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, 2005
Commission File No. 1-9656

LA-Z-BOY INCORPORATED
1284 N. Telegraph Road, Monroe, MI 48162
(734) 241-4074

Incorporated in Michigan **I.R.S. Employer Identification Number 38-0751137**

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

Title of Each Class	Exchanges on Which Registered
Common Shares, $1.00 Par Value	New York Stock Exchange Pacific Stock Exchange

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

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 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. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes [X] No [ ]

Based on the closing price on the New York Stock Exchange on October 23, 2004, the aggregate market value of Registrant's common shares held by nonaffiliates of the Registrant on that date was $699.0 million.

The number of common shares outstanding of the Registrant was 52,237,888 as of June 04, 2005.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Portions of the Registrant's Annual Report to Shareholders for the year ended April 30, 2005 are filed as an exhibit and incorporated by reference into Parts I and II.

(2) Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the Annual Meeting of Shareholders to be held on August 23, 2005 are incorporated by reference into Part III.

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Note: The responses to Items 10 through 13 are included in the Company’s definitive proxy statement to be filed pursuant to Regulation 14A for the Annual Meeting of Shareholders to be held on August 23, 2005. 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 Parts I and II of this document and in the portions of Exhibit (13) incorporated by reference into those Parts, which are subject to risks and uncertainties. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements include the information in or incorporated into this document regarding:

future income, margins and cash flow	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 anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence; (b) changes in demographics; (c) changes in housing sales; (d) the impact of terrorism or war; (e) energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) the effects of the ruling on tariffs by the United States Department of Commerce and potential disruptions from Chinese imports; (i) inventory supply price fluctuations; (j) the impact of imports as it relates to continued domestic production; (k) changes in currency rates; (l) competitive factors; (m) operating factors, such as supply, labor, or distribution disruptions including changes in operating conditions or costs; (n) effects of restructuring actions; (o) changes in the domestic or international regulatory environment; (p) not fully realizing cost reductions through restructurings; (q) ability to implement global sourcing organization strategies; (r) the impact of new manufacturing technologies; (s) the future financial performance and condition of independently operated dealers that we are required to consolidate into our financial statements or changes requiring us to consolidate additional independently operated dealers; (t) fair value changes to our intangible assets due to actual results differing from projected; (u) the impact of adopting new accounting principles; (v) the impact of severe weather such as hurricanes and tornadoes; and (w) factors relating to acquisitions 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, either to reflect new developments, or for any other reason.

PART I

ITEM 1. BUSINESS.

Edward M. Knabush and Edwin J. Shoemaker started Floral City Furniture in the 1920s and, in 1928, the newly formed company introduced its first recliner. In 1941, the name was changed to La-Z-Boy Chair Company and then in 1996 it was changed to La-Z-Boy Incorporated. In 1941, we were incorporated in the state of Michigan and since then the La-Z-Boy name has become the most recognized in the industry .. Over the last 20 years, we increased our breadth of products mainly through acquisitions of such companies as Kincaid, England, Bauhaus, Hammary, Sam Moore and LADD Furniture Inc. In addition to these acquisitions, we have increased our ownership of retail stores during the past several years. La-Z-Boy Incorporated is divided into two segments - the Upholstery Group, which manufactures and distributes upholstered furniture, and the Casegoods Group, which manufactures, imports and distributes mainly wood furniture. The La-Z-Boy Upholstery Group companies are Bauhaus, Clayton Marcus, England, La-Z-Boy (including Retail), La-Z-Boy UK and Sam Moore. The La-Z-Boy Casegoods Group companies are American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House.

La-Z-Boy is the largest reclining-chair manufacturer in the world and North America's largest manufacturer of upholstered furniture. We also manufacture and import casegoods (wood) furniture products from outside the U.S. for resale in North America. La-Z-Boy Incorporated is one of the world's leading residential furniture producers and the leading producer of reclining chairs in the world, marketing furniture for every room of the home, as well as for hospitality, health care and assisted-living industries. According to the May 2005 Top 25 ranking by Furniture Today, which is an industry trade publication, the largest retailer of upholstered single-brand furniture in the U.S. is the La-Z-Boy Furniture Galleries® stores retail network ("the retail network").

In the first quarter of fiscal 2005, we decided to close three casegoods facilities, an upholstery plant and an upholstery warehouse. We closed the casegoods facilities as a result of continued underutilization of our domestic casegoods facilities due to an increase in our importing of product from overseas. Closing the upholstery plant and absorbing its production into another upholstery facility resulted in better production efficiencies. Approximately 525 jobs were eliminated as a result of these closures. During fiscal 2005, pre-tax restructuring charges were $10.3 million or $0.12 per diluted share covering the following: write-down of certain fixed assets, the write-down of certain inventories, payment of severance and benefits and other costs related to the shut down. We expect to dispose of these plants by sale or abandonment if a sale is not practical. These restructuring expenses were lower than we had originally anticipated because our charges to expense in the fourth quarter were offset by the gains on sale of assets designated for restructuring. The write-down was accounted for in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Severance costs and other costs were expensed as incurred throughout fiscal 2005 in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." There are 30 employees remaining at these facilities.

During the fourth quarter of fiscal 2004, we were required to start including in our consolidated financial statements several of our La-Z-Boy Furniture Galleries® stores which are owned and operated by independent dealers. This requirement was due to Financial Accounting Standards Board Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("VIEs") ("FIN 46"). We determined that a limited number of independent dealers are VIEs, of which, under FIN 46, we are deemed the primary beneficiary, and accordingly we began including them in our consolidated financial statements as of April 24, 2004. During fiscal 2005, we reduced the number of VIEs we are required to consolidate by half by finding a new independent dealer with sufficient equity to own and operate the La-Z-Boy Furniture Galleries® stores in that market or by acquiring them. The extraordinary gains of $2.1 million (net of income taxes) in fiscal 2005, were a result of the application of purchase accounting relating to the acquisition of previously consolidated VIEs. Refer to Management's Discussion and Analysis included in Exhibit (13), which is incorporated in this item by reference.

On April 29, 2005 we completed the sale of our La-Z-Boy Contract operating unit. This operating unit, which manufactured and distributed office seating was not a strategic fit with our current business model, which is centered on providing comfortable and stylish furnishings for the home. La-Z-Boy Contract did not have a large market position compared to the major office furniture players, and was not a large enough component of our overall business (about 2% of sales) to justify our continued corporate focus and resources. We completed the sale of our La-Z-Boy Contract operating unit for $11.0 million in cash and a receivable for $0.7 million. The pre-tax gain recognized on the sale during the fourth quarter of fiscal 2005 was $1.1 million. This disposition qualified as discontinued operations. Accordingly, the statements of operations for all prior years have been reclassified to reflect the results of operations of this divested business as discontinued operations. The La-Z-Boy Contract operating unit was previously included in the Upholstery segment which has also been reclassified to reflect the discontinued operations accounting.

During the fourth quarter of fiscal 2005 we acquired La-Z-Boy Furniture Galleries® store operations from our independent dealers in the Chicago, Pittsburgh, and Connecticut markets who were unable to meet our strategic initiatives for expansion, relocation and conversion. These three markets have 21 stores and are among the top 25 markets in the United States. The Pittsburgh and Connecticut stores were owned by independent dealers that were considered VIEs, mainly due to their poor performance, and we were required to consolidate them.

In prior years, we provided significant bad debt provisions for several independently-owned La-Z-Boy Furniture Galleries® store dealers. During the fourth quarter of fiscal 2005 we reevaluated our allowance for doubtful accounts after our acquisition of one major dealer and reassessment of our credit position with respect to another significant dealer based upon attaining additional credit-related information. Based on acquisition accounting for one and reassessment of the credit position for the other, we reduced our allowance for doubtful accounts by $5.5 million as shown in the La-Z-Boy Incorporated and Subsidiaries Schedule II - Valuation and Qualifying accounts to this report.

Principal Products and Industry Segments

Our reportable operating segments are the Upholstery Group and the Casegoods Group. These segments parallel our organizational structure. Within each segment there are several operating units that share best practices to achieve purchasing, manufacturing and selling synergies.

Our largest segment in terms of sales is the Upholstery Group. The operating units in the Upholstery Group are Bauhaus, Clayton Marcus, England, La-Z-Boy (including Retail), La-Z-Boy UK and Sam Moore. This group primarily manufactures and sells upholstered furniture to furniture retailers. Upholstered furniture includes recliners and motion furniture, sofas, loveseats, chairs, ottomans and sleeper sofas.

Our second segment is the Casegoods Group. The operating units in the Casegoods Group are American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House. This group primarily sells manufactured or imported wood furniture to furniture retailers and the hospitality industry. Approximately

55% of this segment's fiscal 2005 finished goods sales was imported product. Casegoods product includes tables, chairs, entertainment centers, headboards, dressers, accent pieces and some coordinated upholstered furniture for the residential and hospitality markets.

Additional detailed information regarding our segments and the products which comprise the segments is contained in Note 17 to our consolidated financial statements and our "Management's Discussion and Analysis" section, both of which are included in Exhibit (13) and are incorporated in this item by reference.

Raw Materials & Parts

Higher steel and plywood prices increased our raw material costs in fiscal 2005 proportionately more than other companies in the furniture industry due to our heavier concentration of upholstery and motion upholstery as a percentage of our overall business. Steel prices for our recliner mechanisms, springs, fasteners and other metal parts increased our cost of sales by approximately 1.0% of net sales compared to the previous year's costs.

The principal raw materials for the Upholstery Group are purchased cover, steel for motion mechanisms, polyester batting and non-chlorofluorocarbonated polyurethane foam for cushioning and padding, and lumber and plywood for frames and exposed wood parts. Purchased cover, primarily fabrics and leather, is the largest raw material cost for this segment, representing about 44% of the Upholstery Group's total raw material costs. We generally purchase cover from a few sources. If one these sources experienced financial difficulty we could experience temporary disruptions in our manufacturing process until another source could be found. Most of the cover is purchased in a raw state (a roll or hide), then cut and sewn into parts in our plants. There is a growing practice to purchase fully cut and sewn leather and fabric parts from areas outside of the United States including but not limited to: Argentina, Brazil, China, and Uruguay. We expect this trend to continue given the lower labor costs in some of these areas and other existing economic conditions. By importing cut and sewn leather parts, we are able to recognize savings compared to domestic purchases and fabrication of these parts.

We are experiencing price increases in some of our raw materials and we expect the trend to continue in the near term. The largest raw materials for the Upholstery Group--fabric, leather, and polyurethane foam batting--have seen only minimal price increases. However, some of the other Upholstery Group raw materials such as steel and plywood were up significantly in fiscal 2005 due to a tighter supply than in previous years. Recently, we have seen some stabilizing in the steel and plywood prices. In fiscal 2006 we expect the price of polyurethane to increase substantially.

Purchased hardwood parts are a growing source of components for the Upholstery Group. These purchased parts are generally external (exposed wood) parts as opposed to frame or structural parts. The production process of these parts is relatively labor intensive, making it more cost effective to import these parts from countries which have lower labor costs. The trend of importing these parts is expected to continue.

The Casegoods Group has been transitioning over the last few years from a manufacturer to an importer, distributor and manufacturer. Therefore, over the last few years the amount of raw materials purchased by the Casegoods Group has been declining. The principal raw materials used in the Casegoods Group are hardwoods, plywood and chipwood, veneers and liquid stains, paints and finishes and decorative hardware. Hardwood lumber is the Casegoods Group's largest raw material cost, representing about 23% of the segment's total raw material costs.

Finished Goods Imports

The domestic casegoods industry has been experiencing pressures over the last few years from imports. The rapid growth of manufacturing capabilities in Asia and South America has increased production capacities overseas. Due to the low labor and overhead costs in those areas, the landed manufactured cost of product coming out of those overseas manufacturing facilities is much lower than equivalent furniture produced domestically. Our Casegoods Group has been transitioning from a domestic manufacturer of casegoods furniture to a blended strategy of domestic manufacturing and importing. This transition has significantly decreased the utilization of domestic production capacity in our plants.

During fiscal 2005, 55% of our residential casegoods finished goods were imported compared to 46% in fiscal 2004. Imported finished goods represented only about 10% of our consolidated fiscal 2005 sales. While the majority of upholstered product sold in this country is domestically produced, there is a growing trend of imported fully-upholstered product, particularly leather. Both imported finished goods and components have lowered costs, which in turn has deflated selling prices to consumers in the last few years.

The importing of furniture is also changing how some large retailers and dealers are purchasing goods for their stores. Some retailers are buying direct from overseas and bypassing domestic distribution altogether. This increased import activity was a major contributor to our decision to restructure our casegoods manufacturing capability over the last few years. We are improving our purchasing, logistics and warehousing capabilities for these imports across our different operating units as our importing continues to grow. Specifically, we have negotiated contracts with freight forwarders that allow us to utilize consolidated purchasing power for shipping to obtain favorable rates based on volume.

Seasonal Business

We generally experience our lowest level of sales during our first fiscal quarter for our Upholstery Group and during our first and third fiscal quarters for the Casegoods Group. When possible, we schedule production to maintain uniform manufacturing activity throughout the year to coincide with slower sales.

Economic Cycle and Purchasing Cycle

The success of our business depends to a significant extent upon the level of consumer spending. A number of economic conditions affect the level of consumer spending on the products that we offer, including, among other things, the general state of the economy, general business conditions, the level of consumer debt, interest rates, taxation and consumer confidence in future economic conditions.

We remain cautiously optimistic about the industry's growth prospects for the coming year, though we are concerned that recent consumer confidence improvements could be challenged by a number of factors. These factors include continued high energy prices, rising short-term interest rates and general geopolitical uncertainty, which continue to overshadow the economic expansion that appeared to be underway.

Upholstered furniture has a shorter life cycle and exhibits a less volatile sales pattern over an economic cycle than does casegoods. This is because upholstery 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, less fashion-oriented, and frequently purchased in groupings or “suites,” resulting in a much larger dollar outlay by the consumer.

Practices Regarding Working Capital Items

With the exception of company-owned stores, we do not carry significant amounts of upholstered finished goods in inventory as these goods are usually built to order. However, we generally build or import casegoods inventory to stock, with warehousing, in order to attain manufacturing efficiencies and/or to meet delivery requirements of customers. This results in higher levels of finished casegoods product inventories than upholstery products. Our company-owned La-Z-Boy Furniture Galleries® stores maintain inventory at the stores and at locations to meet customer demand.

To meet import pressures, our Casegoods Group has been transitioning from a domestic manufacturer of casegoods furniture to a blended strategy of domestic manufacturing and importing. Consequently, inventory levels of imported finished goods have been on the rise and domestically manufactured finished goods have been reduced. At the end of fiscal 2005, our imported finished goods inventory increased 40% in comparison to the end of fiscal 2004. In contrast, our domestically manufactured finished goods inventory decreased 32% at the end of fiscal 2005 in comparison to the end of fiscal 2004. Additionally, including our raw materials, work-in-process, and finished goods, our total inventory decreased by 3% in the Casegoods Group. The decrease in inventory was due in part to consolidation of some of our Casegoods Group operations and more effective management of inventory.

Dealer terms for stock orders range between net 30 – 105 days. Terms are 30 – 45 days for sales to dealers that have received an order from a consumer. We often offer extended dating as part of sales promotion programs.

Customers

We sell to a significant number of furniture retailers throughout mainly the United States and Canada. We also sell to consumers through our company-owned La-Z-Boy Furniture Galleries® stores. We did not have any customers whose purchases amounted to more than 3% of our fiscal year 2005 sales for either the Upholstery Group or the Casegoods Group. Over 84% of the sales in our Upholstery Group are to dealers or furniture retailers at wholesale pricing. The remaining Upholstery Group sales are directly to end users through wholly-owned retail stores. Sales in our Casegoods Group are almost entirely to furniture retailers and the hospitality industry.

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 in dedicated galleries within their stores. We consider these stores, as well as our own retail stores, to be “proprietary.” Excluding sales to consumers by our own retail stores and VIEs, our 2005 customer mix was about 40% proprietary, 8% major dealers (for example, Art Van, Havertys) and 52% general dealers.

Currently, we own 61 stand-alone La-Z-Boy Furniture Galleries® stores, and we have agreements with independent dealers for 273 stand-alone La-Z-Boy Furniture Galleries® stores and 334 in-store galleries, all dedicated entirely to our furniture products. These stores also sell accessories that are purchased from approved vendors. In fiscal 2004 we adopted a new accounting standard that required us to consolidate some of our independent dealers, who own several stores. These stores, that are owned by independent dealers, are included in the 273 independently owned stores. There are 109 stand-alone La-Z-Boy Furniture Galleries® stores network in the New Generation format, which generally has more space and a more updated appearance. The 109 New Generation format stores represent a 60% increase in this type of distribution in comparison to last year. Additionally, the New Generation stores on average generate more revenue per square foot than the older formatted stores. Having dedicated retail floor space is important to the success of product distribution. 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. Viewed by itself, La-Z-Boy Furniture Galleries® stores network would be the third largest conventional furniture retailer in the U.S. In addition, we are expanding this proprietary approach to our Kincaid and England operating units. There are 17 Kincaid and 11 England independently-owned stand-alone stores. This proprietary expansion also includes over 1,500 in-store galleries for Clayton Marcus, England, Kincaid, Lea, La-Z-Boy Kidz™ and Pennsylvania House. Total “proprietary” floor space is approximately 10.1 million square feet.

It is a key part of our marketing strategy to continue to expand proprietary distribution. We plan to open another 40-50 of our New Generation format La-Z-Boy Furniture Galleries® stores during fiscal 2006, with 20-25 of these being new stores and the remainder being store remodels or relocations. We select dealers for this proprietary distribution based on the management and financial qualifications of those dealers. The location of these proprietary stores is based on the potential for distribution in a certain geographical area. This proprietary method of distribution is beneficial to both La-Z-Boy and our dealers. 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 our dealers who join this proprietary group, it allows them to take advantage of practices that have been 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.

Sales Representatives

Similar to most of the U.S. furniture industry, independent sales representatives sell our products to our dealer-customers. Typically these representatives represent one or more of our operating units' products, but for our non-La-Z-Boy branded business they may also represent products of other furniture companies. Independent sales representatives are usually compensated based on a percentage of their actual sales for their territory plus other performance criteria. In general, we sign one-year contracts with our independent sales representatives.

Orders and Backlog

Upholstery orders are primarily built to a specific dealer order (stock order) or a dealer order with a down payment from a consumer (sold orders). These orders are typically shipped within two to six weeks following receipt of the order. Casegoods are primarily produced to our internal order (not a customer or consumer order), which results in higher finished goods inventory on hand but quicker availability to ship to customers and greater batch size manufacturing efficiencies. Additionally, increased importing of finished product over the last few years in our Casegoods Group has increased our imported finished goods inventories due to longer order lead times necessary for imported product.

As of April 30, 2005 and April 24, 2004, Upholstery Group backlogs were approximately $125 million and $113 million, respectively. Casegoods backlogs as of April 30, 2005 and April 24, 2004 were approximately $61 million and $60 million, respectively. The measure of backlog at a point in time may not be indicative of future sales performance. 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. Orders from pre-built stock inventory, though, may be canceled up to the time of shipment.

Competitive Conditions

We are currently the third largest manufacturer/distributor of residential (bedroom, dining room, living and family room) furniture in the United States, as measured by annual sales volume, according to industry trade publication *Furniture/Today*. Competitors include (in alphabetical order) Ashley, Bassett Furniture, Bernhardt, Ethan Allen, Flexsteel, Furniture Brands International, Hooker Furniture, Klaussner, Natuzzi, Palliser, The Rowe Companies, Stanley Furniture and Universal.

In the Upholstery Group, the largest competitors are Ashley, Bassett Furniture, Bernhardt, Ethan Allen, Flexsteel, Furniture Brands International, Klaussner, Natuzzi, Palliser and The Rowe Companies. The La-Z-Boy Furniture Galleries® stores operate in the retail upholstered furniture industry; consequently, they have different competitors. La-Z-Boy Furniture Galleries® stores competitors include but are not limited to Ashley, Bassett Furniture Direct, Broyhill Home Collections, Ethan Allen, Storehouse, Thomasville Home Furnishings Stores, several other regional competitors, and non-conventional furniture outlets such as specialty retail operations and retail variety stores.

In the Casegoods Group, our main competitors are Ashley, Bernhardt, Ethan Allen, Fleetwood, Furniture Brands International, Hooker, Kimball International, Stanley, and Universal. Additional market pressures may be created in the future by foreign manufacturers entering the United States market, as well as by increased direct purchasing from overseas by some of the larger United States retailers.

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

We compete primarily by emphasizing our brand names and the comfort, quality and styling of our products. In addition, we strive to offer good product value, strong dealer support and above average customer service and delivery. Our proprietary stores, discussed above under “Customers,” also are a key initiative for us in striving to remain competitive with others in the furniture industry.

Several years ago, our industry witnessed the bankruptcies of Montgomery Ward, Sears HomeLife and Heilig-Meyers, three of the top ten U.S. furniture retailers. More recently, two other top retailers have experienced financial difficulties. Additionally, major retailers are benefiting from importing directly from overseas.

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 Exhibit (13) to this report and is incorporated in this item by reference.

Patents, Licenses and Franchises

We hold several patents but we believe that the loss of any single patent or group of patents would not materially affect our business. We have no material licenses or franchises. Our agreements with our “proprietary” dealers are a key part of our marketing strategies. We provide more information about those dealers above, under “Customers.”

Compliance with Environmental Regulations

We have been named as a defendant in various lawsuits arising in the ordinary course of business including being named as a potentially responsible party at six environmental clean-up sites. Based on a review of all currently known facts and our experience with previous legal and environmental matters, we have recorded expense in respect of probable and reasonably estimable losses arising from legal and environmental matters and we do not believe that a material additional loss is reasonably possible for legal or environmental matters.

Employees

We employed 14,822 persons as of April 30, 2005. The Upholstery Group employed 12,070, the Casegoods Group employed 2,278, and there were approximately 474 non-segment personnel. Substantially all of our employees are employed on a full-time basis. Approximately 3% of our employees are unionized.

At the end of April last year we had 16,125 employees. The reduction in employees from April 24, 2004 to April 30, 2005 was due mainly to the closing of three Casegoods plant, which related to restructuring activities of our Casegoods Group in fiscal 2004. The restructuring was the result of under-utilization of certain Casegoods Group manufacturing facilities.

Financial Information About Foreign and Domestic Operations and Export Sales

Our direct export sales are approximately 2% of our total sales. We also sell upholstered furniture to Canadian customers through a Canadian subsidiary and to European customers through a United Kingdom subsidiary and a joint venture, La-Z-Boy Europe, BV. We have a manufacturing joint venture in Thailand, which distributes furniture in Thailand, England and other countries. Information about sales in the United States and in Canada and other countries is contained in Note 17 to our consolidated financial statements, which is included in Exhibit (13) to this report and incorporated in this item by reference. Our property, plant, and equipment in the U.S. was $203 million, $205 million and $202 million at the end of fiscal years 2005, 2004 and 2003, respectively. The property, plant, and equipment in foreign countries was $8 million in fiscal 2005, $8 million in fiscal 2004 and $7 million in fiscal 2003.

Internet Availability

Available free of charge through our internet website are our forms 10-K, 10-Q, 8-K 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 electronically filed with, or furnished to, the Securities and Exchange Commission.

ITEM 2. PROPERTIES.

We owned or leased approximately 15.7 million square feet of manufacturing, warehousing, office, showroom, and retail facilities and had approximately 2.8 million square feet of idle facilities at the end of fiscal 2005. Of the 15.7 million in fiscal 2005, our Upholstery Group occupied approximately 10.2 million square feet of space and our Casegoods Group occupied approximately 5.2 million square feet of space. At the end of fiscal 2004 we owned or leased approximately 15.2 million square feet square feet of manufacturing, warehousing, office, showroom, and retail facilities of space and 2.3 million square feet of idle facilities. Of the 15.2 million our Upholstery Group occupied approximately 9.8 million square feet of space and our Casegoods Group occupied approximately 5.3 million square feet of space. We reduced Casegoods floor space in fiscal 2005 due to rationalizing of production capacity through restructuring and other efforts, which corresponds to the increase in Casegoods Group imports. The above information does not incorporate our VIEs.

We sold several idle facilities in the fourth quarter, and we also sold a significant amount of equipment that had been idled in connection with our previously announced restructurings over the last few years. We recognized a gain of $4.6 million on these sales. Since the sale of these assets related to restructuring, the gain was netted against our restructuring expense for the 2005 fourth quarter, resulting in a net pre-tax restructuring credit of $3.1 million.

Our active facilities are located in Arkansas, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Utah, Virginia, and the countries of Canada, Thailand and the United Kingdom. Most of them are less than 50 years old, and all of them 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. However, we anticipate increased retail capacity in the future. We own most of our plants, some of which have been financed under long-term industrial revenue bonds and we lease the majority of our retail stores. For information on terms of operating leases for our properties, see Note 8 to our consolidated financial statements, which is included in Exhibit (13) to this report and incorporated in this item by reference.

ITEM 3. LEGAL PROCEEDINGS.

We have been named as a defendant in various lawsuits arising in the ordinary course of business including being named as a potentially responsible party at six environmental clean-up sites. Based on a review of all currently known facts and our experience with previous legal and environmental matters, we have recorded expense in respect of probable and reasonably estimable losses arising from legal and environmental matters and we do not believe that a material additional loss is reasonably possible for legal or environmental matters.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY.

Nothing was submitted for a vote by our shareholders during the fourth quarter of fiscal 2005.

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.

Patrick H. Norton, age 83
- Chairman of the Board since October 1997

Kurt L. Darrow, age 50
- President and Chief Executive Officer since September 2003
- Formerly President La-Z-Boy Residential Division (August 2001 - September 2003)
- Formerly Senior Vice President La-Z-Boy Sales and Marketing (September 1999 - August 2001)

David M. Risley, age 60
- Senior Vice President and Chief Financial Officer since April 2001
- Formerly Vice President and Chief Financial Officer of Aeroquip-Vickers, a global manufacturer servicing the industrial, aerospace and the automotive industries (October 1991 – December 1999)

Rodney D. England, age 53
- Senior Vice President of La-Z-Boy and President of Non-Branded Upholstery Product since November 2003
- President, England, Inc. since July 1987

Steven M. Kincaid, age 56
- Senior Vice President of La-Z-Boy and President of Casegoods Product since November 2003
- President, Kincaid Furniture Company, Incorporated since June 1983

PART II

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

EQUITY PLANS

The table below provides information, as of the end of fiscal 2005, concerning our compensation plans under which common shares may be issued.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise prices of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	2,092,443(1)	$19.59	4,715,400(2)
Equity compensation plans not approved by shareholders (Note 3)	34,810	$18.90	None

Note 1: These options were issued under our 2004 Long-Term Equity Award Plan and our 1997 Incentive Stock Option Plan. No additional options can be awarded under the 1997 plan.

Note 2: This amount is the aggregate number of shares available for future issuance under our 2004 Long-Term Equity Award Plan, which has a stock option component, a restricted stock component and a performance award component, our Restricted Stock Plan for Non-Employee Directors, and our 1993 Performance-Based Stock Plan. The restricted stock plan and the restricted stock component of the Long-Term Equity Award Plan provide for awards of our common shares or grants of 30-day options on our common shares. The performance-based plan and the performance award component of the long-term equity award plan provide for awards of our common shares or grants of 30-day options on common shares to selected key employees based on achievement of pre-set goals over a performance period (normally of three fiscal years). At the end of fiscal 2005, 4,479,600 shares were available for future issuance under the long-term equity award plan, 215,800 shares were available for future issuance under the non-employee directors restricted plan, and 20,000 shares were available for future issuance under the performance-based plan.

Note 3: This line of the table relates only to an option plan that we adopted without shareholder approval at the time we acquired LADD solely in order to replace options on LADD common shares with options on our common shares. No additional options or other awards may be made under that plan.

Recent Sales of Unregistered Securities

We did not sell any unregistered securities during the fourth quarter of fiscal year 2005.

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 2005.

Shareholders

We had about 26,500 shareholders of record at June 8, 2005.

Other Information

All other information required to be reported under this item is included in Exhibit (13) to this report and incorporated in this item by reference.

ITEM 6. SELECTED FINANCIAL DATA.

All information required to be reported under this item is included in Exhibit (13) to this report and is incorporated in this item by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our "Management's Discussion and Analysis" section included in Exhibit (13) of this report is incorporated by reference in response to this item.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

All information required to be reported under this item is included in Exhibit (13) to this report and is incorporated in this item by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements and all other information required by this item other than financial statement schedules are included in Exhibit (13) of this report, and all of that information is incorporated in this item by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to information required to be included in our submissions and filings with the SEC.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of April 30, 2005.

Management has excluded the La-Z-Boy Furniture Galleries® operations in Pittsburgh, Connecticut and Chicago from its assessment of internal control over financial reporting as of April 30, 2005 because they were acquired in purchase business combinations during the year ending April 30, 2005. These businesses are wholly-owned subsidiaries of the Company. Management has also excluded two other La-Z-Boy Furniture Galleries® operations from our assessment of internal control over financial reporting because we do not have the right or authority to assess the internal controls of the consolidated entity and we also lack the ability, in practice, to make that assessment. These two retail furniture operations were created prior to December 15, 2003, and were consolidated by La-Z-Boy Incorporated on April 24, 2004 upon the adoption of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*. The combined total assets and total revenues of the excluded businesses represent 4% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended April 30, 2005.

PricewaterhouseCoopers LLP, the independent registered public accounting firm who audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited our management's assessment of the effectiveness of our internal controls over financial reporting as of April 30, 2005, and the effectiveness of our internal control over financial reporting as of April 30, 2005, as stated in their opinion which is included in Exhibit (13) to this report ..

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our fourth fiscal quarter of 2005.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

We have adopted a Code of Business Conduct, which applies to all of our officers, directors, and employees. A current copy of the code is posted at our website "http://www.la-z-boy.com".

We provide some information about our executive officers in Part I of this report, under the heading "Executive Officers of Registrant." All other information required to be reported under this item will be included in our proxy statement for our 2005 annual meeting, and all of that information is incorporated in this item by reference.

ITEM 11. EXECUTIVE COMPENSATION.

All information required to be reported under this item will be included in our proxy statement for our 2005 annual meeting, and all of that information is incorporated in this item by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required to be reported under Item 201(d) of Regulation S-K is contained in Item 5 of this report. All other information required to be reported under this item will be included in our proxy statement for our 2005 annual meeting, and all of that information is incorporated in this item by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

All information required to be reported under this item will be included in our proxy statement for our 2005 annual meeting, and all of that information is incorporated in this item by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

All information required to be reported under this item will be included in our proxy statement for our 2005 annual meeting, and all of that information is incorporated in this item by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(1.) Financial Statements:
Consolidated Statement of Operations for each of the three fiscal years ended April 30, 2005, April 24, 2004 and April 26, 2003
Consolidated Balance Sheet at April 30, 2005 and April 24, 2004
Consolidated Statement of Cash Flows for the fiscal years ended April 30, 2005, April 24, 2004 and April 26, 2003
Consolidated Statement of Changes in Shareholders' Equity for the fiscal years ended April 30, 2005, April 24, 2004 and April 26, 2003
Notes to Consolidated Financial Statements
Management's Report to Our Shareholders
Report of Independent Registered Public Accounting Firm

(2.) Financial Statement Schedules:
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule
Schedule II — Valuation and Qualifying Accounts for each of the three fiscal years in the period ended April 30, 2005.

Both immediately follow this item.

All other schedules are omitted because they are not applicable or not required because the required information is included in the financial statements or notes thereto.

(3.) Exhibits
The following exhibits are filed as part of this report:

Exhibit Number	Description of Exhibit (Note 1)
(2)	Not applicable
(3.1)	La-Z-Boy Incorporated Restated Articles of Incorporation (Note 2)
(3.2)	Amendment to Restated Articles of Incorporation (Note 3)
(3.3)	La-Z-Boy Incorporated Amended and Restated Bylaws (as of March 3, 2004) (Note 12)
(4)	$150 million dollar Credit Agreement dated as of March 30, 2004 among La-Z-Boy Incorporated, the banks listed therein and Wachovia Bank, N.A., as Administrative Agent (Registrant hereby agrees to furnish to the SEC, upon its request, a copy of each other instrument or agreement defining the rights of holders of long-term debt of Registrant and its subsidiaries) (Note 12)
(9)	Not applicable
(10.1)*	La-Z-Boy Incorporated Further Amended and Restated 1993 Performance-Based Stock Plan (Note 5)
(10.2)*	La-Z-Boy Incorporated Restricted Stock Plan for Non-Employee Directors, amended and restated through August 12, 2003 (Note 6)
(10.3)*	La-Z-Boy Incorporated Executive Incentive Compensation Plan Description (Note 7)

(10.5)*	La-Z-Boy Incorporated Amended and Restated 1997 Restricted Share Plan (Note 9)
(10.6)*	La-Z-Boy Incorporated 1997 Incentive Stock Option Plan (Note 9)
(10.7)*	Form of Change in Control Agreement (Note 8). Only directors or executive officers currently covered: Patrick H. Norton, Kurt L. Darrow, David M. Risley, Steven M. Kincaid and Rodney D. England
(10.8)*	Form of Indemnification Agreement (covering all directors, including employee-directors) (Note 10)
(10.9)*	La-Z-Boy Incorporated Executive Deferred Compensation Plan (Note 7)
(10.10)*	Severance Agreement with Gerald L. Kiser (Note 4)
(10.11)*	Consulting Agreement with Gerald L. Kiser (Note 4)
(10.12)*	La-Z-Boy Incorporated 2004 Long-Term Equity Award Plan (Note 13)
(11)	Statement regarding computation of per share earnings (See Note 16 to the Consolidated Financial Statements included in Exhibit (13))
(12)	Not applicable
(13)	Portions of the 2005 Annual Report to Shareholders (Note 11)
(14)	Not applicable
(16)	Not applicable
(18)	Not applicable
(21)	List of subsidiaries of La-Z-Boy Incorporated
(22)	Not applicable
(23)	Consent of PricewaterhouseCoopers LLP (EDGAR filing only)
(24)	Not applicable
(31)	Certifications pursuant to Rule 13a-14(a)
(32)	Certifications pursuant to 18 U.S.C. Section 1350
(33)	Not applicable
(34)	Not applicable
(35)	Not applicable
(99)	Not applicable
(100)	Not applicable

Notes to Exhibits

*	Indicates a management contract or compensatory plan or arrangement under which a director or executive officer may receive benefits.
Note 1.	For all documents incorporated by reference, the SEC file number is 1-9656 unless otherwise indicated below. All exhibit description references to previous filings are references to filings by La-Z-Boy. Unless otherwise indicated, the described exhibit is being filed with this Report.
Note 2.	Incorporated by reference to an exhibit to Form 10-Q for the quarter ended October 26, 1996.
Note 3.	Incorporated by reference to an exhibit to Form 10-K/A filed September 27, 1999.
Note 4.	Incorporated by reference to an exhibit to Form 10-Q for the quarter ended October 25, 2003.
Note 5	Incorporated by reference to an exhibit to definitive proxy statement dated June 29, 2001.
Note 6.	Incorporated by reference to an exhibit to definitive proxy statement dated July 9, 2003.
Note 7.	Incorporated by reference to an exhibit to Form 10-K for the fiscal year ended April 26, 2003.
Note 8.	Incorporated by reference to an exhibit to Form 8-K dated February 6, 1995.
Note 9.	Incorporated by reference to an exhibit to definitive proxy statement dated June 27, 1997.
Note 10.	Incorporated by reference to an exhibit to Form 8, Amendment No. 1, dated November 3, 1989.
Note 11.	With the exception of the information incorporated in Parts I and II, this document is not deemed to be filed as part of this Report.
Note 12.	Incorporated by reference to an exhibit to Form 10-K for the fiscal year ended April 24, 2004.
Note 13.	Incorporated by reference to an exhibit to definitive proxy statement dated July 2, 2004.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors and Shareholders of La-Z-Boy Incorporated:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated June 27, 2005 appearing in the 2005 Annual Report to Shareholders of La-Z-Boy Incorporated (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

As discussed in Note 20 to the consolidated financial statements, on April 24, 2004, the company adopted Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
June 27, 2005

LA-Z-BOY INCORPORATED AND SUBSIDIARIES SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

Allowance for Doubtful Accounts and Long-Term Notes

Fiscal year ended:	Balance at beginning of year	Additions from consolidation of VIEs	Additions charged to costs and expenses	Trade accounts receivable "written off" net of recoveries	Balance at end of Year
April 30, 2005	$ 23,678	$ --	$ 176 (1)	$ (3,365)	$ 20,489
April 24, 2004	36,117	(11,239)	3,769	(4,969)	23,678
April 26, 2003	33,491	--	6,560	(3,934)	36,117

(1) Additions charged to costs and expenses includes a $5.5 million reduction relating mostly to the acquisition of La-Z-Boy Furniture Galleries® Stores and reassessment of our credit position with respect to another significant dealer, see Note 1 to our consolidated financial statements, which is included in Exhibit (13) to this report and incorporated in this item by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: June 27, 2005 LA-Z-BOY INCORPORATED

BY /s/ Kurt L. Darrow
Kurt L.Darrow
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, as of June 27, 2005, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/P.H. Norton
P.H. Norton
Chairman of the Board

/s/J.W. Johnston
J.W. Johnston
Director

/s/K.L. Darrow
K.L. Darrow
President and Chief Executive Officer, Director

/s/H.G. Levy
H.G. Levy
Director

/s/D.M. Risley
D.M. Risley
Senior Vice President and Chief Financial Officer

/s/R.E. Lipford
R.E. Lipford
Director

/s/L.M. Riccio, Jr.	**/s/D.L. Mitchell**
L.M. Riccio, Jr. Chief Accounting Officer and Corporate Controller	D.L. Mitchell Director
/s/J.H. Foss	**/s/H.O. Petrauskas**
J.H. Foss Director	H.O. Petrauskas Director
/s/D.K. Hehl	**/s/J.L. Thompson**
D.K. Hehl Director	J.L. Thompson Director

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Note 3.	Incorporated by reference to an exhibit to Form 10-K/A filed September 27, 1999.
Note 4.	Incorporated by reference to an exhibit to Form 10-Q for the quarter ended October 25, 2003.

Note 5	Incorporated by reference to an exhibit to definitive proxy statement dated June 29, 2001.
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Note 13.	Incorporated by reference to an exhibit to definitive proxy statement dated July 2, 2004.

EXHIBIT (3.3)

AMENDED AND RESTATED BYLAWS

OF

LA-Z-BOY INCORPORATED

(as of June 7, 2005)

ARTICLE I

Name and Office

Section 1. Name. The name of this corporation is La-Z-Boy Incorporated.

Section 2. Registered Office. The principal and registered office of the corporation shall be located at 1284 North Telegraph Road, Monroe, Michigan.

Section 3. Other Offices. The corporation may also have other offices for the transaction of business located at such places, both within and without the State of Michigan, as the Board of Directors may from time to time determine.

ARTICLE II

Capital Stock and Transfers

Section 1. Share Certificates.

(A) Required Signatures. The shares of the corporation shall be represented by certificates signed by the Chairman of the Board or the President or an Executive Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of the officers of the corporation upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or is registered by a registrar, other than the corporation itself or an employee of the corporation. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if the signer were still such officer, transfer agent or registrar at the date of the certificate's issue.

(B) Required Information. A certificate representing shares of the corporation shall state upon its face all of the following:

(a) That the corporation is formed under the laws of this state.

(b) The name of the person to whom issued.

(c) The number and class of shares, and the designation of the series, if any, which the certificate represents.

Section 2. Lien. The corporation shall have a first lien on all the shares of its capital stock, and upon all dividends declared upon the same for any indebtedness of the respective holders thereof to the corporation.

Section 3. Transfers. Upon surrender to the corporation or the transfer agent of the corporation of a certificate representing shares fully endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto, and the old certificate canceled and the transaction recorded upon the books of the corporation.

Section 4. Replacement of Lost, Stolen or Destroyed Share Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems adequate, to protect the corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost, stolen or destroyed.

Section 5. Transfer Agent and Registration. The Board of Directors may appoint a transfer agent and a registrar in the registration of transfers of its securities.

Section 6. Rules of Issue and Transfer. The Board of Directors shall have power and authority to make all such rules and regulations as the board shall deem expedient regulating the issue, transfer and registration of certificates for shares in the corporation.

Section 7. Registered Shareholders. The corporation shall have the right to treat the registered holder of any share as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the corporation shall have express or other notice thereof, save as may be otherwise provided by the statutes of Michigan.

ARTICLE III

Shareholders and Meetings

Section 1. Annual Meeting of Shareholders. The 1991 Annual Meeting of Shareholders was held August 5, 1991 and all subsequent Annual Meetings of Shareholders shall be held on the last Monday in July of each year, or at such other date as shall be designated by the Board of Directors and stated in the notice of the meeting. At said meeting the shareholders shall elect by a plurality vote the Directors to be elected at such meeting, and shall transact such other business as may properly be brought before the meeting.

Section 2. Special Meetings of Shareholders. A special meeting of the shareholders for any purpose or purposes other than election of Directors may be called at any time and place by the Chairman of the Board, and in his absence, by the President; or by the Directors. It shall be the duty of the Directors, the Chairman of the Board, or the President to call such meeting whenever so requested in writing by shareholders owning, in the aggregate, at least seventy-five percent (75%) of the entire capital stock of the corporation entitled to vote at such special meeting. Such request shall state the purpose or purposes of the proposed meeting.

Section 3. Notice of Meetings of Shareholders. Notice of the time, date and place of all annual and special meetings shall be mailed by the Secretary to each shareholder entitled to vote at such meeting not less than ten (10) days nor more than sixty (60) days before the date thereof. The business transacted at any special meeting of shareholders shall be limited to the purpose(s) stated in the notice.

Section 4. Presiding Officer. The Chairman of the Board, or in his absence, the President, or in his absence such Vice President as the Board of Directors may designate, shall preside at any meeting of shareholders.

Section 5. Vote of Shareholders; Proxies. At every such meeting each shareholder entitled to vote thereat may cast such vote or votes either in person, or by proxy, but no proxy shall be voted after three (3) years from its date, unless the proxy provides for a longer period. A shareholder may authorize one or more persons to act for him by proxy. All proxies shall be in writing by the shareholder or by his duly authorized agent or representative and shall be filed with the Secretary.

Section 6. Quorum of Shareholders. The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders present in person or represented by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. Required Vote. If a quorum is present, the affirmative vote of the holders of a majority of the shares of stock represented at the meeting shall be the act of the shareholders unless the vote of a greater number of shares of stock is required by law or the Articles of Incorporation.

Section 8. Removal. The shareholders shall have power by a majority vote at any such meeting, to remove any Director from office.

Section 9. List of Shareholders Entitled to Vote. The officer or agent having charge of the stock transfer books for shares of the corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholders' meeting or any adjournment thereof. The list shall:

(a) Be arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder.

(b) Be produced at the time and place of the meeting.

(c) Be subject to inspection by any shareholder during the whole time of the meeting.

(d) Be prima facie evidence as to who are the shareholders entitled to examine the list or to vote at the meeting.

Section 10. Record Date for Determination of Shareholders. For the purpose of determining shareholders entitled to notice of and to vote at a meeting of shareholders or an adjournment of a meeting, the Board of Directors may fix a record date, which shall not precede the date on which the resolution fixing the record date is adopted by the Board. The date shall not be more than sixty (60) nor less than ten (10) days before the date of the meeting. If a record date is not fixed, the record date for determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice is given, or if no notice is given, the day next preceding the day on which the meeting is held. When a determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders has been made as provided in this Section, the determination applies to any adjournment of the meeting, unless the Board of Directors fixes a new record date under this Section for the adjourned meeting. For the purpose of determining shareholders entitled to receive payment of a share dividend or distribution, or allotment of a right, or for the purpose of any other action, the Board of Directors may fix a record date, which shall not precede the date on which the resolution fixing the record date is adopted by the Board. The date shall not be more than sixty (60) days before the payment of the share dividend or distribution or allotment of a right or other action. If a record date is not fixed, the record date shall be the close of business on the day on which the resolution of the Board of Directors relating to the corporate action is adopted.

Section 11. Inspectors of Election. The Board of Directors may appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on request of a shareholder entitled to vote thereat shall, appoint one or more inspectors. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or a shareholder entitled to vote thereat, the inspectors shall make and execute a written report to the person presiding at the meeting of any of the facts found by them and matters determined by them. The report is prima facie evidence of the facts stated and of the vote as certified by the inspectors.

ARTICLE IV

Directors

Section 1. Number and Powers of Directors. The business and affairs of the corporation shall be managed by a Board of Directors consisting of 10 Directors who shall be elected by the shareholders. The Directors shall be elected at the annual meeting of the shareholders, as detailed hereinafter, and each Director shall serve until his successor shall have been elected and qualified. When acting as such, the Board of Directors may exercise all powers and do all such lawful acts and things (including, without limitation, the making of such adjustments in the number of Directors in any Director class or classes that may be determined by the Board to be necessary or appropriate in light of an increase or decrease in the total number of Directors specified in these bylaws) as are not by statute or by the Articles of Incorporation or these bylaws directed or required to be exercised or done by the shareholders.

Section 2. Classification and Term of Office. The Directors shall be severally classified with the respect to the time for which they shall hold office by dividing them into three classifications, with the number of Directors in each class being as nearly equal as possible to the number of directors in each other class.

Section 3. Regular Meetings of Board. Regular meetings of the Directors shall be held immediately after the adjournment of each annual shareholders' meeting and may be held at such time and at such place as shall from time to time be determined by the Board.

Section 4. Special Meetings of Board. Special meetings of the Board of Directors may be called by the Chairman, and, in his absence, by the President or any four members of the Board of Directors. By unanimous consent of the Directors, special meetings of the Board may be held without notice, at any time and place. The presence of a Director at a meeting shall constitute a Waiver of Notice except where the Director attends solely to protest the legality of the meeting.

Section 5. Notice. Notice of all regular and special meetings, except those specified in the second sentence of Section 4 or in Section 7 of this article, shall be delivered in person, mailed, e-mailed, faxed, or sent by telegram to each Director, by the Secretary, at least one day previous to the time fixed for the meetings. All notices of special meetings shall state the purposes thereof.

Section 6. Quorum and Required Vote. A majority of the Directors shall constitute a quorum for the transaction of business unless a greater number is required by law or by the Articles of Incorporation. The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, these bylaws, or by the Articles of Incorporation. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Annual Meeting; Election of Officers. The Directors shall elect officers of the corporation, and fix their salaries; such elections to be held at the Directors' meeting following each annual shareholders' meeting. No notice of such meeting shall be necessary to any newly elected Director in order to legally constitute the meeting, provided a quorum shall be present. The Board of Directors also may elect other officers, and fix the salaries of such officers, at other times and from time to time as the Board may deem necessary or appropriate for transaction of the business of the corporation. Any officer may be removed at any time by a two-thirds vote of the full Board of Directors.

Section 8. Vacancies. All vacancies occurring in the Board of Directors, whether caused by resignation, death or otherwise, may be filled by the affirmative vote of two-thirds of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired portion of the term of his predecessor in office.

Section 9. Directors' Report. At each annual shareholders' meeting the Directors shall submit a statement of the business done during the preceding year, together with a report of the general financial condition of the corporation, and of the condition of its tangible property.

Section 10. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the corporation. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these bylaws, shall have and may exercise all of the power and authority of the Board of Directors in the management of the business and affairs of the corporation, but no such committee shall have the power or authority in reference to amending the Articles of Incorporation, adopting an agreement of merger or consolidation, recommending to shareholders the sale, lease, or exchange of all or substantially all of the corporation's property and assets, recommending to the shareholders the dissolution of the corporation or revocation of a dissolution, amending the bylaws of the corporation, or filling vacancies in the Board, and unless a resolution of the Board of Directors, the Articles of Incorporation or the bylaws expressly so provides, no such committee shall have the power or authority to declare a distribution, dividend, or to authorize the issuance of stock.

Section 11. Compensation of Directors. The Board of Directors, by the affirmative vote of a majority of the Directors then in office, and irrespective of any personal interest of any of them, shall have authority to fix the compensation of all Directors for services to the corporation as directors, officers, or otherwise.

Section 12. Action by Written Consent. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any Committee thereof may be taken without a meeting, if all members of the Board or Committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes or proceedings of the Board or Committee.

Section 13. Participation in Meeting by Telephone. By oral or written permission of a majority of the Board of Directors, a member of the Board of Directors or of a Committee designated by the Board may participate in a meeting by means of conference telephone or similar communications equipment through which all persons participating in the meeting can communicate with the other participants. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting.

Section 14. Nomination of Director Candidates. Nomination of candidates for election as Directors of the Corporation at any meeting of shareholders called for election of Directors (an "Election Meeting") may be made by the Board of Directors or by any shareholder entitled to vote at such Election Meeting but only in accordance with the procedure outlined herein.

(a) Procedure for Nominations by the Board of Directors. Nominations made by the Board of Directors shall be made at a meeting of the Board of Directors, or by written consent of Directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nominations shall be reflected in the minute books of the corporation as of the date made. At the request of the Secretary of the corporation each proposed nominee shall provide the corporation with such information concerning himself or herself as is required, under the rules of the Securities and Exchange Commission, to be included in the corporation's proxy statement soliciting proxies for his or her election as a director.

Any shareholder who wishes to recommend a director candidate for consideration for nomination by the Board of Directors must send the recommendation to the Secretary of the Corporation, who shall forward it to the Committee on the Board. The recommendation must include a description of the candidate's qualifications for board service, the candidate's consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the recommending shareholder and the candidate for more information. The deadline for the corporation's receipt of such a recommendation shall be as follows: (1) if the proposal is submitted for a regularly scheduled annual meeting of shareholders, the deadline shall be 120 calendar days before the date of the corporation's proxy statement in connection with the previous year's annual meeting, except that if the corporation did not hold an annual meeting in the previous year, or if the date of annual meeting for which the recommendation is submitted has been changed by more than 30 days from the date of the previous year's annual meeting, the deadline shall be a reasonable time (as determined by the Secretary of the corporation) before the corporation begins to print and mail its proxy materials; and (2) if the proposal is submitted for a meeting other than a regularly scheduled annual meeting, the deadline shall be a reasonable time (as determined by the Secretary of the corporation) before the corporation begins to print and mail its proxy materials.

(b) Procedure for Nominations by Shareholders. Not less than 90 days prior to the first anniversary of the preceding year's annual meeting any shareholder who intends to make a nomination at the Election Meeting shall deliver a notice to the Secretary of the Corporation setting forth (i) the name, age, business address and residence of each nominee proposed in each such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the Corporation which are beneficially owned by each such nominee and (iv) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee.

(c) Determination of Compliance with Procedures. If the Chairman of the Election Meeting determines that a nomination was not in accordance with the foregoing procedures, such nomination shall be void.

ARTICLE V

Officers

Section 1. In General. The officers of this corporation shall include a Chairman of the Board, a President, a Secretary and a Treasurer, and may include a Vice Chairman of the Board, one or more Vice Presidents, Senior Vice Presidents or Executive Vice Presidents and such Assistant Secretaries and Treasurers or other officers as shall seem necessary or appropriate to the Board of Directors from time to time. None of said officers, except the Chairman of the Board, the President, and the Vice Chairman of the Board, need be a Director. Any of the aforementioned offices, except those of Chairman of the Board and President, of Chairman of the Board and Vice-Chairman of the Board, of President and Vice-President or Executive Vice President, of Treasurer and Assistant Treasurer, or of Secretary and Assistant Secretary, may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument or document in more than one capacity. As and whenever it determines the same to be appropriate, the Board of Directors may designate the President, an Executive Vice President, a Vice President, or the Treasurer as the Chief Financial Officer of the corporation, and any such officer so designated (while he continues to hold the office held at the time of such designation and until such designation is revoked or a different officer is so designated by the Board of Directors) may identify himself and execute instruments and other documents using the title of Chief Financial Officer.

Section 2. Chairman of the Board. The Chairman of the Board shall be selected by, and from among the membership of, the Board of Directors. Except as otherwise indicated in these bylaws, the Chairman of the Board shall establish the agendas for, and preside at all meetings of, the shareholders and of the Board of Directors. He shall serve as principal advisor with respect to all sales and marketing activities of the corporation and its subsidiaries, shall assist the President in the overall management of the corporation, shall chair the corporation's strategic steering council if such is established by the Board of Directors, shall sign stock certificates as provided in Section 1 of Article II of these bylaws, and shall perform such other duties and functions as shall be assigned him from time to time by the Board of Directors. Except where by law the signature of the President of the corporation is required, the Chairman of the Board shall possess the same power and authority as the President to sign all certificates, contracts, instruments, papers, and documents of every conceivable kind and character whatsoever, in the name of and on behalf of the corporation, as may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board shall exercise all of the powers and discharge all of the duties of the President. In case of the absence or the disability of the Chairman of the Board, his duties shall be performed by the President, and in case of the President's absence, by the Vice Chairman of the Board or, with respect to a shareholder meeting, by such Vice President or Executive Vice President as the Board of Directors may designate.

Section 3. Vice Chairman of the Board. If the Board of Directors elects a Vice Chairman of the Board, he shall be selected from the membership of the Board of Directors. During the absence or disability of both the Chairman of the Board and the President, or while both such offices are vacant, he shall preside at all meetings of the Board of Directors and of any Board committee at which he is in attendance. During the absence or disability of both the President and the Chairman of the Board, or while both such offices are vacant for any reason, the Vice Chairman of the Board shall have and may exercise any and all of the powers and duties of the President and of the Chairman of the Board. At all other times the Vice Chairman of the Board shall be responsible to the Chairman of the Board and through him (or during the absence or disability of the Chairman of the Board or while that office is vacant for any reason, directly) to the Board of Directors for the exercise, performance, and discharge of such powers, duties, and responsibilities as the Chairman of the Board or the Board of Directors shall see fit to vest in or delegate to him or which are vested in or imposed upon him by the bylaws.

Section 4. President and Chief Executive Officer. The President shall be selected by and from among the membership of the Board of Directors. The President shall be (and may identify himself and execute instruments and other documents using the title of) the Chief Executive Officer of the corporation and shall, in general, supervise and manage the business affairs of the corporation, including but not limited to, by discharging all duties normally and customarily incident to the office of the President and Chief Executive Officer of a corporation and such other duties and functions as shall be assigned to him from time to time by the Board of Directors. In performance of his responsibilities, he shall seek the guidance and counsel of the Chairman of the Board on all significant decisions involving overall corporate strategy, and sales and marketing management of the corporation and its subsidiaries. During the absence or disability of the Chairman of the Board, or while such office is vacant, the President shall perform all duties and functions, and while so acting shall have all of the powers and authority, of the Chairman of the Board.

Section 5. Vice Presidents. The Board of Directors may elect or appoint one or more Vice Presidents and may designate one or more Vice Presidents as Executive Vice Presidents. Unless the Board of Directors shall otherwise provide by resolution duly adopted by it, or as otherwise provided in these bylaws, such of the Vice Presidents as shall have been designated Executive Vice Presidents and who are members of the Board of Directors in the order specified by the Board of Directors shall perform the duties and exercise the powers of the President during the absence or disability of the President if the office of the Chairman of the Board is vacant. The Vice Presidents shall perform such other duties as may be delegated to them by the Board of Directors, the Chairman of the Board or the President.

Section 6. Secretary and Assistant Secretaries. The Secretary shall issue notices of all Directors' and shareholders' meeting, and shall attend and keep the minutes of the same; shall have charge of all corporation books, records and papers; shall be custodian of the corporate seal, all stock certificates and written contracts of the corporation; and shall perform all such other duties as are incident to his office. The Secretary shall also perform such duties as are assigned to him from time to time by the Board of Directors. The Assistant Secretary or Assistant Secretaries, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

Section 7. Treasurer and Assistant Treasurers. The Treasurer shall have custody of all corporate funds and securities and shall keep in books belonging to the corporation full and accurate accounts of all receipts and disbursements; he shall deposit all moneys, securities and other valuable effects in the name of the corporation in such depositories as may be designated for that purpose by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the President, and the Board of Directors whenever requested by them an account of all his transactions as Treasurer. If required by the Board of Directors, he shall keep in force a bond, in form, amount and with a surety or sureties satisfactory to the Board of Directors, conditioned for faithful performance of the duties of his office, and for restoration to the corporation in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in his possession or under his control belonging to the corporation. He shall perform such other duties as may be delegated to him by the Board of Directors or the President. The Assistant Treasurer or Assistant Treasurers, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer. If required by the Board of Directors, any Assistant Treasurer also shall keep in force a bond as provided in this Section.

Section 8. Indemnification of Directors, Officers and Others. Pursuant to the provisions of Article XI of the Articles of Incorporation of the corporation, the corporation shall indemnify any of its Directors and officers and may indemnify any of its employees and agents (in each case including such person1s heirs, executors, administrators and legal representatives) in accordance with the following provisions of this bylaw:

A. Indemnification of Directors and Officers: Claims by Third Parties. The corporation shall, to the fullest extent authorized or permitted by the Michigan Business Corporation Act, as amended (the "Act") or other applicable law, as the same presently exist or may hereafter be amended, but, in the case of any such amendment, only to the extent such amendment permits the corporation to provide broader indemnification rights than before such amendment, indemnify a Director or officer (an "Indemnitee") who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit, or proceeding, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, and with respect to a criminal action or proceeding, if the Indemnitee had no reasonable cause to believe his or her conduct was unlawful. The termination of an action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, and, with respect to a criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

B. Indemnification of Directors and Officers: Claims Brought by or in the Right of the Corporation. The corporation shall, to the fullest extent authorized or permitted by the Act or other applicable law, as the same presently exist or may hereafter be amended, but, in the case of any such amendment, only to the extent such amendment permits the corporation to provide broader indemnification rights than before such amendment, indemnify an Indemnitee who was or is a party or is threatened to be made a party to a threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses, including attorneys' fees, and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with the action or suit, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. However, indemnification shall not be made under this Section B for a claim, issue, or matter in which the Indemnitee has been found liable to the corporation unless and only to the extent that the Court in which the action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for the expenses which the Court considers proper.

C. Actions Brought by the Indemnitee. Notwithstanding the provisions of Subsections A and B of this Section 8, the corporation shall not be required to indemnify an Indemnitee in connection with an action, suit, proceeding or claim (or part thereof) brought or made by such Indemnitee, unless such action, suit, proceeding or claim (or part thereof): (i) was authorized by the Board of Directors of the corporation; or (ii) was brought or made to enforce this Section 8 and the Indemnitee has been successful in such action, suit, proceeding or claim (or part thereof).

D. Approval of Indemnification. Except as otherwise provided in Subsection G of this Section 8, an indemnification under Subsections A or B of this Section 8, unless ordered by the court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because such Indemnitee has met the applicable standard of conduct set forth in Subsections A or B of this Section 8, as the case may be, and upon an evaluation of the reasonableness of expenses and amounts paid in settlement. This determination and evaluation shall be made in any of the following ways: (a) By a majority vote of a quorum of the Board of Directors consisting of Directors who are not parties or threatened to be made parties to the action, suit, or proceeding. (b) If a quorum cannot be obtained in subsection (a), then by majority vote of a committee of Directors who are not parties to the action. The committees shall consist of not less than three (3) disinterested Directors. (c) By independent legal counsel in a written opinion. (d) By the shareholders.

E. Advancement of Expenses. The corporation may pay or reimburse the reasonable expenses incurred by an Indemnitee who is a party or threatened to be made a party to an action, suit, or proceeding in advance of final disposition of the proceeding if all of the following apply: (a) The Indemnitee furnishes the corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct set forth in Subsections A and B above. (b) The Indemnitee furnishes the corporation a written undertaking, executed personally or on his or her behalf, to repay the advance if is ultimately determined that he or she did not meet the standard of conduct. (c) A determination is made that the facts then known to those making the determination would not preclude indemnification under the Act. The undertaking required by subsection (b) must be an unlimited general obligation of the Indemnitee but need not be secured. Determinations of payments under this Section shall be made in the manner specified in Subsection D above.

F. Partial Indemnification. If an Indemnitee is entitled to indemnification under Subsections A or B of this Section 8 for a portion of expenses, including reasonable attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount, the corporation shall indemnify the Indemnitee for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the Indemnitee is entitled to be indemnified.

G. Article Provision Eliminating or Limiting Director Liability. To the extent that the Articles of Incorporation of the Corporation include a provision eliminating or limiting the liability of a Director pursuant to Section 209(1)(c) of the Act, the corporation shall indemnify a Director for the expenses and liabilities described in this Subsection G without a determination that the Director has met the standard of conduct set forth in Subsections A and B of this Section 8, but no indemnification may be made except to the extent authorized in Section 564c of the Act if the Director received a financial benefit to which he or she was not entitled, intentionally inflicted harm on the corporation or its shareholders, violated Section 551 of the Act, or intentionally committed a criminal act. In connection with an action or suit by or in the right of the corporation as described in Subsection B of this Section 8, indemnification under this Subsection G shall be for expenses, including attorneys' fees, actually and reasonably incurred. In connection with an action, suit, or proceeding other than an action, suit, or proceeding by or in the right of the corporation, as described in Subsection A of this Section 8, indemnification under this Subsection G shall be for expenses, including attorneys' fees, actually and reasonably incurred, and for judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred.

H. Indemnification of Employees and Agents. Any person who is not covered by the foregoing provisions of this Section 8 and who is or was an employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, may be indemnified to the fullest extent authorized or permitted by the Act or other applicable law, as the same exists or may hereafter be amended, but, in the case of any such amendment, only to the extent such amendment permits the corporation to provide broader indemnification rights than before such amendment, but in any event only to the extent authorized at any time or from time to time by the Board of Directors.

I. Other Rights of Indemnification. The indemnification or advancement of expenses provided under Subsections A through H of this Section 8 is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation, bylaws, or a contractual agreement. The total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses. The indemnification provided for in Subsections A through H of this Section 8 continues as to a person who ceases to be a Director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person.

J. Definitions. "Other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the corporation" shall include any service as a Director, officer, employee, or agent of the corporation which imposes duties on, or involves services by, the Director, officer, employee or agent with respect to an employee benefit plan, its participants or its beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the corporation or its shareholders" as referred to in Subsections A and B of this Section 8.

K. Liability Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a Director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have power to indemnify him or her against liability under the pertinent provisions of the Act.

L. Enforcement. If a claim under this Section 8 is not paid in full by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Act for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, a committee thereof, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the Act nor an actual determination by the corporation (including its Board of Directors, a committee thereof, independent legal counselor its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

M. Contract with the Corporation. The right to indemnification conferred in this Section 8 shall be deemed to be a contract right between the corporation and each Director or officer who serves in any such capacity at any time while this Section 8 is in effect, and any repeal or modification of this Section 8 shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

N. Application to a Resulting or Surviving Corporation or Constituent Corporation. The definition for “corporation” found in Section 569 of the Act, as the same exists or may hereafter be amended is, and shall be, specifically excluded from application to this Section 8. The indemnification and other obligations set forth in this Section 8 of the corporation shall be binding upon any resulting or surviving corporation after any merger or consolidation with the corporation. Notwithstanding anything to the contrary contained herein or in Section 569 of the Act, no person shall be entitled to the indemnification and other rights set forth in this Section 8 for acting as a Director or officer of another corporation prior to such other corporation entering into a merger or consolidation with the corporation.

O. Severability. Each and every paragraph, sentence, term and provision of this Section 8 shall be considered severable in that, in the event a court finds any paragraph, sentence, term or provision to be invalid or unenforceable, the validity and enforceability, operation, or effect of the remaining paragraphs, sentences, terms, or provisions shall not be affected, and this Section 8 shall be construed in all respects as if the invalid or unenforceable matter had been omitted.

ARTICLE VI

Dividends and Finance

Section 1. Dividends. Dividends, to be paid out of the surplus earnings of the corporation, or as otherwise permitted in accordance with the provisions of the governing statute, may be declared from time to time by resolution of the Board of Directors; but no dividend shall be paid that will impair the capital of the corporation. Dividends may be paid in cash, in property or in shares of the capital stock, subject to any provisions of the governing statute or the Articles of Incorporation.

Section 2. Deposits. The funds of the corporation shall be deposited in such banks or trust companies as the Directors shall designate and shall be withdrawn only upon checks issued and signed in accordance with regulations adopted by the Board of Directors.

Section 3. Checks. All checks, drafts and orders for the payment of money shall be signed in the name of the corporation in such manner and by such officer or officers or such other person or persons as the Board of Directors shall from time to time designate for that purpose.

ARTICLE VII

Fiscal Year

Section 1. The fiscal year of this corporation shall end on the last Saturday of April each year. The fiscal year may be changed by the Board of Directors by resolution of the Board of Directors.

ARTICLE VIII

Amendments

These bylaws may be altered, amended or repealed in whole or in part and new bylaws may be adopted either:

(a) By the affirmative vote of the holders of record of not less than 67% of the outstanding stock of the Corporation entitled to vote in elections of Directors; or

(b) By the affirmative vote of a majority of the Board of Directors at any meeting of the Board, or by written consent signed by all members of the Board of Directors; provided, however, no such alteration, amendment or repeal of Article VIII (a) of these bylaws shall be made by the Board of Directors or be effective unless such alteration, amendment or repeal shall be first approved by the affirmative vote of the holders of record of not less than 67% of the outstanding stock of the corporation entitled to vote in elections of Directors.

ARTICLE IX

General Provisions

Section 1. Distributions in Cash or Property. The Board of Directors may authorize and the corporation may make distributions to its shareholders subject to restriction by the Articles of Incorporation and/or unless otherwise limited by the Articles of Incorporation, these bylaws or the Act.

Section 2. Reserves. The Board of Directors shall have power and authority to set apart such reserve or reserves, for any proper purpose, as the Board in its discretion shall approve, and the Board shall have the power and authority to abolish any reserve created by the Board.

Section 3. Voting Securities. Unless otherwise directed by the Board of Directors, the President or in the case of his absence or inability to act, the Chairman of the Board or the Vice Chairman of the Board, or in the case of their absence or inability to act, the Vice Presidents, including Executive Vice Presidents, in order of their seniority, shall have full power and authority on behalf of the corporation to attend and to act and to vote, or to execute in the name or on behalf of the corporation a consent in writing in lieu of a meeting of shareholders or a proxy authorizing an agent or attorney-in-fact for the corporation to attend and vote at any meetings of security holders of corporations in which the corporation may hold securities, and at such meetings he or his duly authorized agent or attorney-in-fact shall possess and may exercise on behalf of the corporation any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the corporation might have possessed and exercised if present. The Board of Directors by resolution from time to time may confer like power upon any other person or persons.

Section 4. Contracts, Conveyances, Etc. When the execution of any contract, conveyance or other instrument has been authorized without specification of the executing officers, the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President, and the Secretary or any Assistant Secretary, may execute the same in the name and on behalf of this corporation and may affix the corporate seal thereto. The Board of Directors shall have power to designate the officers and agents who shall have authority to execute any instrument in behalf of the corporation.

Section 5. Corporate Books and Records. The corporation shall keep books and records of account and minutes of the proceedings of its shareholders, Board of Directors and executive committees, if any. The corporation shall keep at its registered office, or at the office of its transfer agent in or outside the State of Michigan, records containing the names and addresses of all shareholders, the number, class and series of shares held by each and the dates when they respectively became holders of record. Any of the books, records or minutes may be in written form or in any other form capable of being converted into written form within a reasonable time. The corporation shall convert into written form without charge any record not in written form, unless otherwise requested by a person entitled to inspect the records.

Section 6. Seal. The seal of the corporation shall have inscribed thereon the name of the corporation and the words “Corporate Seal” and “Michigan.” The seal may be used by causing it or a facsimile to be affixed, impressed or reproduced in any other manner.

EXHIBIT (13)

LA-Z-BOY INCORPORATED

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

Our Management’s Discussion and Analysis is an integral part of understanding our financial results. This **Management’s Discussion and Analysis** should be read in conjunction with the accompanying Management's Report to our Shareholders, Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements and related Notes to Consolidated Financial Statements. We begin the Management’s Discussion and Analysis with an introduction of La-Z-Boy Incorporated’s key businesses, strategies and significant operational events in fiscal 2005. We then provide a discussion of our results of operations, liquidity and capital resources, quantitative and qualitative disclosures about market risk, and critical accounting policies.

Introduction

For over 75 years the La-Z-Boy name has been synonymous with comfort and quality. La-Z-Boy has become the most recognized and preferred brand name in the furniture industry and is one of the most widely known and preferred consumer brands for the home, which provides leverage in the marketplace. La-Z-Boy is the largest reclining-chair manufacturer in the world and North America’s largest manufacturer of upholstered furniture. In addition to the powerful brand name of La-Z-Boy, we have several other operating units well positioned in the furniture industry. Our operating units are divided into two segments: Upholstery (upholstered furniture products) and Casegoods (wood furniture products). The La-Z-Boy Upholstery Group companies are Bauhaus, Clayton Marcus, England, La-Z-Boy (including retail), La-Z-Boy UK and Sam Moore. The La-Z-Boy Casegoods Group companies are American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House.

According to the May 2005 Top 25 ranking by *Furniture Today*, an industry trade publication, the La-Z-Boy Furniture Galleries® stores network (“the network”) is the largest retailer of upholstered single-brand furniture in the U.S. One of our major strategic initiatives is to expand the retail opportunities of the La-Z-Boy brand name in the United States and Canada by opening new stores, relocating stores to better locations and converting stores to our new generation store format. Currently, slightly more than half of the stores in the network—which are mostly independently-owned—are concentrated in the top 25 markets in the U.S. We anticipate increasing our market penetration over the next few years in the top 25 markets, allowing our dealers to create operating efficiencies, particularly in the areas of advertising, logistics and administration. We anticipate obtaining the future market penetration necessary mostly through our independently-owned dealers, but in some cases our independent dealers lack the resources to accomplish these initiatives. In those cases, we may either acquire those markets or transition ownership of those markets to individuals who have the financial resources to accomplish our goals.

During the 2005 fiscal year, the network opened 17 new stores, remodeled 19 stores, relocated five stores and closed seven stores for a net store increase of ten. There are now 109 stores in the more productive New Generation store format. We believe the transition to new generation format stores, with the addition of new stores, is enhancing our position in the competitive retail market place. A majority of the retail operations are owned by independent retailers who resell to end-users. However, we currently own and operate 61 stores in eight markets, which is approximately one-fifth of the total stores. The La-Z-Boy Furniture Galleries® store network had 334 stand-alone stores at April 30, 2005.

Our success with La-Z-Boy Furniture Galleries® stores has been expanded to our Kincaid and England operating units. There are 17 Kincaid and 11 England independently-owned stand-alone stores. Additionally, we have an extensive La-Z-Boy in-store gallery program with 334 in-store galleries. Our other operating units, such as Kincaid, Pennsylvania House, Clayton Marcus, England and Lea, also have growing in-store gallery programs. One of our strategic initiatives is to grow our proprietary distribution network at an increasing pace over the next few years.

In the first quarter of fiscal 2005, we continued to rationalize our casegoods manufacturing capacities as we announced plans to close our two Pennsylvania House facilities and a Kincaid facility in Hudson, NC. With the change in worldwide supply, we were no longer a competitive manufacturer domestically, and it became necessary to close these plants. We anticipate, once the transition is complete, that approximately 75% of our residential casegoods finished goods will be imported. During the fourth quarter of fiscal 2005, 66% of our residential casegoods finished goods were imported, compared to 42% imported during the first quarter of fiscal 2005. Our Pennsylvania House manufacturing facilities were closed and key management changes were made at that operating unit as we continue to position ourselves as an importer, marketer, and distributor of casegoods product. Once the transition is complete, we will be able to take advantage of our several established casegoods trade/brand names and our wide distribution network with more competitively priced, quality import products to market. The Casegoods Group showed positive signs of turning around during the last six months of fiscal 2005 by posting sales and operating margin growth after several years of declines.

During the fourth quarter of fiscal 2004, we were required to begin including in our consolidated financial statements several of our La-Z-Boy Furniture Galleries® stores which are owned and operated by independent dealers. This requirement was due to Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities* (“VIEs”) (“FIN 46”). We determined that a limited number of independent dealers were VIEs of which, under FIN 46, we were deemed the primary beneficiary, mainly due to loans and guarantees provided by us to the dealers and, accordingly, we began including them in our consolidated financial statements as of April 24, 2004. During fiscal 2005, we reduced the number of VIEs we are required to consolidate by finding a new independent dealer with sufficient equity to own and operate the La-Z-Boy Furniture Galleries® stores in a market or by acquiring them. We have reduced the VIEs we are required to consolidate in fiscal 2005 to half the number we were consolidating at the beginning of the fiscal year. The extraordinary gains of $2.1 million (net of income tax) in fiscal 2005 were a result of the application of purchase accounting relating to our acquisition of previously consolidated VIEs.

We operate on a 52-53 week fiscal year ending on the last Saturday of April. Our most recent fiscal year was 53 weeks, ended on April 30, 2005 (“fiscal 2005”), and the previous two fiscal years were 52 weeks, ended on April 24, 2004 (“fiscal 2004”) and April 26, 2003 (“fiscal 2003”).

During the fourth quarter of fiscal 2005, we had several significant events:

i) On April 29, 2005, we completed the sale of our La-Z-Boy Contract unit, which manufactured and distributed office seating. This operating unit was not a strategic fit with our current business model, which is centered on providing comfortable and stylish furnishings for the home, did not have a large market position compared to the major office furniture players and was not a large enough component of our overall business (about 2% of sales) to justify our continued corporate focus and resources. We sold the business for $11.0 million in cash and a $0.7 million receivable, recognizing a pre-tax gain in the fourth quarter of $1.1 million. This disposition qualified as discontinued operations. Accordingly, our statements of operations for prior years have been reclassified to reflect the results of operations of this divested business as discontinued operations. The business unit was previously included in the Upholstery segment, which has also been reclassified to reflect the discontinued operations accounting.

ii) During the fiscal 2005 fourth quarter, we changed our estimate for unpaid claims for workers' compensation, which resulted in an increase to our liability of $5.9 million ($5.0 million in the Upholstery segment, $1.3 million in the Casegoods segment, and $(0.4) million in Corporate and Other). The change in estimate for determining our unpaid workers' compensation claims involved using an actuarial estimate, which will more accurately reflect our future costs.

iii) We sold several idle facilities in the fourth quarter, and we sold a significant amount of equipment that had been idled in connection with our previously announced restructurings over the last few years. We recognized a gain of $4.6 million on these sales. Since the sale of these assets related to several previous restructurings, the gain was netted against restructuring expense, resulting in a net pre-tax restructuring credit of $3.1 million. The remaining restructuring expense related to final severance payouts as well as other miscellaneous costs associated with closing the remaining facilities. A majority of the 2005 fourth quarter restructuring was attributable to the Casegoods segment.

iv) In prior years, we provided significant bad debt provisions for several independently-owned La-Z-Boy Furniture Galleries® store dealers. During the fourth quarter of fiscal 2005, we reevaluated our allowance for doubtful accounts after our acquisition of a major La-Z-Boy Furniture Galleries® store market and reassessment of our credit position with respect to another significant dealer upon obtaining additional credit-related information. Based on the acquisition of one and reassessment of the credit worthiness of the other, we reduced our allowance for doubtful accounts by $5.5 million, all of which related to the Upholstery segment.

v) During the fourth quarter of fiscal 2005, we acquired La-Z-Boy Furniture Galleries® store operations from our independent dealers in Chicago, Pittsburgh and Connecticut markets who were unable to meet our strategic initiatives for expansion, relocation and conversion. These three markets, which are in the top 25 markets in the United States, include 21 stores. The Pittsburgh and Connecticut markets were owned by independent dealers but were considered VIEs, mainly due to their poor performance, and were required to be consolidated. During the next few years we will aggressively expand, relocate and convert stores in the top 25 markets in the United States, which we expect will further expand the La-Z-Boy brand.

Results of Operations

Analysis of Operations: Year Ended April 30, 2005
(Fiscal Year 2005 compared with 2004)

	Year ended		
(Amounts in thousands, except per share amounts)	**4/30/05**	**4/24/04**	**Percent**

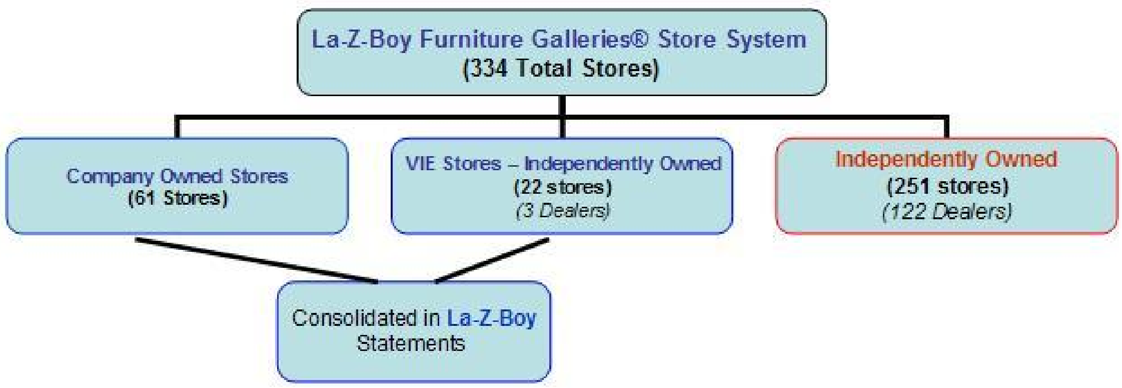
		(53 weeks)		(52 weeks)	Change
Upholstery sales	$	1,554,087	$	1,500,724	3.6%
Casegoods sales		455,343		456,090	-0.2%
Other/eliminations		38,951		(4,817)	N/M
Consolidated sales	**$**	**2,048,381**	**$**	**1,951,997**	**4.9%**
Consolidated gross profit	$	465,243	$	431,692	7.8%
Consolidated gross margin		**22.7%**		**22.1%**	
Consolidated S,G&A	$	401,592	$	331,620	21.1%
S,G,&A as a percent of sales		**19.6%**		**17.0%**	
Write-down of Upholstery intangibles	$	--	$	11,313	N/M
Write-down of Casegoods intangibles		--		60,630	N/M
Consolidated write-down of intangibles	$	--	$	71,943	N/M
Upholstery operating income	$	98,099	$	129,327	-24.1%
Casegoods operating income		5,370		2,991	79.5%
Corporate and Other		(29,524)		(21,805)	-35.4%
Write-down of intangibles		--		(71,943)	N/M
Restructuring		(10,294)		(10,441)	1.4%
Consolidated operating income	**$**	**63,651**	**$**	**28,129**	**126.3%**
Upholstery operating margin		6.3%		8.6%	
Casegoods operating margin		1.2%		0.7%	
Consolidated operating margin		**3.1%**		**1.4%**	
Income from continuing operations	**$**	**33,095**	**$**	**1,878**	**N/M**
Diluted earnings per share from continuing operations	**$**	**0.63**	**$**	**0.04**	**N/M**

N/M – not meaningful

Consolidated sales increased in fiscal 2005 compared to fiscal 2004 due to the Upholstery Group sales increase, price increases, the consolidation of VIEs and an additional week in fiscal 2005. Included in our Corporate and Other group are the VIEs, which we began consolidating at the end of fiscal 2004. The VIEs accounted for $46.0 million of the $96.4 million overall increase in sales. Additionally, we instituted price increases that accounted for approximately 1.0% of the sales increase during the fiscal year to mitigate the rising costs of raw materials.

Upholstery Group sales increased based on the strength of the La-Z-Boy Branded product sold through general furniture dealers as well as the La-Z-Boy Furniture Galleries® store system. Although most of our La-Z-Boy Furniture Galleries® stores are independently-owned, we do track the written sales activity of the total store system to monitor retail activity. For the twelve-month period ended in April 2005, the La-Z-Boy Furniture Galleries® store system comparable same-store sales were up approximately 2%, and the overall store system (including newly opened stores) sales increased by approximately 5%.

The chart below shows the structure of our La-Z-Boy Furniture Galleries® store system as of April 30, 2005:



Sales increases in our La-Z-Boy brand product were partially due to the opening of company-operated stores and a full year of sales realized from our Baltimore retail stores acquisition, which occurred at the end of fiscal 2004. We also acquired 21 stores near the end of fiscal 2005, of which eight were previously consolidated as VIEs. We expect these acquisitions will drive further growth of La-Z-Boy sales in fiscal 2006. Another contributing factor to the increased Upholstery sales was an additional week in fiscal 2005 (53 weeks) in comparison to fiscal 2004 (52 weeks). Our non La-Z-Boy branded upholstery operating units were down slightly due in part to recent bankruptcies of two large customers.

In fiscal 2005, the Casegoods Group finished the fiscal year strong by posting two consecutive quarters of sales growth. The second half of fiscal 2005 was a significant turnaround from the last several years of double digit declines in sales. A trend analysis of Casegoods Group sales is provided below:

Analysis of Casegoods Group Sales by Quarter for Fiscal 2005 and 2004

(Amounts in thousands)

	Fiscal 2005		Fiscal 2004	% Change
First Quarter	$	105,714	$ 116,508	-9.3%
Second Quarter		114,169	119,621	-4.6%
Third Quarter		111,918	107,899	3.7%
Fourth Quarter	$	123,542	$ 112,062	10.2%

The casegoods hospitality and health care business led the sales turnaround by posting double digit growth over the prior year, which was partly due to the economic recovery of the hospitality sector. The Casegoods Group benefited from an additional week in fiscal 2005 (53 weeks) in comparison to fiscal 2004 (52 weeks). We also showed some improvement resulting from our transition efforts as some of our other casegoods businesses started to experience favorable growth. However, the momentum that the Casegoods Group gained during fiscal 2005 was offset by the planned transition of Pennsylvania House to a distributor of imported finished goods. Pennsylvania House sales decreased in the transition period as we began to wind down the production at our domestic plants during the year and, as a result, there were fewer products to ship. As we launch new Pennsylvania House products and increase advertising in fiscal 2006, we expect to experience increased sales over fiscal 2005. As a result of our conversion to a distributor of imported wood products rather than a manufacturer, we have closed 78% of our Casegoods Group manufacturing facilities over the past three years.

Our consolidated gross margin increased 0.6 percentage points, which was mainly due to our increased retail operations and consolidating our VIEs beginning this fiscal year. Because the VIEs and the La-Z-Boy Furniture Galleries® stores are retailers and not manufacturers, they have a higher gross margin than our manufacturing operations. The VIEs and our retail operations contributed a 4.7 percentage point increase to our gross margin. Notwithstanding the increase in our gross margins due to the VIEs and our retail operations, our remaining businesses' gross margin was lower in fiscal 2005 in comparison to the prior year due to the following:

i) Steel for our recliner mechanisms, springs, fasteners and other metal parts increased our cost of sales for fiscal 2005 by approximately 1.0% of net sales compared to the previous year's costs. Higher raw steel prices increased our raw material costs proportionately more than other companies in the furniture industry, due to our heavier concentration of upholstery and motion upholstery as a percentage of our overall business.

ii) The cost of plywood, which mainly impacts our upholstered products, negatively affected our gross profit by approximately 0.3% of net sales.

iii) At the end of fiscal 2005, we changed our estimate for unpaid claims for workers' compensation to an actuarial estimate. As a result, we recorded a charge to increase our claims liability by $5.9 million, which decreased gross margin by 0.3%.

iv) We had restructuring expenses of $10.3 million and $10.4 million in fiscal 2005 and 2004, respectively. The restructuring expense impact on the gross margin was approximately the same for both fiscal 2005 and 2004.

v) Pennsylvania House experienced significant manufacturing inefficiencies relating to the scheduled closures of its plants, which occurred during the third quarter. There were additional costs due to the transition of sourcing product from overseas manufacturers.

Our selling price increases during the year began to have a positive impact on the third and fourth quarter gross margins, which somewhat mitigated the negative impact of the raw material cost increases. Additionally, we believe the above-mentioned plant closings will help offset the negative trends relating to the under-absorption of factory costs by increasing labor efficiencies and better absorbing fixed costs at our remaining domestic facilities.

Selling, general and administrative expenses ("S,G&A") increased in fiscal 2005 compared to the prior year, both in dollars and as a percent of sales. We have increased our company-owned retail operations since April of last year by opening new stores and acquiring some stores. We currently have 61 company-owned stores -- of which 21 were acquired in the fourth quarter -- compared to 36 last year. Additionally, we began consolidating several independently-owned stores as VIEs at the end of fiscal 2004 due to the adoption of FIN 46. Since retail and our VIE operations inherently have a higher S,G&A concentration, our consolidated S,G&A as a percent of sales increased due to the expansion of our retail operations and the VIEs that were not in our consolidated statement of operations prior to the 2005 fiscal year. Our non-retail based operation's S,G&A expense in fiscal 2005 was relatively flat as a percentage of sales when compared to fiscal 2004. Additionally, during the fourth quarter of fiscal 2005, we reevaluated our allowance for doubtful accounts after our acquisition of a major La-Z-Boy Furniture Galleries® store market and reassessment of our credit position with respect to another significant dealer upon obtaining additional credit-related information, and therefore we reduced our allowance for doubtful accounts by $5.5 million. The additional cost we incurred for complying with Sarbanes-Oxley was about 0.1% of net sales and was recorded in S,G&A.

For the reasons noted above, our operating margin for both fiscal years was negatively impacted. Our operating margin for fiscal 2005 was 3.1% and included 0.5 percentage points of restructuring costs. Our fiscal 2004 operating margin was 1.4% and included 0.5 percentage points of restructuring costs. Our operating margins did improve from the beginning of the year to the end of the year, as shown in the table below.

Operating Margin by Quarter for Fiscal 2005 and Fiscal 2004

	Upholstery 2005	Upholstery 2004	Casegoods 2005	Casegoods 2004	Consolidated 2005	Consolidated 2004
First Quarter	4.0 %	7.1 %	0.5 %	0.9 %	-0.9 %	2.6 %
Second Quarter	6.6 %	8.3 %	0.1 %	1.7 %	2.9 %	5.3 %
Third Quarter	6.2 %	8.6 %	1.9 %	-0.3 %	3.9 %	5.3 %

Fourth Quarter	7.9 %	10.0 %	2.1 %	0.2 %	5.8 %	-6.6 %

The year-over-year decrease in the Upholstery Group operating margin was primarily due to the lower operating margins at our retail operations and the cost increases in certain raw materials, especially steel and plywood. We did, however, increase our Upholstery Group margins throughout the year due to price increases taken during the April 2004 furniture market as well as during the summer. Some price increases took effect in the third and fourth quarters and helped mitigate raw material cost increases. In addition to the price increases, we also continued to streamline our manufacturing processes and continued to reduce costs through product re-engineering and material substitution. Some of our non La-Z-Boy branded operating margins were down due to a drop in sales volume, partially caused by the bankruptcies of two large customers.

Although our Casegoods Group operating margins improved during fiscal 2005, Pennsylvania House plant closures and disruptions in our other businesses kept us from fully realizing the margins that the segment can potentially achieve. Additionally, our margins improved as we continued our transition of replacing domestically produced residential casegoods with imported product. We believe that the lower priced imported product has made us more competitive in the market place, which has fueled our sales increases in this segment. However, offsetting this momentum was the closure of our Pennsylvania House facilities during the fiscal year. The manufacturing inefficiencies caused by the reduced production at these facilities somewhat reduced the gains we experienced at our other casegoods businesses. With the further maturation of the Casegoods Group to an importer and distributor, we anticipate operating margins will continue to improve.

Corporate and Other operating profit includes the consolidation of VIEs. Since some of our VIEs have either negative or no equity in their businesses, we are required to absorb their losses in our consolidated statement of operations. During fiscal 2005, we focused on reducing our VIEs by either acquiring them or arranging for them to be acquired by new independent owners with sufficient equity. Due to the application of purchase accounting relating to our acquisition of previously consolidated VIEs, we recognized extraordinary gains of $2.1 million (net of tax). Additionally, during the year, one of the equity owners of our VIEs contributed $2.0 million of capital to their business. Current accounting standards required us to record the capital contribution as income in the current period as a recovery of previously recorded losses. This was more than offset by $9.6 million of pre-tax losses experienced by our VIEs in fiscal 2005.

Interest expense for fiscal 2005 was lower than 2004 due mainly to a decrease in our effective interest rate, offset in part by an increase in our weighted average debt outstanding.

Our effective tax rate was 38% in fiscal 2005 and 89% in fiscal 2004. While our statutory rate was the same for both years, the write-down of intangibles increased our effective tax rate by 51 percentage points in fiscal 2004.

Results of Operations

Analysis of Operations: Year Ended April 24, 2004
(Fiscal Year 2004 compared with 2003)

	Year ended				
(Amounts in thousands, except per share amounts)		**4/24/04 (52 weeks)**		**4/26/03 (52 weeks)**	**Percent Change**
Upholstery sales	$	1,500,724	$	1,542,146	-2.7%
Casegoods sales		456,090		526,168	-13.3%
Other/eliminations		(4,817)		(4,116)	N/M
Consolidated sales	**$**	**1,951,997**	**$**	**2,064,198**	**-5.4%**
Consolidated gross profit	$	431,692	$	484,339	-10.9%
Consolidated gross margin		**22.1%**		**23.5%**	
Consolidated S,G&A	$	331,620	$	320,943	3.3%
S,G,&A as a percent of sales		**17.0%**		**15.5%**	
Write-down of Upholstery intangibles	$	11,313	$	--	N/M
Write-down of Casegoods intangibles		60,630		--	N/M
Consolidated write-down of intangibles	$	71,943	$	--	N/M
Upholstery operating income	$	129,327	$	155,139	-16.6%
Casegoods operating income		2,991		33,180	-91.0%
Corporate and Other		(21,805)		(23,853)	8.6%
Write-down of intangibles		(71,943)		--	N/M
Restructuring		(10,441)		(1,070)	N/M
Consolidated operating income	**$**	**28,129**	**$**	**163,396**	**-82.8%**
Upholstery operating margin		8.6%		10.1%	
Casegoods operating margin		0.7%		6.3%	
Consolidated operating margin		**1.4%**		**7.9%**	
Income from continuing operations	**$**	**1,878**	**$**	**96,414**	**-98.1%**
Diluted earnings per share from continuing operations	**$**	**0.04**	**$**	**1.68**	**-97.6%**

N/M - not meaningful

Although consolidated sales decreased year-over-year, the sales and order rates improved in the last six months of fiscal 2004. In the first six months of fiscal 2004, sales were down significantly in comparison to fiscal 2003. Sales performance gradually improved during the last six months to sales comparable with fiscal 2003. As discussed in more detail below, net sales for the year were slightly down in the Upholstery Group while the Casegoods Group experienced a double-digit decline.

Upholstery Group sales declined 7.8% in the first six months of the year due to tough comparables with fiscal 2003 and due to the economic environment. Sales increased by 2.3% and 4.6% in the last six months and the fourth quarter, respectively.

A major contributing factor in the Casegoods Group decline in fiscal 2004 sales was the decline in our hospitality business. The hospitality business was significantly down in comparison to fiscal 2003 due to continued poor economic conditions in the industry since September 11, 2001, and increased competition from imports. Volume suffered due to pressures from importers from China and other countries and new domestic niche companies that entered the hospitality industry. With the increased competition and the poor economic conditions in the industry, our hospitality business saw a significant decrease in sales. The hospitality business accounted for 26% of the Casegoods decline from fiscal 2003.

Another cause for the decline in our Casegoods Group sales in fiscal 2004 was the decline in orders from some of our larger key customers, who continue importing lower-priced product directly from overseas, therefore reducing or ceasing orders with our Casegoods companies. However, in the transition into our blended strategy, we experienced some outsourcing problems related to production and quality issues, which resulted in lost sales.

Our consolidated gross margin decreased year-over-year due, in part, to our restructuring efforts. We announced in the first quarter of fiscal 2004 that three of our Casegoods plants would close. These closings will help offset the negative trends relating to the under-absorption of factory costs by increasing efficiencies and better absorbing fixed costs. During the second quarter we ceased operations in two of the three plants, and in the fourth quarter we ceased operations in the third plant. Gross margin decreased from 23.5% in fiscal 2003 to 22.1% in fiscal 2004. The restructuring costs of $10.4 million accounted for approximately half of the percentage point decrease in gross margin.

Also contributing to the lower gross margin were the following factors:

i) the cost of phasing out certain product lines and promotional pricing;

ii) reduced plant utilization, especially in our hospitality facility;

iii) deflationary pricing pressures over the last few years, which hindered us from increasing prices to offset increased material costs; and

iv) material cost increases on such items as steel, wood, oil, foam and transportation.

S,G&A increased in fiscal 2004 compared to fiscal 2003, both in dollar amount and as a percent of sales. Contributing to the increase in S,G&A were the following factors:

i) advertising expense increased over fiscal 2003 due to additional emphasis being given to several new product lines and increases related to opening new company-owned retail locations;

ii) new retail locations also increased rent expense over fiscal 2003 and, because the new retail stores were in the beginning stage of operations, these stores had a higher S,G&A as a percent of sales;

iii) higher warranty expense in fiscal 2004; and

iv) professional fees expense increased in comparison to fiscal 2003 due to fees on technology and other cost-saving projects, as well as the professional fees and internal costs of compliance with the Sarbanes-Oxley Act of 2002.

Our operating margin was down significantly due to the $71.9 million write-down of goodwill and trade names. The write-down and restructuring lowered our operating margin by 4.2 percentage points in fiscal 2004. However, even without the write-down, operating margin in fiscal 2004 would have decreased from fiscal 2003 due to the higher S,G&A and the lower gross margin as discussed above.

The Upholstery Group operating margin decreased in fiscal 2004 to 8.6% from 10.1% in fiscal 2003. Contributing to the decrease in operating margin was the increase in S,G&A. As discussed above, an increase in advertising expense, additional costs associated with new retail locations and an increase in warranty expense all contributed to an increase in S,G&A. Also, additional sales promotions had a negative impact on the Upholstery Group operating margin.

The Casegoods Group operating margin decreased in fiscal 2004 to 0.7% from 6.3% in fiscal 2003. The operating margin was negatively impacted by the significant decrease in volume, which resulted in low capacity utilization. Additionally, the Casegoods operating margin decreased because we were unable to decrease S,G&A -- a low single digit decrease -- at the same rate as sales -- a 13.3% decrease. We marginally lowered our fixed and variable expenses, but not at the same rate as the double-digit decline in sales, and we increased some variable expenditures such as advertising in an attempt to recover lost market share.

Interest expense for fiscal 2004 was higher than for fiscal 2003 due to an increase in average debt of about $4.2 million and a 0.2 percentage point increase in our effective interest rate. The 2004 year-end level of debt was consistent with management's objective to maintain our total debt-to-capitalization ratio (total debt divided by shareholders' equity plus total debt) in the mid-twenties-percentage range. Our debt-to-capitalization percentage was 30.0% at April 24, 2004 and 26.9% at April 26, 2003. In fiscal 2004, the write-down of trade names and goodwill and the consolidation of certain VIEs accounted for a 3.0 percentage point increase in our debt-to-capitalization percentage.

Our effective tax rate was 89% in fiscal 2004 and 38% in fiscal 2003. While our statutory tax rate was the same for fiscal 2004 and fiscal 2003, the write-down of intangibles increased our effective tax rate by 51 percentage points in fiscal 2004.

In both fiscal 2004 and fiscal 2003, diluted earnings per share were negatively impacted by the write-down of goodwill and trade names. Diluted earnings per share from continuing operations were $1.68 for fiscal 2003 and $0.04 for fiscal 2004. The write-down reduced diluted earnings per share before cumulative effect of accounting change in fiscal 2004 by $1.04.

Liquidity and Capital Resources
Our total assets at the end of fiscal 2005 were comparable with fiscal 2004. Our total debt increased by $1.9 million in comparison to the end of the 2004 fiscal year.

Our sources of cash liquidity include cash and equivalents, cash from operations and amounts available under credit facilities. These sources have been adequate for day-to-day operations, dividends to shareholders and capital expenditures. We expect these sources of liquidity to continue to be adequate for the foreseeable future. Capital expenditures for fiscal 2005 were $34.8 million compared to $31.6 million in fiscal 2004 -- which included VIE capital expenditures of $5.0 million for 2005 and $0 for 2004. There were no material purchase commitments for capital expenditures at April 30, 2005. As of April 30, 2005, we had unused lines of credit and commitments of $179.1 million under several credit arrangements.

The following table illustrates the main components of our cash flows:

(Amounts in thousands)

Cash Flows From (Used For)	**4/30/05**	**4/24/04**
Operating activities		
Net income (loss), depreciation and deferred taxes	$ 77,146	$ 11,473
Write-down of goodwill and trade names (net of tax)	--	55,896
Restructuring	10,294	10,441
Cumulative effect of consolidating VIEs (net of tax)	--	8,324
Working capital and other	(41,475)	46,768
Cash provided from operating activities	45,965	132,902
Investing activities	(23,987)	(35,162)
Financing activities		
Repurchase of common stock	(2,476)	(72,509)
Net increase (decrease) in debt	1,939	(10,085)
Other financing activities and exchange rate changes	(17,618)	(14,025)
Net increase in cash and cash equivalents	$ 3,823	$ 1,121

Operating Activities
The decrease in 2005 operating cash flows over 2004 was due primarily to inventory, accounts receivable, accounts payable and lower earnings from operations before the write-down of intangibles. In fiscal 2005, inventories were a $10.6 million use of cash and in fiscal 2004 inventories were a $16.3 million source of cash. Our inventory was higher in fiscal 2005 mainly due to the following:

i) increased sourcing of component parts at the La-Z-Boy division;

ii) increased sourcing for our Casegoods Group from overseas; and

iii) increased the number of retail stores over the prior year period.

Accounts receivable was a use of cash of $5.9 million in fiscal 2005 and an $8.6 million source of cash in fiscal 2004. Our change in accounts receivable included our long-term notes receivable, which are included in other long-term assets on our balance sheet. Although the face of the balance sheet indicates a reduction in our receivables, there were some offsetting noncash items as described below:

i) the decrease was in part due to the acquisition of the Chicago market;

ii) transfers from receivables in current assets to notes receivable in long-term assets; and

iii) disposition of our Contract furniture division and related receivables.

Investing Activities

During fiscal 2005, investing activities were affected by higher proceeds on disposals of assets and proceeds from the sale of discontinued operations. In fiscal 2005, we sold certain idle manufacturing facilities and benefited from an auction of assets relating to prior restructurings over the last few years. We also received $11.0 million from the sale of our La-Z-Boy Contract division. Our capital expenditures for fiscal 2005 were $34.8 million, which included $5.0 million for VIEs, and $31.6 million for fiscal 2004.

Financing Activities

Our financing activities included borrowings and payments on our debt facilities, dividend payments, issuances of stock and stock repurchases. In fiscal 2005, we had a use of cash from financing activities of $18.8 million compared to $97.4 million in fiscal 2004. The change in cash flows from financing activities was due to a decrease in stock repurchases of $70.0 million in comparison to last year's repurchases.

Our debt-to-capitalization percentage was 30.0% at April 30, 2005, and April 24, 2004. Our debt-to-capitalization ratio is total debt as a percent of the sum of shareholders' equity plus total debt. We believe that the availability of funds under our unused lines of credit and the cash flows from operations are sufficient to fund our capital needs. Management has targeted our debt-to-capitalization percentage to be in the mid-twenties range in order to effectively blend our cost of equity with the cost of debt. Although we are not yet within our targeted range of leverage, with the concurrence of our Board of Directors we plan to reenter the open market on a moderate basis to begin repurchasing our shares. This action is being taken in light of the low market price of our stock and the belief in the company's future prospects.

Our debt-to-capitalization ratio has been higher than our targeted range the last two years due largely to non-cash charges, including the write-down of trade names and goodwill in the fiscal 2004 fourth quarter, restructuring charges in the 2004 and 2005 fiscal years, the change in other comprehensive income due to our pension plans and the consolidation of VIEs. These factors combined to affect our debt-to-capitalization percentage by 3.3 and 4.7 percentage points at April 30, 2005, and April 24, 2004, respectively. We only purchased 120,000 shares of common stock during fiscal 2005 because our debt-to-capitalization was higher than our targeted range.

The following table summarizes our contractual obligations of the types specified:

		Payments by Period			
(Amounts in thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More than 5 Years**
Long-term debt obligations	$ 214,258	$ 2,004	$ 40,128	$ 109,389	$ 62,737
Capital lease obligations	2,351	1,056	1,143	117	35
Operating lease obligations	215,535	28,420	53,766	44,780	88,569
Other long-term liabilities not reflected on our balance sheet	1,400	1,250	100	50	--
Total contractual obligations	$ 433,544	$ 32,730	$ 95,137	$ 154,336	$ 151,341

In addition to the above obligations, we have guaranteed various mortgages and leases of dealers with proprietary stores. The total amount of these guarantees is $7.7 million. Of this, $2.2 million will expire within one year, $4.6 million in one to three years and $0.9 million in four to five years. The table above does not include any obligation relating to our defined benefit pension plans. In recent years, we have increased our importation of product for our Casegoods Group. At the end of the 2005 fiscal year, we had $39.2 million in open purchase orders with foreign casegoods manufacturers. Some of these open purchase orders are cancelable.

Continuing compliance with existing federal, state and local statutes dealing with protection of the environment is not expected to have a material effect upon our capital expenditures, earnings, competitive position or liquidity.

Our Board of Directors has authorized the repurchase of company stock. On October 28, 1987, our Board of Directors announced the authorization of the plan to repurchase company stock. The plan originally authorized 1.0 million shares and, subsequent to October 1987, 22.0 million additional shares were added to this plan for repurchase. As of April 30, 2005, 6.7 million additional shares could be purchased pursuant to this authorization. As a result of our higher debt-to-capitalization ratio in fiscal 2005, our repurchase program has been at a slower pace this year in comparison to fiscal 2004. During the second, third and fourth quarters, we did not purchase any company stock.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates. Our exposure to interest rate risk results from our lines of credit and our floating rate $150 million revolving credit facility under which we had $65 million borrowed at April 30, 2005. In August 2004, we entered into several interest rate swap agreements with counter-parties that are participants in the revolving credit facility to mitigate the impact of changes in interest rates on our floating rate debt. We believe that potential credit loss from counter-party non-performance is minimal. The purpose of these swaps is to fix interest rates on a notional amount of $10 million of floating rate debt for a two year period at a blended rate of 3.05% plus our applicable borrowing spread on the floating rate debt. Upon maturity of this swap, the entire debt under our revolving credit facility will be on a floating rate basis. Management estimates that a one percentage point change in interest rates would not have a material impact on our results of operations for fiscal 2006 based upon the year end levels of exposed liabilities.

We are exposed to market risk from changes in the value of foreign currencies. Our exposure to changes in the value of foreign currencies is reduced through our use of foreign currency forward contracts from time to time. At April 30, 2005, we had foreign exchange forward contracts outstanding relating to the Canadian dollar for purchases made by our Canadian subsidiary. Substantially all of our imports purchased outside of North America are denominated in U.S. dollars. However, a change in the value of Chinese currency could be one of several factors that could inflate costs in the future. We believe that gains or losses resulting from changes in the value of foreign currencies will not be material to our results from operations in fiscal year 2006.

Critical Accounting Policies

An appreciation of our critical accounting policies is necessary to understand our financial results. These policies may require management to make difficult and subjective judgments regarding uncertainties and, as a result, such estimates may significantly impact our financial results. These policies were identified as critical because they are broadly applicable within our operating units. The expenses and accrued liabilities or allowances related to certain of these policies are initially based on our best estimates at the time of original entry in our accounting records. Adjustments are recorded when our actual experience differs from the assumptions underlying the estimates. These adjustments could be material if our experience were to change significantly in a short period of time. We make frequent comparisons of actual experience to our assumptions in order to mitigate the likelihood of material adjustments. Our critical accounting policies and changes to critical estimates are reviewed by management with the Audit Committee of our Board of Directors and our independent accountants.

Inventories

Inventories are stated at the lower of cost or market. Cost was determined using the last-in, first-out ("LIFO") basis for approximately 70% of our inventories at April 30, 2005, and April 24, 2004. Cost is determined for all other inventories on a first-in, first-out ("FIFO") basis.

Excess of FIFO over the LIFO basis at April 30, 2005, and April 24, 2004, includes $10.9 million and $12.1 million, respectively, for inventory written-up to fair value for acquisitions that occurred in fiscal 2000. This purchase accounting adjustment reduces earnings in the periods that the related inventory is sold.

Revenue Recognition and Related Allowances

Shipping terms for third party carriers are FOB shipping point, and revenue is recognized upon shipment of product. For product shipped on our company-owned trucks, revenue is recognized upon delivery. This revenue includes amounts billed to customers for shipping. Provision is made at the time revenue is recognized for estimated product returns and warranties as well as other incentives that may be offered to customers. We import certain products from foreign ports, which are shipped directly to our domestic customers. In this case, revenue is not recognized until title is assumed by our customer, which is normally after the goods pass through U.S. customs.

Other incentives offered to customers include cash discounts, advertising agreements and other sales incentives. Cash discounts are recorded as a reduction of revenues when the revenue is recognized. Other sales incentives are recorded at the time of sale as a reduction to revenue. Our advertising agreements give customers advertising allowances based on revenues and are recorded when the revenue is recognized as a reduction to revenue.

Goodwill and Trade Names

In accordance with SFAS No. 142, trade names are tested at least annually for impairment by comparing their fair value to their carrying values. The fair value for each trade name was established based upon a royalty savings approach. Additionally, goodwill was tested for impairment by comparing the fair value of our operating units to their carrying values. The fair value for each operating unit was established based upon a combination of the discounted cash flows and the projected profitability of the market in which the entity operates.

Using these procedures, we determined in fiscal 2003 that the carrying value of trade names exceeded their fair value, creating an impairment loss of $48.3 million, all of which was attributable to the Casegoods segment, and the carrying value of goodwill exceeded its fair value, creating an impairment loss of $29.4 million. Of the pre-tax impairment loss for goodwill, $17.1 million was attributable to the Upholstery segment and $12.3 million was attributable to the Casegoods segment. The after-tax effect of $59.8 million for these impairment losses was included in the cumulative effect of accounting change in our fiscal 2003 consolidated statement of operations.

In the fourth quarter of fiscal 2004, the annual evaluation of goodwill and trade names was performed. Following the evaluation procedures it was determined that the carrying value of trade names exceeded their fair value, creating an impairment loss of $43.2 million, and the carrying value of goodwill exceeded its fair value, creating an impairment loss of $28.7 million. The after-tax effect of the impairment was $55.9 million. The before-tax effect of $71.9 million for these impairment losses was recorded as a component of operating income. Of the total impairment losses, $11.3 million and $60.6 million were attributed to the Upholstery and the Casegoods segments, respectively. One operating unit accounted for the write-down in the Upholstery Group. During fiscal 2004, this operating unit had experienced a decline in sales and operating income, which caused a decline in the fair value of its intangibles. Prior to fiscal 2005, Casegoods Group sales and operating results have been declining in the last few years. Due to continued lagging operating results and changes in facts relating to underlying assumptions, the fair value evaluation was lower in the fiscal 2004 fourth quarter than in the prior year fourth quarter. As a result of these write-downs, the goodwill was eliminated from our Casegoods Group.

In the fourth quarter of fiscal 2005 and in fiscal 2004 we acquired several La-Z-Boy Furniture Galleries® stores that were previously independently-owned. We recorded goodwill of $11.3 and $10.3 million in fiscal 2005 and fiscal 2004, respectively, relating to these acquisitions. Additionally, in the fourth quarter of fiscal 2005, we completed a valuation of the tax reserves, relating to an acquisition in fiscal 2000. Due to the resolution of certain open tax items relating to the acquisition, a reduction of the tax reserves was required during fiscal 2005, resulting in a reduction of the remaining acquired intangible assets, which consisted of trade names and totaled $6.4 million. Furthermore, in the fourth quarter of fiscal 2005, the annual evaluation of goodwill and trade names was performed. We determined that goodwill and trade names were not impaired as of the end of fiscal 2005.

Other Loss Reserves

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. In fiscal 2005, our allowance for doubtful accounts for trade accounts receivable and long-term notes decreased from $23.7 million to $20.5 million. The decrease in the allowance was due in part to the acquisition of one significant dealer and reassessment of the credit position for another major dealer.

We have other loss exposures arising from the ordinary course of business, including inventory obsolescence, litigation, environmental claims, health insurance, product liability, restructuring charges and the recoverability of deferred income tax benefits. Establishing loss reserves requires the estimate and judgment of management with respect to risk exposure and ultimate liability. We use legal counsel or other experts, including actuaries as appropriate, to assist in developing estimates. Due to the uncertainties and potential changes in facts and circumstances, additional charges related to these reserves could be required in the future.

Financial Guarantees

We have provided financial guarantees relating to loans and leases in connection with certain La-Z-Boy Furniture Galleries® stores, which are neither owned nor operated by the company. Loan guarantees are generally for real estate mortgages with a guarantee period of not more than five years. Lease guarantees are generally for real estate leases and have terms lasting up to five years. These loan and lease guarantees enhance the credit of these dealers. The dealer is required to make periodic fee payments to compensate us for our guarantees. We have recognized liabilities for the fair values of the loan and lease agreements that we have entered into since December 31, 2002, but they are not material to our financial position.

We would be required to perform under these agreements only if the dealer were to default on the loan or lease. The maximum amounts of potential future payments under loan guarantees and lease guarantees were $1.8 million and $5.9 million, respectively, as of April 30, 2005. Should a default occur on a collateralized loan, we expect the liquidation of the collateral would cover our exposure.

We have, from time to time, entered into agreements which resulted in indemnifying third parties against certain liabilities, mainly environmental. We believe that judgments, if any, against us related to such agreements would not have a material effect on our business or financial condition.

Our accounting policy for product warranties is to accrue an estimated liability at the time the revenue is recognized. This estimate is based on historical claims and adjusted for currently known warranty issues.

Variable Interest Entities

Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities* ("FIN 46"), which was issued in December 2003, requires the "primary beneficiary" of a variable interest entity ("VIE") to include the VIE's assets, liabilities and operating results in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited-liability corporation, trust or any other legal structure used to conduct activities or hold assets that either (a) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (b) has a group of equity owners that are unable to make significant decisions about its activities, or (c) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

La-Z-Boy Furniture Galleries® stores that are not operated by us are operated by 125 independent dealers. These stores sell La-Z-Boy manufactured product as well as various accessories purchased from approved La-Z-Boy vendors. In some cases we have extended credit beyond normal trade terms to the independent dealers, made direct loans and/or guaranteed certain loans or leases. Most of these independent dealers have sufficient equity to carry out their principal operating activities without subordinated financial support. However, there are certain independent dealers that we have determined may not have sufficient equity. Based on the criteria for consolidation of VIEs, we determined that, as of April 24, 2004, several dealers were VIEs of which, under FIN 46, we were deemed the primary beneficiary. As a result of consolidating several VIEs, we recorded a cumulative effect of accounting change of $8.3 million (net of $5.1 million taxes) at the end of fiscal 2004. In fiscal 2005, the VIEs' operating losses are recorded in our consolidated statement of operations. During fiscal 2005, we disposed of some of our VIEs either by acquiring them or by arranging for them to be acquired by new independent dealers with sufficient equity to own and operate that market of La-Z-Boy Furniture Galleries® stores. At the end of fiscal 2005, we were left with only three VIEs that we consolidate. The dealers that were consolidated in our financial statements are separate legal entities and their management is their primary decision maker. The assets of the VIEs are included in "Unallocated assets" for purposes of segment reporting.

Since some of our VIEs have either negative or no equity in their businesses, we are required to absorb their losses in our consolidated statement of income. During the third fiscal quarter, one of the equity owners of our VIEs contributed $2.0 million of capital to their business. Current accounting standards required us to record the capital contribution as income in the current period to offset previously recorded losses. The operating results of the consolidated VIEs impacted our diluted earnings per share by $(0.11) for fiscal 2005. The extraordinary gain of $3.4 million ($2.1 million net of income taxes) was a result of the application of purchase accounting relating to the acquisition of previously consolidated VIEs.

Additionally, there are certain independent dealers that qualify as VIEs; however, we are not the primary beneficiary. Our interest in these dealers is comprised of accounts and notes receivable of $20.1 million. In prior years, we have evaluated the collectibility of our trade accounts receivable from our independent dealers, and we have provided an appropriate reserve relating to the collectibility of our receivables with these dealers or the contingent payout under any guarantees.

The tables following show the impact of this standard on our consolidated balance sheet at April 30, 2005, and statement of operations for the year ended April 30, 2005. The amounts reflected in the tables include the elimination of related payables, receivables, sales, cost of sales and interest, as well as profit in inventory.

(Amounts in thousands)	**4/30/2005** VIEs	**4/30/2005** Consolidated
Assets		
Cash and equivalents	$ 1,699	$ 37,705
Receivables, net	(9,131) *(1)*	283,915
Inventories, net	7,211	260,556
Deferred income taxes	7,199	22,779
Other current assets	1,226	33,410
Total current assets	8,204	638,365
Property, plant and equipment, net	8,431	210,565
Intangibles	7,714	100,846
Other long-term assets	(14,169) *(1)*	76,581
Total assets	$ 10,180	$ 1,026,357
Liabilities and shareholders' equity		
Short-term borrowings	$ --	$ 9,700
Current portion of long-term debt and capital leases	1,934	3,060
Accounts payable	329	82,792
Other current liabilities	3,523	133,172
Total current liabilities	5,786	228,724
Long-term debt and capital leases	6,256	213,549
Deferred income taxes	--	5,389

Other long-term liabilities	(1,300)	51,409
Shareholders' equity (deficit)	(562)	527,286
Total liabilities and shareholders' equity	$ 10,180	$ 1,026,357

(1) Reflects the elimination of intercompany accounts and notes receivable.

(Amounts in thousands)	4/30/2005 VIEs		4/30/2005 Consolidated
Sales	$ 46,019	*(2)*	$ 2,048,381
Cost of Sales			
Cost of goods sold	1,224	*(2)*	1,572,844
Restructuring	--		10,294
Total cost of sales	1,224		1,583,183
Gross profit	44,795		465,243
Selling, general and administrative	49,825		401,592
Operating income (loss)	(5,030)		63,651
Interest expense	427		10,442
Other income (expense), net	(4,154)	*(3)*	170
Pre-tax income (loss)	(9,611)		53,379
Income tax expense (benefit)	(3,652)		20,284
Income (loss) from continuing operations	(5,959)		33,095
Income (loss) from discontinued operations (net of tax)	--		1,996
Extraordinary gains (net of tax)	--		2,094
Net income (loss)	$ (5,959)		$ 37,185

(2) Includes the elimination of intercompany sales and cost of sales.
(3) Includes the elimination of intercompany interest income and interest expense.

Restructuring

In the first quarter of fiscal 2005, we announced the closing of three casegoods facilities, an upholstery plant and an upholstery warehouse. The casegoods facilities were closed as a result of continued underutilization of our domestic casegoods facilities due to an increase in our importing of product from overseas. The upholstery plant was closed and production was absorbed in another upholstery facility, resulting in better production efficiencies. Approximately 525 jobs were eliminated as a result of these closures. During fiscal 2005, pre-tax restructuring charges were $10.3 million or $0.12 per diluted share, covering the following: write-down of certain fixed assets, the write-down of certain inventories, payment of severance and benefits and other costs related to the shut down. We expect to dispose of these plants by sale or abandonment if a sale is not practical. Restructuring expenses during 2005 were lower than we had originally anticipated because our charges to expense were offset by the gains on sale of assets previously written down through restructuring in the fourth quarter. The write-down was accounted for in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Severance costs and other costs are being expensed as incurred throughout the current fiscal year in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. There are 30 employees remaining at these facilities.

During the first quarter of fiscal 2004, we announced the closing of three of our Casegoods Group manufacturing facilities. This action was the result of underutilization of certain manufacturing facilities as we transitioned to more foreign-sourced products in order to be competitive with imported furniture. The closure of these facilities resulted in the elimination of 480 jobs. Approximately 75 jobs were created at other facilities resulting from the closures. During fiscal 2004, pre-tax restructuring charges related to the restructuring were $10.4 million, covering the write-down of certain fixed assets and inventories, lease costs and severance related costs, which were recorded in cost of sales. We expect to dispose of two manufacturing plants by sale and the related write-down has been accounted for in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Our third plant was leased, and the lease expired in fiscal 2004. The plants ceased operations during fiscal 2004, leaving three employees remaining at these facilities. The remaining liability will be paid out in fiscal 2006.

We had $4.0 million of assets held for sale included in other long-term assets on our consolidated balance sheet as of April 30, 2005, primarily as a result of the above restructurings. This includes $3.5 million of buildings and $0.5 million of equipment. All of these assets have been written down to their fair value and are currently being marketed.

Restructuring liabilities along with charges to expense, cash payments or asset write-downs were as follows:

(Amounts in thousands)	4/24/04 Balance	Fiscal 2005 Charges to Expense	Fiscal 2005 Cash Payment or Asset Write-Down	4/30/05 Balance

Fixed asset write-downs, net of gains	$ --	$ 4,619	$ (4,619)	$ --
Severance and benefit related costs	329	1,700	(1,991)	38
Inventory write-downs	--	2,450	(2,450)	--
Other	174	1,525	(1,699)	--
Total	$ 503	$ 10,294	$ (10,759)	$ 38

		Fiscal 2004		
(Amounts in thousands)	**4/26/03 Balance**	**Charges to Expense**	**Cash Payment or Asset Write-Down**	**4/24/04 Balance**
Fixed asset write-downs	$ --	$ 4,256	$ (4,256)	$ --
Severance and benefit related costs	313	1,389	(1,373)	329
Inventory write-downs	--	1,729	(1,729)	--
Other	543	3,067	(3,436)	174
Total	$ 856	$ 10,441	$ (10,794)	$ 503

Cautionary Statement Concerning Forward-Looking Statements

We are making forward-looking statements in this item. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements include the information in this document regarding:

- future income, margins and cash flow
- future growth
- adequacy and cost of financial resources
- future economic performance
- industry and importing trends
- 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 anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence; (b) changes in demographics; (c) changes in housing sales; (d) the impact of terrorism or war; (e) energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) the effects of the tariffs determined by the United States Department of Commerce and potential disruptions from Chinese imports; (i) inventory supply price fluctuations; (j) the impact of imports as it relates to continued domestic production; (k) changes in currency rates; (l) competitive factors; (m) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions or costs; (n) effects of restructuring actions; (o) changes in the domestic or international regulatory environment; (p) not fully realizing cost reductions through restructurings; (q) ability to implement global sourcing organization strategies; (r) the impact of new manufacturing technologies; (s) the future financial performance and condition of independently operated dealers that we are required to consolidate into our financial statements or changes requiring us to consolidate additional independently operated dealers; (t) fair value changes to our intangible assets due to actual results differing from projected; (u) the impact of adopting new accounting principles; (v) the impact of severe weather such as hurricanes and tornadoes; (w) the impact of consolidating, acquiring or disposing of a variable interest entity; and (x) factors relating to acquisitions 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, either to reflect new developments or for any other reason.

Business Outlook

We are pleased with the continuing improvement in our operations and with the progress we have made in the transition of our business model. From a macro economic perspective, we remain cautiously optimistic about the industry’s growth prospects for the coming year, though we are concerned that May’s recent consumer confidence improvements could be challenged by a number of factors. These factors include continued high energy prices, rising short-term interest rates and general geopolitical uncertainty, which continue to overshadow the economic expansion that appeared to be underway.

Our first quarter is historically our seasonally weakest, and with the continued inconsistent trends at retail we expect our first quarter sales to be up in the low single digit range compared to last year’s first quarter sales of $455 million, as reclassified to reflect our discontinued operations. Reported earnings for the first quarter are forecasted to be in the range of $0.10 — $0.14 per share. This compares to a loss of $0.07 per share in fiscal 2005's first quarter, which included an after-tax restructuring charge of $0.12 per share.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123(R), *Share-Based Payment.* This statement replaces SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) requires companies to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees and to record compensation cost for all stock awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. In addition, we are required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. SFAS 123(R) will be effective for fiscal years beginning after June 15, 2005. Although management has not yet determined the final impact that SFAS 123(R) will have on its financial position and results of operations, we do not expect the impact to be materially different than the effect shown in Note 1 in the Notes to Consolidated Financial Statements.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 ("SFAS No. 151"), *Inventory Costs, an amendment of ARB No. 43, Chapter 4*. The amendments made by SFAS No. 151 will improve financial reporting by clarifying that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges, and by requiring the allocation of fixed production overheads to inventory, based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently evaluating the impact of the adoption of SFAS No. 151 on our financial position and results of operations.

The FASB issued Statement of Financial Accounting Standards No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* in December 2004. The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. We do not expect this pronouncement to have a material impact on our financial statements.

The FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* on March 30, 2005. The interpretation will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. Interpretation No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. We are currently evaluating the impact of the adoption of Interpretation No. 47 on our financial position and results of operations.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 is a replacement of APB No. 20 and FASB Statement No. 3. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will be adopting this pronouncement beginning in our fiscal year 2007.

Regulatory Developments

In the third quarter of fiscal 2005, the United States Department of Commerce announced its final ruling that Chinese manufacturers are dumping wood bedroom furniture in the U.S. market. The final duties on imports range from 0.8% to 198%. More specifically, the six largest Chinese bedroom manufacturers received varying duty rates ranging from 0.8% to 15.8%. A group of over 100 Chinese manufacturers received a 6.65% tariff rate. The remaining Chinese manufacturers received a 198% tariff rate. We import bedroom products from China; however, we do not anticipate the tariffs to have a significant effect on our Casegoods operation, as a majority of our Chinese suppliers received tariff rates at or below 6.65%. Additionally, at the time of the final ruling, the wood bedroom furniture represented approximately 3% of our consolidated sales.

LA-Z-BOY INCORPORATED
Consolidated Statement of Operations

Fiscal year ended *(Amounts in thousands, except per share data)*	**4/30/05** **(53 Weeks)**	**4/24/04** **(52 Weeks)**	**4/26/03** **(52 Weeks)**
Sales	$ 2,048,381	$ 1,951,997	$ 2,064,198
Cost of sales			
Cost of goods sold	1,572,844	1,509,864	1,578,789
Restructuring	10,294	10,441	1,070
Total cost of sales	1,583,138	1,520,305	1,579,859
Gross profit	465,243	431,692	484,339
Selling, general and administrative	401,592	331,620	320,943
Write-down of intangibles	--	71,943	--
Operating income	63,651	28,129	163,396
Interest expense	10,442	11,253	10,510
Other income, net	170	4,364	2,621
Income from continuing operations before income taxes	53,379	21,240	155,507
Income tax expense	20,284	19,362	59,093
Income from continuing operations	33,095	1,878	96,414
Income (loss) from discontinued operations (net of tax of $1,223 in 2005, $398 in 2004 and $(194) in 2003)	1,996	650	(316)
Extraordinary gains (net of tax of $1,283 in 2005)	2,094	--	--
Cumulative effect of accounting changes (net of tax of $5,101 in 2004 and $17,920 in 2003)	--	(8,324)	(59,782)

Net income (loss)	$ 37,185	$ (5,796)	$ 36,316
Basic average shares outstanding	52,082	53,508	57,120
Basic net income (loss) per share:			
Income from continuing operations	$ 0.63	$ 0.04	$ 1.69
Income (loss) from discontinued operations (net of tax)	0.04	0.01	(0.01)
Extraordinary gains (net of tax)	0.04	--	--
Cumulative effect of accounting changes (net of tax)	--	(0.16)	(1.04)
Net income (loss) per basic share	$ 0.71	$ (0.11)	$ 0.64
Diluted weighted average shares outstanding	52,138	53,679	57,435
Diluted net income (loss) per share:			
Income from continuing operations	$ 0.63	$ 0.04	$ 1.68
Income (loss) from discontinued operations (net of tax)	0.04	0.01	(0.01)
Extraordinary gains (net of tax)	0.04	--	--
Cumulative effect of accounting changes (net of tax)	--	(0.16)	(1.04)
Net income (loss) per diluted share	$ 0.71	$ (0.11)	$ 0.63

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED

Consolidated Balance Sheet

(Amounts in thousands, except par value) As of	4/30/05	4/24/04
Assets		
Current assets		
Cash and equivalents	$ 37,705	$ 33,882
Receivables, less allowance of $17,540 in 2005 and $15,024 in 2004	283,915	299,801
Inventories, net	260,556	250,568
Deferred income taxes	22,779	31,387
Other current assets	33,410	31,454
Total current assets	638,365	647,092
Property, plant and equipment, net	210,565	212,739
Goodwill	79,362	68,116
Trade names	21,484	27,889
Other long-term assets, less allowance of $2,949 in 2005 and $8,654 in 2004	76,581	85,078
Total assets	$ 1,026,357	$ 1,040,914
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	$ 9,700	$ 37,219
Current portion of long-term debt	3,060	5,344
Accounts payable	82,792	93,298
Accrued expenses and other current liabilities	133,172	147,460
Total current liabilities	228,724	283,321
Long-term debt	213,549	181,807
Deferred income taxes	5,389	13,637
Other long-term liabilities	51,409	39,821
Contingencies and commitments		
Shareholders' equity		
Preferred shares - 5,000 authorized; none issued	--	--
Common shares, $1 par value - 150,000 authorized; 52,225 outstanding in 2005 and 52,031 in 2004	52,225	52,031
Capital in excess of par value	214,087	216,156
Retained earnings	273,143	253,012
Unearned compensation	(1,536)	--
Accumulated other comprehensive income (loss)	(10,633)	1,129

Total shareholders' equity	527,286	522,328
Total liabilities and shareholders' equity	$ 1,026,357	$ 1,040,914

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
Consolidated Statement of Cash Flows

Fiscal year ended *(Amounts in thousands)*	**4/30/05**	**4/24/04**	**4/26/03**
Cash flows from operating activities			
Net income (loss)	$ 37,185	$ (5,796)	$ 36,316
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Write-down of intangibles	--	71,943	--
Cumulative effect of accounting change (net of tax)	--	8,324	59,782
Extraordinary gains (net of tax)	(2,094)	--	--
Gain on sale of discontinued operations (net of tax)	(668)	--	--
Restructuring	10,294	10,441	1,070
Change in allowance for doubtful accounts	(3,189)	(1,201)	2,626
Depreciation and amortization	28,329	29,112	30,695
Change in receivables	(5,935)	8,631	32,411
Change in inventories	(10,633)	16,309	(41,028)
Change in payables	(10,032)	13,220	9,927
Change in other assets and liabilities	(8,924)	(6,238)	(19,291)
Change in deferred taxes	11,632	(11,843)	6,004
Total adjustments	8,780	138,698	82,196
Net cash provided by operating activities	45,965	132,902	118,512
Cash flows from investing activities			
Proceeds from disposals of assets	11,226	2,167	4,348
Proceeds from sale of discontinued operations	10,985	--	--
Capital expenditures	(34,771)	(31,593)	(32,821)
Acquisitions, net of cash acquired	(6,806)	(9,189)	(3,089)
Change in other long-term assets	(4,621)	3,453	(22,871)
Net cash used for investing activities	(23,987)	(35,162)	(54,433)
Cash flows from financing activities			
Proceeds from debt	126,752	101,572	187,173
Payments on debt	(124,813)	(111,657)	(107,184)
Stock issued for stock and 401(k) plans	4,573	6,714	10,603
Repurchase of common stock	(2,476)	(72,509)	(130,287)
Dividends paid	(22,868)	(21,514)	(22,941)
Net cash used for financing activities	(18,832)	(97,394)	(62,636)
Effect of exchange rate changes on cash and equivalents	677	775	603
Change in cash and equivalents	3,823	1,121	2,046
Cash acquired from consolidation of VIEs	--	3,944	--
Cash and equivalents at beginning of the year	33,882	28,817	26,771
Cash and equivalents at end of the year	$ 37,705	$ 33,882	$ 28,817

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
Consolidated Statement of Changes in Shareholders' Equity

(Amounts in thousands)	Common Shares	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total
At April 27, 2002	$ 59,953	$ 215,060	$ 444,173	$ --	$ (5,664)	$ 713,522
Repurchases of common stock	(5,491)		(124,796)			(130,287)
Stock issued for stock and employee benefit plans	565	162	9,876			10,603
Tax benefit from exercise of options		859				859
Dividends paid			(22,941)			(22,941)
Comprehensive income (loss)						
Net income			36,316			
Unrealized loss on marketable securities (net of tax)					(793)	
Realization of losses on marketable securities (net of tax)					194	
Translation adjustment					2,354	
Change in fair value of cash flow hedges (net of tax)					112	
Total comprehensive income						38,183
At April 26, 2003	55,027	216,081	342,628	--	(3,797)	609,939
Repurchases of common stock	(3,379)		(69,130)			(72,509)
Stock issued for stock and employee benefit plans	383	(493)	6,824			6,714
Tax benefit from exercise of options		568				568
Dividends paid			(21,514)			(21,514)
Comprehensive income (loss)						
Net loss			(5,796)			
Unrealized gain on marketable securities (net of tax)					1,884	
Realization of gains on marketable securities (net of tax)					(525)	
Additional minimum pension liability (net of tax)					(457)	
Translation adjustment					1,870	
Change in fair value of cash flow hedges (net of tax)					2,154	
Total comprehensive loss						(870)
At April 24, 2004	52,031	216,156	253,012	--	1,129	522,328
Repurchases of common stock	(120)		(2,356)			(2,476)
Stock issued for stock and employee benefit plans	314	(2,063)	8,170	(1,848)		4,573
Amortization of unearned compensation				312		312
Tax benefit from exercise of options		(6)				(6)
Dividends paid			(22,868)			(22,868)
Comprehensive income (loss)						
Net income			37,185			
Unrealized gain on marketable securities (net of tax)					127	
Realization of gains on marketable securities (net of tax)					(93)	
Additional minimum pension liability (net of tax)					(14,144)	
Translation adjustment					2,359	
Change in fair value of cash flow hedges (net of tax)					(11)	
Total comprehensive income						25,423
At April 30, 2005	$ 52,225	$214,087	$ 273,143	$ (1,536)	$ (10,633)	$ 527,286

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Note 1: Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements. Our fiscal year ends on the last Saturday of April. Fiscal year 2005 included 53 weeks, whereas fiscal years 2004 and 2003 included 52 weeks.

Principles of Consolidation

The consolidated financial statements include the accounts of La-Z-Boy Incorporated and its majority-owned subsidiaries ("the Company"). All significant intercompany transactions have been eliminated. Additionally, we adopted Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities* ("FIN 46"), as of April 24, 2004, which resulted in the consolidation of several of our independently-owned La-Z-Boy Furniture Galleries® dealers.

Use of Estimates

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses for the reporting periods. Some of the more significant estimates include depreciation, valuation of inventories, valuation of intangibles, allowances for doubtful accounts, sales returns, legal, environmental, restructuring, product liability, insurance reserves and warranty accruals. Actual results could differ from those estimates.

New Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*. This statement replaces SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) requires companies to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, and to record compensation cost for all stock awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. In addition, we are required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Although management has not yet determined the final impact that SFAS 123(R) will have on our financial position and results of operations, we do not expect the impact to be materially different than the pro forma effect shown in Note 1 in the Notes to Consolidated Financial Statements. On April 14, 2005, the U.S. Securities and Exchange Commission ("SEC") announced a deferral of the effective date of SFAS 123(R) for companies until the beginning of their next fiscal year that begins after June 15, 2005. We will be required to adopt SFAS 123(R) in the first quarter of fiscal 2007.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 ("SFAS No. 151"), *Inventory Costs, an amendment of ARB No. 43, Chapter 4*. The amendments made by SFAS No. 151 will improve financial reporting by clarifying that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges, and by requiring the allocation of fixed production overheads to inventory, based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently evaluating the impact of the adoption of SFAS No. 151 on our financial position and results of operations.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29*, in December 2004. The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not expect this pronouncement to have a material impact on our financial statements.

The FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations,* on March 30, 2005. The interpretation will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. Interpretation 47 is effective no later than the end of fiscal years ending after December 15, 2005. We are currently evaluating the impact of the adoption of Interpretation No. 47 on our financial position and results of operations.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 is a replacement of APB No. 20 and FASB Statement No. 3. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will be adopting this pronouncement beginning in our fiscal year 2007.

Cash and Equivalents

For purposes of the consolidated balance sheet and statement of cash flows, we consider all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out ("LIFO") basis for approximately 70% of our inventories at April 30, 2005 and April 24, 2004. Cost is determined for all other inventories on a first-in, first-out ("FIFO") basis.

Excess of FIFO over the LIFO basis includes $10.9 million and $12.1 million at April 30, 2005 and April 24, 2004, respectively, for inventory written-up to fair value for acquisitions that occurred in fiscal 2000. This purchase accounting adjustment reduces earnings in periods that the related inventory is sold.

Property, Plant and Equipment

Items capitalized, including significant betterments to existing facilities, are recorded at cost. All maintenance and repair costs are expensed when incurred. Depreciation is computed using accelerated and straight-line methods over the estimated useful lives of the assets.

Goodwill and Trade Names

As of the beginning of fiscal 2003, we adopted SFAS No. 142, "*Goodwill and Other Intangible Assets*," which eliminated the amortization of our goodwill and trade names. Under this accounting standard, our goodwill and trade names are required to be reviewed at least annually for impairment. See Note 2 for additional information on our goodwill and trade names and the effect of adopting and applying SFAS No. 142.

Investments

Trading securities are recorded at fair value with unrealized gains and losses included in income. Available-for-sale securities are recorded at fair value with the net unrealized gains and losses reported, net of tax, as a component of other comprehensive income. Realized gains and losses for available-for-sale securities are based on the first-in, first-out method.

Revenue Recognition

Shipping terms for third-party carriers are FOB shipping point and revenue is recognized upon shipment of product. For product shipped on our company-owned trucks, revenue is recognized upon delivery. This revenue includes amounts billed to customers for shipping. Provision is made at the time revenue is recognized for estimated product returns and warranties, as well as other incentives that may be offered to customers. We import certain products from foreign ports, which are shipped directly to our domestic customers. Consequently, in this case, revenue is not recognized until title is assumed by our customer, which is normally after the goods pass through U.S. customs.

Other incentives offered to customers include cash discounts, advertising agreements and other sales incentive programs. Cash discounts are recorded as a reduction of revenues when the revenue is recognized. Other sales incentives are recorded at the time of sale as a reduction to revenue. Our advertising agreements give customers advertising allowances based on revenues and are recorded when the revenue is recognized as a reduction to revenue.

Research and Development Costs

Research and development costs are charged to expense in the periods incurred. Expenditures for research and development costs were $16.2 million, $15.2 million and $16.4 million for the fiscal years ended April 30, 2005, April 24, 2004, and April 26, 2003, respectively.

Advertising Expenses

Production costs of commercials and programming and costs of other advertising, promotion and marketing programs are charged to income in the period incurred. Cooperative advertising agreements exist with some customers to reimburse them for actual advertising expenses. The reimbursements are recorded as advertising expense when the customer substantiates the advertising. Advertising expenses were $59.7 million, $46.4 million and $43.1 million for the fiscal years ended April 30, 2005, April 24, 2004 and April 26, 2003, respectively. Included in the fiscal year ended April 30, 2005, were VIEs' advertising expenses totaling $10.3 million.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Foreign Currency Translation

The functional currency of each foreign subsidiary is the respective local currency. Assets and liabilities are translated at the year-end exchange rates and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are recorded as a component of shareholders' equity in other comprehensive income.

Financial Instruments and Hedging

We have derivative instruments consisting of interest rate swap agreements that are used to fix the interest rate on a portion of the variable interest rate borrowings on our revolving credit facility. These agreements were designated and accounted for as cash flow hedges. These interest rate swap agreements expire in August 2006. The effect of marking these contracts to fair value was recorded as a component of shareholders' equity in other comprehensive income.

We also enter into forward foreign currency exchange contracts to limit our exposure from changes in foreign currency exchange rates. These foreign exchange contracts are entered into to support product sales, purchases and financing transactions made in the normal course of business and, accordingly, are not speculative in nature. These contracts are designed to match our currency needs and are therefore designated and accounted for as cash flow hedges. The fair value of our foreign currency contracts is based on quoted market prices.

Accounting for Stock-Based Compensation

We account for our stock-based compensation plans using the intrinsic value method of recognition and measurement principles under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. We adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, and SFAS No. 148, *Accounting for Stock-Based Compensation–Transition and Disclosure*. Assuming that we had accounted for our stock-based compensation programs using the fair value method promulgated by SFAS No. 123, pro forma net income and net income per share would have been as follows (for the fiscal years ended):

(Amounts in thousands, except per share data)	**4/30/05**	**4/24/04**	**4/26/03**
Net income	$37,185	$ (5,796)	$ 36,316
Fair value of stock plan	(2,258)	(2,375)	(2,132)
Pro forma net income	$34,927	$ (8,171)	$ 34,184
Pro forma basic net income per share	$ 0.67	$ (0.15)	$ 0.60
Proforma diluted net income per share	$ 0.67	$ (0.15)	$ 0.60

Reclassifications

Certain prior year information has been reclassified to be comparable to the current year presentation.

Insurance/Self-Insurance

We use a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability, vehicle liability and the company-funded portion of employee-related health care benefits. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions.

In the fourth quarter of fiscal 2005, we changed our estimate of workers' compensation unpaid claims. Previously, we established our workers' compensation liability using historical trends as the basis for the liability. The new estimate uses a third-party actuary to estimate settlement costs for incurred claims. We recognized expense of $5.9 million, or $0.07 per diluted share, in the fourth quarter of fiscal 2005 based on our new estimate.

Discontinued Operations

Under the provisions of SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," we classify a business component that has been disposed of as a discontinued operation if the cash flow of the component has been eliminated from our ongoing operations and we will no longer have any significant continuing involvement in the component. The results of operations of our discontinued operations through the date of sale, including any gains or losses on disposition, are aggregated and presented on one line in the income statement. SFAS No. 144 requires the reclassification of amounts presented for prior years as discontinued operations. The amounts presented in the income statement for years prior to fiscal 2005 were reclassified to comply with SFAS No. 144.

As a result of the disposition of our La-Z-Boy Contract operating unit in April 2005, the balance sheet as of April 30, 2005 does not include any assets or liabilities of discontinued operations. The assets and liabilities for years prior to fiscal 2005 include the assets and liabilities of the operating unit and have not been reclassified. In the consolidated statement of cash flows, the cash flows of discontinued operations are not reclassified. See Note 14 for additional information regarding our discontinued operations.

Allowances for doubtful accounts

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience and other currently available evidence.

In fiscal 2005, we reevaluated our allowance for doubtful accounts after the acquisition of a major La-Z-Boy Furniture Galleries® store market and reassessment of our credit position of another significant dealer upon obtaining additional credit-related information. Based on this valuation, we reduced the allowance for doubtful accounts by $5.5 million.

Note 2: Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, trade names were tested for impairment by comparing their fair value to their carrying values. The fair value for each trade name was established based upon a royalty savings approach. Additionally, goodwill was tested for impairment by comparing the fair value of our operating units to their carrying values. The fair value for each operating unit was established based upon a combination of the discounted cash flows and the projected profitability of the market in which the entity operates.

Using these procedures, we determined in fiscal 2003 that the carrying value of trade names exceeded their fair value creating an impairment loss of $48.3 million, all of which was attributable to the Casegoods segment. Additionally, the carrying value of goodwill exceeded its fair value, creating an impairment loss of $29.4 million. Of the pre-tax impairment loss for goodwill, $17.1 million was attributable to the Upholstery segment and $12.3 million was attributable to the Casegoods segment. The after-tax effect of $59.8 million for these impairment losses was included in the cumulative effect of accounting change in our fiscal 2003 consolidated statement of operations.

In the fourth quarter of fiscal 2004, the annual evaluation of goodwill and trade names was performed. Following the evaluation procedures, it was determined that the carrying value of trade names exceeded their fair value, creating an impairment loss of $43.2 million. Also, the carrying value of goodwill exceeded its fair value, creating an impairment loss of $28.7 million. The after-tax effect of the impairment was $55.9 million. The before-tax effect of $71.9 million for these impairment losses was recorded as a component of operating income. Of the total impairment losses, $11.3 million and $60.6 million were attributed to the Upholstery and the Casegoods segments, respectively. One operating unit accounted for the write-down in the Upholstery Group. During fiscal 2004, this operating unit had experienced a decline in sales and operating income, which caused a decline in the fair value of its intangibles. Prior to fiscal 2005, Casegoods Group sales and operating results have been declining in the last few years. Due to continued lagging operating results and changes in facts relating to underlying assumptions, the fair value evaluation was lower in the fiscal 2004 fourth quarter than in the prior year fourth quarter.

In the fourth quarter of fiscal 2005 and in fiscal 2004, we acquired several La-Z-Boy Furniture Galleries® stores that were independently owned. Relating to these acquisitions, we recorded goodwill of $11.3 million and $10.3 million in fiscal 2005 and fiscal 2004, respectively. Additionally, in the fourth quarter of fiscal 2005, we completed a valuation of the tax reserves relating to an acquisition in fiscal 2000. Due to the resolution of certain open tax items relating to the acquisition, a reduction of the tax reserves was required during fiscal 2005. These reductions in the tax reserves were recorded as a reduction in the remaining acquired intangible assets, which consisted of trade names and totaled $6.4 million and are reported in the "Other" line in the table that follows. Furthermore, in the fourth quarter of fiscal 2005, the annual evaluation of goodwill and trade names was performed. We determined that goodwill and trade names are not impaired as of the end of fiscal 2005.

The following table summarizes changes to goodwill and trade names in fiscal 2005 and 2004:

	Upholstery Group		Casegoods Group		Other		Total	
	4/30/05	4/24/04	4/30/05	4/24/04	4/30/05	4/24/04	4/30/05	4/24/04
(Amounts in thousands)								
Goodwill								
Balance at beginning of year	$ 60,402	$ 53,177	$ --	$ 25,630	$7,714	$ --	$68,116	$ 78,807
Impairment of goodwill	--	(3,058)	--	(25,630)	--	--	--	(28,688)
Acquisitions, consolidation of VIEs and other	11,246	10,283	--	--	--	7,714	11,246	$ 17,997
Balance at end of year	$ 71,648	$ 60,402	$ --	$ --	$7,714	$7,714	$79,362	$ 68,116
Trade names								
Balance at beginning of year	$ 8,690	$ 16,945	$ 19,199	$ 54,199	$ --	$ --	$27,889	$ 71,144

Impairment of trade names	--	(8,255)	--	(35,000)	--	--	--	(43,255)
Other	(1,525)	--	(4,880)	--	--	--	(6,405)	--
Balance at end of year	$ 7,165	$ 8,690	$ 14,319	$ 19,199	$ --	$ --	$21,484	$ 27,889

Note 3: Inventories

(Amounts in thousands)	4/30/05	4/24/04
Raw materials	$ 69,350	$ 74,162
Work in progress	56,655	53,860
Finished goods	155,114	138,500
FIFO inventories	281,119	266,522
Excess of FIFO over LIFO	(20,563)	(15,954)
Total inventories	$ 260,556	$ 250,568

Note 4: Property, Plant and Equipment

(Amounts in thousands)	Estimated Useful Lives	4/30/05	4/24/04
Buildings and building fixtures	3-40 yrs.	$207,460	$ 201,804
Machinery and equipment	8-15 yrs.	174,913	187,116
Information systems	3-10 yrs.	49,499	48,475
Land and land improvements	20 yrs.	28,838	29,903
Transportation equipment	5-10 yrs.	16,546	17,295
Other	3-10 yrs.	12,731	12,183
Construction in progress		4,719	12,905
		494,706	509,681
Less: accumulated depreciation		284,141	296,942
Property, plant and equipment, net		$210,565	$ 212,739

Note 5: Investments

Included in other long-term assets were $13.2 million and $13.4 million at April 30, 2005, and April 24, 2004, respectively, of available-for-sale marketable securities to fund future obligations of one of our retirement plans. In addition, we had $9.5 million, and $2.7 million of trading securities at April 30, 2005, and April 24, 2004, respectively. These investments relate to non-qualified retirement plans and our captive insurance company.

The following is a summary of trading and available-for-sale securities at April 30, 2005, and April 24, 2004:

	Fiscal 2005		
(Amounts in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading securities	$ 25	$ (50)	$ 9,478
Available-for-sale			
Equity securities	1,274	(21)	8,976
Fixed income	49	(40)	4,033
Other	--	--	183
Total available-for-sale securities	1,323	(61)	13,192
Total securities	$ 1,348	$ (111)	$ 22,670

(Amounts in thousands)

	Fiscal 2004		
	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading securities	$ 347	$ (9)	$ 2,689
Available-for-sale			
Equity securities	1,241	(31)	8,997
Fixed income	42	(44)	4,183
Other	--	--	256
Total available-for-sale securities	1,283	(75)	13,436
Total securities	$ 1,630	$ (84)	$ 16,125

The following table summarizes sales of available-for-sale securities (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
Proceeds from sales	$ 1,672	$ 6,638	$ 5,140
Gross realized gains	173	891	187
Gross realized losses	$ (25)	$ (56)	$ (496)

The fair value of fixed income available-for-sale securities by contractual maturity was $0.6 million within one year, $1.5 million within two to five years, $1.2 million within six to ten years and $0.7 million thereafter.

Note 6: Accrued Expenses and Other Current Liabilities

(Amounts in thousands)	4/30/05	4/24/04
Payroll and other compensation	$ 64,419	$ 70,651
Accrued product warranty	12,288	12,948
Income taxes	1,788	16,330
Other current liabilities	54,677	47,531
Accrued expenses and other current liabilities	$ 133,172	$ 147,460

Note 7: Debt

(Amounts in thousands)	Interest Rate	Fiscal Year Maturity	4/30/05	4/24/04
Revolving credit facility	2.5-3.6%	2010	$ 65,000	$ 30,000
Industrial revenue bonds	2.4-7.0%	2008-23	17,088	24,006
Private placement notes	6.5%	2008	35,000	35,000
	4.6%	2010	36,000	36,000
	5.3%	2013	50,000	50,000
Other debt	4.5-7.1%	2006-11	11,170	10,466
Capital leases	4.0-12.0%	2006-11	2,351	1,679
Total debt			216,609	187,151
Less: current portion			3,060	5,344
Long-term debt			$ 213,549	$ 181,807
Weighted average interest rate			3.9%	4.8%
Fair value of debt			$ 218,785	$ 189,346

On March 30, 2004, we entered into an unsecured $150 million revolving credit facility agreement. The facility has an accordion feature, enabling us to expand the facility by $50 million to $200 million with the same terms and conditions, subject to approval by the banks that are a party to the agreement. This agreement replaced our $300 million unsecured revolving credit facility, which would have expired on May 12, 2005. The agreement has a performance-based interest rate pricing grid ranging from LIBOR plus 0.475% to LIBOR plus 0.800%, determined by our consolidated debt-to-capital ratio. The agreement also requires that certain financial covenants be met. The revolving credit facility expires on May 1, 2009. At April 30, 2005, we were in compliance with all of the covenants under this facility. As of April 30, 2005, we had $85.0 million available for future borrowings under this facility.

We have short-term borrowing arrangements with several banks that allow us to borrow funds on demand. Our availability of credit from short-term borrowing lines of credit total $103.8 million, of which we had borrowed $9.7 million at April 30, 2005.

Industrial revenue bonds were used to finance the construction of some of our manufacturing facilities. The facilities constructed from the bond proceeds are mortgaged as collateral for the bonds.

We have entered into several interest rate swap agreements with counter-parties that are participants in the revolving credit facility to reduce the impact of changes in interest rates on the floating rate debt. We believe that the risk of potential credit loss from counter-party non-performance is minimal. The purpose of these swaps is to fix interest rates on a notional amount of $10 million through August 4, 2006 at 3.05% plus the applicable borrowing spread under the revolving credit facility. The fair market value of the swaps was a asset of $0.1 million at April 30, 2005.

Maturities of long-term debt, subsequent to April 30, 2005 are $3.1 million in 2006, $4.8 million in 2007, $36.5 million in 2008, $1.5 million in 2009, $108.0 million in 2010 and $62.7 million thereafter.

Cash paid for interest during fiscal years 2005, 2004 and 2003 was $10.1 million, $11.6 million and $8.9 million, respectively.

Note 8: Operating Leases

We have operating leases for a manufacturing facility, executive and sales offices, warehouses, showrooms and retail facilities, as well as for equipment for manufacturing, transportation and data processing. The operating leases expire at various dates through 2027. Certain transportation leases contain a provision for the payment of contingent rentals based on mileage in excess of stipulated amounts. We lease additional transportation, data processing and other equipment under capital leases expiring at various dates through 2011.

The future minimum lease payments under non-cancelable leases are as follows (for the fiscal years):

(Amounts in thousands)	**Operating Leases**
2006	$ 28,420
2007	28,184
2008	25,582
2009	23,535
2010	21,245
2011 and beyond	88,569
	$ 215,535

The information in the table above includes operating leases of our VIEs of $5.0 million in fiscal 2006, $4.8 million in fiscal 2007, $4.8 million in fiscal 2008, $4.8 million in fiscal 2009, $4.3 million in fiscal 2010 and $7.5 million in fiscal 2011 and beyond.

Rental expense, rental income and contingent rentals for operating leases were as follows (for the fiscal years ended):

(Amounts in thousands)	**4/30/05**	**4/24/04**	**4/26/03**
Rental expense	$ 38,771	$ 26,114	$ 25,444
Rental income	$ 612	$ 1,812	$ 1,265
Contingent rentals	$ 512	$ 446	$ 473

Note 9: Financial Guarantees and Product Warranties

Effective for the third quarter of fiscal 2003, we adopted FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that, at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002.

Prior to December 31, 2002, we provided secured and unsecured financial guarantees relating to loans and leases in connection with certain La-Z-Boy Furniture Galleries® dealers whose stores are not owned by the company. Loan guarantees are generally for real estate mortgages with a guarantee period of not more than five years. Lease guarantees are generally for real estate leases and have terms lasting up to five years. These loan and lease guarantees enhance the credit of these dealers. The dealer is required to make periodic fee payments to compensate us for our guarantees. We have recognized liabilities for the fair values of the loan and lease agreements we have entered into since December 31, 2002, but they are not material to our financial position.

We would be required to perform under these agreements only if the dealer were to default on the loan or lease. The maximum amounts of potential future payments under loan guarantees and lease guarantees were $1.8 million and $5.9 million, respectively, as of April 30, 2005. Should a default occur on a collateralized loan, we expect the liquidation of the collateral would cover substantially all of our exposure.

We have, from time to time, entered into agreements which resulted in indemnifying third parties against certain liabilities, mainly environmental. We believe that judgments, if any, against us related to such agreements would not have a material effect on our business or financial condition.

Our accounting policy for product warranties is to accrue an estimated liability at the time the revenue is recognized. This estimate is based on historical claims and adjusted for currently known warranty issues.

A reconciliation of the changes in our product warranty liability is as follows:

(Amounts in thousands)	4/30/05	4/24/04
Balance as of the beginning of the year	$ 19,527	$ 19,066
Accruals during the year	17,481	15,319
Adjustment for discontinued operations	(1,265)	--
Settlements during the year	(17,055)	(14,858)
Balance as of the end of the year	$ 18,688	$ 19,527

Note 10: Contingencies and Commitments

We have been named as a defendant in various lawsuits arising in the ordinary course of business, including being named as a potentially responsible party at six environmental clean-up sites. Based on a review of all currently known facts and our experience with previous legal and environmental matters, we have recorded expense in respect of probable and reasonably estimable losses arising from legal and environmental matters and do not believe that a material additional loss is reasonably possible for legal or environmental matters.

Note 11: Stock Plans

In fiscal 2005, our shareholders approved a long-term equity award plan which replaces the former employee incentive stock option plan, the former employee restricted share plan and the former performance-based stock plan. The new plan allows for awards in the form of performance awards, restricted shares and stock options. Under this new plan, the aggregate number of common shares that may be issued through awards of any form is 5,000,000. No further grants or awards may be issued under the former plans. However, target awards of 20,000 shares which were not surrendered under the former performance-based plan for performance cycles that have not been completed will remain in effect for the remainder of their terms.

This new plan provides grants to certain employees to purchase common shares at a specified price, which generally may not be less than 100% of their fair market value at the date of grant. Granted options generally become exercisable at 25% per year, beginning one year from the date of grant for a term of five years. Granted options outstanding under the former plan remain in effect and become exercisable at 25% per year, beginning one year from the date of grant for a term of five or ten years.

Plan activity for stock options under the new long-term equity award plan and the former employee incentive stock option plan is as follows:

	Number of shares	Weighted avg. exercise price
Outstanding at April 27, 2002	2,044,935	$ 18.37
Granted	662,800	22.59
Exercised	(358,095)	15.29
Expired or cancelled	(143,118)	20.42
Outstanding at April 26, 2003	2,206,522	20.01
Granted	734,900	20.52
Exercised	(342,170)	17.30
Expired or cancelled	(149,005)	20.94
Outstanding at April 24, 2004	2,450,247	20.48
Granted	446,900	16.66
Exercised	(49,821)	15.54
Expired or cancelled	(720,073)	21.12
Outstanding at April 30, 2005	2,127,253	19.58
Exercisable at April 30, 2005	1,031,983	19.73
Exercisable at April 24, 2004	1,096,467	20.28
Exercisable at April 26, 2003	835,417	$ 19.12
Shares available for grants at April 30, 2005	4,482,600	

Information regarding currently outstanding and exercisable options is as follows:

Range of exercise prices	Number outstanding at April 30, 2005	Weighted avg. exercise price	Weighted avg. remaining

				contractual life in years
$6.86 - $10.30	2,360	$	9.54	1.0
$10.31 - $13.73	1,180		11.23	0.3
$13.74 - $17.17	653,183		16.24	2.8
$17.18 - $20.60	925,890		20.18	4.9
$20.61 - $24.03	531,070		22.58	6.5
$24.04 - $27.46	13,570		24.69	3.0
	2,127,253	$	19.58	4.6

Range of exercise prices	Number exercisable at April 30, 2005		Weighted avg. exercise price
$6.86 - $10.30	2,360	$	9.54
$10.31 - $13.73	1,180		11.23
$13.74 - $17.17	247,083		15.54
$17.18 - $20.60	469,803		20.01
$20.61 - $24.03	297,987		22.59
$24.04 - $27.46	13,570		24.69
	1,031,983	$	19.73

The tables above include options that were issued to replace outstanding options of a company acquired in fiscal 2000. The options outstanding under this plan as of April 30, 2005, were 34,810, with a weighted average exercise price of $18.90 per share. There are no shares available for future grant under this plan.

Under a second component of the new long-term equity award plan, a committee of the Board of Directors is authorized to award restricted common shares to certain employees. The shares are offered at no cost to the employees, and the plan requires that all shares be held in an escrow account for a period of three to five years. In the event of an employee's termination during the escrow period, the shares are returned to the company at no cost to the company. Common shares aggregating 122,400 were issued during fiscal 2005 as restricted shares under the new long-term equity award plan.

Under our former employee restricted share plan, a committee of the Board of Directors is authorized to offer for sale common shares to certain employees. Under the former restricted share plans, shares were offered at 25% of the fair market value at the date of grant. The plans required that all shares be held in an escrow account for a period of three years. In the event of an employee’s termination during the escrow period, the shares must be sold back to us at their cost. Common shares aggregating 65,900 were granted and issued during fiscal year 2004 under the former employee restricted share plan.

Our shareholders have approved a non-employee directors' restricted share plan, under which a committee of the Board of Directors is authorized to offer for sale common shares to non-employee directors. Under the restricted share plans, shares were offered at 25% of the fair market value at the date of grant. The plans required that all shares be held in an escrow account until the participant’s service as a director ceases. In the event of a non-employee director’s termination during the escrow period, the shares must be sold back to us at their cost, unless otherwise approved by the Board of Directors. Common shares aggregating 18,000 and 21,000 were granted and issued to non-employee directors during fiscal years 2005 and 2004, respectively, under the restricted share plan. Common shares remaining for future grants under this plan amounted to 215,800 at April 30, 2005.

Under a third component of the new long-term equity award plan, a committee of the Board of Directors is authorized to award common shares to certain employees based on the attainment of certain financial goals. The shares are offered at no cost to the employees. No shares will be issued in fiscal 2006 for this component of the new long-term equity award plan. This new component of the long-term equity award plan replaced the former performance-based stock plan, which also allowed grants of shares or short-term options to purchase shares based on achievement of goals over a three-year performance period. No shares were issued in fiscal 2005 under the former performance-based stock plan. In fiscal year 2004, 94,650 common shares were issued for the three-year period that ended in 2003. The cost of performance-based awards is expensed over the performance period.

Actual expense relating to the restricted shares and the performance-based stock awards was $(0.6) million in fiscal 2005, $0.3 million in fiscal 2004 and $3.8 million in fiscal 2003. The performance-based metrics that the performance-based stock plan payouts are based upon were not achieved in the three-year cycle ending in April 2004 or the one-year cycle ending in April 2005. Therefore, in fiscal 2005, expense of $1.4 million was reversed relating to prior year accruals for the previously anticipated payout on this plan.

As permitted by SFAS No. 123, “Accounting for Stock-Based Compensation,” we have chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations. Refer to Note 1 for additional information.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes model with the following assumptions (for the fiscal years ended):

	4/30/05	4/24/04	4/26/03
Risk-free interest rate	3.4%	3.1%	3.0%
Dividend rate	2.1%	1.9%	1.7%
Expected life in years	5.5	5.0	5.0
Stock price volatility	36.0%	36.0%	40.0%

Based on the above assumptions, the weighted average fair value per share of options granted under these plans was $5.02 in fiscal 2005, $6.41 in fiscal 2004, and $7.61 in fiscal 2003.

Note 12: Retirement/Welfare

Eligible salaried employees are covered under a trusteed profit sharing retirement plan. Discretionary cash contributions to a trust are made annually based on profits. We maintain an Executive Qualified Deferred Compensation plan for eligible highly compensated employees. An element of this plan is the Supplemental Executive Retirement Plan ("SERP"), which allows contributions for eligible highly compensated employees. We had life insurance contracts at April 30, 2005, and April 24, 2004, of $15.1 million and $10.4 million, respectively, included in other long term assets related to this plan.

We maintain a non-qualified defined benefit retirement plan for certain former salaried employees. Included in other long-term liabilities were plan obligations of $15.1 million and $14.0 million at April 30, 2005, and April 24, 2004, respectively. This plan is excluded from the obligation charts that follow.

Voluntary 401(k) retirement plans are offered to eligible employees within certain U.S. operating units. For most operating units, we make matching contributions based on specific formulas and this match is made in our common shares. We also maintain defined benefit pension plans for eligible factory hourly employees at some operating units. Our largest plan has been frozen since January 1, 2001, but participants still earn service cost.

The measurement dates for the pension plans assets and benefit obligations were April 30, 2005, April 24, 2004 and April 26, 2003, in the years presented.

The net periodic pension cost and retirement costs for retirement plans were as follows (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
Service cost	$ 3,065	$ 2,891	$ 2,559
Interest cost	4,695	4,440	4,616
Expected return on plan assets	(6,126)	(6,727)	(3,883)
Net amortization and deferral	(53)	1,916	(8)
Net periodic pension cost	1,581	2,520	3,284
Profit sharing/SERP*	10,970	10,597	10,615
401(k)*	4,973	5,163	5,601
Other*	1,130	911	795
Total retirement costs	$ 18,654	$ 19,191	$ 20,295

* Not determined by an actuary.

The funded status of the defined benefit pension plans was as follows:

(Amounts in thousands)	4/30/05	4/24/04
Change in benefit obligation		
Benefit obligation at beginning of year	$ 79,319	$ 69,374
Service cost	3,065	2,891
Interest cost	4,695	4,440
Actuarial loss	7,030	5,750
Benefits paid	(3,887)	(3,136)
Benefit obligation at year end	90,222	79,319
Change in plan assets		
Fair value of plan assets at beginning of year	82,105	68,513
Actual return on plan assets	3,471	16,448
Employer contribution	1,153	280
Benefits paid	(3,887)	(3,136)
Fair value of plan assets at year end	82,842	82,105
Funded (underfunded) status	(7,380)	2,786
Unrecognized actuarial loss	24,205	14,798
Unamortized prior service cost	439	521
Unrecognized transition obligation	--	(313)
Prepaid benefit cost	$ 17,264	$ 17,792
Accumulated benefit obligation	$ 87,948	$ 77,289

Amounts recognized in the balance sheet consist of the following:		
Prepaid benefit cost	$ --	$ 17,792
Accrued benefit liability	(5,106)	--
Intangible assets	439	--
Accumulated other comprehensive loss	21,931	--
Net amount recognized	$ 17,264	$ 17,792

The weighted average actuarial assumptions were as follows (for the fiscal years ended):

	4/30/05	4/24/04	4/26/03
Discount rate used to determine benefit obligations	5.5%	6.0%	6.5%
Discount rate used to determine net benefit cost	6.0%	6.5%	7.2%
Long-term rate of return	8.0%	8.0%	8.0%

Our long-term stated investment objective is to maximize the investment return with the least amount of risk through a combination of capital appreciation and income. The strategic asset allocation targets are 65% equities and 35% fixed income within a range of 5% of the target. As of the end of fiscal 2005, the plans were in an underfunded state. In selecting the expected long-term rate of return on assets, we considered the average rate of earnings expected on the funds invested or to be invested to provide the benefits of these plans. This included considering the trust's asset allocation and the expected returns likely to be earned over the life of the plans. This basis is consistent with the prior year. We are not required to make any contributions to the defined benefit plans in fiscal year 2006, however we reserve the right to make discretionary contributions.

The weighted average asset allocations at year end were as follows:

	4/30/05	4/24/04
Equity securities	68%	65%
Debt securities	32%	35%
	100%	100%

The amounts recorded in other comprehensive loss, net of tax, were $14.1 million in fiscal 2005 and $0.5 million in fiscal 2004. Also during fiscal 2005, we recorded $0.4 million of intangible assets relating to prepaid benefit cost.

The expected benefit payments by our pension plans for each of the next five years and for periods thereafter are presented in the following table:

(Amounts in thousands)	Benefit Payments
2006	$ 4,190
2007	4,258
2008	4,504
2009	4,771
2010	4,960
2011 and 2015	29,229
Total	$ 51,912

Note 13: Restructuring

In the first quarter of fiscal 2005, the decision was made to close three casegoods facilities, an upholstery plant and an upholstery warehouse. The casegoods facilities were closed as a result of continued underutilization of our domestic casegoods facilities due to an increase in our importing of product from overseas. The upholstery plant was closed and production was absorbed in another upholstery facility resulting in better production efficiencies. The casegoods plants were closed in the third quarter. Approximately 525 jobs were eliminated as a result of these closures. During fiscal 2005, pre-tax restructuring charges were $10.3 million, or $0.12 per diluted share, covering the following: write-down of certain fixed assets, write-down of certain inventories, payment of severance and benefits and other costs related to the shut down. We expect to dispose of these plants by sale or abandonment if a sale is not practical. The restructuring expenses during 2005 were lower than we had originally anticipated because our charges to expense were offset by the gains on sale of assets previously written down through restructuring in the fourth quarter. The write-down was accounted for in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Severance costs and other costs were expensed as incurred throughout the current fiscal year in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* There are 30 employees remaining at these facilities.

During the first quarter of fiscal 2004, we announced the closing of three of our Casegoods Group manufacturing facilities. This action was the result of underutilization of certain manufacturing facilities as we transition to more foreign-sourced products in order to be competitive with imported furniture. The closure of these facilities resulted in the elimination of 480 jobs. Approximately 75 jobs were created at other facilities resulting from the closures. During fiscal 2004, pre-tax restructuring charges related to the restructuring were $10.4 million, covering the write-down of certain fixed assets and inventories, lease costs and severance related costs, which were recorded in cost of sales. We expect to dispose of two manufacturing plants by sale, and the related write-down has been accounted for in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Our third plant was leased, and the lease expired in our fourth quarter of fiscal 2004. The plants ceased operations during fiscal year 2004, leaving 3 employees remaining at these facilities. The remaining liability will be paid out in fiscal 2006.

We have $4.0 million of assets held for sale included in other long-term assets on our consolidated balance sheet as of April 30, 2005, primarily as a result of the above restructurings. This includes $3.5 million of buildings and $0.5 million of equipment. All of these assets have been written down to their fair value and are currently being marketed.

Restructuring liabilities along with charges to expense, cash payments or asset write-downs were as follows:

(Amounts in thousands)	4/24/04 Balance	Fiscal 2005 Charges to Expense	Fiscal 2005 Cash Payment or Asset Write-Down	4/30/05 Balance
Fixed asset write-downs, net of gains	$ --	$ 4,619	$ (4,619)	$ --
Severance and benefit related costs	329	1,700	(1,991)	38
Inventory write-downs	--	2,450	(2,450)	--
Other	174	1,525	(1,699)	--
Total	$ 503	$ 10,294	$ (10,759)	$ 38

(Amounts in thousands)	4/26/03 Balance	Fiscal 2004 Charges to Expense	Fiscal 2004 Cash Payment or Asset Write-Down	4/24/04 Balance
Fixed asset write-downs	$ --	$ 4,256	$ (4,256)	$ --
Severance and benefit related costs	313	1,389	(1,373)	329
Inventory write-downs	--	1,729	(1,729)	--
Other	543	3,067	(3,436)	174
Total	$ 856	$ 10,441	$ (10,794)	$ 503

Note 14: Dispositions/Acquisitions

Discontinued Operations

On April 29, 2005, we completed the sale of our La-Z-Boy Contract operating unit for $11.0 million in cash and a note for $0.7 million. The pre-tax gain recognized on the sale during the fourth quarter of fiscal 2005 was $1.1 million. This disposition qualified for discontinued operations treatment. Accordingly, the consolidated statement of operations for all prior years has been reclassified to reflect the results of operations of this divested business as a discontinued operation. There were no assets or liabilities of discontinued operations reported in the consolidated balance sheet as of April 30, 2005. The assets and liabilities of this operating unit have not been reclassified for fiscal 2004. In the consolidated statement of cash flows, the cash flows of discontinued operations were not reclassified in all periods presented. The operating results for fiscal 2005, 2004 and 2003 of our La-Z-Boy Contract operating unit, which was part of our Upholstery segment, are reported in the following table.

(Amounts in thousands)	4/30/05 (53 Weeks)	4/24/04 (52 Weeks)	4/26/03 (52 Weeks)
Sales	$ 48,718	$ 46,879	$ 47,632
Income (loss) from operations before income taxes	2,142	1,048	(510)
Income tax expense (benefit)	814	398	(194)
Income (loss) from operations	1,328	650	(316)
Gain on disposal of operating unit (net of tax)	$ 668	$ --	$ --

Acquisitions

In fiscal years 2005, 2004 and 2003, we acquired retail operations consisting of 21 stores (eight of which were previously consolidated as VIEs in fiscal 2005), four stores and five stores, respectively. In aggregate, these acquisitions increased our reported net sales by less than 1.0%. Pro forma sales and results of operations are not presented, as they are not materially different from that of our consolidated results of operations as reported.

Note 15: Income Taxes

The primary components of our deferred tax assets and (liabilities) were as follows:

(Amounts in thousands)		4/30/05		4/24/04
Current				
Allowance for doubtful accounts	$	6,782	$	13,375
Warranty		8,004		8,022
Workers' compensation		1,197		3,112
Inventory		(1,722)		(3,548)
State income tax		12,811		14,144
Restructuring		1,821		5,848
Consolidation of variable interest entities		3,170		5,101
Valuation reserve		(12,212)		(12,708)
Other		2,928		(1,959)
Total current net deferred tax assets		22,779		31,387
Noncurrent				
Trade names*		(6,484)		(8,545)
Property, plant and equipment		(10,245)		(15,238)
Deferred and other compensation		12,719		11,436
Pension		1,513		(7,269)
Other		(2,892)		5,979
Total noncurrent net deferred tax liabilities		(5,389)		(13,637)
Net deferred tax asset	$	17,390	$	17,750

*Deferred tax liabilities of $2.4 million and $16.0 million were eliminated in connection with the write-down of trade names for fiscal 2005 and fiscal 2004, respectively.

Our effective tax rate differs from the U.S. federal income tax rate for the following reasons:

(% of pre-tax income)	**4/30/05**	**4/24/04**	**4/26/03**
Statutory tax rate	35.0%	35.0%	35.0%
Increase (reduction) in income taxes resulting from:			
State income taxes, net of federal benefit	4.8	8.0	3.0
Goodwill impairment	--	45.1	--
Dividend from foreign subsidiary	0.5	1.4	--
Non-deductible meals and entertainment	0.7	2.3	0.3
ESOP benefit	(0.7)	(1.8)	(0.3)
Change in valuation allowance	(1.7)	--	--
Foreign tax rate differential	(0.6)	(0.1)	0.2
Miscellaneous items	--	(1.2)	(0.2)
Effective tax rate	38.0%	88.7%	38.0%

At April 30, 2005, and April 24, 2004, we had state net operating losses and credits that, if fully utilized, will result in a tax reduction of approximately $14.7 million and $14.1 million, respectively. Due to the uncertainty of their actual utilization, we have established a valuation reserve of $11.4 million and $12.1 million at April 30, 2005, and April 24, 2004. These state net operating losses and credits expire between fiscal 2006 and fiscal 2025. In addition, at April 30, 2005, and April 24, 2004, respectively. We had foreign net operating losses that, if fully utilized, will result in a tax reduction of approximately $1.1 million and $0.9 million, respectively. Due to the uncertainty of their actual utilization, we have established a valuation reserve of $0.8 million and $0.6 million at April 30, 2005, and April 24, 2004, respectively.

During fiscal 2005 a valuation reserve attributable to a state net operating loss was reversed, resulting in a net tax benefit of $1.0 million. This action was based on recent restructuring efforts that made it more likely than not that the net operating losses will be utilized.

During fiscal 2005 and 2004 we repatriated earnings of a Canadian subsidiary. The related income tax expense was mostly offset by available credits, and we have recorded a deferred tax liability of less than $0.1 million, as we no longer consider such earnings to be permanently reinvested. We expect that our earnings from other foreign subsidiaries will remain permanently reinvested. Consequently, no deferred tax liability has been recorded for these undistributed earnings. The estimate of these permanently reinvested earnings is $4.6 million at April 30, 2005. The potential deferred tax liability attributable to these earnings is not currently estimable.

Income tax expense applicable to continuing operations consists of the following components (for the fiscal years ended):

(Amounts in thousands)		4/30/05	4/24/04	4/26/03
Federal	-current	$ 7,211	$ 26,972	$ 44,706
	-deferred	10,323	(12,131)	4,684
State	-current	2,417	3,671	6,444
	-deferred	(1,199)	(984)	714
Foreign	-current	2,073	1,994	2,142
	-deferred	(541)	(160)	403
Total income tax expense		$ 20,284	$ 19,362	$ 59,093

Income from continuing operations before income taxes consists of the following (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
United States	$ 47,977	$ 15,951	$ 149,036
Foreign	5,402	5,289	6,471
Total	$ 53,379	$ 21,240	$ 155,507

Cash paid for taxes during the fiscal years ended April 30, 2005, April 24, 2004, and April 26, 2003, was $23.7 million, $30.0 million and $60.9 million, respectively.

Note 16: Earnings Per Share

Basic net income per share is computed using the weighted average number of shares outstanding during the period. Diluted net income per share uses the weighted average number of shares outstanding during the period plus the additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Our dilutive potential common shares are for employee stock-related plans described in Note 11. Outstanding share information is as follows (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
Weighted average common shares outstanding (basic)	52,082	53,508	57,120
Effect of options and unvested restricted stock	56	171	315
Weighted average common shares outstanding (diluted)	52,138	53,679	57,435

The weighted average common shares outstanding for diluted earnings per share calculation at April 30, 2005, excludes the incremental effect related to outstanding stock options whose exercise price is in excess of the price of our stock at the end of each fiscal year. These options are excluded due to their antidilutive effect.

Note 17: Segments

Our reportable operating segments are the Upholstery Group segment and the Casegoods Group segment.

The Upholstery Group is comprised of operating units that primarily manufacture and sell to dealers furniture which is mostly or fully covered with fabric, leather or vinyl. Upholstered furniture includes products that function as seating for the home and commercial markets, such as reclining and nonreclining chairs, motion and stationary sofas, loveseats, chaises and ottomans. The operating units included in the Upholstery Group are Bauhaus, Clayton Marcus, England, La-Z-Boy (including retail), La-Z-Boy UK and Sam Moore. The La-Z-Boy Contract operating unit sales and operating results were reclassified to discontinued operations, while there was no reclassification done for depreciation and amortization, capital expenditures and assets in all periods presented.

The Casegoods Group is comprised of operating units that manufacture or import product and sell to dealers products that function as storage, display or table units for the home and commercial markets, such as dining room furniture, bedroom suites, occasional tables, chests, desks, wall units and accent pieces, along with certain coordinating upholstery. These products are mostly made of hardwood or hardwood veneers. The operating units included in the Casegoods Group are American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House.

Our largest customer represents less than 2.8% of each of our segments' sales.

The accounting policies of the operating segments are the same as those described in Note 1. Segment operating income is based on profit or loss from operations before interest expense, other income and income taxes. Identifiable assets are cash and equivalents, notes and accounts receivable, net inventories, net property, plant and equipment, goodwill and trade names. Our unallocated assets include deferred income taxes, corporate assets (including a portion of cash and equivalents), VIEs and various other assets. Substantially all of our long-lived assets were located within the U.S. VIEs are included in Corporate and Other in the table below.

Information used to evaluate segments is as follows (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
Sales			
Upholstery Group	$ 1,554,087	$ 1,500,724	$ 1,542,146
Casegoods Group	455,343	456,090	526,168
VIEs/Eliminations	38,951	(4,817)	(4,116)
Consolidated	2,048,381	1,951,997	2,064,198
Operating income (loss)			
Upholstery Group	98,099	129,327	155,139
Casegoods Group	5,370	2,991	33,180
Restructuring	(10,294)	(10,441)	(1,070)
Intangible write-down	--	(71,943)	--
Corporate and Other	(29,524)	(21,805)	(23,853)
Consolidated	63,651	28,129	163,396
Depreciation and amortization			
Upholstery Group	18,221	18,514	19,115
Casegoods Group	6,732	8,968	9,981
Corporate and Other	3,376	1,630	1,599
Consolidated	28,329	29,112	30,695
Capital expenditures			
Upholstery Group	21,091	22,488	22,871
Casegoods Group	2,930	3,617	6,976
Corporate and Other	10,750	5,488	2,974
Consolidated	34,771	31,593	32,821
Assets			
Upholstery Group	632,978	624,316	617,225
Casegoods Group	230,748	247,816	351,387
Unallocated assets	162,631	168,782	154,454
Consolidated	$ 1,026,357	$ 1,040,914	$ 1,123,066
Sales by country			
United States	93%	93%	93%
Canada and Other	7%	7%	7%
	100%	100%	100%

Note 18: Share Repurchases

We are authorized to repurchase common stock under the repurchase program approved by our Board of Directors. At April 30, 2005, approximately 6.7 million additional shares could be repurchased pursuant to the repurchase program. Our repurchases were as follows (for the fiscal years ended):

(Amounts in thousands)	4/30/05	4/24/04	4/26/03
Shares repurchased	120	3,379	5,491
Cash used for repurchases	$ 2,476	$ 72,509	$ 130,287

Note 19: Related Parties

The Chairman of our Board of Directors is a member of and lead director of the Board of Directors of Culp, Inc. Culp provided 28.4% of the total fabric purchased by us during the fiscal year. The purchases from Culp were at prices comparable to other vendors and under similar terms. Our Chairman has no involvement in our selection or purchase processes related to fabrics.

Note 20: Variable Interest Entities

Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities* ("FIN 46"), which was issued in December 2003, requires the "primary beneficiary" of a VIE to include the VIE's assets, liabilities and operating results in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited-liability corporation, trust or any other legal structure used to conduct activities or hold assets that either (a) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (b) has a group of equity owners that are unable to make significant decisions about its activities, or (c) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

La-Z-Boy Furniture Galleries® stores that are not operated by us are operated by independent dealers. These stores sell La-Z-Boy manufactured product as well as various accessories purchased from approved La-Z-Boy vendors. In some cases we have extended credit beyond normal trade terms to the independent dealers, made direct loans and/or guaranteed certain loans or leases. Most of these independent dealers have sufficient equity to carry out their principal operating activities without subordinated financial support. However, there are certain independent dealers that we have determined may not have sufficient equity. Based on the criteria for consolidation of VIEs, we determined that, as of April 24, 2004, several dealers are VIEs of which, under FIN 46, we are deemed the primary beneficiary. As a result of consolidating several VIEs we recorded a cumulative effect of accounting change of $8.3 million (net of tax of $5.1 million) at the end of fiscal 2004. In fiscal 2005, the VIEs operating losses are recorded in our consolidated statement of operations. During fiscal 2005, we disposed of some of our VIEs by acquisiton or by finding a new independent dealer with sufficient equity to own and operate that market of La-Z-Boy Furniture Galleries® stores. At the end of fiscal 2005, we are left with only three VIEs of which we are deemed the primary beneficiary. Additionally, there are certain independent dealers that qualify as VIEs; however, we are not the primary beneficiary. Our interest in these dealers is comprised of accounts and notes receivable of $20.1 million. In prior years, we have evaluated the collectibility of our trade accounts receivable from our independent dealers and have provided an appropriate reserve relating to the collectibility of our receivables with these dealers or the contingent payout under any guarantees.

Since some of our VIEs have either negative or no equity in their business, we are required to absorb their losses in our consolidated statement of income. During the third quarter of fiscal 2005, one of the equity owners of our VIEs contributed $2.0 million of capital to their business. Current accounting standards required us to record the capital contribution as income in the current period to offset previously recorded losses. During fiscal 2005, we recognized $46 million in sales, net of intercompany eliminations, and a net loss per diluted share of $0.11 resulting from operating results of our consolidated VIEs. The extraordinary gain of $3.4 million ($2.1 million net of income taxes) is a result of the application of purchase accounting relating to the acquisition of previously consolidated VIEs. The VIEs had $10.1 million and $4.4 million of net assets after eliminations of intercompany activity at the end of fiscal 2005 and fiscal 2004, respectively.

Management's Report to our Shareholders

Management's Responsibility for Financial Information

Management of La-Z-Boy Incorporated is responsible for the preparation, integrity and objectivity of La-Z-Boy Incorporated's consolidated financial statements and other financial information contained in this Annual Report to Shareholders. Those consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. In preparing those consolidated financial statements, Management was required to make certain estimates and judgments, which are based upon currently available information and Management's view of current conditions and circumstances.

The Audit Committee of the Board of Directors, which consists solely of independent directors, oversees our process of reporting financial information and the audit of our consolidated financial statements. The Audit Committee stays informed of the financial condition of La-Z-Boy Incorporated and regularly reviews Management's financial policies and procedures, the independence of our independent auditors, our internal control and the objectivity of our financial reporting. Both the independent auditors and the internal auditors have free access to the Audit Committee and meet with the Audit Committee periodically, both with and without Management present.

We have retained PricewaterhouseCoopers LLP, an independent registered public accounting firm, to audit our consolidated financial statements found in this annual report. We have made available to PricewaterhouseCoopers LLP all of our financial records and related data in connection with their audit of our consolidated financial statements.

On September 9, 2004, La-Z-Boy Incorporated's Chief Executive Officer submitted his annual certification to the New York Stock Exchange stating that he was not aware of any violation by the corporation of the Exchange's corporate governance listing standards. La-Z-Boy filed the certifications by its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to its Annual Report on Form 10-K for the fiscal year ended April 30, 2005.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of April 30, 2005.

Management has excluded the La-Z-Boy Furniture Galleries® operations in Pittsburgh, Connecticut and Chicago from its assessment of internal control over financial reporting as of April 30, 2005 because they were acquired in purchase business combinations during the year ending April 30, 2005. These businesses are wholly-owned subsidiaries of the Company. Management has also excluded two other La-Z-Boy Furniture Galleries® operations from our assessment of internal control over financial reporting because we do not have the right or authority to assess the internal controls of the consolidated entity and we also lack the ability, in practice, to make that assessment. These two retail furniture operations were created prior to December 15, 2003, and were consolidated by La-Z-Boy Incorporated on April 24, 2004 upon the adoption of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*. The combined total assets and total revenues of the excluded businesses represent 4% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended April 30, 2005.

PricewaterhouseCoopers LLP, the independent registered public accounting firm who audited the consolidated financial statements included in this annual report, has also audited our management's assessment of the effectiveness of our internal controls over financial reporting as of April 30, 2005, and the effectiveness of our internal control over financial reporting as of April 30, 2005, as stated in their opinion which is included herein.

Kurt L. Darrow
President and Chief Executive Officer

David M. Risley
Senior VP and Chief Financial Officer

PRICEWATERHOUSECOOPERS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of La-Z-Boy Incorporated:

We have completed an integrated audit of La-Z-Boy Incorporated's fiscal 2005 consolidated financial statements and of its internal control over financial reporting as of April 30, 2005 and audits of its fiscal 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of La-Z-Boy Incorporated and its subsidiaries at April 30, 2005 and April 24, 2004, and the results of their operations and their cash flows for each of the three fiscal years in the period ended April 30, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 20 to the consolidated financial statements, on April 24, 2004, the company adopted Financial Accounts Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*. As discussed in Notes 1 and 2 to the consolidated financial statements, the company changed its method of accounting for goodwill and trade names effective April 28, 2002.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of April 30, 2005 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

As described in the accompanying Management's Report on Internal Control over Financial Reporting, management has excluded the La-Z-Boy Furniture Galleries® operations in Pittsburgh, Connecticut and Chicago from its assessment of internal control over financial reporting as of April 30, 2005 because they were acquired in purchase business combinations during the year ending April 30, 2005. These businesses are wholly-owned subsidiaries of the Company. Management has also excluded two other La-Z-Boy Furniture Galleries® operations from its assessment of internal control over financial reporting because the Company does not have the right or authority to assess the internal controls of the consolidated entity and also lacks the ability, in practice, to make that assessment. These two retail furniture operations were created prior to December 15, 2003, and were consolidated by the Company on April 24, 2004 upon the adoption of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*. We have also excluded these five businesses from our audit of internal control over financial reporting. The combined total assets and total revenues of the excluded businesses represent 4% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended April 30, 2005.

PricewaterhouseCoopers LLP

Toledo, OH
June 27, 2005

Consolidated Five-Year Summary of Selected Financial Data

Fiscal Year Ended *(Dollar amounts in thousands, except per share data)*	**4/30/05** (53 weeks)	**4/24/04** (52 weeks)	**4/26/03** (52 weeks)	**4/27/02** (52 weeks)	**4/28/01** (52 weeks)
Sales	$2,048,381	$1,951,997	$2,064,198	$2,101,741	$2,181,441
Cost of sales					
Cost of goods sold	1,572,844	1,509,864	1,578,789	1,624,477	1,732,143
Restructuring	10,294	10,441	1,070	22,187	8,900
Total cost of sales	1,583,138	1,520,305	1,579,859	1,646,664	1,741,043
Gross profit	465,243	431,692	484,339	455,077	440,398
Selling, general and administrative	401,592	331,620	320,943	342,819	316,293
Write-down of intangibles	--	71,943	--	--	--
Loss on divestiture	--	--	--	11,689	--
Operating income	63,651	28,129	163,396	100,569	124,105
Interest expense	10,442	11,253	10,510	10,063	17,960
Other income, net	170	4,364	2,621	2,299	9,210
Income from continuing operations before income taxes	53,379	21,240	155,507	92,805	115,355
Income tax expense	20,284	19,362	59,093	28,690	44,999
Income from continuing operations	33,095	1,878	96,414	64,115	70,356
Income (loss) from discontinued operations (net of tax)	1,996	650	(316)	(2,364)	(2,020)
Extraordinary gains (net of tax)	2,094	--	--	--	--
Cumulative effect of accounting change (net of tax)	--	(8,324)	(59,782)	--	--
Net income (loss)	$ 37,185	$ (5,796)	$ 36,316	$ 61,751	$ 68,336
Diluted weighted average shares outstanding	52,138	53,679	57,435	61,125	60,692
Diluted income from continuing operations per share	$ 0.63	$ 0.04	$ 1.68	$ 1.05	$ 1.16
Diluted net income (loss) per share	$ 0.71	$ (0.11)	$ 0.63	$ 1.01	$ 1.13
Dividends declared per share	$ 0.44	$ 0.40	$ 0.40	$ 0.36	$ 0.35
Book value on year-end shares outstanding	$ 10.10	$ 10.04	$ 11.08	$ 11.90	$ 11.49
Return on average shareholders' equity*	6.3%	0.3%	14.6%	9.1%	10.4%
Gross profit as a percent of sales	22.7%	22.1%	23.5%	21.7%	20.2%
Operating profit as a percent of sales	3.1%	1.4%	7.9%	4.8%	5.7%
Effective tax rate	38.0%	88.7%	38.0%	30.6%	39.0%
Return on sales*	1.6%	0.1%	4.7%	3.1%	3.2%

Depreciation and amortization	$ 28,329	$ 29,112	$ 30,695	$ 43,988	$ 45,697
Capital expenditures	$ 34,771	$ 31,593	$ 32,821	$ 32,966	$ 37,416
Property, plant and equipment, net	$ 210,565	$ 212,739	$ 209,411	$ 205,463	$ 230,341
Working capital	$ 409,641	$ 363,771	$ 464,907	$ 445,850	$ 458,861
Current ratio	2.8 to 1	2.3 to 1	3.2 to 1	3.0 to 1	2.8 to 1
Total assets	$ 1,026,357	$ 1,040,914	$ 1,123,066	$ 1,161,827	$ 1,225,797
Total debt	$ 226,309	$ 224,370	$ 223,990	$ 141,662	$ 215,644
Shareholders' equity	$ 527,286	$ 522,328	$ 609,939	$ 713,522	$ 695,146
Ratio of total debt-to-equity	42.9%	43.0%	36.7%	19.9%	31.0%
Ratio of total debt-to-capital	30.0%	30.0%	26.9%	16.6%	23.7%
Shareholders	26,500	28,500	29,100	33,000	23,600
Employees	14,820	16,125	16,970	17,850	20,400

* Based on income from continuing operations.

Some prior year information has been reclassified in order to be comparable to current year information.

Unaudited Quarterly Financial Information

Quarter ended *(Amounts in thousands, except per share data)*	**7/24/04*** (13 weeks)	**10/23/04*** (13 Weeks)	**1/22/05*** (13 Weeks)	**4/30/05** (14 Weeks)
Sales	$ 455,107	$ 520,760	$ 506,959	$ 565,555
Cost of sales				
Cost of goods sold	351,716	400,834	385,353	434,941
Restructuring	10,400	749	2,252	(3,107)
Total cost of sales	362,116	401,583	387,605	431,834
Gross profit	92,991	119,177	119,354	133,721
Selling, general and administrative	97,045	103,874	99,620	101,053
Operating income (loss)	(4,054)	15,303	19,734	32,668
Interest expense	2,209	2,607	2,684	2,942
Other income (loss), net	373	(354)	273	(122)
Income (loss) from continuing operations before income taxes	(5,890)	12,342	17,323	29,604
Income tax expense (benefit)	(2,238)	4,690	6,583	11,249
Income (loss) from continuing operations	(3,652)	7,652	10,740	18,355
Income from discontinued operations (net of tax)	129	506	352	1,009
Extraordinary gains (net of tax)	--	702	--	1,392
Net income (loss)	$ (3,523)	$ 8,860	$ 11,092	$ 20,756
Diluted weighted average shares outstanding	51,967	52,101	52,193	52,262
Diluted income (loss) from continuing operations per share	$ (0.07)	$ 0.15	$ 0.21	$ 0.35
Diluted net income (loss) per share	$ (0.07)	$ 0.17	$ 0.21	$ 0.40

* Quarterly information has been reclassified for discontinued operations.

Unaudited Quarterly Financial Information

Quarter ended *(Amounts in thousands, except per share data)*	**7/26/03*** (13 Weeks)	**10/25/03*** (13 Weeks)	**1/24/04*** (13 Weeks)	**4/24/04*** (13 Weeks)
Sales	$ 440,530	$ 498,360	$ 480,904	$ 532,203
Cost of sales				
Cost of goods sold	344,031	384,883	374,574	406,376
Restructuring	6,273	1,976	1,244	948
Total cost of sales	350,304	386,859	375,818	407,324
Gross profit	90,226	111,501	105,086	124,879
Selling, general and administrative	78,700	85,211	79,474	88,235
Write-down of intangibles	--	--	--	71,943
Operating income (loss)	11,526	26,290	25,612	(35,299)
Interest expense	3,213	3,026	2,697	2,317
Other income, net	1,270	440	1,273	1,381
Income (loss) from continuing operations before income taxes	9,583	23,704	24,188	(36,235)
Income tax expense (benefit)	3,641	9,008	9,192	(2,479)

Income (loss) from continuing operations	5,942	14,696	14,996	(33,756)
Income (loss) from discontinued operations (net of tax)	(139)	481	283	25
Cumulative effect of accounting change (net of tax)	--	--	--	(8,324)
Net income (loss)	$ 5,803	$ 15,177	$ 15,279	$ (42,055)
Diluted weighted average shares outstanding	54,916	54,339	52,931	52,318
Diluted income (loss) from continuing operations per share	$ 0.11	$ 0.27	$ 0.28	$ (0.65)
Diluted net income (loss) per share	$ 0.11	$ 0.28	$ 0.29	$ (0.80)

* Quarterly information has been reclassified for discontinued operations.

Dividend and Market Information

		Market Price					Market Price		
Fiscal 2005 Quarter Ended	**Dividends Paid**	**High**	**Low**	**Close**	**Fiscal 2004 Quarter Ended**	**Dividends Paid**	**High**	**Low**	**Close**
July 24	$ 0.11	$ 21.97	$ 16.61	$ 16.63	July 26	$ 0.10	$ 23.88	$ 18.25	$ 21.45
Oct. 23	0.11	17.44	12.80	13.42	Oct. 25	0.10	24.75	18.95	19.35
Jan. 22	0.11	15.80	12.75	13.27	Jan. 24	0.10	23.58	18.81	23.46
April 30	0.11	$ 16.40	$ 11.77	$ 11.84	April 24	0.10	$ 23.52	$ 20.86	$ 21.85
	$ 0.44					$ 0.40			

				Market Price				P/E Ratio	
Fiscal Year	**Dividends Paid**	**Dividend Yield**	**Dividend Payout Ratio**	**High**	**Low**	**Close**	**Fiscal Year End Market Value** ***(in Millions)***	**High**	**Low**
2005	$ 0.44	2.8%	62.0%	$ 21.97	$ 11.77	$ 11.84	$ 618	31	17
2004	0.40	1.9%	800.0%*	24.75	18.25	21.85	1,137	495 *	365 *
2003	0.40	1.7%	24.0%	30.25	16.20	18.07	994	18	10
2002	0.36	1.7%	35.6%	30.94	14.70	30.20	1,811	31	15
2001	$ 0.35	2.2%	31.0%	$ 18.50	$ 13.44	$ 18.02	$ 1,090	16	12

*Fiscal 2004 includes a $55.9 million after tax write-down of intangibles, which increases the dividend payout ratio by 736.3 percentage points, the high P/E ratio by 472 and the low P/E ratio by 348.
La-Z-Boy Incorporated common shares are traded on the NYSE and PCX (symbol LZB).
2005, 2004 and 2003 ratios are based on income from continuing operations.

EXHIBIT (21)

LA-Z-BOY INCORPORATED LIST OF SUBSIDIARIES

Subsidiary	**Jurisdiction of Incorporation**
Alexvale Furniture, Inc.	North Carolina
American Furniture Company, Incorporated	Virginia
Bauhaus U.S.A., Inc.	Mississippi
Centurion Furniture plc (d/b/a La-Z-Boy UK)	United Kingdom
Clayton-Marcus Company, Inc.	North Carolina
England, Inc.	Michigan
Kincaid Furniture Company, Incorporated	Delaware
La-Z-Boy Canada Limited	Ontario, Canada
La-Z-Boy Europe B.V. (50%)	The Netherlands
La-Z-Boy Germany GmbH	Germany

La-Z-Boy Global Limited (f/k/a LZB Florida Realty, Inc.)	Michigan
La-Z-Boy Greensboro, Inc. (f/k/a LADD Furniture, Inc.)	North Carolina
La-Z-Boy Import Sourcing, Inc. (f/k/a La-Z-Boy Global Ltd.)	Michigan
La-Z-Boy Logistics, Inc.	Michigan
La-Z-Boy Showcase Shoppes, Inc.	Indiana
La-Z-Boy (Thailand) Ltd. (51%)	Thailand
LADD Contract Sales Corporation	North Carolina
LADD International Sales Corporation	Barbados
LADD Transportation, Inc. (d/b/a La-Z-Boy Transportation)	North Carolina
LZB Carolina Properties, Inc.	Michigan
LZB Finance, Inc.	Michigan
LZB Furniture Galleries of Boston, Inc.	Michigan
LZB Furniture Galleries of Kansas City, Inc.	Michigan
LZB Furniture Galleries of Paramus, Inc.	Michigan
LZB Furniture Galleries of Pittsburgh LLC.	Michigan
LZB Furniture Galleries of Rochester, Inc	Michigan
LZB Furniture Galleries of St. Louis, Inc.	Michigan
LZB Furniture Galleries of Washington D.C., Inc.	Michigan
LZB Properties, Inc.	Michigan
LZB Manufacturing	Michigan
LZB Retail, Inc.	Michigan
Montgomeryville Home Furnishings, Inc.	Pennsylvania
Pennsylvania House, Inc.	North Carolina
St. Clair Insurance Company	Cayman Islands
Sam Moore Furniture Industries, Inc.	Virginia

All other subsidiaries, when considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary and therefore have been omitted from this exhibit.

EXHIBIT (23)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-118167, 33-8996, 33-8997, 333-34155, 333-34157, 333-03097, 033-54743, and 333-95651) of La-Z-Boy Incorporated of our report dated June 27, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10–K. We also consent to the incorporation by reference of our report dated June 27, 2005 relating to the financial statement schedule, which appears in this Form 10–K.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
June 27, 2005

EXHIBIT (31.1)

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER PER
SECTION 302 OF THE SARBANES-OXLEY ACT

I, Kurt L. Darrow, certify that:

1. I have reviewed this annual report on Form 10-K of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: June 27, 2005

/s/ Kurt L. Darrow
Kurt L. Darrow
Chief Executive Officer

EXHIBIT (31.2)

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER PER
SECTION 302 OF THE SARBANES-OXLEY ACT

I, David M. Risley, certify that:

1. I have reviewed this annual report on Form 10-K of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: June 27, 2005

/s/ David M. Risley
David M. Risley
Chief Financial Officer

EXHIBIT (32)

CERTIFICATION OF EXECUTIVE OFFICERS*

Pursuant to 18 U.S.C. section 1350, each of the undersigned officers of La-Z-Boy Incorporated (the "Company") hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the period ended April 30, 2005 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kurt L. Darrow
Kurt L. Darrow
President and Chief Executive Officer
June 27, 2005

/s/ David M. Risley
David M. Risley
Senior Vice President and Chief Financial Officer
June 27, 2005

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. section 1350 and is not being filed as part of the Report or as a separate disclosure document.