MILLER HERMAN INC
Form 10-Q
April 06, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY 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 Quarter Ended February 27, 2016	Commission File No. 001-15141

HERMAN MILLER, INC.

A Michigan Corporation	ID No. 38-0837640
855 East Main Avenue, Zeeland, MI 49464-0302	Phone (616) 654 3000

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [_] Non-accelerated filer [_] Smaller reporting company [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [_] No [X]

Common Stock Outstanding at April 4, 2016 - 59,908,233 shares

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Herman Miller, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in millions, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Net sales	$536.5	$516.4	$1,682.3	$1,591.5
Cost of sales	328.7	325.9	1,033.3	1,009.7
Gross margin	207.8	190.5	649.0	581.8
Operating expenses:				
Selling, general, and administrative	143.6	133.0	436.4	400.8
Restructuring expenses	—	1.9	—	1.9
Design and research	19.9	18.2	57.7	52.8
Total operating expenses	163.5	153.1	494.1	455.5
Operating earnings	44.3	37.4	154.9	126.3
Other expenses:				
Interest expense	3.8	4.4	11.6	13.7
Other, net	0.6	1.0	0.7	1.1
Earnings before income taxes and equity income	39.9	32.0	142.6	111.5
Income tax expense	11.9	10.8	46.1	37.3
Equity earnings from nonconsolidated affiliates, net of tax	0.2	—	0.4	0.1
Net earnings	28.2	21.2	96.9	74.3
Net earnings attributable to noncontrolling interests	0.3	0.2	0.8	0.2
Net earnings attributable to Herman Miller, Inc.	$27.9	$21.0	$96.1	$74.1
Earnings per share — basic	$0.46	$0.35	$1.61	$1.25
Earnings per share — diluted	$0.46	$0.35	$1.59	$1.23
Dividends declared, per share	$0.148	$0.140	$0.443	$0.420
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	$(6.0)	$(3.6)	$(10.5)	$(9.5)
Pension and post-retirement liability adjustments	0.6	0.3	2.0	1.2
Other comprehensive loss	(5.4)	(3.3)	(8.5)	(8.3)
Comprehensive income	22.8	17.9	88.4	66.0
Comprehensive income attributable to noncontrolling interests	0.3	0.2	0.8	0.2
Comprehensive income attributable to Herman Miller, Inc.	$22.5	$17.7	$87.6	$65.8

See accompanying notes to condensed consolidated financial statements.

Herman Miller, Inc.
Condensed Consolidated Balance Sheets
(Dollars in millions, except per share data)
(Unaudited)

	February 27, 2016	May 30, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$55.3	$63.7
Marketable securities	7.3	5.7
Accounts and notes receivable, net	183.9	189.6
Inventories, net	135.3	129.6
Prepaid expenses and other	53.6	74.9
Total current assets	435.4	463.5
Property and equipment, at cost	908.2	868.6
Less — accumulated depreciation	(642.8)	(619.1)
Net property and equipment	265.4	249.5
Goodwill	305.6	303.1
Indefinite-lived intangibles	85.2	85.2
Other amortizable intangibles, net	52.1	52.3
Other noncurrent assets	44.9	39.1
Total Assets	$1,188.6	$1,192.7
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$143.5	$164.7
Accrued compensation and benefits	88.1	66.6
Accrued warranty	41.6	39.3
Other accrued liabilities	86.4	92.8
Total current liabilities	359.6	363.4
Long-term debt	240.2	289.8
Pension and post-retirement benefits	23.8	27.8
Other liabilities	44.6	61.0
Total Liabilities	668.2	742.0
Redeemable noncontrolling interests	27.6	30.4
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $0.20 par value (240,000,000 shares authorized, 59,888,961 and 59,694,611 shares issued and outstanding in 2016 and 2015, respectively)	12.0	11.9
Additional paid-in capital	142.8	135.1
Retained earnings	403.0	330.2
Accumulated other comprehensive loss	(64.7)	(56.2)
Key executive deferred compensation plans	(1.1)	(1.2)
Herman Miller, Inc. Stockholders' Equity	492.0	419.8
Noncontrolling Interests	0.8	0.5
Total Stockholders' Equity	492.8	420.3
Total Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity	$1,188.6	$1,192.7

See accompanying notes to condensed consolidated financial statements.

Herman Miller, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in millions)
(Unaudited)

	Nine Months Ended February 27, 2016	February 28, 2015
Cash Flows from Operating Activities:		
Net earnings	$96.9	$74.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	39.9	38.6
Stock-based compensation	9.3	8.1
Excess tax benefits from stock-based compensation	(1.1)	(0.7)
Pension and post-retirement expenses	1.1	0.7
Deferred taxes	(2.1)	(2.5)
Restructuring expenses	—	1.9
(Increase) decrease in current assets	(26.0)	3.2
Decrease in current liabilities	(0.1)	(13.6)
Increase (decrease) in non-current liabilities	6.3	(0.9)
Other, net	1.7	0.7
Net Cash Provided by Operating Activities	125.9	109.8
Cash Flows from Investing Activities:		
Proceeds from sales of property	3.2	0.3
Marketable securities purchases	(7.3)	—
Marketable securities sales	5.7	4.6
Acquisitions, net of cash received	(3.6)	(154.0)
Capital expenditures	(55.2)	(43.2)
Other, net	(0.8)	(8.2)
Net Cash Used in Investing Activities	(58.0)	(200.5)
Cash Flows from Financing Activities:		
Dividends paid	(26.0)	(24.9)
Proceeds from issuance of long-term debt	615.2	622.0
Payments of long-term debt	(664.9)	(546.0)
Common stock issued	6.7	7.2
Common stock repurchased and retired	(8.7)	(3.3)
Excess tax benefits from stock-based compensation	1.1	0.7
Purchase of noncontrolling interests	—	(5.8)
Other, net	—	0.8
Net Cash Provided by (Used in) Financing Activities	(76.6)	50.7
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0.3	0.3
Net Decrease in Cash and Cash Equivalents	(8.4)	(39.7)
Cash and Cash Equivalents, Beginning of Period	63.7	101.5
Cash and Cash Equivalents, End of Period	$55.3	$61.8

See accompanying notes to condensed consolidated financial statements.

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Herman Miller, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Dollars in millions)
(Unaudited)

	Nine Months Ended	
	February 27, 2016	February 28, 2015
Preferred Stock		
Balance at beginning of year and end of period	$—	$—
Common Stock		
Balance at beginning of year	11.9	11.9
Restricted stock units released	0.1	—
Balance at end of period	12.0	11.9
Additional Paid-in Capital		
Balance at beginning of year	135.1	122.4
Repurchase and retirement of common stock	(8.7)	(3.3)
Exercise of stock options	4.6	5.6
Stock-based compensation expense	6.8	7.2
Excess tax benefit for stock-based compensation	0.5	0.3
Restricted stock units released	2.5	0.2
Employee stock purchase plan issuances	1.5	1.2
Deferred compensation plan	(0.1)	(0.5)
Directors' fees	0.6	0.4
Balance at end of period	142.8	133.5
Retained Earnings		
Balance at beginning of year	330.2	269.6
Net income attributable to Herman Miller, Inc.	96.1	74.1
Dividends declared on common stock (per share - 2016: $0.443; 2015; $0.420)	(26.7)	(25.2)
Noncontrolling interests redemption value adjustment	3.4	—
Balance at end of period	403.0	318.5
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(56.2)	(37.9)
Other comprehensive loss	(8.5)	(8.3)
Balance at end of period	(64.7)	(46.2)
Key Executive Deferred Compensation		
Balance at beginning of year	(1.2)	(1.7)
Deferred compensation plan	0.1	0.5
Balance at end of period	(1.1)	(1.2)
Herman Miller, Inc. Stockholders' Equity	492.0	416.5
Noncontrolling Interests		
Balance at beginning of year	0.5	—
Net income attributable to noncontrolling interests	0.3	—
Noncontrolling interests related to DWR acquisition	—	5.8
Purchase of noncontrolling interests	—	(5.8)
Balance at end of period	0.8	—
Total Stockholders' Equity	$492.8	$416.5

Notes to Condensed Consolidated Financial Statements
Three and Nine Months Ended February 27, 2016
(in millions)

1. Basis of Presentation and Correction of Immaterial Error

The condensed consolidated financial statements have been prepared by Herman Miller, Inc. (“the company”) in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Management believes the disclosures made in this document are adequate with respect to interim reporting requirements.

The accompanying unaudited condensed consolidated financial statements, taken as a whole, contain all adjustments that are of a normal recurring nature necessary to present fairly the financial position of the company as of February 27, 2016. Operating results for the nine months ended February 27, 2016, are not necessarily indicative of the results that may be expected for the year ending May 28, 2016. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the company's annual report on Form 10-K for the year ended May 30, 2015.

In the second quarter of fiscal 2016, the company made an adjustment to correct an immaterial error related to the accrual for product warranties. As a result of this correction, the company adjusted Accrued warranty, Other noncurrent assets (to capture the impact of adjusting deferred taxes), and Retained earnings by $12.5 million, $4.7 million, and $7.8 million, respectively. The adjustment impacts the Condensed Consolidated Balance Sheets as of May 30th, 2015, the Condensed Consolidated Statement of Stockholders’ Equity as of February 28, 2015, Note 12 - Commitments and Contingencies, and Note 17 - Operating Segments. This correction had no impact on earnings or cash flows.

2. Recently Issued Accounting Standards Not Yet Adopted

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
Intangibles - Goodwill and Other - Internal-Use Software Customer's Accounting for Fees Paid in a Cloud Computing Arrangement	The standard provides guidance regarding whether a cloud computing arrangement includes a software license. The customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The updated standard can be applied either prospectively or retrospectively.	May 29, 2016	The company is currently evaluating the impact of adopting this guidance.
Simplifying the Measurement of Inventory	Under the updated standard, an entity should measure inventory that is measured using either the first-in, first-out ("FIFO") or average cost methods at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably	June 4, 2017	The company is currently evaluating the impact of adopting this guidance.

	predictable costs of completion, disposal, and transportation. The updated standard should be applied prospectively.		
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 is currently evaluating the possible adoption methodologies and the implications of adoption on our consolidated financial statements.
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.

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3. Fiscal Year

The company's fiscal year ends on the Saturday closest to May 31. Fiscal 2016, the year ending May 28, 2016, and fiscal 2015, the year ended May 30, 2015, each contain 52 weeks. The third quarters of fiscal 2016 and fiscal 2015 each contained 13 weeks.

4. Acquisitions

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. During the second quarter of fiscal 2016, the company finalized the purchase accounting for the acquisition of the George Nelson Bubble Lamp product line.

Design Within Reach Acquisition
On July 28, 2014, the company acquired the majority of the outstanding equity of Design Within Reach, Inc. ("DWR"), a Stamford, Connecticut based, leading North American marketer and seller of modern furniture, lighting, and accessories primarily serving consumers and design trade professionals. The acquisition of DWR advanced the company's strategy of being both an industry brand and a consumer brand by expanding the company's reach into the consumer sector.

The company purchased an ownership interest in DWR equal to approximately 81 percent for $155.2 million in cash. Subsequent to the initial transaction, the company acquired an additional 4 percent of DWR stock from the remaining public shareholders for approximately $5.8 million in cash, all of which was paid during the first and second quarters of fiscal 2015. The remaining 15 percent of DWR stock was contributed by DWR executives into a newly formed consumer facing subsidiary and the company contributed the assets of the existing Herman Miller Consumer business. After these transactions, the redeemable noncontrolling interests in the newly formed subsidiary, known as Herman Miller Consumer Holdings, Inc. ("HMCH"), were approximately 7 percent. The remaining HMCH shareholders have a put option to require the company to purchase their remaining interest over a five-year period from the date of issuance of such shares. As a result, these noncontrolling interests are not included within Stockholders' Equity within the Condensed Consolidated Balance Sheets, but rather, are included within Redeemable noncontrolling interests.

DWR acquisition-related expenses were $2.2 million during fiscal 2015. These expenses included legal and professional services fees. The following table summarizes the fair values of the assets acquired and the liabilities assumed from the acquisition.

Assets Acquired and Liabilities Assumed on July 28, 2014	
(In millions)	Fair Value
Purchase price	$155.2
Fair value of the assets acquired:	
Cash	1.2
Accounts receivable	2.2
Inventory	47.4
Current deferred tax asset	1.5
Other current assets	5.5
Goodwill	75.6
Other intangible assets	68.5
Property	32.0
Other long term assets	2.4
Total assets acquired	236.3
Fair value of liabilities assumed:	
Accounts payable	20.8
Accrued compensation and benefits	1.6
Other accrued liabilities	12.3
Long term deferred tax liability	14.5
Other long term liabilities	0.4
Total liabilities assumed	49.6
Redeemable noncontrolling interests	25.7
Noncontrolling interests	5.8
Net assets acquired	$155.2

The goodwill stemming from the transaction in the amount of $75.6 million was recorded as "Goodwill" in the Condensed Consolidated Balance Sheet and allocated to the Consumer reportable segment. The goodwill recognized was attributable primarily to the assembled workforce and expected synergies from DWR and the total amount of this goodwill is not deductible for tax purposes.

Other intangible assets acquired as a result of the acquisition of DWR were valued at $68.5 million. These amounts are reflected in the values presented in the following table:

Intangible Assets Acquired from the DWR Acquisition

(In millions)	Fair Value	Useful Life
Trade Names and Trademarks	$55.1	Indefinite
Exclusive Distribution Agreements	0.2	1.5 years
Customer Relationships	12.0	10 - 16 years
Product Development Designs	1.2	7 years
Total Intangible Assets Acquired	$68.5	

5. Inventories, net

(In millions)	February 27, 2016	May 30, 2015
Finished goods	$108.7	$106.5
Raw materials	26.6	23.1
Total	$135.3	$129.6

Inventories are valued at the lower of cost or market and include material, labor, and overhead. The inventories of the majority of domestic manufacturing subsidiaries are valued using the last-in, first-out method ("LIFO"). The inventories of all other subsidiaries are valued using the first-in, first-out method ("FIFO").

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6. Goodwill and Indefinite-lived Intangibles

Goodwill and other indefinite-lived intangible assets included in the Condensed Consolidated Balance Sheets consisted of the following as of February 27, 2016 and May 30, 2015:

(In millions)	Goodwill	Indefinite-lived Intangible Assets	Total Goodwill and Indefinite-lived Intangible Assets
May 30, 2015	$303.1	$85.2	$388.3
Foreign currency translation adjustments	(0.7)	—	(0.7)
Acquisition	3.2	—	3.2
February 27, 2016	$305.6	$85.2	$390.8

7. Employee Benefit Plans

Components of Net Periodic Benefit Costs

	Three Months Ended Pension Benefits		Nine Months Ended Pension Benefits	
(In millions)	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
International:				
Interest cost	$1.0	$1.2	$2.9	$3.5
Expected return on plan assets	(1.4)	(1.5)	(4.1)	(4.5)
Net amortization loss	0.6	0.5	2.0	1.5
Net periodic benefit cost	$0.2	$0.2	$0.8	$0.5

8. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share (EPS):

	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Numerators:				
Numerator for both basic and diluted EPS, net earnings attributable to Herman Miller, Inc. - in millions	$27.9	$21.0	$96.1	$74.1
Denominators:				
Denominator for basic EPS, weighted-average common shares outstanding	59,885,597	59,550,289	59,837,132	59,430,575
Potentially dilutive shares resulting from stock plans	565,251	547,900	569,544	566,292
Denominator for diluted EPS	60,450,848	60,098,189	60,406,676	59,996,867
Antidilutive equity awards not included in weighted-average common shares - diluted	531,021	676,405	585,770	703,364

The company has certain share-based payment awards that meet the definition of participating securities. The company has evaluated the impact on EPS of all participating securities under the two-class method, noting the impact on EPS was immaterial.

9. Stock-Based Compensation

The following table summarizes the stock-based compensation expense and related income tax effect for the periods indicated:

(In millions)	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Stock-based compensation expense	$2.7	$2.4	$9.3	$8.1
Related income tax effect	1.0	0.8	3.4	2.9

Stock-based compensation expense recognized in the Condensed Consolidated Statements of Comprehensive Income for the three and nine month periods ended February 27, 2016 and February 28, 2015 has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ. Forfeitures are estimated based on historical experience.

For the nine month period ended February 27, 2016, the company issued 187,829 shares of common stock related to the exercise of stock options, 179,265 shares of common stock related to the vesting of restricted stock units, and 55,825 shares of common stock related to the vesting of performance share units.

For the nine month period ended February 28, 2015, the company issued 258,927 shares of common stock related to the exercise of stock options, 130,144 shares of common stock related to the vesting of restricted stock units, and no shares of common stock related to the vesting of performance share units.

10. Income Taxes

The company recognizes interest and penalties related to uncertain tax benefits through income tax expense in its Condensed Consolidated Statement of Comprehensive Income. Interest and penalties recognized in the company's Condensed Consolidated Statement of Comprehensive Income were negligible and $0.2 million during the three month periods ended February 27, 2016 and February 28, 2015, respectively and were negligible and $0.3 million during the nine month periods ended February 27, 2016 and February 28, 2015, respectively. The company's recorded liability for potential interest and penalties related to uncertain tax benefits totaled $0.9 million as of both February 27, 2016 and May 30, 2015. The company had income tax accruals associated with uncertain tax benefits totaling $2.6 million and $1.8 million as of February 27, 2016 and May 30, 2015, respectively.

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 twelve months as a result of the audits. Tax payments related to these audits, if any, are not expected to be material to the company's Condensed Consolidated Statements of Comprehensive Income.

For the majority of tax jurisdictions, the company is no longer subject to state, local, or non-United States income tax examinations by tax authorities for fiscal years before 2012.

11. Fair Value Measurements

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

Available-for-sale securities — The company's available-for-sale marketable securities primarily include exchange traded and fixed income mutual funds, mortgage-backed debt securities, government obligations and corporate debt securities and are recorded at fair value using quoted prices for similar securities. During the third quarter of fiscal 2016, the company adjusted the investment portfolio from individual investments to mutual funds to more broadly diversify the asset base.

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

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

The following tables set forth financial assets and liabilities measured at fair value in the Condensed Consolidated Balance Sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of February 27, 2016 and May 30, 2015.

(In millions)	Fair Value Measurements	
	February 27, 2016	May 30, 2015
Financial Assets	Quoted Prices with Other Observable Inputs (Level 2)	Quoted Prices with Other Observable Inputs (Level 2)
Available-for-sale marketable securities:		
Asset-backed securities	$—	$0.2
Corporate securities	—	0.6
Mortgage-backed securities	—	0.5
Government obligations	0.4	4.4
Mutual funds	6.9	—
Foreign currency forward contracts	0.5	0.7
Deferred compensation plan	7.2	7.9
Total	$15.0	$14.3
Financial Liabilities		
Foreign currency forward contracts	$0.7	$0.2
Total	$0.7	$0.2

The company does not hold any level 3 investments. The following is a summary of the carrying and market values of the company's marketable securities as of the respective dates.

	February 27, 2016			
(In millions)	Cost	Unrealized Gain	Unrealized Loss	Market Value
Government obligations	0.4	—	—	0.4
Mutual funds	6.9	$—	$—	$6.9
Total	$7.3	$—	$—	$7.3

	May 30, 2015			
(In millions)	Cost	Unrealized Gain	Unrealized Loss	Market Value
Asset-backed securities	$0.2	$—	$—	$0.2
Corporate securities	0.6	—	—	0.6
Government obligations	4.4	—	—	4.4
Mortgage-backed securities	0.5	—	—	0.5
Total	$5.7	$—	$—	$5.7

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. 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.

Maturities of debt securities included in marketable securities as of February 27, 2016, are as follows:

(In millions)	Cost	Fair Value
Due within one year	$0.4	$0.4
Total	$0.4	$0.4

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.

12. Commitments and Contingencies

Product Warranties

The company provides coverage to the end-user for parts and labor on products sold under its warranty policy and for other product-related matters. The standard length of warranty is twelve years for the majority of products sold; 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 the various costs associated with the company's warranty program and are included in the Condensed Consolidated Balance Sheets under “Accrued warranty.” General warranty reserves are based on historical claims experience and other currently available information. These reserves are adjusted once an issue is identified and the actual cost of correction becomes known or can be estimated.

(In millions)	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Accrual Balance — beginning	$40.6	$38.5	$39.3	$37.7
Accrual for product-related matters	5.7	5.4	17.9	18.1
Settlements and adjustments	(4.7)	(5.3)	(15.6)	(17.2)
Accrual Balance — ending	$41.6	$38.6	$41.6	$38.6

Guarantees

The company is periodically required to provide performance bonds to do business with certain customers. These arrangements are common and generally have terms ranging between one and three years. The bonds are required to provide assurance to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The bonds are provided by various bonding agencies; however, the company is ultimately liable for claims that may occur against them. As of February 27, 2016, the company had a maximum financial exposure related to performance bonds totaling approximately $7.5 million. The company has no history of claims, nor is it aware of circumstances that would require it to pay, under any of these arrangements. The company also believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company's financial statements. Accordingly, no liability has been recorded in respect to these bonds as of either February 27, 2016 or May 30, 2015.

The company has entered into standby letter of credit arrangements for purposes of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of February 27, 2016, the company had a maximum financial exposure from these standby letters of credit totaling approximately $8.8 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 materially affect the company's financial statements. Accordingly, no liability has been recorded in respect of these arrangements as of February 27, 2016 and May 30, 2015.

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.

13. Debt

Long-term debt as of February 27, 2016 and May 30, 2015 consisted of the following obligations:

(In millions)	February 27, 2016	May 30, 2015
Series B senior notes, due January 3, 2018	$149.8	$149.8
Debt securities, due March 1, 2021	50.0	50.0
Syndicated revolving line of credit, due July 2019	40.4	90.0
Total	$240.2	$289.8

On July 21, 2014, the company entered into a third amendment and restatement of its syndicated revolving line of credit, which provides the company with up to $250 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 $125 million. The facility expires in July 2019 and outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period if borrowings are outstanding. As of February 27, 2016, the total debt outstanding related to borrowings under this facility was $40.4 million. These borrowings are included within Long-term debt in the Condensed Consolidated Balance Sheet. As of February 27, 2016, the total usage against the facility was $49.2 million, of which $8.8 million related to outstanding letters of credit. As of May 30, 2015, total usage against this facility was $98.3 million, $8.3 million of which related to outstanding letters of credit.

14. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the nine months ended February 27, 2016 and February 28, 2015:

	Nine Months Ended	
(In millions)	February 27, 2016	February 28, 2015
Cumulative translation adjustments at beginning of period	$(20.8)	$(11.1)
Translation adjustments	(10.5)	(9.5)
Balance at end of period	(31.3)	(20.6)
Pension and other post-retirement benefit plans at beginning of period	(35.4)	(26.8)
Reclassification to earnings - operating expenses (net of tax $(0.6), $(0.3))	2.0	1.2
Balance at end of period	(33.4)	(25.6)
Total accumulated other comprehensive loss	$(64.7)	$(46.2)

15. Restructuring Activities

During the third quarter of fiscal 2015 the company announced restructuring actions involving targeted workforce reductions within the North American segment. These actions resulted in the recognition of restructuring expenses related to severance and outplacement costs totaling $1.9 million during the quarter.

16. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests are reported on the Consolidated Balance Sheets in mezzanine equity in “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. 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 nine months ended February 27, 2016 and February 28, 2015 are as follows:

	Nine Months Ended	
(In millions)	February 27, 2016	February 28, 2015
Beginning Balance	$30.4	$—
Increase due to business combination	—	25.7
Net income attributable to redeemable noncontrolling interests	0.5	0.2
Exercised options	—	0.7
Redemption value adjustment	(3.4)	—
Other adjustments	0.1	0.9
Ending Balance	$27.6	$27.5

17. Operating Segments

The company's reportable segments consist of North American Furniture Solutions, ELA ("EMEA, Latin America, and Asia Pacific") Furniture Solutions, Specialty, and Consumer. The North American Furniture Solutions reportable segment includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. ELA Furniture Solutions includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, in the EMEA, Latin America, and Asia-Pacific geographic regions. Specialty includes the operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, and Herman Miller Collection products. The Consumer segment includes the operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct-to-consumer sales through eCommerce and DWR studios.

The company also reports a “Corporate” category consisting primarily of unallocated corporate expenses including restructuring, impairment, acquisition-related costs, and other unallocated corporate costs.

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 company has determined that allocation based on relative net sales is appropriate. The majority of corporate costs are allocated to the operating segments; however, certain 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. For example, restructuring charges that are reflected in operating earnings are allocated to the “Corporate” category.

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 periods indicated.

	Three Months Ended		Nine Months Ended	
(In millions)	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Net Sales:				
North American Furniture Solutions	$312.7	$296.0	$998.9	$932.4
ELA Furniture Solutions	98.9	97.3	302.1	307.0
Specialty	54.7	50.5	170.2	160.5
Consumer	70.2	72.6	211.1	191.6
Corporate	—	—	—	—
Total	$536.5	$516.4	$1,682.3	$1,591.5

Operating Earnings (Loss):				
North American Furniture Solutions	$30.6	$26.7	$112.8	$95.2
ELA Furniture Solutions	6.8	6.2	20.7	19.7
Specialty	3.4	1.9	11.9	7.6
Consumer	2.8	4.6	9.3	8.4
Corporate	0.7	(2.0)	0.2	(4.6)
Total	$44.3	$37.4	$154.9	$126.3

(In millions)	February 27, 2016	May 30, 2015
Total Assets:		
North American Furniture Solutions	$502.4	$504.5
ELA Furniture Solutions	225.3	235.4
Specialty	149.6	151.6
Consumer	248.7	231.8
Corporate	62.6	69.4
Total	$1,188.6	$1,192.7

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations
Three and Nine Months Ended February 27, 2016
(in millions)

The following is management's discussion and analysis of certain significant factors that affected the company's financial condition, earnings and cash flows during the periods included in the accompanying condensed consolidated financial statements and should be read in conjunction with the company's Annual Report on Form 10-K for the fiscal year ended May 30, 2015. References to “Notes” are to the footnotes included in the accompanying condensed consolidated financial statements.

Discussion of Current Business Conditions

During the third quarter of fiscal 2016, we demonstrated further success toward our mission of providing inspiring designs across our multi-channel distribution network. This success was evidenced by growth in revenue and profitability. Net sales increased to $536.5 million, a 4 percent increase as compared to the prior year. The growth in net sales, combined with continued gross margin expansion and controlled operating expenses, drove earnings growth, as operating earnings increased 18 percent and diluted earnings per share increased from $0.35 to $0.46 as compared to the same period last year.

The North American segment contributed significantly to our growth in net sales and orders this quarter. Net sales for the segment grew at a rate of 6 percent and orders increased by 5 percent, as compared to the same period in the prior year. Excluding the impact of foreign currency translation, net sales growth in the quarter was 7 percent and orders increased by more than 6 percent relative to the same quarter a year ago. We believe this improvement demonstrates the impact of our investments over the past year in new products, refreshed showrooms and a solutions-based selling approach that provides our customers designs to solve real problems.

Foreign currency translation and growing economic uncertainty within Europe and the Middle East had a negative impact on the ELA segment, which reported a 2 percent increase in net sales as compared to the prior year and a 6 percent decrease in orders. On a constant currency basis, net sales for ELA increased 7 percent and orders decreased 1 percent relative to the same quarter a year ago. Despite the pressure of foreign currency translation, the ELA segment continues to pursue growth through investment in new products under both the Herman Miller and POSH brand names.

Our Specialty segment continued to gain momentum in the current quarter as it reported growth in net sales and operating earnings as compared to the same period of the prior year. Net sales growth of 8 percent within the Specialty segment was broad-based across the three Specialty brands - Geiger, Maharam and the Herman Miller Collection. We believe the growth within this segment is evidence of the ability of these brands to connect to architect and design specifiers and expand our market opportunities.

The Consumer segment posted year-over-year decreases in both orders (1 percent) and net sales (3 percent) as compared to the prior year. These changes continued to be driven by the factors discussed in the prior quarter. These factors included a temporary reduction in the number of DWR studios resulting from its strategy of converting from small legacy locations to newer, larger-format store footprints. Additionally, this segment was again negatively impacted by continued softness within the company's legacy retail distribution channel following actions taken last fiscal year to reduce the number of independent retail distributors.

Moving forward, we plan to expand DWR studio square footage through incremental new locations and market re-positioning of existing locations. During the third quarter of fiscal 2016 we increased marketing expenses within the Consumer segment by approximately $2.0 million. A portion of this spending went toward the creation of the first DWR Trade Sourcebook, a resource that makes it easier to serve the trade audience of residential designers with DWR products. We believe the value drivers within the Consumer segment remain intact to drive future growth. These drivers include the transition of DWR studios to larger, more efficient formats, and increasing the breadth of the product portfolio, particularly in the area of exclusive product designs.

Capital expenditures totaled $55.2 million for the nine months ended February 27, 2016, an increase of $12.0 million compared to the first nine months of fiscal 2015. The increase was mostly attributable to the construction of our new consolidated manufacturing and distribution facility in the United Kingdom. We anticipate our full year capital spending to be approximately $70.0 million.

The economic backdrop of our business was mixed globally. North America continued to benefit from strong employment, encouraging construction and architectural billings data, as well as low commodity costs. Outside of North America, we are closely monitoring commodity-driven economies that are currently (or are expected to experience) slower growth in the future. In addition, growing uncertainty over the potential impact of a United Kingdom exit from the European Union is an area of concern for our business in that important market.

The remaining sections within Item 2 include additional analysis of our three and nine months ended February 27, 2016, including discussion of significant variances compared to the prior year periods.

Reconciliation of Non-GAAP Financial Measures

This report contains references to Organic net sales, Adjusted operating earnings, Adjusted EBITDA, and Adjusted earnings per share – diluted, all of which are non-GAAP financial measures (referred to collectively as the "Adjusted financial measures"). The adjusted financial measures are calculated by excluding from Sales, Operating earnings, and Earnings per share – diluted items that we believe are not indicative of our ongoing operating performance. Such items consist of the following:

- Expenses associated with acquisition-related inventory adjustments
- Transaction expenses associated with recent acquisitions
- Expenses associated with restructuring actions taken to adjust our cost structure to the current business climate
- Impact of foreign currency translation on net sales
- Impact of acquisitions on net sales

Adjusted EBITDA is calculated by excluding depreciation, amortization and other net income or expense from Adjusted Operating Earnings. Organic sales represents the change in Net sales, excluding currency translation effects and the impact of acquisitions. We present 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 Net sales, Operating earnings and Earnings per share – diluted 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 our results as reported under GAAP. Our presentation of the adjusted financial measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. We compensate for these limitations by providing prominence of our GAAP results and using the adjusted financial measures only as a supplement.

The following table reconciles Net sales to Organic net sales for the periods and reportable operating segments indicated.

	Three Months Ended 2/27/16					Three Months Ended 2/28/15				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net Sales, as reported	$312.7	$98.9	$54.7	$70.2	$536.5	$296.0	$97.3	$50.5	$72.6	$516.4
% change from PY	5.6 %	1.6 %	8.3 %	(3.3)%	3.9 %					
Currency Translation Effects (1)	2.7	5.2	0.1	0.2	8.2	—	—	—	—	—
Organic net sales	$315.4	$104.1	$54.8	$70.4	$544.7	$296.0	$97.3	$50.5	$72.6	$516.4
% change from PY	6.6 %	7.0 %	8.5 %	(3.0)%	5.5 %					

	Nine Months Ended 2/27/16					Nine Months Ended 2/28/15				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total

Net Sales, as reported	$998.9	$302.1	$170.2	$211.1	$1,682.3	$932.4	$307.0	$160.5	$191.6	$1,591.5
% change from PY	7.1 %	(1.6)%	6.0 %	10.2 %	5.7 %					
Currency Translation Effects (1)	11.4	24.4	0.5	0.7	37.0	—	—	—	—	—
Acquisition	—	—	—	(30.2)	(30.2)	—	—	—	—	—
Organic net sales	$1,010.3	$326.5	$170.7	$181.6	$1,689.1	$932.4	$307.0	$160.5	$191.6	$1,591.5
% change from PY	8.4 %	6.4 %	6.4 %	(5.2)%	6.1 %					

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

The following table reconciles Operating earnings to Adjusted operating earnings and Adjusted EBITDA for the periods indicated.

	Three Months Ended		Nine Months Ended	
(Dollars in millions)	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Operating earnings	$44.3	$37.4	$154.9	$126.3
Percentage of net sales	8.3 %	7.2 %	9.2 %	7.9 %
Add: Restructuring expenses	—	1.9	—	1.9
Add: Acquisition-related inventory adjustments	—	—	—	7.8
Add: Acquisition expenses	—	—	—	2.2
Adjusted operating earnings	$44.3	$39.3	$154.9	$138.2
Percentage of net sales	8.3 %	7.6 %	9.2 %	8.7 %
Other income (expense), net	(0.6)	(1.0)	(0.7)	(1.1)
Add: Depreciation and amortization	12.3	13.4	39.9	38.6
Adjusted EBITDA	$56.0	$51.7	$194.1	$175.7
Percentage of net sales	10.4 %	10.0 %	11.5 %	11.0 %

The following table reconciles Earnings per share – diluted to Adjusted earnings per share – diluted for the periods indicated.

	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Earnings (loss) per share – diluted	$0.46	$0.35	$1.59	$1.23
Add: Restructuring and impairment expenses	—	0.02	—	0.02
Add: Acquisition-related inventory adjustments	—	—	—	0.08
Add: Acquisition expenses	—	—	—	0.02
Adjusted earnings per share – diluted	$0.46	$0.37	$1.59	$1.35

Analysis of Third Quarter Results

The following table presents certain key highlights from the results of operations for the periods indicated.

(In millions, except per share data)	Three Months Ended			Nine Months Ended		
	February 27, 2016	February 28, 2015	Percent Change	February 27, 2016	February 28, 2015	Percent Change
Net sales	$536.5	$ 516.4	3.9 %	$1,682.3	$ 1,591.5	5.7 %
Cost of sales	328.7	325.9	0.9 %	1,033.3	1,009.7	2.3 %
Gross margin	207.8	190.5	9.1 %	649.0	581.8	11.6 %
Operating expenses	163.5	151.2	8.1 %	494.1	453.6	8.9 %
Restructuring and impairment expenses	—	1.9	n/a	—	1.9	n/a
Total operating expenses	163.5	153.1	6.8 %	494.1	455.5	8.5 %
Operating earnings	44.3	37.4	18.4 %	154.9	126.3	22.6 %
Other expenses, net	4.4	5.4	(18.5)%	12.3	14.8	(16.9)%
Earnings before income taxes and equity income	39.9	32.0	24.7 %	142.6	111.5	27.9 %
Income tax expense	11.9	10.8	10.2 %	46.1	37.3	23.6 %
Equity earnings from nonconsolidated affiliates, net of tax	0.2	—	n/a	0.4	0.1	300.0 %
Net earnings	$28.2	$ 21.2	33.0 %	$96.9	$ 74.3	30.4 %
Net earnings attributable to noncontrolling interests	0.3	0.2	50.0 %	0.8	0.2	300.0 %
Net earnings attributable to Herman Miller, Inc.	$27.9	$ 21.0	32.9 %	$96.1	$ 74.1	29.7 %
Earnings per share — diluted	$0.46	$ 0.35	31.4 %	$1.59	$ 1.23	29.3 %
Orders	$508.8	$ 500.5	1.7 %	$1,673.5	$ 1,589.6	5.3 %
Backlog	$313.3	$ 316.6	(1.0)%			

The following table presents, for the periods indicated, select components of the company's Condensed Consolidated Statements of Comprehensive Income as a percentage of net sales.

	Three Months Ended		Nine Months Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	61.3	63.1	61.4	63.4
Gross margin	38.7	36.9	38.6	36.6
Operating expenses	30.5	29.3	29.4	28.5
Restructuring and impairment expenses	—	0.4	—	0.1
Total operating expenses	30.5	29.6	29.4	28.6
Operating earnings	8.3	7.2	9.2	7.9
Other expenses, net	0.8	1.0	0.7	0.9
Earnings before income taxes and equity income	7.4	6.2	8.5	7.0
Income tax expense	2.2	2.1	2.7	2.3
Equity earnings from nonconsolidated affiliates, net of tax	—	—	—	—
Net earnings	5.3	4.1	5.8	4.7
Net earnings attributable to noncontrolling interests	0.1	—	—	—
Net earnings attributable to Herman Miller, Inc.	5.2	4.1	5.7	4.7

Performance versus the Domestic Contract Furniture Industry

We monitor the trade statistics reported by BIFMA, the trade association for the United States domestic office furniture industry, and consider them an indicator of industry-wide sales and order performance in the U.S. BIFMA publishes statistical data for the contract segment within the United States furniture market. The United States contract segment is primarily composed of large to mid-size corporations serviced by a network of dealers. The office supply segment is primarily made up of smaller customers serviced by wholesalers and retailers. We primarily participate, and believe we are a leader in, the contract segment. While comparisons of our performance to BIFMA statistics are important, we continue to pursue a strategy of revenue diversification intended to make us less reliant on the drivers that impact BIFMA and lessen our dependence on the United States office furniture market.

We also use BIFMA statistical information as a benchmark for the performance of our domestic United States business (as defined by BIFMA), as well as the performance of our competitors. The timing of large project-based business may affect comparisons to this data. We remain cautious about reaching conclusions regarding changes in market share based on analysis of data on a short-term basis. Instead, we believe such conclusions should only be reached by analyzing comparative data over several quarters.

While the sales and order data for our North American reportable segment provide a relative comparison to BIFMA, it is not intended to be an exact comparison. The data we report to BIFMA is consistent with the BIFMA definition of office furniture “consumption.” This definition differs slightly from the categorization we have presented in this report. Notwithstanding this difference, we believe our presentation provides the reader with a relevant comparison.

For the three month period ended February 27, 2016, the company's domestic United States shipments, as defined by BIFMA, increased by 6.7 percent while the company's domestic orders increased 6.3 percent year-over-year. BIFMA reported an estimated year-over-year decrease in shipments of 0.6 percent and a decrease in orders of 2.2 percent for the comparable period.

Performance versus the Consumer Furnishings Sector

We also monitor 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 three month period ended February 29, 2016 was approximately 4.4 percent. By comparison, net sales declined by approximately 3.3 percent in our Consumer segment for the three months ended February 27, 2016. Year-over-year comparisons of net sales within the Consumer segment were negatively impacted this quarter by the factors discussed within the Discussion of Current Business Conditions above.

Consolidated Sales

The following charts present graphically the primary drivers of the year-over-year change in net sales for the three and nine-months ended February 27, 2016. The amounts presented in the bar graphs are expressed in millions and have been rounded to eliminate decimals.

Consolidated net sales increased $20.1 million or 3.9 percent for the third quarter of fiscal 2016 compared to the third quarter of fiscal 2015. The following items led to the change:

- Increased sales volumes within the North American segment of approximately $19.4 million, which were driven by a combination of general market growth and company-specific actions taken to improve selling capacity, launch innovative products and refresh showrooms.
- Increased sales volumes within the ELA segment of $6.8 million were driven by increases within the Asia, EMEA and Latin America regions. The largest increases were due to larger project activity in Australia, the Middle East and Mexico.
- Foreign currency translation had a negative impact on net sales of $8.2 million.

Consolidated net sales increased $90.8 million or 5.7 percent in the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015. The following items led to the change:

- Increased sales volume within the North American segment of approximately $76.5 million, which was driven by the actions discussed for the three month period above.
- The decline in sales volume for the Consumer segment was driven by the factors included within the Discussion of Current Business Conditions, offset by incremental sales volume related to the acquisition of DWR, which increased sales by $30.2 million.
- Increased sales volume within the ELA segment of $20.1 million was driven primarily by increases within Asia and Latin America (principally Mexico).
- Foreign currency translation had a negative impact on net sales of $37.0 million.
- Price increases, net of incremental discounting, had a positive impact on net sales of $3.0 million.

*Non-GAAP Financial Measure

Consolidated Gross Margin

Consolidated gross margin was 38.7 percent and 38.6 percent for the three and nine month periods ending February 27, 2016 as compared to 36.9 percent and 36.6 percent for the three and nine month periods of the prior year, respectively. The following factors summarize the major drivers of the year-over-year change in gross margin percentage for the three and nine month periods:

- Lower commodity costs within the North American segment within the current fiscal year drove a favorable year-over-year margin impact of approximately 110 basis points in the three month period. For the nine month comparative period, we estimate this impact to be closer to 90 basis points.
- An increase in incentive compensation expenses reduced our consolidated gross margin by approximately 70 and 50 basis points relative to the three and nine-month comparative periods of last fiscal year, respectively.
- A decrease in freight expenses, due primarily to lower fuel costs and improved leverage of fixed product distribution costs, drove a favorable impact to gross margin of approximately 50 basis points for both the three and nine month comparative periods.
- Inventory-related purchase accounting adjustments related to the acquisition of DWR unfavorably impacted gross margin in the prior year by approximately 50 basis points for the nine month comparative period.
- We estimate that relative changes in foreign currency exchange rates had a negative impact on our consolidated gross margin of approximately 20 and 40 basis points relative to the three and nine-month comparative periods of last fiscal year, respectively.
- Other factors providing a favorable impact to gross margin during the three and nine month comparative periods of the current year included production volume leverage at the company's West Michigan manufacturing facilities, channel mix within the Consumer segment, and improved operating efficiencies at certain international and domestic subsidiaries.

Operating Expenses and Operating Earnings

The following charts present graphically the primary drivers of the year-over-year change in operating expenses for the three and nine-months ended February 27, 2016. The amounts presented in the bar graphs are expressed in millions and have been rounded to eliminate decimals.

Consolidated operating expenses increased $10.4 million or 6.8 percent and $38.6 million or 8.5 percent in the third quarter and first nine months of fiscal 2016, respectively, compared to the prior year periods. The following factors contributed to the changes:

- Employee incentive costs increased by $5.3 million and $12.8 million for the three and nine month comparative periods. The increases reflect higher incentive compensation costs that are tied to increased earnings for the comparative periods.
- Marketing and selling expenses increased $7.9 million and $10.5 million during the three and nine month comparative periods. The increases resulted from new marketing initiatives, particularly within the Consumer segment, as well as increases in selling capacity and sales growth during the comparative periods.
- Design and research expenses increased by $1.8 million and $4.9 million during the three and nine month comparative periods. The increase resulted from investments in product development initiatives.
- The impact of foreign currency translation decreased operating expenses by $2.3 million and $8.8 million for the three and nine month comparative periods.
- The acquisition of DWR increased operating expenses by $11.5 million for the nine month comparative period. As clarification, we completed the acquisition of DWR on July 28, 2014. As such, our results in the first quarter of fiscal 2015 reflected only one month of DWR operating expenses.
- The remaining year-over-year operating expense change for the nine month comparative period relates to various

contributing factors, including but not limited to higher costs for information technology initiatives, wage and benefit inflation, and general variability with higher net sales.

Operating earnings for the three and nine month periods ended February 27, 2016 were $44.3 million or 8.3 percent of sales and $154.9 million or 9.2 percent of sales, respectively. This compares to $37.4 million or 7.2 percent of sales and $126.3 million or 7.9 percent of sales for the respective periods during the last fiscal year.

Other Income/Expense and Income Taxes

Other expense for the third quarter of fiscal 2016 decreased $1.0 million compared to the same quarter in fiscal 2015. Other expense of $12.3 million in the first nine months of fiscal 2016 decreased $2.5 million compared to the same period in the prior year. The decrease in other expenses for both the three and nine month comparative periods was due primarily to a reduction in interest expense related to a decrease in long term debt. The reduction in long term debt resulted from both the repayment of borrowings on the revolving line of credit from the fiscal 2015 periods to the fiscal 2016 periods as well as the maturity of $50 million in senior notes during the third quarter of fiscal 2015. These notes were refinanced at a reduced rate of interest using the company’s revolving line of credit in January 2015.

The effective tax rates for the three month periods ended February 27, 2016 and February 28, 2015 were 29.8 percent and 33.6 percent, respectively. The effective tax rates for the nine month periods ended February 27, 2016 and February 28, 2015 were 32.3 percent and 33.5 percent, respectively. The company's United States federal statutory rate is 35 percent. The decrease in the effective tax rate for the three month period ended February 27, 2016 was a result of the Protecting Americans from Tax Hikes (PATH) Act of 2015, which resulted in a permanent extension of the research and development credit, which had expired on December 31, 2014. The effective tax rates for the three and nine month periods ended February 27, 2016 and February 28, 2015 were lower than the United Statutory rate due to the research and development credit, the manufacturing deduction under the American Jobs Creation Act of 2004 (“AJCA”) and the mix of earnings in taxing jurisdictions that have rates that are lower than the United States statutory rate.

Reportable Operating Segment Results
Three and Nine Months Ended February 27, 2016
(in millions)

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. For external reporting purposes, the company has identified the following reportable segments:

- North American Furniture Solutions — Includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada.
- ELA Furniture Solutions — Includes EMEA, Latin America, and Asia-Pacific operations associated with the design, manufacture and sale of furniture products, primarily for work-related settings.
- Specialty — Includes operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, and Herman Miller Collection products.
- Consumer — Includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct-to-consumer sales through eCommerce and DWR retail studios and outlets.

The charts below present the relative mix of net sales across each of the company's reportable segments during the three and nine month periods ended February 27, 2016. This is followed by a discussion of the company's results, by reportable segment.

North American Furniture Solutions ("North America")

Three Months Ended February 27, 2016

Net sales totaled $312.7 million for the third quarter of fiscal 2016, an increase of 5.6 percent from the third quarter of fiscal 2015. Orders totaled $296.3 million an increase of 5.0 percent from the same period in the prior year. Operating earnings for the third quarter of fiscal 2016 were $30.6 million or 9.8 percent of sales as compared to $26.7 million or 9.0 percent of sales in the third quarter of fiscal 2015.

- Sales volumes within the North American segment increased by $19.4 million. This was driven by a combination of general market growth and company-specific actions taken to improve selling capacity, launch innovative products, and refresh showrooms.
- The impact of foreign currency translation decreased net sales by approximately $2.7 million.
- The increase in operating earnings was driven primarily by a decrease in commodity and freight costs and improved production volume leverage.
- Higher incentive compensation expenses had an unfavorable impact on operating earnings of $7.7 million.
- The impact of foreign currency translation had an unfavorable impact on operating earnings of approximately $1.7 million.

Nine Months Ended February 27, 2016

Net sales totaled $998.9 million for the first nine months of fiscal 2016, an increase of 7.1 percent from the same period of the prior year. Orders totaled $977.4 million, an increase of 6.9 percent from the same period in the prior year. Operating earnings for the first nine months of fiscal 2016 were $112.8 million or 11.3 percent of sales as compared to $95.2 million or 10.2 percent of sales in same period of the prior year.

- Sales volumes increased within the North American segment by $76.5 million. This was driven by the same factors cited above for the three-months ended February 27, 2016.
- Price increases, net of incremental discounting, drove an increase in net sales of approximately $1.4 million.
- The impact of foreign currency translation decreased net sales by approximately $11.4 million.
- The increase in operating earnings was driven primarily by increased production volume leverage, a decrease in commodity costs, and improved operational efficiency.
- The impact of foreign currency translation had an unfavorable impact on operating earnings of approximately $6.5 million.
- Higher incentive compensation expenses had an unfavorable impact on operating earnings of $17.4 million.

ELA Furniture Solutions ("ELA")

Three Months Ended February 27, 2016

Net sales totaled $98.9 million for the third quarter of fiscal 2016, an increase of 1.6 percent from the third quarter of fiscal 2015. Orders totaled $94.5 million, a decrease of 5.5 percent from the same period in the prior year. Operating earnings for the third quarter of fiscal 2016 were $6.8 million or 6.9 percent of sales as compared to $6.2 million or 6.4 percent of sales in the third quarter of fiscal 2015.

- An increase in sales volumes within Australia, the Middle East, Mexico and China drove an increase in net sales of approximately $11.6 million.
- This increase was partially offset by a decrease in sales volumes within the remaining parts of Latin America, Europe and India, which decreased net sales by approximately $6.2 million.
- The impact of foreign currency translation decreased net sales by approximately $5.2 million.
- Foreign currency translation provided an unfavorable impact on operating earnings of approximately $0.7 million.
- Improved manufacturing efficiency as well as decreased material and freight costs provided a favorable impact on operating earnings.

Nine Months Ended February 27, 2016

Net sales totaled $302.1 million for the first nine months of fiscal 2016, representing a decrease of 1.6 percent from the same period last fiscal year. Orders during this period totaled $315.4 million, a decrease of 2.7 percent from the year ago period. Operating earnings for the first nine months of fiscal 2016 were $20.7 million or 6.9 percent of sales as compared to $19.7 million or 6.4 percent of sales in same period of the prior year.

- The impact of foreign currency translation decreased net sales by approximately $24.4 million.
- Growth in sales volumes within the Asia and Latin America regions, primarily within Australia and Mexico, drove an increase in net sales of approximately $22.9 million.
- This increase was offset by lower sales volumes within the EMEA region, which drove a decrease in net sales of approximately $3.4 million.
- Foreign currency translation drove an unfavorable impact on operating earnings of approximately $8.0 million.
- Factors such as improved manufacturing efficiency, decreased material costs, and a favorable shift in the mix of product into higher margin seating categories favorably impacted operating earnings.

Specialty

Three Months Ended February 27, 2016
Net sales totaled $54.7 million for the third quarter of fiscal 2016, an increase of 8.3 percent from the third quarter of fiscal 2015. Orders totaled $53.5 million, an increase of 0.6 percent from the same period in the prior year. Operating earnings for the third quarter of fiscal 2016 were $3.4 million or 6.2 percent of sales as compared to $1.9 million or 3.8 percent of sales in the third quarter of fiscal 2015.

- Improved sales volumes drove an increase in net sales of $4.3 million, driven by increases within each of the Specialty segment brands - Geiger, Maharam and Herman Miller Collection.
- Increased sales volumes, decreases in material costs and improved operational efficiencies had a favorable impact on operating earnings.

Nine Months Ended February 27, 2016
Net sales totaled $170.2 million for the first nine months of fiscal 2016, an increase of 6.0 percent from the same period of the prior year. Orders totaled $173.2 million, an increase of 5.9 percent from the same period in the prior year. Operating earnings for the first nine months of fiscal 2016 were $11.9 million or 7.0 percent of sales as compared to $7.6 million or 4.7 percent of sales in same period of the prior year.

- Improved sales volumes drove an increase in net sales of $8.8 million, within each of the Specialty segment businesses - Geiger, Maharam and Herman Miller Collection.
- Price increases, net of incremental discounting, drove an increase in sales of approximately $1.4 million.
- Increased sales volumes and improved operational efficiencies had a favorable impact on operating earnings.
- Higher incentive compensation expenses had an unfavorable impact on operating earnings of $1.5 million.

Consumer

Three Months Ended February 27, 2016
Net sales totaled $70.2 million for the third quarter of fiscal 2016, a decrease of 3.3 percent from the third quarter of fiscal 2015. Orders of $64.5 million decreased 0.8 percent from the same period in the prior year. Operating earnings for the third quarter of fiscal 2016 were $2.8 million or 4.0 percent of sales as compared to $4.6 million or 6.3 percent of sales in the third quarter of fiscal 2015.

- The decrease in sales volumes of $2.2 million was driven by the factors discussed within the Discussion of Current Business Conditions above.
- The decrease in operating earnings was driven by increased spending on marketing and selling activities as well as a decrease in sales volumes.

Nine Months Ended February 27, 2016
Net sales totaled $211.1 million for the first nine months of fiscal 2016, an increase of 10.2 percent from the same period of the prior year. Orders totaled $207.5 million, an increase of 10.6 percent from the same period in the prior year. Operating earnings for the first nine months of fiscal 2016 were $9.3 million or 4.4 percent of sales as compared to $8.4 million or 4.4 percent of sales in same period of the prior year.

- The nine month period ended February 28, 2015 included 31 weeks of DWR operations (as the acquisition of DWR was completed on July 28, 2014). Accordingly, approximately $30.2 million of the year-over-year net sales increase for this segment is due to this inclusion of DWR operations for the full nine months of the current year.

- Adjusted for the impact of this partial period consolidation in the first nine months of last fiscal year and the impact of foreign currency translation, net sales for the Consumer segment decreased $10.0 million. This was driven by the same factors cited within the Discussion of Current Business Conditions above.
- Price increases, net of incremental discounting, increased net sales by approximately $0.8 million.
- The increase in operating earnings was driven by several factors, the largest of which were 1) a favorable shift in product mix toward those with higher margins; 2) a $2.1 million favorable impact from foreign currency translation; and 3) acquisition-related inventory adjustments recorded in the prior year which had the effect of reducing operating earnings during the nine month period ending February 28, 2015.

Financial Condition, Liquidity and Capital Resources
Three and Nine Months Ended February 27, 2016
(in millions)

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

(In millions)	Nine Months Ended	
	February 27, 2016	February 28, 2015
Cash and cash equivalents, end of period	$55.3	$61.8
Marketable securities, end of period	7.3	6.4
Cash provided by operating activities	125.9	109.8
Cash used in investing activities	(58.0)	(200.5)
Cash (used in) provided by financing activities	(76.6)	50.7
Capital expenditures	(55.2)	(43.2)
Stock repurchased and retired	(8.7)	(3.3)
Common stock issued	6.7	7.2
Dividends paid	(26.0)	(24.9)
Interest-bearing debt, end of period	240.2	325.8
Available unsecured credit facility, end of period (1)	$200.8	$115.7

(1) Amounts shown are net of outstanding letters of credit of $8.8 million and $8.3 million as of February 27, 2016 and February 28, 2015, respectively, which are applied against availability under the company's unsecured credit facility.

Cash Flows - Operating Activities

Nine Month Period Ended February 27, 2016
Cash generated from operating activities was $125.9 million for the nine month period ended February 27, 2016, as compared to $109.8 million in the same period of the prior year. During the current nine month period, changes in working capital balances drove a use of cash totaling $26.1 million. The main factors driving this use of cash were an increase in inventory of $9.7 million, an increase in prepaid expenses of $10.2 million, and a decrease in accounts payable of $21.2 million. These factors more than offset drivers within working capital that increased cash, primarily an increase in accrued compensation and benefits of $22.2 million.

Nine Month Period Ended February 28, 2015
Changes in working capital during the first nine months of fiscal 2015 drove an outflow of cash totaling $10.4 million. The primary factors driving the outflow of cash from working capital were a decrease in trade accounts payable of $17.7 million, an increase in inventory of $7.3 million, an increase in prepaid expenses of $7.1 million and a decrease in taxes of $4.1 million. These factors more than offset drivers within working capital that increased cash, including a decrease in trade accounts receivable of $17.5 million and an increase in other accrued liabilities of $6.7 million.

Cash Flows - Investing Activities

Investing activities in the first nine months of fiscal 2016 resulted in a net cash outflow of $58.0 million as compared to a net cash outflow of $200.5 million in the same period of the prior year. The largest contributor to the change in cash used in investing activities as compared to the prior year was the acquisition of DWR during fiscal 2015, which resulted in a cash outflow of $154.0 million. Additionally, there was a cash outflow of $8.0 million during the third quarter of fiscal 2015 related to the short-term financing of a North American furniture dealership. During the fourth quarter of fiscal 2015 the dealership repaid the balance of the loan.

The company had cash outflows for the purchase of $55.2 million of capital assets in the first nine months of fiscal 2016 compared to $43.2 million during the first nine months of the prior year. At the end of the third quarter of fiscal 2016, there were outstanding commitments for capital purchases of $19.0 million compared to $12.4 million at the corresponding date in the prior year. The company expects full-year capital purchases to be approximately $70.0 million, which will be primarily related to investments in the company's facilities and equipment. This compares to full-year capital spending of $63.6 million in fiscal 2015.

Cash Flows - Financing Activities

Cash outflows from financing activities were $76.6 million for the first nine months of fiscal 2016 compared to cash inflows of $50.7 million during the same period of the prior year. Cash outflows from net repayments on our revolving credit facility were $49.7 million during the nine-month period of fiscal 2016. By comparison, cash inflows from net borrowings were $76.0 million during the same period of fiscal 2015. Cash outflows for dividend payments were $26.0 million and $24.9 million for the nine month periods of fiscal 2016 and fiscal 2015, respectively. Cash inflows for stock issuances related to employee benefit programs were $6.7 million and $7.2 million during the nine month periods of fiscal 2016 and fiscal 2015, respectively.

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, refer to Note 13 to the condensed consolidated financial statements.

(In millions)	February 27, 2016	February 28, 2015
Cash and cash equivalents	$55.3	$61.8
Marketable securities	7.3	6.4
Availability under syndicated revolving line of credit	$200.8	$115.7

At the end of the third quarter of fiscal 2016, the company had cash and cash equivalents of $55.3 million including $53.9 million of cash and cash equivalents held outside the United States. In addition, the company had marketable securities of $7.3 million held by one of its international subsidiaries. The subsidiary holding the company's marketable securities is taxed as a United States taxpayer at the company's election. Consequently, for tax purposes, all United States tax impacts for this subsidiary have been recorded.

The company has plans to repatriate a negligible amount of available earnings from its Luxembourg subsidiary during fiscal 2016. As a result of this repatriation, the company recorded a tax benefit of $1.1 million during fiscal 2016 related to the change in the company's assertion that the earnings from its Luxembourg subsidiary are permanently reinvested outside of the United States. Other than this, the company does not have plans to repatriate cash from foreign subsidiaries during fiscal 2016.

The company has $10.2 million of cash held outside of the United States for which United States taxes have been recorded. The company's intent is to permanently reinvest the remainder of the cash outside of the United States. The company's plans do not indicate a need to repatriate these balances to fund United States operations.

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

Contractual Obligations

Contractual obligations associated with ongoing business and financing activities will require cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments as of May 30, 2015 was provided in the company's annual report on Form 10-K for the year ended May 30, 2015. There has been no material change in such obligations since that date.

Guarantees

The company provides 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 FASB ASC Topic 460, Guarantees, as described in Note 12 to the condensed consolidated financial statements.

Variable Interest Entities

On occasion, the company provides financial support to certain independent dealers in the form of term loans, lines of credit, and/or loan guarantees that may represent variable interests in such entities. As of February 27, 2016, the company was not considered to be the primary beneficiary of any such dealer relationships under FASB ASC Topic 810, Consolidation. Accordingly, the company is not required to consolidate the financial statements of any of these entities as of February 27, 2016.

Contingencies

See Note 12 to the condensed consolidated financial statements.

Critical Accounting Policies

The company strives to report financial results clearly and understandably. The company follows accounting principles generally accepted in the United States in preparing its consolidated financial statements, which require certain estimates and judgments that affect the financial position and results of operations for the company. The company continually reviews the accounting policies and financial information disclosures. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the company's annual report on Form 10-K for the year ended May 30, 2015. During the first nine months of fiscal 2016, there were no material changes in the accounting policies and assumptions previously disclosed.

New Accounting Standards

See Note 2 to the condensed consolidated financial statements.

Safe Harbor Provisions

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk
Three and Nine Months Ended February 27, 2016
(in millions)

The information concerning quantitative and qualitative disclosures about market risk contained in the company’s Annual Report on Form 10-K for its fiscal year ended May 30, 2015 has not changed. The nature of market risks from interest rates and commodity prices has not changed materially during the first nine months of fiscal 2016.

Foreign Exchange Risk

The company manufactures its products in the United States, United Kingdom and China. The company also sources completed products and product components from both inside and 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 United States dollar. Accordingly, production costs and profit margins related to these sales are affected 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 affect the company's competitive positions within these markets.

The principal foreign currencies in which the company conducts its business are the British pound sterling, European euro, Canadian dollar, Australian dollar, Japanese yen, Mexican peso, Brazilian real, Indian rupee, South African rand, Hong Kong dollar and Chinese renminbi. In the normal course of business, the company enters into contracts denominated in foreign currencies. Changes in the fair value of such contracts are reported in earnings in the period the value of the contract changes. The net gain or loss upon settlement and the change in fair value of outstanding contracts is recorded as a component of other expense (income), net.

Item 4: Controls and Procedures
Three and Nine Months Ended February 27, 2016

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the company's Chief Executive Officer and Chief Financial Officer, management has 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 February 27, 2016, and the company's Chief Executive Officer and Chief Financial officer have concluded that, as of that date, the company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarterly period ended February 27, 2016, that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Herman Miller, Inc.
Part II - Other Information
Three and Nine Months Ended February 27, 2016

Item 1: Legal Proceedings

Referred to in Note 12 of the condensed consolidated financial statements.

Item 1A: Risk Factors

There have been no material changes in the company's risk factors from those set forth in the company's Annual Report on Form 10-K for the year ended May 30, 2015.

Item 2: Unregistered Sales of Equity Securities
(A) Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the quarter ended February 27, 2016.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average price Paid per Share or Unit	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs (in millions)
11/29/15 - 12/26/15	109,143	$29.21	109,143	$139,614,089
12/27/15 - 1/23/16	41,968	$27.15	41,968	$138,474,780
1/24/16 - 2/27/16	24,796	$24.84	24,796	$137,858,938
Total	175,907		175,907	

No repurchase plans expired or were terminated during the third quarter of fiscal 2016, nor do any plans exist under which the company does not intend to make further purchases.

During the period covered by this report, the company did not sell any of its equity securities that were not registered under the Securities Act of 1933.

Item 3: Defaults upon Senior Securities

None

Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

None

Item 6: Exhibits

The following exhibits (listed by number corresponding to the Exhibit table as Item 601 in Regulation S-K) are filed with this Report:

Exhibit Number	Document
31.1	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certificate of the Chief Financial Officer 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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

HERMAN MILLER, INC.

April 6, 2016	/s/ Brian C. Walker Brian C. Walker Chief Executive Officer (Duly Authorized Signatory for Registrant)
April 6, 2016	/s/ Jeffrey M. Stutz Jeffrey M. Stutz Chief Financial Officer (Duly Authorized Signatory for Registrant)