.0% | (6.5)% |
| Share and Per Share Data | | | | | |
| Earnings (loss) per share-diluted | \$ 2.12 | \$ 2.05 | \$ 2.26 | \$ 1.62 | \$ (0.37) |
| Cash dividends declared per share | 0.72 | 0.68 | 0.59 | 0.56 | 0.53 |
| Book value per share at year end ⁽⁹⁾ | 11.22 | 9.82 | 8.76 | 7.04 | 6.14 |
| Market price per share at year end | 32.85 | 32.70 | 31.64 | 27.70 | 31.27 |
| Weighted average shares outstanding-diluted | 60.3 | 60.6 | 60.5 | 60.1 | 59.0 |
| Financial Condition | | | | | |
| Total assets | \$ 1,479.5 | \$ 1,306.3 | \$ 1,235.2 | \$ 1,192.7 | \$ 995.6 |
| Working capital ⁽³⁾ | 231.6 | 106.2 | 90.5 | 110.1 | 83.2 |
| Current ratio ⁽²⁾ | 1.6 | 1.3 | 1.2 | 1.3 | 1.2 |
| Interest-bearing debt and related swap agreements ⁽¹⁰⁾ | 265.1 | 197.8 | 221.9 | 290.0 | 250.0 |
| Stockholders' equity | 664.8 | 587.7 | 524.7 | 420.3 | 364.3 |
| Total capital ⁽⁷⁾ | 929.9 | 785.5 | 746.6 | 710.3 | 614.3 |

(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 \$(9.9) million at June 3, 2018, \$(2.1) million at June 3, 2017, \$1.2 million at May 29, 2010, \$2.4 million at May 30, 2009, and \$0.5 million at May 31, 2008.

Review of Operations

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

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|------------|------------|------------|------------|------------|------------|
| Operating Results | | | | | | |
| Net sales | \$ 1,774.9 | \$ 1,724.1 | \$ 1,649.2 | \$ 1,318.8 | \$ 1,630.0 | \$ 2,012.1 |
| Gross margin | 605.2 | 590.6 | 538.1 | 428.5 | 527.7 | 698.7 |
| Selling, general, and administrative ⁽⁸⁾ | 430.4 | 400.3 | 369.0 | 334.4 | 359.2 | 400.9 |
| Design and research | 59.9 | 52.7 | 45.8 | 40.5 | 45.7 | 51.2 |
| Operating earnings | 114.9 | 137.6 | 123.3 | 53.6 | 122.8 | 246.6 |
| Earnings before income taxes | 97.2 | 119.5 | 102.5 | 34.8 | 98.9 | 230.4 |
| Net earnings | 68.2 | 75.2 | 70.8 | 28.3 | 68.0 | 152.3 |
| Cash flow from operating activities | 136.5 | 90.1 | 89.0 | 98.7 | 91.7 | 213.6 |
| Cash flow used in investing activities | (209.7) | (58.4) | (31.4) | (77.6) | (29.5) | (51.0) |
| Cash flow used in financing activities | (16.0) | (1.6) | (50.2) | (78.9) | (16.5) | (86.5) |
| Depreciation and amortization | 37.5 | 37.2 | 39.1 | 42.6 | 41.7 | 43.2 |
| Capital expenditures | 50.2 | 28.5 | 30.5 | 22.3 | 25.3 | 40.5 |
| Common stock repurchased plus cash dividends paid | 22.7 | 7.9 | 6.0 | 5.7 | 19.5 | 287.9 |
| Key Ratios | | | | | | |
| Sales growth (decline) | 2.9% | 4.5% | 25.1% | (19.1)% | (19.0)% | 4.9% |
| Gross margin ⁽¹⁾ | 34.1 | 34.3 | 32.6 | 32.5 | 32.4 | 34.7 |
| Selling, general, and administrative ⁽¹⁾⁽⁸⁾ | 24.3 | 23.2 | 22.4 | 25.4 | 22.0 | 19.9 |
| Design and research ⁽¹⁾ | 3.4 | 3.1 | 2.8 | 3.1 | 2.8 | 2.5 |
| Operating earnings ⁽¹⁾ | 6.5 | 8.0 | 7.5 | 4.1 | 7.5 | 12.3 |
| Net earnings growth (decline) | (9.3) | 6.2 | 150.2 | (58.4) | (55.4) | 18.0 |
| After-tax return on net sales ⁽⁴⁾ | 3.8 | 4.4 | 4.3 | 2.1 | 4.2 | 7.6 |
| After-tax return on average assets ⁽⁵⁾ | 7.6 | 9 | 8.9 | 3.7 | 8.7 | 20.9 |
| After-tax return on average equity ⁽⁶⁾ | 24.7% | 34.4% | 52.5% | 78.1 % | 860.8 % | 186.4% |
| Share and Per Share Data | | | | | | |
| Earnings per share-diluted | \$ 1.16 | \$ 1.29 | \$ 1.06 | \$ 0.43 | \$ 1.25 | \$ 2.56 |
| Cash dividends declared per share | 0.43 | 0.09 | 0.09 | 0.09 | 0.29 | 0.35 |
| Book value per share at year end ⁽⁹⁾ | 5.31 | 4.13 | 3.42 | 1.27 | — | 0.28 |
| Market price per share at year end | 28.11 | 17.87 | 24.56 | 19.23 | 14.23 | 24.80 |
| Weighted average shares outstanding-diluted | 58.8 | 58.5 | 57.7 | 57.5 | 54.5 | 59.6 |
| Financial Condition | | | | | | |
| Total assets | \$ 951.2 | \$ 843.8 | \$ 819.1 | \$ 775.3 | \$ 772.0 | \$ 787.9 |
| Working capital ⁽³⁾ | 96.8 | 189.1 | 193.4 | 69.2 | 155.2 | 170.2 |
| Current ratio ⁽²⁾ | 1.3 | 1.7 | 1.7 | 1.2 | 1.5 | 1.5 |
| Interest-bearing debt and related swap agreement ⁽¹⁰⁾ | 250.0 | 250.0 | 250.0 | 301.2 | 377.4 | 375.5 |
| Stockholders' equity | 311.7 | 240.5 | 197.2 | 72.3 | 0.2 | 15.6 |
| Total capital ⁽⁷⁾ | 561.7 | 490.5 | 447.2 | 373.5 | 377.6 | 391.1 |

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

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

Executive Overview

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

More than 100 years of innovative business practices and a commitment to social responsibility have established Herman Miller as a recognized global company. 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, Korea, 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 in the United Kingdom. Manufacturing operations globally also include facilities located in China, Brazil and India. The company manufactures products using a system of lean manufacturing techniques collectively referred to as the Herman Miller Performance System (HMPS). Herman Miller strives to maintain efficiencies and cost savings by minimizing the amount of inventory on hand. Accordingly, production is order-driven with direct materials and components purchased as needed to meet demand. The standard manufacturing lead time for the majority of our products is 10 to 20 days. These factors result in a high rate of inventory turns related to our manufactured inventories.

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

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

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, Nemschoff 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 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.
- *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 2018, the Consumer business unit included 32 retail studios (including 31 operating under the DWR brand and a Herman Miller Flagship store in New York City). This business also operates two outlet studios. The retail 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, global e-commerce platforms, 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 has recently 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 and profitability 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 with new products and technology solutions, along with research that quantifies the positive impact to organizations from applying these concepts.

Delivering 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 creative direction and new product commercialization under common leadership, the company is focused on reducing its time to market and meeting our customers' most critical needs through a robust pipeline of new products and solutions.

Leveraging 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 complements this focused selling effort with enhanced digital platforms designed to make it easier for its contract customers and dealer partners to find, specify and order products from any brand within the Herman Miller Group.

Driving Profit Optimization - 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. In 2018, two additional profit optimization phases were initiated in partnership with a third party consulting firm. The first phase is a Consumer-focused initiative targeting \$15 million to \$20 million of gross annual profit improvement that began producing benefits in the fourth quarter of fiscal 2018 and aims to achieve its run-rate savings target by the end of fiscal 2019. The second phase, focusing on the company's North American Furniture Solutions segment, is in the early planning phases with initial opportunity estimates of \$20 million to \$40 million that will be further defined over the upcoming fiscal year.

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 the United States is expected to be positive. BIFMA issued its most recent report in April 2018, which forecasts that the growth rate of office furniture sales will be 1.9 percent and 3.6 percent in calendar 2018 and 2019, respectively. This forecast of growth is based primarily on GDP growth, industrial production, business fixed investments and a favorable tax and regulatory environment in the U.S., tempered by the current global economic uncertainty.

Discussion of Business Conditions

Fiscal 2018 and fiscal 2017 contain 52 and 53 weeks, respectively. 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.

Net sales increased in 2018 to \$2,381.2 million, an increase of 4.5 percent from the prior fiscal year. On an organic basis, which adjusts for dealer divestitures, changes in foreign currency translation rates, a change in shipping terms at DWR and the impact of the extra week, net sales increased by 6.5 percent⁽¹⁾ compared to last fiscal year. Each of our segments generated year-over-year net sales growth through a general increase in demand when compared to the prior year. This growth was led by the ELA segment behind strong order generation in the EMEA and Latin America regions as well as the Consumer segment, with growth in net sales driven by the recent work to transform the DWR retail studio footprint as well as other growth initiatives at DWR.

While relatively high commodity costs and a competitive pricing environment pressured gross margins compared to last year, operating expenses were controlled during the year, helping to deliver diluted earnings per share of \$2.12 and adjusted diluted earnings per share of \$2.30⁽¹⁾, which represents growth of 3 percent and 6 percent, respectively, when compared to prior year diluted earnings per share of \$2.05 and adjusted diluted earnings per share of \$2.16⁽¹⁾. Operating cash flow generation of \$166.5 million for the year enabled the company to invest \$70.6 million in property, plant and equipment; repurchase \$46.5 million of company shares; and, subsequent to the end of the fiscal year, announce both a 10 percent increase in the quarterly dividend to \$0.1975 per share - the highest quarterly rate in Herman Miller's history - as well as investments in Maars Living Walls and HAY.

Following a relatively flat year for sales growth in fiscal 2017, the North America segment saw order generation improve during fiscal 2018 and generated sales growth of 0.6 percent during the year and 4.2 percent growth on an organic basis⁽¹⁾. While the prior year results were tempered by an uncertain political environment in the United States, the current year results reflect improved confidence in the U.S. economy and a generally positive response to the 2018 U.S. corporate income tax reform. Additionally, the North America segment continues to realize the benefits of the Living Office framework and the recent improvements within the company's new product development process and focus on an enhanced product offering. The North America segment saw a \$10 million decrease in operating earnings during the year due to increased discounting and pricing pressures in the market; increased commodity costs and incremental out-sourcing costs earlier in the year due to capacity constraints in certain product lines. The \$166.3 million of operating earnings generated during the year represented 12.9 percent of net sales for fiscal 2018.

The ELA segment recorded a 12.7 percent increase in net sales during the year, 11.3 percent⁽¹⁾ after adjusting for the impact of changes in foreign currency and the extra week of operations in the prior fiscal year. The growth in net sales reflects a significant increase in order generation during the current year with order growth of 17.2 percent or 16.9 percent⁽¹⁾ on an organic basis. The ELA segment saw broad-based growth across much of its business, with the EMEA and Latin America regions leading the way. This reflects an improved economic outlook in key regional markets such as Mexico and Brazil as well as growth across mainland Europe helping to offset the continued uncertainty around the United Kingdom's Brexit within the EMEA region. The ELA segment posted a \$0.4 million decline in operating earnings relative to the prior year. However, after adjusting for the impact of restructuring and other special charges recognized in the current fiscal year, adjusted operating earnings improved by 14 percent⁽¹⁾ behind the significant orders and net sales growth during the year.

Sales for the Specialty segment were 2.5 percent higher than prior year, as reported, and were 3.9 percent higher on an organic basis⁽¹⁾, adjusting primarily for the impact of the extra week in the fiscal 2017 results. The growth in the Specialty businesses was led by the Geiger and Herman Miller Collection components which saw net sales growth of 13 percent and 12 percent, respectively, as reported during the year. This growth was partially offset by lighter sales performance at Nemschoff and Maharam. While operating earnings for the segment increased by 10 percent during the year, adjusted operating earnings decreased by 45 percent⁽¹⁾ during the year primarily due to challenges faced by Nemschoff in fiscal 2018 from lower volume, unfavorable product mix, a supplier disruption earlier in the year and increased warranty costs. Specialty did see strong profitability from other components of the segment during the current year, and 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 generated net sales growth of 12.2 percent on an as reported and on an organic basis⁽¹⁾. DWR delivered four quarters of comparable brand⁽²⁾ growth during the year. Operating earnings and adjusted operating earnings increased by 190 percent and 157 percent⁽¹⁾, respectively, behind the strong net sales growth. The studio real estate expansion and investments to support long-term growth in the Consumer business generated top-line growth, as well as improved profitability. During the fourth quarter, the Consumer segment also began realizing the initial benefits from the profit optimization efforts that began earlier in the year. Additionally, growth this year from studios, eCommerce, catalog and contract channels highlighted management's focus to improve the segment's performance across all channels.

(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 in fiscal 2017 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 gains; expenses associated with restructuring actions taken to adjust our cost structure to the current business climate; other special charges not indicative of ongoing performance such as costs associated with the CEO transition plan announced in fiscal 2018; and non-cash impairment expenses. Organic net sales represents the change in sales excluding currency translation effects, the divestiture of owned dealers, the impact of the change in DWR shipping terms in fiscal 2018 and the impact of an extra week of operations in fiscal 2017 as compared to fiscal 2018. 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 for the fiscal years ended:

| | June 2, 2018 | | | | | June 3, 2017 | | | | |
|---|-------------------|-----------------|-----------------|-----------------|-------------------|-------------------|-----------------|-----------------|-----------------|-------------------|
| | North America | ELA | Specialty | Consumer | Total | North America | ELA | Specialty | Consumer | Total |
| Net Sales, as reported | \$ 1,284.4 | \$ 434.5 | \$ 305.4 | \$ 356.9 | \$ 2,381.2 | \$ 1,276.6 | \$ 385.5 | \$ 298.0 | \$ 318.1 | \$ 2,278.2 |
| % change from PY | 0.6% | 12.7% | 2.5% | 12.2% | 4.5% | | | | | |
| <u>Proforma Adjustments</u> | | | | | | | | | | |
| Dealer Divestitures | — | — | — | — | — | (25.8) | — | — | — | (25.8) |
| Currency Translation Effects ⁽¹⁾ | (3.9) | (12.6) | (0.1) | (0.2) | (16.8) | — | — | — | — | — |
| Impact of Extra Week in FY17 | — | — | — | — | — | (21.7) | (6.3) | (4.3) | (4.7) | (37.0) |
| Impact of Change in DWR Shipping Terms | — | — | — | (5.0) | (5.0) | — | — | — | — | — |
| Organic net sales | \$ 1,280.5 | \$ 421.9 | \$ 305.3 | \$ 351.7 | \$ 2,359.4 | \$ 1,229.1 | \$ 379.2 | \$ 293.7 | \$ 313.4 | \$ 2,215.4 |
| % change from PY | 4.2% | 11.3% | 3.9% | 12.2% | 6.5% | | | | | |

| | June 3, 2017 | | | | | May 28, 2016 | | | | |
|---|-------------------|-----------------|-----------------|-----------------|-------------------|-------------------|-----------------|-----------------|-----------------|-------------------|
| | North America | ELA | Specialty | Consumer | Total | North America | ELA | Specialty | Consumer | Total |
| Net Sales, as reported | \$ 1,276.6 | \$ 385.5 | \$ 298.0 | \$ 318.1 | \$ 2,278.2 | \$ 1,269.4 | \$ 412.6 | \$ 294.2 | \$ 288.7 | \$ 2,264.9 |
| % change from PY | 0.6% | (6.6)% | 1.3% | 10.2% | 0.6% | | | | | |
| <u>Adjustments</u> | | | | | | | | | | |
| Dealer Divestitures | — | — | — | — | — | (8.8) | (30.8) | — | — | (39.6) |
| Currency Translation Effects ⁽¹⁾ | 0.7 | 13.9 | — | — | 14.6 | — | — | — | — | — |
| Impact of Extra Week in FY17 | (21.7) | (6.3) | (4.3) | (4.7) | (37.0) | — | — | — | — | — |
| Organic net sales | \$ 1,255.6 | \$ 393.1 | \$ 293.7 | \$ 313.4 | \$ 2,255.8 | \$ 1,260.6 | \$ 381.8 | \$ 294.2 | \$ 288.7 | \$ 2,225.3 |
| % change from PY | (0.4)% | 3.0% | (0.2)% | 8.6% | 1.4% | | | | | |

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

The following table reconciles Operating earnings to Adjusted operating earnings by segment for the fiscal years ended:

| | June 2, 2018 | | | | | | June 3, 2017 | | | | | |
|---|-----------------|----------------|---------------|----------------|------------------|----------------|-----------------|----------------|----------------|---------------|------------------|----------------|
| | North America | ELA | Specialty | Consumer | Corporate | Total | North America | ELA | Specialty | Consumer | Corporate | Total |
| Operating Earnings (Loss) | \$ 166.3 | \$ 35.5 | \$ 8.9 | \$ 13.9 | \$ (47.1) | \$177.5 | \$ 176.0 | \$ 35.9 | \$ 8.1 | \$ 4.8 | \$ (34.0) | \$190.8 |
| % Net Sales | 12.9% | 8.2% | 2.9% | 3.9% | n/a | 7.5% | 13.8% | 9.3% | 2.7% | 1.5% | n/a | 8.4% |
| Add: Special charges | — | 2.5 | — | — | 11.3 | 13.8 | — | — | — | — | — | — |
| Add: Impairment charges | — | — | — | — | — | — | — | — | 7.1 | — | — | 7.1 |
| Less: Gain on sale of dealer | — | — | — | — | — | — | (0.7) | — | — | — | — | (0.7) |
| Add: Restructuring expenses | 1.8 | 3.9 | — | — | — | 5.7 | 2.9 | 1.0 | 0.9 | 0.6 | — | 5.4 |
| Adjusted Operating Earnings (Loss) | \$ 168.1 | \$ 41.9 | \$ 8.9 | \$ 13.9 | \$ (35.8) | \$197.0 | \$ 178.2 | \$ 36.9 | \$ 16.1 | \$ 5.4 | \$ (34.0) | \$202.6 |

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

| | June 2, 2018 | June 3, 2017 |
|---|-------------------|-------------------|
| Earnings per Share - Diluted | \$ 2.12 | \$ 2.05 |
| Add: Other special charges | 0.16 | — |
| Add: Impairment charges | — | 0.07 |
| Less: Gain on sale of dealer | — | (0.02) |
| Add: Restructuring expenses | 0.07 | 0.06 |
| Less: One-time impact of adopting U.S. Tax Cuts and Jobs Act | (0.05) | — |
| Adjusted Earnings per Share - Diluted | \$ 2.30 | \$ 2.16 |
| Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) – Diluted | 60,311,305 | 60,554,589 |

Financial Results

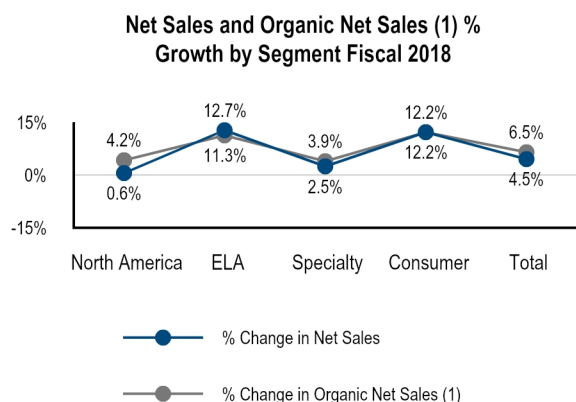
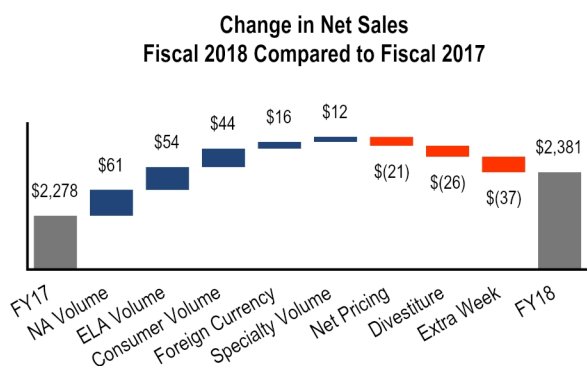
The following is a comparison of our annual results of operations and year-over-year percentage changes for the periods indicated:

| (Dollars In millions) | Fiscal 2018 52 weeks | % Change from 2017 | Fiscal 2017 53 weeks | % Change from 2016 | Fiscal 2016 52 weeks |
|---|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Net sales | \$ 2,381.2 | 4.5 % | \$ 2,278.2 | 0.6 % | \$ 2,264.9 |
| Cost of sales | 1,508.2 | 6.7 % | 1,414.0 | 1.7 % | 1,390.7 |
| Gross margin | 873.0 | 1.0 % | 864.2 | (1.1)% | 874.2 |
| Operating expenses | 695.5 | 3.3 % | 673.4 | 1.6 % | 662.7 |
| Operating earnings | 177.5 | (7.0)% | 190.8 | (9.8)% | 211.5 |
| Net other expenses | 9.4 | (28.8)% | 13.2 | (11.4)% | 14.9 |
| Earnings before income taxes | 168.1 | (5.3)% | 177.6 | (9.7)% | 196.6 |
| Income tax expense | 42.4 | (23.0)% | 55.1 | (7.4)% | 59.5 |
| Equity income from nonconsolidated affiliates, net of tax | 3.0 | 87.5 % | 1.6 | 300.0 % | 0.4 |
| Net earnings | 128.7 | 3.7 % | 124.1 | (9.7)% | 137.5 |
| Net earnings attributable to noncontrolling interests | 0.6 | 200.0 % | 0.2 | (75.0)% | 0.8 |
| Net earnings attributable to Herman Miller, Inc. | <u>\$ 128.1</u> | <u>3.4 %</u> | <u>\$ 123.9</u> | <u>(9.4)%</u> | <u>\$ 136.7</u> |

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 2018 | Fiscal 2017 | Fiscal 2016 |
|---|-------------|-------------|-------------|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales | 63.3 | 62.1 | 61.4 |
| Gross margin | 36.7 | 37.9 | 38.6 |
| Selling, general, and administrative expenses | 25.9 | 25.8 | 25.9 |
| Restructuring and impairment expenses | 0.2 | 0.5 | — |
| Design and research expenses | 3.1 | 3.2 | 3.4 |
| Total operating expenses | 29.2 | 29.6 | 29.3 |
| Operating earnings | 7.5 | 8.4 | 9.3 |
| Net other expenses | 0.4 | 0.6 | 0.7 |
| Earnings before income taxes | 7.1 | 7.8 | 8.7 |
| Income tax expense | 1.8 | 2.4 | 2.6 |
| Equity income from nonconsolidated affiliates, net of tax | 0.1 | 0.1 | — |
| Net earnings | 5.4 | 5.4 | 6.1 |
| Net earnings attributable to noncontrolling interests | — | — | — |
| Net earnings attributable to Herman Miller, Inc. | 5.4 | 5.4 | 6.0 |

Net Sales, Orders and Backlog - Fiscal 2018 Compared to Fiscal 2017



Consolidated net sales increased \$103.0 million to \$2,381.2 million from \$2,278.2 million for the fiscal year ended June 2, 2018 compared to the fiscal year ended June 3, 2017. The following items contributed to the change:

- Sales volumes within the North American segment increased by approximately \$61 million, resulting from increased demand within the company's North America office furniture businesses.
- Increased sales volumes within the ELA segment of approximately \$54 million were driven by broad-based growth, primarily within the Latin America and EMEA regions.
- Incremental sales volumes within the Consumer segment of approximately \$44 million were driven by growth across the DWR studio, e-commerce and contract channels and by a change in shipping terms at Design Within Reach that resulted in approximately \$5 million of net sales being accelerated into the first quarter of fiscal 2018.
- Foreign currency translation had a positive impact on net sales of approximately \$16 million.
- Increased sales volumes within the Specialty segment of approximately \$12 million due primarily to increased sales volumes for the Herman Miller Collection and Geiger subsidiary.
- Deeper contract price discounting, net of incremental price increases, reduced net sales in fiscal 2018 by roughly \$21 million as compared to the prior year. Of this change, approximately \$11 million related to the ELA operating segment and approximately \$10 million related to the North American operating segment.
- The impact of the divestiture of the company's dealerships in Vancouver, Canada in the first quarter of fiscal 2018 and Philadelphia, Pennsylvania in the third quarter of fiscal 2017 had the effect of reducing sales by \$26 million as compared to the prior fiscal year.
- Fiscal 2018 had 52 weeks as compared to fiscal 2017, which had 53 weeks. The impact of one less week in the current year decreased net sales by approximately \$37 million compared to the prior fiscal year.

Consolidated net trade orders for fiscal 2018 totaled \$2,408.2 million compared to \$2,282.9 million in fiscal 2017, an increase of 5.5 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 7.7 percent from last fiscal year. Order rates began the year at an average pace of approximately \$46 million per week for the first quarter and \$48 million per week for the second quarter. For the third quarter, weekly order rates decreased to an average of approximately \$43 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 \$48 million. The impact of changes in foreign currency for the fiscal year increased net orders by approximately \$14.6 million as compared to the prior year. Dealer divestitures had a \$24.2 million unfavorable impact on current year orders, and the extra week in fiscal 2017 generated an additional \$36.9 million of orders in the prior fiscal year.

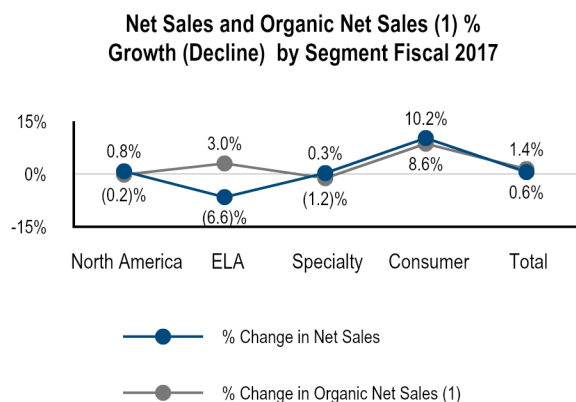
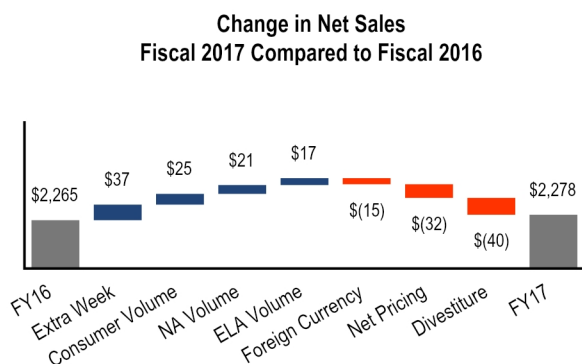
The company's backlog of unfilled orders at the end of fiscal 2018 totaled \$344.5 million, a 6.8 percent increase from fiscal 2017 ending backlog of \$322.6 million. In fiscal 2018, the company completed the sale of its dealership in Vancouver. This dealer divestiture resulted in a reduction to the consolidated ending fiscal 2018 backlog of approximately \$5.0 million.

BIFMA reported an estimated period-over-period increase in U.S. office furniture shipments of approximately 1.4 percent for the twelve-month period ended May 2018. By comparison, net sales increased for the company's North America segment by approximately 0.6 percent for the twelve month period ended May 2018 as compared to the prior year. However, on an organic basis, net sales within the North America segment increased 4.2 percent⁽¹⁾ when compared to the prior year.

(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 2, 2018, was approximately 5.3 percent. By comparison, net sales growth for the company's Consumer segment was approximately 12.2 percent during fiscal 2018.

Net Sales, Orders and Backlog - Fiscal 2017 Compared to Fiscal 2016



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 \$21 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.
- Foreign currency translation had a negative impact on net sales of approximately \$15 million.
- 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.
- 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.

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 fiscal 2016. Order rates began the year at an average pace of approximately \$43 million per week for the first quarter of fiscal 2017 and \$44 million per week for the second quarter of fiscal 2017. For the third quarter of fiscal 2017, 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 of fiscal 2017 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 of fiscal 2017 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 fiscal 2016.

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.

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

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 increased for the company's North American Contract segment by approximately 0.8 percent over the twelve months ended May 2017.

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.

Gross Margin - Fiscal 2018 Compared to Fiscal 2017

Consolidated gross margin for fiscal 2018 was 36.7 percent, a decrease of 120 basis points from the fiscal 2017 level. The following factors summarize the major drivers of the year-over-year decrease in gross margin percentage:

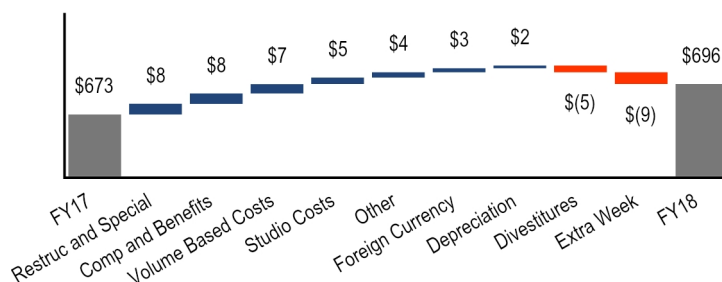
- Incremental price discounting, net of price increases, reduced the company's consolidated gross margin by approximately 100 basis points relative to the same period of last fiscal year.
- Material cost performance was impacted favorably as a result of value engineering, insourcing and supplier cost reductions at the company's West Michigan manufacturing facilities, which increased gross margin by approximately 60 basis points as compared to the same period of the prior fiscal year.
- An unfavorable change in product mix that was driven by a shift out of seating and into lower margin product categories, as well as a move from higher margin seating to lower margin seating, drove a decrease of approximately 40 basis points as compared to last fiscal year.
- Higher commodity costs drove an unfavorable year-over-year margin impact of approximately 40 basis points.

Gross Margin - Fiscal 2017 Compared to Fiscal 2016

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 fiscal 2017 drove an unfavorable impact of approximately 40 basis points relative to fiscal 2016.
- 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 in fiscal 2017 relative to fiscal 2016.
- A decrease in employee incentive costs increased consolidated gross margin by 30 basis points in fiscal 2017 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 in fiscal 2017 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 in fiscal 2017 as compared to fiscal 2016.

Operating Expenses - Fiscal 2018 Compared to Fiscal 2017

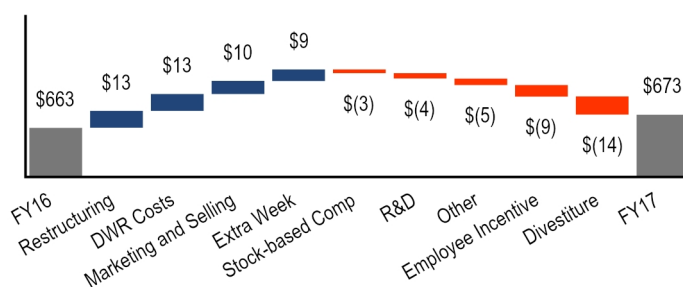


Operating expenses in fiscal 2018 were \$695.5 million, or 29.2 percent of net sales, which compares to \$673.4 million, or 29.6 percent of net sales in fiscal 2017. The following factors contributed to the change:

- Restructuring and special charges, primarily associated with the planned CEO transition, consulting fees related to the company's profit optimization initiatives and costs related to the International facilities consolidation plan increased operating expenses by \$7.7 million compared to last fiscal year.
- Compensation and benefit costs increased approximately \$8 million relative to last fiscal year due to headcount increases, wage inflation and higher employee incentive costs that are variable based on the achievement of earnings levels for the fiscal year relative to plan.
- Sales volume based costs, such as sales commissions and royalties, drove an increase in operating expenses of approximately \$7 million.
- Incremental costs related to the continued growth and expansion of DWR retail studios increased operating expenses by approximately \$5 million.
- Foreign currency translation had an incremental unfavorable impact on operating expenses of approximately \$3 million.
- Depreciation expense increased by approximately \$2 million and was driven primarily by investment in facilities.
- The divestiture of the company's dealerships in Vancouver and Philadelphia in fiscal 2018 and 2017, respectively, resulted in a decrease in operating expenses of \$5.4 million.
- Operating expenses were approximately \$9 million lower in the current year due to the extra week of operations included in the results of the prior year.

During fiscal 2018, the company reduced operating expenses by an estimated \$14 million related to its previously announced cost savings initiatives. These cost savings were realized across several of the company's operating expense categories and offset spending on strategic initiatives, general inflationary pressures on operating expenses and lower relative gross margin performance in the current fiscal year compared to the same period in fiscal 2017.

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 during fiscal 2017, relative to fiscal 2016.
- The impact of an extra week in fiscal 2017 increased operating expenses by approximately \$9 million.
- Incremental costs of approximately \$8 million related to the continued growth and expansion of DWR retail studios increased operating expenses in fiscal 2017 as compared to fiscal 2016.
- 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 in fiscal 2017 as compared to fiscal 2016. 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 during fiscal 2017 as compared to fiscal 2016.
- 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 Earnings

In fiscal 2018, the company generated operating earnings of \$177.5 million, a decrease of \$13.3 million from fiscal 2017 operating earnings of \$190.8 million. Fiscal 2018 had 52 weeks as compared to fiscal 2017, which had 53 weeks. The impact of the additional week in the prior year decreased operating earnings in fiscal 2018 relative to the prior fiscal year by approximately \$5 million. Operating earnings of \$190.8 million in fiscal 2017 represented a \$20.7 million decrease from fiscal 2016 operating earnings of \$211.5 million.

Other Expenses and Income

Net other expenses for fiscal 2018 were \$9.4 million, a decrease of \$3.8 million compared to net other expenses in fiscal 2017 of \$13.2 million. The decrease in net other expenses in fiscal 2018 was primarily related to lower interest expense on outstanding debt, higher investment income on cash equivalents and foreign currency gains recorded in the current fiscal year relative to foreign currency losses recorded in the prior fiscal year.

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 as compared to fiscal 2016.

Equity earnings from nonconsolidated affiliates for fiscal 2018 were \$3.0 million, an increase of \$1.4 million compared to Equity earnings from nonconsolidated affiliates of \$1.6 million in fiscal 2017. This increase was driven by incremental earnings from the company's investment in Naughtone Holdings Limited ("Naughtone").

Equity earnings from nonconsolidated affiliates for fiscal 2017 were \$1.6 million, an increase of \$1.2 million compared to Equity earnings from nonconsolidated affiliates of \$0.4 million in fiscal 2016. This increase was driven by incremental earnings from the company's Naughtone equity method investment. The company acquired a 50 percent noncontrolling equity interest in Naughtone on June 3, 2016.

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law in the United States. The results of operations for fiscal 2018 included the effect of the enactment of the Act. The effects of the Act included the reduction of the federal corporate income tax rate from 35 percent to 21 percent and a new participation exemption system of taxation on foreign earnings, among other provisions.

Effective January 1, 2018 the federal income tax rate was reduced from 35 percent to 21 percent. For fiscal tax payers a full year federal income tax rate is calculated based upon the number of days in the year subject to the 35 percent and the 21 percent tax rates. As a result, the company's statutory federal tax rate for the fiscal year ended June 2, 2018 was 29.1 percent.

The significant impacts of the Act include reduced fiscal 2018 income tax expense resulting from the reduced federal income tax rate; remeasurement of the deferred tax assets and liabilities to reflect the anticipated new, lower rate at which the deferred items will be realized; and the impact of the one-time transition tax on undistributed foreign earnings. See Note 10 of the Consolidated Financial Statements for additional information.

The company's effective tax rate was 25.2 percent in fiscal 2018, 31.1 percent in fiscal 2017 and 30.3 percent in fiscal 2016. The effective tax rate in fiscal 2018 was below the United States statutory rate of 29.1 percent, primarily due to an increase in the mix of earnings in tax jurisdictions that have rates lower than the United States statutory rate, the manufacturing deduction under the American Jobs Creation Act of 2004 ("AJCA") and the research and development tax credit under the Protecting Americans from Tax Hikes ("PATH") Act of 2015.

The effective tax rate in fiscal 2017 was below the 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 AJCA and the research and development tax credit under the PATH.

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.

For further information regarding income taxes, refer to Note 10 of the Consolidated Financial Statements.

Net Earnings; Earnings per Share

In fiscal 2018, fiscal 2017, and fiscal 2016, the company generated net earnings attributable to Herman Miller, Inc. of \$128.1 million, \$123.9 million and \$136.7 million, respectively. Diluted earnings per share were \$2.12, \$2.05 and \$2.26 for fiscal 2018, fiscal 2017 and fiscal 2016, respectively.

Reportable Operating Segments

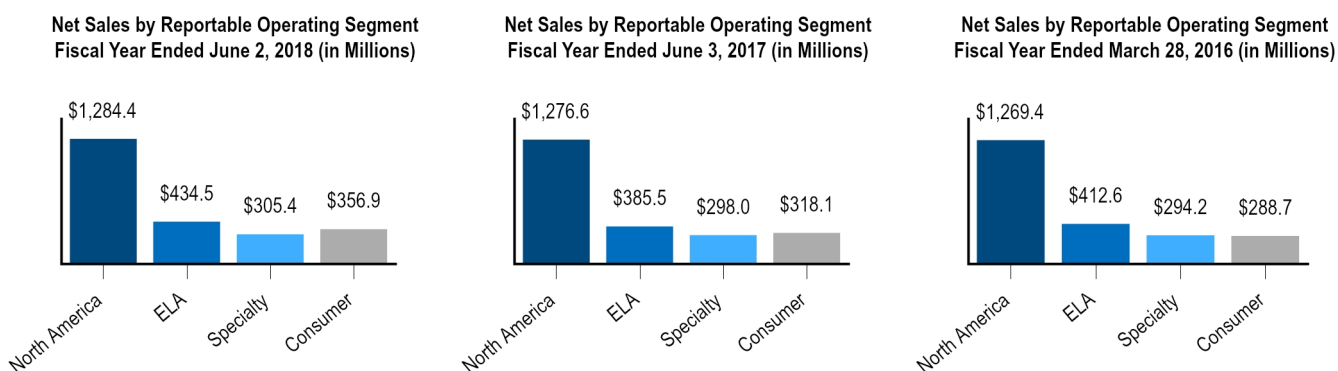
The business is comprised of various operating segments as defined by generally accepted accounting principles in the United States. These operating segments are determined on the basis of how the company internally reports and evaluates financial information used to make operating decisions.

Effective in the first quarter of fiscal 2018, the company moved the operating results of its Nemschoff subsidiary, which primarily focuses on healthcare, from its North America Furniture Solutions operating segment to its Specialty operating segment. This change was made to better leverage the skills and capabilities of the company's Specialty business teams, particularly in the areas of craft wood and upholstery manufacturing. Additionally, the company has refreshed its methodology of allocating selling, general and administrative costs to the operating segments. The company has also identified certain corporate support costs that will no longer be allocated to the operating segments and that will be tracked and reported as "Corporate Unallocated Expenses". The company made these changes in the way that it allocates and reports its costs to better reflect the utilization of functional services across its operating segments and to also more closely align to industry practice. Prior year results disclosed in the table below have been revised to reflect these changes.

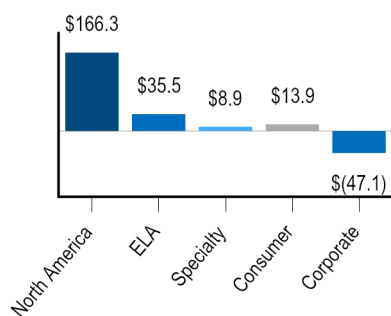
The company has identified the following reportable segments:

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

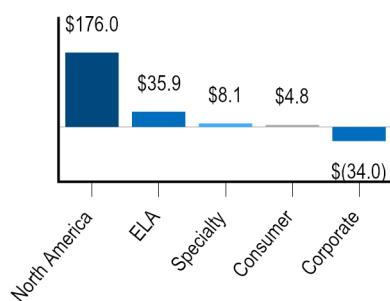
The charts below present the relative mix of net sales and operating earnings across each of the company's reportable segments. This is followed by a discussion of the company's results, by segment, for each reportable segment.



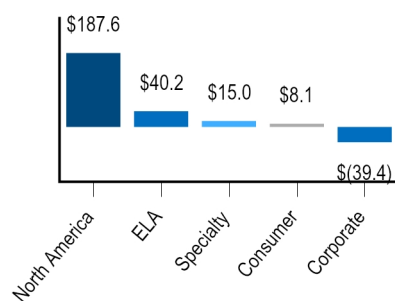
Operating Earnings by Reportable Operating Segment
Fiscal Year Ended June 2, 2018 (in Millions)



Operating Earnings by Reportable Operating Segment
Fiscal Year Ended June 3, 2017 (in Millions)



Operating Earnings by Reportable Operating Segment
Fiscal Year Ended March 28, 2016 (in Millions)



North American Furniture Solutions ("North America")

Fiscal 2018 Compared to Fiscal 2017

Net sales in the North America segment were \$1,284.4 million in fiscal 2018, an increase of 0.6 percent from fiscal 2017 net sales of \$1,276.6 million. Orders for fiscal 2018 totaled \$1,294.1 million, an increase of 0.7 percent from the prior year. Operating earnings for North America in fiscal 2018 were \$166.3 million or 12.9 percent of sales as compared to \$176.0 million or 13.8 percent of sales in the prior year.

- Sales volumes within the North America segment increased by approximately \$61 million, resulting from increased demand within the company's North America office furniture businesses.
- Fiscal 2017 included the full results of operations for the company's dealership in Vancouver, Canada that was divested in the first quarter of fiscal 2018. Fiscal 2017 also included seven months of operations for the company's dealership in Philadelphia, Pennsylvania that was divested in the third quarter of fiscal 2017. Accordingly, the increase in sales volumes for the North American segment for fiscal 2018 was partially offset by a \$25.8 million decrease in net sales due to these divestitures. The sale of these dealerships also decreased consolidated orders for the North American segment in fiscal 2018 as compared to fiscal 2017 by \$24.2 million.
- The impact of an extra week in fiscal 2017 caused net sales and orders in fiscal 2018 to be lower than the prior year by approximately \$21.7 million and \$20.0 million, respectively.
- Incremental price discounting, net of price increases, in fiscal 2018 decreased net sales by approximately \$10 million compared to the prior year.
- Operating earnings decreased in fiscal 2018 relative to the prior fiscal year due to the following items: incremental price discounting of roughly \$10 million, increased commodity costs of approximately \$10 million, a change in product mix with an unfavorable impact to earnings of an estimated \$7 million, higher outsourcing costs of approximately \$4 million and the impact of an extra week in fiscal 2017 which generated approximately \$3 million of additional earnings in the prior fiscal year. These decreases were partially offset by increased operating earnings of an estimated \$14 million from incremental sales volumes and the benefit of improved material cost performance of \$11 million from value engineering, insourcing and supplier cost reductions.

Fiscal 2017 Compared to Fiscal 2016

Net sales in the North American segment were \$1,276.6 million in fiscal 2017, an increase of 0.6 percent from fiscal 2016 net sales of \$1,269.4 million. Orders for fiscal 2017 totaled \$1,285.4 million, an increase of 1.2 percent from fiscal 2016. Operating earnings for North America in fiscal 2017 were \$176.0 million or 13.8 percent of sales as compared to \$187.6 million or 14.8 percent of sales in fiscal 2016.

- The impact of the extra week increased net sales by an estimated \$21.7 million and increased orders by \$20.0 million for fiscal 2017 as compared to fiscal 2016.
- Incremental price discounting, net of price increases, in fiscal 2017 decreased net sales by approximately \$26 million compared to fiscal 2016.
- Sales volumes within the North American segment increased by approximately \$21 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 \$10.8 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.
- Restructuring charges related to targeted workforce reductions increased operating expenses by \$2.9 million.

- 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.

ELA Furniture Solutions (EMEA, Latin America, and Asia Pacific)

Fiscal 2018 Compared to Fiscal 2017

Net sales in the ELA segment were \$434.5 million in fiscal 2018, an increase of 12.7 percent from fiscal 2017 net sales of \$385.5 million. Orders for fiscal 2018 totaled \$451.2 million, an increase of 17.2 percent from fiscal 2017. Operating earnings within ELA for fiscal 2018 were \$35.5 million, or 8.2 percent of sales as compared to \$35.9 million or 9.3 percent of sales in the prior year.

- Increased sales volumes within the ELA segment of approximately \$54 million were driven by broad-based growth across all regions, most significantly within the Latin America and EMEA regions.
- Deeper contract price discounting, net of incremental price increases, reduced net sales in fiscal 2018 by roughly \$11 million as compared to the prior year.
- Foreign currency translation had a positive impact on net sales of approximately \$13 million.
- The impact of an extra week in fiscal 2017 caused net sales and orders in fiscal 2018 to be lower than the prior year by approximately \$6.3 million and \$8.1 million, respectively.
- Operating earnings were reduced in fiscal 2018 by roughly \$11 million due to incremental price discounting and by \$5.4 million due to restructuring and other special charges that were driven mainly by the consolidation of manufacturing facilities in China. These decreases were partially offset by increased operating earnings of an estimated \$17 million from incremental sales volumes.

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 \$35.9 million or 9.3 percent of sales as compared to \$40.2 million or 9.7 percent of sales in 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 \$16 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 and orders by \$6.3 million and \$8.1 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.

Specialty

Fiscal 2018 Compared to Fiscal 2017

Net sales within the Specialty reportable segment were \$305.4 million in fiscal 2018, an improvement of \$7.4 million as compared to \$298.0 million in fiscal 2017. Orders for fiscal 2018 totaled \$308.4 million, an increase of \$14.2 million from \$294.2 million in fiscal 2017. Operating earnings within the Specialty reportable segment totaled \$8.9 million or 2.9 percent of sales for the year, an increase of \$0.8 million from \$8.1 million or 2.7 percent of sales in fiscal 2017.

- Net sales increased in fiscal 2018 as compared to the prior fiscal year due primarily to increased sales volumes of approximately \$12 million, which was driven primarily by the company's Herman Miller Collection and Geiger businesses.
- The impact of an extra week in fiscal 2017 caused net sales and orders in fiscal 2018 to be lower than the prior year by approximately \$4.3 million and \$4.8 million, respectively.
- Excluding the favorable year-over-year impact of \$8.0 million of restructuring and impairment expenses that were recorded in fiscal 2017, operating earnings decreased in fiscal 2018 as compared to fiscal 2017. Operating earnings were adversely impacted by the company's Nemschoff subsidiary, which experienced a decrease driven by unfavorable product mix, the negative impact on operating earnings from decreased sales volumes and higher warranty costs.

Fiscal 2017 Compared to Fiscal 2016

Net sales within the Specialty reportable segment were \$298.0 million in fiscal 2017, an improvement of \$3.8 million as compared to \$294.2 million in fiscal 2016. Orders for fiscal 2017 totaled \$294.2 million, a decrease of \$7.0 million from \$301.2 million in fiscal 2016. Operating earnings within the Specialty reportable segment totaled \$8.1 million or 2.7 percent of sales for the year, a decrease of \$6.9 million from \$15.0 million or 5.1 percent of sales in fiscal 2016.

- The impact of an extra week in fiscal 2017 increased net sales and orders by approximately \$4.3 million and \$4.8 million, respectively, as compared to the prior year.
- The decrease in operating earnings in fiscal 2017 relative to fiscal 2016 was driven mainly by impairment and restructuring expenses totaling \$8.0 million that were primarily attributable to the impairment of the Nemschoff tradename.

Consumer

Fiscal 2018 Compared to Fiscal 2017

Net sales totaled \$356.9 million for the year, an increase of 12.2 percent over the fiscal 2017 amount of \$318.1. Orders of \$354.5 million increased 11.3 percent over fiscal 2017. Operating earnings for the year were \$13.9 million or 3.9 percent of sales as compared to operating earnings of \$4.8 million or 1.5 percent of sales for fiscal 2017.

- Incremental sales volumes of approximately \$44 million were driven by growth across the DWR studio, e-commerce and contract channels and by a change in shipping terms at Design Within Reach that resulted in approximately \$5 million of net sales being accelerated into the first quarter of fiscal 2018.
- The impact of the extra week in fiscal 2017 caused net sales and orders in fiscal 2018 to be lower than the prior year by approximately \$4.7 million and \$4.0 million, respectively.
- Operating earnings were higher in fiscal 2018 relative to the prior fiscal year due to an estimated \$14 million benefit from increased sales volumes and an estimated \$2 million benefit from the company's profit enhancement initiatives; partially offset by increased employee incentive costs of \$2.6 million, increased compensation and benefits costs of \$2.3 million and increased depreciation costs of approximately \$2 million.

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 9.2 percent over fiscal 2016. Operating earnings for the year were \$4.8 million or 1.5 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 \$25 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.

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 | | |
|---|-------------------|------------|------------|
| | 2018 | 2017 | 2016 |
| Cash and cash equivalents, end of period | \$ 203.9 | \$ 96.2 | \$ 84.9 |
| Marketable securities, end of period | \$ 8.6 | \$ 8.6 | \$ 7.5 |
| Cash provided by operating activities | \$ 166.5 | \$ 202.1 | \$ 210.4 |
| Cash used for investing activities | \$ (62.7) | \$ (116.3) | \$ (80.8) |
| Cash provided by (used for) financing activities | \$ 2.5 | \$ (74.6) | \$ (106.5) |
| Pension and post-retirement benefit plan contributions | \$ (13.4) | \$ (1.1) | \$ (1.2) |
| Capital expenditures | \$ (70.6) | \$ (87.3) | \$ (85.1) |
| Stock repurchased | \$ (46.5) | \$ (23.8) | \$ (14.1) |
| Interest-bearing debt, end of period | \$ 275.0 | \$ 199.9 | \$ 221.9 |
| Available unsecured credit facilities, end of period ⁽¹⁾ | \$ 166.8 | \$ 391.7 | \$ 232.1 |

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

Cash Flow — Operating Activities

Cash generated from operating activities in fiscal 2018 totaled \$166.5 million compared to \$202.1 million generated in the prior year.

Changes in working capital balances in fiscal 2018 resulted in a \$32.8 million use of cash compared to a \$23.5 million use of cash in the prior fiscal year. The cash outflow related to changes in working capital balances was driven primarily by an increase in inventory of \$12.4 million and an increase in accounts receivable of \$33.1 million. The increase in inventory as of the end of fiscal 2018 as compared to fiscal 2017 was due mainly to growth in demand at DWR, as well as a build of inventory in the ELA segment to fulfill demand. The increase in accounts receivable was driven by the timing of customer payments and shipments in the fourth quarter of the fiscal year. These cash outflows were partially offset by an increase in accounts payable of \$16.0 million.

In addition to changes in working capital, changes in pension contributions also impacted cash generated from operating activities. The company increased pension contributions by \$12.3 million in fiscal 2018 as compared to fiscal 2017, which was driven primarily by a contribution of \$12.0 million that was made to the international defined benefit pension plan in the first quarter of fiscal 2018.

During fiscal 2017, changes in working capital balances resulted in a \$23.5 million use of cash compared to a \$6.0 million use of cash in fiscal 2016. 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 the end 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.

The company believes its recorded accounts receivable allowances at the end of the year are adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 1.4 percent, 1.8 percent, and 2.0 percent at the end of fiscal years 2018, 2017 and 2016, respectively.

Cash Flow — Investing Activities

Capital expenditures totaled \$70.6 million, \$87.3 million and \$85.1 million in fiscal 2018, 2017, and 2016, respectively. The decrease in capital expenditures of \$16.7 million from fiscal 2017 to fiscal 2018 was driven primarily by a reduction in expenditures related to manufacturing assets in West Michigan and a reduction in expenditures in connection with Design Within Reach studio build outs.

The increase in capital expenditures of \$2.2 million in fiscal 2017 from 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.

Cash proceeds from sale of dealers and properties were \$2.1 million, zero and \$10.7 million in fiscal 2018, 2017, and 2016, respectively. Cash proceeds received in fiscal 2018 was primarily attributable to the sale of a wholly-owned contract furniture dealership in Vancouver, Canada for initial cash consideration of \$2.0 million. 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 fiscal 2016 was primarily attributable to 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.

Included in the fiscal 2018, 2017 and 2016 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) | 2018 | 2017 | 2016 |
|--|------|---------|--------|
| Naughtone Holdings Limited | \$ — | \$ 11.6 | \$ — |
| George Nelson Bubble Lamp Product Line | \$ — | \$ — | \$ 3.6 |

In fiscal 2018, the company received cash proceeds from a company-owned life insurance policy in the amount of \$8.1 million. In fiscal 2017, the repayment of loans against the cash surrender value of life insurance policies was \$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.

Outstanding commitments for future capital purchases at the end of fiscal 2018 were approximately \$49.5 million. The company expects capital spending in fiscal 2019 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.

The company's net marketable securities transactions for fiscal 2018 yielded a zero change in cash flows. This compares to a \$1.1 million use of cash and \$1.7 million source of cash in fiscal 2017 and fiscal 2016, respectively.

Cash Flow — Financing Activities

Cash provided by financing activities was \$2.5 million in fiscal 2018 as compared to cash used for financing activities of \$74.6 million in fiscal 2017. During fiscal 2018, the company borrowed \$225.0 million on its revolving line of credit and of these proceeds, \$150.0 million was used to repay its Series B Notes. By comparison, cash outflows from net payments on the revolving credit facility were \$22.0 million during fiscal 2017.

Cash paid for repurchases of common stock was \$46.5 million in the current year as compared to \$23.8 million in the prior year. Additionally, in fiscal 2018 there was an increase in cash inflows from the issuance of shares related to stock-based compensation plans. The company received \$17.0 million related to stock-based compensation plans in fiscal 2018 compared to \$11.7 million in fiscal 2017.

Cash paid for repurchases of common stock was \$23.8 million in fiscal 2017 as compared to \$14.1 million in fiscal 2016. 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 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 outflows for dividend payments were \$42.4 million, \$39.4 million and \$34.9 million fiscal 2018, 2017 and 2016, respectively.

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 between June 2, 2018 and the first half of fiscal 2020 that the company could be required to acquire this ownership interest. The fair value of this redeemable noncontrolling interest as of June 2, 2018 was \$30.5 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 2, 2018 | June 3, 2017 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 203.9 | \$ 96.2 |
| Marketable securities | \$ 8.6 | \$ 8.6 |
| Availability under revolving lines of credit | \$ 166.8 | \$ 391.7 |

At the end of fiscal 2018, the company had cash and cash equivalents of \$203.9 million, including foreign cash and cash equivalents of \$75.0 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. Historically, the company's intent was to permanently reinvest the remainder of the cash outside the United States. However,

the Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, assesses a one-time tax on deferred foreign income upon transition to a participation exemption system of taxation. The company is considering the impact of the Act and the one-time transition tax on its foreign earnings which are invested in liquidable assets. As a result, the company may repatriate certain amounts in the future and is assessing the amount of cash that will remain permanently reinvested.

Subsequent to the end of fiscal 2018, on June 7, 2018, the company used cash of approximately \$66 million to acquire 33 percent of the outstanding equity of Nine United Denmark A/S, d/b/a HAY ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The company also used cash of approximately \$5 million to acquire the rights to the HAY brand in North America under a long-term license agreement.

Subsequent to year end, on June 6, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the company, announced its intent to lead a group of buyers to acquire the outstanding equity of Maars Holding B.V. ("MAARS"), a Harderwijk, Netherlands-based worldwide leader in the design and manufacturing of interior wall solutions. In the first quarter of fiscal 2019, the company will acquire a 48 percent ownership interest in MAARS for an estimated \$6 million in cash.

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

Contingencies

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

Basis of Presentation

The company's fiscal year ends on the Saturday closest to May 31. The fiscal year ended June 2, 2018 had 52 weeks of operations, the fiscal year ended June 3, 2017 had 53 weeks of operations and the fiscal year ended May 28, 2016 had 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 | 2019 | 2020-2021 | 2022-2023 | Thereafter |
| Long-term debt ⁽¹⁾ | \$ 275.0 | \$ — | \$ 50.0 | \$ 225.0 | \$ — |
| Estimated interest on debt obligations ⁽¹⁾ | 71.9 | 9.6 | 18.5 | 13.3 | 30.5 |
| Operating leases | 328.5 | 45.8 | 83.3 | 75.6 | 123.8 |
| Purchase obligations ⁽²⁾ | 93.5 | 88.1 | 2.9 | 0.4 | 2.1 |
| Pension and other post employment benefit plans funding ⁽³⁾ | 0.9 | 0.4 | 0.1 | 0.1 | 0.3 |
| Stockholder dividends ⁽⁴⁾ | 10.7 | 10.7 | — | — | — |
| Other ⁽⁵⁾ | 15.3 | 1.3 | 2.5 | 2.3 | 9.2 |
| Total | <u>\$ 795.8</u> | <u>\$ 155.9</u> | <u>\$ 157.3</u> | <u>\$ 316.7</u> | <u>\$ 165.9</u> |

(1) Estimated future interest payments on our outstanding debt obligations are based on interest rates as of June 2, 2018. Actual cash outflows may differ significantly due to changes in underlying timing of principal payments.

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

(3) Pension plan funding commitments are known for a 12-month period for those plans that are funded; unfunded pension and post-retirement plan funding amounts are equal to the estimated benefit payments. As of June 2, 2018, the total projected benefit obligation for our domestic and international employee pension benefit plans was \$106.9 million.

(4) Represents the dividend payable as of June 2, 2018. Future dividend payments are not considered contractual obligations until declared.

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

Off-Balance Sheet Arrangements — Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds and indemnification provisions. These arrangements are accounted for and disclosed in accordance with Accounting Standards Codification (ASC) Topic 460, "Guarantees" as described in Note 12 of the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

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

Revenue Recognition

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 \$3.1 million and \$3.3 million at June 2, 2018 and June 3, 2017, respectively. As a percentage of gross accounts receivable, these allowances totaled 1.4 percent and 1.8 percent for fiscal 2018 and fiscal 2017, 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 2, 2018 and June 3, 2017, was \$382.2 million and \$382.6 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 2018, as of March 31, 2018, performing a quantitative impairment test for all goodwill reporting units and other indefinite-lived intangible assets. In performing the quantitative impairment test, the company determined that the fair value of the reporting units exceeded the carrying amount and, as such, the reporting units were not impaired and the second step of the impairment test was not necessary. The company performed a sensitivity analysis over key valuation assumptions, noting low risk of impairment. Also, due to the level that the reporting unit fair values exceeded the carrying amounts and the results of our sensitivity analysis, the company did not deem any reporting units to be at risk of impairment.

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.

Historically, the company has performed both qualitative and quantitative assessments to determine whether an indefinite-lived intangible asset is impaired. In fiscal 2018, the company performed only quantitative assessments in testing indefinite-lived intangible assets for impairment. The quantitative impairment test is based on the relief from royalty method to determine the fair value of the indefinite-lived intangible assets, which is both a market-based approach and an income-based approach. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. This method involves estimating theoretical future after tax royalty payments based on the company's forecasted revenues attributable to the trade names. These payments are then discounted to present value utilizing a discount rate that considers the after-corporate tax required rate of return applicable to the asset. The projected revenues reflect the best estimate of management for the trade names; however, actual revenues could differ from our estimates.

The discount rates selected represent market rates of return equal to what the company believes a reasonable investor would expect to achieve on investments of similar size and type to the indefinite-lived intangible asset being tested. The company believes the discount rates selected are appropriate in that, in all cases, they exceed the estimated weighted average cost of capital for our business as a whole. The results of the impairment test are sensitive to changes in the discount rates and changes in the discount rate may result in future impairment. The company performed a sensitivity analysis over key valuation assumptions, noting low risk of impairment. Also, due to the level that the indefinite-lived intangible assets exceeded the carrying amounts and the results of our sensitivity analysis, the company did not deem any of these assets to be at risk of 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 2018 or fiscal 2016 as a result of our impairment testing.

Long-lived Assets

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

Warranty Reserves

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

Inventory Reserves

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

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and

negative evidence. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses.

See Note 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 benefit and auto liability retention levels do not include an aggregate stop loss policy. The company's retention levels designated within significant insurance arrangements as of June 2, 2018, are as follows:

| (In millions) | Retention Level (per occurrence) |
|-----------------------|----------------------------------|
| General liability | \$ 1.00 |
| Auto liability | \$ 1.00 |
| Workers' compensation | \$ 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 2, 2018, and June 3, 2017, the net actuarial loss associated with the employee pension and post-retirement benefit plans totaled approximately \$40.0 million and \$50.6 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 2, 2018 pension funded status and fiscal 2018 expense are affected by year end fiscal 2018 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 2019 expense and the pension obligation as at June 2, 2018 is shown below:

| (In millions) Assumption | 2019 Expense | | June 2, 2018 Obligation | |
|-----------------------------|--------------|---------------|-------------------------|-----------------|
| | U.S. | International | U.S. | International |
| Discount rate | — | \$(1.4) / 1.7 | \$(0.3) / 0.3 | \$(18.4) / 24.6 |
| Expected return on assets | — | \$(1.0) / 1.0 | — | — |

For purposes of determining annual net pension expense, the company uses a calculated method for determining the market-related value of plan assets. Under this method, the company recognizes the change in fair value of plan assets systematically over a five-year period. Accordingly, a portion of the net actuarial loss is deferred. As of June 2, 2018, the deferred net actuarial loss (i.e., the portion of the total net actuarial loss not subject to amortization) was \$2.4 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 stock options, restricted stock units, performance share units, and employee stock purchases. The company recognizes expense related to each of these share-based arrangements. The Black-Scholes option pricing model is used in estimating the fair value of stock options issued in connection with compensation programs. This pricing model requires the use of several input assumptions. Among the most significant of these assumptions are the expected volatility of the common stock price and the expected timing of future stock option exercises.

- *Expected Volatility* — This represents a measure, expressed as a percentage, of the expected fluctuation in the market price of the company's common stock. As a point of reference, a high volatility percentage would assume a wider expected range of market returns for a particular security. All other assumptions held constant, this would yield a higher stock option valuation than a calculation using a lower measure of volatility. In measuring the fair value of the majority of stock options issued during fiscal 2018, 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 2, 2018, 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 4.6 years in calculating the fair values of the majority of stock options issued during fiscal 2018, except for the HMCH Stock Option Plan, where we utilized an average expected term of 1.1 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

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

Forward Looking Statements

This information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, employment and general economic conditions, the pace of economic recovery in the U.S and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, the ability to increase prices to absorb the additional costs of raw materials, the financial strength of our dealers and the financial strength of our customers, our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and the implementation of our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., undertakes no obligation to update, amend or clarify forward-looking statements.

Item 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Direct Material Costs

The company is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The largest of such costs incurred by the company are for steel, plastics, textiles, wood particleboard, and aluminum components. The impact from changes in all commodity prices increased the company's costs by approximately \$10 million during fiscal 2018 compared to the prior year. The impact from changes in commodity prices increased the company's costs by approximately \$9 million during fiscal 2017 as compared to fiscal 2016.

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

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.

The cost of the foreign currency hedges and remeasuring all foreign currency transactions into the appropriate functional currency was a net gain of \$0.4 million in fiscal 2018 in contrast to net loss of \$0.7 million and \$0.7 million in fiscal 2017 and 2016 included in net earnings, 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 \$2.7 million, \$7.2 million and \$8.8 million as of the end of as of the end of fiscal 2018, 2017 and 2016, respectively.

Interest Rate Risk

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

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

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

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

The combined fair market value and net asset amount of the effective interest rate swap instruments was \$9.9 million at June 2, 2018 compared to \$2.1 million at June 3, 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) | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total ⁽¹⁾ |
|---------------------------------------|------|------|---------|----------|------|------------|----------------------|
| Long-Term Debt - Fixed rate: | | | | | | | |
| Interest rate = 6.00% | \$ — | \$ — | \$ 50.0 | \$ — | \$ — | \$ — | \$ 50.0 |
| Interest rate = 1.949% ⁽²⁾ | \$ — | \$ — | \$ — | \$ 150.0 | \$ — | \$ — | \$ 150.0 |
| Interest rate = 2.387% ⁽²⁾ | \$ — | \$ — | \$ — | \$ 75.0 | \$ — | \$ — | \$ 75.0 |

(1) Amount does not include the recorded fair value of the swap instrument, which totaled \$9.9 million and \$2.1 million at the end of fiscal 2018 and 2017, respectively.

(2) The company's revolving credit facility has a variable interest rate, but due to the interest rate swaps, the rate on \$150.0 million and \$75.0 million will be fixed at 1.949% and 2.387%, respectively as demonstrated in the table above.

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 2, 2018 | June 3, 2017 | May 28, 2016 |
| Net sales | \$ 2,381.2 | \$ 2,278.2 | \$ 2,264.9 |
| Cost of sales | 1,508.2 | 1,414.0 | 1,390.7 |
| Gross margin | 873.0 | 864.2 | 874.2 |
| Operating expenses: | | | |
| Selling, general and administrative | 616.7 | 587.8 | 585.6 |
| Restructuring and impairment expenses | 5.7 | 12.5 | — |
| Design and research | 73.1 | 73.1 | 77.1 |
| Total operating expenses | 695.5 | 673.4 | 662.7 |
| Operating earnings | 177.5 | 190.8 | 211.5 |
| Other expenses (income): | | | |
| Interest expense | 13.5 | 15.2 | 15.4 |
| Interest and other investment income | (4.4) | (2.2) | (0.8) |
| Other, net | 0.3 | 0.2 | 0.3 |
| Net other expenses | 9.4 | 13.2 | 14.9 |
| Earnings before income taxes | 168.1 | 177.6 | 196.6 |
| Income tax expense | 42.4 | 55.1 | 59.5 |
| Equity earnings from nonconsolidated affiliates, net of tax | 3.0 | 1.6 | 0.4 |
| Net earnings | 128.7 | 124.1 | 137.5 |
| Net earnings attributable to noncontrolling interests | 0.6 | 0.2 | 0.8 |
| Net earnings attributable to Herman Miller, Inc. | \$ 128.1 | \$ 123.9 | \$ 136.7 |
| Earnings per share — basic | \$ 2.15 | \$ 2.07 | \$ 2.28 |
| Earnings per share — diluted | \$ 2.12 | \$ 2.05 | \$ 2.26 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | \$ 2.7 | \$ (7.2) | \$ (8.8) |
| Pension and post-retirement liability adjustments | 10.4 | (12.7) | 0.5 |
| Unrealized gains on interest rate swap agreement | 7.8 | 2.1 | — |
| Unrealized holding gain on available for sale securities | — | 0.1 | — |
| Total other comprehensive income (loss) | 20.9 | (17.7) | (8.3) |
| Comprehensive income | 149.6 | 106.4 | 129.2 |
| Comprehensive income attributable to noncontrolling interests | 0.6 | 0.2 | 0.8 |
| Comprehensive income attributable to Herman Miller, Inc. | \$ 149.0 | \$ 106.2 | \$ 128.4 |

Herman Miller, Inc.
Consolidated Balance Sheets

(In millions, except share and per share data)

| | June 2, 2018 | June 3, 2017 |
|--|-------------------|-------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 203.9 | \$ 96.2 |
| Marketable securities | 8.6 | 8.6 |
| Accounts and notes receivable, less allowances of \$3.1 in 2018 and \$3.3 in 2017 | 219.3 | 186.6 |
| Inventories, net | 162.4 | 152.4 |
| Prepaid taxes | 9.9 | 17.7 |
| Other | 41.3 | 30.4 |
| Total Current Assets | 645.4 | 491.9 |
| Property and Equipment: | | |
| Land and improvements | 24.4 | 24.0 |
| Buildings and improvements | 238.6 | 229.0 |
| Machinery and equipment | 700.0 | 662.4 |
| Construction in progress | 57.8 | 53.3 |
| Gross Property and Equipment | 1,020.8 | 968.7 |
| Less: Accumulated depreciation | (689.4) | (654.1) |
| Net Property and Equipment | 331.4 | 314.6 |
| Goodwill | 304.1 | 304.5 |
| Indefinite-lived intangibles | 78.1 | 78.1 |
| Other amortizable intangibles, net | 41.3 | 45.4 |
| Other assets | 79.2 | 71.8 |
| Total Assets | \$ 1,479.5 | \$ 1,306.3 |
| Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 171.4 | \$ 148.4 |
| Accrued compensation and benefits | 86.3 | 79.7 |
| Accrued warranty | 51.5 | 47.7 |
| Unearned revenue | 30.4 | 33.2 |
| Other accrued liabilities | 74.2 | 76.7 |
| Total Current Liabilities | 413.8 | 385.7 |
| Long-term debt, less current portion | 275.0 | 199.9 |
| Pension and post-retirement benefits | 15.6 | 38.5 |
| Other liabilities | 79.8 | 69.9 |
| Total Liabilities | 784.2 | 694.0 |
| Redeemable noncontrolling interests | 30.5 | 24.6 |
| 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, 59,230,974 and 59,715,824 shares issued and outstanding in 2018 and 2017, respectively) | 11.7 | 11.9 |
| Additional paid-in capital | 116.6 | 139.3 |
| Retained earnings | 598.3 | 519.5 |
| Accumulated other comprehensive loss | (61.3) | (82.2) |
| Key executive deferred compensation | (0.7) | (1.0) |
| Herman Miller, Inc. Stockholders' Equity | 664.6 | 587.5 |
| Noncontrolling interests | 0.2 | 0.2 |
| Total Stockholders' Equity | 664.8 | 587.7 |
| Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity | \$ 1,479.5 | \$ 1,306.3 |

Herman Miller, Inc.
Consolidated Statements of Stockholders' Equity

| (In millions) | Fiscal Years Ended | | |
|---|--------------------|-----------------|-----------------|
| | June 2, 2018 | June 3, 2017 | May 28, 2016 |
| Preferred Stock | | | |
| Balance at beginning of year and end of year | \$ — | \$ — | \$ — |
| Common Stock | | | |
| Balance at beginning of year | \$ 11.9 | \$ 12.0 | \$ 11.9 |
| Repurchase and retirement of common stock | (0.3) | (0.1) | — |
| Restricted stock units released | 0.1 | — | 0.1 |
| Balance at end of year | \$ 11.7 | \$ 11.9 | \$ 12.0 |
| Additional Paid-in Capital | | | |
| Balance at beginning of year | \$ 139.3 | \$ 142.7 | \$ 135.1 |
| Cumulative effect of accounting change | (0.3) | — | — |
| Exercise of stock options | 14.6 | 9.4 | 6.6 |
| Repurchase and retirement of common stock | (46.2) | (23.7) | (14.1) |
| Employee stock purchase plan issuances | 2.0 | 1.9 | 1.7 |
| Stock-based compensation expense | 7.0 | 9.1 | 11.9 |
| Excess tax benefit for stock-based compensation | — | (0.6) | 0.8 |
| Restricted stock units released | 0.2 | 0.3 | 0.2 |
| Deferred compensation plan | (0.4) | (0.1) | (0.1) |
| Directors' fees | 0.4 | 0.3 | 0.6 |
| Balance at end of year | \$ 116.6 | \$ 139.3 | \$ 142.7 |
| Retained Earnings | | | |
| Balance at beginning of year | \$ 519.5 | \$ 435.3 | \$ 330.2 |
| Cumulative effect of accounting change | 0.1 | — | — |
| Net income attributable to Herman Miller, Inc. | 128.1 | 123.9 | 136.7 |
| Dividends declared on common stock (per share - 2018: \$0.72; 2017: \$0.68; 2016: \$0.59) | (43.2) | (40.9) | (35.6) |
| Noncontrolling interests redemption value adjustment | (6.2) | 1.2 | 4.0 |
| Balance at end year | \$ 598.3 | \$ 519.5 | \$ 435.3 |
| Accumulated Other Comprehensive Loss | | | |
| Balance at beginning of year | \$ (82.2) | \$ (64.5) | \$ (56.2) |
| Other comprehensive income (loss) | 20.9 | (17.7) | (8.3) |
| Balance at end of year | \$ (61.3) | \$ (82.2) | \$ (64.5) |
| Key Executive Deferred Compensation | | | |
| Balance at beginning of year | \$ (1.0) | \$ (1.1) | \$ (1.2) |
| Deferred compensation plan | 0.3 | 0.1 | 0.1 |
| Balance at end of year | \$ (0.7) | \$ (1.0) | \$ (1.1) |
| Herman Miller, Inc. Stockholders' Equity | \$ 664.6 | \$ 587.5 | \$ 524.4 |
| Noncontrolling Interests | | | |
| Balance at beginning of year | \$ 0.2 | \$ 0.3 | \$ 0.5 |
| Net income attributable to noncontrolling interests | — | — | 0.3 |
| Deconsolidation of entity with noncontrolling interests | — | — | (0.5) |
| Stock-based compensation expense | — | (0.1) | — |
| Balance at end of year | \$ 0.2 | \$ 0.2 | \$ 0.3 |
| Total Stockholders' Equity | \$ 664.8 | \$ 587.7 | \$ 524.7 |

Herman Miller, Inc.
Consolidated Statements of Cash Flows

| (In millions) | Fiscal Years Ended | | |
|---|--------------------|----------------|----------------|
| | June 2, 2018 | June 3, 2017 | May 28, 2016 |
| Cash Flows from Operating Activities: | | | |
| Net earnings | \$ 128.7 | \$ 124.1 | \$ 137.5 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation expense | 60.9 | 52.9 | 47.0 |
| Amortization expense | 6.0 | 6.0 | 6.0 |
| Provision for losses on accounts receivable and notes receivable | 0.9 | — | 2.2 |
| Earnings from nonconsolidated affiliates net of dividends received | (0.2) | (1.5) | — |
| Gain on sales of property and dealers | (0.5) | — | (5.8) |
| Deferred taxes | (0.8) | 14.8 | 10.4 |
| Pension contributions | (13.4) | (1.1) | (1.2) |
| Pension and post-retirement expenses | 2.9 | 0.5 | 1.4 |
| Restructuring and impairment expenses | 5.7 | 12.5 | — |
| Stock-based compensation | 7.7 | 8.7 | 11.9 |
| Excess tax benefits from stock-based compensation | — | (0.5) | (1.4) |
| Increase in long-term liabilities | 3.4 | 6.2 | 6.7 |
| Changes in current assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (33.1) | 17.3 | (30.5) |
| Increase in inventories | (12.4) | (29.9) | (6.0) |
| Increase in prepaid expenses and other | (3.0) | (0.5) | (11.7) |
| Increase (decrease) in accounts payable | 16.0 | (11.2) | 8.7 |
| (Decrease) increase in accrued liabilities | (0.3) | 0.8 | 33.5 |
| Other | (2.0) | 3.0 | 1.7 |
| Net Cash Provided by Operating Activities | 166.5 | 202.1 | 210.4 |
| Cash Flows from Investing Activities: | | | |
| Net (advances) receipts from notes receivable | (1.1) | 2.4 | 0.2 |
| Marketable securities purchases | (1.0) | (2.0) | (7.8) |
| Marketable securities sales | 1.0 | 0.9 | 6.1 |
| Capital expenditures | (70.6) | (87.3) | (85.1) |
| Proceeds from sales of property and dealers | 2.1 | — | 10.7 |
| Payments of loans on cash surrender value of life insurance | — | (15.3) | — |
| Proceeds from life insurance policy | 8.1 | — | — |
| Acquisitions, net of cash received | — | — | (3.6) |
| Equity investment in non-controlled entities | — | (13.1) | — |
| Other, net | (1.2) | (1.9) | (1.3) |
| Net Cash Used for Investing Activities | (62.7) | (116.3) | (80.8) |
| Cash Flows from Financing Activities: | | | |
| Repayments of long-term debt | (150.0) | — | — |
| Proceeds from credit facility | 340.4 | 794.4 | 800.8 |
| Repayments of credit facility | (115.4) | (816.4) | (868.8) |
| Dividends paid | (42.4) | (39.4) | (34.9) |
| Common stock issued | 17.0 | 11.7 | 9.2 |
| Common stock repurchased and retired | (46.5) | (23.8) | (14.1) |
| Excess tax benefits from stock-based compensation | — | 0.5 | 1.4 |
| Payment of contingent consideration obligation | (0.1) | (2.0) | — |
| Purchase of noncontrolling interests | (1.0) | (1.5) | — |
| Other, net | 0.5 | 1.9 | (0.1) |
| Net Cash Provided by (Used for) Financing Activities | 2.5 | (74.6) | (106.5) |
| Effect of exchange rate changes on cash and cash equivalents | 1.4 | 0.1 | (1.9) |
| Net Increase In Cash and Cash Equivalents | 107.7 | 11.3 | 21.2 |
| Cash and cash equivalents, Beginning of Year | 96.2 | 84.9 | 63.7 |
| Cash and Cash Equivalents, End of Year | \$ 203.9 | \$ 96.2 | \$ 84.9 |
| Other Cash Flow Information | | | |
| Interest paid | \$ 16.4 | \$ 13.4 | \$ 13.4 |
| Income taxes paid, net of cash received | \$ 34.2 | \$ 35.6 | \$ 57.6 |

Notes to the Consolidated Financial Statements
Table of Contents

| | <u>Page No.</u> |
|--|--------------------|
| Note 1 - Significant Accounting and Reporting Policies | 48 |
| Note 2 - Acquisitions and Divestitures | 55 |
| Note 3 - Inventories | 55 |
| Note 4 - Investments in Nonconsolidated Affiliates | 56 |
| Note 5 - Long-Term Debt | 57 |
| Note 6 - Operating Leases | 59 |
| Note 7 - Employee Benefit Plans | 59 |
| Note 8 - Common Stock and Per Share Information | 63 |
| Note 9 - Stock-Based Compensation | 63 |
| Note 10 - Income Taxes | 67 |
| Note 11 - Fair Value of Financial Instruments | 70 |
| Note 12 - Warranties, Guarantees, and Contingencies | 74 |
| Note 13 - Operating Segments | 75 |
| Note 14 - Accumulated Other Comprehensive Loss | 78 |
| Note 15 - Redeemable Noncontrolling Interests | 78 |
| Note 16 - Restructuring and Impairment Activities | 79 |
| Note 17 - Subsequent Event | 80 |
| Note 18 - Quarterly Financial Data (Unaudited) | 80 |

1. Significant Accounting and Reporting Policies

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

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Herman Miller, Inc. and its 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 2, 2018 contained 52 weeks, while the fiscal year ended June 3, 2017 contained 53 weeks. The fiscal year ended May 28, 2016 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 gain \$0.4 million for fiscal year ended June 2, 2018, and a net loss of \$0.7 million and \$0.7 million for the fiscal years ended June 3, 2017 and May 28, 2016, 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 \$148.8 million and \$33.6 million as of June 2, 2018 and June 3, 2017, 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

The company's trade receivables are primarily due from independent dealers who, in turn, carry receivables from their customers. The company monitors and manages the credit risk associated with individual dealers and direct customers where applicable. Dealers are responsible for assessing and assuming credit risk of their customers and may require their customers to provide deposits, letters of credit or other credit

enhancement measures. Some sales contracts are structured such that the customer payment or obligation is direct to the company. In those cases, the company may assume the credit risk. Whether from dealers or customers, the company's trade credit exposures are not concentrated with any particular entity.

Inventories

Inventories are valued at the lower of cost or market and include material, labor and overhead. Inventory cost is determined using the last-in, first-out (LIFO) method at manufacturing facilities in Michigan, whereas inventories of the company's other locations are valued using the first-in, first-out (FIFO) method. The company establishes reserves for excess and obsolete inventory based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. The reserve required to record inventory at lower of cost or net realizable value may be adjusted in response to changing conditions. Further information on the company's recorded inventory balances can be found in Note 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 the company's long-term and short-term business planning and forecasting. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against comparable market data. The market method is based on financial multiples of companies comparable to each reporting unit and applies a control premium. The carrying value of each reporting unit represents the assignment of various assets and liabilities, excluding corporate assets and liabilities, such as cash, investments and debt.

Intangible assets with indefinite useful lives are not subject to amortization and are evaluated annually for impairment, or more frequently, when events or changes in circumstances indicate that the fair value of an intangible asset may not be recoverable. The company utilizes the relief from royalty methodology to test for impairment. The primary assumptions for the relief from royalty method include revenue forecasts, earnings forecasts, royalty rates and discount rates. The company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value. The company's indefinite-lived intangible assets consist of certain trade names valued at approximately \$78.1 million as of the end of fiscal 2018 and fiscal 2017. These assets have indefinite useful lives.

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

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

| (In millions) | Goodwill | Indefinite-lived Intangible Assets | Total Goodwill and Indefinite- lived Intangible Assets |
|--|----------|---------------------------------------|---|
| Balance, 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 |
| Foreign currency translation adjustments | (0.1) | — | (0.1) |
| Sale of owned dealer | (0.3) | — | (0.3) |
| Balance, June 02, 2018 | \$ 304.1 | \$ 78.1 | \$ 382.2 |

Property, Equipment and Depreciation

Property and equipment are stated at cost. The cost is depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives range from 3 to 10 years for machinery and equipment and do not exceed 40 years for buildings. Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the asset. The company capitalizes certain costs incurred in connection with the development, testing, and installation of software for internal use. 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 2018, outstanding commitments for future capital purchases approximated \$49.5 million.

Other Long-Lived Assets

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

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

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

| (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 |

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 8 years.

Estimated amortization expense on existing amortizable intangible assets as of June 2, 2018, for each of the succeeding five fiscal years, is as follows:

| (In millions) | |
|---------------|--------|
| 2019 | \$ 5.9 |
| 2020 | \$ 5.6 |
| 2021 | \$ 5.6 |
| 2022 | \$ 5.6 |
| 2023 | \$ 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 and auto liability retention levels do not include an aggregate stop loss policy. The company's retention levels designated within significant insurance arrangements as of June 2, 2018, are as follows:

| (In millions) | <u>Retention Level (per occurrence)</u> | |
|-----------------------|---|------|
| General liability | \$ | 1.00 |
| Auto liability | \$ | 1.00 |
| Workers' compensation | \$ | 0.75 |

The company accrues for its self-insurance arrangements, as well as reserves for health, prescription drugs, and dental benefit exposures based on actuarially-determined estimates, which are recorded in "Other liabilities" in the Consolidated Balance Sheets. The value of the liability as of June 2, 2018 and June 3, 2017 was \$11.2 million and \$10.5 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 time, to require the company to acquire portions of their ownership interest in those entities at fair value. Their interests in these subsidiaries are classified outside permanent equity in the Consolidated Balance Sheets and are carried at the current estimated redemption amounts.

The redemption amounts 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 \$57.1 million, \$58.6 million and \$62.4 million, in fiscal 2018, 2017, and 2016, 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 \$16.0 million, \$14.5 million and \$14.7 million in fiscal years 2018, 2017 and 2016 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. 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 on available-for-sale securities, Unrealized gains on interest rate swap agreement and Pension and post-retirement 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 Adopted Accounting Standards

| Standard | Description | Date of Adoption | Effect on the Financial Statements or Other Significant Matters |
|---|--|-------------------------|---|
| Improvements to Employee Share-Based Payment Accounting | Under the new guidance, all excess tax benefits/deficiencies should be recognized as income tax expense/benefit, entities may elect how to account for forfeitures and cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity on the cash flow. | June 4, 2017 | The company adopted the accounting standard in the first quarter of fiscal 2018. As a result, the company elected to change its policy from estimating forfeitures to recognizing forfeitures when they occur, which resulted in an increase in Retained earnings of \$0.1 million, a decrease in Additional paid in capital of \$0.3 million and an increase in Other noncurrent assets of \$0.2 million in the Condensed Consolidated Balance Sheets. The other impacts resulting from adoption did not have a material impact on the company's Financial Statements. |

Recently Issued Accounting Standards Not Yet Adopted

| Standard | Description | Date of Adoption | Effect on the Financial Statements or Other Significant Matters |
|--|--|------------------|---|
| Revenue from Contracts with Customers | The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The standard allows for two adoption methods, a full retrospective or modified retrospective approach. | June 3, 2018 | The company has completed its review of the impact of the new standard and has identified changes in the determination of performance obligations around product and service revenue. For commercial contracts in which the company sells directly to end customers, in most cases, the company currently delays revenue recognition until the products are shipped and installed and records third-party installation and certain other fees net. However, under the new standard, in most cases, the company will recognize product revenue when title and risk of loss have transferred and will recognize service revenue as the services are performed. Additionally, the company will record certain product pricing elements related to its direct customer sales within Cost of Sales rather than net within revenue as is current practice. The company has determined that these elements relate to the product performance obligation which the company is considered to control under the new standard. The company has implemented changes to its business processes, systems and controls to support recognition and disclosure under the new standard. The company is adopting the standard in fiscal 2019 using the modified-retrospective approach and as a result expects to record an accumulative catch up adjustment of approximately \$2 million increase to fiscal 2019 beginning retained earnings. |
| Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost | This standard changes the rules related to the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other postretirement benefit plans. Under the new guidance, entities must present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs related to services rendered during the period. Other components of net periodic benefit cost will be presented separately from the line items that include the service cost. Early adoption is permitted. | June 3, 2018 | The standard is expected to impact the classification of certain costs within the company's Consolidated Statements of Comprehensive Income. No impact to the company's Consolidated Balance Sheets or Consolidated Statements of Cash Flow are expected as a result of the standard. |
| Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income | This update allows for the reclassification to retained earnings of the tax effects stranded in Accumulated Other Comprehensive Income resulting from The Tax Cuts and Jobs Act. Early adoption is permitted. | June 2, 2019 | The company is still evaluating these amendments and has not determined its accounting policy and whether or not an election will be made to reclassify the stranded effects. |
| Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities | This update amends the hedge accounting recognition and presentation with the objectives of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities and simplifying the application of hedge accounting. The update expands the strategies eligible for hedge accounting, relaxes the timing requirements of hedge documentation and effectiveness assessments and permits the use of qualitative assessments on an ongoing basis to assess hedge effectiveness. The new guidance also requires new disclosures and presentation. | June 2, 2019 | The company is currently evaluating the impact of adopting this guidance. |

Recently Issued Accounting Standards Not Yet Adopted (continued)

| Standard | Description | Date of Adoption | Effect on the Financial Statements or Other Significant Matters |
|----------|---|------------------|---|
| 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

Contract Furniture Dealerships

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

On January 1, 2017, the company completed the sale of a wholly-owned contract furniture dealership in Pennsylvania in exchange for a \$3.0 million note receivable. A pre-tax gain of \$0.7 million was recognized as a result of the sale within the caption Selling, general and administrative within the Consolidated Statements of Comprehensive Income. The note receivable was deemed to be a variable interest in a variable interest entity. The carrying value of the note was \$2.5 million as of June 2, 2018 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.

Naughtone Holdings Limited

On June 3, 2016, the company acquired a 50 percent noncontrolling equity interest in Naughtone, a leader in soft seating products, stools, occasional tables and meeting tables, for \$12.4 million in cash consideration. 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.

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.

3. Inventories

| (In millions) | June 2, 2018 | June 3, 2017 |
|------------------------------------|--------------|--------------|
| Finished goods and work in process | \$ 124.2 | \$ 119.0 |
| Raw materials | 38.2 | 33.4 |
| Total | \$ 162.4 | \$ 152.4 |

Inventories valued using LIFO amounted to \$25.5 million and \$25.2 million as of June 2, 2018 and June 3, 2017, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been \$175.3 million and \$164.6 million at June 2, 2018 and June 3, 2017, 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 2, 2018 | June 3, 2017 |
|---|--------------|--------------|
| Investments in nonconsolidated affiliates | \$ 16.8 | \$ 16.2 |

| (in millions) | June 2, 2018 | June 3, 2017 | May 28, 2016 |
|---|--------------|--------------|--------------|
| Equity earnings from nonconsolidated affiliates | \$ 3.0 | \$ 1.6 | \$ 0.4 |

The company had an ownership interest in five nonconsolidated affiliates at June 2, 2018. Refer to the company's ownership percentages shown below:

| Ownership Interest | June 2, 2018 | June 3, 2017 |
|-----------------------------|--------------|--------------|
| 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% | 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 2, 2018 and June 3, 2017, the company's investment value in Kvadrat Maharam Pty was \$1.9 million and \$1.8 million more than the company's proportionate share of the underlying net assets, respectively. This difference was driven by a step-up in fair value of the investment in Kvadrat Maharam Pty, stemming from the Maharam business combination. This amount is considered to be a permanent basis difference.

Naughtone

At June 2, 2018, the company's investment value in Naughtone was \$10.2 million more than the company's proportionate share of the underlying net assets, of which \$2.4 million was being amortized over the remaining useful lives of the assets, while \$7.8 million was considered a permanent basis difference. The change in the permanent basis difference from the prior year was due to changes in foreign currency exchange rates.

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.

Transactions with Nonconsolidated Affiliates

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

| (in millions) | June 2, 2018 | June 3, 2017 | May 28, 2016 |
|---|--------------|--------------|--------------|
| Sales to nonconsolidated affiliates | \$ 4.3 | \$ 4.0 | \$ 2.5 |
| Purchases from nonconsolidated affiliates | \$ 6.8 | \$ 4.2 | \$ 0.9 |

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

| (in millions) | June 2, 2018 | June 3, 2017 |
|---|--------------|--------------|
| Receivables from nonconsolidated affiliates | \$ 0.9 | \$ 0.8 |
| Payables to nonconsolidated affiliates | \$ 1.0 | \$ 0.5 |

5. Long-Term Debt

Long-term debt consisted of the following obligations:

| (In millions) | June 2, 2018 | June 3, 2017 |
|---|-----------------|-----------------|
| Series B Senior Notes, 6.42%, due January 3, 2018 | \$ — | \$ 149.9 |
| Debt securities, 6.0%, due March 1, 2021 | 50.0 | 50.0 |
| Syndicated Revolving Line of Credit, due September 2021 | 225.0 | — |
| Construction-Type Lease | 7.0 | 7.0 |
| Supplier financing program | 3.8 | 3.2 |
| Total debt | \$ 285.8 | \$ 210.1 |
| Less: Current debt | (10.8) | (10.2) |
| Long-term debt | <u>\$ 275.0</u> | <u>\$ 199.9</u> |

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

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

As of June 2, 2018, the total debt outstanding related to borrowings under the syndicated revolving line of credit was \$225.0 million. Available borrowings against this facility were \$166.8 million due to \$8.2 million related to outstanding letters of credit. 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 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 2, 2018 and June 3, 2017, the company was in compliance with all of these restrictions and performance ratios.

Supplier Financing Program

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

The company has lengthened the payment terms for certain suppliers that have chosen to participate in the program. As a result, certain amounts due to suppliers have payment terms that are longer than standard industry practice and as such, these amounts have been excluded from the caption "Accounts payable" in the Condensed Consolidated Balance Sheets as the amounts have been accounted for by the company as a current debt obligation. Accordingly, \$3.8 million and \$3.2 million have been recorded within the caption "Other accrued liabilities" for the periods ended June 2, 2018 and June 3, 2017, respectively.

Construction-Type Lease

During fiscal 2015, the company entered into a lease agreement for the occupancy of a new studio facility in Palo Alto, California. 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 periods ended June 2, 2018 and June 3, 2017. The value of the building and the related financing liability was \$7.0 million at June 2, 2018 and June 3, 2017. The original fair value of the building and the related 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 2, 2018 are as shown in the table below.

(In millions)

| | | |
|------------|----|-------|
| 2019 | \$ | — |
| 2020 | \$ | — |
| 2021 | \$ | 50.0 |
| 2022 | \$ | 225.0 |
| 2023 | \$ | — |
| Thereafter | \$ | — |

6. Operating Leases

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

Future minimum rental payments required under operating leases that have non-cancelable lease terms as of June 2, 2018, are as follows:

(In millions)

| | | |
|------------|----|-------|
| 2019 | \$ | 45.8 |
| 2020 | \$ | 42.8 |
| 2021 | \$ | 40.5 |
| 2022 | \$ | 43.1 |
| 2023 | \$ | 32.5 |
| Thereafter | \$ | 123.8 |

Total rental expense charged to operations was \$49.3 million, \$45.3 million and \$45.6 million, in fiscal 2018, 2017 and 2016, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

7. Employee Benefit Plans

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

Pension Plans and Post-Retirement Medical Insurance

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

Benefit Obligations and Funded Status

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

| (In millions) | Pension Benefits | | | | Post-Retirement Benefits | |
|--|------------------|------------------|-----------------|------------------|--------------------------|-----------------|
| | 2018 | | 2017 | | 2018 | 2017 |
| | Domestic | International | Domestic | International | | |
| Change in benefit obligation: | | | | | | |
| Benefit obligation at beginning of year | \$ 1.0 | \$ 113.8 | \$ 1.0 | \$ 104.4 | \$ 5.0 | \$ 5.9 |
| Interest cost | 0.1 | 2.7 | 0.1 | 2.7 | 0.1 | 0.2 |
| Foreign exchange impact | — | 4.2 | — | (12.5) | — | — |
| Actuarial (gain) loss | — | (12.2) | — | 23.4 | (0.5) | (0.4) |
| Benefits paid | (0.1) | (2.6) | (0.1) | (4.2) | (0.6) | (0.7) |
| Benefit obligation at end of year | <u>\$ 1.0</u> | <u>\$ 105.9</u> | <u>\$ 1.0</u> | <u>\$ 113.8</u> | <u>\$ 4.0</u> | <u>\$ 5.0</u> |
| Change in plan assets: | | | | | | |
| Fair value of plan assets at beginning of year | \$ — | \$ 80.5 | \$ — | \$ 85.0 | \$ — | \$ — |
| Actual return on plan assets | — | 1.2 | — | 9.6 | — | — |
| Foreign exchange impact | — | 2.8 | — | (10.3) | — | — |
| Employer contributions | 0.1 | 12.7 | 0.1 | 0.4 | 0.6 | 0.7 |
| Benefits paid | (0.1) | (2.6) | (0.1) | (4.2) | (0.6) | (0.7) |
| Fair value of plan assets at end of year | <u>\$ —</u> | <u>\$ 94.6</u> | <u>\$ —</u> | <u>\$ 80.5</u> | <u>\$ —</u> | <u>\$ —</u> |
| Funded status: | | | | | | |
| Under funded status at end of year | <u>\$ (1.0)</u> | <u>\$ (11.3)</u> | <u>\$ (1.0)</u> | <u>\$ (33.3)</u> | <u>\$ (4.0)</u> | <u>\$ (5.0)</u> |
| Components of the amounts recognized in the Consolidated Balance Sheets: | | | | | | |
| Current liabilities | \$ (0.1) | \$ — | \$ (0.1) | \$ — | \$ (0.6) | \$ (0.7) |
| Non-current liabilities | \$ (0.9) | \$ (11.3) | \$ (0.9) | \$ (33.3) | \$ (3.4) | \$ (4.3) |
| Components of the amounts recognized in Accumulated other comprehensive loss before the effect of income taxes: | | | | | | |
| Unrecognized net actuarial loss (gain) | \$ 0.3 | \$ 40.8 | \$ 0.3 | \$ 50.9 | \$ (1.1) | \$ (0.6) |
| Accumulated other comprehensive loss | <u>\$ 0.3</u> | <u>\$ 40.8</u> | <u>\$ 0.3</u> | <u>\$ 50.9</u> | <u>\$ (1.1)</u> | <u>\$ (0.6)</u> |

The accumulated benefit obligation for the company's domestic pension benefit plans totaled \$1.0 million as of the end of both fiscal 2018 and fiscal 2017. For its international plans, the accumulated benefit obligation totaled \$102.2 million and \$110.0 million as of fiscal 2018 and fiscal 2017, 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) | 2018 | 2017 |
|--------------------------------|----------|----------|
| Projected benefit obligation | \$ 106.9 | \$ 114.8 |
| Accumulated benefit obligation | \$ 103.1 | \$ 111.0 |
| Fair value of plan assets | \$ 94.6 | \$ 80.5 |

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 | | |
|--------------------------------|------------------|---------------|---------------|--------------------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | Domestic: | | | | | |
| Interest cost | \$ 0.1 | \$ 0.1 | \$ — | \$ 0.1 | \$ 0.2 | \$ 0.2 |
| Net periodic benefit cost | <u>\$ 0.1</u> | <u>\$ 0.1</u> | <u>\$ —</u> | <u>\$ 0.1</u> | <u>\$ 0.2</u> | <u>\$ 0.2</u> |
| International: | | | | | | |
| Interest cost | \$ 2.7 | \$ 2.7 | \$ 3.8 | | | |
| Expected return on plan assets | (5.6) | (4.7) | (5.4) | | | |
| Net amortization | 4.2 | 2.2 | 2.8 | | | |
| Net periodic benefit cost | <u>\$ 1.3</u> | <u>\$ 0.2</u> | <u>\$ 1.2</u> | | | |

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

| (In millions) | Pension Benefits | | Post-Retirement Benefits | |
|--|------------------|---------|--------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Domestic: | | | | |
| Net actuarial gain | \$ — | \$ — | \$ (0.5) | \$ (0.4) |
| Total recognized in other comprehensive loss | \$ — | \$ — | \$ (0.5) | \$ (0.4) |
| International: | | | | |
| Net actuarial (gain) loss | \$ (7.7) | \$ 18.6 | | |
| Net amortization | (4.2) | (2.2) | | |
| Total recognized in other comprehensive loss | \$ (11.9) | \$ 16.4 | | |

The net actuarial loss, included in accumulated other comprehensive loss (pretax), expected to be recognized in net periodic benefit cost during fiscal 2019 is \$2.9 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) | 2018 | | 2017 | | 2016 | |
|--------------------------------|----------|---------------|----------|---------------|----------|---------------|
| | Domestic | International | Domestic | International | Domestic | International |
| 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 |
| 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 | 3.99 | 2.87 | 3.53 | 2.49 | 3.51 | 3.43 |
| Compensation increase rate | n/a | 3.10 | n/a | 3.25 | n/a | 2.95 |

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 2018 and 2017 was a reduction of the interest cost component of net periodic benefit cost of approximately \$0.3 million and \$0.4 million.

In calculating post-retirement benefit obligations for fiscal 2018, a 7.1 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2019, decreasing gradually to 4.3 percent by 2038 and remaining at that level thereafter. For purposes of calculating post-retirement benefit costs, a 7.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2018, 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 2018 service and interest cost components | \$ — | \$ — | \$ — | \$ — |
| Effect on post-retirement benefit obligation at June 2, 2018 | \$ 0.1 | \$ 0.1 | \$ (0.1) | \$ (0.1) |

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 2018 and asset categories for the company's primary international pension plan for fiscal 2018 and 2017 are as follows:

| Asset Category | Targeted Asset Allocation Percentage | | Percentage of Plan Assets at Year End | |
|--------------------------|--------------------------------------|------|---------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Fixed income | 35 | 20 | 36 | 27 |
| Common collective trusts | 65 | 80 | 64 | 73 |
| Total | | | 100 | 100 |

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

| 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 |

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 2018, the company made total cash contributions of \$13.4 million to its benefit plans. In fiscal 2017, the company made total cash contributions of \$1.1 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 2, 2018.

| (In millions) | Pension Benefits Domestic | | Pension Benefits International | | Post-Retirement Benefits | |
|---------------|---------------------------|-----|--------------------------------|------|--------------------------|-----|
| 2019 | \$ | 0.1 | \$ | 2.0 | \$ | 0.6 |
| 2020 | \$ | 0.1 | \$ | 2.0 | \$ | 0.5 |
| 2021 | \$ | 0.1 | \$ | 2.1 | \$ | 0.5 |
| 2022 | \$ | 0.1 | \$ | 2.5 | \$ | 0.4 |
| 2023 | \$ | 0.1 | \$ | 2.4 | \$ | 0.4 |
| 2024-2028 | \$ | 0.3 | \$ | 16.5 | \$ | 1.4 |

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

Substantially all of the company's domestic employees are eligible to participate in a defined contribution retirement plan, primarily the Herman Miller, Inc. profit sharing and 401(k) plan (the "plan"). Employees under the plan are eligible to begin participating on their date of hire. Until June 4, 2017, the plan provided for discretionary contributions for eligible participants, payable in the company's common stock, of not more than 6 percent of employees' wages based on the company's financial performance. Effective June 4, 2017, the company discontinued the Employer Profit Sharing Contribution and instead, began allocating those funds to other components of pay and retirement. Under the plan the company matches 100 percent of employee contributions to their 401(k) accounts up to 3 percent of their pay. Effective September 3, 2017, the company increased the Employer Matching Contribution from 3 percent to 4 percent for all eligible employees. A core contribution of 4 percent

is also included for most participants of the plan. There was an additional 1 percent contribution added to the quarterly Core Contribution for the quarter prior to the increased Employer Matching Contribution effective September 3, 2017. The company's other defined contribution retirement plans may provide for matching contributions, non-elective contributions and discretionary contributions as declared by management.

The cost of the Herman Miller, Inc. profit sharing contribution during fiscal 2017 and 2016 was \$6.0 million and \$10.9 million, respectively. No profit sharing contribution was made in fiscal 2018. The expense recorded for the company's 401(k) matching contributions and core contributions was approximately \$24.9 million, \$22.8 million and \$21.9 million in fiscal years 2018, 2017 and 2016, 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) | 2018 | 2017 | 2016 |
|--|------------|------------|------------|
| <u>Numerator:</u> | | | |
| Numerator for both basic and diluted EPS, Net earnings attributable to Herman Miller, Inc. | \$ 128.1 | \$ 123.9 | \$ 136.7 |
| <u>Denominator:</u> | | | |
| Denominator for basic EPS, weighted-average common shares outstanding | 59,681,268 | 59,871,805 | 59,844,540 |
| Potentially dilutive shares resulting from stock plans | 630,037 | 682,784 | 684,729 |
| Denominator for diluted EPS | 60,311,305 | 60,554,589 | 60,529,269 |

Equity awards of 348,089 shares, 764,154 shares and 528,676 shares of common stock were excluded from the denominator for the computation of diluted earnings per share for the fiscal years ended June 2, 2018, June 3, 2017 and May 28, 2016, respectively, because they were anti-dilutive. The company has certain share-based payment awards that meet the definition of participating securities.

Common Stock

The company has 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 2018, 2017, and 2016, shares repurchased and retired totaled 1,356,156, 765,556, and 482,040 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 2, 2018 there were 5,991,307 shares authorized under the various stock-based compensation plans.

Valuation and Expense Information

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

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

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

| (In millions) | June 2, 2018 | June 3, 2017 | May 28, 2016 |
|---------------------------------|---------------|---------------|----------------|
| Employee stock purchase program | \$ 0.3 | \$ 0.3 | \$ 0.3 |
| Stock option plans | 2.6 | 2.0 | 1.9 |
| Restricted stock units | 3.9 | 3.6 | 3.2 |
| Performance share units | 0.9 | 2.8 | 6.5 |
| Total | <u>\$ 7.7</u> | <u>\$ 8.7</u> | <u>\$ 11.9</u> |
| Tax benefit | \$ 2.3 | \$ 3.1 | \$ 4.3 |

As of June 2, 2018, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately \$7.8 million. The weighted-average period over which this amount is expected to be recognized is 0.79 years.

Employee Stock Purchase Program

Under the terms of the company's Employee Stock Purchase Plan, 4 million shares of authorized common stock were reserved for purchase by plan participants at 85 percent of the market price. Shares of common stock purchased under the employee stock purchase plan were 67,335, 68,547, and 70,768 for the fiscal years ended 2018, 2017 and 2016 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:

| | 2018 | 2017 | 2016 |
|---|-----------|-----------|-----------|
| Risk-free interest rates ⁽¹⁾ | 1.79% | 1.01% | 1.51% |
| Expected term of options ⁽²⁾ | 4.6 years | 4.0 years | 4.0 years |
| Expected volatility ⁽³⁾ | 26% | 26% | 33% |
| Dividend yield ⁽⁴⁾ | 2.23% | 2.13% | 2.03% |
| Weighted-average grant-date fair value of stock options: | | | |
| Granted with exercise prices equal to the fair market value of the stock on the date of grant | \$ 6.39 | \$ 5.50 | \$ 6.73 |

(1) Represents term-matched, zero-coupon risk-free rate from the Treasury Constant Maturity yield curve, continuously compounded.

(2) Represents historical settlement data, using midpoint scenario with 1-year grant date filter assumption for outstanding options.

(3) The blended volatility approach was used. 90% term-matched historical volatility from daily stock prices and 10% percent weighted average implied volatility from the 90 days preceding the grant date.

(4) Represents the quarterly dividend divided by the three-month average stock price as of the grant date, annualized and continuously compounded.

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

| | Shares Under Option | Weighted-Average Exercise Prices | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (In millions) |
|----------------------------------|---------------------|----------------------------------|---|---|
| Outstanding at June 3, 2017 | 1,329,702 | \$ 28.36 | 7.26 | \$ 5.8 |
| Granted at market | 323,412 | \$ 33.75 | | |
| Exercised | (538,259) | \$ 27.28 | | |
| Forfeited or expired | (51,606) | \$ 32.83 | | |
| Outstanding at June 2, 2018 | <u>1,063,249</u> | \$ 30.33 | 7.45 | \$ 2.9 |
| Ending vested + expected to vest | 1,063,249 | \$ 30.33 | 7.45 | \$ 2.9 |
| Exercisable at end of period | 265,519 | \$ 23.96 | 4.78 | \$ 2.4 |

The weighted-average remaining recognition period of the outstanding stock options at June 2, 2018 was 0.75 years. The total pre-tax intrinsic value of options exercised during fiscal 2018, 2017 and 2016 was \$5.0 million, \$1.3 million and \$2.3 million, respectively. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the company's closing stock price as of the end of the period

presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date. Total cash received during fiscal 2018 from the exercise of stock options was \$4.4 million.

Restricted Stock Units

The company grants restricted stock units to certain key employees. This program provides that the actual number of restricted stock units awarded is based on the value of a portion of the participant's long-term incentive compensation divided by the fair value of the company's stock on the date of grant. 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 June 3, 2017 | 384,952 | \$ 28.73 | \$ 12.6 | 1.14 |
| Granted | 242,012 | \$ 35.28 | | |
| Forfeited | (19,233) | \$ 30.86 | | |
| Released | (126,704) | \$ 27.75 | | |
| Outstanding at June 2, 2018 | 481,027 | \$ 32.20 | \$ 15.8 | 1.28 |
| Ending vested + expected to vest | 481,027 | 32.20 | \$ 15.8 | 1.28 |

The weighted-average remaining recognition period of the outstanding restricted stock units at June 2, 2018, was 1.15 years. The fair value of the share units that vested during the twelve months ended June 2, 2018, was \$4.3 million. The weighted average grant-date fair value of restricted stock units granted during 2018, 2017, and 2016 was \$35.28, \$31.83 and \$29.03 respectively.

Performance Share Units

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

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

| | Share Units | Weighted Average Grant-Date Fair Value | Aggregate Intrinsic Value in Millions | Weighted-Average Remaining Contractual Term (Years) |
|----------------------------------|----------------|---|--|--|
| Outstanding at June 3, 2017 | 417,947 | \$ 31.18 | \$ 13.7 | 1.03 |
| Granted | 129,131 | \$ 31.28 | | |
| Forfeited | (42,339) | \$ 34.27 | | |
| Released | (130,179) | \$ 31.47 | | |
| Outstanding at June 2, 2018 | 374,560 | \$ 30.76 | \$ 12.3 | 1.01 |
| Ending vested + expected to vest | 374,560 | \$ 30.76 | \$ 12.3 | 1.01 |

The weighted-average remaining recognition period of the outstanding performance share units at June 2, 2018, was 0.73 years. The fair value for shares that vested during the twelve months ended June 2, 2018, was \$4.5 million. The weighted average grant-date fair value of performance share units granted during 2018, 2017, and 2016 was \$31.28, \$29.40, and \$30.81 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 \$0.6 million during fiscal 2018 and the related liability for these awards was \$0.9 million as of the end of fiscal 2018. 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 2, 2018 and June 3, 2017:

| | 2018 | 2017 |
|---|----------------|----------------|
| Risk-free interest rates ⁽¹⁾ | 2.29% | 1.29% |
| Expected term of options ⁽²⁾ | 1.1 years | 2.1 years |
| Expected volatility ⁽³⁾ | 35% | 35% |
| Dividend yield | not applicable | not applicable |
| Strike price | \$ 30.64 | 24.39 |
| Per share value ⁽⁴⁾ | \$ 8.24 | 3.24 |

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

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

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

(4) Based on the Black-Scholes formula.

| | Shares Under Option | Weighted-Average Exercise Prices | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (In millions) |
|------------------------------|---------------------|----------------------------------|---|---|
| Outstanding at June 3, 2017 | 526,244 | \$ 24.20 | 2.20 | \$ 0.1 |
| Granted | 28,810 | \$ 21.08 | | |
| Forfeited | (10,928) | \$ 24.39 | | |
| Outstanding at June 2, 2018 | 544,126 | \$ 24.04 | 1.20 | \$ 3.6 |
| Exercisable at end of period | 75,568 | \$ 21.83 | 1.20 | \$ 0.6 |

There were no HMCH options exercised during fiscal 2018. 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 (\$275,000 in 2018). 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:

| | 2018 | 2017 | 2016 |
|--|-------|-------|--------|
| Shares of common stock | 8,828 | 9,982 | 21,988 |
| Shares through the deferred compensation program | 2,207 | 2,582 | 3,118 |

10. Income Taxes

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

Effective January 1, 2018 the federal income tax rate was reduced from 35 percent to 21 percent. For fiscal tax payers a full year federal income tax rate is calculated based upon the number of days in the year subject to the 35 percent and the 21 percent tax rates. As a result, the company's statutory federal tax rate for the fiscal year ended June 2, 2018 was 29.1 percent.

Securities and Exchange Commission Staff Accounting Bulletin No. 118 allows the use of provisional amounts if accounting for certain income tax effects of the Act has not been completed by the time the company's financial statements are issued. A measurement period is provided beginning December 22, 2017 and shall not last longer than one year. Provisional amounts must be adjusted during the measurement period as accounting for the income tax effects of the Act is completed. For the fiscal year ended June 2, 2018, the company has not completed its accounting for all of the effects of the Act.

The Act is comprehensive and further guidance is expected from the Internal Revenue Service and the U.S. Treasury Department. Based on our analysis of the Act to date, we have provided the following reasonable estimates. The fiscal year ended June 2, 2018 included a provisional amount of \$3 million in reduced income tax expense resulting from the reduced federal income tax rate. Additionally, as part of the transition towards the participation exemption system, in the fiscal period ended June 2, 2018, the company recorded a provisional U.S. tax liability of \$9 million on certain undistributed foreign earnings, which is payable over eight years. The one-time tax is based in part on the amount of foreign earnings held in cash and other specified assets as of June 2, 2018. Finally, a favorable impact totaling \$8.9 million was recognized as a result of applying the lower federal income tax rates to the company's net deferred tax liabilities.

Upon enactment of the new law in our three-month period ended March 3, 2018, we had disclosed an initial favorable impact of \$8.7 million applying lower federal income tax rates to the company's net deferred tax liabilities and an initial \$9.2 million U.S. tax liability on certain undistributed foreign earnings. These amounts, as noted above, were adjusted as of June 2, 2018 due to an analysis of additional available information as well as further clarification with respect to the new laws. The company will continue to refine its calculations as additional analysis is completed and further guidance is issued. These changes could be material to the consolidated financial statements.

For tax years beginning after December 31, 2017, the Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The company is still evaluating the effects of the GILTI provisions and has not yet determined its accounting policy.

The components of earnings before income taxes are as follows:

| (In millions) | 2018 | 2017 | 2016 |
|---------------|-----------------|-----------------|-----------------|
| Domestic | \$ 121.6 | \$ 131.4 | \$ 154.9 |
| Foreign | 46.5 | 46.2 | 41.7 |
| Total | <u>\$ 168.1</u> | <u>\$ 177.6</u> | <u>\$ 196.6</u> |

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

| (In millions) | 2018 | 2017 | 2016 |
|------------------------------|----------------|----------------|----------------|
| Current: Domestic - Federal | \$ 30.2 | \$ 28.7 | \$ 36.4 |
| Domestic - State | 4.3 | 2.3 | 6.4 |
| Foreign | 10.7 | 11.1 | 6.3 |
| | <u>45.2</u> | <u>42.1</u> | <u>49.1</u> |
| Deferred: Domestic - Federal | (4.1) | 9.2 | 7.5 |
| Domestic - State | 0.1 | 2.8 | 0.2 |
| Foreign | 1.2 | 1.0 | 2.7 |
| | <u>(2.8)</u> | <u>13.0</u> | <u>10.4</u> |
| Total income tax provision | <u>\$ 42.4</u> | <u>\$ 55.1</u> | <u>\$ 59.5</u> |

The following table represents a reconciliation of income taxes at the United States blended statutory rate of 29.1 percent for 2018 and 35.0 percent for 2017 and 2016 with the effective tax rate as follows:

| (In millions) | 2018 | 2017 | 2016 |
|--|----------------|----------------|----------------|
| Income taxes computed at the United States Statutory rate | \$ 49.0 | \$ 62.2 | \$ 68.8 |
| Increase (decrease) in taxes resulting from: | | | |
| Remeasurement of U.S. deferred tax assets and liabilities due to the Tax Act | (8.9) | — | — |
| U.S. tax liability on undistributed foreign earnings due to the Tax Act | 9.0 | — | — |
| Foreign statutory rate differences | (4.0) | (5.7) | (4.3) |
| Manufacturing deduction under the American Jobs Creation Act of 2004 | (2.7) | (3.4) | (4.8) |
| State taxes | 3.3 | 3.8 | 5.2 |
| United Kingdom patent box deduction for research and development | (1.8) | (2.6) | (1.7) |
| Research and development credit | (2.4) | (1.4) | (1.4) |
| Sale of manufacturing facility in the United Kingdom | — | — | (1.6) |
| Other, net | 0.9 | 2.2 | (0.7) |
| Income tax expense | <u>\$ 42.4</u> | <u>\$ 55.1</u> | <u>\$ 59.5</u> |
| Effective tax rate | <u>25.2%</u> | <u>31.1%</u> | <u>30.3%</u> |

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at June 2, 2018 and June 3, 2017, are as follows:

| (In millions) | 2018 | 2017 |
|--|------------------|------------------|
| Deferred tax assets: | | |
| Compensation-related accruals | \$ 15.3 | \$ 22.7 |
| Accrued pension and post-retirement benefit obligations | 6.6 | 10.9 |
| Deferred revenue | 5.6 | 5.3 |
| Inventory related | 1.0 | 4.1 |
| Reserves for uncollectible accounts and notes receivable | 0.6 | 1.0 |
| Other reserves and accruals | 5.2 | 6.1 |
| Warranty | 11.9 | 17.0 |
| State and local tax net operating loss carryforwards and credits | 2.3 | 2.7 |
| Federal net operating loss carryforward | 1.7 | 5.0 |
| Foreign tax net operating loss carryforwards and credits | 10.0 | 10.0 |
| Accrued step rent and tenant reimbursements | 3.8 | 4.7 |
| Other | 3.9 | 4.2 |
| Subtotal | <u>67.9</u> | <u>93.7</u> |
| Valuation allowance | (10.3) | (10.0) |
| Total | <u>\$ 57.6</u> | <u>\$ 83.7</u> |
| Deferred tax liabilities: | | |
| Book basis in property in excess of tax basis | \$ (25.5) | \$ (37.4) |
| Intangible assets | (32.3) | (47.3) |
| Other | (6.9) | (3.2) |
| Total | <u>\$ (64.7)</u> | <u>\$ (87.9)</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 2, 2018, the company had state and local tax NOL carry-forwards of \$29.4 million, the state tax benefit of which is \$1.6 million, which have various expiration periods from 1 to 21 years. The company also had state credits with a state tax benefit of \$0.7 million, which expire in 2 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 \$1.1 million.

At June 2, 2018, the company had federal NOL carry-forwards of \$8.1 million, the tax benefit of which is \$1.7 million, which expire in 11 years. For financial statement purposes, the NOL carry-forwards have been recognized as deferred tax assets.

At June 2, 2018, the company had federal deferred assets of \$2.0 million, the tax benefit of which is \$0.4 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 \$0.4 million.

At June 2, 2018, the company had foreign net operating loss carry-forwards of \$43.8 million, the tax benefit of which is \$10.0 million, which have expiration periods from 6 years to an unlimited term. The company also had foreign tax credits with a tax benefit of \$0.1 million which expire in 2 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 \$8.1 million.

At June 2, 2018, the company had foreign deferred assets of \$3.4 million, the tax benefit of which is \$0.6 million, which is related to various deferred taxes in Hong Kong and Brazil as well as buildings in the United Kingdom. For financial statement purposes, the assets have been recognized as deferred tax assets, subject to a valuation allowance of \$0.6 million.

The company has recorded transition tax on undistributed foreign earnings as required by the Act. No other provision was made for income taxes that may result from future remittances of the undistributed earnings of foreign subsidiaries that are determined to be indefinitely reinvested, which was \$181.3 million on June 2, 2018. Determination of the total amount of unrecognized deferred income tax on undistributed earnings of foreign subsidiaries is not practicable.

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

(In millions)

| | |
|---|---------------|
| Balance at 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 | 2.8 |
| Increases related to current year income tax positions | 0.3 |
| Increases related to prior year income tax positions | 0.4 |
| Decreases related to lapse of applicable statute of limitations | (0.3) |
| Balance at June 2, 2018 | <u>\$ 3.2</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 2, 2018 | June 3, 2017 | May 28, 2016 |
|---------------------------------------|--------------|--------------|--------------|
| Interest and penalty expense (income) | \$ 0.1 | \$ 0.2 | \$ (0.1) |
| Liability for interest and penalties | \$ 1.0 | \$ 0.8 | |

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

During the year, the company has closed the audit of fiscal year 2017 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 2015.

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 2, 2018 | June 3, 2017 |
|----------------|--------------|--------------|
| Carrying value | \$ 285.8 | \$ 210.1 |
| Fair value | \$ 288.6 | \$ 223.2 |

The following describes the methods the company uses to estimate the fair value of financial assets and liabilities. In fiscal 2018, the company borrowed on its revolver and invested excess cash in cash and cash equivalents. There were no other no significant changes in the current period.

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

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 recurring 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 during fiscal 2017 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 2, 2018 and June 3, 2017:

| (In millions) | Fair Value Measurements | | | |
|------------------------------------|---|-----------------------------------|---|-----------------------------------|
| | June 2, 2018 | | June 3, 2017 | |
| | Quoted Prices With Other Observable Inputs (Level 2) | Management Estimates (Level 3) | Quoted Prices With Other Observable Inputs (Level 2) | Management Estimates (Level 3) |
| Financial Assets | | | | |
| Cash Equivalents | \$ 121.0 | \$ — | \$ — | \$ — |
| Available-for-sale securities: | | | | |
| Mutual funds - fixed income | 7.7 | — | 7.7 | — |
| Mutual funds - equity | 0.9 | — | 0.9 | — |
| Foreign currency forward contracts | 0.4 | — | 0.5 | — |
| Interest rate swap agreement | 15.0 | — | 3.3 | — |
| Deferred compensation plan | 15.1 | — | 12.8 | — |
| Total | \$ 160.1 | \$ — | \$ 25.2 | \$ — |
| Financial Liabilities | | | | |
| Foreign currency forward contracts | \$ 0.3 | \$ — | \$ 0.6 | \$ — |
| Contingent consideration | — | 0.5 | — | 0.5 |
| Total | \$ 0.3 | \$ 0.5 | \$ 0.6 | \$ 0.5 |

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

| (In millions) | June 2, 2018 | June 3, 2017 |
|---------------------------------|--------------|--------------|
| Contingent Consideration | | |
| Beginning balance | \$ 0.5 | \$ 2.7 |
| Net realized losses (gains) | 0.1 | (0.2) |
| Settlements | (0.1) | (2.0) |
| Ending balance | \$ 0.5 | \$ 0.5 |

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

The following is a summary of the carrying and market values of the company's marketable securities as of the dates indicated:

| (In millions) | June 2, 2018 | | | | June 3, 2017 | | | |
|-----------------------------|---------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|---------------|
| | Cost | Unrealized Gain | Unrealized Loss | Market Value | Cost | Unrealized Gain | Unrealized Loss | Market Value |
| Mutual funds - fixed income | \$ 7.8 | \$ — | \$ 0.1 | \$ 7.7 | \$ 7.6 | \$ 0.1 | \$ — | \$ 7.7 |
| Mutual funds - equity | 0.7 | 0.2 | — | 0.9 | 0.9 | — | — | 0.9 |
| Total | \$ 8.5 | \$ 0.2 | \$ 0.1 | \$ 8.6 | \$ 8.5 | \$ 0.1 | \$ — | \$ 8.6 |

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 zero for the fiscal year ended June 2, 2018 and \$0.1 million for the fiscal year ended June 3, 2017. 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 \$37.3 million and \$36.1 million as of June 2, 2018 and June 3, 2017, 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 £19.9 million and £19.4 million as of June 2, 2018 and June 3, 2017, respectively. The company also has other forward contracts related to other currency pairs at varying notional amounts.

Interest Rate Swaps

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

The interest rate swaps were designated cash flow hedges at inception and remain an effective accounting hedge as of June 2, 2018. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statement of Stockholders'

Equity as a component of Accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings. The interest rate swap agreements are assessed for hedge effectiveness on a quarterly basis.

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

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

The fair value of the company's two outstanding interest rate swap agreements was an asset of \$15.0 million and \$3.3 million as of June 2, 2018 and June 3, 2017, respectively. The asset fair value was recorded within Other noncurrent assets within the Condensed Consolidated Balance Sheets. The net unrealized gain recorded within Other comprehensive loss, net of tax, for the effective portion of the company's designated cash flow hedges was \$7.8 million and \$2.1 million for the fiscal years ended June 2, 2018 and June 3, 2017, respectively.

For fiscal 2018, 2017 and 2016, there were no gains or losses recognized against earnings for hedge ineffectiveness.

Effects of Derivatives on the Financial Statements

The effects of derivatives on the consolidated financial statements were as follows for the fiscal years ended 2018 and 2017 (amounts presented exclude any income tax effects):

| (In millions) | Balance Sheet Location | June 2, 2018 | June 3, 2017 |
|------------------------------------|--|--------------|--------------|
| Designated derivatives: | | | |
| Interest rate swap | Long-term assets: Other assets | \$ 15.0 | \$ 3.3 |
| Non-designated derivatives: | | | |
| Foreign currency forward contracts | Current assets: Other | \$ 0.4 | \$ 0.5 |
| Foreign currency forward contracts | Current liabilities: Other accrued liabilities | \$ 0.3 | \$ 0.6 |

| (In millions) | Statement of Comprehensive Income Location | Fiscal Year | | |
|---|--|--------------|--------------|--------------|
| | | June 2, 2018 | June 3, 2017 | May 28, 2016 |
| Gain recognized on foreign currency forward contracts | Other expenses (income): Other, net | \$ 0.4 | \$ (1.2) | \$ (0.7) |

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 2, 2018 | June 3, 2017 | May 28, 2016 |
| Interest rate swap | \$ 7.5 | \$ 2.1 | \$ — |

Losses reclassified from Accumulated other comprehensive loss into earnings were \$0.3 million. There were no reclassifications required in fiscal 2017 and 2016.

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) | 2018 | 2017 | 2016 |
|------------------------------|---------|---------|---------|
| Accrual balance, beginning | \$ 47.7 | \$ 43.9 | \$ 39.3 |
| Accrual for warranty matters | 22.1 | 22.8 | 25.5 |
| Settlements | (18.3) | (19.0) | (20.9) |
| Accrual balance, ending | \$ 51.5 | \$ 47.7 | \$ 43.9 |

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 2, 2018, the company had a maximum financial exposure related to performance bonds of approximately \$9.5 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 2, 2018 and June 3, 2017.

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 2, 2018 and June 3, 2017.

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 2, 2018, the company had a maximum financial exposure from these standby letters of credit of approximately \$8.2 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 2, 2018 and June 3, 2017.

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 2018, outstanding commitments for future purchase obligations approximated \$93.5 million.

13. Operating Segments

Effective in the first quarter of fiscal 2018, the company moved the operating results of its Nemschoff subsidiary, which primarily focuses on healthcare, from its North America Furniture Solutions operating segment to its Specialty operating segment. This change was made to better leverage the skills and capabilities of the company's Specialty business teams, particularly in the areas of craft wood and upholstery manufacturing. Additionally, the company has refreshed its methodology of allocating selling, general and administrative costs to the operating segments. The company has also identified certain corporate support costs that will no longer be allocated to the operating segments and that will be tracked and reported as "Corporate Unallocated Expenses". The company made these changes in the way that it allocates and reports its costs to better reflect the utilization of functional services across its operating segments and to also more closely align to industry practice. Prior year results disclosed in the table below have been revised to reflect these changes.

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 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. The business associated with the company's owned contract furniture dealers is also included in the North American Furniture Solutions segment. The ELA Furniture Solutions segment includes EMEA, Latin America and Asia-Pacific. ELA includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, in these geographic regions. The Specialty segment includes the operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products. The Consumer segment includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through eCommerce and Design Within Reach retail studios.

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

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

| (In millions) | 2018 | 2017 | 2016 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Net Sales: | | | |
| North American Furniture Solutions | \$ 1,284.4 | \$ 1,276.6 | \$ 1,269.4 |
| ELA Furniture Solutions | 434.5 | 385.5 | 412.6 |
| Specialty | 305.4 | 298.0 | 294.2 |
| Consumer | 356.9 | 318.1 | 288.7 |
| Corporate | — | — | — |
| Total | \$ 2,381.2 | \$ 2,278.2 | \$ 2,264.9 |
| Depreciation and Amortization: | | | |
| North American Furniture Solutions | \$ 33.4 | \$ 28.3 | \$ 24.5 |
| ELA Furniture Solutions | 10.2 | 9.4 | 9.1 |
| Specialty | 10.5 | 9.4 | 9.4 |
| Consumer | 12.1 | 10.2 | 8.6 |
| Corporate | 0.7 | 1.6 | 1.4 |
| Total | \$ 66.9 | \$ 58.9 | \$ 53.0 |
| Operating Earnings (Losses): | | | |
| North American Furniture Solutions | \$ 166.3 | \$ 176.0 | \$ 187.6 |
| ELA Furniture Solutions | 35.5 | 35.9 | 40.2 |
| Specialty | 8.9 | 8.1 | 15.0 |
| Consumer | 13.9 | 4.8 | 8.1 |
| Corporate | (47.1) | (34.0) | (39.4) |
| Total | \$ 177.5 | \$ 190.8 | \$ 211.5 |
| Capital Expenditures: | | | |
| North American Furniture Solutions | \$ 38.9 | \$ 46.2 | \$ 56.1 |
| ELA Furniture Solutions | 11.4 | 8.5 | 15.0 |
| Specialty | 7.1 | 10.6 | 3.8 |
| Consumer | 13.2 | 22.0 | 10.2 |
| Corporate | — | — | — |
| Total | \$ 70.6 | \$ 87.3 | \$ 85.1 |
| Total Assets: | | | |
| North American Furniture Solutions | \$ 488.7 | \$ 519.3 | \$ 503.4 |
| ELA Furniture Solutions | 283.4 | 230.3 | 218.4 |
| Specialty | 188.7 | 172.2 | 175.6 |
| Consumer | 291.2 | 276.4 | 245.3 |
| Corporate | 227.5 | 108.1 | 92.4 |
| Total | \$ 1,479.5 | \$ 1,306.3 | \$ 1,235.1 |
| Goodwill: | | | |
| North American Furniture Solutions | \$ 133.2 | \$ 133.5 | \$ 133.5 |
| ELA Furniture Solutions | 40.0 | 40.1 | 40.9 |
| Specialty | 52.1 | 52.1 | 52.1 |
| Consumer | 78.8 | 78.8 | 78.8 |
| Corporate | — | — | — |
| Total | \$ 304.1 | \$ 304.5 | \$ 305.3 |

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) | 2018 | 2017 | 2016 |
|--------------------------|-------------------|-------------------|-------------------|
| Net Sales: | | | |
| Systems | \$ 601.5 | \$ 639.0 | \$ 656.8 |
| Seating | 965.9 | 894.8 | 855.5 |
| Freestanding and storage | 465.1 | 428.8 | 456.9 |
| Textiles | 94.3 | 96.9 | 97.6 |
| Other ⁽¹⁾ | 254.4 | 218.7 | 198.1 |
| Total | \$ 2,381.2 | \$ 2,278.2 | \$ 2,264.9 |

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

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

| (In millions) | 2018 | 2017 | 2016 |
|-------------------|-------------------|-------------------|-------------------|
| Net Sales: | | | |
| United States | \$ 1,737.9 | \$ 1,690.1 | \$ 1,757.0 |
| International | 643.3 | 588.1 | 507.9 |
| Total | \$ 2,381.2 | \$ 2,278.2 | \$ 2,264.9 |

| | | | |
|---------------------------|-----------------|-----------------|-----------------|
| Long-lived assets: | | | |
| United States | \$ 349.3 | \$ 328.6 | \$ 254.8 |
| International | 50.5 | 45.3 | 48.1 |
| Total | \$ 399.8 | \$ 373.9 | \$ 302.9 |

The company estimates that no single dealer accounted for more than 4 percent of the company's net sales in the fiscal year ended June 2, 2018. The company estimates that its largest single end-user customer accounted for \$109.8 million, \$102.3 million and \$95.7 million of the company's net sales in fiscal 2018, 2017 and 2016, respectively. This represents approximately 5 percent, 5 percent and 4 percent of the company's net sales in fiscal 2018, 2017 and 2016, respectively.

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

14. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the years ended June 2, 2018, June 3, 2017 and May 28, 2016:

| (In millions) | Year Ended | | |
|---|--------------|--------------|--------------|
| | June 2, 2018 | June 3, 2017 | May 28, 2016 |
| Cumulative translation adjustments at beginning of period | \$ (36.8) | \$ (29.6) | \$ (20.8) |
| Other comprehensive income (loss) before reclassifications (net of tax of \$-, \$- and (\$0.3)) | 2.7 | (7.2) | (8.8) |
| Balance at end of period | (34.1) | (36.8) | (29.6) |
| Pension and other post-retirement benefit plans at beginning of period | (47.6) | (34.9) | (35.4) |
| Other comprehensive income (loss) before reclassifications (net of tax of (\$2.9), \$3.7 and (\$0.7)) | 5.3 | (14.5) | (2.0) |
| Reclassification from accumulated other comprehensive income - Selling, general and administrative | 4.2 | 2.2 | 3.2 |
| Tax benefit | 0.9 | (0.4) | (0.7) |
| Net reclassifications | 5.1 | 1.8 | 2.5 |
| Net current period other comprehensive income | 10.4 | (12.7) | 0.5 |
| Balance at end of period | (37.2) | (47.6) | (34.9) |
| Interest rate swap agreement at beginning of period | 2.1 | — | — |
| Other comprehensive income before reclassifications (net of tax of (\$4.0), (\$1.2) and \$-) | 7.5 | 2.1 | — |
| Reclassification from accumulated other comprehensive income - Interest expense | 0.3 | — | — |
| Net reclassifications | 0.3 | — | — |
| Net current period other comprehensive income | 7.8 | 2.1 | — |
| Balance at end of period | 9.9 | 2.1 | — |
| Available-for-sale Securities at beginning of period | 0.1 | — | — |
| Other comprehensive income before reclassifications (net of tax of \$-, \$- and \$-) | — | 0.1 | — |
| Balance at end of period | 0.1 | 0.1 | — |
| Total accumulated other comprehensive loss | \$ (61.3) | \$ (82.2) | \$ (64.5) |

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 2, 2018 and June 3, 2017 are as follows:

| (In millions) | Year Ended | |
|--|--------------|--------------|
| | June 2, 2018 | June 3, 2017 |
| Balance at beginning of period | \$ 24.6 | \$ 27.0 |
| Purchase of redeemable noncontrolling interests | (1.0) | (1.5) |
| Net income attributable to redeemable noncontrolling interests | 0.6 | 0.2 |
| Exercised options | 0.1 | — |
| Redemption value adjustment | 6.2 | (1.2) |
| Other adjustments | — | 0.1 |
| Balance at end of period | \$ 30.5 | \$ 24.6 |

16. Restructuring and Impairment Activities

2018 Restructuring Expenses

North America Contract segment

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

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

ELA segment

On March 14, 2018, the company announced a facilities consolidation plan related to its ELA segment. This impacted certain office and manufacturing facilities in the United Kingdom and China. It is currently contemplated that this plan will generate approximately \$4 million in annual cost reductions as part of the company's three-year cost savings initiatives.

The company recognized restructuring expenses of \$3.9 million of which \$2.4 million related to workforce reductions and \$1.5 million related to the exit and disposal activities as a result of consolidating the United Kingdom office and China manufacturing facilities. The company expects the ELA facilities consolidations to be completed by the first quarter of fiscal 2020. It is currently contemplated that this plan will incur an additional estimated \$2 million of future restructuring and related special charges.

The following table provides an analysis of the changes in ELA segment restructuring costs reserve for the fiscal year ended June 2, 2018

| (In millions) | June 2, 2018 | | |
|------------------------|---|--|-------|
| | Severance and employee related expenses | Costs associated with exit and disposal activities | Total |
| Beginning Balance | \$ — | \$ — | \$ — |
| Restructuring expenses | 2.4 | 1.5 | 3.9 |
| Payments | (2.4) | (1.5) | (3.9) |
| Ending Balance | \$ — | \$ — | \$ — |

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 made in fiscal 2018.

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) | June 2, 2018 | June 3, 2017 |
|------------------------|---|---|
| | Severance and employee related expenses | Severance and employee related expenses |
| Beginning Balance | \$ 2.4 | \$ 0.4 |
| Restructuring expenses | — | 5.4 |
| Payments | (2.4) | (3.4) |
| Ending Balance | \$ — | \$ 2.4 |

17. Subsequent Event

On June 6, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the company, announced its intent to lead a group of buyers to acquire the outstanding equity of Maars Holding B.V. ("MAARS"), a Harderwijk, Netherlands-based worldwide leader in the design and manufacturing of interior wall solutions. The transaction is expected to close in the first quarter of fiscal 2019. As a result of the deal, the company will acquire a 48 percent ownership interest in MAARS for an estimated \$6 million in cash.

On June 7, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the company entered into an agreement to acquire 33 percent of the outstanding equity of Nine United Denmark A/S, d/b/a HAY ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The company acquired its 33 percent ownership interest in HAY for approximately \$66 million in cash. The company also acquired the rights to the HAY brand in North America under a long-term license agreement for approximately \$5 million in cash.

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 2, 2018, June 3, 2017, and May 28, 2016.

| (In millions, except per share data) | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--------------------------------------|---|------------------|-------------------|------------------|-------------------|
| 2018 | Net sales ⁽¹⁾ | \$ 580.3 | \$ 604.6 | \$ 578.4 | \$ 618.0 |
| | Gross margin ⁽¹⁾ | 216.9 | 222.1 | 205.8 | 228.3 |
| | Net earnings attributable to Herman Miller, Inc. ⁽¹⁾ | 33.1 | 33.5 | 29.8 | 31.8 |
| | Earnings per share-basic ⁽¹⁾ | 0.55 | 0.56 | 0.50 | 0.53 |
| | Earnings per share-diluted | 0.55 | 0.55 | 0.49 | 0.53 |
| 2017 | Net sales | \$ 598.6 | \$ 577.5 | \$ 524.9 | \$ 577.2 |
| | Gross Margin ⁽¹⁾ | 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 ⁽¹⁾ | 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. ⁽¹⁾ | 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 |

(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 2, 2018, 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 2, 2018.

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

Opinion on Internal Control over Financial Reporting

We have audited Herman Miller, Inc. and subsidiaries' internal control over financial reporting as of June 2, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Herman Miller, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 2, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of June 2, 2018 and June 3, 2017, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 2, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated July 31, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Grand Rapids, Michigan
July 31, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries (the Company) as of June 2, 2018 and June 3, 2017, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 2, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 2, 2018 and June 3, 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 2, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 2, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 31, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002

Grand Rapids, Michigan

July 31, 2018

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 2, 2018 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 2, 2018, 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 2018 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 2018 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. 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 2018 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 2018 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 2018 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 2018 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 2018 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 | 43 |
| Consolidated Balance Sheets | 44 |
| Consolidated Statements of Stockholders' Equity | 45 |
| Consolidated Statements of Cash Flows | 46 |
| Notes to the Consolidated Financial Statements | 47 |
| Management's Report on Internal Control over Financial Reporting | 81 |
| Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting | 82 |
| Report of Independent Registered Public Accounting Firm on Financial Statements | 83 |

2. Financial Statement Schedule

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

| | <u>Page Number in this Form 10-K</u> |
|---|--|
| Schedule II- Valuation and Qualifying Accounts and Reserves for the Years Ended June 2, 2018, June 3, 2017 and May 28, 2016 | 90 |

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 89-90.

Item 16 FORM 10-K SUMMARY

None

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 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (c) [Form of Change in Control Agreement of the Registrant and James E. Christenson is incorporated by reference from Exhibit 10\(c\) of Registrant's June 3, 2017 Form 10-K Annual Report \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (e) [Herman Miller, Inc. Executive Incentive Cash Bonus Plan dated April 24, 2006 is incorporated by reference from Exhibit 10\(e\) of Registrant's June 3, 2017 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (f) [Form of Herman Miller, Inc., Long-Term Incentive Plan Stock Option Agreement is incorporated by reference to Exhibit 10\(f\) of the Registrant's July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (g) [Form of Herman Miller, Inc., Long-Term Incentive Restricted Stock Unit Award is incorporated by reference to Exhibit 10\(g\) of the Registrant's July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (h) [Form of Herman Miller, Inc., Long-Term Incentive Performance Stock Unit EBITDA Award is incorporated by reference from Exhibit 10\(h\) of the Registrant's June 3, 2017 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 \(Commission File No. 001-15141\).](#)⁽¹⁾

- (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 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 \(Commission File No. 001-15141\).](#)⁽¹⁾⁽²⁾
 - (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 \(Commission File No. 001-15141\).](#)⁽¹⁾⁽²⁾
 - (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 July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 July 28, 2015 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (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 July 26, 2016 Form 10-K \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (r) [Retirement Agreement dated February 5, 2018 between Herman Miller, Inc. and Brian C. Walker, Chief Executive Officer, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q dated April 11, 2018 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (s) [Covenant Agreement dated February 5, 2018 between Herman Miller, Inc. and Brian C. Walker, Chief Executive Officer, is incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q dated April 11, 2018 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (t) [Form of Retention Agreement dated February 5, 2018 between Herman Miller, Inc. and John Edelman, Steve Gane, Jeremy Hocking, Timothy Lopez, and John McPhee.](#)⁽¹⁾
 - (u) [Form of Retention Agreement between Herman Miller, Inc. and Jeffrey M. Stutz, Gregory J. Bylsma, Andrew J. Lock, and B. Ben Watson is incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K dated February 5, 2018 \(Commission File No. 001-15141\).](#)⁽¹⁾
 - (v) [The Share Purchase agreement dated June 7, 2018 between Herman Miller Holdings Limited, Nine United A/S and Holdingselskabet af 1/7 2007 ApS.](#)⁽¹⁾
- (21) [Subsidiaries](#)
 - (23)(a) [Consent of Independent Registered Public Accounting Firm](#)
 - (24) [Power of Attorney \(included on the signature page to this Registration Statement\)](#)
 - (31)(a) [Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
 - (31)(b) [Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
 - (32)(a) [Certificate of the Chief Executive Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
 - (32)(b) [Certificate of the Chief Financial Officer of Herman Miller, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

⁽¹⁾ Denotes compensatory plan or arrangement.

⁽²⁾ Subsequent to the agreement, the legal name of the company was changed from HM Springboard, Inc. to Herman Miller Consumer Holdings, Inc.

SIGNATURES

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

HERMAN MILLER, INC.

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

Date: July 31, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on, July 31, 2018 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 A. Brandon
David A. Brandon
(Director)

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

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

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

/s/ Heidi Manheimer
Heidi Manheimer
(Director)

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

/s/ Brenda Freeman
Brenda Freeman
(Director)

/s/ Brian C. Walker
Brian C. Walker
(President, Chief Executive Officer, and Director)

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

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(In millions)


| Column A | Column B | Column C | Column D | Column E |
|--|--------------------------------|----------------------------------|---------------------------|--------------------------|
| Description | Balance at beginning of period | Charges to expenses or net sales | Deductions ⁽³⁾ | Balance at end of period |
| Year ended June 2, 2018: | | | | |
| Accounts receivable allowances — uncollectible accounts ⁽¹⁾ | \$ 2.3 | \$ 0.6 | \$ (0.5) | \$ 2.4 |
| Accounts receivable allowances — credit memo ⁽²⁾ | \$ 0.4 | \$ 0.1 | \$ — | \$ 0.5 |
| Allowance for possible losses on notes receivable | \$ 0.9 | \$ (0.5) | \$ — | \$ 0.4 |
| Valuation allowance for deferred tax asset | \$ 10.0 | \$ 0.5 | \$ (0.2) | \$ 10.3 |
| Year ended June 3, 2017: | | | | |
| Accounts receivable allowances — uncollectible accounts ⁽¹⁾ | \$ 3.4 | \$ — | \$ (1.1) | \$ 2.3 |
| Accounts receivable allowances — credit memo ⁽²⁾ | \$ 0.4 | \$ — | \$ — | \$ 0.4 |
| Allowance for possible losses on notes receivable | \$ 0.9 | \$ — | \$ — | \$ 0.9 |
| Valuation allowance for deferred tax asset | \$ 10.6 | \$ (0.6) | \$ — | \$ 10.0 |
| Year ended May 28, 2016: | | | | |
| Accounts receivable allowances — uncollectible accounts ⁽¹⁾ | \$ 2.4 | \$ 2.3 | \$ (1.3) | \$ 3.4 |
| Accounts receivable allowances — credit memo ⁽²⁾ | \$ 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 |

(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.

© 2018 Herman Miller, Inc., Zeeland, Michigan Printed in U.S.A. please recycle P.MS2854-2

® Herman Miller, , Design Within Reach, Geiger, Maharam and Nemschoff are among the trademarks of Herman Miller, Inc., and its subsidiaries

All other trademarks are the property of their respective owners

2018