

LA-Z-BOY INC
Form 10-K
June 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended April 30, 2011

COMMISSION FILE NUMBER 1-9656

LA-Z-BOY INCORPORATED
(Exact name of registrant as specified in its charter)

MICHIGAN
(State or other jurisdiction of
incorporation or organization)

38-0751137
(I.R.S. Employer
Identification No.)

1284 North Telegraph Road, Monroe, Michigan
(Address of principal executive offices)

48162-3390
(Zip Code)

Registrant's telephone number, including area code (734) 242-1444

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

Title of each class
Common Shares, \$1.00 Par Value

Name of each exchange on which registered
New York Stock Exchange

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

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

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange 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 during

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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 the 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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

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

Based on the closing price on the New York Stock Exchange on October 22, 2010, the aggregate market value of Registrant's common shares held by non-affiliates of the Registrant on that date was \$409.7 million.

The number of common shares outstanding of the Registrant was 51,920,161 as of June 14, 2011.

DOCUMENTS INCORPORATED BY REFERENCE:

- (1) Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for its 2011 Annual Meeting of Shareholders are incorporated by reference into Part III.
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LA-Z-BOY INCORPORATED
FORM 10-K ANNUAL REPORT FISCAL 2011

TABLE OF CONTENTS

	Page Number(s)
Cautionary Statement Concerning Forward-Looking Statements	
PART I	
Item 1. Business	3
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	12
Item 2. Properties	12
Item 3. Legal Proceedings	12
Item 4. [Removed and Reserved]	13
Executive Officers of the Registrant	13
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	14
Item 6. Selected Financial Data	17
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	38
Item 8. Financial Statements and Supplementary Data	39
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	73
Item 9A. Controls and Procedures	73
Item 9B. Other Information	73
PART III	
Item 10. Directors, Executive Officers, and Corporate Governance	73
Item 11. Executive Compensation	74
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	74
Item 13. Certain Relationships and Related Transactions, and Director Independence	74
Item 14. Principal Accountant Fees and Services	74
PART IV	
Item 15. Exhibits and Financial Statement Schedules	75

Note: The responses to Items 10 through 14 will be included in the Company's definitive proxy statement to be filed pursuant to Regulation 14A for the 2011 Annual Meeting of Shareholders. The required information is incorporated into this Form 10-K by reference to that document and is not repeated herein.

Cautionary Statement Concerning Forward-Looking Statements

We are making forward-looking statements in this report, and our representatives may make oral forward-looking statements from time-to-time. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements may include information regarding:

future income, margins and cash flows	future economic performance
future growth	industry and importing trends
adequacy and cost of financial resources	management plans

Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes," "plans," "intends" and "expects" or similar expressions. With respect to all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Actual results could differ materially from those we anticipate or project due to a number of factors, including: (a) changes in consumer confidence and demographics; (b) speed of recovery from the recent economic recession or the emergence of a second wave of the recession; (c) changes in the real estate and credit markets and their effects on our customers and suppliers; (d) international political unrest, terrorism or war; (e) volatility in energy and other commodities prices; (f) the impact of logistics on imports; (g) interest rate and currency exchange rate changes; (h) operating factors, such as supply, labor or distribution disruptions or product recalls; (i) restructuring actions; (j) changes in the domestic or international regulatory environment; (k) adoption of new accounting principles; (l) severe weather or other natural events such as hurricanes, earthquakes, tornadoes and tsunamis; (m) our ability to procure fabric rolls and leather hides or cut-and-sewn fabric and leather sets domestically or abroad; (n) fluctuations in our stock price; (o) information technology system failures; (p) effects of our brand awareness and marketing programs; (q) our ability to locate new La-Z-Boy Furniture Galleries® stores owners and negotiate favorable lease terms for new or existing locations; and (r) those matters discussed in Item 1A of this Annual Report and other factors identified from time-to-time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, whether to reflect new information or new developments or for any other reason.

PART I

ITEM 1. BUSINESS.

Edward M. Knabusch and Edwin J. Shoemaker started Floral City Furniture in 1927, and in 1928 the newly formed company introduced its first recliner. In 1941, we were incorporated as La-Z-Boy Chair Company in the state of Michigan, and in 1996 the name was changed to La-Z-Boy Incorporated. Our La-Z-Boy brand is the most recognized brand in the furniture industry.

La-Z-Boy Incorporated manufactures, markets, imports, distributes and retails upholstery products, accessories and casegoods (wood) furniture products. We are the leading global producer of reclining chairs. We sell our products, primarily in the United States and Canada, to furniture retailers and directly to consumers through company-owned stores. The centerpiece of our retail distribution strategy is our network of 304 La-Z-Boy Furniture Galleries® stores and 526 Comfort Studios®, each dedicated to marketing our La-Z-Boy branded products. We own 83 of the La-Z-Boy Furniture Galleries® stores. The rest of the La-Z-Boy Furniture Galleries® stores, as well as all 526

Comfort Studios®, are independently owned and operated, including eight La-Z-Boy Furniture Galleries® stores owned by our single remaining consolidated Variable Interest Entity (VIE). La-Z-Boy Furniture Galleries® stores help consumers furnish their homes by combining the style, comfort and quality of La-Z-Boy furniture with our in-home design service. Comfort Studios® are defined spaces within larger independent retailers that are dedicated to displaying La-Z-Boy branded products. In addition to the La-Z-Boy Comfort Studios®, our Kincaid, England and Lea operating units have their own dedicated in-store gallery programs with over 700 outlets and 1.8 million square feet of floor space.

Principal Products and Industry Segments

Our reportable segments are the Upholstery Group, the Casegoods Group and the Retail Group.

Upholstery Group. In terms of revenue, our largest segment is the Upholstery Group, which includes La-Z-Boy, our largest operating unit, as well as the Bauhaus and England operating units. The Upholstery Group manufactures or imports and sells upholstered furniture such as recliners and motion furniture, sofas, loveseats, chairs, ottomans and sleeper sofas to furniture retailers and proprietary stores. It sells directly to La-Z-Boy Furniture Galleries® stores, operators of Comfort Studios®, general dealers and department stores.

Casegoods Group. Our Casegoods Group is an importer, marketer, manufacturer and distributor of casegoods (wood) furniture such as bedroom sets, dining room sets, entertainment centers, and accent pieces, as well as some coordinated upholstered furniture. The operating units in the Casegoods Group consist of two subgroups: one consisting of American Drew, Lea and Hammary, and the second being Kincaid. The Casegoods Group primarily sells to proprietary stores and general dealers.

Retail Group. Our Retail Group consists of 83 company-owned La-Z-Boy Furniture Galleries® stores located in nine markets ranging from the Midwest to the east coast of the United States and also including southeastern Florida and southern California. During the fourth quarter of fiscal 2011, we acquired 15 stores in southern California that were previously operated by one of our consolidated VIEs'. The Retail Group primarily sells upholstered furniture, as well as some casegoods and other accessories, to end consumers through the retail network.

Additional detailed information regarding our segments and the products which compose the segments is contained in Note 14 to our consolidated financial statements and our "Management's Discussion and Analysis" section, both of which are included in this report.

Raw Materials and Parts

The principal raw materials for the Upholstery Group are purchased cover (primarily fabrics and leather), polyester batting and non-chlorofluorocarbonated polyurethane foam for cushioning and padding, lumber and plywood for frames and steel for motion mechanisms which total about 83% of our total raw material costs. We purchase about 69% of our polyurethane foam from one supplier, although this supplier has several facilities across the United States that ship to our plants.

The largest raw material cost of the Upholstery Group is purchased cover, which represents about 40% of the group's total material costs. Although we purchase cover from a variety of sources, we do rely on a limited number of major suppliers. If one of these major suppliers experienced financial or other difficulties we could experience temporary disruptions in our manufacturing process until an alternate supplier could be found.

Our cover is purchased either in a raw state (a roll or hide), then cut and sewn into parts in our plants or as cut-and-sewn parts from third-party offshore suppliers. Our cover material costs are evenly divided between fabric rolls and hides and cut-and-sewn parts. There are four primary suppliers of cut-and-sewn leather and fabric products. One supplier manufactures the majority of the leather cut-and-sewn sets we receive from China.

For fiscal 2012, we expect raw material costs to rise due to increased global demand for steel, leather, wood, yarn and polyurethane, as well as other materials used in our upholstery manufacturing processes. Additionally, costs associated with our shipping and transportation activities are expected to increase due to anticipated increases in the cost of crude oil.

As the Casegoods Group is an importer, marketer, manufacturer and distributor of casegoods furniture, raw materials represent only about 12% of the total inventory of this group. The principal raw materials used by our manufacturing facility within our Casegoods Group are hardwoods, plywood and chip wood, veneers and liquid stains, paints and finishes and decorative hardware. Hardwood lumber and purchased hardwood components represent about 43% of this segment's total raw material costs.

Finished Goods Imports

The majority of finished wood furniture marketed and distributed by our Casegoods Group is imported. This import model for our Casegoods Group is effective primarily due to the low labor and overhead costs associated with manufacturing casegoods product overseas. We have continued to make changes to our model in order to improve our service performance levels by improving our supply chain management and distribution networks, which includes the merger of our Hammary operations with our American Drew/Lea operations.

During fiscal 2011, prices on imported casegoods were flat compared to the fiscal 2010. For fiscal 2012, we expect increases in prices on imported casegoods due to inflationary pressures in Asia resulting in increases in labor and raw material costs, as well as increased transportation costs.

Our imported casegoods finished goods sales represented about 77% and 71% for fiscal 2011 and fiscal 2010, respectively of our total casegoods sales. Imported finished goods, for all our segments, represented approximately 12% of our fiscal 2011 consolidated sales.

Seasonal Business

We believe that the demand for furniture generally reflects sensitivity to overall economic conditions, including, but not limited to, unemployment rates, housing market conditions and consumer confidence. Historically, our Upholstery Group and Retail Group has experienced lower levels of sales during the first half of our fiscal year and higher levels of sales during the second half of our fiscal year. Our Casegoods Group historically has experienced a lower level of sales during the first quarter of our fiscal year and a higher level of sales during our fourth fiscal quarter. We believe variations to these historical patterns are a result of economic conditions during those periods and not a change in our historical patterns.

During fiscal 2011, all of our segments experienced their highest level of sales during our fourth fiscal quarter. A substantial portion of this increase was due to the extra week in that quarter versus fiscal 2010. While our fiscal 2011 year contained 53 weeks versus only 52 weeks in the other fiscal years presented in this report, our fiscal 2012 year will include 52 weeks.

When possible, we schedule production to maintain uniform manufacturing activity throughout the year. However, we shut down our domestic plants for a week in July to perform routine maintenance on our equipment.

Economic Cycle and Purchasing Cycle

In terms of our product segments, upholstered furniture has a shorter life cycle and exhibits a less volatile sales pattern over an economic cycle than does casegoods. This is because upholstered furniture is typically more fashion and design oriented, and is often purchased one or two pieces at a time. In contrast, casegoods products are longer-lived and frequently purchased in groupings or "suites," resulting in a much larger cost to the consumer.

Practices Regarding Working Capital Items

The following describes our significant practices regarding working capital items.

Inventory: We do not carry significant amounts of upholstered finished goods in inventory at our manufacturing locations as these goods are usually built to order. However, we generally build or import casegoods inventory to stock, in order to attain manufacturing efficiencies and/or to meet delivery requirements of customers. This results in higher levels of finished goods inventory for our casegoods products than our upholstery products. Our company-owned La-Z-Boy Furniture Galleries® stores maintain finished goods inventory at the stores for display purposes.

Over the past few years we have created five regional distribution centers. We created these distribution centers to streamline the warehousing and distribution processes for our La-Z-Boy Furniture Galleries® store network, including both company-owned stores and independently owned stores. Our move to distribution centers allowed us to reduce the number of individual warehouses needed to supply our retail outlets and helped us manage our inventory levels. As of April 30, 2011, our five regional distribution centers had eliminated 27 smaller warehouses, some of which were company operated and some of which were independently operated.

During fiscal 2011 our inventory levels, primarily for raw materials for our Upholstery Group and finished goods for our Casegoods Group, increased with the majority of the increase due to our focus on being in a better service position for our customers. We will continue to manage our inventory levels to make sure they are in line with sales levels, while maintaining our focus on service to our customers.

Accounts Receivable: During fiscal 2011 our accounts receivables decreased slightly compared to fiscal 2010. Improvements in the economy during fiscal 2010 and fiscal 2011 have resulted in improved liquidity and financial performance of some of our customers. We continue to monitor our customers' accounts and limit our exposure and credit support to certain independent dealers.

Accounts Payable: During fiscal 2011 our accounts payable decreased slightly compared to fiscal 2010. Due to our 53rd week in fiscal 2011, our fiscal year end corresponded with the calendar month end, which resulted in a larger number of payables being paid before the end of the fiscal 2011 year end.

Customers

We sell to a significant number of furniture retailers primarily throughout the United States and Canada. Additionally, we sell to a number of furniture retailers outside of North America. We also sell to consumers through our company-owned La-Z-Boy Furniture Galleries® stores. We did not have any single customer whose purchases amounted to more than 6% of our fiscal year 2011 consolidated sales for either the Upholstery Group or the Casegoods Group. Sales in our Upholstery and Casegoods Groups are almost entirely to furniture retailers. The Retail Group sales are to end-consumers.

We have formal agreements with many of our retailers for them to display and merchandise products from one or more of our operating units and sell them to consumers in dedicated retail space, either in stand-alone stores or dedicated galleries or studios within their stores. We consider these stores, as well as our own retail stores, to be "proprietary." For our Upholstery and Casegoods Groups, our 2011 customer mix was about 55% proprietary, 17% major dealers (for example, Art Van Furniture, Berkshire Hathaway, Havertys Furniture, Raymour & Flanigan Furniture) and 28% other independent retail customers.

As of April 30, 2011, we operated 83 stand-alone La-Z-Boy Furniture Galleries® stores. Additionally, we have agreements with independent dealers for 221 stand-alone La-Z-Boy Furniture Galleries® stores, of which eight stores are owned by our sole remaining consolidated Variable Interest Entity (VIE). The success of our product distribution relies heavily on having retail floor space that is dedicated to displaying and marketing our product. This distribution system originated with our La-Z-Boy Furniture Galleries® stores network, which continues to have the largest number of proprietary stores and galleries among our other operating units. According to the May 2011 Top 100 ranking by

Furniture Today, an industry trade publication, the La-Z-Boy Furniture Galleries® stores retail network is the second largest retailer of single-brand upholstered furniture in North America. In addition to the stand-alone La-Z-Boy Furniture Galleries® stores, the La-Z-Boy brand also has a distribution model known as Comfort Studios®. Comfort Studios® are defined spaces within a larger independent retailer that are dedicated to displaying La-Z-Boy branded furniture with the average size of the space being about 5,000 square feet. Currently there are 526 Comfort Studios® in our distribution system. Our “proprietary” distribution also includes over 700 in-store galleries for England, Kincaid and Lea’s La-Z-Boy Kidz™. Total “proprietary” floor space is approximately 9.0 million square feet.

Maintaining, updating, and expanding, when appropriate, our proprietary distribution network is a key part of our marketing strategy. As we continue to maintain and update our current stores, the La-Z-Boy Furniture Galleries® store network plans to open 5 to 10 new stores during fiscal 2012 but anticipates closures to offset this leaving our overall store count unchanged. We select independent dealers for our proprietary distribution network based on factors such as the management and financial qualifications of those potential dealers as well as the potential for distribution in a specific geographical area. This proprietary method of distribution is beneficial to La-Z-Boy, our dealers and the consumer. For La-Z-Boy, it allows us to have a concentration of marketing of our product by sales personnel dedicated to our entire product line, and only that line. For dealers who join this proprietary group, it allows them to take advantage of practices that have proven successful based on past experiences of other proprietary dealers. As a part of this, we facilitate forums and communications for these dealers to share best practices among their peers. For our consumers, these stores provide a full-service shopping experience with knowledgeable sales associates and in-home design consultants to support their purchasing process. The La-Z-Boy Furniture Galleries® stores' independent dealers and the Comfort Studios® retailers are responsible for displaying and merchandising our product within the dedicated retail space.

Orders and Backlog

The measure of backlog at a point in time may not be indicative of our future sales performance, therefore we do not rely entirely on backlogs to predict future sales. For most operating units, an order cannot be canceled after it has been selected for production. Upholstery orders are primarily built to a specific dealer order (stock order) or a special order with a down payment from a consumer (sold orders). Casegoods are primarily produced to our internal order (not a customer or consumer order), which results in higher finished goods inventory on hand.

As of April 30, 2011 and April 24, 2010, our Upholstery Group backlogs were approximately \$71.8 million and \$65.5 million, respectively. Our Casegoods Group backlogs as of April 30, 2011, and April 24, 2010, were approximately \$11.7 million and \$19.3 million, respectively. The increase in our Upholstery Group's backlog was due primarily to our positive sales trend experienced in the fourth quarter of fiscal 2011 compared to the fourth quarter of fiscal 2010. The decrease in our Casegoods Group's backlog was primarily a result of the timing of our spring furniture market and new introductions to our product line during fiscal 2010.

Competitive Conditions

According to Furniture Today, we are currently the third largest manufacturer/distributor of residential (living and family room, bedroom, and dining room) furniture in the United States, as measured by annual sales volume.

In the Upholstery Group, the largest competitors are Ashley, Bassett Furniture, Bernhardt, Ethan Allen, Flexsteel, Furniture Brands International, Klaussner, Natuzzi, and Palliser.

In the Casegoods Group, our main competitors are Ashley, Bernhardt, Ethan Allen, Furniture Brands International, Hooker Furniture, Stanley Furniture, and Universal. Additionally, there are market pressures related to foreign manufacturers entering the United States market, as well as by increased direct purchasing from overseas by some of the larger United States retailers.

The La-Z-Boy Furniture Galleries® stores operate in the retail furniture industry throughout North America; consequently, they have different competitors. La-Z-Boy Furniture Galleries® stores competitors include: Ashley, Bassett Furniture Direct, Ethan Allen, Thomasville Home Furnishings Stores, several other regional competitors (for example Art Van Furniture, Raymour & Flanigan Furniture, and Havertys Furniture), and family-owned independent furniture stores.

In addition to the larger competitors listed above, a substantial number of small and medium-sized firms operate within our business segments, all of which are highly competitive.

Over the past decade there has been an increase in alternative distribution affecting our retail markets. Companies such as Costco, Home Depot, IKEA, Sam's Club, Target, Wal-Mart, Williams Sonoma, and others are now offering products that compete with some of our product lines. Also, increased ability to purchase furniture products on-line through various furniture manufacturers' and retailers' websites has increased competition.

We believe the home furnishings industry competes primarily on the basis of product styling and quality, customer service (product availability and delivery), and price. We believe La-Z-Boy Incorporated competes on the basis of each of these factors, specifically through our distribution models, marketing and customization capabilities.

We compete primarily by emphasizing our brand and the value, comfort, quality, and styling of our products. In addition, we remain committed to innovation within the furniture industry while striving to provide outstanding customer service, exceptional dealer support, and efficient on-time delivery. Also, maintaining, updating and expanding as appropriate our proprietary distribution system is a key initiative for us in striving to remain competitive with others in the furniture industry. We compete in the mid-to-upper price point in the furniture industry. A shift in consumer taste and trends to lower price point products could negatively affect our competitive conditions.

Research and Development Activities

We provide information regarding our research and development activities in Note 1 to our consolidated financial statements, which is included in Item 8 of this report.

Trademarks, Licenses and Patents

We own several trademarks including La-Z-Boy, our most valuable. The La-Z-Boy trademark is essential to the upholstery and retail segments of our business. To protect our trademarks we have registered them in the United States and various other countries where our products are sold. These trademarks have a perpetual life, subject to renewal every ten years. We license the use of the La-Z-Boy trademark on furniture sold outside the United States. We also license the use of the La-Z-Boy trademark on contract office furniture, outdoor furniture and on non-furniture products in the United States for the purpose of enhancing brand awareness. In addition, we license to our proprietary dealers the right to use our La-Z-Boy trademark in connection with the sale of our products and related services, on their signs, and in other ways, which we consider to be a key part of our marketing strategies. We provide more information about those dealers above, under "Customers."

We hold a number of patents that we actively enforce, but we believe that the loss of any single patent or group of patents would not significantly impact our business.

Compliance with Environmental Regulations

Our manufacturing operations involve the use and disposal of certain substances regulated under environmental protection laws, and we are involved in a small number of remediation actions and site investigations concerning such substances. Based on a review of all currently known facts and our experience with previous environmental matters, we believe we have adequate reserves in respect of probable and reasonably estimable losses arising from environmental matters and currently do not anticipate any significant loss.

Employees

We employed about 7,910 full-time equivalent persons as of April 30, 2011. The Upholstery Group employed about 6,620, the Casegoods Group employed about 430, the Retail Group employed about 590, with the remainder being corporate and VIE personnel. The majority of our employees are employed on a full-time basis. As of April 24, 2010, we had about 8,290 full-time equivalent employees.

Financial Information About Foreign and Domestic Operations and Export Sales

In fiscal 2011, our direct export sales, including sales in Canada, were approximately 13% of our total sales. We have a manufacturing joint venture in Thailand, which distributes furniture in Australia, New Zealand, the United Kingdom, Thailand and other countries in Asia. In addition, we have a sales and marketing joint venture in Asia, which sells and distributes furniture in China, Japan and Korea, among other Asian countries.

We also have a facility in Mexico which provides cut-and-sewn fabric sets for our domestic upholstery manufacturing facilities. Information about sales in the United States, Canada, and other countries is contained in Note 14 to our consolidated financial statements, which is included in Item 8 of this report. Our net property, plant, and equipment in the United States were \$110.2 million and \$123.4 million at the end of fiscal 2011 and fiscal 2010, respectively. Our net property, plant, and equipment in foreign countries were \$10.4 million and \$15.5 million in fiscal 2011 and fiscal 2010, respectively. The decrease in our property, plant, and equipment in foreign countries was primarily a result of the deconsolidation in fiscal 2011 of our prior Toronto, Ontario VIE.

See Item 1A of this report for information about the risks related to our foreign operations.

Internet Availability

Available free of charge through our internet website are links to our Forms 10-K, 10-Q, 8-K, proxy statements on Schedule 14A and amendments to those reports. These reports can be found on our internet website www.la-z-boy.com as soon as reasonably practicable after being electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Copies of any materials we file with the SEC can also be obtained free of charge through the SEC's website at www.sec.gov. The information on our website is not part of this report.

ITEM 1A. RISK FACTORS.

Our business is subject to a variety of risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this report. Interest rates, consumer confidence, housing starts and the overall housing market, increased unemployment, tightening of the financial and consumer credit markets, downturns in the economy and other general economic factors that affect many other businesses are particularly significant to us because our principal products are consumer goods.

The risks and uncertainties described below are those that we currently believe may significantly affect our business. Additional risks and uncertainties of which we are unaware of or that we do not currently deem significant may also become important factors that affect us at a later date. You should carefully consider the risks and uncertainties described below in addition to all other information provided to you in this document and our subsequent filings with the Securities and Exchange Commission. Any of the following risks could significantly and adversely affect our business, results of operations, and financial condition.

The prolonged economic downturn could have a negative material impact on our sales, results of operations and cash flows.

Our business is impacted by international, national and regional economic conditions. The global economy experienced a major recession and continued to be affected by wavering consumer confidence and lower home values, prolonged foreclosure activity and a weak housing market throughout the country, high levels of unemployment and reduced access to consumer credit. While these factors are outside of our control, they could have a negative impact on our sales, results of operations and cash flows. The prolonged economic downturn may cause our current and potential customers to delay their purchases or affect their ability to pay, which could have a negative long-term impact on our sales, results of operations and cash flows.

Our current retail markets and other markets which we may enter into or acquire in the future may not achieve the growth and profitability we anticipated when we acquired them. We could incur charges for the impairment of long-lived assets if we cannot meet our earnings expectations for these markets.

We may remodel and relocate existing stores, as well as close underperforming stores. Profitability will depend on increased retail sales justifying the cost of remodeling and relocating these stores to support the lease carrying costs and our ability to reduce support costs as a percent of sales in advertising, selling and administration. In addition, we may acquire additional retail markets in the future, and if we do, they may be subject to many of the same risks. We may also incur unforeseen costs upon entry into new markets that could negatively impact our results of operations.

Availability of foreign sourcing and economic uncertainty in countries outside of the United States in which we operate or purchase product from could adversely affect our business and results of operations.

We have operations in countries outside the United States, some of which are located in emerging markets. Long-term economic and political uncertainty in some of the countries in which we operate, such as Mexico and Thailand, could result in the disruption of markets and negatively affect our business. We do not believe the natural disaster experienced in Japan will have a significant impact on our business. We have been increasing our offshore capabilities to provide flexibility in product offerings and pricing to meet competitive pressures. Our Casegoods Group is primarily an importer of products manufactured by foreign sources. In addition, our Upholstery Group purchases cut-and-sewn fabric and leather sets and some finished goods from foreign sourced vendors. Our sourcing partners may not be able to produce these goods in a timely fashion, or the quality of their product may be rejected by us, causing delays in shipping to our customers for casegoods and manufacturing disruptions in our upholstery plants due to not receiving rolled fabric, leather hides, and fabric and leather cut-and-sewn sets. The majority of our cut-and-sewn leather sets purchased in China are purchased from one supplier. Additionally we receive cut-and-sewn sets from our facility located in Mexico.

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions, changes in laws and regulations, including import, export, labor and environmental laws, tariffs and trade barriers, monetary and fiscal policies, investments, taxation, and exchange controls. Additionally, unsettled political conditions, possible terrorist attacks, organized crime and public health concerns present a risk to our non-U.S. operations. All of these items could make it more difficult to service our customers or cause disruptions in our plants that could reduce our sales, earnings, or both in the future.

Changes in regulation of our international operations could adversely affect our business and results of operations. Because we have operations outside of the United States and because we sell product in various countries, we are subject to many laws governing international relations, including those that prohibit improper payments to government officials and restrict where we can do business, what information or products we can supply to certain countries and what information we can provide to a non-U.S. government, including the Foreign Corrupt Practices Act and the U.S. Export Administration Act. Violations of these laws, which are complex, may result in criminal penalties or sanctions that could have a significant adverse effect on our business and results of operations. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that

our employees, contractors, or agents will not violate our policies.

Fluctuations in the price, availability and quality of raw materials could cause delays that could result in our inability to provide goods to our customers or could increase our costs, either of which could decrease our earnings. We use various types of wood, fabrics, leathers, upholstered filling material, steel, and other raw materials in manufacturing furniture. Because we are dependent on outside suppliers for our raw material needs, fluctuations in the price, availability and quality of the raw materials we use could have a negative effect on our cost of sales and our ability to meet our customers' demands. Inability to meet our customers' demands could result in the loss of future sales, and we may not always be able to pass along price increases to our customers due to competitive and marketing pressures. Since we have a higher concentration in upholstery sales (70%) than most of our competitors, the effects of steel, polyurethane foam, leather and fabric price increases or quantity shortages are more significant for our business than for most other furniture companies. About 69% of our polyurethane foam comes from one supplier, although this supplier has several facilities across the United States. A natural disaster or severe weather that affects this supplier could result in delays in shipments of polyurethane foam to our plants. We have attempted to minimize this risk by requiring a minimum of 60 days' worth of production of the principal raw material to be stored at an off-site facility.

A change in the financial condition of some of our domestic and foreign fabric suppliers could impede their ability to provide these products to us in a timely manner. In addition, upholstered furniture is highly fashion oriented, and if we are not able to acquire sufficient fabric variety, or if we are unable to predict or respond to changes in fashion trends, we may lose sales and have to sell excess inventory at reduced prices. This would lower our earnings as well as reduce our sales.

Business failures of large dealers or customers could result in a decrease in our future sales and earnings. Although we have no customer who individually represents 6% or more of the annual sales of any of our segments, business failures or consolidation of large dealers or customers could result in a decrease in our future sales and earnings.

The consolidation of manufacturing and warehousing operations into fewer sites may increase our exposure to business disruptions and could result in higher transportation costs. We have reduced the number of manufacturing sites and consolidated some warehouse operations. If any of these operations experience significant business interruptions, our ability to manufacture and deliver products in a timely manner, would likely be negatively impacted. Additionally, our consolidation of warehouse operations has resulted in longer distances for delivery and could result in higher transportation costs if there are significant increases in fuel costs.

Healthcare reform legislation could have an impact on our business. While the true cost of the healthcare legislation enacted in the previous year will occur after 2013 due to provisions of the legislation being phased in over time, changes to our healthcare costs structure could have a significant impact on our business. The Patient Protection and Affordable Care Act as well as other healthcare reform legislation being considered by Congress and state legislatures may have an impact on our business. While we are continuing to evaluate the effects of these legislative developments on our business, the impact on the healthcare industry is extensive and includes, among other things, having the federal government assume a greater role in the health care system, expanding healthcare coverage in the United States, mandating basic healthcare benefits and imposing regulations on businesses who provide or do not provide healthcare insurance to their employees. Our current assessment is that this legislation will most likely continue to increase our employee healthcare-related costs.

Inability to maintain and enhance our brand and respond to changes in our current and potential customers' tastes and trends in a timely manner could adversely affect our business and operating results.

The success of our business depends on our ability to maintain and enhance our brands to grow our business by retaining current customers and attracting new ones. Additionally, because furniture product is extremely fashion oriented, changes in consumers' tastes and trends and the resultant change in our product mix could adversely impact our business and operating results. We attempt to minimize these risks by maintaining a strong advertising and marketing campaign promoting both our brands and our current product designs, styles, quality and prices. If these efforts are unsuccessful, or we incur substantial costs in connection with these efforts, our business, operating results and financial or competitive condition could be adversely affected.

We rely extensively on computer systems to process transactions, summarize results and manage our business. Disruptions in both our primary and back-up systems could adversely affect our business and operating results.

Our primary and back-up computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, natural disasters and usage errors by employees. Though some of these issues would be covered by insurance, interruptions of our critical business computer systems and/or failure of our back-up systems could negatively impact our sales or result in longer production times. Additionally, if our critical business computer systems or our back-up systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We owned or leased approximately 10.5 million square feet of manufacturing, warehousing and distribution centers, office, showroom, and retail facilities, and had approximately 1.6 million square feet of idle facilities at the end of fiscal 2011. Of the 10.5 million square feet occupied at the end of fiscal 2011, our Upholstery Group occupied approximately 6.3 million square feet, our Caseloads Group occupied approximately 2.1 million square feet, our Retail Group occupied approximately 1.5 million square feet and our non-segmented operations occupied the balance.

Our active facilities are located in Arkansas, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Tennessee, Virginia, Washington D.C., Coahuila (Mexico) and Bangkok (Thailand). All of our plants are well maintained and insured. We do not expect any major land or building additions will be needed to increase capacity in the foreseeable future for our manufacturing operations. We own all of our domestic plants, some of which have been financed under long-term industrial revenue bonds, and our Thailand plant. We lease the majority of our retail stores and regional distribution centers, as well as our manufacturing facility in Mexico. For information on terms of operating leases for our properties, see Note 8 to our consolidated financial statements, which is included in Item 8 of this report.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in various legal proceedings arising in the ordinary course of our business. Based on a review of all currently known facts and our experience with previous legal matters, we have recorded expense in respect of probable and reasonably estimable losses arising from legal matters and currently do not anticipate any significant additional loss.

ITEM 4. [REMOVED AND RESERVED.]

EXECUTIVE OFFICERS OF REGISTRANT

Listed below are the names, ages and current positions of our executive officers and, if they have not held those positions for at least five years, their former positions during that period with us or other companies. All executive officers serve at the pleasure of the board of directors.

Kurt L. Darrow, age 56

- President and Chief Executive Officer since September 2003

Steven M. Kincaid, age 62

- Senior Vice President of La-Z-Boy and President of Casegoods since November 2003
- President, Kincaid Furniture Company, Incorporated since June 1983

Louis M. Riccio, Jr., age 48

- Senior Vice President of La-Z-Boy and Chief Financial Officer since July 2006
- Treasurer from April 2007 through August 2007 and February 2010 through April 2010

Otis S. Sawyer, age 53

- Senior Vice President of La-Z-Boy and President of Non-Branded Upholstery since February 2008
- President, England, Incorporated since February 2008
- Senior Vice President Corporate Operations from May 2006 through February 2008

Mark S. Bacon, Sr., age 48

- Senior Vice President of La-Z-Boy and Chief Retail Officer since October 2008
- Executive Vice President of Sales, Commercial and Operations of The Pep Boys - Manny, Moe & Jack from March 2004 through September 2007

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our common shares during the fourth quarter of fiscal year 2011.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during fiscal year 2011.

Equity Plans

The table below provides information concerning our compensation plans under which common shares may be issued.

Equity Compensation Plan Information as of April 30, 2011

Plan category

Number of